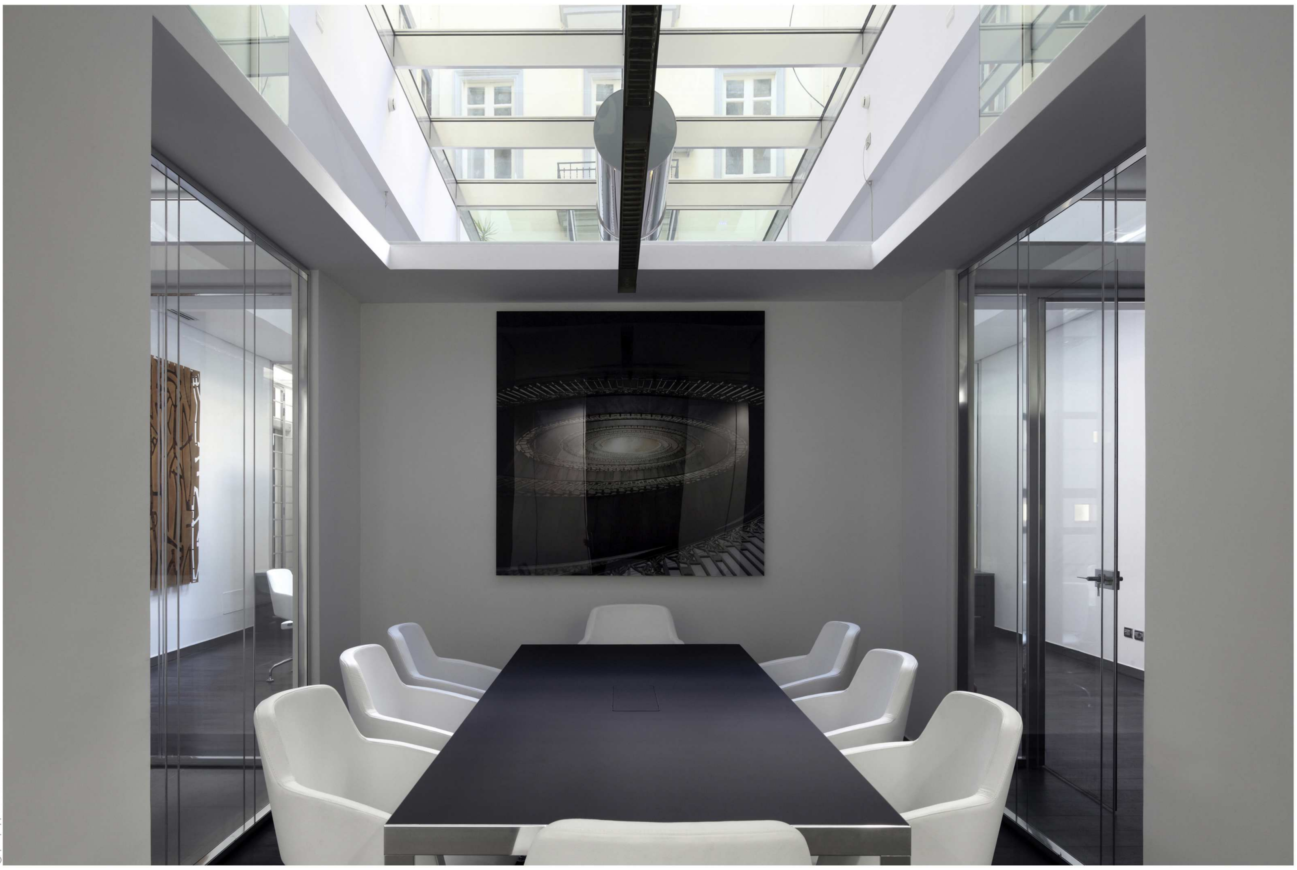
BANCA PROMOS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Financial Statements at 31 December 2014

34° year

Contents

Call of Ordinary Meeting

BANCA PROMOS S.p.A.

Registered Office in Naples, Viale Gramsci 19

Share Capital € 7,740,000.00 fully paid up - Economic and Administrative Index no. 329424

Shareholders are hereby convened at the shareholders' ordinary meeting to be held at Grand Hotel Santa Lucia, Via Partenope 46 in Naples, on first call on 25 March 2015 at 5:30 pm and, if necessary, on second call on 26 March 2015 at 8:00 am, to discuss and vote on the following agenda:

AGENDA

1. Approval of the financial statements at 31 December 2014, Directors' Report on Operations, report of the Board of Statutory Auditors and subsequent resolutions according to law provisions;
2. Appointment of Mr Luigi Gorga as new Member of the Board of Directors pursuant to article 2386 of the Italian Civil Code;
3. Determination of the Board of Directors' remuneration for FY 2015;
4. Remuneration policies;
5. Disclosures on the implementation of remuneration policies;
6. Any other business.

The procedures for attendance at the Shareholders' Meeting are governed by law and the by-laws.

The Chairman of the Board of Directors

Ugo Malasomma

Management and Independent Auditors

Board of Directors

Ugo Malasomma *(Chairman)*

Tiziana Carano (CEO)

Stefano de Stefano

Umberto De Gregorio

Luigi Gorga

Board of Statutory Auditors

Ugo Mangia *(Chairman)*

Settimio Briglia

Sergio Vilone

Independent Auditors

Deloitte & Touche S.p.A.

(Translation from the original issued in Italian)

Financial Highlights

Financial Figures	31/12/2014	31/12/2013
Total assets	**67,228,363**	**67,239,925**
Total loans, of which:	**57,465,351**	**57,831,711**
Loans to customers	36,974,655	32,139,992
Receivables from banks	9,665,112	12,917,096
Financial assets	10,825,584	12,774,623
Total fundraising, of which:	**47,605,869**	**47,499,229**
Payables to banks	6,880,648	6,239,325
Direct fund raising, of which:	40,725,221	41,259,904
Trade payables	*31,896,446*	*32,554,236*
Outstanding securities	*8,828,775*	*8,705,668*

Economic Figures	31/12/2014	31/12/2013
Interest margin	1,395,486	1,159,732
Net commissions	(265,810)	(331,398)
Net profit (loss) from trading	3,782,431	4,248,900
Brokerage margin	**4,912,107**	**5,077,234**
Total costs, of which:	**(4.560.019)**	**(4,865,068)**
Administrative expenses	(3,950,819)	(4,075,087)
Other operating income/expenses	28,609	(26,347)
Net adjustments to receivables	(194,151)	(290,396)
Allocations for liabilities and charges	3,249	(15,000)
Net adjustments to fixed assets	(446,907)	(458,238)
Profits from sales of investments	-	-
Gross result	**352,088**	**212,166**
Taxes	(227,544)	(112,095)
Net result	**124,544**	**100,071**

Structure Data	31/12/2014	31/12/2013
Number of employees at the end of the period	44	41
Number of branches	3	3

Figures per share	31/12/2014	31/12/2013
Number of shares	7,740,000	7,740,000
Net result of financial operations per share	0.61	0.62
Result of ordinary operations per share	0.05	0.03
Net result per share	0.016	0.012
Net equity per share	1.96	1.96

Ratios	31/12/2014	31/12/2013
Overall adjustments to receivables/gross loans (hedging ratio)	3.65%	3.78%
Interest margin/total assets	2.08%	1.72%
Net result of financial operations/total assets	7.02%	7.12%
Interest margin/brokerage margin	28.41%	22.84%
Administrative expenses/brokerage margin	80.43%	80.26%
Profit for the year/total assets	0.19%	0.15%
Profit for the year/net equity (profit excluded)	0.83%	0.66%
Gross non-performing loans/loans to customers	4.35%	4.23%
Net non-performing loans/loans to customers	1.56%	1.22%
Loans to customers/total assets	55.00%	47.80%
Direct fundraising/total assets	60.58%	61.36%
ROE – Return on equity	0.82%	0.66%
ROA – Return on asset	0.52%	0.32%
DPO – Dividend pay out	62.15%	-
Cost to income ratio	88.88%	90.10%

Directors' Report

Dear Shareholders,
your Bank closed the financial year 2014 with a gross profit of €352,088. Net of taxes amounting to €227,544, net profit came to €124,544.
The economic environment and the banking industry in Italy were still affected by many difficulties, although there were signs of recovery.

Before presenting the Directors' Report for 2014, some considerations on the domestic and international macroeconomic scenario are reported below.

The international economy

The still uncertain performance of the global economy in 2014 led to modest growth overall, despite differences across the various regions.
Growth in the U.S. dramatically accelerated in the second half leading to better than expected economic performance, supported by corporate investments and recovery in consumption.
This partly offset the less brilliant performance in the Eurozone, still in the doldrums, the persistent weakness of Japan as well as the disappointing performance of some emerging economies.
China further slowed down, Brazil remained stagnant, burdened by lack of investment, while encouraging signs come from India, which reported a marked GDP increase.
Russia continued its downward trend, affected by the economic sanctions imposed in relation to the Ukrainian crisis, the decline in oil prices and weakness of the rouble.

The diverging macroeconomic conditions during the period led to different approaches to monetary policy across the various regions. In the US, the UK and in the Euro area the respective interest rates were kept low, in many instances hitting historical lows, as is the case for the ECB key refinancing rate which the ECB Chairman, Mr. Draghi brought to 0.05 %.

Conversely, in December the Russian central bank raised interest rates in just one round from 10.5% to 17%, in an attempt to curb the flight of capital and, above all, the depreciation of the rouble, which in one year has lost about 50% of its value against the euro and dollar.

The European Union, which reflects the performance of different economies, was characterized by significant internal differences. Overall, however, stagnation prevailed, which further marked the gap with growth recovery in the US.
According to data available at the time of this report, GDP in the euro area grew by 0.2% in the third quarter of 2014. Among the major economies, France recorded the best performance supported by public and private consumption, compared to Germany and Italy.
Despite internal differences, the unemployment rate remained high overall.

Italy is struggling to recover growth and according to available data, GDP remained slightly negative. Investments appeared hampered by uncertain domestic demand and difficulties in the construction industry and the labour market showed persistent weakness. During the year, however, there were some tentative signs of recovery: a modest increase in consumption and satisfactory levels of foreign trade which supported production. Business confidence improved slightly at the end of the year, especially in the manufacturing sector. In November, according to surveys by the Bank of Italy, industrial activity grew by 0.3% from the previous month.

The capital market was affected by mainly expansive monetary policies. Consequently yields remained low, both for government and corporate bonds, with government bonds from leading issuers (US and Germany, for example) dropping to record lows. For other countries, including Italy, spreads have not yet returned to pre-crisis levels, but, overall, yields stood at historically low levels. In December, for example, the spread between the 10 year benchmark rates in Italy and Germany tended to narrow, averaging about 133 basis points. The above, of course, did not apply to the risk premium on Greek sovereign bonds, which increased markedly.
Nevertheless the market continued to attract investors and the financial system as a whole appeared stable: the main stock exchanges offered positive results despite the events that characterized the performance of stock market indicators throughout the year. Some developing countries, such as Argentina (the best with a 54% increase), China (+ 43%) and India (+ 30%) obtained the best performances compared to more modest growth recorded by Western stock exchanges (US + 13%, Germany + 4%, Italy + 2%).

The banking sector in Italy

The banking industry in Italy continued to record lacklustre performances in 2014 in terms of both funding and loans, a sign that the real economy has not yet fully overcome the crisis and, especially in the second half of the year, the economic cycle weakened. Quite obviously, the general climate was more favorable in the Centre and the North of Italy and specifically, in some of the North Eastern regions.

Funding appeared stable on negative values. An analysis of the various components shows a sharp divergence between short and medium and long term funding: deposits from resident customers recorded a + 3.6% increase yoy, while bonds posted a 13.8% decrease yoy.

Private consumption rose moderately, mainly driven by purchases of durable goods; nevertheless, confidence levels worsened, especially for households, reflecting the uncertainty of the economic situation.

For less pessimistic companies there were glimmers of recovery, despite the lack of demand.

In terms of demand and supply of credit, there was as usual a difference across the various Italian regions, but in all areas the contraction in bank loans to businesses eased off and conditions to access credit almost stopped tightening. In the North there were some signs of expansion, as opposed to stagnation in the Center and South of Italy. Demand from businesses mainly suffered from a decline in demand for investment and the crisis in the construction industry, while the manufacturing sector began to recover.

In addition, after nearly three years of continuous decline, there was a recovery in the demand for home loans. This trend, first observed in the North East, slowly extended to the other regions.

The lingering effects of the crisis continued to affect credit quality and the associated risks. The data for the last months of the year once again showed an increase in non-performing loans and in gross NPLs to loans ratio. Again, there are significant differences depending on production sector (for example manufacturing and service companies recorded an improvement) and company size (the small and medium-sized enterprises suffered the most). The annual increase in gross NPLs was approximately 21%, while the ratio of net non performing loans to total loans rose to 4.67%, year on year.

The situation in Campania

Economic performance in Italy is unevenly distributed, due to the peculiarities of the economic and business fabric of the various regions, and 2014 was no exception in this regard.

On the one hand, Southern Italy is closely related to changes in domestic demand and to the public sector, while on the other, the labour market in this area continued to perform poorly.

Burdened by these elements, the real economy in Campania stalled, albeit with significant differences depending on company size and industry.

Smaller companies suffered most, especially in the construction industry and in the trade sector where the number of employees continued to decline as a result of numerous businesses closing down or going bankrupt. Conversely, some signs of recovery came from larger companies, especially those engaged in industries where the region excels, such as aerospace, agro-food, automotive and fashion.

Households' saving capacity remained low, as demonstrated by data on bank deposits, while the market of home mortgage loans showed some improvement compared to other types of loans and the trend in defaults stopped worsening, after reaching historically high levels.

(Sources: Bank of Italy Regional economies no. 43 and 44, December 2014; Economic Bulletin no. 1, January 2015; ABI: monthly report January 2015)

Banca Promos core operations

Against the economic and financial background just described, your Bank experienced a challenging year and was rewarded by a comforting result at year end.

On the one hand, the bank's efforts focused on recovering volumes and revenues from financial operations. On the other, in line with corporate strategies, the bank strived to expand funding and loans.

Simultaneously, the bank was also actively engaged in initiatives intended to set the stage for the development of new businesses. During the year, the foundations were laid for agreements that for the most part materialized at the beginning of 2015. New business lines were added in cooperation with high standing partners, which will contribute significantly to our commercial development. Results from these initiatives should soon become visible.

In January 2015, a new mandate was given to a network of agents engaged in the lending business nationwide, at the outcome of negotiations started in the second half of 2014. This is one of the initiatives undertaken by the bank to support the branches' efforts to expand their customer base.

In addition, a corporate finance department was set up for managing extraordinary corporate transactions for companies.

Both initiatives are part of the bank's strategic development, which aims at developing activities and services in a structured manner.

In April 2014 the audit carried out by the Bank of Italy in the period November 2013 - February 2014 was completed with the issuance of an official investigation report which did not result in any sanction against the bank.

With respect to trading activities, although the budget targets were achieved, the decline in trading volumes continued: at year end 2014, total trading volumes amounted to just under €23 billion, down 4.67% compared to 31 December 2013. Revenues in the segment decreased by 10.98% to €3,782,429.

The largest decline, given the events occurred in 2013, was recorded in the Naples trading room, with a 51% drop in terms of trading volumes, a 19% drop in terms of profits and 32% in terms of trades completed. The other services of the Finance Area performed much better, with Florence recording higher volumes by 28% and London achieving profits in line with the previous year despite slightly lower trading volumes (-3.15%).

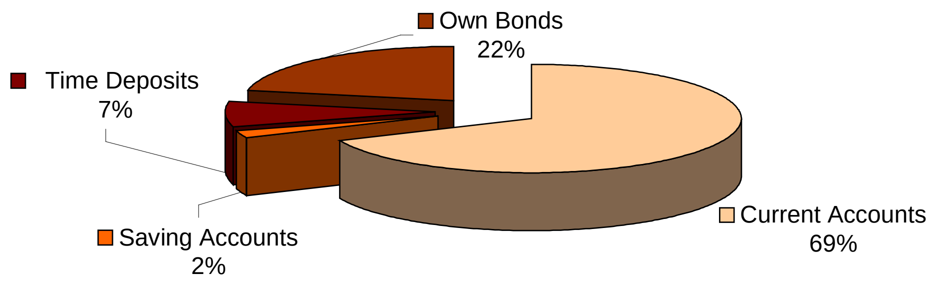
In the banking business, loans to customers increased further, while funding was in line with last year, still performing better than the overall system.
An analysis of average data for the year, however, also outlines a strengthening of direct funding (+ 7.28%) and lending (+ 22%). Overall, as we will explain later, the key indicators for the banking business were positive.

Below is a brief description of the main balance sheet and income statement items; for more detailed information of the individual items please refer to the Notes.

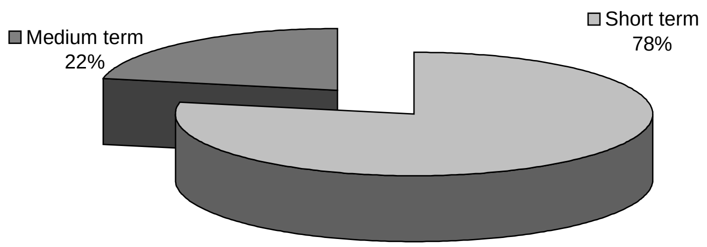
Balance Sheet

Funding
Total funding, items 10, 20 and 30 of liabilities, remained stable at €47,605,869.
Direct deposits from customers amounted to €40,725,221.
Short-term deposits (78%) continued to represent the largest share, compared to medium-term funding (22%), which consisted of bonds issued by the bank.
Current accounts continued to be the prevailing technical form, accounting for 69% of the total.
With regard to deposits from banks, in September the Bank took advantage of the opportunity offered by the ECB TLTRO - Targeted Longer-Term Refinancing Operations - by which the ECB governing council decided to conduct a series of long term refinancing transactions for a period of two years, designed to improve the provision of bank loans to the non-financial private sector. These transactions are part of ECB efforts to increase liquidity and encourage lending to businesses and households. More specifically, Banca Promos obtained the entire credit limit assigned to it, amounting to €1,750,000, in the transaction carried out in September 2014. The remaining portion of item 10 refers to ordinary refinancing transactions.

2014 Fundraising – Technical Form



2014 Fundraising – Duration



Loans

Loans to customers strengthened, growing by 15% compared to 2013 and amounting to €36,974,655.

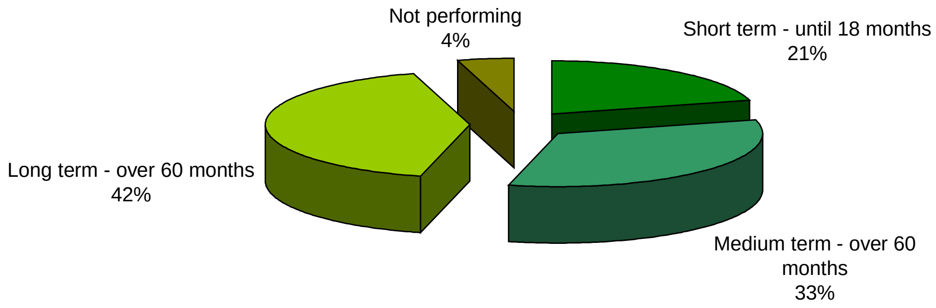
The loan development policy, in line with the bank strategy, mainly focused on the corporate segment. This approach is reflected in the breakdown by business area, where the share relating to corporate loans rose to 58% of the total (52% in 2013) while the consumers share was down to 42% from 47%.

In order to balance risks, there was also a shift to shorter durations, with short-term loans rising to 21% of the total (from 14% in 2013), and long-term loans falling to 42% of the total compared to 48% in 2013.

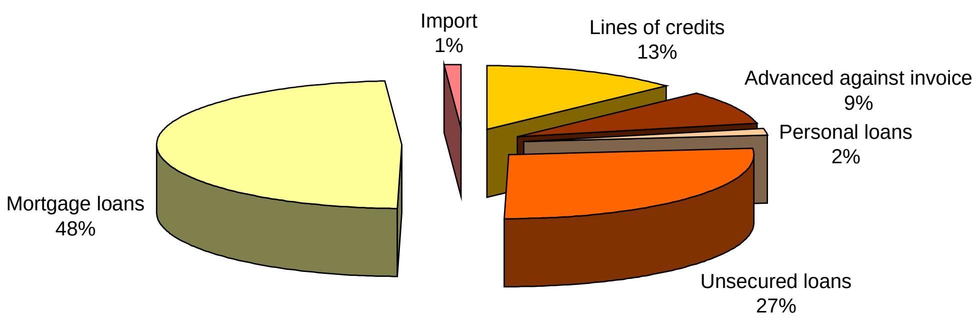
The breakdown by type of loan confirms a substantial balance between loans secured by collateral (mortgage loans totalled 49% of the total) and other technical forms.

In this respect, due to the current economic scenario, in which the most export-oriented and global companies are proving more dynamic and better performing and considering our solid experience in international trade operations, the bank lending activity has been expanded to other technical forms such as import and export financing. A number of companies interested in this type of transactions were identified and, in the second half of the year, the first such transactions were launched.

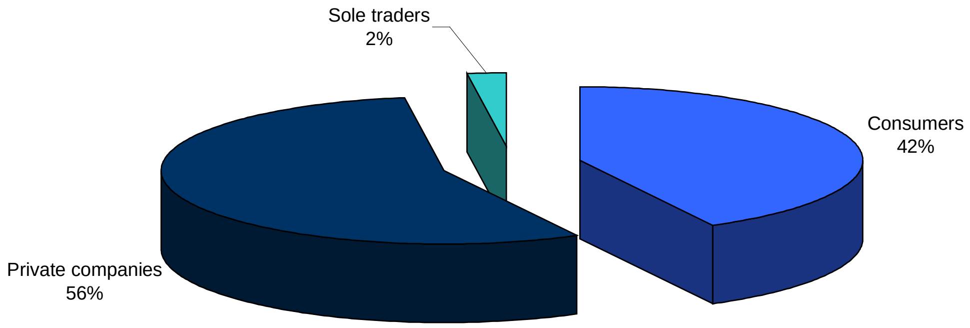
2014 Loans – Duration



2014 Loans – Technical Form



2014 Loans – Business Area



Thanks to a thorough analysis and the efficient monitoring of problem loans, the ratio of gross NPLs to total loans remained stable at 4%.

During the year, loans added to the non performing category amounted to €324 thousand, down compared to 2013. The trend in loans classified as problem and past-due loans during the year resulted in additional loans being classified in such categories for a an amount of €417 thousand.
The impairment losses recorded during the year amounted to €194 thousand, also down compared to 2013. Overall, the impairment losses recognised on total loans amounted to €1,328 thousand, with a coverage ratio of 3.47%. The coverage ratio calculated with reference to impaired loans only, was 32.55%.
The chart below outlines the overall picture of adjustments made to loans.

Loans to customers	Gross exposure	Adjustments	Net value
a) Non-performing	1,534	958	576
b) Problem	1,776	141	1,635
c) Past-due exposures	82	5	77
d) Restructured exposures	-	-	-
Total impaired positions	**3,392**	**1,104**	**2,288**
e) Performing	34,911	224	34,687
Total loans to customers	**38,303**	**1,328**	**36,975**

With reference to performing loans, the Bank carried out appropriate collective impairments, in order to also take into account the risk of loss inherent in loans performing regularly. The Bank not having adequate proprietary time series, these adjustments were made based on the experiences of a group of banks chosen from those most similar to Banca Promos in terms of size, location and type of business.

In particular, we determined the average rate applied by banks in the group for these types of impairment, based on the most recent approved financial statements, which was equal to 0.67%. This percentage was applied to write down the performing portfolio, without further adjustments.

The same procedure was used to determine the write-down percentage rate to be applied to past due/overlimit loans, amounting to 6.223%.

Property, plant and equipment

Property, plant and equipment did not record any significant changes compared to 2013. The slight reduction in item 110 to €6,735,408 is due to depreciation for the period.

Financial assets

Financial assets held for trading, item 20 of the Assets, amounted to €10,825,584 at year end, recording a 15% decrease compared to 2013. This change reflects the different composition of the assets and the expansion of loans to customers, which, as we have seen, were up sharply for the year under review.

At 31 December 2014, the bank's trading book, composed of 25 bonds, showed a total yield at maturity, based on current prices, of 1.64% and a modified duration of 0.810%.

In terms of type of assets, 19.67% of the portfolio consisted of government securities and 80.33% of financial securities. Almost all of these securities consisted of Italian bonds (98.61%), while the remaining share of 1.39% was composed of French bonds.

The market risk of the assets held in the portfolio is measured using the Value at Risk, which estimates the maximum potential loss, calculated using the Monte Carlo method with a confidence interval of 99%, with respect to the market value of the portfolio at 31 December 2014. Over a one month period, the VaR amounted to €98,906 i.e. 0.91% in percentage terms, while over a three month period it amounted to €167,372 (1.55%).

The stress tests carried out on the assumption of a sudden, parallel 100 bps shift in the swap rate curve, either upward or downward, also showed a limited impact in percentage terms on the book's composition and market value. A sudden upward or downward shift in interest rates would result in capital gains of 0.90% (or approximately €97,693) and capital losses of -0.80% (€86,937) respectively of the book's market value

Equity

The share capital was unchanged compared to 2013, consisting of 7,740,000 shares with a nominal value of € 1 each.

At year end, total reserves amounted to €7.334 million, a slight increase compared to 2013. This amount includes €6.388 million from profit allocation and retained earnings, €1.071 million as share premium reserve and €-125 thousand as valuation reserve.

Shareholders' equity at 31 December 2014 amounted to €15.199 million euro.

The Bank applies a conservative policy with respect to profit distribution in order to safeguard assets and in line with the ECB recommendations which, in a statement released in January 2015, asked the banks to apply dividend distribution policies that enable compliance with current capital requirements and also in preparation of the more stringent capital requirements that will go into effect in January 2019, when the Fourth Capital Requirements Directive is fully implemented. Banca Promos is among the banks defined as "fully loaded" within the categories identified by the ECB, i.e. among banks that fulfil capital requirements at 31 December 2014 and have already fully implemented their respective coefficients (mandatory in January 2019).

The table below briefly summarizes the main Basel 3 ratios, with the minimum levels set for 2014 and those for 2019, when the directive is fully implemented, compared to the Bank's ratios. Banca Promos has capital ratios well above the minimum regulatory levels currently in force, and has a wide margin also with respect to the limits that will come into force in January 2019.

	2014	2019	Banca Promos - 2014
Common Equity Tier 1 Capital Ratio	4.00%	7.00% *	34.31%
Leverage Ratio	Non previsto	3.00%	22.21%
Tier 1 Capital Ratio	5.50%	8.50% *	34.31%
Total Capital Ratio	8.00%	10.50% *	34.31%
**Incluso Conservation Buffer*			

The sizeable capital of the Bank adequately covers the overall exposure to credit risk, market risk and operational risk, with a significant surplus that at the balance sheet date amounted to €11.666 million. In any case, maintaining an adequate capital surplus compared to the minimum regulatory capital is subject to constant analysis and monitoring, in actual and prospective terms.

Below is the full table of quantitative information on regulatory capital, contained in Part H of the notes, to which reference is made for complete information.

Items/amounts	Not weighted amounts		Weighted amounts/requirements	
	2014	2013	2014	2013
A. Risk assets				
A.1 Credit and counterparty risk	62,742	59,169	30,738	31,325
1. Standardized approach	62,742	59,169	30,738	31,325
2. Internal ratings based approach	-	-	-	-
2.1 Foundation	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitizations	-	-	-	-
B. Supervisory capital requirements				
B.1 Credit and counterparty risk	-	-	2,459	2,506
B.2 Risk of credit valuation adjustment	-	-	-	-
B.3 Settlement risk	-	-	-	-
B.4 Market Risk	-	-	206	90
1. Standardised approach	-	-	206	90
2. Internal models	-	-	-	-
3. Concentration risk	-	-	-	-
B.5 Operational risk	-	-	882	973
1. Basic approach	-	-	882	973
2. Standardized approach	-	-	-	-
3. Advanced approach	-	-	-	-
B.6 Other calculation elements	-	-	-	-
B.7 Total prudential requirements	-	-	**3,547**	3,569
C. Risk assets and adequacy ratios				
C.1 Risk-weighted assets			44,338	44,613
C.2 Common Equity Tier 1 / Risk-weighted assets (CET 1 capital ratio)			34.31%	33.88%
C.3 Tier 1 capital / Risk-weighted assets (Tier 1 capital ratio)			34.31%	33.88%
C.4 Total own funds / risk-weighted assets (Total capital ratio)			34.31%	33.88%

Income statement

Gross profit for the year stood at €352,088, up 66% compared to 2013. A satisfactory result, which, however, net of taxes that accounted for 65%, significantly decreased to a net profit of €124,544, still 24% better than the previous year.

In this regard, as specified in the *Notes,* the Bank reclassified certain items relating to depreciation which resulted in a difference on 2013 profit for comparative purposes.

Net interest income was up 20.33% to €1,395,486. Interest income especially rose (+ 15.91%) supported by increased loans to customers which generated interest income that was 36% higher compared to last year. The table below shows the changes in the various components of net interest income.

Breakdown of interest	31.12.2014	31.12.2013
Interest income	**2,011**	1,735
On securities portfolio	169	355
On loans to customers	1,792	1,315
On receivables from banks	50	65
Interest expense	**616**	575
On payables to banks	71	49
On payables to central banks	8	19
On customer accounts	214	241
On securities in issue	323	266
Interest margin	**1,395**	1,160

Gross income amounted to €4,912,107, down 3.25%, reflecting strengthened banking services on the one hand, and the continued drop in financial services, on the other. With regard to financial services, net income from trading activities, item 80 of the income statement, decreased by 11% compared to 2013. This trend has already been analyzed in this report, in the previous section on the bank's core business.

In particular, fees and commissions receivable rose by 7.82% and an analysis of this item confirms the development in banking services, with a significant increase in revenues from the collection and payment service (+ 8.4%) and current accounts management (+ 6.55%).

Fees and commissions payable, including variable fees paid to the sales network, reflected the decrease in revenue reduction (-3.84%).

Breakdown of fees and commissions	31.12.2014	31.12.2013
Commission income, of which	**488**	**453**
Trading of financial instruments	7	15
Placing	51	21
Receipt and transmission of orders	16	22
Distribution of third-party products	0	5
Collection and payment services	205	190
Current accounts management	179	168
Guarantees	16	24
Other	14	8
Commissions expense	**-754**	**-784**
Net fees and commissions	**-266**	**-331**

Operating costs recorded a decrease of 4.56%, mainly reflecting the careful management of costs which further curbed other administrative expenses (-7.58%).

Personnel costs, amounting to €2,474,152, were substantially in line with last year. This item includes the cost of professional training, the remuneration paid to directors and members of the board of statutory auditors and the fixed and variable employee remuneration, including trading floor operators.

In the area of remuneration policies, as we know, there are specific supervisory provisions that require, inter alia, the drafting of a specific disclosure, which is separately submitted to the shareholders.

The cash flow statement reported incoming cash flows in line with outflows, generating cash of approximately €168 thousand. Cash and cash equivalents were sufficient to meet funding requirements.

This report opened with a "highlights" section containing a complete picture of financial statements ratios; here we simply highlight some of them, which are representative of the overall company's situation and all of which improved compared to the previous year.

Specifically:

- net profit for the year was 0.19% of total assets, up from 0.15% in 2013;
- the ratio between direct fundraising and total assets was stable at 61%;
- The ratio between loans to customers and total assets rose to 55% from 48%;
- The impact of the interest margin on total assets rose to 2.08% from 1.73% recorded in 2013;

- The impact of interest margin on brokerage margin improved further reaching 28% (from 23% in 2013 and 13% in 2012);
- ROE came to 0.82% from 0.66% in 2013.

Operations

In 2014 both business volumes and revenues strengthened across all banking services.
All operational indicators from this segment recorded significant increases. The changes compared to the previous year were as follows:

- the average number of current accounts in the period increased by 11%;
- total transactions on current accounts were up by 16%;
- the number of transactions at the counter increased by 32%;
- bank transfers grew by 33%: more specifically, transactions via home banking increased significantly (+ 39%); transfers received also increased by 23%;
- transactions involving bank checks, which increased by 4%, recorded more modest growth in line with the trend in the system to restrict the use of this means of payment;
- portfolio activity grew by 50%;
- growth also boosted SEPA Direct Debits, which recorded a significant increase both as debit and credit;
- payment cards in issue increased by 17%, cash withdrawals from the bank ATMs by 55%, overall spending through credit cards by 7%, the number of prepaid cards quadrupled, the number of installed POS terminals was up by 30%.

With respect to ECB TLTRO transactions, the bank fulfilled all organizational and IT requirements for participation and proper execution of such transactions.

During the year, the bank performed an intense organizational activity in view of adjusting to the New Supervisory Provisions contained in the various updates of Bank of Italy Circular 263/2006 and also resulting from ordinary activities to review internal regulations following changes in operational scenarios.

The organizational activities required by the aforementioned Bank of Italy Circular continued; they commenced in 2013 with the definition of the so-called gap analysis, which showed deviations in the business situation compared to new regulatory requirements as well as the necessary adjustment measures. As it may be recalled, regulatory provisions emphasize the need to implement an efficient and effective "Internal audit system" alongside quantitative prudential instruments, in order to better direct the bank's strategic and organizational choices towards increased awareness in the management of business risks.

In 2014 the activities envisaged in the work plans were completed and the various deliverables were submitted to the Board of Directors. Given the operational size and organizational complexity, the nature of its business and the types of services offered by the Bank, a two-pronged approach was adopted in setting up the said "Internal Audit System".

On the one hand, the "Unified Coordination Document" was drafted (alongside the existing "Code of Ethics") with the aim of avoiding both overlaps and gaps in control, while at the same time synergies were generated between the various control functions of the bank, in order to support the achievement of objectives. The document clearly defines the role of the various actors in the internal control process as well as the powers and responsibilities, their attitudes and attention to control and their skills and how they perform their respective activities. It also establishes the flow of information between the various parties involved and coordination and collaboration procedures.

In order to ensure compliance with corporate strategies and mitigate the various types of risk, the Bank adopted additional safeguards.
Specifically, with regard to the risk governance policy, the 15th update of Bank of Italy Circular no. 263 introduced an obligation for banks to define the framework for the determination of risk appetite, setting risk/return targets and consistent operating limits. A specific document, called "RAF - Risk Appetite Framework" fulfils this requirement, by providing guidance on the maximum acceptable risk, on risk targets, on operating limits in normal operating conditions and on procedures and management actions to be implemented to bring back risk within the established targets or limits in the event such limits are breached.

With specific reference to the risk management process, an audit was carried out on existing documents and new documents were adopted as expressly provided for by the Circular. The "risk management process" was thus updated, by supplementing the existing mapping with the new risks envisaged by the Supervisory Provisions along with the organizational measures adopted to deal with them. In addition, the actual process was further developed with a more detailed description of the Risk measurement and Stress Testing steps.

Supervisory regulations also provide for the definition of explicit policies for certain specific areas. Accordingly, the bank has adopted appropriate policies, including the "Policy on the outsourcing of business activities and functions" The regulation requires banks that outsource business functions to supervise the risks arising from this choice and to retain a monitoring ability and assume responsibility of outsourced activities on an ongoing basis, as well as the technical and managerial skills that are essential for re-internalisation, where applicable.

In this perspective, the document in question shows the complex decision making process that underlies the decision to outsource an activity, by identifying an operating protocol in which needs and cost/opportunity and risk/return ratios are analysed and the criteria for selecting and assessing the service provider are defined, in addition to the continuous monitoring to be carried out to effectively control the outsourced functions and manage the risks involved. In this respect, the bank also appointed an internal contact person responsible for relations with the outsourcers.
At the date of closing these financial statements the bank had outsourced the cash management service and the information systems.

Along the same lines, the document "Policies and processes for the assessment of business activities" describes the process in question, with specific reference to accounting and risk management effects.
Given that business activities are assessed on an ongoing basis for both accounting (in the preparation of interim financial statements and the financial statements) and management (for risk management, planning and performance assessment needs) purposes, when preparing the policy the individual business activities were identified and the relevant assessment process was defined, specifying the various methods to be used. At the same time, the document provides precise monitoring and auditing requirements intended to place this process within the broader risk management process.

Finally, a document entitled "Policy and management process for most significant transactions" was also prepared, which is a further safeguard for this type of transactions, to be submitted for prior examination to the Risk Management department. On the one hand, the policy describes the (qualitative and quantitative) criteria for defining the most significant transactions, while on the other, it accurately defines the process for managing this type of transactions.

To complete the documentary framework for the "Internal Audit System" and being aware of the central role the control functions play in the current organization, the bank also adopted a document entitled "Check List", which is designed as a tangible and operational tool to support audit activities. The document, approved by the BoD, consistently gathers and organizes all third-level controls carried out within the Bank, by outlining them through checklists that are broken down by area, thus enabling a targeted methodological approach. Each List contains, inter alia, a description of the risk, the reason for the audits to be carried out and an analytical indication of the tasks to be performed.
During ordinary internal regulations reviews, the various bank offices, assisted by external consultants and experts, where applicable, also carried out the following activities:

- The Credit Regulation was updated, by adjusting some definitions to the requirements of the new supervisory regulations introduced by Bank of Italy Circular No. 285 of 17/12/2013;

- the "Business Continuity Plan" was updated, to adapt it to organizational and technological changes; this document governs the methods used to ensure, where necessary, the continuity of vital business operations and the resumption of activities within a reasonable time;
- a total revision of the bank's "Function Chart" was completed, which took into account the various updates of supervisory regulations and the ten-year experience gained by the bank. After careful analysis, for each operating unit the relevant areas and responsibilities were identified, making sure that the activities carried out were regulated by internal procedures and that the powers were exercised on the basis of specific authority directly or indirectly granted by the Board of Directors. The outcome of this activity was the approval of a shared document that gives a systematic description of the functions performed within the specific unit, in line with the company organizational chart.

As regards the corporate governance, the current Strategic Plan for 2014-2016 together with the 2015 budget represent the planning of the Bank's development strategies, which were developed based on an analysis of the relevant environment, taking into account regulatory changes, organizational choices and the risk profiles associated with the activities carried out. The Plan outlines the strategic objectives for the reference period and sets out the actions to achieve them; it also takes account of certain organizational and strategic indications arising from Bank of Italy's audit and the new internal scenario of the Bank since 2013.

Among the initiatives launched or continued by the bank's IT during the year, the following development activities should be mentioned:

- an IT platform, called Prism, designed as a support tool for the Finance Department activities. Through this application, each trading room operator has visibility of the orders entered by other operators, and receives detailed information on the specific security, the Bank operators who have already traded it and the relevant market makers;
- the first module of a personnel management application which, when fully operational, will optimize the information flow between the individual employees and the personnel department. The module released in the year enables management of the employee master database integrated with other IT systems, both from an accounting and organizational standpoint;
- a web platform for trading on mini-bonds, i.e. bonds issued with specific characteristics and solely intended for institutional investors, which are a new financing tool for companies;
- an automatic system to archive reports from the clearing houses;
- as part of initiatives to improve internal security, the installation of a new XTM firewall for the headquarters and the branches.

Again in 2014 the bank renewed its support to the IPE's Specialization School - "Institute for research and educational activities" engaged in post-graduate training, with a specific focus on economics, finance and management; this reflects the bank's conviction that local talent has to be encouraged and young people must be supported in accessing education, culture and the labour market.

Workforce statistical information

At the end of 2014 the Bank had 44 employees, a net increase of 3 persons compared to the previous year.

27% of the staff worked at the counters of the commercial network, currently consisting of 3 branches, 30% were trading floor operators, while 43% of the staff worked at the Head Office, where, more specifically, 9% were employees in the IT office.

The average age of employees was 40 years, while the average length of service was 8 years. The breakdown by age groups was well balanced: the most numerous age groups are in the 30- 40 and the 40-50 year range, each accounting for 39% of the workforce (with 17 employees for each age group). Workers under the age of 30 were 14%, those older than 50 year were 9%.

The share of female personnel was larger than that of male personnel, accounting for 55% of the total workforce and 60% of the middle manager category.

Turnover	Balances at 01/01/2014	Engagement/ transformation	Resignation/ retirement/ termination/ transformation	Balances at 31/12/2014
Permanent contracts, of which:	**37**	**1**	**0**	**38**
Managers	**0**	0	0	**0**
Middle management	**5**	0	0	**5**
White-collar personnel	**31**	1	0	**32**
Blue-collar personnel	**1**	0	0	**1**
Temporary contracts, of which:	**4**	**5**	**3**	**6**
White-collar personnel	**2**	5	2	**5**
Blue-collar personnel	**2**	0	1	**1**
TOTAL	**41**	**6**	**3**	**44**

Breakdown	Managers	Middle management	White-collar personnel	Blue-collar personnel	Totals
Men	**0**	**2**	**17**	**1**	**20**
Women	**0**	**3**	**20**	**1**	**24**
Average age	0	50	39	41	40
Average length of service	0	9	8	8	8
Permanent contracts	0	5	32	1	38
Temporary contracts	0	0	5	1	6
Apprenticeship contracts	0	0	0	0	0
Qualification – University	0	3	27	0	30
Qualification – High School	0	2	9	0	11
Qualification – Middle School	0	0	1	2	3

Related parties

The bank identifies the parties who are classified as related parties pursuant to IAS provisions. Transactions with these parties were regularly performed during the year and were carried out on an arm's length basis. In compliance with applicable regulations, Part H of the Notes provides the relevant details, as well as the information required by regulations on relations with the Bank's directors and statutory auditors.

In addition, at 31 December 2014 Banca Promos held no equity investments.

Disclosures required by Banca d'Italia /Consob/Isvap documents no.2 of 6 February 2009 and no. 4 of March 2010

The documents jointly issued in 2009 and 2010 by Banca d'Italia, Consob and ISVAP instruct Directors to supplement the financial statements with adequate information detailing the impact of the crisis on the company.

While in the notes and in other sections of this report the subjects in question are described in detail, a summary is provided below of the information required which may have a material impact on the bank.

Going concern assumption

In 2014 the Bank reported a year end profit in line with forecasts, and the financial statements presented herein were drawn up on a going concern basis taking into account all the assets and liabilities of the company.

The resulting financial and operating indicators are positive and confirm the choice of drafting the financial statements on a going concern basis and constitute grounds for stating that the bank will continue operating for the foreseeable future. Indeed, the historical and current financial statements and the budgets included in the strategic business plans show positive cash flows and operating profits. Moreover, the funding available is adequate to cover current and future needs.

Financial risks

Part E of the notes contains qualitative and quantitative information on key risks, including of a financial nature, to which the Bank is normally exposed, i.e. credit risk, market risk and liquidity risk. This report also provides additional information on risks.

Impairment tests

The Directors carefully assessed all Assets reported in the financial statements and did not identify any impairment of said assets.

Uncertainties associated with the use of estimates

Loans to customers were evaluated according to the policies laid down in the Credit Regulations in force. In this segment, therefore, the uncertainty is that inherent in the system and the current economic situation.

Financial assets are carried at fair value. The methods for measuring fair value are detailed in the document "Policies and processes for the evaluation of corporate assets" that aims to describe the evaluation process and its accounting impact, and are described in the notes - Part A Accounting Policies of this Annual Report.

Fair value hierarchy

The above mentioned document "Policies and processes for the evaluation of corporate assets" was also prepared in accordance with IFRS 13, which regulates the "fair value hierarchy" for the purpose of identifying the different fair value levels. These fair value measurement and classification methods are described in the Notes - Part A Accounting Policies of this Annual Report.

Other information

Dear Shareholders, Additional information is provided below regarding your bank's activities. At the close of FY 2014:

- the bank did not, either directly or indirectly, hold treasury shares in the portfolio and no treasury shares were sold or purchased during the year;
- the bank was not and is not a member of any banking group;
- the bank did not carry out research and development;
- the Supervisory Body established pursuant to Legislative Decree 231 carried out its activity in accordance with the annual plan prepared by the body itself;
- the "Business Continuity Plan"—drawn up to ensure continuity of vital business operations and the resumption of normal operations within a reasonable time—was updated according to the events that occurred during the period.

Internal Audit System

The bank attaches strategic importance to the internal audit system and seeks to spread a culture of control at all levels of the organization, being aware that such a culture should permeate the entire company and not just the control departments.

The internal audit system, in line with the supervisory provisions in force, is structured according to principles that ensure sound and prudent management; it consists of rules, procedures and organizational structures that on the one hand aim to ensure compliance with corporate strategies and, on the other, enable us to achieve the following goals:

- containing risk within the limits set in the *Risk Appetite Framework -RAF* which is the frame of reference for defining the risk appetite of the bank.
- Effectiveness and efficiency of business processes (administration, production, distribution, etc.);
- Safeguarding of assets and protection against losses;
- reliability and integrity of business information and IT procedures;
- Compliance of operations with the law and supervisory regulations as well as with company policies and internal regulations and procedures.

In addition, the internal audit system aims to prevent the risk that the bank is involved, albeit involuntarily, in illegal activities, such as those related to money laundering, usury and the financing of terrorism.

Under this "System", the internal control process is ensured by different departments and units, set up in three different levels:

- first level controls, carried out by operational managers;
- second-level controls, carried out by the Risk Management, Compliance and Anti-Money Laundering functions;
- third-level control, under the responsibility of Internal Audit.

Audit activities performed

During the year, both second-level control functions and Internal Audit carried out audit activities.

More specifically, Risk Management carried out quarterly checks on the exposure to the following risks in terms of capital requirements:

- Pillar I risks *(credit risk, market* risk and *operational risks),* for which the Bank adopted quantitative measurement techniques defined by regulation (standard methodologies);
- Pillar II "measurable" risks (*concentration and interest rate risks*), for which the Bank adopted simplified quantitative measurement methods as provided for by Supervisory regulations.

In addition, quantitative analyses were also carried out on *liquidity risk,* albeit no capital requirement is yet associated with this risk.

The aforementioned activities were performed both in normal conditions and in stress situations.

In addition, Risk Management prepared the ICAAP Report at 31 December 2014; for the details please see the paragraph "ICAAP process and Capital Adequacy".

The Compliance function, in addition to participating in drafting the documents required by Supervisory regulations on the "Internal Audit System" described in the previous sections of this report, also carried out controls on the following areas:

- *Adequacy and effectiveness of business processes and procedures*
- *Consulting, assistance and training*
- *Conflict of interest*
- *Complaints*

The Anti-Money Laundering function carried out an ongoing control activity to prevent and counter money laundering and terrorist financing transactions.

On the one hand, ongoing checks were carried out to ensure that business procedures were consistent with the objective of preventing and countering breaches of hetero-regulations (laws and regulations) and self-regulations on money-laundering and terrorist financing; on the other, compliance of the bank staff with internal procedures and all legal requirements was verified, with specific focus on "active cooperation" and the ongoing analysis of customer operations.

More specifically, the checks carried out were intended to verify compliance with the following obligations:

- *Customer due diligence*
- *Recording and storage of information on accounts and transactions*
- *Detection, measurement and reporting of suspicious transactions*
- *Restrictions on the use of cash and bearer securities*

Finally, Internal Audit carried out both periodic monitoring activities and audits covering specific areas.

Periodic audit activities regarded the banking and financial sectors. With reference to the banking sector, audits were carried out on money laundering, transparency of banking transactions and services, cash management and related cash transactions. With reference to the financial sector, the audits concerned various investment services provided by the Bank (trading on own account, execution of customers' orders, receipt and transmission of orders, placement of financial instruments).

These audit activities, conducted on a process basis, were also carried out through on-site checks at the Branches.

During the year, 8 ordinary audits were carried out at the branches, alongside a routine inspection at the Office of the financial advisors in Florence.

Specific audits were conducted regarding the ICAAP process, the Business Continuity Plan, the liquidity management process, the remuneration policies, the management of related-party transactions, and the management of equity investments in non-financial companies. Moreover, an inspection was carried out at the service company to which the cash management service has been outsourced and, in accordance with the provisions of the legislation in force, the adequacy and effectiveness of the Compliance function and the Anti-money laundering function were assessed.

The checks carried out revealed no significant irregularities in the areas subject to control and confirmed the adequacy of the internal audit system put in place by the bank.

Risk management

Risk management is one of the major areas on which the bank focuses its attention, since it is well aware that the development of adequate control measures in the various identified risk areas is the best guarantee of sound and prudent management.

Section E of the Notes summarises the information on risks and the related hedging policies. However, it is worth noting that the "risk management process" has been defined several years ago in a specific document that describes the specific activities involved, namely:

1. Risk mapping

2. Protective measures
3. Risk measurement
4. Stress testing
5. Risk estimate
6. Risk assessment and corrective measures
7. Risk monitoring and reporting

Risk mapping

Through Risk mapping, the Bank has identified the risks to which it is exposed. Based on the knowledge of the Bank's organisation, the market in which it operates, the regulatory framework, as well as the strategic and operational objectives and the related threats and opportunities, all the risks associated with providing both banking and financial services were identified, i.e.:

- *Credit risk* (counterparty included)
- *Market risk* (associated with proprietary trading)
  - Position risk
  - Settlement risk
  - Concentration risk
  - Exchange rate risk
- *Market risk* (associated with trading on behalf of third parties)
  - Settlement risk
  - Concentration risk
  - Counterparty risk
- *Operational risk*
  - Legal risk
  - Organizational risk
  - Risk linked to human resources
  - IT risk
  - Risk related to external events
- *Concentration risk*
- *Interest rate risk*
- *Liquidity risk*
- *Risk of conflict of interest with respect to "Connected Persons"*
- *Risk associated with equity investments*
- *Country risk*
- *Risk of excessive leverage*
- *Residual risk*
- *Strategic risk*
- *Reputational risk*

Protective measures

Protective measures refer to the process of selecting and implementing the tools necessary to control, mitigate and, where possible, eliminate and/or transfer risks.

For each significant identified risk, the Bank has put in place related mitigating measures, in order to contain exposure to risk within the limits that meet sound and prudent management criteria.

Risk measurement

This activity is intended to measure or, in the case of risks that are difficult to quantify, evaluate the Bank's exposure to all significant risks identified.

The measurement/evaluation methods adopted by the Bank for each risk and the associated capital requirement, where applicable, comply with the provisions laid down by the Supervisory regulations for banks in Class 3.

Stress testing

This activity consists in carrying out stress tests designed to better assess the Bank's exposure to risks, the risk mitigating and monitoring systems and, where necessary, the Internal Capital adequacy.

Stress tests consist in quantitative and qualitative techniques by which we evaluate the Bank's vulnerability to exceptional but plausible events; this is made by assessing the effects on the Bank's risk of specific events (sensitivity analysis) or of concurrent changes in a set of economic and financial variables in the event of adverse scenarios (scenario analysis).

Risk estimate

The estimate of risks requires a number of preliminary tasks: first, an analysis of each risk is performed in order to define those factors in the operating business, "Typical Events", which, as they may cause losses, represent a "threat" to the Bank.

Once the "Typical Events" have been identified, an estimate is made taking into account the corrective measures already in place, in order to identify the risks to which the Bank appears to be most exposed.

The estimation process is based on two elements: the probability of the "Typical Events" occurring and their possible impact. To this end, specific qualitative scales (low/medium/high) were used to evaluate both the likelihood and the impact.

In particular, for probability, we consider the likelihood of a given event occurring, i.e. the relative frequency represented by the number of times the event may occur in a given time horizon; for the impact, we consider the consequences arising from the occurrence of the risk.

Risk assessment and corrective measures

The risk assessment step is of crucial importance to preserve the Bank's asset and financial integrity and to implement corporate strategies.

This assessment is based on the analysis of the so-called "Probability - Impact - Matrix" which is set for each probability/impact pair associated with each "Typical Event" obtained from the previous estimate.

A score, in terms of significance, is subsequently assigned, allowing for a comparison of the estimated risks, by establishing their relative importance and identifying the most relevant ones.

Each score assesses a risk exposure through qualitative scales (low/medium/high), enabling the definition of risk acceptance levels, and consequently, the corrective measures to be taken, if any.

Risk monitoring and reporting

Monitoring aims to determine, for each significant risk identified, on the one hand, the effectiveness of the protective measures adopted by the Bank and, on the other, the long-term appropriateness of the limits set.

Thereafter, reporting activities are performed that describe the results of the checks carried out.

A control structure is in place to this end which defines:

- those responsible for conducting the audits (first, second and third level controls);
- object and frequency of controls;
- control methods and tools;
- recipients of information flows.

Audit activities are carried out in such a manner that integrated controls are performed and differently organized according to the various levels within the Bank, in order to prevent multiple audits of operating units.

Any detected anomalies must be reported to the relevant Corporate Bodies along with any corrective actions to be undertaken.

The ICAAP process and Capital Adequacy

As is known, the provisions on the prudential supervision of banks (Circular of Banca d'Italia no. 263 of 27 December 2006 as amended and supplemented), require the Bank to prepare the "ICAAP Report " at 31 December 2014, which was timely drawn up by the Bank.

The document is a comprehensive, documented assessment of the key features of the internal process used by the Bank to determine capital adequacy, the overall exposure to banking and financial risks, as well as any capital deemed adequate to cope with those risks, both from a current and prospective standpoint, and both in normal conditions and in stress situations, the so-called "Total internal capital".

In preparing the above Report, all risks, both "measurable" and "non-measurable", identified as a result of the mapping activity, were taken into account.

In order to determine the "internal capital" in relation to each of the "measurable" risks, the Bank measured its exposure to them. In this sense, as provided for banks belonging to Class 3 and in accordance with the principle of proportionality, the following techniques were deemed most appropriate and, therefore used as a reference:

- for Pillar I risks (*credit, market and operating risks*), the quantitative measurement techniques as provided for by regulations for capital requirements calculations, making use of the standardized approach;
- For Pillar II "measurable" risks (*concentration and interest rate risks*), the simplified quantitative measurement methods as provided for by the Supervisory regulations.

With regard to *liquidity risk*, although it does not require additional capital for the time being, for the purpose of its estimate the Bank has adopted the guidelines laid down by the Supervisory regulations, on the basis of which it has established specific measurement and control procedures and systems.

With reference to *market risk related to trading on behalf of third parties*, although no specific capital requirement is envisaged, the Bank uses special IT tools through which it can evaluate the exposure in question at all times.

With reference to excessive leverage risk, its quantitative assessment is carried out through the "leverage ratio" indicator, which is the ratio between Tier 1 and total unweighted assets, the value of which is disclosed to the Supervisory Authority as part of the "Base Y" disclosure.

In parallel, with reference to the other "non-measurable" risks (*Strategic, reputational and residual risks*), which are difficult to quantify due to their intrinsic characteristics, the estimate of the bank's exposure is based on subjective assessments carried out on the basis of mainly qualitative methods defined in relation to the nature of each risk.

The assessment of the risk of conflict of interest with respect to "Connected Persons", the risk associated with the acquisition of equity investments and country risk is performed by checking the effectiveness of the relevant protective measures put in place by the Bank.

To better assess its capital adequacy, the Bank has carried out stress tests that consist of testing the effects of specific events on the risks to which it is exposed. The Bank therefore performed sensitivity analyses aimed at verifying the impact on the bank's balance sheet of "extreme", yet plausible, changes in the following risks (individually assessed):

- Credit
- Concentration
- Interest rate
- Liquidity

- Regulatory capital
- Leverage Ratio

The approach defined allows for an assessment of both the impact of predefined stress tests, based on standard methodological practices, and of customised tests, based on portfolio characteristics or the economic situation.

Consistent with the Supervisory regulations, we calculated the internal capital against Pillar I risks and Pillar II measurable risks which require capital for regulatory purposes. These values were used as the starting point for defining the "Total Internal Capital", by applying a building blocks approach, consisting of an algebraic sum of the internal capital related to each type of risk.

Finally, the connection was made between the Bank's Regulatory Capital and the different types of "total internal capital" (relating to actual and budgeted data, stressed and non-stressed data), in order to verify its adequacy.

The results of this analysis showed that, under all tested conditions, despite the required increase in capital resulting from calculation on actual data in a stress situation and prospective data in both normal and stress conditions, the Bank's capital is such as to guarantee a significant capital surplus.

Public disclosure

According to the above-mentioned Memorandum 263/2006 of Banca d'Italia, capital adequacy, risk exposure and the general features of the systems used to identify, measure and manage those risks are to be disclosed (i.e. Pillar III).

The document, available to the public on the Bank's website (www.bancapromos.it), provides information on the level of business risk, the methods used by the bank to quantify and manage its risks, in relation to the size of existing and future capital resources.

Events subsequent to 31 December 2014

After the reporting period ended 31 December 2014, the bank established a distribution agreement with Albaleasing, one of the major leasing companies operating in Italy, which, set up in 2010 on the initiative of some of the major Italian Banche Popolari, currently has more than 23,000 clients throughout Italy.

In parallel the Bank engaged the agency Panafin srl, a company registered in the list of financial agents held by the Agents and Brokers Body - OAM, to promote and sell products and services directly offered by Banca Promos or marketed on the basis of appropriate agreements, thus providing a significant contribution to our commercial development.

These initiatives fall within the activities undertaken to support the expansion of the branches' customer base and are a valuable opportunity to build up our network.

In this regard, a new Head of the Commercial Area was added to the Bank staff. In line with the strategic policies outlined in the forecast plans, this person shall coordinate the activities of the assigned area with the objective of promoting the development of business with banking customers.

Business outlook

According to data observed in the early days of the year, the turnaround in the last quarter of last year seems to be confirmed. Accordingly, the Bank currently believes that the targets set in the 2015 budget can be confirmed.

Proposed allocation of profit

Dear Shareholders, the Board of Directors submits the financial statements for 2014 for your approval, together with the attached reports of the Independent Auditors, Deloitte & Touche SpA, and the Statutory Auditors' report.

The Board of Directors also proposes to allocate the profit for the reporting period in part to the Legal Reserve and in part as dividends to shareholders, carrying forward the remaining part. In this regard, as explained above when analysing the various capital components, the Bank has taken into account the recommendation recently issued by the ECB Banking Supervision, about prudence in dividend distribution policies.

Therefore, the Shareholders' Meeting, after acknowledging the Balance Sheet, Income Statement, Statement of Comprehensive Income, statements of changes in Shareholders' Equity, Cash Flow Statement and the Notes, as well as the Directors' Report, the Report of the Board of Statutory Auditors and the Report of the Auditing Firm, shall resolve upon the following:

a) approval of the 2014 Financial Statements, showing a net profit of €124,544;

b) allocation of the profit for the year as follows:

- €6,227 to the Legal Reserve;
- €77,400, i.e. € 0.01 per share as dividend to the shareholders;
- the residual €40,917 to be carried forward.

Acknowledgements

We salute the director Federico Cosentino who resigned during the year and thank him for the work performed.

Accordingly, in November the Board of Directors approved the co-option of Luigi Gorga, whose appointment shall be separately discussed during the shareholders' meeting.

Mr. Gorga has an in-depth knowledge of the area and a solid background with over thirty years of experience in primary Italian banking groups and local institutions, where he occupied leadership roles. Convinced that his personal qualities and professional expertise will provide a valuable contribution to our Bank, we extend our best wishes to the new director for his future activity and we hope this is the beginning of a fruitful and lasting collaboration.

As usual, we would like to extend our special thanks to all our Shareholders for their support and the confidence they place on us year after year.

We also thank our customers who are becoming more numerous and loyal, showing strong attachment to the bank and its values.

We also thank the Board of Statutory Auditors, the independent auditors and the Supervisory Body for the timely control activities carried out in an atmosphere of constructive cooperation.

Finally, we would like to express special appreciation to our staff, all our employees and collaborators, whom we thank for their work and dedication which are vital for the achievement of the Bank's results.

The Board of Directors

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BOARD OF STATUTORY AUDITORS' REPORT

TO THE SHAREHOLDERS' MEETING PURSUANT TO ARTICLE 2429, PARAGRAPH 2, ITALIAN CIVIL CODE

To the Shareholders of the Company Banca Promos Spa:

During the FY closed on 31 December 2014, our activity was based upon the regulations contained in the law provisions and in the Code of Ethics of the Board of Statutory Auditors as issued by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (National Accounting Boards).

Supervisory Activity

- We supervised compliance with the law and the corporate by-laws as well as with the principles of correct administration.
- We participated in the Shareholders' Meetings and in the meetings of the Board of Directors, and in this regard, according to the information available, we found no infringements of either the law or the corporate by-laws, or transactions deemed to be careless or unwarrantedly risky, in potential conflict of interests or such as to endanger the share capital of the company.
- During our meetings, we obtained information from the Directors concerning the company's performance and the foreseeable business outlook as well as the most significant transactions, in terms of size or characteristics, carried out by the company, and, on the basis of the information acquired we have no specific observation to make.
- We have met the entity in charge of audit (Deloitte & Touche), and no significant data or information has emerged that need be illustrated in this report.
- We have met the person in charge of internal audit, and no significant data or information has emerged that need be illustrated in this report.
- We have met the Supervisory Body and no critical issues have emerged with regard to the proper implementation of the organizational model that need be mentioned in this report.
- As far as we were concerned, we gained information about, and performed monitoring activities on, the suitability and the operation of the organisational structure of the company,

also by collecting information from the relevant company officials and, in this regard, we do not have any noteworthy observations to submit.

- Furthermore, as far as we were concerned, we gained information about and monitored the suitability and the operation of the management and accounting systems, as well as the reliability of the latter in terms of correctly reporting the information concerning the operations of the company, by obtaining information from the relevant company officials, the body in charge of audit and examining the company's documents; we do not have any noteworthy observations to submit in this regard.
- We have performed specific inspections and controls, and, on the basis of the information obtained, we found no infringements of the law, corporate by-laws or principles of proper administration or wrongful acts or irregularities.
- We monitored compliance with "Data Protection" and "'Money Laundering" regulations.

We received no claims pursuant to article 2408 of the Italian Civil Code.

In the course of our monitoring activities, as described above, no other significant facts arose requiring a mention in this report.

Financial Statements

We examined the draft financial statements closed at 31/12/2014, which were made available to us according to the provisions of article 2429 of the Italian Civil Code, regarding which we provide the information below.

As detailed in the Notes, the Bank changed the comparative data as at 31/12/2013 in order to correctly measure the annual depreciation charge on the property acquired from the merger of Im.Pa S.r.l. into Banca Promos. .

The financial statements are summarized as follows (amounts in euro):

BALANCE SHEET

Total Assets		***67,228,363***
Total Liabilities *of which*	**67,228,363**	
- Shareholders' equity	15,198,540	
- Employee severance indemnity	871,976	
- Payables	51,139,831	
- Provisions for liabilities and charges	18,016	
Profit (loss) for the year	**124,544**	

INCOME STATEMENT

Interest margin	1,395,486
Net fees and commissions	(265,810)
Brokerage margin	4,912,107
Net result of financial operations	4,717,956
Operating costs	(4,365,868)
Profit before taxes	352,088
Taxes for the year	(227,544)
Profit (loss) for the year	**124,544**

The Board of Statutory Auditors acknowledges that during the year the Directors have prepared the semi-annual and quarterly reports, which were also examined by the said Board; during the year the Board of Statutory Auditors periodically monitored the Bank's accounts and the branches' budgets, as well as the performance of operations by analysing the evolution over time of funding and lending, and the level of average rates and key performance indicators.

The Board received no complaints as per article 2408 of the Italian Civil Code or complaints of any other nature.

The Directors' Report and the Notes provide a detailed disclosure on the events occurred in 2014 and those occurred after year end.

Of special note was the positive outcome in April 2014 of the audit carried out by the Bank of Italy in the period November 2013 - February 2014, which did not result in any sanction against the bank.

Since it was not our task to audit the financial statements, we have monitored the overall approach applied to them, their overall compliance with the law in terms of their composition and structure, and in this regard we do not have any noteworthy remarks to submit.

We have verified compliance with the legal regulations regarding the drafting of the Directors' Report and, in this regard, we do not have any noteworthy observations to submit.

To the best of our knowledge, Directors made no exceptions to the legal provisions in drafting the financial statements, in accordance with Article 2423, paragraph 4 of the Italian Civil Code.

With regard to the distribution of profits, the bank has consistently adopted a prudent policy over the years in order to safeguard assets and comply with the recent recommendations by the ECB, which, in a statement of 29/01/2015, recommended banks to adopt more careful dividend distribution policies to strengthen the safety and soundness of the banking system in the euro area.

Conclusions

Also considering the audit's results included in the independent auditors' report submitted to us within the legal time limit, along with the annual confirmation of their independence and the communication of the services other than auditing they have provided, pursuant to art. 17, paragraph 9, letter a), of Legislative Decree 239/2010, the Board of Statutory Auditors expresses a favourable opinion with regard to the approval of the financial statements for the year ended 31/12/2014, the Directors' Report and the proposed allocation of profit for the year.

Naples 09 March 2015

Il Collegio Sindacale
Dr. Ugo Mangia --------------------
Rag. Settimio Briglia --------------------
Dr Sergio Vilone --------------------

Financial Statements at 31 December 2014

Translation from the Italian original which remains the definitive version. The Financial Statements are the English translations of the Italian Financial Statements prepared for and used in Italy. The Financial Statements were prepared using International Financial reporting Standards (IAS/IFRS); therefore they are not intended to present the financial position and results of operations and cashflows in accordance with accounting principles and practices other than IAS/IFRS"

Balance Sheet

(In Euros)

Assets	31/12/14		31/12/13	
10. Cash and cash equivalents		751,331		582,677
20. Financial assets held for trading		10,825,584		12,774,623
30. Financial assets valued at fair value		-		-
40. Available-for-sale financial assets		-		-
50. Held-to-maturity financial assets		-		-
60. Loans and advances to banks		9,665,112		12,917,096
70. Loans and advances to customers		36,974,655		32,139,992
80. Hedging derivatives		-		-
90. Adjustments for changes in the value of hedged financial assets (+/-)		-		-
100. Equity Investments		-		-
110. Property, plant and equipment		6,735,408		7,109,251
120. Intangible assets, of which:		33,106		40,131
- goodwill	-		-	
130. Tax assets		533,177		691,397
a) current	*280,456*		*448,911*	
b) deferred	*252,721*		*242,486*	
- as per Law no. 214/2011	*201,438*		*196,232*	
140. Non-current assets and disposal groups held for sale		-		-
150. Other assets		1,709,990		984,758
Total assets		**67,228,363**		**67,239,925**

The comparative figures at 31/12/2013 have been restated as required by IAS 8, in order to make appropriate adjustments as described in Part A - Section 4 - Other Aspects of the Notes.

Liabilities and equity	31/12/14		31/12/13	
10. Deposits by banks		6,880,648		6,239,325
20. Customer accounts		31,896,446		32,554,236
30. Outstanding Securities		8,828,775		8,705,668
40. Financial liabilities held for trading		-		-
50. Financial liabilities at fair value		-		-
60. Hedging derivatives		-		-
70. Adjustments for changes in the value				
of hedged financial assets (+/-)		-		-
80. Tax liabilities		1,290,712		1,198,831
a) current	288,960		145,889	
b) deferred	1,001,752		1,052,942	
90. Liabilities included in disposal groups held for sale		-		-
100. Other liabilities		2,243,250		2,466,283
110. Staff termination benefits		871,976		863,801
120. Provisions for risk and charges		18,016		32,546
a) pension funds and similar commitments	-		-	
b) other provisions	18,016		32,546	
130. Valuation reserve		(124,525)		(19,278)
140. Redeemable shares		-		-
150. Equity instruments		-		-
160. Reserves		6,387,609		6,287,530
170. Share premium account		1,070,912		1,070,912
180. Share capital		7,740,000		7,740,000
190. Treasury shares (-)		-		-
200. Profit/ (loss) for the year (+/-)		124,544		100,071
Total liabilities and equity		**67,228,363**		**67,239,925**

The comparative figures at 31/12/2013 have been restated as required by IAS 8, in order to make appropriate adjustments as described in Part A - Section 4 - Other Aspects of the Notes.

Income statement

(In Euros)

	31/12/14		31/12/13	
10. Interest income and similar revenues		2,011,246		1,735,213
20. Interest expense and similar charges		(615,760)		(575,481)
30. Net interest income		**1,395,486**		**1,159,732**
40. Fees and commissions receivables		488,513		453,082
50. Fees and commissions payable		(754,323)		(784,480)
60. Net fees and commissions		**(265,810)**		**(331,398)**
70. Dividends and similar revenues		2		-
80. Net profit/ (loss) from trading activities		3,782,429		4,248,900
90. Net profit/ (loss) from hedging activities		-		-
100. Profits/ (losses) on sale or repurchase of:		-		-
a) loans and advances	-		-	
b) available-for-sale financial assets	-		-	
c) held-to-maturity financial assets	-		-	
d) financial liabilities	-		-	
110. Net profit/ (loss) from financial assets and liabilities at fair value		-		-
120. Gross income		**4,912,107**		**5,077,234**
130. Impairment losses/recoveries on:		(194,151)		(290,396)
a) loans and advances	(194,151)		(290,396)	
b) available-for-sale financial assets	-		-	
c) held-to-maturity financial assets		-		-
d) other financial transactions		-		-
140. Net income from financial activities		**4,717,956**		**4,786,838**
150. Administrative expenses		(3,950,819)		(4,075,087)
a) staff costs	(2,474,152)		(2,477,223)	
b) other administrative expenses	(1,476,667)		(1,597,864)	
160. Net provisions for risk and charges		3,249		(15,000)
170. Adjustments to property, plant and equipment		(430,475)		(431,414)
180. Adjustments to intangible assets		(16,432)		(26,824)
190. Other operating costs/income		28,609		(26,347)
200. Operating costs		**(4,365,868)**		**(4,574,672)**
210. Profits/(Losses) on investments		-		-
220. Fair value gains/ (losses) on property, plant and equipment and intangible assets		-		-
230. Goodwill impairment		-		-
240. Profits/ (losses) on sale of investments		-		-
250. Profit/ (loss) from current operations before tax		**352,088**		**212,166**
260. Taxation on profit from continuing operations		(227,544)		(112,095)
270. Profit/ (loss) from continuing operations after tax		**124,544**		**100,071**
280. Profit/ (loss) from disposal groups held for sale after tax		**-**		**-**
290. Profit/ (loss) for the year		124,544		100,071

The comparative figures at 31/12/2013 have been restated as required by IAS 8, in order to make appropriate adjustments as described in Part A - Section 4 - Other Aspects of the Notes.

Statement of Comprehensive Income

	Items	2014	2013
10.	**Profit (loss) for the year**	**124,544**	**100,071**
	Other income items not reversed to income statement	-	-
20.	Tangible fixed assets	-	-
30.	Intangible fixed assets	-	-
40.	Defined-benefit plans	(105,247)	55,278
50.	Non-current discontinuing operations	-	-
60.	Share of valuation reserves for equity investments carried at equity	-	-
	Other income items reversed to income statement	-	-
70.	Foreign investment hedging	-	-
80.	Exchange rate differences	-	-
90.	Cash flow hedging	-	-
100.	Financial assets available for sale	-	-
110.	Non-current discontinuing operations	-	-
120.	Share of valuation reserves for equity investments carried at equity	-	-
130.	**Total of other income items**	**(105,247)**	**55,278**
140.	**Comprehensive income (Item 10+130)**	**19,297**	**155,349**

Statement of changes in shareholders' equity at 31/12/2014

	Balance at 31.12.13	Change in opening balances	Balance at 01.01.14	Allocation of profit for prior year		Changing during the year								Shareholders' Equity at 31.12.14
							Equity-related transactions							
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Share buybacks	Payment of extraordinary dividends	Changes in equity instruments	Derivatives on own shares	Stock options	Statement of comprehensive income at 31.12.14	
Share Capital:	7,740,000	-	7,740,000	-	-	-	-	-	-	-	-	-	-	7,740,000
a) ordinary shares	7,740,000	-	7,740,000	-	-	-	-	-	-	-	-	-	-	7,740,000
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium account	1,070,912	-	1,070,912	-	-	-	-	-	-	-	-	-	-	1,070,912
Reserves:	6,255,353	32,185	6,287,538	100,071	-	-	-	-	-	-	-	-	-	6,387,609
a) revenues	6,255,353	32,185	6,287,538	100,071	-	-	-	-	-	-	-	-	-	6,387,609
b) other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Valuation reserves	(19,278)	-	(19,278)	-	-	-	-	-	-	-	-	-	(105,247)	(124,525)
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit/ (loss) for the year	89,342	10,729	100,071	(100,071)	-	-	-	-	-	-	-	-	124,544	124,544
Equity	15,136,329	42,914	15,179,243	-	-	-	-	-	-	-	-	-	19,297	15,198,540

The change in opening balances is due to the recalculated depreciation on the capital gain on the property arising from the merger of Im.Pa. S.r.l. into Banca Promos, in order to take into account the accumulated depreciation before the merger. For more details, please see Part A - Section 4 - Other Aspects of these Notes.

Statement of changes in shareholders' equity at 31/12/2013

				Allocation of profit for prior year		Changing during the year								
							Equity-related transactions							
	Balance at 31.12.12	Change in opening balances	Balance at 01.01.13	Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Share buybacks	Payment of extraordinary dividends	Changes in equity instruments	Derivatives on own shares	Stock options	Statement of comprehensive income at 31.12.13	Shareholders' Equity at 31.12.13
Share Capital:	7,740,000	-	7,740,000	-	-	-	-	-	-	-	-	-	-	7,740,000
a) ordinary shares	7,740,000	-	7,740,000	-	-	-	-	-	-	-	-	-	-	7,740,000
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium	1,070,912	-	1,070,912	-	-	-	-	-	-	-	-	-	-	1,070,912
Reserves:	5,552,278	-	5,552,278	703,075	-	-	-	-	-	-	-	-	-	6,255,353
a) revenues	5,552,278	-	5,552,278	703,075	-	-	-	-	-	-	-	-	-	6,255,353
b) other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Valuation reserves	(74,556)	-	(74,556)	-	-	-	-	-	-	-	-	-	55,278	(19,278)
Equity instrument	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit/ (loss) for the year	1,167,475	-	1,167,475	(703,075)	(464,400)	-	-	-	-	-	-	-	89,342	89,342
Equity	15,456,109	-	15,456,109	-	(464,400)	-	-	-	-	-	-	-	144,620	15,136,329

	Cash flow statement (Indirect Method)		2014	2013
A.	**OPERATING ACTIVITIES**			
1.	**Operations**		**1,154,162**	**1,112,004**
	-	profit for the year	124,544	100,071
	-	gains/losses on financial assets held for trading and on financial assets/liabilities at fair value	33,786	(115,086)
	-	gains/losses on hedging activities	-	-
	-	impairment losses/recoveries	194,151	290,396
	-	net impairment losses/recoveries on property, plant and equipment and intangible assets	446,906	458,238
	-	net provisions for risk and charges and other costs and income	121,119	214,740
	-	unpaid taxes	227,544	112,095
	-	net impairment losses/recoveries on disposal groups held for sale, net of tax	-	-
	-	other adjustments	6,112	51,550
2.	**Cash generated by/used for financial assets**		**(418,354)**	**(12,856,236)**
	-	financial assets held for trading	1,915,254	1,526,644
	-	financial assets at fair value	-	-
	-	available-for-sale financial assets	-	-
	-	loans and advances to banks: on demand	3,251,984	(9,590,601)
	-	loans and advances to banks: other	-	-
	-	loans and advances to customer	(5,028,814)	(4,825,664)
	-	other assets	(556,778)	33,385
3.	**Cash generated by/used for financial liabilities**		**(501,114)**	**12,942,070**
	-	deposits by banks: on demand	641,323	1,848,348
	-	deposits by banks: other	-	-
	-	customer accounts	(657,790)	6,418,068
	-	outstanding securities	123,107	4,457,132
	-	financial liabilities held for trading	-	-
	-	financial liabilities at fair value	-	-
	-	other liabilities	(607,754)	218,522
Net cash flows from/for operating activities			**234,694**	**1,197,838**
B.	**INVESTING ACTIVITIES**			
1.	**Cash generated by**		**-**	**-**
	-	sale of investments	-	-
	-	dividends received from investments	-	-
	-	sale of held to maturity financial assets	-	-
	-	sale of property, plant and equipment	-	-
	-	sale of intangible assets	-	-
	-	sale of business units	-	-
2.	**Cash used for**		**(66,040)**	**(742,366)**
	-	purchase of investments	-	-
	-	purchase of held to maturity financial assets	-	-
	-	purchase of property, plant and equipment	(56,632)	(726,848)
	-	purchase of intangible assets	(9,408)	(15,518)
	-	purchase of business units	-	-
Net cash flows from investing activities			**(66,040)**	**(742,366)**
C.	**FINANCING ACTIVITIES**			
	-	issue/purchase of own shares	-	-
	-	issue/purchase of equity instruments	-	-
	-	payment of dividends and other transactions	-	(464,400)
Net cash flows from/for financing activities			**-**	**(464,400)**
NET INCREASE/DECREASE IN CASH			**168,654**	**(8,928)**

Reconciliation		
Item	2014	2013
Cash and cash equivalents at beginning of year	582,677	591,605
Net increase/Decrease in cash	168,654	(8,928)
Cash and cash equivalents: effects of exchange rate fluctuations	-	-
Cash and cash equivalents at end of year	751,331	582,677

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Notes

Translation from the Italian original which remains the definitive version. The Financial Statements are the English translations of the Italian Financial Statements prepared for and used in Italy. The Financial Statements were prepared using International Financial reporting Standards (IAS/IFRS); therefore they are not intended to present the financial position and results of operations and cashflows in accordance with accounting principles and practices other than IAS/IFRS"

Part A – Accounting Policies

A.1 GENERAL SECTION

Section 1 Statement of compliance with International Accounting Standards

These financial statements were drafted in accordance with the International Accounting Standards - IAS and International Financial Reporting Standards IFRS) issued by the International Accounting Standard Board (IASB) as endorsed by the European Commission through to the end of 2005, pursuant to EC Regulation 1606 dated 19 July 2002.

In interpreting and applying the new accounting standards, reference has been made to the following documents:

- Framework for the Preparation and Presentation of Financial Statements of the International Accounting Standards Board (IASB);
- Implementation Guidance, Basis for Conclusions and any other document drafted by IASB or IFRIC to complete the accounting standards issued.

Interpretation also took account of the documents on the adoption of IAS/IFRS in Italy prepared by the Italian Accounting Standard Body (OIC) and the Italian Banking Association (ABI).

Section 2 General Drafting Principles

The financial statements have been prepared on the basis of the instructions of Banca d'Italia's Circular 262 of 22 December 2005 entitled "Banks' financial statements: formats and drafting instructions", 3rd update of 22 December 2014.

These Financial Statements consist of Balance Sheet, Income Statement, Statement of Comprehensive Income, Statement of Changes in Shareholders' equity, Cash Flow Statement and the Notes. They are also accompanied by the Directors' Report on the Bank's operations and situation.

The Financial Statements are clear and provide a true and correct representation of the financial position and economic results for the period.

The Financial Statements were drafted on a going concern basis, applying the accrual accounting method and complying with the principle of providing relevant, significant information and preferring substance over form, with the aim of facilitating consistency with future presentations.

The offsetting of assets and liabilities or of income and costs has not been carried out, unless expressly required or allowed by an accounting standard or an interpretation, or where required by the above Circular.

These financial statements were prepared in Euro.

The data, in the notes, unless otherwise stated, are shown in thousands of Euro.

Section 3 Events Subsequent to the Reporting Period

Where appropriate, amounts reported in these Financial Statements have been adjusted to reflect events after the balance sheet date, which, pursuant to IAS 10, require an adjustment to be made.

Subsequent events not requiring an adjustment and reflecting circumstances occurring after the balance sheet date have been reported in the directors' report where relevant and therefore capable of influencing the economic decisions of those using these financial statements. No significant events occurred after the balance sheet date except for those disclosed in the directors' report.

Section 4 Other aspects

Change in comparative data at 31/12/2013

The Bank changed the comparative data as at 31/12/2013 in order to correctly measure the annual depreciation charge on the property acquired from the merger of Im.Pa S.r.l. into Banca Promos. .

More specifically, the depreciation schedule was restated starting from 2010, to take account of the accumulated depreciation before the merger to be spread over the entire estimated useful life of the property.

This adjustment resulted in lower depreciation charges totalling €32 thousand for the years 2010-2012, recognized as an increase in Retained Earnings and, of €11 thousand for 2013, recognized as an increase in profit of the year. These effects were recognized net of the related deferred taxes which were reallocated to the relevant item in the Financial Statements.

Disclosure of Audit and Non-Audit Fees

In order to comply with the revised regulations introduced by Legislative Decree 39/2010 (the "Decree") with regard to disclosure of fees paid to the independent auditors for audit and other services, the following table shows the fees paid in 2014 to Deloitte & Touche SpA, the firm appointed by shareholders' resolution dated 28 April 2010 to audit the Bank's accounts pursuant to the Decree for the financial years 2010/2018.

Type of service	Independent Auditors	Fees	Expenses	VAT
Auditing:	***Deloitte & Touche***			
- audit of the annual financial statements		*32*	*3*	*7*
- audit of the interim financial statements		*9*	*1*	*2*
- quarterly checks		*10*	*1*	*2*
- Preparation of tax declarations		*1*	*0*	*0*
Total		***52***	***5***	***12***

Accounting standards, amendments and IFRS interpretations effective from 1 January 2014

The following accounting standards, amendments and IFRS interpretations have been applied for the first time by the Bank since 1 January 2014.

- Amendments to **IAS 36 *"Impairment of assets - Recoverable Amount Disclosures for Non-Financial Assets"*** The amendments are intended to clarify that the additional disclosures to be provided regarding the recoverable amount of assets (including goodwill) or of cash-generating units, in the event that their recoverable amount is based on fair value less costs of disposal, only concern assets or cash-generating units for which an impairment has been recognised or reversed during the financial year. In this case adequate disclosures must be provided on the level in the fair value hierarchy applicable the recoverable value and on the valuation techniques and assumptions used (for level 2 or 3). These amendments are applicable retrospectively from 1 January 2014. The adoption of these amendments had no impact on the Bank's Financial Statements disclosures.
- Amendments to IAS 39 **"Financial instruments: Recognition and assessment – Novation of derivatives and continuation of hedge accounting".** The amendments concern the introduction of some exemptions to the *hedge accounting* requirements of IAS 39 if an existing derivative must be replaced with a new derivative in the specific case where such replacement is with respect to a Central Counterparty (CCP) following the introduction of a new law or regulation. These amendments are applicable retrospectively from 1 January 2014. The adoption of these amendments had no impact on the Bank's Financial Statements disclosures.

Accounting standards, amendments and IFRS and IFRIC interpretations endorsed by the European Union, not yet mandatorily applicable and not early adopted by the Bank at 31 December 2014

- On 20 May 2013 the IFRIC 21 interpretation - *Levies* was published, which clarifies when to recognise a liability for a levy (other than income taxes) imposed by a government entity. The standard addresses both liabilities for levies that fall within the scope of IAS 37 - Provisions, contingent liabilities and contingent assets, and liabilities for taxes the timing and amount of which are uncertain. The interpretation is applicable retrospectively for financial years beginning on or after 17 June 2014.

The adoption of this new interpretation will have no effect on the Bank's Financial Statements.

- On 12 December 2013, the IASB published the document "Annual Improvements to IFRSs: *2010-2012 Cycle*" which implements the amendments to certain standards as part of the annual improvement process. The main changes include:

    - IFRS 2 *Share Based Payments - Definition of vesting condition.* Some amendments were introduced to the definitions of *"vesting condition"* and *"market condition"* and the definitions of *"performance condition"* and *"service condition"* were added (previously included in the definition of *"vesting condition");*
    - IFRS 3 *Business Combinations - Accounting for contingent consideration.* The amendment clarifies that a *contingent consideration* under a business combination, classified as a financial asset or a financial liability must be remeasured at *fair value* at each closing of the accounting period and changes in *fair value* must be recognized in the income statement or in comprehensive income on the basis of the requirements set by IAS 39 (or IFRS 9);
    - IFRS 13 *Fair Value Measurement – Short-term receivables and payables*. The *Basis for Conclusions* of this standard were modified in order to clarify that following the issuance of IFRS 13, and the consequent amendments to IAS 39 and IFRS 9, trade receivables and payables may still be accounted for without recognizing the effects of discounting, where such effects are non-material;
    - IAS 16 *Property, plant and equipment and IAS 38 Intangible Assets - Revaluation method: proportionate restatement of accumulated depreciation/amortization.* The amendments removed the inconsistencies in the recognition of accumulated depreciation and amortization when a tangible or intangible asset is revalued. The amendments requirements clarify that the gross carrying amount is to be adjusted consistently with the revaluation of the carrying amount of the asset and that accumulated depreciation must be equal to the difference between the gross carrying amount and the carrying amount net of the recognized impairment losses;
    - IAS 24 *Related Party Disclosures - Key management personnel.* It is clarified that in case the services of key management personnel are provided by an entity (rather than a natural person), that entity is to be considered a related party. The amendments are applicable at the latest for annual periods beginning on or after 01 February 2015. The adoption of these amendments will have no effect on the Bank's Financial Statements.

- On 12 December 2013, the IASB published the document "Annual Improvements to IFRSs: ***2011-2013 Cycle***" which implements the amendments to certain standards as part of the annual improvement process. The main changes include:
    - IFRS 3 *Business Combinations - Scope exception for joint ventures.* The amendment clarifies that paragraph 2(a) of IFRS 3 excludes the formation of all types of *joint arrangements,* as defined in IFRS 11, from the scope of application of IFRS 3;
    - IFRS 13 *Fair Value Measurement - Scope of portfolio exception* (par. 52). The amendment clarifies that the *portfolio exception* included in paragraph 52 of IFRS 13 applies to all contracts falling within the scope of IAS 39 (or IFRS 9) regardless of whether they meet the definition of financial assets and liabilities provided by IAS 32;
    - IAS 40 *Investment Properties – Interrelationship between IFRS 3 and IAS 40*. The amendment clarifies that IFRS 3 and IAS 40 are not mutually exclusive and that, in order to determine whether the purchase of a property falls within the scope of IFRS 3 or that of IAS 40, reference should be made respectively to the specific guidance provided by IFRS 3 or IAS 40.
    - On 21 November 2013, the IASB published the amendments to IAS 19 "*Defined Benefit Plans: Employee Contributions*", which proposes to account for contributions (only relating to the service provided by the employee during the year) made by employees or third parties to defined benefit plans as a reduction in *service cost* for the year in which the contribution is paid. The need for such proposal arose from the introduction of the new IAS 19 (2011), according to which these contributions are to be interpreted as part of a *post-employment benefit,* rather than a short term benefit and, accordingly, are to be spread over the years of service of the employee. The amendments are applicable at the latest for annual periods beginning on or after 01 February 2015. The adoption of these amendments will have no effect on the Bank's Financial Statements.

Accounting standards, amendments and IFRS interpretations not yet approved by the European Union

- On 28 May 2014, the IASB issued **IFRS 15 - *Revenue from Contracts with Customers,*** which is intended to replace IAS 18 - *Revenue* and IAS 11 - *Construction Contracts,* and IFRIC 13 - *Customer Loyalty Programmes,* IFRIC 15 - *Agreements for the Construction of Real Estate,* IFRIC 18 - *Transfers of Assets from Customers* and SIC 31 - *Revenues-Barter Transactions Involving Advertising Services.* The standard establishes a new revenue recognition model, which will apply to all contracts with customers except those that fall within the scope of other IAS/IFRS such as finance leases, insurance contracts and financial instruments. The main steps for the recognition of revenue under the new model are:

- o identification of the contract with customer;
- o identification of the contract *performance obligations;*
- o determination of the price;
- o allocation of the price to the contract *performance obligations*;
- o revenue recognition criteria when the entity satisfies each *performance obligation.*

The standard applies from 1 January 2017, though earlier application is permitted.

- ● On 24 July 2014 the IASB published the final version of ***IFRS 9 – Financial Instruments:*** The document contains the results of the Classification and Measurement, Impairment and Hedge accounting stages within the IASB project aimed at replacing IAS 39. The new standard, which replaces the previous versions of IFRS 9, must be applied to the financial statements beginning on or after 1 January 2018. The standard introduces new requirements for the classification and measurement of financial assets and liabilities. In particular, with regard to financial assets, the new standard uses a unified approach based on how an entity manages its financial instruments and the characteristics of contractual cash flows of the financial assets to determine the measurement criteria, replacing the different rules in IAS 39. For financial liabilities, the main change introduced concerns the accounting treatment of changes in fair value of a financial liability designated as a financial liability at fair value through profit or loss, if these changes are due to a variation in the creditworthiness of the liability issuer. According to the new standard these changes should be recognised in "Other comprehensive income" and no longer through profit or loss. With reference to the *impairment* model, the new standard requires that loan losses estimates be based on the *expected losses* model (rather than the *incurred losses* model*)* by using supportable information, available at no cost or without unreasonable efforts, which include historical, current and forecast data. The standard requires that the *impairment model* be applied to all financial instruments, i.e. to financial assets carried at amortized cost, to those measured at *fair value through other comprehensive income,* to receivables arising from leases and to trade receivables.
- On 25 September 2014, the IASB published the document ***"Annual Improvements to IFRSs: 2012-2014 Cycle*"**. These amendments must be applied for years beginning on or after 1 January 2016.

  The document introduces amendments to the following standards:
  - o IFRS 7 – *Financial Instruments: Disclosure*. The changes regulate the introduction of additional guidance to clarify whether a *servicing contract* constitutes a continuing involvement in a transferred asset for the purpose of the

transfer disclosure requirements. In addition, it is clarified that disclosures on the offsetting of financial assets and liabilities is not normally explicitly required for interim financial statements. However, such disclosures may be necessary to fulfil the requirements of IAS 34, in the event of material information;

  - IAS 19 - *Employee Benefits.* This document introduces amendments to IAS 19 to clarify that the *high quality corporate bonds* used to determine the discount rate of *post-employment benefits* should be issued in the same currency used for the payment of *benefits*. The amendments clarify that the market scope of *high quality corporate bond*s to consider should be defined at currency level.
  - IAS 34 – *Interim Financial Reporting*. The document introduces amendments to clarify the requirements in the event the information required is presented in the *interim financial report* but not in the *interim financial statements*. The amendment clarifies that this information should be included through a *cross-reference* from the *interim financial statements* to other parts of the interim *financial report* and that said document should be made available to readers of the financial statements in the same way and according to the same timeframe as for the *interim financial statement*s.

- On 18 December 2014, the IASB published the amendment to **IAS 1 "Disclosure Initiative.** The objective of the amendments is to provide clarification on disclosure elements that may be perceived as impediments to a clear and intelligible preparation of financial statements. The following amendments were introduced:
  - Materiality and aggregation: it is clear that a company should not obscure information by aggregating or disaggregating it and that materiality considerations apply to the financial statements, the notes and the specific IFRS disclosure requirements. The *disclosures* specifically required by the IFRS must be provided only if the information is material;
  - Statement of financial position and statement of comprehensive income: it is clarified that the list of items specified in IAS 1 for these statements can be disaggregated or aggregated as appropriate. Guidance is also provided on the use of subtotals within the statements;
  - Presentation of items of *Other Comprehensive Income* ("OCI"): it is clarified that the share of OCI of associates and *joint ventures* accounted for using the equity method should be presented in aggregate in a single item, in turn grouped into those that will be subsequently reclassified to profit or loss and those that will not.
  - Notes: it is clarified that entities have flexibility in defining the structure of the notes and guidance is provided on how to set up a systematic order in presenting the notes; for example:

- by giving prominence to those that are most relevant to an understanding of its financial performance and financial position (e.g. by grouping information on specific activities);
- by grouping together items measured similarly (e.g. assets measured at *fair value);*
- by following the order of the line items in the statements.

These amendments must be applied for years beginning on or after 1 January 2016.

A.2 THE MAIN ITEMS IN THE FINANCIAL STATEMENTS

The accounting standards adopted in the preparation of the Financial Statements for the year ended 31 December 2014 are described below.
The presentation of the accounting standards adopted by Banca Promos SpA was carried out referring to the stages of initial recognition, classification, measurement and derecognition of the different items of assets and liabilities. For each of these stages, the description of the related financial impact is also provided.

Section 1 Financial assets held for trading

Classification criteria

This category includes debt and equity instruments acquired mainly in order to obtain short-term profits.

Recognition criteria

Financial assets are initially recognised at the transaction date for debt and equity instruments, and at the subscription date for derivative financial instruments.
On initial recognition, financial assets held for trading are recognised at their fair value, which usually corresponds to the price paid, without considering transaction costs or gains directly attributable to the instrument itself.

Measurement and recognition criteria of Income Statement items

After initial recognition, financial assets held for trading are measured at fair value, with relevant gains or losses recognised in the income statement under "Net profit/(loss) from trading activities". Interest is recognised under "Interest income".
The fair value of financial instruments listed on active (regulated or OTC) markets is determined according to the market prices quoted on the last business day of the FY. In the

absence of an active market, fair value is determined by estimates taking into account all the risk factors related to the instruments, based upon data available on the market.
For more details about the correct measurement of fair value, please see the following paragraph A.4 of these notes.

Derecognition criteria

Financial assets are derecognised when the contractual rights on cash flows from the assets expire or when a financial asset is disposed of, basically transferring all the pertinent risks/benefits.

Section 4 Receivables

Classification criteria

Receivables include loans to customers and banks, whether directly disbursed or acquired from third parties, with fixed or foreseeable payments, that are not listed on an active market and are not initially classified as available-for-sale financial assets. Receivables also include reverse repurchase agreements.

Recognition criteria

Recognition only occurs when the loan is unconditional and the creditor acquires a contractual right to the payment of the sums agreed upon.
Loans are initially recognised at the disbursement date and at the amount disbursed, including costs/income directly attributable to the individual loan and determinable at origin, even where settled at a later date. Costs that - despite having the above characteristics - are repaid by the debtor or can be classified as ordinary administrative expenses are excluded.
The fair value of loans that may be subject to conditions different from market conditions is determined though appropriate valuation techniques. The difference related to the amount disbursed or to the subscription price is recognised directly in the income statement.
Any repurchase agreements with the obligation to resell at maturity are recorded as loan transactions for the spot amount paid.

Measurement and recognition criteria of Income Statement items

After initial recognition, loans are accounted for at amortised cost, i.e. the initially recognised amount less/plus any principal repayments, impairment losses/reversals and amortisation – calculated using the actual interest method – of the difference between the amount disbursed and the amount repayable at maturity, generally corresponding to costs/income directly attributable to the individual loan. The actual interest rate is determined by calculating the rate that equates the current value of future cash flows from the loan, for principal and interest, to the amount disbursed, including the costs/income attributable to the loan. This accounting method, using a financial logic, allows for the distribution of the financial effect of the costs/income over the presumed remaining life of the loan. The amortised cost method is not used for short-term loans, as the effect of discounting to current value is deemed to be negligible. These loans are measured at historical cost and the costs/income attributable to them are recognised in the income statement. The same method is applied to loans without a defined maturity or repayable on demand.

For loans without a defined maturity or repayable on demand, the costs and income are recognised in the income statement.

At the end of each annual or interim reporting period, loans are assessed in order to determine whether there is any objective evidence that a loan is impaired as a result of circumstances occurring after initial recognition. This category includes non-performing, doubtful, restructured or overdue loans as defined by Banca d'Italia's regulations in force and consistent with IAS rules.

These impaired loans, and specifically non-performing, doubtful and restructured loans, are analytically measured and the impairment loss for each loan corresponds to the difference between the carrying amount at the time of measurement (amortised cost) and the current value of estimated future cash flows, calculated by applying the actual interest rate at the time the loan was classified as an impaired loan.

The expected cash flows take into account the expected recovery period, the estimated realisable value, any existing guarantees and the costs likely to be incurred in order to recover the loan. Cash flows related to loans that are expected to be recovered in the short term are not discounted. The impairment loss is recognised in the income statement. The impairment component resulting from cash flow discounting is released on an accruals basis in accordance with the actual interest method and recognised in the income statement under "Impairment losses/reversals due to loan impairment". The original carrying amount of loans is reinstated in future FYs if the circumstances that resulted in the impairment no longer exist, provided that this assessment is objectively linked to an event that took place after the impairment was recognised. The resulting write-back is recognised in the income statement and may not exceed the amortised cost of the loan had no impairment been recognised.

Loans for which there is no objective evidence of impairment attributable to individual loans, generally consisting of performing loans, including loans to counterparties resident in countries at risk, are collectively evaluated for impairment. This assessment is based on homogeneous loan categories in terms of credit risk, and the related loss percentages are estimated on the basis of time series, based on elements detectable at the assessment date, which allows for an estimate of the latent loss for each loan category. The same applies to loans that have been overdue or overdrawn for more than 90 days, for which, although identified by law as impaired loans, a collective write-down is considered adequate, in line with the impairment methods applied to performing loans, with an additional percentage write-down, as they are in any event viewed as more risky.

Collectively assessed impairment losses are recognised in the income statement. At the end of each annual or interim reporting period, any additional impairment losses or reversals are recalculated on a differential basis with reference to the entire performing portfolio at that date.

At the end of the current reporting period, since there were no significant historical losses and in accordance with paragraph AG89 of IAS 39, the collective impairment test on performing loans was carried out using “a similar-group experience for comparable groups of financial assets”.

Derecognition criteria

Loans disposed of are derecognised only if the sale entailed the transfer of all the risks and benefits associated with the loans. Vice versa, if the risks and benefits related to the loans sold are retained, those loans continue to be recognised as an asset in the Financial Statements, even though their legal title has actually been transferred. When it is not possible to ascertain the substantial transfer of the risks and benefits of the loans, they are derecognised, provided that the bank has not retained any kind of control over them. Otherwise, when even partial control is retained, loans continue to be recognised in the Financial Statements to the extent of their residual involvement, which is measured through the bank's exposure to changes in the value of the loans sold and to changes in the related cash flows. Finally, the loans disposed of are derecognised when the contractual rights to the related cash flows are retained but at the same time a contractual obligation to pay precisely those cash flows to third parties is assumed.

Section 8 Tangible fixed assets

Classification criteria

Tangible fixed assets include land, operating properties, investment property, plants, furniture and fittings, and all other types of equipment. These assets are owned to be used for the production or the provision of goods and services, to be leased to others, or for administrative purposes and expected to be used for more than one period. This item also includes assets held under finance lease, even though the lessor maintains legal title to the assets.

"Operating assets" are assets either owned by the Bank or held under finance lease, which are used for the production and provision of services or for administrative purposes. These assets have useful lives of more than one financial year.
"Investment assets" are owned by the Bank or held under finance lease, with the aim of collecting lease rentals and/or earning a capital gain on the invested capital.
Finally the costs for renovating properties not owned by the Bank are classified as other assets.

Recognition criteria

Tangible assets are initially recorded at cost, which includes, in addition to the purchase price, any incidental costs directly attributable to the purchase and incurred to make the asset operative. Non-routine maintenance expenses, resulting in an increase in future economic benefits, are recognised as an increase in the value of the asset, whilst routine maintenance costs are recognised in the income statement.

Measurement and recognition criteria of Income Statement items

Tangible fixed assets, including investment property, are carried at cost, after deducting any depreciation and impairment. Assets are systematically depreciated over their useful life using the straight-line method, except for:
land, whether purchased separately or incorporated in the value of the buildings, as it has an indefinite useful life. If the value of the land is included in that of the building, under the components approach, land can be accounted for separately from the building; the allocation between the value of the land and the value of the building is carried out on the basis of independent expert appraisals only for entire buildings;
works of art, since their useful lives cannot be estimated and their value is normally not expected to decline over time.
At the end of each annual or interim period, if there is any indication that an asset may have been impaired, the bank compares the carrying value of the asset and its recoverable value, equal to the higher between the fair value, net of any selling costs, and the value in use, intended as the current value of future cash flows generated by the asset. Any adjustments are recognised in the Income Statement. When the reasons that led to the recognition of the loss no longer exist, the impairment is reversed; the value after write-back cannot exceed the carrying amount, net of depreciation, that would have been determined had no impairment loss been recognised.

Derecognition criteria

Tangible assets are derecognised when disposed of or when they have been decommissioned and no future economic benefits are expected from their disposal.

Section 9 Intangible fixed assets

Classification criteria

Intangible assets are identifiable non-monetary assets, without physical substance, which are held in order to be used over a number of years. They basically include goodwill, which represents the positive difference between the purchase price and the fair value of assets and liabilities acquired. Other intangible assets are recognised as such if they are identifiable and arise from legal or contractual rights.

Recognition criteria of Income Statement items

Intangible assets are stated at cost, adjusted by any incidental charges, only when the future economic benefits attributable to the assets are likely to be realised and if the cost of the asset can be measured reliably. Otherwise the cost of the intangible asset is expensed as incurred. The cost of intangible assets is amortised on a straight-line basis over their useful life. Intangible assets with indefinite useful lives are not amortised, but are simply periodically tested for impairment. At the end of each annual period, if there is evidence of impairment, the asset's recoverable value is estimated. The amount of the loss, which is recognised in the income statement, corresponds to the difference between the asset's carrying amount and recoverable amount.

An intangible asset can be recorded as goodwill when the positive difference between the fair value of assets acquired and liabilities assumed and the acquisition cost of the investment or the cash generating unit (including ancillary charges) is representative of the future earning capacity of the investment or the cash generating unit acquired (goodwill). If this difference is negative (badwill) or in the event that goodwill is not justified by the future earning capacity of the investee company or the cash generating unit, the difference is recognised directly in the income statement. Goodwill is tested for impairment at least once a year (or whenever there is evidence of impairment). To this end, the cash generating unit to which goodwill can be attributed is identified. The amount of any impairment is determined on the basis of the difference between the carrying value of goodwill and its recoverable value, if lower. This recoverable value is the greater between the fair value of the cash generating unit, net of any selling costs, and its pertinent value in use. The consequent adjustments are recognised in the Income Statement.

Derecognition criteria

An intangible asset is derecognised upon disposal or when no future economic benefits are expected.

Section 11 Current and deferred taxes

Classification criteria

These items include current and deferred tax assets and liabilities.

Current tax items include advances paid (current assets) and debt obligations to be fulfilled (current liabilities) in relation to the income taxes for the period.

Vice versa, deferred tax items comprise income taxes recoverable in the future for “temporary deductible differences” (deferred assets) and income taxes payable in future periods for “temporary taxable differences” (deferred liabilities). "Temporary taxable differences" are those that in future periods will determine taxable amounts and "temporary deductible differences" are those that in future years will determine deductible amounts.

The current tax assets and liabilities shall be paid by the Bank on a net basis, as there is a legal right to offset, and their net balance is shown in the balance sheet when balances are settled.

Valuation criteria

Deferred taxation is determined on the basis of the so-called balance sheet liability method, taking into account the tax effect related to temporary differences between the carrying amounts of assets and liabilities and their tax value which will determine taxable or deductible amounts in future periods. Deferred taxation is calculated by applying the tax rates established by the law provisions applicable to taxable temporary differences and deductible temporary differences that are likely to be recovered in future periods.

Recognition criteria of Income Statement items

If the deferred tax assets and liabilities relate to items affecting the income statement, the contra item is income taxes. When deferred tax assets and liabilities regard transactions recognised directly under equity, with no impact on the Income Statement (such as the measurement of available-for-sale financial assets or of staff termination benefits), they are recognised in separate Shareholders' equity reserves.

Income taxes, calculated in compliance with national tax laws, are recognised as an expense according to the accrual basis, consistent with the recognition in the Financial Statements of the costs and revenues that generated them. Therefore, they represent the balance of current and deferred income taxes for the period.

Section 12 Provisions for liabilities and charges

Recognition criteria

The provisions for liabilities and charges consist of liabilities with uncertain timing or amount, which are recognised in the Financial Statements if:

- there is a current (legal or implicit) obligation as a consequence of a past event;
- the utilisation of resources for economic benefits is likely to be used to comply with the obligation;
- a reliable estimate of the presumed future outlay can be made.

The sub-item "other provisions" includes the amounts set aside to cover the estimated losses on lawsuits, including revocatory actions, estimated outlays for customer complaints in connection with the bank's brokerage services and other payments for estimated legal or constructive obligations existing at year end.
No provisions are made for liabilities that are merely potential but not probable, although a description of the nature of the liability is provided in the notes, where such information is relevant for disclosure purposes.
The sub-item "Provision for pensions and similar obligations" include provisions recognised pursuant to IAS 19 "Employee benefits" in order to cover the technical deficit of the fund set up to pay pensions. Determination of the current values, as required by the standard referred to above, is carried out by an independent actuary, using the “projected unit credit method”.

Classification criteria
This item includes provisions for liabilities and charges pursuant to IAS 37. These provisions include allocations made to cover the estimated losses on lawsuits, including revocatory actions.

Valuation criteria
Where the effect of timing differences is material with regard to the future charge, the Bank calculates the provisions and allocations in an amount equal to the current value of the expenses likely to be incurred to settle the obligations.
Where provisions are discounted to current value, the amount of the provisions recognised in the Financial Statements will increase in each period to reflect the passage of time.
Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

Section 13 Payables, outstanding securities and subordinated liabilities

Classification criteria
The items "Payables to Banks", "Trade Payables", "Outstanding Securities" and "Subordinated Liabilities" include the various forms of interbank funding, funding from customers and fundraising through certificates of deposit and bonds outstanding, net,

therefore, of any repurchased amounts. They also include payables recognised by the lessee under finance lease, and repurchase agreements.

Recognition criteria

Financial liabilities are initially recognised on receipt of the money raised or issue of debt securities. Liabilities are initially recognised at fair value, which is normally the amount collected or the issue price, plus any additional costs/income directly attributable to individual funding or issue transactions and not reimbursed by the creditor. This item does not include internal administrative expenses.

The fair value of any financial liabilities issued at less favourable conditions than those available on the market , is specifically estimated solely on the basis of observable market data and the difference compared to market value is recognized in the income statement.

Any repurchase agreements with the obligation to repurchase at maturity are recognised as funding transactions for the spot amount paid.

Recognition criteria of Income Statement items

After initial recognition, financial liabilities are measured at amortised cost using the actual interest rate method. Short-term liabilities, for which the time factor is negligible, are excluded from this method and are recognised at the amount collected and any costs charged are recognised in the income statement.

Derecognition criteria

Financial liabilities are derecognised when they expire or are extinguished. Derecognition also occurs when securities previously issued are repurchased. The difference between the liability's carrying amount and the amount paid to repurchase it is recognised in the income statement. Securities previously repurchased and placed back on the market are considered as a new issue and are recognised at the new issue price, with no effect on the income statement.

Section 16 Foreign Currency Transactions

Recognition criteria

Upon initial recognition, foreign currency transactions are recorded in the reporting currency, converting the foreign currency amount using the exchange rate applicable at the transaction date.

Measurement and recognition criteria of Income Statement items

At each balance sheet date or interim situation, any foreign currency amounts are measured as follows:

- Monetary items are converted using the year-end rate;
- Non-monetary items carried at historical cost are converted using the rate applicable at the transaction date;
- Non-monetary items carried at fair value are converted using the rate ruling at the year end.

Exchange differences arising from the settlement of monetary items or from the conversion of either monetary items at rates other than the initially used ones, or of the previous Financial Statements, are recognised in the income statement of the period when they arise.
When a gain or a loss relating to a monetary item is recognised in equity, the exchange difference relating to that element is also recorded in equity. Conversely, when a gain or a loss is recognised in the income statement, the related exchange difference is also recorded in the income statement.

17 Other information

Employee benefits

In accordance with Law no. 296 of 27 December 2006 (2007 Budget Act), companies with a minimum of 50 employees are obliged to pay on a monthly basis – and in accordance with the employee's wishes – the Employee Severance Indemnity accrued after 1 January 2007 to the supplementary pension scheme as per Legislative Decree 252/05 or to a special Fund managed by INPS for the payment of employee severance indemnity to private sector employees pursuant to article 2120 of the Italian Civil Code (hereinafter the Treasury Fund).
The following options are therefore available:

a) the severance indemnity being accrued is paid to supplementary pension schemes;

b) the severance indemnity being accrued is kept in the company (for companies with less than 50 employees);

c) the severance indemnity being accrued is transferred to INPS Treasury Fund (for those who, despite having chosen not to allocate the severance indemnity to supplementary pension schemes, work in companies with at least 50 employees).

In the cases referred to in b), which specifically apply to the bank, the total severance indemnity liability shall be assessed pursuant to IAS; the actuarial valuation shall be carried out according to the usual criteria set out in IAS 19, except for the exclusion of the pro rata relating to employees who decided to transfer their entire accrued amount to supplementary

pension schemes, in order to preserve methodological consistency as indicated by the Board of Actuaries with regard to other pension schemes.
The Employee severance indemnity (TFR) is recognised on the basis of its actuarial value.
Discounting is conducted using the "projected unit credit" method, which involves projecting future payments based on historical, statistical and demographic analysis and discounting these flows based on the market interest rate at year end with maturity equal to the average maturity of the liability.
The actuarial analysis is conducted annually by an independent actuarial and statistics consulting firm.
The cost for the severance indemnity accrued during the year and recognised in the income statement as staff costs is the sum of the current value of employee benefits accrued during the year, and the annual interest accrued on the current value of existing liabilities at the beginning of the year. Gains or losses resulting from changes in actuarial assumptions compared to previous year estimates are charged to a separate reserve in equity.

Treasury shares

Any treasury shares held are entered as a reduction of shareholders' equity.
Likewise, their original cost and the gains or losses resulting from their subsequent sale are recognised as changes in equity.

Leasehold improvements and incremental capital expenditures

These costs were recognised as "Other assets", as the conditions for their classification as "tangible assets", as provided for by Banca d'Italia's regulations, are not met.
The related depreciation was recognised in "Other operating expenses/income".

Accruals and deferrals

Accruals and deferrals that include income and expenses accrued during the period on assets and liabilities are recognised as adjustments to the assets and liabilities to which they relate.

Dividends and recognition of revenues

Revenues are recognised when received or when benefits are likely to be received and these benefits can be reliably measured.
Dividends are recognised in the income statement when the resolution to distribute them is passed, except for those paid by investee companies accounted for at equity.

Revenues from securities brokerage or issuing, resulting from the difference between the transaction price and the instrument's fair value, are recognised in the income statement on recognition of the transaction if the fair value can be determined with reference to parameters or recent transactions observed in the same market where the instrument is traded; otherwise, they are spread over time, taking into account the maturity and nature of the instrument.

Income relating to financial instruments that cannot be measured as above flows into the income statement over the term of the transaction.

A.3 - INFORMATION ON TRANSFERS BETWEEN PORTFOLIOS OF FINANCIAL ASSETS

The bank has not carried out any transfers between portfolios of financial assets.

A.4 FAIR VALUE REPORTING

Qualitative information

In December 2012, by Commission Regulation (EU) No. 1255/2012, the European Commission approved the new IFRS 13 "Fair Value Measurement", in force since 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".* For financial instruments, this definition of Fair Value replaces the previous version in IAS 39 Financial Instruments: Recognition and Measurement.

Therefore, according to the new Fair Value definition laid down in IFRS 13, the fair value of financial liabilities is the value that would be paid for the transfer of that liability (exit price), rather than the amounts necessary to settle it (definition as per IAS 39). This leads to a strengthening of the issue concerning the recognition of the Fair Value adjustments of financial liabilities, compared to the provisions established in IAS 39. With regard to the fair value measurement of OTC derivatives in the balance sheet assets, IFRS 13 confirmed the rule that requires the adjustment to be applied for counterparty risk (Credit Valuation Adjustment - CVA). With regard to financial liabilities consisting of OTC derivatives, IFRS 13 introduces the Debit Valuation Adjustment + -

(DVA), which is a Fair Value adjustment designed to reflect an entity's own default risk on these instruments, an issue not explicitly addressed by IAS 39.

A.4.1 *Fair Value* levels 2 and 3: valuation techniques and inputs used

For assets and liabilities measured at Fair Value on a recurring basis, for which directly observable prices in active markets are not available, Fair Value has to be determined based on the "Comparable Approach" and the "Valuation Model." It should be noted that the only Bank items that are measured at Fair Value on a recurring basis are financial assets and liabilities, as shown below in more detail.

Financial instruments listed on active markets

The Fair Value measurement process begins by verifying whether an active market exists from which quoted prices can be obtained regularly.

Regulated markets are usually considered as active markets except for any regulated markets that Risk Management should identify as "not active". With reference to non-regulated markets (OTC markets) the presence of active contributors is assessed.

If, as a result of this process, the existence of an active market for the listed instruments is established, Fair Value of the instrument coincides with the price quoted on the valuation date (Mark to Market).

Given the specific liquidity prevailing on regulated markets, the official price published by the market operator is taken as the reference price.

In general, the application of the Mark to Market process based on price sources is carried out as follows:

a) for prices quoted in regulated markets, in particular in the Italian market, the price is determined on the basis of the price quoted on the Italian Stock Exchange for each financial instrument in the portfolio;

b) for prices quoted in unregulated markets, the price is determined by identifying the prices quoted by other Information Providers .

Financial instruments recognised using the methods in point b), are classified in Level 2 of the fair value hierarchy.

Financial instruments not listed on active markets

In the absence of an active market for a particular financial instrument, an internal valuation technique is used.

For the purposes of fair value determination, the Bank has chosen to apply the discounted cash flow method, mainly based on observable market parameters, for instruments that can be measured by discounting the related cash flows (including debt securities).

Should we consider financial instruments other than debt securities, alternative valuation techniques, also based on non-observable market parameters, shall be taken into account.
In general, through the DCF method, the Fair Value of financial instruments can be determined by discounting the future contractual cash flows (or those deemed most likely) at an established interest rate.
First, the interest rate risk must be taken into account; in the usual practice, reference is made to well accepted and recognised rates, such as the Euribor and/or the Swap rates. In this case, the interest rates used reflect an 'interbank' risk, which is limited, albeit usually higher than government risk. There are, however, other components besides interest rate risk that determine market risk. The premium for all these other components can be summarised in a "spread" to be added to the "Risk Free" curve, for each reference maturity, to obtain a curve that can be used to discount the future cash flows generated by the asset being measured. The Bank calculates the aforesaid "Spread" with reference to the "Credit Default Swaps" quoted for the issuer of the security in question, or, if unavailable, for other issuers of similar size and sector or industry averages.
Therefore, the elements useful for the DCF calculation are:

- Timing, maturity and amount (certain or estimated) of the instrument's future cash flows;
- Appropriate discount rate (depending on the credit risk associated with the debtor);
- Currency in which the instrument's cash flows are to be paid.

The pricing models for the fair value calculation are based on market parameters.
The main market parameters used in valuation techniques for measuring financial instruments not listed on active markets are:

- the interest rate curves;
- credit risk.

The main curves used are the Euribor rates and Swap rates curves.

The curves reflecting the issuer's creditworthiness are obtained by adding the zero coupon yield curve (or risk-free rates) to a "Spread" that shows the issuer's creditworthiness; these curves are generally used to evaluate bonds not listed on active markets.
To this end, the operator should use the following hierarchy of information:

- credit spreads derived from Credit Default Swaps (CDS);

- curves for homogeneous sector/rating classes

The instruments measured using the Mark to Model technique will be classified in Level 3 of the fair value hierarchy.

A.4.2 Processes and sensitivity analyses

The techniques and parameters used for measuring Fair Value and the criteria for assigning the Fair Value hierarchy have been defined and formalised in a specific policy adopted by the bank; the policy governs the determination of financial instruments' Fair Value in accordance with the provisions of applicable international accounting standards IFRS issued by the International Accounting Standards Board (IASB), taking into account the interpretations issued by the Financial Reporting Interpretations Committee (IFRIC) and the provisions of Circular 262 of Banca d'Italia.

The sensitivity analysis of receivables from and payables to bank (level 2 of the Fair Value hierarchy), considering the models used to determine their Fair Value, primarily based on year-end balance-sheet data, is not relevant because it cannot be directly attributed to changes in external parameters.

The Fair Value of the portfolio of loans to customers (level 3 of the Fair Value hierarchy) is only affected by the market parameters necessary to discount the future cash flows appropriately adjusted to take account of counterparty risk.

In relation to the Fair Value of the securities portfolio (level 2 and 3), no quantitative analysis was performed on the sensitivity of the fair value to changes in unobservable inputs, as the Fair Value was either derived from third party sources without making any adjustment, or is the result of a model with specific inputs and it is not reasonable to expect alternative values.

A.4.3 Hierarchy of Fair Value

The Fair Value hierarchy*,* based on **FRS 13, must be applied to all financial instruments measured at** *Fair Value* **and to assets and liabilities not measured at** *Fair Value* **or measured at** *Fair Value* **on a non-recurring basis.** In this regard, for these instruments the highest priority is given to official quoted prices in active markets and the lowest priority to the use of unobservable inputs, as they are more discretionary. As a result, Fair Value is determined by using prices obtained from financial markets, in the case of instruments quoted on active markets, or, for the other financial instruments, by using valuation techniques whose objective is to estimate Fair Value (exit price). The levels used for the classifications shown in the following notes are as follows:

- "Level 1": the Fair Value of financial instruments is determined on the basis of quoted prices observable in active markets (unadjusted) and accessible at the measurement date;

- "Level 2": the Fair Value of financial instruments is determined on the basis of quoted inputs, directly or indirectly observable for that asset or liability, also using valuation techniques;

- "Level 3": the Fair Value of financial instruments is determined on the basis of unobservable inputs for that asset or liability, including the use of valuation techniques.

A quoted price in an active market provides the most reliable evidence of Fair Value and, when available, should be used with no adjustments to measure Fair Value.
Where quoted prices in active markets are not available, financial instruments must be classified in Levels 2 or 3.
The classification in Level 2 or Level 3 is determined on the basis of the market observability of the relevant inputs used to measure Fair Value.
Level 2 inputs include:

- quoted prices for similar assets or liabilities in active markets;

- quoted prices for identical or similar assets or liabilities in markets that are not active;

- inputs other than quoted prices that are observable for the asset or liability (such as interest rates and yield curves observable at commonly quoted intervals, implied volatilities and credit spreads);

- market-corroborated inputs.

All other variables used in valuation techniques that cannot be substantiated on the basis of observable market data are considered unobservable.
If the fair value of a financial instrument is not determined by the price recorded in an active market ("Level 1"), the total fair value may consist of different levels due to the impact generated by observable or unobservable inputs used in the measurements (impact is intended as the contribution, in terms of significance, that each input used in the evaluation makes to the total Fair Value of the instrument). However, the level attributed must be unique and referred to the total Fair Value of the instrument as a whole; thus, the single level assigned reflects the lowest level of input with a significant impact on the instrument's Fair Value measurement.
In order for unobservable market data to have a significant impact on the instrument's overall Fair Value measurement, their overall impact is assessed in such a way as to make the

overall assessment uncertain (i.e. it cannot be ascertained through market data); in cases where the weight of unobservable data is prevalent with respect to the overall evaluation, the level assigned is "3".

Therefore, the bank classified its financial assets and liabilities in the different Fair Value levels on the basis of the following principles:

- Level 1: instrument measured at market price obtained from prices listed on active markets;
- Level 2: measurement based on prices quoted by reliable infoproviders;
- Level 3: measurement based on internal evaluation techniques.

Finally, with regard to receivables from and payables to banks, as these are entirely short-term and/or variable rate loans, Fair Value was assumed to be equal to their nominal value.

Quantitative information

A.4.5.1 Assets and liabilities measured at Fair Value on a recurring basis: breakdown by Fair Value levels

Items	2014			2013		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets/liabilities carried at fair value						
1. Financial assets held for trading	3,865	6,960	-	10,732	2,043	-
2. Financial assets carried at fair value	-	-	-	-	-	-
3. Financial assets available for sale	-	-	-	-	-	-
4. Hedging derivatives	-	-	-	-	-	-
5 Property, land and equipment	-	-	-	-	-	-
6. Intangible assets	-	-	-	-	-	-
Total	**3,865**	**6,960**	**-**	**10,732**	**2,043**	**-**
1. Financial liabilities held for trading	-	-	-	-	-	-
2 Financial liabilities carried at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
Total	-	-	-	-	-	-

A.4.5.4 Assets and liabilities not measured at Fair Value or measured at Fair Value on a non-recurring basis: breakdown by Fair Value levels

Items	2014				2013			
	VB	Level 1	Level 2	Level 3	VB	Level 1	Level 2	Level 3
Assets and liabilities not carried at fair value or carried at fair value on a non-recurring base: breakdown by fair value levels								
1. Financial assets held to maturity	-	-	-	-	-	-	-	-
2. Receivables from banks	9,665	-	9,665	-	12,917	-	12,917	-
3. Loans to customers	36,975	-	-	40,211	32,140	-	-	34,027
5. Tangible assets held as investment	-	-	-	-	-	-	-	-
6. Non-current assets and disposal groups	-	-	-	-	-	-	-	-
Total	**46,640**	**-**	**9,665**	**40,211**	**45,057**	**-**	**12,917**	**34,027**
1. Payables to banks	6,881	-	6,881	-	6,239	-	6,239	-
2. Trade payables	31,896	-	-	31,896	32,555	-	-	32,554
3. Outstanding securities	8,829	-	8,994	-	8,706	-	8,826	-
4. Liabilities related to discontinuing operations	-	-	-	-	-	-	-	-
Total	**47,606**	**-**	**15,875**	**31,896**	**47,500**	**-**	**15,065**	**32,554**

A.5 Information on "*day one profit/loss*"

In 2014 the Bank did not enter into any transactions for which, at the time of initial recognition of a financial instrument, a difference had arisen between the transaction price and the value of the instrument obtained through an internal evaluation technique.

Part B
Information on the Balance Sheet

Assets

Section 1 – Item 10 – Cash and cash equivalents

1.1 Cash and cash equivalents: breakdown

	Total	
	2014	2013
a) Cash	708	497
b) Demand deposits at Central Banks	43	86
Total	**751**	**583**

The amounts in sub-item "Cash" are entirely in euros.
The sub-item "Demand deposits at central banks" refers to deposits held with Banca d'Italia.
The amount does not include the mandatory Reserve, which is included in Assets in item 60 "Loans and advances to banks".

Section 2 – Item 20 – Financial assets held for trading

2.1 Financial assets held for trading: commodity breakdown

This item includes all financial assets allocated to the trading book

Items/Amounts	Total					
	2014			2013		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1 Debt securities	3,865	6,960	-	10,732	2,043	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	3,865	6,960	-	10,732	2,043	-
2 Equity instruments	-	-	-	-	-	-
3 Units of mutual investment funds	-	-	-	-	-	-
4 Loans	-	-	-	-	-	-
4.1 Reverse repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total (A)	**3,865**	**6,960**	**-**	**10,732**	**2,043**	**-**
B. Derivative instruments						
1 Financial derivatives:	-	-	-	-	-	-
1.1 trading	-	-	-	-	-	-
1.2 connected with fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2 Credit derivatives	-	-	-	-	-	-
2.1 trading	-	-	-	-	-	-
2.2 connected with fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total B	-	-	-	-	-	-
Total (A+B)	**3,865**	**6,960**	**-**	**10,732**	**2,043**	**-**

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

Items/Amounts	Total	
	2014	2013
A. Cash assets		
1 Debt securities	**10,825**	**12,775**
a) Governments and central banks	2,124	7,993
b) Other public entities	-	-
c) Banks	8,701	4,530
d) Other issuers	-	252
2 Equity instruments	**-**	**-**
a) Banks	-	-
b) Other issuers:	-	-
- insurance companies	-	-
- financial companies	-	-
- non-financial companies	-	-
- other	-	-
3 Units of mutual investment funds	-	-
4 Loans	-	-
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other entities	-	-
Total A	**10,825**	**12,775**
B. Derivative instruments		
a) Banks	-	-
b) Customers	-	-
Total B	-	-
Total (A+B)	**10,825**	**12,775**

2.3 Financial assets in cash held for trading: year-on-year changes

	Debt securities	Equity instruments	Units of mutual investment funds	Loans	Total
A Opening balances	**12,775**	-	-	-	**12,775**
B Increases	**11,540,230**	**-**	**-**	**-**	**11,540,230**
B1 Purchases	11,536,361	-	-	-	11,536,361
B2 Positive changes in fair value	10	-	-	-	10
B3 Other changes	3,859	-	-	-	3,859
C Decreases	**11,542,180**	**-**	**-**	**-**	**11,542,180**
C1 Sales	11,532,207	-	-	-	11,532,244
C2 Redemptions	9,721	-	-	-	9,721
C3 Negative changes in fair value	44	-	-	-	44
C4 Transfers to other portfolios	-	-	-	-	-
C5 Other changes	171	-	**-**	**-**	171
D Closing balances	**10,825**	**-**	**-**	**-**	**10,825**

Positive changes in Fair Value include capital gains on valuation for €10 thousand.
The other increases include €3,859 thousand on trading profits.
Negative changes in Fair Value include capital losses on valuation for €44 thousand.
Other decreases include trading losses for €171 thousand.

Section 6 – Item 60 – Receivables from banks

6.1 Receivables from banks: commodity breakdown

Type of transaction/Values	Total 2014				Total 2013			
	BV	FV			BV	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Receivables from Central Banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Term deposits	-	-	-	-	-	-	-	-
2. Mandatory reserve	-	-	-	-	-	-	-	-
3. Repos	-	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-	-
B. Receivables from banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Loans	**9,665**	**-**	**9,665**	**-**	**12,917**	**-**	**12,917**	**-**
1.1 Current accounts and demand deposits	9,467	-	9,467	-	12,704	-	12,704	-
1.2 Term deposits	198	-	198	-	213	-	213	-
1.3 Other loans	-	-	-	-	-	-	-	-
- Repos	-	-	-	-	-	-	-	-
- Finance lease	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-
2. Debt securities	-	-	-	-	-	-	-	-
2.1 Structured securities	-	-	-	-	-	-	-	-
2.2 Other debt securities	-	-	-	-	-	-	-	-
Total	**9,665**	**-**	**9,665**	**-**	**12,917**	**-**	**12,917**	**-**

The mandatory reserve requirement is met via the Istituto Centrale delle Banche Popolari Italiane; the amount, therefore, is presented in item B.1.2, Term deposits.
As these are entirely short-term and/or variable rate loans, Fair Value is assumed to be equal to their nominal value.

Section 7 – Item 70 – Trade receivables

7.1 Trade receivables: commodity breakdown

Type of transaction/Values	Total 2014						Total 2013					
	Book value			Fair value			Book value			Fair value		
	Performing	Impaired		L1	L2	L3	Performing	Impaired		L1	L2	L3
		Purchased	Other					Purchased	Other			
Loans												
1. Current accounts	4,216	-	562				2,684	-	593			
2. Repos	-	-	-				-	-	-			
3. Mortgages	24,963	-	1,446				23,261	-	964			
4. Credit cards, personal loans and pension- and salary-backed loans	742	-	149				822	-	178			
5. Finance lease	-	-	-				-	-	-			
6. Factoring	-	-	-				-	-	-			
7. Other loans	4,766	-	131				3,637	-	1			
Debt securities	-	-	-				-	-	-			
8. Structured securities	-	-	-				-	-	-			
9. Other debt securities	-	-	-				-	-	-			
Total	**34,687**	**-**	**2,288**			**40,211**	**30,404**	**-**	**1,736**			**34,027**

Loans to customers are entered net of write-down adjustments.

For performing exposures, the write-downs were carried out on the basis of the experiences of a group of banks chosen from those most similar to Banca Promos in terms of size, location and type of business
In particular, we determined the average rate applied by banks in the group for these types of impairment, based on the most recent approved financial statements, which was equal to 0.67%.
The same procedure was used to determine the write-down percentage rate to be applied to past due/overlimit loans, amounting to 6.223%.
At 31/12/2014 total non-performing loans for €1,534 thousand, net of analytical impairments for €958 thousand resulted in net non-performing loans recognised in the financial statements of €576 thousand.

The amount and breakdown of the impairments are shown in Part E of these Notes.

The sub-item 7 "Other loans" includes:

	Total 2014
Advances subject to collection	2,978
Trade discount	-
Deposits at Organismi di compensazione e garanzia (Clearing Bodies)	1,384
Security deposits	26
Other loans to businesses	378
Total	**4,766**

7.2 Trade receivables: breakdown by debtor/issuer

Types of transaction/Amounts	Total					
	2014			2013		
	Performing	Impaired		Performing	Impaired	
		Purchased	Other		Purchased	Other
1 Debt securities	**-**	**-**	**-**	**-**	**-**	**-**
a) Governments	-	-	-	-	-	-
b) Other public entities	-	-	-	-	-	-
c) Other issuers	-	-	-	-	-	-
- non-financial companies	-	-	-	-	-	-
- financial companies	-	-	-	-	-	-
- insurance companies	-	-	-	-	-	-
- other	-	-	-	-	-	-
2 Loans to:	**34,687**	**-**	**2,288**	**30,404**	**-**	**1,736**
a) Governments	-	-	-	-	-	-
b) Other public entities	-	-	-	-	-	-
c) Other issuers	34,687	-	2,288	30,404	-	1,736
- non-financial companies	19,579	-	551	15,363	-	521
- financial companies	-	-	220	-	-	220
- insurance companies	-	-	-	-	-	-
- other	15,108	-	1,517	15,041	-	995
Total	**34,687**	**-**	**2,288**	**30,404**	**-**	**1,736**

Section 11 – Item 110 – Property, land and equipment

11.1 Property, land and equipment: breakdown of assets carried at cost

Assets/values	Total	
	2014	2013
1. Owned assets	**6,735**	**7,109**
a) land	-	-
b) buildings	6,415	6,723
c) furniture	225	287
d) electronic systems	34	47
e) other	61	52
2. Assets acquired on finance lease	**-**	**-**
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic systems	-	-
e) other	-	-
Total	**6,735**	**7,109**

With regard to comparative data please see the comments in Part A - Section 4 - Other Aspects of these Notes.

11.5 Operating assets: year-on-year changes

	Land	Buildings	Furniture	Electronic equipment	Other	Total
A Gross opening balances	**-**	**8,317**	**584**	**359**	**247**	**9,507**
A.1 Total net reductions	-	1,594	297	312	195	2,398
A.2 Net opening balances	**-**	**6,723**	**287**	**47**	**52**	**7,109**
B Increases	**-**	**-**	**-**	**12**	**45**	**57**
B.1 Purchases	-	-	-	12	45	57
B.2 Capitalised improvements	-	-	-	-	-	-
B.3 Recoveries	-	-	-	-	-	-
B.4 Increases in fair value recognised in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) the income statement	-	-	-	-	-	-
B.5 Foreign exchange gains	-	-	-	-	-	-
B.6 Transfers from investment property	-	-	-	-	-	-
B.7 Other changes	-	-	-	-	-	-
C Decreases:	**-**	**309**	**61**	**25**	**36**	**431**
C.1 Sales	-	-	-	-	-	-
C.2 Depreciation	-	309	61	25	36	431
C.3 Impairments recognised in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) the income statement	-	-	-	-	-	-
C.4 Reductions in fair value recognised in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) the income statement	-	-	-	-	-	-
C.5 Foreign exchange losses	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) investment assets	-	-	-	-	-	-
b) assets held for sale	-	-	-	-	-	-
C.7 Other changes	-	-	-	-	-	-
D Net closing balances	**-**	**6,414**	**226**	**34**	**61**	**6,735**
D.1 Total net reductions	-	1,903	359	337	230	2,829
D.2 Gross closing balances	**-**	**8,317**	**585**	**371**	**291**	**9,564**
E Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

The depreciation of properties was determined on the basis of their useful life, in accordance with the rules laid down in IAS 16.
The depreciation rate for furniture is 12%; for electronic systems and other components it is 20%.
Total accumulated depreciation is reported in Lines A.1 and D.1-Total net reductions.
No amounts are reported in Sub-item E – Measurement at cost – as this item is intended only for tangible assets measured at Fair Value, which the Bank does not own.

Section 12 – Item 120 – Intangible assets

12.1 Intangible fixed assets: breakdown by type of asset

Assets/Amounts	Total			
	2014		2013	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	-	-	-	-
A.2 Other intangible assets	**33**	**-**	**40**	**-**
A.2.1 Assets measured at cost:	33	-	40	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	33	-	40	-
A.2.2 Assets at fair value:	**-**	**-**	**-**	**-**
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	**33**	**-**	**40**	**-**

The other intangible assets with a finite life are software costs and licenses purchased entirely from third parties and amortised on a straight-line basis over their estimated 5 year useful life. There are no internally generated intangible assets.

12.2 Intangible assets: year-on-year changes

	Goodwill	Other intangible assets: Internally generated		Other intangible assets: Other		Total
		DEF	INDEF	DEF	INDEF	
A Gross opening balances	**-**	**-**	**-**	**472**	**-**	**472**
A.1 Total net reductions	-	-	-	432	-	432
A.2 Net opening balances	**-**	**-**	**-**	**40**	**-**	**40**
B Increases	**-**	**-**	**-**	**9**	**-**	**9**
B.1 Purchases	-	-	-	9	-	9
B.2 Additions of internally generated intangible assets	-	-	-	-	-	-
B.3 Recoveries	-	-	-	-	-	-
B.4 Increases in fair value recognised in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) the income statement	-	-	-	-	-	-
B.5 Foreign exchange gains	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C Decreases	**-**	**-**	**-**	**16**	**-**	**16**
C.1 Sales	-	-	-	-	-	-
C.2 Adjustments	-	-	-	16	-	16
- Amortisation	-	-	-	16	-	16
- Impairments	-	-	-	-	-	-
+ equity	-	-	-	-	-	-
+ income statement	-	-	-	-	-	-
C.3 Reductions in fair value recognised in:	-	-	-	-	-	-
- equity	-	-	-	-	-	-
- the income statement	-	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	-	-	-
C.5 Foreign exchange losses	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D Net closing balances	**-**	**-**	**-**	**33**	**-**	**33**
D.1 Total net adjustments	-	-	-	448	-	448
E. Gross closing balances	**-**	**-**	**-**	**481**	**-**	**481**
F. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

Key:
DEF: with a finite life
INDEF: with an indefinite life

12.3 Other information

In accordance with the requirements of IAS 38, paragraphs 122 and 124, the Bank states that it has not:

- placed its intangible assets as collateral for its liabilities
- taken commitments to purchase intangible assets, as at the date of the financial statements
- purchased intangible assets through finance or operating leases.

Section 13 – Item 130 of assets and Item 80 of liabilities – Tax assets and liabilities

This item includes tax assets (current and deferred) and liabilities (current and deferred) recorded, respectively, in item 130 of the Assets and item 80 of the Liabilities.
Deferred tax assets and liabilities are accounted for in accordance with the accrual principle, in order to match costs and revenues that determine the result for the period.
Deferred tax assets were recognised on the assumption that the future taxable income likely to be achieved will be sufficient to absorb the costs resulting from the reversal of these assets.

13.1 Deferred tax assets: breakdown

	IRES	IRAP	Total
impairments of loans and advances to customers	183	19	202
other temporary differences	51	-	51
Total	**234**	**19**	**253**

13.2 Deferred tax liabilities: breakdown

	IRES	IRAP	Totale
surplus provisions for staff termination benefits under IFRS	829	173	1,002
other temporary differences	-	-	-
Total	**829**	**173**	**1,002**

13.3 Change in deferred tax assets (offsetting entry to income statement)

	Total	
	2014	2013
1. Opening balance	**242**	**260**
2. Increases	**15**	**2**
2.1 Deferred tax assets recognised during the year	15	2
a) relating to previous years	-	-
b) due to change in accounting policies	-	-
c) recoveries	-	-
d) other	15	2
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**4**	**20**
3.1 Deferred tax assets derecognised during the year	4	20
a) reversals	-	-
b) impairments due to non-recoverability	-	-
c) due to change in accounting policies	-	-
d) other	4	20
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
a) amounts reclassified as tax credits pursuant to Law no. 214/2011	-	-
b) other	-	-
4. Closing balance	**253**	**242**

At end of the reporting period, the Bank reviewed its tax position and, in accordance with applicable accounting standards, it recognised "deferred tax assets" according to the probability of their recovery.
For IRES a 27.5% rate was applied, whilst for IRAP the rate applied was 5.72%. The recognition was made in compliance with current tax laws.

The difference in deferred tax assets recognised/reversed during the year was posted to the income statement, in item 260 "Taxation on profit from continuing operations" for about €10 thousand.

13.3.1 Change in deferred tax assets pursuant to Law no. 214/2011 (offsetting entry to the income statement)

	Total	
	2014	2013
1. Opening balance	**196**	**216**
2. Increases	**5**	**-**
3. Decreases	**-**	**20**
3.1 reversals	**-**	**-**
3.2 Amounts reclassified as tax credits	**-**	**-**
a) resulting from losses for the period	**-**	**-**
b) resulting from tax losses	**-**	**-**
3.3 Other decreases	**-**	**20**
4. Closing balance	**201**	**196**

13.4 Change in deferred tax liabilities (offsetting entry to the income statement)

	Total	
	2014	2013
1. Opening balance	**1,053**	**1,104**
2. Increases	**-**	**-**
2.1 Deferred tax liabilities recognised during the year	-	-
a) relating to previous years	-	-
b) due to change in accounting policies	-	-
c) other	-	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**51**	**51**
3.1 Deferred tax liabilities derecognised during the year	51	51
a) reversals	51	51
b) due to change in accounting policies	-	-
c) other	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**1,002**	**1,053**

"Deferred tax liabilities" are recognised for temporary differences between the carrying amount of an asset or liability and its tax value.
For IRES a 27.5% rate was applied, whilst for IRAP the rate applied was 5.72%. The recognition was made in compliance with current tax laws.
The reversal of deferred tax liabilities refers to taxes calculated on the depreciation charge for the period relating to the capital gain on the property.

With regard to comparative data please see the comments in Part A - Section 4 - Other Aspects of these Notes.

13.5 Change in deferred tax assets (offsetting entry to Shareholders' equity)

In the current year, no deferred tax assets were recognised directly in equity.

13.6 Change in deferred tax liabilities (offsetting entry to Shareholders'' equity)

In the current year, no deferred tax liabilities were recognised directly in equity.

13.7 Other information

Current tax assets and liabilities refer to the following taxes payable to the Revenue Agency, net of advances paid and taxes withheld.

Current tax assets

Items/Amounts	2014	2013
IRES	227	260
IRAP	53	189
Indirect and other taxes	-	-
Total	**280**	**449**

Current tax liabilities

Items/Amounts	2014	2013
IRES	151	35
IRAP	138	111
Indirect and other taxes	-	-
Total	**289**	**146**

Section 14 – Item 140 – Non-current assets and disposal groups

14.1 Non-current assets and disposal groups: breakdown by type of asset

In the current year, the Bank did not recognise any non-current assets and disposal groups held for sale.

Section 15 – Item 150 – Other assets

15.1 Other assets: breakdown

	2014	2013
Non-current assets in progress and advances	-	27
Amounts to be charged to customers	462	217
Leasehold improvements	529	-
Sundry tax assets	518	448
Pending direct debits payable	6	64
Fees and commissions to be invoiced	-	-
other minor items	195	167
Accrued income and prepayments	-	62
Total	**1,710**	**985**

The most significant changes relate to temporary transactions, which are included in the item only for as long as necessary before processing and final recognition.

Liabilities

Section 1 – Item 10 – Payables to banks

1.1 Payables to banks: commodity breakdown

Types of transaction/Amounts	Total	
	2014	2013
1 Deposits by central banks	**6,751**	**4,001**
2 Deposits by banks	**130**	**2,238**
2.1 Current accounts and demand deposits	130	2,238
2.2 Term deposits	-	-
2.3 Loans	-	-
2.3.1 Repurchase agreements	-	-
2.3.2 Other	-	-
2.4 Liabilities deriving from commitments to repurchase own shares	-	-
2.5 Other payables	-	-
Total	**6,881**	**6,239**
Fair value - level 1	**-**	**-**
Fair value - level 2	**6,881**	**-**
Fair value - level 3	**-**	**4,391**
Totale *fair value*	**6,881**	**4,391**

Payables to central banks is the debt owed to the European Central Bank for loans outstanding as at 31/12/2014 for a total of €6,751 thousand, which is part of the loans granted by the ECB against securities given as collateral.

Section 2 – Item 20 – Customer accounts

2.1 Customer accounts: commodity breakdown

Types of transaction/Amounts	Total	
	2014	2013
1 Current accounts and demand deposits	28,964	28,887
2 Term deposits	2,932	3,667
3 Loans	-	-
3.1 Repurchase agreements	-	-
3.2 Other	-	-
4 Liabilities deriving from commitments to repurchase own shares	-	-
5 Other payables	-	-
Total	**31,896**	**32,554**
Fair value - level 1	**-**	**-**
Fair value - level 2	**-**	**-**
Fair value - level 3	**31,896**	**32,554**
Totale *fair value*	**31,896**	**32,554**

As this item includes only sight deposits (current accounts and demand deposits) and term deposits maturing within 12 months, fair value is assumed to be equal to the amortised cost.

Section 3 – Item 30 – Outstanding securities

3.1 Outstanding securities: commodity breakdown

Types of transaction/Amounts	Total 2014				Total 2013			
	Carrying amount	*Fair value*			Carrying amount	*Fair value*		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities	**8,829**	**-**	**8,994**	**-**	**8,706**	**-**	**8,826**	**-**
1. Bonds	8,829	-	8,994	-	8,706	-	8,826	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	8,829	-	8,994	-	8,706	-	8,826	-
2. Other securities	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	-	-	-	-	-	-	-	-
Total	**8,829**	**-**	**8,994**	**-**	**8,706**	**-**	**8,826**	**-**

The Fair Value of the two bonds issued by the Bank, considered in chronological order of issue, amounted to €676,872 and €8,316,825 respectively at 31/12/2014.
In order to measure Fair Value, reference was made to the linearly interpolated swap rate curve at 31/12/2014, and the expected credit spreads for banks rated BBB (Senior).

Section 8 – Tax liabilities – Item 80

The breakdown and changes in deferred tax liabilities are included in the Assets section 13.

Section 10 – Item 100 – Other liabilities

10.1 Other liabilities: breakdown

	2013	2012
Subject to collection portfolio	310	133
Bank transfers awaiting clearance	989	1,201
Bankers' drafts issued	33	62
Amounts payable to tax authorities on behalf of customers and staff	375	362
Trade payables	250	235
Amounts payable to other entities	114	87
Accrued expenses	6	6
Remuneration payable to staff and related social security contributions	94	52
Amounts payable to customers	59	309
Other third-parties payables	13	19
Total	**2,243**	**2,466**

Section 11 – Item 110 – Staff termination benefits

11.1 Staff severance indemnity: year-on-year changes

	Total	
	2014	2013
A Opening balance	**864**	**869**
B Increases	**229**	**152**
B.1 Provisions for the year	124	152
B.2 Other changes	105	-
C Decreases	**221**	**157**
C.1 Benefits paid	221	102
C.2 Other changes	-	55
D Closing balance	**872**	**864**
Total	**872**	**864**

This item includes Provision for Staff Severance Indemnity (T.F.R.), recognised in accordance with the methodology provided for by the new IAS 19, as amended on 16/06/2011.
This standard requires the immediate recognition in the financial statements of all actuarial gains and losses and eliminates the option to defer the recognition of actuarial gains and losses using the corridor method.
This amendment did not affect the financial statements since the bank has elected to recognise actuarial gains and losses incurred in the year in a separate equity reserve.

In particular, it should be noted that the annual discount rate used to calculate the present value of the Staff Severance Indemnity was determined in accordance with paragraph 78 of IAS 19, with reference to the IBoxx Eurozone Corporate AA index with a duration of over 10 years as quoted on 31/12/2014.

IAS 19 requires a series of additional disclosures for post-employment defined benefit plans such as:

a) sensitivity analysis for each significant actuarial assumption at the end of the financial year, showing the effects resulting from changes in actuarial assumptions that were reasonably possible at that date, in absolute terms;

b) disclosure of the contribution for the following year;

c) disclosure of the average maturity of the obligation for defined benefit plans;

d) payments under the plan.

The following table shows this information.

a)

Sensitivity analysis of the main evaluation parameters on the figures at 31 December 2014 DBO at 31.12.2014	
Turnover rate +1%	863,517.06
Turnover rate -1%	881,656.37
Inflation rate +0.25%	890,281.80
Inflation rate -0.25%	854,246.10
Discounting rate +0.25%	850,078.23
Discounting rate -0.25%	894,843.96

b)

Service Cost 2015	102,334.53

c)

Plan duration	14.5

d)

Years	Expected payments
1	78,878
2	69,712
3	72,315
4	74,293
5	76,134

The Staff Severance Indemnity accrued after 1 January 2007 continue to be kept in the company, as, at 31/12/2014, the Bank did not exceed the minimum threshold of 50 employees, as provided for by Law no. 296 of 27 December 2006.

Section 12 – Item 120 – Provisions for liabilities and charges

12.1 Provisions for liabilities and charges: breakdown

Items/Amounts	Total	
	2014	2013
1. Company pensions funds	**-**	**-**
2. Other provisions	**18**	**33**
2.1 litigation	-	-
2.2 staff costs	-	-
2.3 other	18	33
Total	**18**	**33**

The provision for liabilities and charges as at 31/12/2014 was related to:

- allocation of €15 thousand in relation to the deductible under the insurance coverage that was activated following a cash shortage caused by the company Ipervigile Srl, which provided cash transport and custody services to the Bank. The aforementioned company was suspended from business in 2013 after an inspection by Banca d'Italia, which found serious anomalies in its cash handling practices.

  On 29/05/2014 Ipervigile was declared bankrupt and on 13/01/2015 the Bank was acknowledged as creditor for the entire amount due as a result of the cash shortage, plus interest.

- allocation for around €3 thousand in charges relating to long-term benefits to be paid to "relevant personnel"; the charge accruing in the period was recognised in the income statement in the item "staff costs".

Finally, no updates are available concerning the on-going litigation with an Icelandic counterparty that requested the termination of a transaction completed in 2010 for a total amount of about € 300 thousand.
In this respect, it was not considered necessary to make any allocation to the provision for risks and charges as, in similar processes, the court of Reykjavik considered that the transactions were normal business transactions and did not, therefore, agreed to their termination and also because, on the basis of the views expressed by legal experts hired by the bank, an assessment of the final outcome of the dispute was not possible.

12.2 Provisions for liabilities and charges: year-on-year changes

	Pension funds	Other provisions	Total
A Opening balances	**-**	**33**	**33**
B Increases	**-**	**3**	**3**
B.1 Provisions for the year	-	3	3
B.2 Changes due to the passage of time	-	-	-
B.3 Changes due to modification of discount rate	-	-	-
B.4 Other increases	-	-	-
C Decreases	**-**	**18**	**18**
C.1 Uses during the year	-	18	18
C.2 Changes due to modification of discount rate	-	-	-
C.3 Other decreases	-	-	-
D Closing balances	**-**	**18**	**18**

Section 14 – Items 130, 150, 160, 170, 180, 190 and 200 – Corporate equity

The section reports the composition of the Bank's capital and reserves.

14.1 Share capital and Treasury shares: breakdown

Items/Amounts	Total	
	2014	2013
1. Share capital	7,740	7,740
Total	**7,740**	**7,740**

At the date of these financial statements, the bank held no treasury shares

14.2 Share capital – Number of shares: year-on-year changes

Items/Types	Ordinary	Other
A. Shares at beginning of year	**7,740,000**	**-**
- fully paid-up	7,740,000	-
- not fully paid-up	-	-
A.1 Treasury shares (-)	-	-
B.2 Shares outstanding: opening balance	**-**	**-**
B. Increases	**-**	**-**
B.1 New issues	-	-
- rights issues:	-	-
- business combinations	-	-
- bond conversions	-	-
- exercise of warrants	-	-
- other	-	-
- scrip issues:	-	-
- to staff	-	-
- to Directors	-	-
- other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other changes	-	-
C Decreases	**-**	**-**
C.1 Cancellations	-	-
C.2 Share buybacks	-	-
C.3 Demergers	-	-
C.4 Other changes	-	-
D Shares outstanding: closing balance	**7,740,000**	-
D.1 Treasury shares (+)	-	-
D.2 Shares at end of year	7,740,000	-
- fully paid-up	7,740,000	**-**
- not fully paid-up	-	-

14.3 Share Capital: other information

The share capital consists solely of no. 7,740,000 shares, with a par value of € 1.00 each. There are no rights, privileges or restrictions on the shares.
All subscribed shares are paid up and the company does not hold treasury shares.

14.4. Profit reserves: other information

Items/Components	Total	
	2014	2013
1. Legal reserve	796	791
2. FTA reserve:	115	115
3. Retained earnings	621	621
4.Profit for prior year	4,856	4,760
Total	**6,388**	**6,287**

Other information

1. Guarantees granted and commitments

Transaction	Total	
	2014	2013
1. Financial guarantees provided	57	65
a) Banks	57	65
b) Customers	-	-
2. Commercial guarantees provided	782	1,088
a) Banks	-	-
b) Customers	782	1,088
3. Firm commitments to disburse funds	30	-
a) Banks	-	-
i) certain to be used	-	-
ii) not certain to be used	-	-
b) Customers	30	-
i) certain to be used	30	-
ii) not certain to be used	-	-
4. Commitments underlying credit derivatives: sale of protection	-	-
5. Assets pledged as security for third-party obligations	-	-
6. Other commitments	-	-
Total	**869**	**1,153**

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

	Total	
	2013	2012
1. Financial assets held for trading	8,687	4,910
2. Financial assets valued at fair value	-	-
3. Available-for-sale financial assets	-	-
4. Held-to-maturity financial assets	-	-
5. Loans and advances to banks	-	-
6. Loans and advances to customers	1,384	1,068
7. Property, plant and equipment	-	-
Totale	**10,071**	**5,978**

The item “Assets held for trading” shows the securities used as collateral against the loan received from the European Central Bank.
The item Loans to customers shows our commitment to Cassa di Compensazione e Garanzia (Clearing House).

4. Third-party management and brokerage

Types of service	Amount
1. Trading in financial instruments on behalf of third parties	
a) Purchases	1,864
1. settled	1,864
2. unsettled	-
b) Sales	2,005
1. settled	2,005
2. unsettled	-
2. Asset management	
a) individual	-
b) collective	-
3. Custody and administration of securities	
a) third-party securities held on deposit: linked to role as depositary bank (excluding asset management)	65,145
1. securities issued by the reporting bank	16,103
2. other securities	49,042
b) third-party securities held on deposit (excluding asset management): other	-
1. securities issued by the reporting bank	-
2. other securities	-
c) third-party securities deposited with third parties	65,145
d) proprietary securities deposited with third parties	11,860
4. Other transactions	

Part C
Information on the Income Statement

Section 1 – Items 10 and 20 – Interest

1.1 Interest income and similar revenues: breakdown

Items/Forms	Debt securities	Loans	Other transactions	Total 2014	Total 2013
1 Financial assets held for trading	169	-	-	169	355
2 Available-for-sale financial assets	-	-	-	-	-
3 Held-to-maturity financial assets	-	-	-	-	-
4 Loans and advances to banks	-	50	-	50	65
5 Loans and advances to customers	-	1,792	-	1,792	1,315
6 Financial assets at fair value	-	-	-	-	-
7 Hedging derivatives	-	-	-	-	-
8 Other assets	-	-	-	-	-
Total	**169**	**1,842**	**-**	**2,011**	**1,735**

1.3.1 Interest income on financial assets in foreign currency

Interest income on financial assets in foreign currency amounted to €12 thousand.

1.4 Interest expense and similar charges: breakdown

Items/Forms	Deposits	Securities	Other transactions	Total 2014	Total 2013
1. Deposits by central banks	8	-	-	8	19
2. Deposits by banks	71	-	-	71	49
3. Customer accounts	214	-	-	214	241
4. Outstanding securities	-	323	-	323	266
5. Financial liabilities held for trading	-	-	-	-	-
6. Financial liabilities at fair value	-	-	-	-	-
7. Other liabilities and provisions	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-
Total	**293**	**323**	**-**	**616**	**575**

The item Payables to central banks include interest expense related to the loan from the European Central Bank.

1.6.1 Interest expense on financial liabilities in other currencies

Interest expense on financial liabilities in foreign currency amounted to €46 thousand

Section 2 – Items 40 and 50 – Fees and commissions

These items include income and expenses relating, respectively, to services provided and services received by the bank.
Income and expenses taken into account in the determination of the effective interest rate of financial assets and liabilities are excluded (as they are included in items 10 - Interest income and similar revenues and 20 - Interest expense and similar charges).

2.1 Fees and commissions receivable: breakdown

Types of service/Amounts	Total	
	2014	2013
a) guarantees issued	16	24
b) credit derivatives	-	-
c) management, brokerage and advisory services:	88	71
1. trading in financial instruments	7	15
2. foreign currency trading	3	1
3. asset management	-	-
3.1 individual	-	-
3.2 collective	-	-
4. custody and administration of securities	11	7
5. depositary bank	-	-
6. securities placement	51	21
7. order collection	16	22
8. advisory services	-	-
8.1 regarding investment	-	-
8.2 regarding financial structure	-	-
9. distribution of third-party services	-	5
9.1 asset management	-	-
9.1.1. individual	-	-
9.1.2 collective	-	-
9.2 insurance products	-	-
9.3 other products	-	5
d) collection and payment services	205	190
e) servicing for securitisation transactions	-	-
f) factoring transactions	-	-
g) tax collection	-	-
h) management of multilateral trading systems	-	-
i) current account services	179	168
j) other services	-	-
Total	**488**	**453**

2.2 Fees and commissions receivable: distribution channels of products and services

Channels/Amounts	Total	
	2014	2013
a) through own branches:	**-**	**5**
1. asset management	-	-
2. securities placement	-	-
3. third-party services and products	-	5
b) door-to-door sales:	**51**	**21**
1. asset management	-	-
2. securities placement	51	21
3. third-party services and products	-	-
c) other distribution channels	**-**	**-**
1. asset management	-	-
2. securities placement	-	-
3. third-party services and products	-	-

2.3 Commissions payable: breakdown

Services/Amounts	Total	
	2014	2013
a) Guarantees received	-	-
b) Credit derivatives	-	-
c) management and brokerage services:	690	732
1. Trading in financial instruments	670	719
2. Foreign currency trading	-	-
3. Asset management	-	-
3.1 Own portfolio	-	-
3.2 Third-party portfolio	-	-
4. Custody and administration of securities	20	13
5. Placement of financial instruments	-	-
6. Door-to-door sales of financial instruments, products and services	-	-
d) Collection and payment services	51	38
e) Other services	13	14
Total	**754**	**784**

Section 4 – Item 80 – Net profit/(loss) from trading activities

4.1 Net profit/(loss) from trading activities: breakdown

Transactions/Components of income	Gains A	Profits from trading B	Losses C	Losses from trading D	Net profit/(loss) [(A+B)-(C+D)]
1 Financial assets held for trading	**10**	**3,987**	**44**	**171**	**3,782**
1.1 Debt securities	10	3,859	44	171	3,654
1.2 Equity instruments	-	-	-	-	-
1.3 Units of mutual investment funds	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	128	-	-	128
2 Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Deposits	-	-	-	-	-
2.3 Other	-	-	-	-	-
3 Financial assets and liabilities: exchange differences	**-**	**-**	**-**	**-**	-
4 Derivative instruments	**-**	**-**	**-**	**-**	**-**
4.1 Financial derivatives	-	-	-	-	-
- on debt securities and interest rates	-	-	-	-	-
- on equity instruments and share indexes	-	-	-	-	-
- on foreign exchange and gold	-	-	-	-	-
- other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
Total	**10**	**3,987**	**44**	**171**	**3,782**

The item includes:

a) the balance between profits and losses on transactions classified as "financial assets held for trading" and "financial liabilities held for trading", including the results of the valuation of such transactions.

b) the balance between profits and losses on financial transactions in foreign currencies, including the results of the valuation of these transactions.

c) capital gains, amounting to €10 thousand, and capital losses amounting to €44 thousand, on securities in the portfolio as at 31/12/2014.

Section 8 – Item 130 – Net impairment losses/recoveries

8.1 Net impairment losses/recoveries: breakdown

Transactions/Components of income	Impairment losses			Recoveries				Total	
	Specific		Collective	Specific		Collective			
	Cancellations	Other		interest	other	interest	other		
				A	B	A	B	2014	2013
A. Loans and advances to banks	-	-	-	-	-	-	-	-	-
- Loans	-	-	-	-	-	-	-	-	-
- Debt securities	-	-	-	-	-	-	-	-	-
B. Loans and advances to customers	(58)	(200)	(27)	4	87	-	-	(194)	(290)
Impaired loans purchased	-	-	-	-	-	-	-	-	-
- Loans	-	-	-	-	-	-	-	-	-
- Debt securities	-	-	-	-	-	-	-	-	-
Other	(58)	(200)	(27)	4	87	-	-	(194)	(290)
- Loans	(58)	(200)	(27)	4	87	-	-	(194)	(290)
- Debt securities	-	-	-	-	-	-	-	-	-
C. Total	**(58)**	**(200)**	**(27)**	**4**	**87**	**-**	**-**	**(194)**	**(290)**

A = Interest
B = Other

Impairment losses in the column "Specific - Cancellations" refer to the write-off of receivables that are no longer recoverable.

Impairment losses in the column "Specific - other" refer to analytical impairments of receivables.

Impairment Losses in the "Collective" column refer to collective write-downs.

The item "recoveries" in the column "Specific" refers to:

- recoveries from collection
- reductions in doubtful loans, with utilisation of the existing provision
- recoveries from discounting to present value

Section 9 – Item 150 – Administrative expenses

9.1 Staff expenses: breakdown

Types of expense/Amounts	Total	
	2014	2013
1) Employees	2,103	2,068
a) wages and salaries	1,504	1,459
b) social security contributions	406	402
c) staff termination benefits paid	-	-
d) pension contributions	-	-
e) provisions for staff termination benefits	124	152
f) provisions for pension funds and similar commitments:	-	-
- defined-contribution	-	-
- defined-benefit	-	-
g) provisions for external supplementary pension funds:	-	-
- defined-contribution	-	-
- defined-benefit	-	-
h) cost of share-based payments	-	-
i) other employee benefits	69	55
2) Other staff	-	27
3) Directors and Statutory Auditors	371	382
4) Staff on leave	-	-
5) Recovery of expenses for employes seconded to other companies	-	-
6) Reimbursement of expenses for third-party employees seconded to the Bank	-	-
Total	**2,474**	**2,477**

Sub-item e) provision for staff severance indemnity - consists of:
- *Current Service Cost for €100 thousand*
- *Interest Cost for €24 thousand*

Item 3), Directors, includes the remuneration paid to directors and statutory auditors, including social security contributions paid by the company.

9.2 Average number of staff by category

	2014
Employees	
a) Senior managers	-
b) Total middle managers	5
- of which: grades 3 and 4	2
c) Remaining employees	37
Other staff	-

The average number of employees is calculated in terms of weighted average, where the weight is the number of months worked by each person during the year. Part-time employees are accounted for at 50%.

9.5 Other administrative expenses: breakdown

	2014	2013
Other administrative costs:		
– indirect taxation and duties:	**51**	**18**
– other	51	18
– other:	**1,426**	**1,580**
– fees paid to external consultants	14	83
– auditors' fees	68	74
– lease rentals and running expenses	60	89
– IT services	707	776
– postage and telecommunications	102	134
– maintenance and repairs	75	52
– advertising and public relations	19	29
– energy and fuel	54	52
– insurance	25	25
– printing and stationery	41	39
– office cleaning	4	2
– transport and travel expenses	18	10
– lease rentals and hire charges	28	47
– legal and other consultants' fees	108	70
– membership dues and similar charges	67	62
– security	11	11
– other	25	25
Total	**1,477**	**1,598**

Section 10 – Item 160 – Net provisions for liabilities and charges

10. Net provisions for liabilities and charges: breakdown

	2014	2013
Provisions for risk and charges		
other provisions:	-	(15)
-for litigation	-	*(15)*
Recovery of provisions for risk and charges		
other provisions:	-	**-**
-for litigation	-	**-**
Total	**-**	**(15)**

Section 11 - Item 170 - Net adjustments to property, plant and equipment

11.1 Net adjustments to property, plant and equipment: breakdown

Assets/Components of income	Depreciation (a)	Impairment losses (b)	Recoveries (c)	Net result (a+b-c)
A. Property, plant and equipment				
A.1 Owned by the Bank	(431)	-	-	(431)
- Operating assets	(431)	-	-	(431)
- Investment assets	-	-	-	-
A.2 Purchased under financial leases	-	-	-	-
- Operating assets	-	-	-	-
- Investment assets	-	-	-	-
Total	**(431)**	**-**	**-**	**(431)**

Depreciation on property, plant and equipment amounted to €431 thousand and includes depreciation on the properties, recognised on the basis of their useful life.

Section 12 – Item 180 – Net adjustments to intangible assets

12.1 Net adjustments to intangible assets: breakdown

Assets/Components of income	Amortisation (a)	Impairment losses (b)	Recoveries (c)	Net result (a+b-c)
A. Intangible assets				
A.1 Owned by the Bank	16	-	-	16
- Internally generated	-	-	-	-
- Other	16	-	-	16
A.2 Purchased under finance leases	-	-	-	-
Total	**16**	**-**	**-**	**16**

Section 13 – Item 190 – Other operating income and expenses

13.1 Other operating expenses: breakdown

	2014	2013
contingent liabilities	(6)	(25)
amortisation of Leasehold improvements	-	(47)
other	(12)	(11)
Total	**(18)**	**(83)**

13.2 Other operating income: breakdown

	2014	2013
Expense recoveries	39	54
Grant pursuant to Law 388/2000	-	-
Contingent assets	8	3
Other	-	-
Total	**47**	**57**

Section 18 – Item 260 – Income taxes for the year on current operations

18.1 Income taxes for the year on current operations: breakdown

Income items/Values	Total	
	2014	2013
1. Current taxes	(289)	(146)
2. Changes in current taxes for previous years	-	-
3. Reduction in current taxes for the period	-	-
3Bis Reduction in current taxes for the year for tax credits as per law no. 214/2011	-	-
4. Change in prepaid taxes	10	(17)
5. Change in deferred taxes	51	51
6. Income taxes for the period	(228)	(112)

18.2 Reconciliation of notional and actual tax burden (IRES)

Components/Amounts	2014
Profit/(Loss) from continuing operations before tax (item 250 c/e)	**352**
Tax charge calculated at statutory rate of 27.50% for IRES	**97**
Tax on increases	133
Tax on reductions	(79)
Effective tax rate for IRES - 36,82%	**151**
IRAP	**138**
Current tax expense for the year	**289**

The increases are mainly determined by the directors' remuneration and the write-downs of loans. The decreases primarily relate to recoveries resulting from the use of provisions.

Section 21 – EPS

Earnings per share for the year 2014 amounted to € 0.01; as provided for by law, it is calculated by dividing the result for the period by the average number of shares outstanding during the year.

Part D
Comprehensive Income

	Items	Gross amount	Income tax	Net amount
10.	**Profit (loss) for the year**			**125**
	Other income items not reversed to income statement	-	-	(105)
20.	Tangible fixed assets	-	-	-
30.	Intangible fixed assets	-	-	-
40.	Defined-benefit plans	-	-	(105)
50.	Non-current discontinuing operations	-	-	-
60.	Share of valuation reserves for equity investments carried at equity	-	-	-
	Other income items reversed to income statement	-	-	-
70.	**Foreign investment hedging:**	-	-	-
	a) changes in fair value	-	-	-
	b) reversal to income statement	-	-	-
	c) other changes	-	-	-
80.	**Exchange rate differences:**	-	-	-
	a) changes in fair value	-	-	-
	b) reversal to income statement	-	-	-
	c) other changes	-	-	-
90.	**Cash flow hedging:**	-	-	-
	a) changes in fair value	-	-	-
	b) reversal to income statement	-	-	-
	c) other changes	-	-	-
100.	**Financial assets available for sale:**	-	-	-
	a) changes in fair value	-	-	-
	b) reversal to income statement	-	-	-
	- adjustments due to impairment	-	-	-
	- profits or losses on disposals	-	-	-
	c) other changes	-	-	-
110.	**Non-current discontinuing operations:**	-	-	-
	a) changes in fair value	-	-	-
	b) reversal to income statement	-	-	-
	c) other changes	-	-	-
120.	**Share of valuation reserves for equity investments carried at equity:**	-	-	-
	a) changes in fair value	-	-	-
	b) reversal to income statement	-	-	-
	- adjustments due to impairment	-	-	-
	- profits or losses on disposals	-	-	-
	c) other changes	-	-	-
130.	**Total of other income items**	**-**	**-**	**(105)**
140.	**Comprehensive income (Item 10+130)**	**-**	**-**	**20**

Part E
Information on risks and hedging policies

In compliance with supervisory regulations, please note that the information concerning the capital adequacy and risk exposure of the Bank are published on the corporate website (www.bancapromos.it).

Section 1 – Credit risk

Credit risk, also known as counterparty risk, generally refers to the risk that the customer/counterparty does not perform its obligations in the manner and within the time provided for by the contract, due to lack of funds.
It is specifically the risk that the customer-debtor fails to fulfil even a part of their obligation in a loan transaction to reimburse principal and pay interest.
Credit risk, therefore, includes solvency, concentration and Country risks.[1].

Qualitative information

1. General aspects
During 2014 the Bank continued to expand its core banking activities, such as deposit collection and lending, in line with its strategic objectives aimed at diversifying business.
In particular, loans, which increased by around 15% compared to the previous FY, were divided up as detailed below:

- a major component (48%) is represented by medium-long term real estate loans secured by mortgage;
- a significant portion of the bank's exposure consists of unsecured loans, i.e. medium-term loans not secured by mortgage (27%);
- a sizeable amount of the bank's exposure is represented by credit lines that are part of the ordinary cash lending business (13%);
- a residual part is represented by advances on invoices subject to collection (9%), through which companies are ensured immediate availability of cash against their trade receivables not yet due, by personal loans (2%) and by import financing (1%).

Loans were granted with a view to limiting and spreading risk on the basis of:

- a careful selection of individual counterparties through an appropriate prior creditworthiness assessment, i.e. during the credit approval process, and subsequent on-going monitoring of their ability to fulfil obligations;
- diversification of credit risk, by limiting the concentration of exposure to groups of related customers, business groups or individual sectors of the economy;
- performance monitoring of individual positions, carried out using our IT systems and through constant monitoring of relationships showing any irregularities.

[1] Country risk is the risk associated with international transactions, when the foreign customers-debtors do not fulfil their obligations, due to the macroeconomic conditions in the country in which they operate.

2. Credit risk management policies

2.1 Organisational issues

The Bank is aware that the risk of an adverse evolution is inherent in the lending business, and thus pays close attention to controlling this type of risk.
To this end, the Bank implements management policies and control systems aimed at minimising exposure to risk within the limits of sound and prudent management, by following the general guidelines established by the Board of Directors.
They respond to the twofold need of:

- regulating lending operations in accordance with specific business objectives in terms of risk/return;

- complying with the Supervisory Instructions laying down the minimum capital requirements the Bank must ensure as a safeguard against risk and which must be met at all times.

2.2 Management, measurement and control systems

The management of credit risk depends on lending policies. For this purpose, the Board of Directors establishes the general principles governing lending to customers, approves the strategic guidelines and policies for loan disbursement and risk management, through the definition of specific parameters (type of loans, percentage of funding to be used in lending).
Consistent with these policies, the Board of Directors has defined and approved the methods for measuring credit risk and monitoring performance.
The whole lending process, from the preliminary assessment to disbursement, as well as monitoring positions, reviewing credit lines and responding to abnormal situations, was formalised in the "Credit Regulations", approved by the Board of Directors and periodically audited.
The regulations cover: credit authorities, prudential limits, acceptable collateral, loans classification, credit monitoring, control and reporting system.
Proper management of the credit process also requires an adequate risk measurement and control system.
In order to verify the effectiveness of the measures adopted, the Bank uses a "Control System", which is organised differently at the various levels within the Bank; each person involved in the system is responsible both for the supervisory activities and for reporting on the results of their audits.

The system is organised into the three levels outlined below:

1) line controls or first-level controls, to ensure that operations are properly carried out; these are performed by the commercial staff;

2) second-level controls, which are the responsibility of:

- the Credit Control and Litigation department, which, as part of its ordinary activities, carries out checks with regard to loan applications, granting and classification as well as audits on any unusual use of funds in the early stages of the loan and on loans performing in anomalous ways and therefore impaired;

- the Risk Management department, which monitors the activity, verifying transactions carried out and performing an overall assessment of the risk to which the Bank is exposed, also in relation to loan performance;

- the Compliance department, which verifies compliance with internal and external regulations.

3) third-level controls, carried out by Internal Audit, which, on the basis of a plan specifically set out for the purpose, verifies any anomalies or breaches of procedures and internal and

external regulations, also assessing the functionality and adequacy of the overall internal control system.

Moreover, the following activities are carried out:

- preventive controls, which take place prior to granting the credit line and are specifically aimed at verifying compliance with credit authority limits, guarantee standards, the completeness and adequacy of all documents delivered to and/or signed by the customer.

- on-going controls, which take place after the loan has been granted and disbursed, involving monitoring of the positions in their various operating aspects, with particular reference to risk management (unauthorised overdrafts, compliance with guarantee margins, etc.), in order to verify the recoverability of the loan at all times.

Finally, the Bank uses a management tool to carry out first-level controls through which the Credit Control Office and the branches can periodically monitor existing positions; this procedure uses historical internal databases and assigns a risk rating to each customer. Ratings are determined at the NDG level and any anomalies and data that contributed to their formulation are logged.

2.3 Credit risk mitigation techniques

Credit risk mitigation is pursued by granting loans only to reliable customers with sound financial positions and proven credit standing.
Where necessary, lending transactions are backed by various types of guarantees according to the type of loan granted:

- personal guarantees;

- collateral (mortgages and other collateral).

With regard to personal guarantees, sureties on first demand are accepted, issued by Italian and foreign banks or by natural or legal persons of proven solvency. In addition guarantees backed by Confidi and Medio Credito Centrale are also accepted.
With regard to collateral, the Bank accepts the following guarantees:

- mortgages;

- pledge on deposits in euros or foreign currency;

- pledge on securities.

Credit lines for trading purposes must be backed by securities, which are evaluated according to their nature and riskiness and also taking into account the ratings assigned by specialised agencies. A discount on market value is applied to the securities pledged as collateral, to an extent related to the nature of the securities. The Bank may accept securities as collateral at its own discretion, and can apply higher discounts to the securities it deems riskier.
The guarantee may also consist of a cash balance, in which case no discount is applied.
Real estate mortgage loans are granted against first real estate mortgages.
The acquisition of guarantees requires careful evaluation, not only to determine the guarantees' value, on which the maximum amount of credit that can be extended is based, but also to verify any restrictions or impediments that might in some way limit their validity.

2.4 Impaired financial assets

With regard to the technical and organisational procedures and methods used in managing and controlling impaired assets, as determined by the internal "Credit Regulations", the method used to classify loans performing irregularly are described below:

- "overdue loans", i.e. loans that exceed the time limit criteria established by the Supervisory regulations;

- loans "under restructuring", i.e. those for which debt restructuring is in place or is being negotiated, which provides for remuneration below market rates;

- "doubtful" loans, i.e. loans to entities considered to be in a temporary and objectively difficult situation, which is expected to be resolved within a reasonable period of time, including through an efficient action by the Branches. Loans classified as "doubtful" do not necessarily lead to the next step of "non-performing" loans, as effective action vis-à-vis the customer may reverse this classification once the situation of temporary difficulty has been resolved.

- "non-performing" loans, i.e. loans to borrowers deemed to be in default or in substantially equivalent situations. Recoverability is assessed analytically based on a conservative assessment of the debtor and any guarantors, the progress of any legal action, and, where applicable, on a conservative appraisal of the realisable value of collateral.

All impaired loans (overdue, doubtful, in restructuring, non-performing loans) are evaluated analytically by the units involved in the lending process.
Impaired (overdue) loans are subject to a flat-rate assessment, using the same methodology as for the impairment of "performing" receivables; if an actual loss is expected, a write-down of the individual account is carried out.
The CEO is responsible for classifying non-performing loans.
In particular, with regard to impaired financial assets, the following should be noted:

- the presence of overdue loans to customers, accounting for 0.21% of total loans;

- the presence of doubtful loans to customers, accounting for 4.42% of total loans;

- the presence of non-performing loans to customers, accounting for 1.56 % of total loans.

Quantitative information

A. Credit quality

A.1. Impaired and performing exposures: amounts, adjustments, trend, financial and territorial distribution

A.1.1 Breakdown of exposures by portfolio and credit quality (book values)

Portfolio/Quality	Non-performing	Impaired loans	Restructured exposures	Impaired overdue	Non-impaired	Other assets	Total
1. Financial assets held for trading	-	-	-	-	-	10,825	10,825
2. Financial assets available for sale	-	-	-	-	-	-	-
3. Financial assets held to maturity	-	-	-	-	-	-	-
4. Receivables from banks	-	-	-	-	-	9,665	9,665
5. Loans to customers	576	1,635	-	77	1,180	33,507	36,975
6. Financial assets carried at fair value	-	-	-	-	-	-	-
7. Discontinuing operations	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-
Totale 2014	**576**	**1,635**	**-**	**77**	**1,180**	**53,997**	**57,465**
Totale 2013	392	1,322	-	22	-	56,096	57,832

A.1.2 Breakdown of exposures by portfolio and credit quality (gross and net values)

Portfolio/Quality	Impaired assets			Performing assets			Total (net exposure)
	Gross exposure	Specific impairments	Net exposure	Gross	Collective impairments	Net	
1. Financial assets held for trading	-	-	-	-	-	10,825	10,825
2. Available-for-sale financial assets	-	-	-	-	-	-	-
3. Held-to-maturity financial assets	-	-	-	-	-	-	-
4. Loans and advances to banks	-	-	-	9,665	-	9,665	9,665
5. Loans and advances to customers	3,392	1,104	2,288	34,911	224	34,687	36,975
6. Financial assets at fair value	-	-	-	-	-	-	-
7. Financial assets held for sale	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	-	-
Total 2014	**3,392**	**1,104**	**2,288**	**44,576**	**224**	**55,177**	**57,465**
Total 2013	2,801	1,065	1,736	43,519	198	56,096	57,832

A.1.2.1 Detail of the portfolio of loans to customers for performing exposures subject to renegotiation under collective agreements and other exposures

At 31/12/2014, the Bank had no performing exposures subject to renegotiation under collective agreements.
The "other exposures" usually included loans that are classified in the overdue not impaired loans category.

Portfolio / seniority overdue	Other					Total (net exposure)
	Exposures not overdue	Overdue 3 months or less	Overdue after 3 but less than 6 months	Overdue after 6 months but less than 1 year	Overdue dafter 1 year	
Net exposures to customers	33,507	1,085	95	-	-	34,687

A.1.3 Cash and off-balance sheet exposures with banks: gross and net values

Types of exposure/Amounts	Gross exposure	Specific impairments	Collective impairments	Net exposure
A. On-balance sheet exposures				
a) Non-performing	-	-	-	-
b) Problem	-	-	-	-
c) Restructured	-	-	-	-
d) Past-due	-	-	-	-
e) Other assets	18,366	-	-	18,366
Total A	**18,366**	**-**	**-**	**18,366**
B. Off-balance exposures				
a) Impaired	-	-	-	-
b) Other	57	-	-	57
Total B	**57**	**-**	**-**	**57**
Total A+B	**18,423**	**-**	**-**	**18,423**

A.1.6 Cash and off-balance sheet exposures with clients: gross and net values

Types of exposure/Amounts	Gross exposure	Specific impairments	Collective impairments	Net exposure
A. On-balance sheet exposures				
a) Non-performing	1,534	958	-	576
b) Problem	1,776	141	-	1,635
c) Restructured	-	-	-	-
d) Past-due	82	5	-	77
e) Other assets	37,034	-	224	36,810
Total A	**40,426**	**1,104**	**224**	**39,098**
B. Off-balance exposures				
a) Impaired	-	-	-	-
b) Other	829	-	-	829
Totale B	**829**	**-**	**-**	**829**

A.1.7 Cash exposures with clients: dynamics of gross impaired exposures

Reasons/Categories	Non-performing	Problem	Restructured	Past-due
A. Gross exposure at beginning of year	**1,360**	**1,417**	**-**	**24**
- of which: transferred assets not derecognised	-	-	-	-
B. Increases	**324**	**704**	**-**	**126**
B.1 transfers from performing loans	10	690	-	126
B.2 transfers from other categories of impaired asset	291	-	-	-
B.3 other increases	23	14	-	-
C. Decreases	**150**	**345**	**-**	**68**
C.1 transfers to performing loans	-	12	-	2
C.2 derecognition	54	-	-	-
C.3 collection	22	105	-	3
C.4 amounts realised on transfer	-	-	-	-
C.5 transfers to other categories of impaired asset	-	228	-	63
C.6 other decreases	74	-	-	-
D Gross exposure at end of year	**1,534**	**1,776**	**-**	**82**
- of which: transferred assets not derecognised	**-**	**-**	**-**	**-**

A.1.8 Cash exposures with clients: overall adjustment trend

Reasons/Categories	Non-performing	Problem	Restructured	Past-due
A. Gross exposure at beginning of year	**968**	**95**	**-**	**2**
- of which: transferred assets not derecognised	**-**	**-**	**-**	**-**
B. Increases	**103**	**91**	**-**	**10**
B.1 transfers from performing loans	54	45	-	-
B.1.bis perdite da cessione	-	-	-	-
B.2 transfers from other categories of impaired asset	40	-	-	-
B.3 other increases	9	46	-	10
C. Decreases	**113**	**45**	**-**	**7**
C.1 transfers to performing loans	2	-	-	-
C.2 derecognition	-	12	-	1
C.2.bis utili da cessione	-	-	-	-
C.3 collection	37	-	-	-
C.4 amounts realised on transfer	-	33	-	6
C.5 other decreases	74	-	-	-
D Gross exposure at end of year	**958**	**141**	**-**	**5**
- of which: transferred assets not derecognised	**-**	**-**	**-**	**-**

A.2. Classification of exposures based on external and internal ratings

A.2.1 Distribution of cash and off-balance sheet exposures by external rating classes

Exposures	Class of external rating						No rating	Total
	Aaa/Aa3	A1/A3	Baa1/ Baa3	Ba1/Ba3	B1/B3	Inferiore a B3		
A. On-balance sheet	**-**	**-**	**7,563**	**511**	**104**	**-**	**49,287**	**57,465**
B. Derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Financial derivatives	-	-	-	-	-	-	-	-
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees issued	-	-	-	-	-	-	**-**	**-**
D. Commitments to disburse funds	-	-	-	-	-	-	**-**	**-**
E. Other	-	-	-	-	-	-	**-**	**-**
Total	**-**	**-**	**7,563**	**511**	**104**	**-**	**49,287**	**57,465**

The risk classes for external ratings in this table refer to those used by the agency Moody's.

A.2.2 Distribution of cash and off-balance sheet exposures by internal rating classes

This table is not provided, since to date the Bank has not used internal rating models to manage credit risk.

A.3 Distribution of secured exposures by type of guarantee

A.3.1 Secured credit exposures with banks

This table is not provided, since to date the Bank has no secured cash exposures with banks.

A.3.2 Secured credit exposures with customers

		Collateral (1)				Personal guarantees (2)									
						Credit derivatives					Credit commitments				
							Altri derivati								
	Net exposure	Properties	Financial leasing	Securities	Other collateral	CLNs	Governm. and central banks	Other public entities	Banks	Other entities	Governments and central banks	Other public entities	Banks	Other entities	Total (1+2)
1. Secured on-balance sheet exposures	**31,130**	**70,590**		**503**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**70**	**12,115**	**83,278**
1.1 fully secured	30,615	70,590		432	-	-	-	-	-	-	-	-	70	11,690	82,782
- of which impaired	1,797	2,646		-	-	-	-	-	-	-	-	-	-	372	3,018
1.2 partially secured	515	-		71	-	-	-	-	-	-	-	-	-	425	496
- of which impaired	26	-		21	-	-	-	-	-	-	-	-	-	-	21
2. Secured off-balance sheet exposures	**411**	**-**		**355**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**355**
2.1 fully secured	265	-		265	-	-	-	-	-	-	-	-	-	-	265
- of which impaired	-	-		-	-	-	-	-	-	-	-	-	-	-	-
2.2 partially secured	146	-		90	-	-	-	-	-	-	-	-	-	-	90
- of which impaired	-	-		-	-	-	-	-	-	-	-	-	-	-	-

B. Distribution and concentration of credit exposures

B.1 Distribution of cash and off-balance sheet exposures with clients by sector (book values) – <u>Part 1</u>

Exposures / Borrowers	Governments			Other public entities		
	Net exposure	Specific impairments	Collective impairments	Net exposure	Specific impairments	Collective impairments
A. On-balance sheet exposures						
A.1 Non-performing	**-**	**-**	**-**	**-**	**-**	**-**
A.2 Problem	**-**	**-**	**-**	**-**	**-**	**-**
A.3 Restructured	**-**	**-**	**-**	**-**	**-**	**-**
A.4 Past-due	**-**	**-**	**-**	**-**	**-**	**-**
A.5 Other	**2,124**	**-**	**-**	**-**	**-**	**-**
Total A	**2,124**	**-**	**-**	**-**	**-**	**-**
B. Off-balance sheet exposures						
B.1 Non-performing	-	-	-	-	-	-
B.2 Problem	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-
B.4 Other	-	-	-	-	-	-
Total B	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 2014	**2,124**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 2013	7,993	-	-	-	-	-

B.1 Distribution of cash and off-balance sheet exposures with clients by sector (book values) – Part 2

Exposures / Borrowers	Financial companies			Insurance companies		
	Net exposure	Specific impairments	Collective impairments	Net exposure	Specific impairments	Collective impairments
A. On-balance sheet exposures						
A.1 Non-performing	-	-	-	-	-	-
A.2 Problem	220	25	-	-	-	-
A.3 Restructured	-	-	-	-	-	-
A.4 Past-due	-	-	-	-	-	-
A.5 Other	-	-	-	-	-	-
Total A	**220**	**25**	**-**	**-**	**-**	**-**
B. Off-balance sheet exposures						
B.1 Non-performing	-	-	-	-	-	-
B.2 Problem	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-
B.4 Other	-	-	-	-	-	-
Total B	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 2014	**220**	**25**	**-**	**-**	**-**	**-**
Total (A+B) 2013	220	25	-	-	-	-

B.1 Distribution of cash and off-balance sheet exposures with clients by sector (book values) -– Part 3

Exposures / Borrowers	Non-financial companies			Other entities		
	Net exposure	Specific impairments	Collective impairments	Net exposure	Specific impairments	Collective impairments
A. On-balance sheet exposures						
A.1 Non-performing	133	691	-	443	267	-
A.2 Problem	399	49	-	1,016	67	-
A.3 Restructured	-	-	-	-	-	-
A.4 Past-due	19	1	-	58	4	-
A.5 Other	19,579	-	132	15,107	-	92
Total A	**20,130**	**741**	**132**	**16,624**	**338**	**92**
B. Off-balance sheet exposures						
B.1 Non-performing	-	-	-	-	-	-
B.2 Problem	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-
B.4 Other	776	-	-	-	-	-
Total B	**776**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 2014	**20,906**	**741**	**132**	**16,624**	**338**	**92**
Total (A+B) 2013	16,137	778	104	16,035	262	94

B.2 Distribution of cash and off-balance sheet exposures with clients by territory (book values)

Exposures/Geographical areas	Italy		Other European countries		America		Asia		Rest of the world	
	Net exposure	Total impairments	Net exposure	Total impairments	Net exposure	Total impairments	Net exposure	Total impairments	Net exposure	Total impairments
A. On-balance sheet exposures										
A.1 Non-performing	576	958	-	-	-	-	-	-	-	-
A.2 Problem	1,635	141	-	-	-	-	-	-	-	-
A.3 Restructured	-	-	-	-	-	-	-	-	-	-
A.4 Past-due	77	5	-	-	-	-	-	-	-	-
A.5 Other	36,770	224	40	-	-	-	-	-	-	-
Total A	**39,058**	**1,328**	**40**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Off-balance sheet exposures										
B.1 Non-performing	-	-	-	-	-	-	-	-	-	-
B.2 Problem	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other	829	-	-	-	-	-	-	-	-	-
Total B	**829**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total 2014	**39,887**	**1,328**	**40**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total 2013	41,424	1,263	49	-	-	-	-	-	-	-

B.3 Distribution of cash and off-balance sheet exposures with banks by territory (book values)

Esposizione/aree geografiche	Italy		Other European countries		America		Asia		Rest of the world	
	Net exposure	Total impairments	Net exposure	Total impairments	Net exposure	Total impairments	Net exposure	Total impairments	Net Exposures	Total impairments
A. On-balance sheet exposures										
A.1 Non-performing	-	-	-	-	-	-	-	-	-	-
A.2 Problem	-	-	-	-	-	-	-	-	-	-
A.3 Restructured	-	-	-	-	-	-	-	-	-	-
A.4 Past-due	-	-	-	-	-	-	-	-	-	-
A.5 Other	14,187	-	4,179	-	-	-	-	-	-	-
Total A	**14,187**	**-**	**4,179**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Off-balance sheet exposures										
B.1 Non-performing	-	-	-	-	-	-	-	-	-	-
B.2 Problem	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other	57	-	-	-	-	-	-	-	-	-
Total B	**57**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total 2014	**14,244**	**-**	**4,179**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total 2013	14,270	-	3,232	-	-	-	-	-	10	-

B.4 Major exposures

At 31.12.2014 there were risk positions representing a major risk for a nominal value of €14,683 thousand.

These positions include:

- €3,477 thousand for exposures to the Italian Government (Italian government securities which for supervisory and tax purposes are included in the trading book);
- €1,841 thousand for securities issued by Italian banks which for supervisory purposes are included in the trading book;
- €9,365 thousand in interbank demand deposits.

Therefore, in accordance with supervisory regulations according to which exposures to the Italian Government are assigned a zero weight and those to banks a 100% weight, the weighted value of these exposures is €11,206 thousand.

Section 2 – Market risks

Market risk is the general risk associated with the unpredictable performance of macro-economic variables.
Therefore, the development of operations on the financial markets and trading in securities and currencies may lead to increased risks associated with changes in market prices that result in:

- Interest rate risk
- Price/equity risk
- Exchange rate risk

Before analysing each risk category, please note that for the purposes of this Section, the quantitative and qualitative information is reported with reference to the "trading book" and the "banking book" as defined in the legislation governing supervisory reporting. In particular, the trading book comprises all the financial instruments subject to capital requirements for market risks.

2.1 – Interest rate risk and price risk – Regulatory Trading Book

Qualitative information

A. General aspects

The regulatory trading book is composed exclusively of Euro-denominated debt securities of issuers from Zone A countries. Moreover, with reference to rating, the book is composed of securities with a rating falling into the "investment grade" category, from Baa1 to Baa3 (Moody's), except for a small part (6%) with a rating lower than the "investment grade" category and another part (24.45%) that has not been rated.
Furthermore, the Bank does not take speculative positions in derivatives and does not trade equities.

B. Measurement and management of market rate risk and price risk

Interest rate risk is the effect on price due to changes in interest rates on financial markets. This effect depends on the characteristics of the instrument, such as, for example, its residual life, the coupon rate and any early repayment options.
Therefore, the risk of a change in interest rates having an adverse impact on the Bank's financial situation is inherent in the trading business, as the Bank's performance is affected by the fluctuations in interest rates in Europe and in the other markets where it carries out its business.
In view of this and given the impossibility to fully predict changes to securities and currency prices and, in general, the evolution of markets, the Bank implements management policies and control systems which ensure sound and prudent management of market risks, in line with the general guidelines established by the Board of Directors.
They respond to the twofold need of:

- regulating operations in the financial markets area according to specific business objectives in terms of risk/return;

- complying with the directions given by Banca d'Italia, in terms of capital requirements.

In particular, in order to limit the risk of changes in interest rates and fluctuations in market prices, the activity on the regulatory trading book is governed by the operating limits established in the "Financial Markets Regulation", approved by the Board of Directors and regularly audited.

These limits were set with reference to the following control parameters, which are built into the Bank's IT system:

- "modified duration", an indicator generally used for bond-like instruments;

- "VAR", a model for evaluating the risk involved in a given financial portfolio;
- short sales;
- stop loss.

In order to verify the effectiveness of the measures adopted, the Bank uses a "Control System", which is organised differently at the various levels within the Bank; each person involved in the system is responsible both for the supervisory activities and for reporting on the results of their audits.
The system is organised into the three levels outlined below:

1. first-level controls or line checks, aimed at ensuring that operations are properly carried out; these controls are carried out directly by operating managers, who, during daily operations, verify compliance with the limits set into the system. Moreover, with particular reference to financial activities, first-level controls are ensured automatically through the IT system on the basis of the control parameters set into the system;
2. second-level controls, which are the responsibility of:

- Back Office which, in the ordinary course of transaction processing, verifies compliance with the system of limits and the proper exercise of authorities. It identifies any transactions not completed due to non-compliance with one or more of the control parameters established and requests their approval by the persons in charge;
- the Risk Management department, which monitors the activity, verifying transactions carried out and performing an overall assessment of the risk to which the Bank is exposed in relation to market trends, the nature of the instruments traded and the issuers and the counterparties involved;

3. third-level controls, carried out by Internal Audit, which, on the basis of a plan specifically set out for the purpose, verifies any anomalies or breaches of procedures and internal and external regulations, also assessing the functionality and adequacy of the overall internal control system.

Quantitative information

1. 1. Regulatory trading book: breakdown of cash financial assets and liabilities and financial derivatives by residual term (repricing date)

Currency: EUR

Type/Remaining term to maturity	on demand	3 months or less	after 3 but less than 6 months	after 6 months but less than 1 year	after 1 year but less than 5 years	after 5 but less than 10 years	over 10 years	indeter-minate term to maturity
1. On-balance sheet assets								
1.1 Debt securities	**-**	**3,310**	**3,821**	**2,348**	**1,346**	**316**	**-**	**-**
- callable	-	-	-	-	-	-	-	-
- other	-	3,310	3,821	2,348	1,346	316	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities								
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Options	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ short positions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Other derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ short positions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.2 Without underlying securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Options	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ short positions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Other derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ short positions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

1. Regulatory trading book: breakdown of cash financial assets and liabilities and financial derivatives by residual term (repricing date). Currency: all

Type/Remaining term to maturity	on demand	3 months or less	after 3 but less than 6 months	after 6 months but less than 1 year	after 1 year but less than 5 years	after 5 but less than 10 years	over 10 years	indeter-minate term to maturity
1. On-balance sheet assets								
1.1 Debt securities	**-**	**3,310**	**3,821**	**2,348**	**1,346**	**316**	**-**	**-**
- callable	-	-	-	-	-	-	-	-
- other	-	3,310	3,821	2,348	1,346	316	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities								
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Options	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ short positions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Other derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ short positions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.2 Without underlying securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Options	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ short positions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Other derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ short positions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

The Bank has assessed its vulnerability to adverse market scenarios through stress tests, by applying to the regulatory trading book an assumed shift of +/-100 bps in interest rates, in accordance with the regulations in force.
This scenario would determine for the bank, respectively, the following percentage changes:

- -1.77%/+1.99% on the brokerage margin;
- -69.80%/+78.44% on the result for the year;
- -0.57%/+0.64% on shareholders' equity.

2. Regulatory trading book: breakdown of exposures in equity instruments and equity indices by the major listing market Countries

This table is not provided, since at the end of the reporting period the Bank did not hold equity instruments or equity indices.

2.2 – Interest rate risk and price risk – Banking book

Qualitative information

A. General aspects, measurement and management of market rate risk and price risk

The risk of a change in interest rates having an adverse impact on the Bank's financial situation is inherent in the banking book.
The banking book consists mainly of:
- receivables
- various forms of fundraising

The Bank's exposure is measured by considering all assets and liabilities.
In particular, in order to limit exposure to this risk, the risk of changes in interest rates is monitored through maturity analysis.
This consists of a measurement system where asset and liability positions are broken down into maturity brackets according to the residual life until the interest rate renegotiation date, as required by the supervisory regulations. The different positions that fall into each maturity bracket are weighted on the basis of weights that approximate the positions' "financial duration" Within each bracket, assets are offset by liabilities, thus obtaining a net position.
This analysis provides the summary index envisaged by Banca d'Italia, i.e. the "risk index", which is expressed as the ratio of the "exposure to interest rate risk" to Regulatory Capital.

B. Fair value hedging

The Bank does not enter into accounting or economic fair value hedges.

C. Cash flow hedging

The Bank does not enter into cash flow hedges.

Quantitative information

1. **Banking book: breakdown of financial assets and liabilities by residual term (by date of repricing) – Part 1 – Currency: EUR**

Type / Remaining term to maturity	on demand	3 months or less	after 3 but less than 6 months	after 6 months but less than 1 year	after 1 year but less than 5 years	after 5 but less than 10 years	over 10 years	indeter-minate term to maturity
1 On-balance sheet assets								
1.1 Debt securities	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans and advances to banks	8,970	198	-	-	-	-	-	-
1.3 Loans and advances to customers	11,442	21,904	332	1,530	1,156	121	-	-
- current account overdrafts	4,629	32	-	2	97	17	-	-
- other loans	6,813	21,872	332	1,528	1,059	104	-	-
- callable	-	-	-	-	-	-	-	-
- other	6,813	21,872	332	1,528	1,059	104	-	-
2 On-balance sheet liabilities								
2.1 Customer accounts	28,585	898	302	430	1,301	-	-	-
- current account overdrafts	27,569	898	302	430	1,301	-	-	-
- other loans	1,016	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	1,016	-	-	-	-	-	-	-
2.2 Deposits by banks	130	6,751	-	-	-	-	-	-
- current accounts	130	-	-	-	-	-	-	-
- other	-	6,751	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	8,829	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	8,829	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3 Financial derivatives								
3.1 With underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4 Other off-balance sheet transactions								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

1. **Banking book: breakdown of financial assets and liabilities by residual term (by date of repricing) – Part 2 – Currency: USD**

Type / Remaining term to maturity	on demand	3 months or less	after 3 but less than 6 months	after 6 months but less than 1 year	after 1 year but less than 5 years	after 5 but less than 10 years	over 10 years	indeter-minate term to maturity
1 On-balance sheet assets								
1.1 Debt securities	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans and advances to banks	497	-	-	-	-	-	-	-
1.3 Loans and advances to customers	-	310	-	-	-	-	-	-
- current account overdrafts	-	-	-	-	-	-	-	-
- other loans	-	310	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	310	-	-	-	-	-	-
2 On-balance sheet liabilities								
2.1 Customer accounts	381	-	-	-	-	-	-	-
- current account overdrafts	381	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Deposits by banks	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3 Financial derivatives								
3.1 With underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4 Other off-balance sheet transactions								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

1. **Banking book: breakdown of financial assets and liabilities by residual term (by date of repricing) – Part 3 – Currency: all**

Type / Remaining term to maturity	on demand	3 months or less	after 3 but less than 6 months	after 6 months but less than 1 year	after 1 year but less than 5 years	after 5 but less than 10 years	over 10 years	indeter-minate term to maturity
1 On-balance sheet assets								
1.1 Debt securities	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans and advances to banks	9,467	198	-	-	-	-	-	-
1.3 Loans and advances to customers	11,442	22,214	332	1,530	1,156	121	-	-
- current account overdrafts	4,629	32	-	2	97	17	-	-
- other loans	6,813	22,182	332	1,528	1,059	104	-	-
- callable	-	-	-	-	-	-	-	-
- other	6,813	22,182	332	1,528	1,059	104	-	-
2 On-balance sheet liabilities								
2.1 Customer accounts	28,966	898	302	430	1,301	-	-	-
- current account overdrafts	27,950	898	302	430	1,301	-	-	-
- other loans	1,016	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	1,016	-	-	-	-	-	-	-
2.2 Deposits by banks	130	6,751	-	-	-	-	-	-
- current accounts	130	-	-	-	-	-	-	-
- other	-	6,751	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	8,829	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	8,829	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- callable	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3 Financial derivatives								
3.1 With underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying securities	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4 Other off-balance sheet transactions								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

La Banca ha valutato la propria vulnerabilità a scenari di mercato avversi attraverso prove di stress, The Bank has assessed its vulnerability to adverse market scenarios through stress tests, by applying to the banking book an assumed shift of +/-100 bps in interest rates, in accordance with the regulatory rules in force. This scenario would determine for the bank, respectively, the following percentage changes:

- -0.65%/+0.73% on the interest margin;
- -7.30%/+8.22% on the result for the year;
- -0.06%/+0.07% on shareholders' equity.

2.3 – Exchange rate risk

Exchange rate risk is the risk of a loss in the purchasing power of a currency held and of an impairment in receivables resulting from adverse changes to the foreign exchange rates.

Qualitative information

A. General aspects, management and measurement of exchange rate risk

The exchange rate risk to which the Bank is exposed is assessed with reference to the receivables and payables denominated in foreign currencies. Receivables in foreign currency consist exclusively of deposits with clearing houses and/or banks, made up of commissions generated from securities trading on OTC markets (Eurobonds), which takes place in the instrument's currency of denomination.
The main balances generally consist of cash deposits in U.S. dollars, which are considered as a strategic currency from the point of view of volumes.
In order to limit exchange rate risk, the Bank has management policies and control systems in place which ensure sound and prudent risk management, in line with the general guidelines established by the Board of Directors.
In particular, the "Financial Markets Regulations" lay down limitations on the assumption of foreign currency positions both in terms of currency and volume.
In addition, exposure to currency risk is measured through a method that reflects the requirements of the relevant supervisory regulations.
This is based on the calculation of the "net foreign exchange positions", i.e. the net balance of all assets and liabilities (on and off balance-sheet) for each currency.
The internal audit system previously described provides for the periodic verification of the adequacy of and compliance with the limits set by the Regulations.

B. Currency exchange hedge

At the reporting date of 31 December 2014 there were no outstanding foreign currency hedges.

Quantitative information

1. Breakdown by currency of assets, liabilities and derivatives

Items	Currency					
	US dollar	Sterling	Yen	Canadian dollars	Swiss franc	Other
A. Financial assets	**807**	**-**	**-**	**-**	**-**	**-**
A.1 Debt securities	-	-	-	-	-	-
A.2 Equity instruments	-	-	-	-	-	-
A.3 Loans and advances to banks	497	-	-	-	-	-
A.4 Loans and advances to customers	310	-	-	-	-	-
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	-	-	-	-	-	-
C. Financial liabilities	**381**	**-**	**-**	**-**	**-**	**-**
C.1 Deposits by banks	-	-	-	-	-	-
C.2 Customer accounts	381	-	-	-	-	-
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	-	-	-	-	-	-
E. Financial derivatives	-	-	-	-	-	-
Options	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-
other derivatives	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-
Total assets	**807**	**-**	**-**	**-**	**-**	**-**
Total liabilities	**381**	**-**	**-**	**-**	**-**	**-**
Balance	**426**	**-**	**-**	**-**	**-**	**-**

The amounts in the table relate to:

- deposits with banks in foreign currencies for trading activities;
- import financing to customers;
- cash balances in foreign currencies related to customer deposits.

Section 3 – Liquidity risk

It is the risk that:

- in relation to banking activities:
  - in a lending transaction, the customer-debtor fails to fulfil their monetary obligations within the agreed time limits;
  - the Bank is unable to fulfil its obligations as they fall due;

- in relation to financial brokerage activities, in a securities transaction, it is difficult to liquidate market positions within the desired time limits.

Qualitative information

A. General aspects, management and measurement of liquidity risk

Banks are naturally exposed to liquidity risk – or rather, the risk of not being able to fulfil their payment obligations due to the inability to gather funding in the market (funding liquidity risk) or to ensure asset disposal (market liquidity risk) – due to the transformation of maturities.
Having access to an adequate system for regulating and managing this risk plays a fundamental role in maintaining stability not only for the individual bank, but also for the market in general, considering that the imbalances of a single financial institute may have repercussions across the board.
In this respect, consistent with prudential Supervisory requirements, the Bank has adopted, on the one hand, a specific "Policy" (Liquidity risk management policy) for managing liquidity in the normal course of business and, on the other, a "Plan" (Contingency Funding Plan) setting out the objectives and describing processes and action strategies to be implemented under emergency conditions.

1. Liquidity Risk Governing Policy
In consideration of the size and complexity of operations, as well as the type of activities carried out and services provided, the "Policy" adopted by the Bank describes, inter alia:

- role, duties and responsibilities of the Corporate Bodies and audit functions involved;

- activities envisaged in the "liquidity risk management process".

With reference to the subjects involved in the governance and management of liquidity risk, on the one hand, responsibility rests, according to their respective duties, with the various Corporate Bodies, which must be fully aware of the level of the Bank's exposure to this risk.
On the other hand, in accordance with the general principles laid down by Supervisory provisions on organisation and internal audit, with specific reference to liquidity risk, the Bank has adopted formal procedures for collecting and processing data, according to adequate timetables and which ensure that reliable, timely information is provided by the bank's audit functions.

Vice versa, the liquidity risk management process is designed to ensure that a sufficient amount of liquid assets is maintained over time, even in the presence of stress scenarios relating to events affecting the bank and the market.

The process, since its aim is to evaluate the Bank's structural capacity to preserve a balance between cash inflows and outflows (both in normal conditions and in the event of external shocks), includes the following activities:

1. Identifying and measuring liquidity risk
2. Conducting stress tests
3. Identifying tools for reducing liquidity risk

4. Control
5. Reporting.

Reviews and updates of the "Liquidity risk management policy" are approved by the Board of Directors.

2. Contingency Funding Plan

In order to mitigate liquidity risk under stress conditions, the Bank has put in place a specific instrument, the so-called "Contingency Funding Plan."
The Plan's main objective is to protect the Bank's assets in situations of liquidity drain by putting in place crisis management strategies and procedures to obtain funding in the event of an emergency.
In particular, the CFP documents the management of any specific or systemic liquidity crisis in terms of mitigating actions available to the Bank and responsibilities assigned to the relevant corporate functions.
The Plan, therefore, responds to stress conditions, intended as situations other than ordinary business, in which the Bank is able to meet its liquidity requirements through its self-funding ability.

Reviews and updates of the Contingency Funding Plan are approved by resolution of the Board of Directors.

Quantitative information

1. Time distribution by residual contract term of financial assets and liabilities
Part 1 – Currency: EUR

Items/Time bands	on demand	after 1 day but less than 7 days	after 7 days but less than 15 days	after 15 days but less than 1 month	after 1 month but less than 3 months	after 3 months but less than 6 months	after 6 months but less than 1 year	after 1 year but less than 5 years	over 5 years	Indeterminate term to maturity
On-balance sheet assets										
A.1 Government securities	-	-	-	-	-	15	115	2,001	300	-
A.2 Other debt securities	-	-	-	188	8	907	3,814	3,836	-	-
A.3 Units of mutual investment funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	15,375	315	703	436	2,489	1,862	3,014	12,756	9,832	-
- Banks	8,846	-	-	-	-	-	-	-	-	-
- Customers	6,529	315	703	436	2,489	1,862	3,014	12,756	9,832	-
On-balance sheet liabilities										
B.1 Deposits and current accounts	28,757	-	20	407	468	305	437	1,398	-	-
- Banks	130	-	-	-	-	-	-	-	-	-
- Customers	28,627	-	20	407	468	305	437	1,398	-	-
B.2 Debt securities	-	-	-	-	-	145	152	9,000	-	-
B.3 Other liabilities	-	-	-	-	5,000	-	-	1,750	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

1. Time distribution by residual contract term of financial assets and liabilities – Part 2 – Currency: USD

Items/Time bands	on demand	after 1 day but less than 7 days	after 7 days but less than 15 days	after 15 days but less than 1 month	after 1 month but less than 3 months	after 3 months but less than 6 months	after 6 months but less than 1 year	after 1 year but less than 5 years	over 5 years	Indeterminate term to maturity
On-balance sheet assets										
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Units of mutual investment funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	497	-	-	227	81	-	-	-	-	-
- Banks	497	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	227	81	-	-	-	-	-
On-balance sheet liabilities										
B.1 Deposits and current accounts	381	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	381	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

1. Time distribution by residual contract term of financial assets and liabilities – Part 3 – Currency: all

Items/Time bands	on demand	after 1 day but less than 7 days	after 7 days but less than 15 days	after 15 days but less than 1 month	after 1 month but less than 3 months	after 3 months but less than 6 months	after 6 months but less than 1 year	after 1 year but less than 5 years	over 5 years	Indeterminate term to maturity
On-balance sheet assets										
A.1 Government securities	-	-	-	-	-	15	115	2,001	300	-
A.2 Other debt securities	-	-	-	188	8	907	3,814	3,836	-	-
A.3 Units of mutual investment funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	15,872	315	703	663	2,570	1,862	3,014	12,756	9,832	-
- Banks	9,343	-	-	-	-	-	-	-	-	-
- Customers	6,529	315	703	663	2,570	1,862	3,014	12,756	9,832	-
On-balance sheet liabilities										
B.1 Deposits and current accounts	29,138	-	20	407	468	305	437	1,398	-	-
- Banks	130	-	-	-	-	-	-	-	-	-
- Customers	29,008	-	20	407	468	305	437	1,398	-	-
B.2 Debt securities	-	-	-	-	-	145	152	9,000	-	-
B.3 Other liabilities	-	-	-	-	5,000	-	-	1,750	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

2. Information on encumbered assets recognised in the financial statements

Technical funding	Committed		Not committed		Total 2014	Total 2013
	VB	FV	VB	FV		
1. Cash and cash equivalents	-	-	751	-	**751**	**583**
2. Debt securities	10,516	10,516	309	309	**10,825**	**12,775**
3. Equity shares	-	-	-	-	**-**	**-**
4. Loans	1,410	-	45,230	-	**46,640**	**45,057**
5. Other financial assets	-	-	-	-	**-**	**-**
6. Non-financial assets	-	-	9,012	-	**9,012**	**8,757**
Total 2014	**11,926**	**10,516**	**55,302**	**309**	**67,228**	**-**
Total 2013	**5,978**	**4,910**	**61,194**	**7,865**	**-**	**67,172**

Section 4 – Operational risks

This is the risk of incurring unexpected losses resulting from inadequate or malfunctioning processes, human resources and information systems, caused by human error, technical failures and/or anomalies in procedures and controls, or external events.

Qualitative information

A. General aspects, management and measurement of operational risk

Operational risk, as such, is a pure risk as it is associated with events that have only adverse effects. It comprises all the anomalies that by affecting the company's output exclusively result in:

- financial loss;
- higher operating costs;
- lower revenues.

Because it is aware that operational risk is inherent in the banking business, the Bank pays close attention to controlling this type of risk.
For this purpose, the internal audit system that the company employs is based on principles of prudent and effective management. Furthermore, the system is periodically reviewed to determine whether it is adequate and functions properly in terms of efficacy (the system's capacity to achieve the goals) and efficiency (the system's capacity to achieve the above goals in terms of costs, risks and profitability consistent with those achieved by similar companies).
In this context, i.e. to ensure that risks are managed properly, the Bank has regulated every step of each process and established appropriate audit levels. It has also created specific units within its organisational structure in charge of overseeing these levels of control.
In order to evaluate risk exposure and the effects that adequate mitigation measures have on said exposure, qualitative and quantitative information must be appropriately combined. The qualitative component ("self-risk assessment") can be summarised as the assessment of the risk profile of each organisational unit, in terms of potential future losses, efficiency of the control system and appropriate management of risk mitigation techniques. The quantitative component, on the other hand, is based mainly on the statistical analysis of historical loss data. As the available information on losses, with reference to certain types of events, is not always relevant, internal data can be supplemented with system data.
In the event of a loss resulting from one of the above events, the Bank will supply the internal database of incurred operating losses, to be used in the future when applying its internal risk calculation model.
As part of business continuity, the Bank has adopted a "business continuity management process" which prescribes the methods for analysing the impact on business and the criteria for drawing up the "Business Continuity Plan", regularly updated every year.
The "Plan" explains how to deal with emergencies, in order to ensure, where appropriate, the continuity of the bank's vital operations and the return to normal operation within a reasonable time.
Both documents were approved by the Bank’s Board of Directors.

Quantitative information

In 2014 there were no events resulting in losses.

Part F
Information on Equity

Section 1 – Corporate equity

A. Qualitative Information

At 31 December 2014, equity totalled €15,199 million.
The valuation reserves consist of the actuarial gains and losses relating to employee severance indemnities as provided for by law.

B. Quantitative Information

B.1 Corporate equity: breakdown

Items/Amounts	Amount	
	2014	2013
1. Share capital	7,740	7,740
2. Share premium account	1,071	1,071
3. Reserves	6,388	6,255
- revenue	6,388	6,255
a) legal	796	791
b) statutory	-	-
c) treasury shares	-	-
d) other	5,592	5,464
- other	-	-
4. Equity instruments	-	-
5. (Treasury shares)	-	-
6. Valuation reserves:	(125)	(19)
- Available-for-sale financial assets	-	-
- Property, plant and equipment	-	-
- Intangible assets	-	-
- Hedges of foreign operations	-	-
- Cash flow hedges	-	-
- Exchange differences	-	-
- Non-current assets held for sale	-	-
- Actuarial gains/(losses) on defined benefit plans	(125)	(19)
- Share of valuation reserves for investments measured using the equity method	-	-
- Special revaluation laws	-	-
7. Profit/(Loss) for the year	125	89
Total	**15,199**	**15,136**

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

This table is not provided as the Bank holds no available-for-sale financial assets.

B.3 Valuation reserves of financial assets available for sale: year-on-year changes

This table is not provided as the Bank holds no available-for-sale financial assets.

Section 2 – Own Funds and regulatory ratios

2.1 Own Funds

A. Qualitative Information

The bank's own funds at 31/12/2014 consisted exclusively of the *Common Equity Tier 1 - CET 1* which amounted to €15,213 thousand.

1. Common Equity Tier 1 - CET 1
The Common Equity Tier 1 comprises the following positive components: the share capital, retained earnings and share premium reserves, profit for the year excluding the proposed allocation of profits for the year 2014, for a total of €15,246 thousand; the negative components, which amount to approximately €33 thousand, comprise the other intangible assets recognised in the financial statements; as a result, the net Common Equity Tier 1 amounts to €15,213 thousand.

2. Additional Tier 1 - AT1
No components of the Additional Tier 1 were recognised during the current year

3. Tier 2 capital - T2
No components of the Tier 2 capital were recognised during the current year.

B. Quantitative Information

	2014	2013
A. Common Equity Tier 1 - (CET1) before application of prudential filters	**15,213**	**15,115**
of which CET1 instruments subject to transitional provisions	-	-
B. CET1 prudential filters (+/-)	-	-
C. CET1 before items to be deducted and the effects of the transitional arrangements (A+/- B)	**15,213**	**15,115**
D. Items to be deducted from CET1	-	-
E. Transitional arrangements - Impact on CET1 (+/-)	-	-
F. Total Common Equity Tier 1 - CET 1 (C-D+/-E)	**15,213**	**15,115**
G. Additional Tier 1- AT1 capital before items to be deducted and the effects of the transitional arrangements	-	-
of which AT1 instruments subject to transitional provisions	-	-
H. Items to be deducted from AT1	-	-
I. Transitional arrangements - Impact on AT1 (+/-)	-	-
L. Total Additional Tier 1 - AT1 capital (G-H+/-I)	-	-
M. Tier 2- T2 capital before items to be deducted and the effects of the transitional arrangements	-	-
of which T2 instruments subject to transitional provisions	-	-
N. Items to be deducted from T2	-	-
O. Transitional arrangements - Impact on T2 (+/-)	-	-
P. Total Tier 2 - T2 capital (M-N+/-O)	-	-
Q. Total own funds (F+L+P)	**15,213**	**15,115**

2.2 Capital adequacy

To calculate its capital requirements for credit and counterparty risk, market risk and operational risk, the Bank adopts quantitative measurement techniques established by regulations, making use of standard methodologies. Accordingly, as required by the Supervisory Instructions, in order to ensure its capital adequacy the bank has to comply with some minimum thresholds, which include:

- 5.5% (year 2014) for the *Tier 1 Capital Ratio,* which is the ratio of the tier 1 capital to total risk-weighted assets;

- 8% for the *Total Capital Ratio,* which is the ratio of total Own Funds to total risk-weighted assets.

As can be seen from the table below, both the *Tier 1 Capital Ratio* and the *Total Capital Ratio* amounted to 34.31%.
The sizeable capital of the Bank adequately covers the overall exposure to credit risk, market risk and operational risk, with a capital surplus that at the balance sheet date amounted to €11,666 thousand. Therefore, the Company has sufficient capital to support its investment plans as envisaged for in the Bank's strategic plans. In any case, maintaining an adequate capital surplus compared to the minimum regulatory capital is subject to constant analysis and monitoring, in actual and prospective terms.

B. Quantitative Information

Items/amounts	Not weighted amounts		Weighted amounts/requirements	
	2014	2013	2014	2013
A. Risk assets				
A.1 Credit and counterparty risk	62,742	59,169	30,738	31,325
1. Standardized approach	62,742	59,169	30,738	31,325
2. Internal ratings based approach	-	-	-	-
2.1 Foundation	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitizations	-	-	-	-
B. Supervisory capital requirements				
B.1 Credit and counterparty risk	-	-	2,459	2,506
B.2 Risk of credit valuation adjustment	-	-	-	-
B.3 Settlement risk	-	-	-	-
B.4 Market Risk	-	-	206	90
1. Standardised approach	-	-	206	90
2. Internal models	-	-	-	-
3. Concentration risk	-	-	-	-
B.5 Operational risk	-	-	882	973
1. Basic approach	-	-	882	973
2. Standardized approach	-	-	-	-
3. Advanced approach	-	-	-	-
B.6 Other calculation elements	-	-	-	-
B.7 Total prudential requirements	-	-	**3,547**	3,569
C. Risk assets and adequacy ratios				
C.1 Risk-weighted assets			44,338	44,613
C.2 Common Equity Tier 1 / Risk-weighted assets (CET 1 capital ratio)			34.31%	33.88%
C.3 Tier 1 capital / Risk-weighted assets (Tier 1 capital ratio)			34.31%	33.88%
C.4 Total own funds / risk-weighted assets (Total capital ratio)			34.31%	33.88%

The risk weighted amounts in Item A.1 are obtained by multiplying the amount of regulatory capital for credit risk and counterparty risk (item B.1) by the reciprocal of the minimum required ratio for credit risks; Item C.1 is determined by multiplying the total capital requirements (Item B.7) by the reciprocal of the minimum required ratio for risks.

Part H
Transactions with Related Parties

1. Information on the remuneration of managers with strategic responsibilities

The 2014 emoluments pertaining to managers with strategic responsibilities, also including directors and members of the Board of statutory auditors, can be summarised as follows:

Nature of item	2014	2012
Directors	337	348
Members of Board of Statutory Auditors	37	37
Short-term employee benefits	-	-
Post-employment benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
Total	**374**	**385**

The values were determined as provided for in IAS 24 paragraph 16.

2. Information on transactions with related parties

Related parties were identified according to the definition provided in IAS 24. In particular, related parties can be summarised as subsidiaries and/or associates, directors, statutory auditors and key management personnel (members of the General Management), the immediate families of the above persons, and the subsidiaries and/or associates of any of the above entities. Immediate family includes the person's cohabiting partner and children, the partner's children and other dependants of the person or partner.

Nature of item	Assets	Liabilities	Costs	Income
Directors	6	54	-	-
Statutory Auditors	0	8	-	-
Key managers	-	-	-	-
Relatives	0	5	-	-
Other related parties	0	32	-	-

Relationships and transactions with related parties do not give rise to critical issues, were carried out as part of ordinary banking business, and developed during the year on the basis of contingent needs and benefits. The individual relationships or transactions with related parties were carried out on an arm's length basis.
Revenues and expenses corresponding to the disclosed assets and liabilities are not included in the table as they are below the minimum reportable figures.

BANCA PROMOS

Banca Promos S.p.a
Head office: Viale Antonio Gramsci, 19 - 80122 Napoli Italia
Phone +39.081.0170111
www.bancapromos.it - info@bancapromos.it
Enrolled on the Register of Banks
Member of the Interbank Deposit Protection Fund
Member of the National Guaranty Fund
Member of ABI - Italian Banking Association