BANCA PROMOS

© ph. peppe maisto 2010

Financial Statements at 31 December 2015

35° 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 the registered office of the Bank, viale A. Gramsci 19, Naples, on first call on 28 April 2016 at 5:00 pm and, if necessary, on second call on 29 April 2016 at 8:00 am, in order to discuss and resolve upon the following:

AGENDA

1. Approval of the Financial Statements at 31 December 2015, Directors' Report on Operations, report of the Board of Statutory Auditors and subsequent resolutions according to law provisions;
2. Renewal of the Board of Statutory Auditors and determination of their remuneration;
3. Determination of the Board of Directors' remuneration for FY2016;
4. Resolutions as per article 10 of the Corporate By-Laws;
5. Disclosures on remuneration policies and their implementation;
6. Any other business.

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

Financial Highlights

Financial Figures	31/12/2015	31/12/2014
Total assets	**68,476,960**	**67,228,363**
Total loans, of which	**59,016,953**	**57,465,351**
Loans to customers	33,549,344	36,974,655
Receivables from banks	12,330,622	9,665,112
Financial assets	13,136,987	10,825,584
Total fundraising, of which	**49,497,895**	**47,605,869**
Bank borrowings	7,375,385	6,880,648
Direct fund raising, of which:	42,122,510	40,725,221
Trade payables	*33,715,588*	*31,896,446*
Outstanding securities	*8,406,922*	*8,828,775*

Economic Figures	31/12/2015	31/12/2014
Net interest income	1,365,396	1,206,304
Net commissions	292,727	(76,628)
Net profit (loss) from trading including gains / losses on disposals	2,943,018	3,782,429
Brokerage margin	**4,601,141**	**4,912,105**
Total costs, of which	**(5,349,062)**	**(4,560,019)**
Administrative expenses	(4,486,230)	(4,082,379)
Other operating income/expenses	147,719	160,169
Net adjustments to receivables	(579,688)	(194,151)
Allocations for liabilities and charges	0	3,249
Net adjustments to fixed assets	(430,863)	(446,907)
Profits from sales of investments	0	0
Gross result	**(747,918)**	**352,088**
Taxes	217,234	(227,544)
Net result	**(530,684)**	**124,544**

Structure Data	31/12/2015	31/12/2014
Number of employees at the end of the period	46	44
Number of branches	3	3

Figures per share	31/12/2015	31/12/2014
Number of shares	7,740,000	7,740,000
Net result of financial operations per share	0.52	0.61
Result of ordinary operations per share	-0.10	0.05
Net result per share	-0.07	0.016
Net equity per share	1.89	1.96

Ratios	31/12/2015	31/12/2014
Overall adjustments to receivables/gross loans (hedging ratio)	4.89%	3.65%
Interest margin/total assets	1.99%	1.79%
Net result of financial operations/total assets	5.87%	7.02%
Interest margin/brokerage margin	29.68%	24.56%
Administrative expenses/brokerage margin	97.50%	83.11%
Net result for the year/total assets	-0.77%	0.19%
Result for the year/shareholders' equity (profit excluded)	-3.51%	0.83%
Gross non-performing loans/loans to customers	4.67%	4.11%
Net non-performing loans/loans to customers	2.11%	1.56%
Loans to customers/total assets	48.99%	55.00%
Direct fundraising/total assets	61.51%	60.58%
ROE	-3.64%	0.82%
ROA	-1.09%	0.52%
DPO	0.00%	62.15%
Cost to income ratio	103.66%	88.88%

Directors' Report

Dear Shareholders,

As is our custom, before describing the salient operating events that have affected your Bank during the financial year, and the resulting impact on the financial statements, we consider it appropriate to provide an outline of the general domestic and international macroeconomic scenario.

The international economic and financial framework

The global macro-economic outlook slightly improved in 2015. In general, the more advanced countries experienced a good recovery, while the emerging regions continued to report a weak performance.

More specifically, in the United States the labour market significantly improved; this enabled the Federal Reserve to hush in a normalization of monetary policy, by implementing, for the first time since 2006, an increase in interest rates, which was well absorbed also by the financial markets. Conversely, the central banks of Japan and the UK confirmed their expansionary policies, with rates standing at their lowest levels.

The emerging economies were still generally weak, albeit with the obvious differences between the various regions. In Brazil, for example, the recession worsened, while in India and Russia there were signs, if not of outright growth, at least of mitigation of the decline. The situation in China was more complex, with a lukewarm performance in the manufacturing sector that caused a slowdown of the economy, which will likely persist in the current year.

In essence, the trend of the "real economy" struggles to keep up with the macroeconomic recovery, which, in turn, remains extremely fragile: the dynamics of world trade still appears weak, oil prices are at their lowest since 2008 and consumer price inflation has remained very low in all geographical areas.

In the Eurozone, some of the previous uncertainties (such as the situation in Greece) have somewhat abated and domestic demand gave a boost to the economy, offsetting the slowdown in exports and the fall in investment; this, however, was not enough to strengthen growth to any significant extent, which remains indeed rather fragile.

The trend of GDP reflects the differences between the various countries: in the third quarter of 2015, GDP in the whole euro area increased by 0.3% over the previous period, but only by 0.2% in France (where confidence was affected in part by the terrorist attacks of November) and in Italy.

The capital market

For the second consecutive year, the capital market performance appeared strongly affected by the massive liquidity injected by the European Central Bank; for the moment, however, this has not resulted in higher inflation, while it has unleashed entirely new phenomena, such as negative rates in the interbank market and negative returns on government bonds. According to the Bank of Italy's data, between November 2014 and early January 2016, the yields on government bonds with ten-year maturity declined by about 40 basis points in the Euro area and by 90 basis points in Italy.

In addition, consideration should be given to the effects of the new legislation that introduces harmonized rules - the "Single Resolution Mechanism"- in Europe for the prevention and management of banking crises and which restricts the ability of States to step in, in the event of bank crisis. The entry into force of the new rules, scheduled for 1 January 2016, was preceded in Italy by Legislative Decree no. 183 of 22 November 2015, which launched the resolution programme for Banca delle Marche, Banca Popolare Etruria e del Lazio, Cassa di risparmio di Ferrara e Cassa di risparmio di Chieti, all under extraordinary administration. The programme provides for the formation, for each of the mentioned banks, of a "good bank" in which all assets, other than non-performing loans, have been transferred. The capital of the new bank was paid in by the resolution Fund, which receives the contributions of all of the system banks. At the same time a "bad bank" was formed which contains the non-performing loans still outstanding after the loss has been absorbed by the shares and the subordinated bonds and by a contribution of the Resolution Fund.

Thus, the entire burden for the bailout is placed on the shares and debts of the four banks, but it is ultimately mainly charged to the Italian banking system, which pays ordinary and extraordinary contributions to the Resolution Fund.

The involvement of the subordinated bondholders, including retail subordinated bondholders, which resulted in a total loss of the invested capital, has created strong apprehension amongst Italian investors who have always considered bank bonds as a safe investment, including those with subordination clauses. However, it was the value attributed to the non-performing loans of the four banks that led to a wave of speculation on the securities of this industry, which were affected by significant price declines. An 80% haircut, triggered fears of impairment losses in the bank balance sheets, as the average NPL coverage in the system is around 60%.

The banking system in Italy

In Italy, despite its historical critical issues traditionally more problematic than in the rest of Europe, there have been slight signs of recovery. Unlike in previous years, domestic demand was stronger and offset the slowdown in exports. The manufacturing sector showed positive signals, as did the services sector; after a prolonged recession, the construction sector finally appeared rather stable.

At the end of 2015, for the first time in months, the national credit market began to show some signs of recovery. Existing loans to households and businesses slightly rose and, according to data released by ABI, there have been improvements also for new loans disbursed by banks; on the basis of a representative sample of banks, which account for over 80% of the market, new loans to businesses grew in the first eleven months of 2015 by about 13% year-on-year (January-November 2014). As regards new mortgage loans for the purchase of property, there was an annual increase of + 97% compared to the same period last year.
In line with the European scenario, interest rates on loans remained low. The average interest rate on total loans amounted to 3.26% (a far cry from the pre-crisis levels, when it exceeded 6%).
Downstream of such data, however, the crucial issue of asset quality remains, reflecting the continuing effects of the crisis on the real economy: the risk associated with loans continues to be high, and in November 2015 the ratio of gross non-performing loans to loans was 10.4%, especially affected by businesses, for which the figure was 17.8%, compared to 7.2% for households. The ratio of net non-performing loans to total loans amounted to 4.89%
In terms of funding there were two different tendencies: the medium and long term funding, i.e. bonds, decreased (-13% yoy), while deposits increased (+ 3.7%). On average, total funding, deposits and bonds, recorded a negative annual change of 0.6% at the end of 2015.

The situation in Campania

Lending performance in Italy improved selectively across the various areas: the demand for loans from businesses and households rebounded, and credit access conditions have gradually become less stringent. However, according to available estimates, the growth rate in 2015 was significantly different across the various Italian regions, to the detriment of the South, which continued to be less affected by foreign demand and also showed a less favourable trend in domestic demand, both on the consumer side, which remained low, and with regard to investment.

Despite some indicators point to positive, albeit weak, signals also in Southern Italy, this is not reflected in the actual situation of enterprises and households.
The gap with the Centre and the North is still significant. In the labour market, for example, according to Bank of Italy's data, the unemployment rate for the first half of 2015 stood at 20.3% in the South, compared to 9.4% in the Centre and North of Italy.

(Sources: Banca d'Italia: Regional economies no. 43 and 44, December 2015; Economic Bulletin no. 1, January 2016; ABI: monthly report January 2016)

Banca Promos core operations

Dear Shareholders, we have already drawn your attention to the difficulties that the credit market and its players had to face this year, and which, to some extent, also impacted the operations of your Bank.

The persistent critical situation mainly affected the performance of loans, which fell, both for the lack of demand and the low quality of potential borrowers. To properly address the deterioration of certain positions, appropriate write-downs were deemed necessary. This obviously affected the economic result for the year, but at the same time contributed to strengthening the safeguards in place against future credit losses.

In response to the challenges of the difficult general economic environment, the bank's increased the level of investment, by developing new businesses and changed its IT provider.

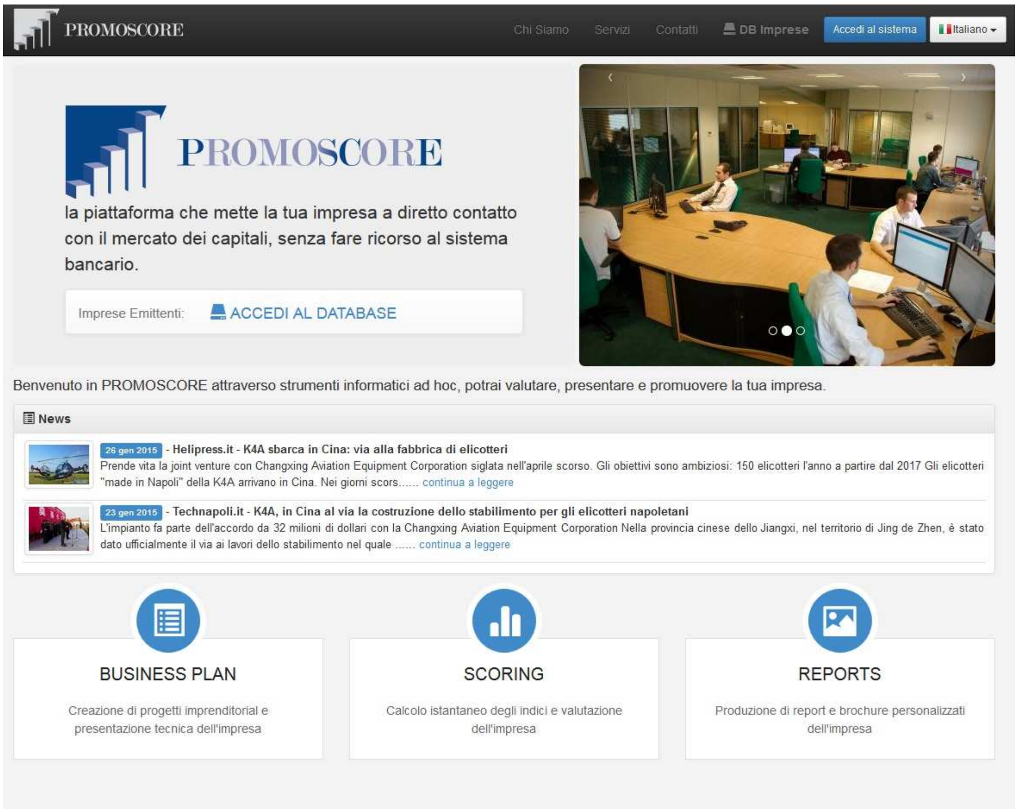
From a commercial perspective, the year began with the joining of a new Head of the Commercial Area in staff position. This resulted in a business repositioning, more service-oriented rather than product-oriented, and an expansion into new areas. A number of agreements were entered into with major market players, such as Albaleasing, one of the leading leasing companies in Italy, with over 20,000 customers spread over Italy, and Fincontinuo, engaged in the lending business. In addition, a mandate was given to Panafin srl, financial agent enrolled in the OAM list (financial agents and credit brokers body), with staff operating in the Campania and Puglia regions.

During the year, the new corporate finance division started operations.
As already envisaged in the business plan, our bank is actively involved in the development of the mini-bond sector, which in 2015 confirmed the steady growth started in 2012 as a response to the credit-crunch.
As a result of the simultaneous reduction in operating margins and the contraction of traditional bank credit, companies have turned to new sources of funding. The establishment of a clear regulatory framework through the “Development Decree” gave impetus to the sector, and according to the analyses carried out on this segment, 2015 was a turning point not only for the number of issues completed, but especially for the industrialization of the market and the advent of private-debt funds.
Banca Promos thus offers SMEs the opportunity to open a new financing channel by directly tapping the market.
Two transaction were completed in this regard. More specifically, the first mini-bond of a company based in Campania was issued on the market; the company in question is engaged in the aeronautics sector, and through this transaction is has obtained the resources necessary to support its growth related investments. In addition, a consulting agreement was defined with a company of the energy sector, designed to implement a corporate reorganization and provide financial support for its growth in its reference industry.

The bank has carried out investments in technology to support its financial consulting services to businesses, being aware of the central role played by new communication channels. As a result, the "PromosCore” web platform was developed and its implementation is ongoing; the platform is an operational tool in support of the bank’s consulting services provided to customer companies, especially those interested in the issuance of mini-bonds.

PROMOSCORE

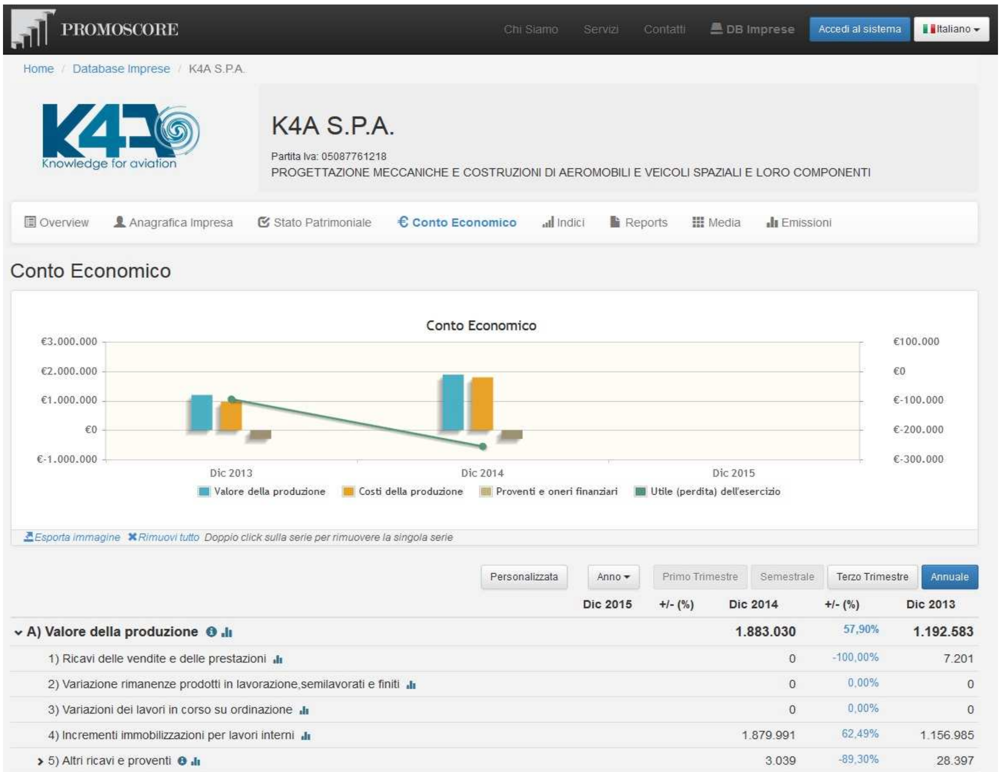
It is a web portal that puts the company in direct contact with investors or potential investors, and offers them the opportunity to stay informed about the issuer’s activities and developments. The portal comprises both a public section and a reserved section; It provides details on companies, financial information, news and multimedia content in an intuitive and accessible graphic format. It offers customer companies the opportunity to independently set up a personal presentation page, with images, documents, information on products or services, etc. as well as the ability to offer customized newsletters.



PromosCore – Home page

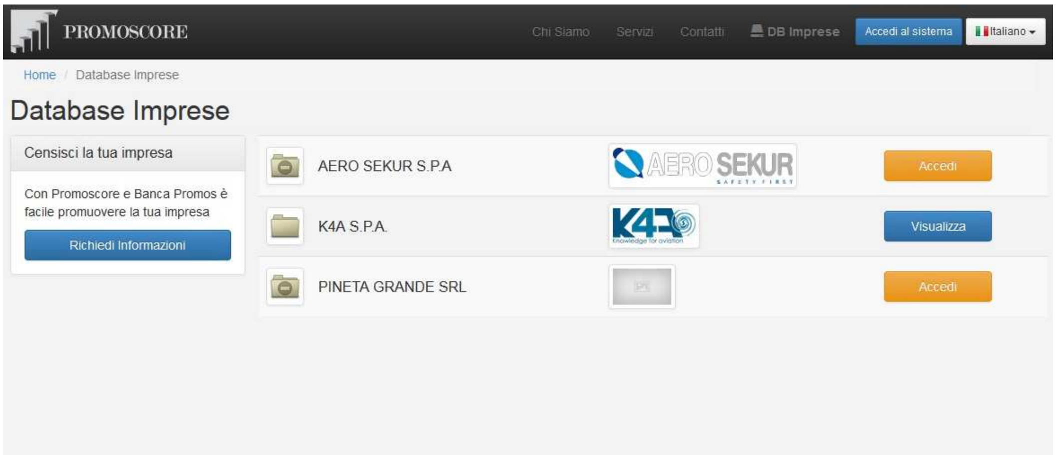
Users subscribed to the portal can visit the companies' showcase pages, thus obtaining more information and the ability to assess them, in view of an investment or simply for commercial purposes.

For companies that have placed mini-bonds on the market, PromosCore supplements the disclosures with price data managed through the "PrismaQuote" system, also developed *in-house.*



PromosCore – Example of internal pages 1

PromosCore – Example of internal pages 2



These efforts were obviously complemented by an intense business development activity, which led to contacts with some 50 Italian companies engaged in various industrial or service sectors. The outlook for 2016 points to a moderate increase for the consulting segment as a whole.

As for the new information system, the need for replacement was already evident in 2014 and, after the Directors' decision, a thorough analysis was carried out to identify a suitable partner.
The software house Phoenix Informatica Bancaria S.p.A., based in Trento, was selected; this company provides integrated software applications that stand out for their advanced technology and modular approach. It is a highly advanced technological platform, strongly oriented to continuous development, already used by over 150 banks throughout Italy; it is a system that will give your bank an unquestionable technical and operational edge.
During the weekend of 15/17 May 2015 the "migration" to the new system was successfully completed.
All our staff was involved in the migration process. In the first stage the management staff was involved, mainly from IT and organization, as well as the support functions such as accounting and the securities back-office. Each for their area of responsibility, supported by technicians of the Phoenix Group, analysed the operating methods used in the various services (current accounts, securities, payment systems, lending, Internet banking, interbank flows, etc.) in order to replicate the existing framework into the new system and minimize the impact of the change, for customers in the first place, but also for the operating staff of the branches.
The various modules were then tested to verify their correct functioning, and all data were subsequently verified, through a detailed and systematic reconciliation.
In the weeks of the transition, a team of over 20 migration technicians were present at the bank, while at the same time we carried out our ordinary activities; this involved a considerable operational effort that it is not yet fully over, although the new system is now fully operational. By contrast, today we have a high performance system, with highly innovative elements.

An example in this regard is the relevance of the digital components, intended both as traditional home banking and mobile banking

The InBank web application offers services designed for individuals and for businesses with a modular approach, it can be accessed through an "app" and gives users the ability to manage the various services online. For example, through InBankApp it is possible to receive alerts on current account transactions or balances, thereby ensuring constant monitoring of the bank account; this is done using various security devices that ensure transaction protection and privacy.

At the same time, the results presented here cannot be explained if we do not take into account other aspects, closely linked to the capital market, which continues to be Banca Promos' key reference market. As of the month of May 2015, the volume of investments fell considerably in a situation of market stagnation, returns plummeting at their lowest levels and increased risk levels. The quantitative easing put in place by the European Central Bank and the resulting reduction in interest rates led to a contraction of trading activities for your bank as of the end of the first half of 2015.
In parallel, this has also led to a series of capital losses on the bank's trading book which, being mainly composed of bank securities, was also affected by the turbulence that hit the stocks of companies in this sector, and which, unfortunately still continues in early 2016.
At year end the trading volumes of your Bank were down 24% compared to 2014 (17 billion from 23 in the prior year) and trading revenues stood just under €3 million (-22%).

In light of the foregoing, we provide below a brief overview of the main Balance Sheet and Income Statement, items, while for a detailed analysis of these items reference is made to the Notes.

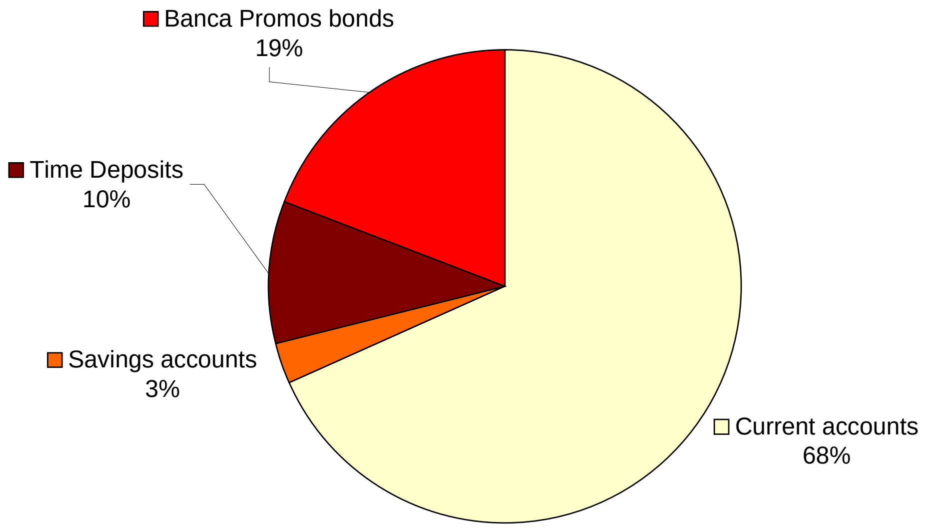
Balance sheet

Fundraising
Overall fundraising increased by 4%, to € 49,497,895. Both trade payables and payables to banks increased, respectively at €33,715,588 (+ 6%) and €7,375,385 (+ 7%).
The breakdown by technical form shows a preference for short-term deposits, as reflected in the share of current accounts which account for 68% of the total.

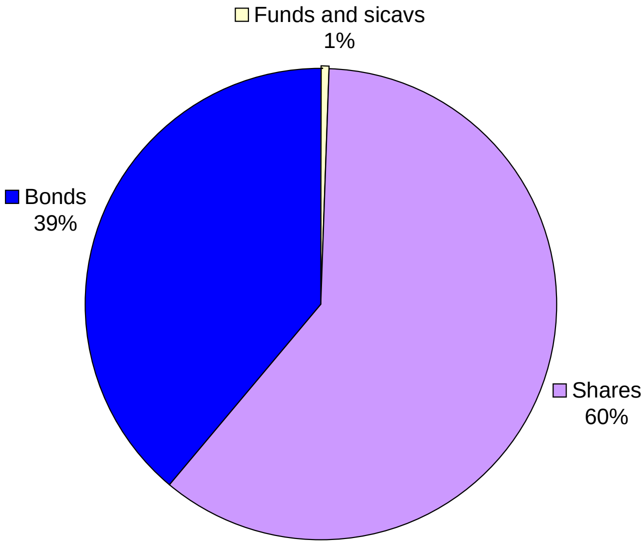
As for funding from banks, the largest part of the item consists of refinancing operations with the ECB for €6,750,000, of which €1,750,000 related to TLTRO operations (Targeted Longer-Term Refinancing Operations). The remaining amounts consist of relations with banks to which your Bank provides investment services.

Total funding, which takes also into account assets under management, amounted to over €90 million. Indirect funding almost entirely consists of assets under administration, which comprise 60% of stocks and 39% of bonds.

2015 Fundraising – Technical Form



2015 Indirect Fundraising



Loans

Loans to banks were up, reflecting the increased funding and liquidity.

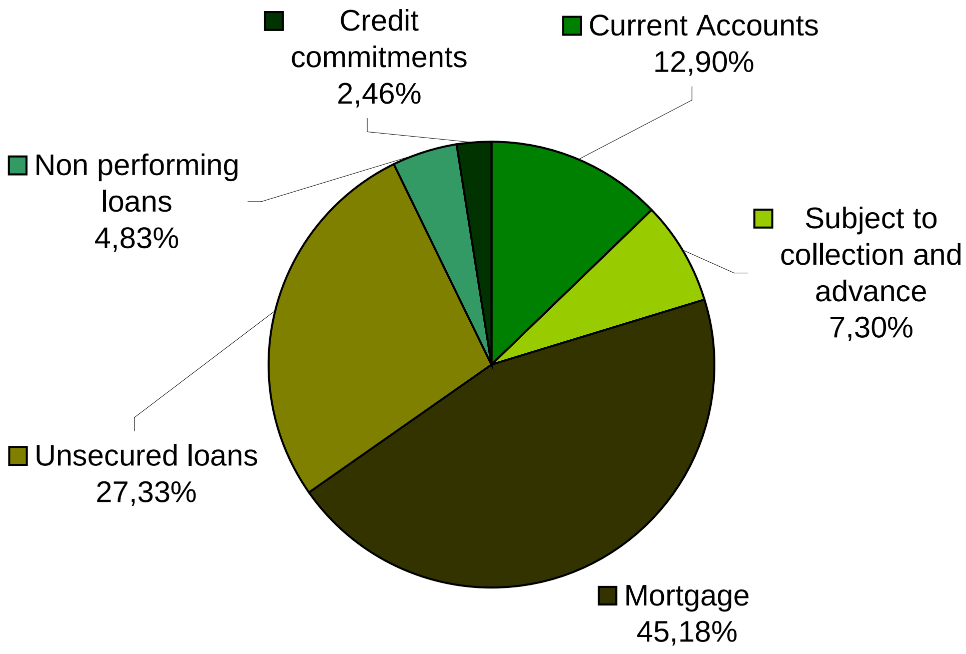
Conversely, loans to customers amounted to €33,549,344, marking a 9% decline on 2014, net of value adjustments made as part of credit risk monitoring, which will be discussed later.

This reduction reflects the weak economic environment in Italy and, especially, in Campania, which during the period was characterized by a qualitatively and quantitatively poor demand for credit, resulting in the application of more stringent risk assessment criteria.

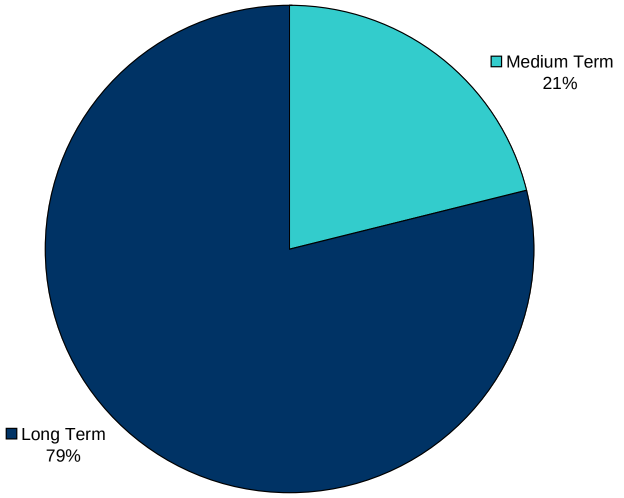
The analysis of the loan portfolio shows a stability in the technical forms used, compared to last year: nearly half of the loans are mortgage loans (45.18%), 27,33% are unsecured loans, 12,90% are ordinary overdrafts on current accounts and 7.30% are advances subject to collection and 2.46% are credit commitments.

Long-term loans make up the majority of the portfolio (79%), and among these 78% are mortgage loans (56% private sector and 22% business sector).

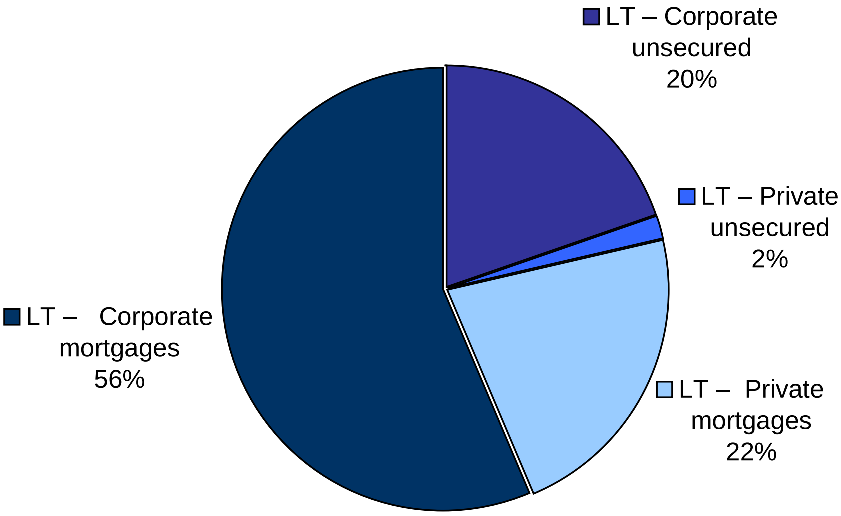
2015 Loans – Technical Form



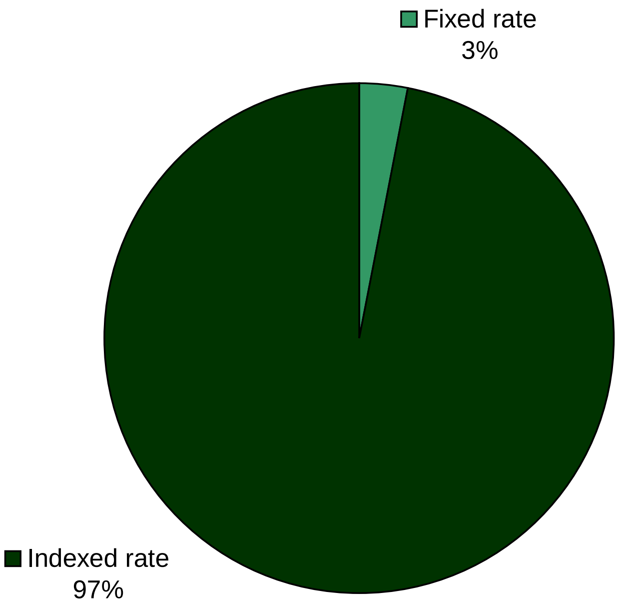
2015 Loans – Duration



2015 Loans – Breakdown of long-term technical forms



2015 Loans – Type of Rate



As part of broader risk management activities, the Credit Monitoring Office specifically deals with the trend of problem loans. In 2015, the monitoring activity was particularly strict and intense, with targeted checks on the individual positions characterized by anomaly indicators. The bank therefore carried out all necessary actions to protect its financial integrity, both in terms of classifying the positions in the specific impaired loan categories and in assessing potential losses.

The net value adjustments in 2015 thus amounted to €579,688 (€194,151 in 2014), due to the combined effect of the increased amount of problem loans and the increase in the write-down percentage.

Overall, the impairment losses recognised on total loans amounted to €1,726 thousand, with a total coverage ratio of 4.89%. The analysis by loan category showed a coverage ratio of 57.13% for non-performing loans, 22.33% for the unlikely to pay.

The ratio of gross non-performing loans to total loans amounted to 4.67% while the ratio of net non-performing loans was 2.11%, which, although slightly higher than the previous year, remains below the levels of the banking system in general.

The adjustments for the year are broken down in the following table:

Loans to customers	Gross exposure	Value adjustments	Net value
a) Non-performing loans	1,647	941	706
b) Unlikely to pay	2,346	524	1,822
c) Overdue exposures	195	46	149
d) Restructured exposures	-	-	-
Total non-performing loans	4,188	1,511	2,677
e) Performing loans	31,087	215	30,872
Total loans to customers	**35,275**	**1,726**	**33,549**

With reference to performing loans, the Bank carried out collective impairments, in order to also take into account the risk of loss inherent in loans performing regularly.

As in previous years, for adjustments to performing loans the Bank—not having adequate proprietary time series-–adopted a criterion 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. This percentage (0.71%) 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/overdrawn loans, amounting to 12.901%, nearly twice as much compared to the previous FY.

It should also be noted that for certain positions classified as overdrawn/past due exposures, the Bank made additional provisions reaching a portfolio coverage of 23.54%. These measures, together with the increase in doubtful exposures, of course contributed to the negative impact on the income statement.

Property, plant and equipment

The change in property, plant and equipment (-6% to €6,343,120) was due to depreciation for the period.

Intangible fixed assets

Intangible assets amounted to €158,474 and more than quadrupled from the previous year, as a result of the capitalization of interface costs for the new software.

Financial assets

At year-end the item 20 under Assets, Financial assets held for trading, equalled €13,136,987. It marks a 21% increase on 2014, reflecting higher investments in the bank's trading book as well as the increase in funding and the decline in loans to customers.

At year end, the bank's trading book comprised 27 bonds of Italian issuers, with a gross yield to maturity of 1.41% and a modified duration of 1.46%.

The stormy performance of bank shares during the reporting period is reflected in the trading book which reported capital losses in the income statement of €86,286, net of capital gains of €33,148.

In terms of type of assets, 20% of the portfolio consisted of government securities and 80% of financial bonds, all by Italian issuers.

The market risk of the assets held in the portfolio is measured using the VaR – 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 2015. Over a one month period, the VaR amounted to €114,236, i.e. 0.96% in percentage terms, while over a three month period it amounted to € 193,314 (1.63%).

The stress tests carried out on the assumption of a sudden, parallel 100 bps shift in the swap rate curve, either upward or downward, continued to have a limited impact in percentage terms – although slightly higher than in last FY – on the book's composition and market value. In particular, a sudden upward or downward shift in interest rates would result in capital gains of 1.67% (or approximately €206,490) and capital losses of 1.44% (€178,421) respectively of the book's market value.

Equity

The share capital was unchanged, consisting of 7,740,000 shares with a nominal value of €1 each. FY closed with a slight improvement in reserves, which totalled €7,386 million, €6,435 million of which from profit allocation and retained earnings, €1.071 million as share premium reserve and €-120 thousand as valuation reserve.

Due to the loss for the year, at 31 December 2015 shareholders' equity totalled €14.595 million.

The bank's capital is more than adequate to cover the exposure to the risks assumed, as evidenced by the level of the main Basel 3 ratios, which show the ratio between primary capital and the bank's exposure to risk.
More specifically, the CET1 at 31/12/2015 was 29.23%, more than four times the minimum set by the legislation (7%).

The table below shows the additional capital requirements set for your Bank upon completion of the SREP *Supervisory Review and Evaluation Process,*i.e. the review and prudential assessment process implemented by the Bank of Italy with respect to Italian banks in compliance with the EU prudential regulations.

	CET1 Common Equity Tier 1 Capital Ratio	**T1** Tier 1 Capital Ratio	**Total Capital Ratio**
Minimum requirement (Grand total ex SREP)	7.00%	8.80%	11.80%
BANCA PROMOS INDICATOR AT 31/12/2015	29.23%	29.23%	29.23%
SURPLUS	22.23%	20.43%	17.43%

Also noteworthy is the level of the Leverage Ratio, which provides a quantitative assessment of exposure to the risk of excessive leverage: in 2015 this indicator was 20.8%, significantly higher than the minimum set by the "Basel 3 rules" of 3%, which in any case will officially take effect in 2018.
Conversely, with regard to the Liquidity Coverage Ratio (LCR), monitoring activities were started during the year in preparation for the introduction of the minimum requirement (1 October 2015). This indicator, which aims to ensure that an adequate level of high-quality, readily marketable and unencumbered liquid assets is maintained, was consistently above the minimum required threshold of 60%.

The abundant 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 exceeded € 10 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.

To complete the quantitative disclosure on capital, the relevant Table (Part H) of the Notes is reported here in full:

Categories /amounts	Unweighted amounts		Weighted amounts	
	2015	2014	2015	2014
A. Risk assets				
A.1 Credit and counterparty risk	62,011	62,742	29,013	30,738
1. Standardized approach	62,011	62,742	29,013	30,738
2. Internal ratings based approach	-	-	-	-
2.1 Foundation	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitizations	-	-	-	-
B. Supervisory capital requirements				
B.1 Credit and counterparty risk	-	-	2,321	2,459
B.2 Risk of credit valuation adjustment	-	-	-	-
B.3 Settlement risk	-	-	-	-
B.4 Market Risk	-	-	872	206
1. Standardised approach	-	-	872	206
2. Internal models	-	-	-	-
3. Concentration risk	-	-	-	-
B.5 Operational risk	-	-	754	882
1. Basic approach	-	-	754	882
2. Standardized approach	-	-	-	-
3. Advanced approach	-	-	-	-
B.6 Other calculation elements	-	-	-	-
B.7 Total prudential requirements	-	-	3,947	3,547
C. Risk assets and adequacy ratios				
C.1 Risk-weighted assets			49,338	44,338
C.2 Common Equity Tier 1 /Risk-weighted assets (CET 1 Capital ratio)			29.23%	34.31%
C.3 Tier 1 Capital /Risk-weighted assets (Tier 1 Capital ratio)			29.23%	34.31%
C.4 Total own funds /Risk-weighted assets (Total capital ratio)			29.23%	34.31%

Income Statement

Net loss for the year equalled € 530,684.

The interest margin stood at € 1,365,396, against € 1,206,304 of the previous FY, up 13%. Net interest income showed a rising trend for the third consecutive year.

For a correct interpretation of this data, it should be noted that, as duly specified in the Notes, some components previously allocated to interest income and similar revenues have been reclassified as "fees and commissions".

The good performance of interest income on the securities portfolio reflects the increase in securities held for trading, item 20 of the Assets, while the increase in interest expense on customer accounts reflects the increase in funding.

The various components of net interest income are shown in the following table.

Breakdown of interest margin	31.12.2015	31.12.2014
Interest income	**2,048**	**1,822**
On securities portfolio	298	169
On loans to customers	1,743	1,603
On receivables from banks	7	50
Interest expenses	**682**	**616**
On payables to banks	72	71
On payables to Central Banks	7	8
On trade payables	281	214
On securities in issue	322	323
Net interest income	**1,365**	**1,206**

The brokerage margin was down 6%, affected by the drop in trading income and by capital losses on the bank's trading book, which are included in item 80 "Net profit/ (loss) from trading activities", down 22% to €2,951,591.
This performance was partially offset by stronger commission income, which reflect the steady and continuous development of the banking business.
Commissions on collections and payments and on current accounts were up, reflecting increased operations; income from the Distribution of third party products and from Financial consulting activities, the new fields of activities launched in 2015, also grew.

Commission Breakdown	31.12.2015	31.12.2014
Commission income	**809**	**678**
of which		
Trading of financial instruments and currencies	8	10
Placement	4	51
Receipt and transmission of orders	13	16
Distribution of third-party products	17	0
Collection and payment services	258	228
Current accounts management	379	346
Guarantees	8	16
Financial consultancy services	75	0
Custody and management of securities	33	11
Others	14	0
Commission expense	**-516**	**-754**
Net commissions	**293**	**-77**

Operating expenses rose by 9%, driven by higher other administrative expenses (+20%). This item includes extraordinary and non-recurring costs incurred during the year, consisting of the non-depreciable portion of expenses related to the IT system migration; these costs, in turn, comprised both the fees paid to the old outsourcer and the ancillary charges incurred for the transition. The cost items that recorded the most significant changes from the previous year are reported below:

- the costs of telecommunications services, which include the costs of migration increased by 32% to €932 thousand;
- the costs related to consulting services doubled to €216 thousand; they include the increase in legal expenses for disputes with customers, the ancillary and non-recurring charges for the IT system migration and the remuneration to an external consultant which was not reappointed;

- auditing costs grew by 13% to €77 thousand, due to extraordinary costs paid to the independent auditors to certify the correctness of data reported in relation to TLTRO refinancing operations with the ECB;
- on the contrary, the costs for materials and services decreased (energy -5%; printing costs -24%)
- finally, the sub-item "other-direct taxes and duties" increased; this item, however, is to be analysed in conjunction with the offsetting item 150 "Other operating expenses/income"; as of this year, the recovery of stamp duties from customers is recognized as revenue while the corresponding duties to be paid are recognized as costs.

Personnel costs recorded a 3% increase which reflects the new persons hired in 2015, including a senior manager.

In accordance with current Supervisory Provisions on the matter, the Bank has prepared the "Remuneration Policy" document, as well as a disclosure document on the implementation of those policies, to be submitted to the shareholders' meeting.

The positive trend in taxes, which in the year generated a reversal of €217,235, brought down the net loss to €530,684.

The Cash Flow statement showed a balance between cash inflows and outflows, reflecting ordinary operations without any special events, which in the year generated cash totalling €64,098. Cash and cash equivalents were sufficient to meet funding requirements.

Operations

2015 was a particularly committing year for your Bank. The above mentioned extraordinary events absorbed a considerable amount of resources, nevertheless significant investments were implemented and an overall high level of growth in services was achieved.

Current accounts continued to increase (the number of active relationships at the end of the period was up 8% compared to the previous year end) and also the volume of transactions increased considerably as evidenced, for example, by the increase in credit transfers instructed by customers, up by 44%. The number of POS terminals installed at 31 December 2015 increased by 6% over the previous year.

The performance of the distribution of third party products - leasing business, launched during the year, recorded 28 deals closed during the period, with trading volumes corresponding to €2,163,250, providing a significant return especially on a yearly basis.

The introduction of SIB2000 also led to significant improvements in some organizational aspects: for example, document management, intended both as database of bank-client communications (account statements, interest account statements, receipts, notices, newsletters, etc.) and as digitization of the contractual documentation related to the individual accounts, is fully integrated into the SIB platform, and is available to the operators, and therefore to customers, at all times.
The system migration also prompted numerous side changes, aimed at optimizing the use of the new system:

- in conjunction with the replacement of the software vendor, the bank entered into an agreement with Cassacentrale Banca for the issuance of new debit cards with the innovative *contact-less technology*, for use in the ATM/Pagomancomat/Cirrus /Maestro/Visa Electron networks. In parallel, as part of the broadening of its product range, the prepaid cards issued by Cassacentrale were also added; these include the ordinary rechargeable card called RICarica, the OOM+ ("Ora o mai più") that aims to increase customer loyalty through a low-cost tool for very young customers, and the new EVO card, also called "account card", an advanced tool with many features that is especially appealing to customers who do not want to open a current account but have basic banking needs.
- to improve the efficiency and quality of collection and payment services, an agreement was entered into with CESVE Spa which has been providing this service to banks for more than 20 years;
- to optimize portfolio management services, the back-office and the processing of paper certificates has been entrusted to CARICESE, already a partner for over 2,000 branches in Italy.

By resolution of the Extraordinary Shareholders 'Meeting of 25 June 2015, the By-laws were updated in order to comply with the new regulatory provisions on corporate governance, remuneration and incentive policies, banks' internal controls and statutory audit (Bank of Italy circular 263 of 27 December 2006 - 15th update and no. 285 of 17 December 2013 - 7th update).
As regards governance matters, certain internal regulations were also revised including the Corporate Governance Project, the Board of Directors' Regulation, the Regulations for the replacement of the CEO and new rules were added in the Shareholders' Meeting Regulation for the conduct of the ordinary and extraordinary meetings.

The IT Office development activities led to the implementation of some applications, mainly designed to optimize the management of the financial sector or to offer additional high-performance services to institutional clients. We mention in particular:

- the development of the WEB GRME Platform, as support tool in Risk Management activities;
- the development of the PromosCORE platform for managing corporate customers;
- the development of ErestServer, an application server (on Linux platform) designed to centralize/standardize all the procedures that process the company database data. The system has greatly increased the level of security and has standardized the access of applications to the corporate Database. Through ERestServer it has been possible to safely develop WEB platforms like PromosCORE, PrismaQuote, BondFinder and ETradingPRO.
- the development of the SMS Web platform enables the management of settlement services offered to other banks;
- PriceMaster, is a *real-time* interface with the Bloomberg platform for the publication of Banca Promos prices obtained from the Prisma system;

In keeping with our tradition of providing support to the community in various forms, again in 2015 we confirmed our collaboration with IPE's Specialization School - "Institute for research and educational activities" engaged in post-graduate training, with a specific focus on economics, finance and management.

In addition, this year the Bank decided to add a small contribution to the cultural association Amici di Capodimonte, which acts in support of this important Neapolitan museum.

Workforce statistical information

At 31 December 2015 the bank had 46 employees, two more than the previous year. The new hires include a senior manager and a person with fixed-term contract who works in support of the Florence promoters' office.

In the course of 2015, all existing fixed-term contracts were converted into permanent contracts, a fact that confirms the bank's desire to develop relationships with a stable and loyal staff. This is also corroborated by the average staff seniority which is of 9 years for all employees, and goes up to 11 for the "middle managers" category.

The analysis of other statistical information on the staff, schematically summarized in the tables below, shows a balanced breakdown between men and women (48% male, 52% female) and a prevalence of workers included in the 30-50 years age group, who account for over three quarters of the workforce. The overall average age is 41 years.

In terms of breakdown by operational areas, more than half of the employees, 57%, is employed in the Commercial Area (branches and finance area), while 9% are computer technicians of the in-house IT Office. The rest of the staff works at the Head Office (organization, control, accounting and reporting, securities back office).

Turnover	Balances as at 01/01/2015	Engagement/ Transformation	Resignation/ retirement/ termination Transformation	Balances as at 31/12/2015
Permanent contracts	**38**	**8**	**1**	**45**
of which:				
Senior Managers	0	1	-	1
Middle managers	5	1	-	6
White-collar staff	32	5	1	36
Blue-collar staff	1	1	-	2
Temporary contracts	**6**	**1**	**6**	**1**
of which:				
White-collar staff	5	1	5	1
Blue-collar staff	1	0	1	0
TOTAL	**44**	**9**	**7**	**46**

Breakdown	Senior Managers	Middle managers	White-collar staff	Blue-collar staff	Total
Men	**1**	**2**	**18**	**1**	**22**
Women	**0**	**3**	**20**	**1**	**24**
Average age	53	51	39	42	41
Average length of service	0	11	9	9	9
Permanent contracts	1	6	36	2	45
Temporary contracts	0	0	1	0	1
Apprenticeship contracts	0	0	0	0	0
Education - University Degree	1	4	27	0	32
Education - High School Diploma	0	2	9	0	11
Education - Middle school certificate	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 2015 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 information aimed at 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, for the sake of clarity a summary is provided below of the information required which may have a material impact on the bank.

Going concern assumption

The Bank is reasonably certain that it will continue to operate profitably in the foreseeable future. Therefore, 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 – in spite the negative economic result – remain 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.

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' assessment of all Assets reported in the financial statements did not record 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. The amendments to IFRS 13 ratified by EU Regulation 1361/2014 were not relevant for the Financial Statements of the Bank.

Other information

Dear Shareholders, additional information is provided below regarding your bank's activities. At the close of FY 2015:

- 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.

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 periodical 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 2015; for the details please see paragraph "ICAAP process and Capital Adequacy".

The Compliance function carried out controls on the following areas:

- *Adequacy and effectiveness of business processes and procedures*
- *Consulting, assistance and training*
- *Conflicts 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. They were carried out on the basis of specific check-lists defined for the Internal Audit activities and approved by the Bank's Board of Directors. With reference to the banking sector, audits were carried out on credit, money laundering, transparency of banking transactions and services, cash management and Branches. 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), the management of conflict of interest and Market Abuse.

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

During the year, 6 ordinary audits were carried out at the branches, alongside a routine inspection at the Office of the financial advisors in Florence and one check at our co-operator in London.

Further audits (mainly envisaged by the laws in force) 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, the assessment policy of corporate activities and RAF. Moreover, two inspections were 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, second-level control functions (Compliance, Anti-money laundering and Risk Management functions) were assessed.

Finally, an information system audit was carried out in collaboration with an external consulting firm on the new IT outsourcer, in order to verify whether the systems had been adjusted to the new regulatory provisions on internal control systems.

The audits carried out were mainly focused on issues relating to the change of the IT outsourcer in May 2015; on the one hand, this event has led to significant changes in the Bank's operating procedures, with the consequent need to adapt our internal system of policies and procedures; on the other hand, given the specific activities performed by the Bank, it has made it necessary for the outsourcer to adjust the information system to ensure the Bank's full compliance with the applicable regulations. These adjustment activities are currently in progress.

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. We also recall that the "Risk Management Process" is described in a specific document, according to a bank's practice for many years. This process consists of the following phases:

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 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 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 a qualitative scale (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 through integrated controls 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 2015, 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 algebraical 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 supervisory regulations, 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).

This 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 2015

After the end of the financial year, there have been no significant events that need be mentioned here.

Business outlook

In the first months of this year, capital market activities showed signs of recovery, while the trends observed in the banking system in 2015 were confirmed.

In 2016, your bank will continue to pursue the activities undertaken in the previous year, with specific reference to the new segments, such as corporate finance, where various companies are currently under analysis with a view to enter into new deals.

Proposal to approve the Financial Statements

Dear Shareholders, the Board of Directors submits the financial statements for 2015 for your approval, together with the attached reports of the Independent Auditors, Deloitte & Touche SpA, and the Statutory Auditors' report.

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 carry forward of the resulting loss, i.e. € 530,684.

Acknowledgements

The Board of Directors wishes to thank to all the Bank's staff for their valuable work which, again this year, they have performed with dedication and growing expertise.

Special thanks also to the Supervisory Bodies, the Independent Auditors and the Board of Statutory Auditors that were an essential reference point for our activity.

Finally, we renew our commitment to the shareholders, to whom we extend our special thanks for their support and the confidence they place on us year after year.

The Board of Directors

This page was intentionally left blank

This page was intentionally left blank

This page was intentionally left blank

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 that closed on 31 December 2015, 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 Consigli Nazionali dei Dottori Commercialisti e degli Esperti Contabili (National Accounting Board).

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 31/12/2015, 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.

In the light of the continuing critical situation, especially with regard to the performance of loans, the Company deemed it necessary to conduct a full review of the loan portfolio, which resulted in additional significant write-downs compared to the previous year. More specifically, as reported in the Directors' Report, the performing loans portfolio was written-down by 0.71%, while the percentage used to write-down the overdue/overdrawn positions was 12.901%, about double that for the year ended 31/12/2014, for a total amount written-down in the accounts of €579,688 against €194,151 in the previous year, corresponding to a percentage increase of 198.58%. These percentages are equal to the average applied by a basket of banks that are especially similar to Banca Promos in terms of quantitative and geographical characteristics. Furthermore, for certain positions classified as overdrawn/past due exposures, the Bank deemed it appropriate to make additional provisions reaching a portfolio coverage of 23.54%. This obviously contributed to the negative result reported in the financial statements at 31/12/2015.

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

BALANCE SHEET

Total Assets		**68,476,960**
Total Liabilities *of which*	**68,476,960**	
- Shareholders' Equity	14,595,034	
of which		
Profit (loss) for the year	**-530,684**	
- Employee severance indemnity	952,491	
- Payables	52,911,419	
- Provisions for liabilities and charges	18,016	

INCOME STATEMENT

Interest margin	1,365,396
Net fees and commissions	292,727
Brokerage margin	4,601,144
Net result of financial operations	4,021,456
Operating costs	(4,769,374)
Profit before taxes	(747,918)
Taxes for the year	217,234
Profit (loss) for the year	**(530,684)**

The Board of Statutory Auditors acknowledges that during the year the Directors have prepared the interim 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.

Directors' Report

The Directors' Report and the Notes provide a detailed disclosure on the events occurred in 2015 and those occurred after year end.

As we are not in charge of auditing the financial statements, we have monitored the overall approach to the financial statements, their overall compliance with the law in terms of preparation and structure, and in this regard we have no observations to report.

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.

Conclusions

Also considering the results of the activity carried out by the entity in charge of the statutory audit - Deloitte & Touche S.p.A. - included in the independent auditors' report submitted to us on 12/04/2016, 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 31/12/2015, the Directors' Report and the proposed allocation of result for the year.

Naples 12 April 2016

Il Collegio Sindacale

Dr. Ugo Mangia

Rag. Settimio Briglia

Dr Sergio Vilone

This page was intentionally left blank

FINANCIAL STATEMENTS AT 31 DECEMBER 2015

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 cash flows in accordance with accounting principles and practices other than IAS/IFRS”

BALANCE SHEET - ASSETS

(Amounts in Euros)

	Assets	2015	2014
10.	Cash and cash equivalents	815,429	751,331
20.	Financial assets held for trading	13,136,987	10,825,584
30.	Financial assets carried at fair value	-	-
40.	Financial assets available for sale	-	-
50.	Financial assets held to maturity	-	-
60.	Receivables from banks	12,330,622	9,665,112
70.	Loans to customers	33,549,344	36,974,655
80.	Hedging derivatives	-	-
90.	Adjustment to financial assets subject to macro-hedging (+/-)	-	-
100.	Equity Investments	-	-
110.	Property, plant and equipment	6,343,120	6,735,408
120.	Intangible assets of which:	158,474	33,106
	- goodwill	-	-
130.	Tax assets	794,270	533,177
	a) current	371,308	280,456
	b) prepaid	422,962	252,721
	of which as per Law no. 214/2011	249,581	201,438
140.	Non-current assets and disposal groups	-	-
150.	Other assets	1,348,714	1,709,990
	Total assets	**68,476,960**	**67,228,363**

Statements making up the Financial Statements of Banca Promos S.p.A.

BALANCE SHEET – LIABILITIES

(Amounts in Euros)

	Liabilities and shareholders' equity	2015	2014
10.	Payables to banks	7,375,385	6,880,648
20.	Trade payables	33,715,588	31,896,446
30.	Outstanding securities	8,406,922	8,828,775
40.	Financial liabilities held for trading	-	-
50.	Financial liabilities carried at fair value	-	-
60.	Hedging derivatives	-	-
70.	Adjustment to financial liabilities subject to macro-hedging (+/-)	-	-
80.	Tax liabilities	950,413	1,290,712
	a) current	-	288,960
	b) deferred	950,413	1,001,752
90.	Liabilities related to discontinuing operations	-	-
100.	Other liabilities	2,463,111	2,243,250
110.	Employee severance indemnity	952,491	871,976
120.	Provisions for liabilities and charges:	18,016	18,016
	a) retirement and similar obligations	-	-
	b) other provisions	18,016	18,016
130.	Valuation reserves	-119,947	-124,525
140.	Redeemable shares	-	-
150.	Capital instruments	-	-
160.	Reserves	6,434,753	6,387,609
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 (+/-)	-530,684	124,544
	Total liabilities and shareholders' equity	**68,476,960**	**67,228,363**

Statements making up the Financial Statements of Banca Promos S.p.A.

INCOME STATEMENT

(Amounts in Euros)

	Items	2015	2014
10.	Interest and similar income	2,047,745	1,822,064
20.	Interest and similar expenses	(682,349)	(615,760)
30.	**Interest margin**	**1,365,396**	**1,206,304**
40.	Commission income	808,446	677,695
50.	Commissions expense	(515,719)	(754,323)
60.	**Net fees and commissions**	**292,727**	**(76,628)**
70.	Dividends and similar income	3	2
80.	Net income on trading activity	2,951,591	3,782,429
90.	Net income on hedging activity	-	-
100.	Profits (losses) on disposal or repurchase of:	(8,573)	-
	a) receivables	-	-
	b) financial assets available for sale	-	-
	c) financial assets held to maturity	-	-
	d) financial liabilities	(8,573)	-
110.	Net result of financial assets/liabilities carried at fair value	-	-
120.	**Brokerage margin**	**4,601,144**	**4,912,107**
130.	Net adjustments/write-backs for impairment of:	(579,688)	(194,151)
	a) receivables	(579,688)	(194,151)
	b) financial assets available for sale	-	-
	c) financial assets held to maturity	-	-
	d) other financial transactions	-	-
140.	**Net result of financial operations**	**4,021,456**	**4,717,956**
150.	Administrative expenses:	(4,486,230)	-4,082,379
	a) staff expenses	(2,550,597)	(2,474,152)
	b) other administrative expenses	(1,935,633)	(1,608,227)
160.	Net allocations to provisions for liabilities and charges	-	3,249
170.	Net adjustments to/write-backs on tangible assets	(399,780)	(430,475)
180.	Net adjustments to/write-backs on intangible assets	(31,083)	(16,432)
190.	Other operating expenses/income	147,719	160,169
200.	**Operating costs**	**(4,769,374)**	**(4,365,868)**
210.	Profits (losses) on equity investments	-	-
220.	Net result of tangible and intangible assets carried at fair value	-	-
230.	Adjustments to goodwill	-	-
240.	Profits (losses) on investment disposal	-	-
250.	**Pre-tax profit (loss) of current operations**	**(747,918)**	**352,088**
260.	Income taxes for the year on current operations	217,234	(227,544)
270.	**Profit (loss) of current operations, after taxes**	**(530,684)**	**124,544**
280.	Profit (Loss) of disposal groups, after taxes	-	-
290.	**Profit (loss) for the year**	**(530,684)**	**124,544**

Statements making up the Financial Statements of Banca Promos S.p.A.

The Bank reclassified some comparative balances – with reference to FY2014 – related to items 10, 40, 150 *b)* and 190 of the Income Statement. Pursuant to the provisions of IAS 1, paragraph 41, for the information related to the nature and reasons of reclassified items, reference should be made to the tables provided for in the Notes – “Part C Income Statement”.

Statements making up the Financial Statements of Banca Promos S.p.A.

STATEMENT OF COMPREHENSIVE INCOME

(Amounts in Euros)

	Items	2015	2014
10.	**Profit (loss) for the year**	**(530,684)**	**124,544**
	Other income items – after taxes – not reversed to income statement		
20.	Property, plant and equipment	-	-
30.	Intangible assets	-	-
40.	Defined-benefit plans	4,578	(105,247)
50.	Non-current discontinuing operations	-	-
60.	Share of valuation reserves for equity investments carried at equity	-	-
	Other income items – after taxes – 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, after taxes**	**4,578**	**(105,247)**
140.	**Comprehensive income (Item 10+130)**	**(526,106)**	**19,297**

Statements making up the Financial Statements of Banca Promos S.p.A.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 31.12.2015

(Amounts in Euros)

	At 31/12/2014	Change in opening balances	At 01/01/2015	Allocation of result from previous FY		Changes for the year								Shareholders' equity at 31/12/2015
						Changes in reserves	Operations on shareholders' equity						Comprehensive income, FY 2015	
				Reserves	Dividends and other allocations		Issue of new shares	Treasury shares purchased	Dividend extraordinary payment	Change in capital instruments	Derivatives on treasury shares	*Stock options*		
Share capital:														
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:														
a) profits	6,387,609	-	6,387,609	47,144		-	-	-	-					**6,434,753**
b) other	-	-	-	-		-	-		-		-	-		**-**
Valuation reserves	-124,525	-	-124,525			-							4,578	**-119,947**
Capital instruments	-		-							-				**-**
Treasury shares	-		-				-	-						**-**
Profit (loss) for the year	124,544	-	124,544	-47,144	-77,400								-530,684	**-530,684**
Shareholders' equity	15,198,540	-	15,198,540	-	-77,400	-	-	-	-	-	-	-	-526,106	**14,595,034**

Statements making up the Financial Statements of Banca Promos S.p.A.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 31/12/2014

(Amounts in Euros)

	At 31/12/2013	Change in opening balances	At 01/01/2014	Allocation of result from previous FY		Changes for the year								Shareholders' equity at 31/12/2014
						Changes in reserves	Operations on shareholders' equity						Comprehensive income - 2014	
				Reserves	Dividends and other allocations		Issue of new shares	Treasury shares purchased	Dividend extraordinary payment	Change in capital instruments	Derivatives on treasury shares	*Stock options*		
Share capital:														
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:														
a) profits	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**
Capital instruments	-		-							-				**-**
Treasury shares	-		-				-	-						**-**
Profit (loss) for the year	89,342	10,729	100,071	-100,071	-								124,544	**124,544**
Shareholders' equity	15,136,329	42,914	15,179,243	-	-	-	-	-	-	-	-	-	19,297	**15,198,540**

CASH FLOW STATEMENT

Indirect method

(Amounts in Euros)

A. OPERATIONS	Amount	
	2015	2014
1. Operations	448,077	1,154,162
- operating result (+/-)	-530,684	124,544
- capital gains/losses on financial assets held for trading and on financial assets/liabilities carried at fair value (-/+)	86,286	33,786
- capital gains/losses on hedging activities (-/+)	-	-
- net adjustments/write-backs for impairment (+/-)	579,688	194,151
- net adjustments to/write-backs on tangible and intangible fixed assets (+/-)	430,863	446,906
- net allocations to provisions for liabilities and charges and other costs/revenue (+/-)	99,188	121,119
- outstanding taxes and tax credits (+/-)	-217,234	227,544
- net adjustments to/write-backs of disposal groups net of tax effects (+/-)	-	-
- other adjustments (+/-)	-31	6,112
2. Liquidity generated/absorbed by financial assets	**-1,951,498**	**-418,354**
- financial assets held for trading	-2,397,690	1,915,254
- financial assets carried at fair value	-	-
- financial assets available for sale	-	-
- receivables from banks: on demand	-2,665,510	3,251,984
- receivables from banks: other receivables	-	-5,028,814
- loans to customers	2,845,623	-
- other assets	266,078	-556,778
3. Liquidity generated/absorbed by financial liabilities	**1,808,834**	**-501,114**
- payables to banks: on demand	494,738	641,323
- payables to banks: other payables	-	-
- trade payables	1,819,142	-657,790
- outstanding securities	-421,853	123,107
- financial liabilities held for trading	-	-
- financial liabilities carried at fair value	-	-
- other liabilities	-83,194	-607,754
Net liquidity generated/absorbed by operations	**305,412**	**234,694**
B. INVESTMENT ACTIVITIES		
1. Liquidity generated by	**-**	**-**
- disposal of equity investments	-	-
- dividends collected on equity investments	-	-
- sale of financial assets held to maturity	-	-
- sale of tangible assets	-	-
- sale of intangible assets	-	-
- sale of business units	-	-
2. Liquidity absorbed by	**-163,914**	**-66,040**
- purchase of equity investments	-	-
- purchase of financial assets held to maturity	-	-
- purchase of tangible assets	-7,463	-56,632

- purchase of intangible assets	-156,451	-9,408
- purchase of business units	-	-
Net liquidity generated/absorbed by investments	**-163,914**	**-66,040**
C. BORROWING ACTIVITIES		
- issue/purchase of treasury shares	-	-
- issue/purchase of capital instruments	-	-
- allocation of dividends and other aims	-77,400	-
Net liquidity generated/absorbed by borrowing activities	**-77,400**	**-**
NET LIQUIDITY GENERATED/ABSORBED IN THE FINANCIAL YEAR	**64,098**	**168,654**

Key: (+) generated (-) absorbed

RECONCILIATION

Items	Amount	
	2015	2014
Opening cash and cash equivalents	**751,331**	**582,677**
Net total liquidity generated/absorbed during the financial year	**64,098**	**168,654**
Cash and cash equivalents: effect of changes in exchange rates	**-**	**-**
Closing cash and cash equivalents	**815,429**	**751,331**

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 cash flows 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, pursuant to Legislative Decree no. 38 of 28 February 2005, were drafted in accordance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and with the pertinent interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as endorsed by the European Commission in compliance with the EC Regulation no. 1606 dated 19 July 2002 – and in force at the reporting date..

The financial statements have been prepared by applying the IAS/IFRS standards as approved and in force at 31 December 2015, the detail of which is provided in the attachments to the financial statements.

In applying the IAS / IFRS, reference has been made to the "Framework for the preparation and presentation of financial statements" specifically with regard to the fundamental principle of the prevalence of substance over form, and the concept of relevance and materiality of information.

In addition to the instructions contained in Banca d'Italia Circular No. 262 of 22 December 2005 *"Banks' financial statements: Layouts and preparation"*, 4th update of 15 December 2015, 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).

The following table shows the new international accounting standards and/or the amendments to the accounting standards already in force, with the relevant approval regulations by the European Commission entered into force in the year 2015.

International accounting standards approved at 31.12.2015 and in force since 2015

(EU) Approval Regulation	Topic	Effective date
634/2014	Interpretation of IFRIC 21- Levies	01/01/2015 Starting from FYs with 17/06/2014 as beginning date
1361/2014	Amendments to IFRS 3 – Business Combinations Amendments to IFRS 13 – Fair value measurement Amendments to IAS 40 – Investment Property	Starting from FYs with 01/01/2015 as beginning date

With reference to the accounting regulations to be applied compulsorily starting in 2015, the IFRIC interpretation 21- Levies, approved by the European Commission through EU Regulation 634/2014, provides guidance on the recognition of a liability for the payment of a levy both where the liability is within the scope of IAS 37 and where the timing and amount of the levy is certain.

Concerning the amendments to IFRS 3 and 13 – in addition to IAS 40 – approved by EU Regulation 1361/2014 – please note that these amendments are not relevant for the Financial Statements of the Bank.

The table below shows the new international accounting standards or the amendments to the accounting standards already in place which will become mandatory on (for financial statements coinciding with the calendar year) or after 1 January 2016.

International accounting standards approved at 31.12.2015 and in force after 31.12.2015

(EU) Approval Regulation	Topic	Effective date
28/2015	Amendments to IFRS 2 - Share-Based Payment Amendments to IFRS 3 – Business Combinations Amendments to IFRS 8 – Operating Segments Amendments to IAS 16 - Property, plant and equipment Amendments to IAS 24 - Related Party Disclosures Amendments to IAS 38 – Intangible Assets	01/01/2016 First FY beginning on or after 01/02/2015
29/2015	Amendments to IAS 19 - employee Benefits	01/01/2016 First FY beginning on or after 01/02/2015
2113/2015	Amendments to IAS 16 - Property, plant and equipment Amendments to IAS 41 - Agriculture	01/01/2016 First FY beginning on or after 01/01/2016
2173/2015	Amendments to IFRS 11 – Joint arrangements	01/01/2016 First FY beginning on or after 01/01/2016
2231/2015	Amendments to IAS 16 - Property, plant and equipment Amendments to IAS 38 – Intangible Assets	01/01/2016 First FY beginning on or after 01/01/2016
2343/2015	Amendments to IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations Amendments to IFRS 7 "Financial instruments: disclosures Amendments to IAS 19 - employee Benefits Amendments to IAS 34 – Interim Financial Reporting	01/01/2016 First FY beginning on or after 01/01/2016
2406/2015	Amendments to IAS 1 – Presentation of Financial Statements	01/01/2016 First FY beginning on or after 01/01/2016
2441/2015	Amendments to IAS 27 – Separate Financial Statements	01/01/2016 First FY beginning on or after 01/01/2016

In 2014, the IASB issued the new accounting standards IFRS 15 Revenue and IFRS 9 Financial Instruments, both of which not yet approved by the European Commission.

Finally, the table below shows the accounting standards affected by the amendments, specifying the scope or subject of the amendments. Since, at present, they have not been approved by the European Commission, none of these updates is relevant for the Bank's financial statements.

International accounting standards not yet approved at 31.12.2015

Interpretation/Standard	**Title**	**Issued on**
IFRS 9	*Financial Instruments*	24/07/2014
IFRS 14	*Regulatory Deferral Accounts*	30/01/2014
IFRS 15	Revenue from Contracts with customers	28/05/2014
Interpretation/Standard	**Amendments**	**Issued on**
IFRS 10	*Sales or Contribution of Assets between an Investor and its Associate or Joint Venture*	11/09/2014
IAS 28	*Sales or Contribution of Assets between an Investor and its Associate or Joint Venture*	11/09/2014
IFRS 10	*Investment Entities: Applying the Consolidation Exception*	18/12/2014
IFRS 12	*Investment Entities: Applying the Consolidation Exception*	18/12/2014
IAS 28	*Investment Entities: Applying the Consolidation Exception*	18/12/2014

The IFRS 9 covers three different areas: classification and measurement of financial instruments, impairment and hedge accounting.

As regards the classification and measurement of financial instruments, the IFRS 9 introduces a model where the classification of a financial instrument depends, on the one hand, on the characteristics of the contractual *cash flows* of the instrument and, on the other hand, on the entity's business model objective for managing the instrument. Accordingly, rather than in the current four accounting categories, financial assets under IFRS 9 can be classified - on the basis of the two *drivers* described above - in three categories: assets measured at amortized cost, assets measured at *fair value through* profit or loss and, finally, assets measured at *fair value through* other comprehensive income only if the test of the characteristics of the contractual *cash flows* of the instrument is passed. All equity instruments are to be measured at *fair value* through profit or loss, unless the entity chooses - for shares not held for trading- on initial recognition and irrevocably to present value changes in OCI. As for financial liabilities, the existing two categories (at cost and at *fair value)* remain substantially unchanged.

As regards *impairment,* IFRS 9 introduces a model for instruments measured at amortized cost - such as receivables - and at *fair value* through other comprehensive income, based on the concept of *"expected loss",* in place of the current *"incurred loss",* in order to more quickly take account of losses. IFRS 9 requires companies to account for expected losses upon initial recognition of the financial instrument and in any case at subsequent reporting dates. The time horizon for calculating the expected loss is the entire remaining life of the *asset* being valued if the credit quality has deteriorated "significantly" compared to the initial measurement of the instrument, otherwise it is twelve months.

Finally, with reference to *hedge accounting,* the new model introduced for hedges tends to strengthen the *disclosure* of risk management activities undertaken by the reporting entity, in other words seeking to align the accounting presentation with risk management activities.

Section 2 – General drafting principles

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

The Financial Statements were drafted on a going concern basis and in accordance with the general drafting standards (IAS 1) set out below:

- Accrual accounting;

- Going concern assumption;
- Understandable information;
- Relevance and materiality of information;
- Reliability of the information (accuracy of the representation; prevalence of substance over form; information neutrality; completeness; prudence in the estimates not to overestimate revenues / assets or underestimate costs / liabilities);
- Comparability over time.

There were no exceptions to the application of IAS/IFRS.

In preparing the financial statements, the formats and rules for compilation referred to in Bank of Italy Circular no. 262 of 22/12/2005, 4th Update of 15 December 2015, were observed.

In addition, complementary information was provided as deemed necessary to provide a more comprehensive representation of the financial statements, although not specifically required by legislation.

In accordance with art. 5 of Legislative Decree No. 38/2005, the financial statements are prepared using the Euro as reporting currency.

The balance sheet and income statement, the statement of comprehensive income, the statement of changes in equity and the cash flow statement are expressed in euros, while the notes, unless otherwise indicated, are expressed in thousands of euros. For comparative purposes, the financial statements and, where required, the tables in the notes also report data for the previous year.

The criteria applied for preparing the financial statements were consistent with those used for the previous year.

Going concern

With regard to the going concern basis, in accordance with the guidelines contained in Document No. 2 of 6 February 2009 "Disclosures in financial reports on the going concern assumption, financial risks, impairment tests on assets and uncertainties in the use of estimates" issued jointly by the Bank of Italy, Consob and ISVAP, the Bank is reasonably certain to continue to operate profitably in the foreseeable future and has therefore prepared its financial statements under the going concern assumption.

The uncertainty resulting from the current economic environment, though it has affected the financial statements, does not however raise doubts as to the mentioned going concern basis.

More detailed information on key market issues and factors is contained in the Directors' Report.

Section 3 – Events subsequent to the reporting period

In the period between the reporting date and the date of approval of these financial statements, no events occurred requiring changes to the data approved at such time, nor did any significant event occurred requiring the disclosure of additional information.

Please refer to the information given in the Directors' Report in the section on significant events subsequent to the reporting period.

Section 4 – Other aspects

The financial statements of the Bank are audited by *Deloitte & Touche* S.p.A., in application of the Shareholders' Meeting Resolution of 28/04/2010, which appointed the mentioned firm as independent auditors for the years 2010-2018.

Use of estimates and assumptions in preparing the financial statements

The preparation of financial statements requires the use of estimates and assumptions which may significantly affect the amounts stated in the balance sheet and the income statement, as well as the information on contingent assets and liabilities recorded.

Such estimates require the use of available information and the adoption of subjective valuations, also based on the historical experience used to make reasonable assumptions for the recording of management operations.

The estimates and assumptions used may, by their very nature, vary from one financial period to the next. Therefore, the current amounts stated in the financial statements in the subsequent financial years might significantly differ as a result of changes in the subjective valuations used.

The main instances in which subjective valuations are used by the Board of Directors include:

- the quantification of impairment losses on loans and, generally, of the other financial assets;
- the determination of *fair value* of financial instruments to be used for reporting purposes;
- the use of valuation models for determining the *fair value* of financial instruments not listed in active markets;
- the estimates and assumptions on the recoverability of deferred tax assets.

The description of the accounting policies applied to the main financial statement aggregates provides the detailed information necessary for identifying the main assumptions and subjective assessments used in preparing the financial statements.

For further details on the breakdown and the carrying values of items calculated using estimates, please refer to the specific sections of the Notes to the financial statements.

For the preparation of the financial statements the same accounting policies and methods were used as those adopted for the preparation of such document at 31 December 2015, to which reference is made for further details, supplemented by the following information.

New classification of impaired and forborne loans

As of 1 January 2015, the definitions of non-performing loan categories were revised by the Bank of Italy.

This revision was necessary in order to adjust the classes of risk previously applicable to the definition of *"non-performing Exposure"* (NPE), introduced by the European Banking Authority ("EBA") with the issuance of the *'Implementing Technical Standards* ("ITS"), EBA/ITS/2013/03/rev 1, of 24 July 2014.

The "Credit Quality" section of Circular. 272 of 30 July 2008 (6th update of 7 January 2015) was thus updated and the following categories of impaired loans were defined:

. Non-performing loans: the aggregate of on- and off-balance sheet exposures to borrowers in a state of insolvency (including if insolvency is not legally ascertained) or in essentially equivalent situations, regardless of any loss forecasts made by the bank; Non-performing loans also include exposures to local authorities (municipalities and provinces) in a state of financial distress for the amount subject to the relevant liquidation proceedings;

. Unlikely to pay*:* the classification in this category is, above all, the result of the bank's assessment about the unlikelihood that the debtor will fulfil its credit obligations in full (principal and/or interest), unless specific actions are undertaken such as the enforcement of the guarantee. This assessment must be made regardless of any past due and unpaid amounts or instalments.
Therefore, it is not necessary that any manifest anomaly be identified, such as failure to reimburse, where there are elements that involve a debtor's risk of default (for example, crisis in the industry where the debtor conducts business).
The "unlikely to pay" status is identified on the overall on- and "off-balance sheet" exposures to a same borrower in this situation;

. Impaired past due and/or overdrawn exposures: on-balance sheet exposures, other than those classified as non-performing or unlikely to pay, that show a past due and/or overdrawn position for more than 90 days as at the reporting date.
The past due and/or impaired overdrawn exposures are determined by reference to the individual debtor's position.

EBA' ITS have introduced an additional information requirement regarding "forborne exposures".
By the term *forbearance*, EBA identifies debtors who have or may have difficulties in complying with the repayment deadlines of their debts and with whom the original contractual terms have been renegotiated.
Therefore, in order for an exposure to be identified as *forborne*, the debtor must be in a situation of financial distress at the time of requesting the renegotiation.
In January 2015, the Bank of Italy issued an update to Circular no. 272/2008 setting out a definition of "impaired exposure" and "forborne exposure" on the basis of EBA's technical standards.
The latter definition is not a new impaired loan category, but is intended as an additional information tool, as the category of forborne exposures cuts across the existing risk classes and can include both performing and non-performing loans on the basis of the reason that led to the renegotiation.

For additional information on the Bank's management and monitoring of the aforementioned Credit classes, please see Part E - Credit Risk.

Deductibility of write-downs and credit losses - Decree Law 83/2015

Decree Law no. 83 of 27 June 2015, converted with amendments by Law no,132 of 6 August 2015, introduced, *inter alia*, some new rules on the deductibility of write-downs and credit losses for banks and financial institutions. In summary:

- The write-downs and losses on loans to customers recognized in the financial statements and the losses realized by transfer for onerous consideration are deductible in full, for IRES and IRAP purposes, in the year in which they are recognized. This deduction was previously permitted over a 5-year period;
- for the first year of application, the write-downs and the losses other than those realized through the sale for onerous consideration are tax deductible to the extent of 75% of their amount;
- the amount in excess of such threshold and the amount of write-downs not yet deducted at 31 December 2014 will be deductible to the extent of 5% in 2016, 8% in 2017, 10% in 2018, 12% in the years 2019-2024 and the remainder 5% in 2025.

The provisions of the decree are applicable starting from the tax period ongoing as at 31 December 2015.

The new tax deductibility of write-downs and credit losses will not significantly affect the income statement, because, regardless of the deductibility period, the tax effect of loan adjustments is already recognized in the income statement for the year in which the adjustments are recognized, through direct reduction of taxes payable for immediately deductible adjustments and through recognition of deferred tax assets for losses deductible in future years.

A.2 - MAIN ITEMS OF THE FINANCIAL STATEMENTS

The accounting standards adopted in the preparation of the Financial Statements for the year ended 31 December 2015 are indicated below. The presentation of the standards adopted was carried out referring to the stages of initial recognition, classification, recording, measurement and derecognition of the items of assets and liabilities. The same applies to the recognition method of costs and revenue.

1 - Financial assets held for trading

Classification criteria

The financial assets held for trading category includes financial instruments that are held with the intention of generating short term profits from changes in the prices of those instruments.

Where present - listed bonds, listed equity securities, UCIT units (mutual funds or SICAVs) are recognized as "financial assets held for trading" by the Bank.

This category also includes derivative contracts associated with the *fair value option* (defined by IFRS 13), operationally linked to assets and liabilities measured at fair value.

Conversely, derivatives designated as effective hedging instruments under hedge accounting rules, are recognized as Hedging derivatives, the amount of which is recorded in item 80 of the assets.

The Bank did not own and had not traded derivatives as at the reporting date.

Recognition criteria

Financial assets are initially recognised at the settlement date for debt and equity instruments and UCIT units, and at the subscription date for derivative financial instruments.

On initial recognition, financial assets held for trading are recorded at fair value. This is represented by the consideration paid to carry out the transaction without considering any cost or income relating to it and attributable to the instrument, which are directly recognised in the income statement.

Measurement criteria

After initial recognition, financial assets held for trading are measured at fair value, with value changes recognised in profit or loss.

According to IFRS 13 standard, fair value is "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date".

The *fair value* of financial instruments traded in active markets is based on quoted market prices ("bid" price or, if not provided, average prices) at the reporting date. A market is defined as active if prices reflect normal market transactions, are readily and regularly available and reflect the price of actual and regular market transactions.

In the absence of an active market, fair value is determined by estimates and commonly adopted valuation methods taking into account all the risk factors related to the instruments, and which are based upon data available on the market. More specifically, the Bank uses methods based on the valuation of listed instruments with similar characteristics; discounted cash flow analysis; models for the calculation of option prices; values recorded in recent comparable transactions and other techniques commonly used by market participants. Equity instruments for which fair value cannot be reliably determined, are carried at cost, adjusted for any impairment losses.

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. Vice versa, if a relevant share of the risks and benefits related to the financial assets sold is retained, the financial assets continue to be recognised 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, financial assets are derecognised, provided that the bank has not retained any kind of control over them. Otherwise, when even partial control is retained, assets 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 assets sold and to changes in the related cash flows.

Recognition criteria of Income Statement items

Revenue items comprising interest income on securities and similar revenues are recognized in the interest items of the income statement on an accrual basis.

Gains and losses realized on disposal or redemption and unrealized gains and losses arising from changes in *fair value* of the trading portfolio are classified in the income statement under "Net profit/(loss) from trading activities"; the effect of the measurement of monetary assets and liabilities in foreign currency at the end-of-period exchange rate is also included in this item.

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 trade receivables, reverse repurchase agreements and securities purchased through subscription or private placement, with fixed or determinable payments, whose price is not quoted in active markets.

Instruments cannot be reclassified into other IAS 39 financial assets categories.

Recognition criteria

Initial recognition of a loan occurs at the date the contract is signed, which normally coincides with the date of disbursement. Should this not be the case, at the time of signing the contract a commitment to disburse funds is entered into, which expires on the date of disbursement of the loan.

Loans are recognised according to their fair value, which is equal to the amount disbursed (or subscription price), 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.

If, in rare circumstances, the inclusion in this category is made following reclassification from available for sale or held for trading financial assets, the fair value of the asset at the date of reclassification is taken as the new amortized cost of the asset.

For loans entered into at non-market conditions, the initial recognition is made at an amount equal to the future cash flows discounted at a market rate. Any difference between the initial recognition and the amount disbursed is recognized in profit or loss upon initial recognition.

Measurement criteria

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 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. Said receivables are stated at the nominal value disbursed. Any income and charges attributable to them are recognized in the income statement.

The amortised cost method is not used for loans without a defined maturity or repayable on demand.

Loans are subject to an analysis aimed at identifying those showing any objective evidence of impairment as a result of circumstances occurring after initial recognition. This category includes non-performing, unlikely to pay, past due/overdrawn loans as defined by Banca d'Italia's regulations in force and consistent with IAS/IFRS and European supervisory rules.

First, the need is assessed to individually write down any non-performing loans, as classified into the various risk categories pursuant to the regulations issued by the Bank of Italy and described in point A1. Section 4: "Other aspects".

Non-performing loans are analytically measured – together with the other individually significant loans – 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 original actual interest rate.

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.

The original actual interest rate of each loan is unvaried in time, also if the relationship is subsequently restructured, leading to a variation in the contractual rate and even if the relationship becomes effectively non-interest bearing.

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 under write-backs.

Cash flows related to loans that are expected to be recovered in the short term are not discounted.

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. The write-backs also include the positive effects of discounting, following repayment, deriving from the progressive reduction of the estimated time necessary to recover the loan written down.

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.

Performing loans (including loans to counterparties resident in countries at risk) for which there is no objective evidence of impairment attributable to individual loans, are collectively evaluated for impairment. This assessment is based on homogeneous loan categories in terms of credit risk; the related loss percentages are estimated on the basis of time series allowing to appreciate the value 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 riskier.

Collectively assessed impairment losses are recognised in the income statement. At each reporting period, any additional impairment losses or write-backs are recalculated on a differential basis compared to the amount of the collective write-downs of the previous FY.

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 are derecognised when the right to receive cash flows ceases, when the sale has resulted in the transfer of substantially all the risks and benefits associated with the loan or if the loan is considered as definitively non-recoverable, after all the necessary recovery procedures have been pursued.

Vice versa, when a consistent part of risks and benefits is retained, loans are derecognised, provided that the bank has not retained any kind of control over them. Otherwise, when even partial control is retained, the loans continue to be recognised in the financial statements to the extent of the residual involvement, which is measured by the bank's exposure to changes in the value of the loans sold and to changes in the related cash flows.

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, recording a liability for the amount received by the purchaser.

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 other parties is assumed.

Recognition criteria of Income Statement items

Interest generated by "loans to banks and customers" is recognized under "Interest income and similar revenues" in the income statement, on an accrual basis and according to the effective interest rate.

Any Impairment losses are recognized in the income statement under item 130 "net impairment losses/recoveries of a) loans", as are the recoveries of part or all of the amounts previously written down. Reversals are recognized where there is either an improvement in credit quality as a result of which there is reasonable certainty that principal will be recovered according to the loan’s original contractual terms, or in relation to the gradual elimination of the discounting effect, calculated at the time the value adjustment was recognized.

In the case of collective evaluation, any additional impairment losses or reversals are recalculated on a differential basis with reference to the entire loan portfolio.

Gains and losses resulting from the sale of loans are recognized in item 100 a) of the income statement "Profit (loss) on disposal or repurchase of loans"

8 - Property, land and equipment

Classification criteria

This item mainly includes land, operating and investment properties, technical plant, vehicles, furniture, fittings and equipment of any type expected to be used for more than one period.

According to IAS 16, “operating properties” are the assets either owned or held under finance lease, which are used for the production and provision of services or for administrative purposes.

As required by IAS 40, investment properties include property held to earn rental income or for capital appreciation, or both.

Property, plant and equipment also includes assets held under finance lease, even though the lessor maintains legal title to the assets.

Leasehold improvements are also included in this category, provided they refer to identifiable and separable tangible assets (e.g. ATMs). If the above costs are not incurred for an autonomous use or function, but they are expected to provide future benefits, they are recognized under "other assets" and are depreciated over the shorter of the expected useful life of the improvements and the residual term of the lease.

Property, plant and equipment also include the advances paid for the acquisition and restoration of assets not yet entered into the production process, and therefore not yet subject to depreciation.

Recognition criteria

Tangible assets are initially recorded at acquisition or construction cost, which includes any incidental costs directly attributable to the purchase and incurred to make the asset operative.

Non-routing maintenance expenses and the cost of improvements that result in an increase in future benefits are recognized as an increase in the value of the related assets and depreciated over the remaining useful life of such assets.

Conversely, the costs for repairs, maintenance or other work carried out to ensure the normal operation of the assets are charged to the income statement as incurred.

Measurement criteria

After initial recognition, tangible assets, including investment properties, except as specified below, are carried at cost less accumulated depreciation and any accumulated impairment losses.

Property, plant and equipment are systematically depreciated in every FY over their useful life using the straight-line method. The depreciable amount is the cost of the assets, since the residual value at the end of the depreciation process is considered negligible. Buildings are depreciated to the extent deemed suitable to represent their deterioration over time following use, taking account of the non-routine maintenance expenses that increase the value of the assets.

The useful life of depreciable tangible assets is periodically reviewed; in the event of adjustment to the initial estimates, the depreciation charge is modified accordingly.

Vice versa, the following assets are not subject to depreciation:

- land, whether purchased separately or incorporated in the value of the buildings, as it is deemed to have an indefinite useful life. If the value of the land is included in that of the building, 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, the useful life of which cannot be estimated and whose value generally increases over time;

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

At each reporting date, the Bank verifies if there are any indications of impairment of the asset. The impairment loss is determined by comparing the carrying value of the tangible asset and the lower recoverable value.

The latter is the higher of the fair value of the asset, net of any selling costs, and the value in use which is the present value of future cash flows generated by the asset. Any adjustments are recorded in the income statement under item "*Net adjustments to/write-backs on tangible assets*".

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 derecognized upon disposal or decommissioning and, consequently, no future economic benefits are expected from their sale or use.

Recognition criteria of Income Statement items

The straight-line depreciation is recorded in the income statement under item *"Net adjustments to/write-backs on tangible assets".*

In the first year, depreciation is recognized in proportion to the actual period in which the asset was available for use. For assets sold and/or disposed of during the year, depreciation is calculated on a daily basis until the date of sale and/or disposal.

Capital gains and losses on the sale or disposal of tangible assets are calculated as the difference between the net consideration from disposal and the carrying amount of the asset; they are recognized in the income statement on the same date in which the assets are derecognized.

The income statement item *"Profit (loss) on disposal of investments"* contains the net positive or negative balance between gains and losses on the sale of investments.

9 - Intangible assets

Classification criteria

The item includes those non-monetary assets, without physical substance, which are held in order to be used over a number of years or an indefinite time, which meet the following characteristics:

- they can be identified;
- the company has control over them;
- it is likely that the future economic benefits attributable to the asset will flow to the company;
- the cost of the asset can be measured reliably.

In the absence of any of the above characteristics, the cost to acquire the asset or generate it internally is recognized as an expense when it is incurred.

Intangible assets mainly include the multi-annual application software and other identifiable assets arising from legal or contractual rights. They also include goodwill, which represents the positive difference between the purchase price and the fair value of assets and liabilities acquired within business combination transactions.

Valuation and recognition criteria

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.

After initial recognition, intangible assets with a "finite" life are carried at cost, less accumulated amortization and accumulated impairment losses. Assets with an indefinite useful life are not subject to straight-line amortisation but to a periodic test to verify the adequacy of the relevant book value.

The amortization process begins when the asset is available for use, i.e. when it is in place and in suitable condition to function as specified, and ceases when the asset is derecognised.

Intangible assets are amortised on a straight line basis, in order to reflect the long-term use of the assets on the basis of their estimated useful life.

In the first year, amortization is recognized in proportion to the actual period in which the asset was available. For assets sold and/or disposed of during the year, amortisation is calculated on a daily basis until the date of sale and/or disposal.

At the end of each annual or interim reporting 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 its recoverable amount.

Intangible assets include:

- technology-based intangible assets, such as application software, which are amortized on the basis of their expected technological obsolescence and in any case over a maximum period of seven years;
- intangible assets linked to customers, represented by the value, at the time of mergers, of asset management accounts and the insurance portfolio. These assets, with a finite life, are originally measured by discounting to present value, using a rate representing the time value of money and the specific business risks, the cash flows corresponding to the profit margins over the period of residual contractual or estimated maturity of the accounts in place at the time of the merger. They are amortized on a straight-line basis over the period when the most significant economic benefits of accounts without a predetermined deadline are expected to flow into the company or according to a declining balance method corresponding to the term of the contract for accounts with a defined deadline. Asset management accounts are amortized over 7-10 years and accounts related to insurance contracts are amortised according to the declining balance method over the remaining life of the policies;
- marketing-related intangible assets that reflect the value of the "brand name", which was also recognized upon merger transactions. This asset is considered to have an indefinite life as it is expected to contribute to the formation of income flows for an indefinite period.

Derecognition criteria

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

Recognition criteria of Income Statement items

Both amortisation and any adjustments/write-backs for impairment on intangible assets other than goodwill, are entered in the income statement under "*Net adjustments/write-backs on intangible assets*".

Capital gains and losses on the sale or disposal of intangible assets are calculated as the difference between the net consideration from disposal and the carrying amount of the asset and are recognized in the income statement.

The item *"Profit (loss) on disposal of investments"* contains the net positive or negative balance between gains and losses on the sale of investments.

11. Current and deferred taxes

Recognition and classification criteria

This item includes tax assets and liabilities (current and deferred) recognized in accordance with IAS12.

Income taxes are recognized in the income statement except for those relating to items charged or credited directly in equity.

The provision for income taxes is determined on the basis of a prudent forecast of current, prepaid and deferred taxation.

Current tax assets include recoverable tax credits (including advance payments); current tax liabilities include current taxes not yet paid at the reporting date.

Deferred taxation is determined on the basis of the 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. For this purpose, 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.

Deferred tax assets are recognized when likely to be recovered. However, the probability of recovery of deferred tax assets relating to goodwill, other intangible assets recognized until 31.12.2014 and loan adjustments is deemed as automatically confirmed as a result of legal provisions that provide for their conversion into a tax credit in the event of loss for the year for statutory and/or IRES tax purposes or of negative production value for IRAP purposes. More specifically, in the event of statutory loss for the year, deferred tax assets related to goodwill, other intangible assets recognized until 31.12.2014 and loan adjustments will be partially converted into tax credit pursuant to the provisions of Art. 2, paragraph 55, of Law Decree no. 225 of 29 December 2010, converted with amendments by Law no. 10 of 26 February 2011, as amended by art. 1, paragraphs 167 and following of Law no.147 of 27 December 2013.

The conversion shall take effect as of the date of approval by the shareholders' meeting of the individual financial statements in which the loss is reported, according to art. 2, paragraph 56, of the mentioned Decree Law 225/2010 *(if any or of filing the tax return in case of tax losses for IRES purposes or negative production value for IRAP purposes).*

“Deferred tax liabilities" are recognized in all cases when it is probable that the associated liability will arise.

"Deferred tax assets" represent a future reduction in taxable income, following an advance payment of taxes compared to the economic and statutory period of relevance, while "deferred tax liabilities" represent a future increase in taxable income, resulting in a tax deferral compared to the economic and statutory period of relevance.

Measurement criteria

The effects of current and deferred taxes calculated in accordance with national legislation are recognised on the basis of accrual accounting, consistent with the recognition in the financial statements of the costs and revenues from which they arose, by applying the tax rates in force.

Current taxes are offset, with respect to the individual taxes: the advances paid and the corresponding tax liability are presented as a net balance under "Tax assets a) current" or under "Tax liabilities a) current" depending on whether the balance is positive or negative.

Deferred tax assets and deferred tax liabilities are calculated using the applicable tax rates according to the law in force in the period in which the deferred tax asset is realized or the deferred tax liability is settled.

They are systematically measured to reflect any changes in regulations or tax rates.

Deferred tax assets and liabilities are recognized in the balance sheet without offsetting, respectively under “Tax assets a) deferred" and "Tax liabilities b) deferred” .

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), they are recognised in separate Shareholders' equity reserve.

Derecognition criteria

Deferred tax assets and deferred tax liabilities are derecognised in the year in which:

- the temporary difference from which they derive becomes taxable with regard to deferred tax liabilities or deductible with regard to deferred tax assets;
- the temporary difference from which they originate is no longer relevant for tax purposes.

12 - Provisions for liabilities and charges

Classification criteria

The provisions for liabilities and charges include provisions for current obligations (legal or constructive) arising from a past event, for which an outflow of resources is likely in order to settle the obligation, provided that the related amount can be reliably estimated.

No provision is recognized for liabilities that are merely potential and not likely, for which information is however provided in the notes, except in cases where the probability of using resources is remote or the amount is not significant.

Recognition criteria

The sub-item "other provisions" in Balance Sheet Liabilities contains provisions for liabilities and charges set aside in accordance with the provisions of international accounting standards (IAS 37), except for write-downs due to the impairment of guarantees issued, which are included in "Other liabilities ".

The sub-item "Provision for pensions and similar obligations" includes provisions recognised pursuant to IAS 19 "Employee benefits" in order to cover the technical deficit of the fund set up to pay pensions. The calculation of present values, as required by the standard referred to above, is carried out by an independent actuary, using the "projected unit credit method".

Measurement criteria

The amount recognized as a provision represents the best estimate of the expense required to settle the obligation at the reporting date.

Where the time element is significant, provisions are discounted using current market rates.

Provisions are periodically reviewed and adjusted to reflect the current best estimate. When as a result of the review, the occurrence of the cost becomes improbable, the provision is reversed.

Derecognition criteria

The provision must be reversed when it is unlikely that resources that can produce economic benefits are to be used in order to comply with the obligation. A provision should only be used to cover the charges for which it was recognised.

Recognition criteria of Income Statement items

The allocation is recorded in the income statement under item "Net allocations to provisions for liabilities and charges". The item shows the balance, positive or negative, between the provisions made and any release to the income statement of provisions considered to be in excess.

Net allocations also include the decrease in provisions due to the discounting effect, and the corresponding increases due to the passage of time (accrual of interest inherent in discounting).

If the provisions relate to employees, such as the seniority bonuses described in section 17 "Other information", the relevant income statement item affected is *"Administrative expenses a) staff costs".*

13 – Payables and outstanding securities

Classification criteria

The items "*Payables to Banks*", "*Trade Payables*" and "*Outstanding Securities*" include the various forms of interbank funding, funding from customers and funding through certificates of deposit and bonds outstanding, not classified under "*Financial liabilities carried at fair value*"; the items are net of any repurchased amounts. They include securities expired but not yet reimbursed as at the reporting date. They include operating payables connected with the supply of financial services.

Recognition criteria

Financial liabilities are initially recognised on receipt of the money raised or issue of debt securities.

The value at which they are recorded corresponds to their 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. The initial carrying amount does not include all the charges that are reimbursed by the creditor or that are attributable to administrative costs.

The fair value of any financial liabilities issued at different conditions than those available on the market is specifically estimated and the difference on the amount collected is recognised in the income statement.

Repurchased derecognised securities 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.

Measurement criteria

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; any costs and income directly attributable to the transaction are recognised in the income statement under their pertinent items.

Derecognition criteria

Financial liabilities are derecognised when they expire or are extinguished. Derecognition also occurs when securities previously issued are repurchased.

Recognition criteria of Income Statement items

Cost items consisting of interest expense are recognized in the interest items of the income statement on an accrual basis.

Any difference between the repurchase value of own securities and the corresponding carrying amount of the liability is recognized in the income statement under *"Profits/losses on disposal or repurchase of: d) financial liabilities."*

16 - Transactions in foreign currencies

Classification criteria

Assets and liabilities in foreign currency include not only those explicitly denominated in a currency other than the Euro, but also those with financial indexation clauses linked to the Euro exchange rate against a specific currency or against a specific basket of currencies.

For the purposes of translating foreign currency assets and liabilities, they are broken down into monetary items (classified as current items) and non-monetary items (classified as non-current items).

Monetary items include cash on hand and assets and liabilities to be received or paid in a fixed or determinable amount of money.

Non-monetary items are characterized by the absence of a right to receive or an obligation to pay a fixed or determinable amount of money.

Recognition criteria

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

Measurement criteria

At each reporting date, any element originally denominated in foreign currency is valued in euros as follows:

- monetary items are converted using the reporting 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 spot exchange rate at the reporting date.

Recognition criteria of Income Statement items

For monetary items, the exchange differences arising between the transaction date and the date of payment, are recognized in the income statement for the period, under "Net profit (loss) from trading activities"; the same item includes the differences arising from the translation of monetary items at rates other than those of initial translation or of translation at the previous reporting date.

When a gain or a loss relating to a monetary item is recognised in equity, the exchange differences relating to that element is also recorded in shareholders' equity.

17 - Other information

Accruals and deferrals

Accruals and deferrals that concern income and expenses accrued during the FY on assets and liabilities are recognised as adjustments to the assets and liabilities to which they relate. Where it is not possible to attribute them to a specific account, they will be reported in *"Other assets"* or *"Other liabilities".*

Employee benefits

The Employee Severance Indemnity (TFR) is similar to a *post-employment benefit* falling under the category of *defined benefit plans*, the value of which has to be determined using actuarial methods in accordance with IAS 19.

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 schemes 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 resulting from their subsequent sale is recognised as changes in equity.

Income Statement

Revenue is measured at the *fair value* of the consideration received or receivable and is recognized when future benefits are received and such benefits can be reliably quantified.

Costs are recognised as incurred.

Costs that cannot be matched to revenues are immediately recognized in the income statement.

Specifically:

- the costs and revenues directly attributable to financial instruments measured at amortized cost and which can be determined when they arise regardless of when they are settled, flow into the income statement by applying the effective interest rate.
- dividends are recognized in the income statement when their distribution is approved
- revenue from brokerage of securities held for trading, 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;
- the other commissions are recognised on an accrual basis

the costs directly attributable to financial instruments measured at amortized cost and which can be determined when they arise regardless of when they are settled, flow into the income statement by applying the effective interest rate. For a definition of the effective interest rate please see Section “Loans and receivables”

Impairment losses are recognized in the income statement in the FY when they occur.

Default interest, if contractually provided, is recognized in the income statement only when actually collected.

Impairment losses are recognized in the income statement in the FY when they occur.

Calculation of amortised cost

The amortized cost of a financial asset or liability is the value at which it was measured on initial recognition, less any principal repayments, plus or minus cumulative amortization, determined under the effective interest method, the differences between initial value and value at maturity, and less any impairment loss.

The effective interest rate is the rate that equates the present value of a financial asset or liability to the contractual cash flows paid or received until maturity or until the date the rate is next redetermined.

For instruments with fixed rate or fixed rate for time periods, future cash flows are determined on the basis of the known interest rate during the life of the instrument.

For floating rate financial assets or liabilities, future cash flows are calculated on the basis of the last known interest rate. Every time the price is revised, the amortization plan and the effective interest rate are recalculated for the entire useful life of the financial instrument, i.e. until the maturity date.

The amortized cost is applied for receivables, financial assets held to maturity, available for sale financial assets, payables and securities in issue.

Financial assets and liabilities traded at market conditions are initially recognized at their fair value, which normally corresponds to the amount paid or disbursed, including directly attributable transaction costs and commissions.

Transaction costs are internal incidental costs and income that can be attributed to the instrument on initial recognition, which cannot be charged back to customers.

These ancillary components, which must be attributable to the individual assets or liabilities, affect the actual return and make the effective interest rate different from the contractual interest rate.

The costs and income generally attributable to more than one transaction and the related components that may be recognized during the life of the financial instrument are excluded.

The calculation of the amortized cost also does not include the costs that the bank has to incur regardless of the transaction, such as administrative, stationery and communication costs.

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 were to 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 sub a) here above, are classified in Level 1 of the fair value hierarchy.

Financial instruments recognised using the methods in sub point b) here above, 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 IFRS 13, must be applied to all financial instruments that are 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.

A.4.4 Other Information

There is no further information to provide.

Quantitative information

A.4.5 Hierarchy of fair value

A.4.5.1 Assets and liabilities measured at Fair Value on a recurring basis: breakdown by Fair Value levels
(thousands of euro)

Financial assets/liabilities measured at fair value	2015			2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	6,494	6,643	-	3,865	6,960	-
2. Financial assets carried at fair value	-	-	-	-	-	-
3. Available for sale financial assets	-	-	-	-	-	-
4. Hedging derivatives	-	-	-	-	-	-
5. Property, plant and equipment	-	-	-	-	-	-
6. Intangible fixed assets	-	-	-	-	-	-
Total	6,494	6,643	-	3,865	6,960	-
1. Financial liabilities held for trading	-	-	-	-	-	-
2. Financial liabilities carried at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
Total	-	-	-	-	-	-

A.4.5.2 Annual changes in assets measured at fair value on a recurring basis (level 3)

The table has not been filled our since there were no balances for this item at the reporting date,

A.4.5.3 Annual changes in liabilities measured at fair value on a recurring basis (level 3)

The table has not been filled our since there were no balances for this item at the reporting date,

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

(thousands of euro)

Financial assets/liabilities measured at fair value	2015			
	Book value	Level 1	Level 2	Level 3
1. Financial assets held to maturity	-	-	-	-
2. Receivables from banks	12,331	-	12,331	-
3. Loans to customers	33,549	-	-	34,491
4. Tangible assets held for investment	-	-	-	-
5. Non-current assets and disposal groups held for sale	-	-	-	-
Total	**45,880**	**-**	**12,331**	**34,491**
1. Bank borrowings	7,375	-	7,375	-
2. Trade payables	33,716	-	-	33,716
3. Outstanding securities	8,407	-	8,557	-
4. Liabilities associated with assets held for sale	-	-	-	-
Total	**49,498**	**-**	**15,932**	**33,716**

	2014			
Financial assets/liabilities measured at fair value	Book value	Level 1	Level 2	Level 3
1. Financial assets held to maturity	-	-	-	-
2. Receivables from banks	9,665	-	9,665	-
3. Loans to customers	36,975	-	-	40,211
4. Tangible assets held for investment	-	-	-	-
5. Non-current assets and disposal groups held for sale	-	-	-	-
Total	**46,640**	**-**	**9,665**	**40,211**
1. Bank borrowings	6,881	-	6,881	-
2. Trade payables	31,896	-	-	31,896
3. Outstanding securities	8,829	-	8,994	-
4. Liabilities associated with assets held for sale	-	-	-	-
Total	**47,606**	**-**	**15,875**	**31,896**

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

During the year, the Bank did not enter into any transaction requiring to account for a "day one profit/loss". Accordingly, the information required by IFRS 7, par. 28 is not provided.

PART B – INFORMATION ON THE BALANCE SHEET

Assets

Section 1 – Cash and cash equivalents – Item 10

1.1 Cash and cash equivalents: breakdown
(€/000)

	Total 2015	**Total 2014**
a) Cash	683	708
b) Sight deposits with Central Banks	132	43
Total	**815**	**751**

The sub-item “a) Cash” consists of holdings of coins and banknotes at the branches, ATMs and centralized vaults. "Demand deposits with central banks" refer to deposits held with the Bank of Italy, excluding the mandatory reserve which is recognized in item 60 "Loans and advances to banks".

Section 2 – Financial assets held for trading – Item 20

2.1 Financial assets held for trading: commodity breakdown
(€/000)

Items/Values	**Total 2015**			**Total 2014**		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A On-balance sheet assets						
1. Debt securities	6,494	6,643	-	3,865	6,960	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	6,494	6,643	-	3,865	6,960	-
2. Equity shares	-	-	-	-	-	-
3. UCIT units	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Reverse repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	**6,494**	**6,643**	**-**	**3,865**	**6,960**	**-**
B Derivative instruments						
1. Financial derivatives:	-	-	-	-	-	-
1.1 trading derivatives	-	-	-	-	-	-
1.2 connected with fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 trading derivatives	-	-	-	-	-	-
2.2 connected with fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total B	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B)	**6,494**	**6,643**	**-**	**3,865**	**6,960**	**-**

2.2 Financial assets held for trading: breakdown by debtor/issuer
(€/000)

Items/Values	Total 2015	Total 2014
A. On-balance sheet assets		
1. Debt securities	**13,137**	**10,825**
a) Governments and Central Banks	2,644	2,124
b) Other public entities	-	-
c) Banks	10,008	8,701
d) Other issuers	485	-
2. Equity shares	**-**	**-**
a) Banks	-	-
b) Other issuers:	-	-
- insurance companies	-	-
- financial institutions	-	-
- non-financial institutions	-	-
- other	-	-
3. UCIT units	-	-
4. Loans	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other entities	-	-
Total A	**13,137**	**10,825**
B. Derivative instruments		
a) Banks	-	-
b) Customers	-	-
Total B	**-**	**-**
Total (A+B)	**13,137**	**10,825**

Section 3 – Financial assets carried at fair value – Item 30

There were no items to be reported in the tables of “Section 3 - Financial assets carried at fair value – Item 30” envisaged by Banca d’Italia Circular 262, 4th update of 15 December 2015.

Section 4 – Financial assets available for sale – Item 40

There were no items to be reported in the tables of “Section 4 - Financial assets carried available for sale – Item 40” envisaged by Banca d’Italia Circular 262, 4th update of 15 December 2015.

Section 5 – Financial assets held to maturity – Item 50

There were no items to be reported in the tables of “Section 5 - Financial assets held to maturity – Item 50” envisaged by Banca d’Italia Circular 262, 4th update of 15 December 2015.

Section 6 – Receivables from Banks – Item 60

6.1 Receivables from banks: commodity breakdown
(€/000)

Transaction type/Values	Total 2015				Total 2014			
	BV	*Fair value*			BV	*Fair value*		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Receivables from Central Banks	**-**				**-**			
1. Restricted deposits	-	X	X	X	-	X	X	X
2. Mandatory reserve	-	X	X	X	-	X	X	X
3. Repurchase agreements	-	X	X	X	-	X	X	X
4. Other	-	X	X	X	-	X	X	X
B. Receivables from banks	**12,331**	**-**	**12,331**	**-**	**9,665**	**-**	**9,665**	**-**
1. Loans								
1.1 Current accounts and unrestricted deposits	12,043	X	12,043	X	9,467	X	9,467	X
1.2. Restricted deposits	288	X	288	X	198	X	198	X
1.3. Other loans:	-	X	X	X	-	X	X	X
- Reverse repurchase agreements	-	X	X	X	-	X	X	X
- Finance lease	-	X	X	X	-	X	X	X
- Other	-	X	X	X	-	X	X	X
2. Debt securities	-				-			
2.1 Structured securities	-	X	X	X	-	X	X	X
2.2 Other debt securities	-	X	X	X	-	X	X	X
Total	**12,331**	**-**	**12,331**	**-**	**9,665**	**-**	**9,665**	**-**

Key
BV = book value

Loans and advances to banks showed an increase of € 2,666 thousand, mainly due to the growth in sub-item 1.1 current accounts and demand deposits.
Item "1.2 Term deposits" includes the amounts used to fulfil the mandatory reserve requirement, which is met via the Istituto Centrale delle Banche Popolari Italiane.
There were no Reverse Repurchase Agreements at 31 December 2015.
As specified in the fair value determination criteria illustrated in Part A – Accounting Policies, as these are entirely short-term and/or variable rate loans, fair value is assumed to be equal to the nominal value.

6.2 Receivables from banks: assets subject to micro-hedging

The Bank held no receivables from banks subject to micro-hedging at 31 December 2015.

6.3 Finance lease

At 31 December 2015, the Bank had no finance lease agreements outstanding with any banks.

Section 7 – Loans to Customers – Item 70

7.1 Loans to customers: commodity breakdown

(€/000)

Transaction type/Values	Total 2015					
	Book value			*Fair value*		
	Non-impaired	Impaired		L1	L2	L3
		Purchased	Other			
Loans	**30,872**	**-**	**2,677**			
1. Current accounts	4,050	-	517	X	X	X
2. Reverse repurchase agreements	-	-	-	X	X	X
3. Mortgage loans	22,894	-	2,050	X	X	X
4. Credit cards, personal loans and CQ loans	512	-	26	X	X	X
5. Finance lease	-	-	-	X	X	X
6. Factoring	-	-	-	X	X	X
7. Other loans	3,416	-	84	X	X	X
Debt securities	**-**	**-**	**-**			
8. Structured securities	-	-	-	X	X	X
9. Other debt securities	-	-	-	X	X	X
Total	**30,872**	**-**	**2,677**	**-**	**-**	**34,491**

Transaction type/Values	Total 2014					
	Book value			*Fair value*		
	Non-impaired	Impaired		L1	L2	L3
		Purchased	Other			
Loans	**34,687**	**-**	**2,288**			
1. Current accounts	4,216	-	562	X	X	X
2. Reverse repurchase agreements	-	-	-	X	X	X
3. Mortgage loans	24,963	-	1,446	X	X	X
4. Credit cards, personal loans and CQ loans	742	-	149	X	X	X
5. Finance lease	-	-	-	X	X	X
6. Factoring	-	-	-	X	X	X
7. Other loans	4,766	-	131	X	X	X
Debt securities	**-**	**-**	**-**			
8. Structured securities	-	-	-	X	X	X
9. Other debt securities	-	-	-	X	X	X
Total	**34,687**	**-**	**2,288**	**-**	**-**	**40,211**

At 31 December 2015, loans to customers recorded a decline of €3,426 thousand mainly due to "Mortgages" for €1,465 thousand and "Other loans" for €1,397 thousand (the breakdown is provided in Table 7. Other loans).

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 the Bank 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 0.71%.

The same procedure was used to determine the write-down percentage rate to be applied to past due/overdrawn loans, amounting to 12.901%. It should be noted that for certain positions classified at 31 December 2015 as overdrawn/past due exposures, the Bank made additional provisions reaching a portfolio coverage of 23.54%.

With reference to Credit Quality, please see Part E – Information on Risks and Hedging Policies, Credit risk Section.

Breakdown of Sub-Item 7. Other loans

(€/000)

Transaction type	Total 2015			Total 2014		
	Non-impaired	Impaired		Non-impaired	Impaired	
		Purchased	Other		Purchased	Other
Advances on invoices subject to collection	2,554	-	84	2,978	-	-
Trade discount	-	-	-	-	-	131
Deposits at Organismi di Compensazione e garanzia (Clearing Bodies)	836	-	-	1,384	-	-
Security deposits	26	-	-	26	-	-
Other loans to businesses	-	-	-	378	-	-
Total	**3,416**	**-**	**84**	**4,766**	**-**	**131**

7.2 Loans to customers: breakdown by debtor/issuer

(€/000)

Transaction type/Values	Total 2015			Total 2014		
	Non- impaired	Impaired		Non-impaired	Impaired	
		Purchased	Other		Purchased	Other
1. Debt securities:	**-**	**-**	**-**	**-**	**-**	**-**
a) Governments	-	-	-	-	-	-
b) Other public entities	-	-	-	-	-	-
c) Other issuers	-	-	-	-	-	-
- non-financial institutions	-	-	-	-	-	-
- financial institutions	-	-	-	-	-	-
- insurance companies	-	-	-	-	-	-
- other	-	-	-	-	-	-
2. Loans to:	**30,872**	**-**	**2,677**	**34,687**	**-**	**2,288**
a) Governments	-	-	-	-	-	-
b) Other public entities	-	-	-	-	-	-
c) Other entities	30,872	-	2,677	34,687	-	2,288
- non-financial institutions	17,766	-	1,079	19,579	-	551
- financial institutions	1,072	-	2	-	-	220
- insurance companies	-	-	-	-	-	-
- other	12,034	-	1,596	15,108	-	1,517
Total	**30,872**	**-**	**2,677**	**34,687**	**-**	**2,288**

7.3 Loans to customers: assets subject to micro-hedging

The Bank held no loans to customers subject to micro-hedging at 31 December 2015.

7.4 Finance lease

At 31 December 2015, the Bank had no finance lease agreements outstanding with any customers.

Section 8 – Hedging derivatives – Item 80

There were no items to be reported in the tables of "Section 8 – Hedging derivatives – Item 80" envisaged by Banca d'Italia Circular 262, 4th update of 15 December 2015.

Section 9 – Adjustment to financial assets subject to macro-hedging – Item 90

There were no items to be reported in the tables of "Section 9 – Adjustment to financial assets subject to macro-hedging – Item 90" envisaged by Banca d'Italia Circular 262, 4th update of 15 December 2015.

Section 10 – Equity investments – Item 100

There were no items to be reported in the tables of "Section 10 – Equity investments – Item 100" envisaged by Banca d'Italia Circular 262, 4th update of 15 December 2015.

Section 11 – Property, land and equipment – Item 110

11.1 Operating assets: breakdown of assets carried at cost
(€/000)

Assets/values	Total 2015	Total 2014
1. Own assets	**6,343**	**6,735**
a) land	-	-
b) buildings	6,105	6,415
c) furniture	182	225
d) electronic systems	23	34
e) other	33	61
2. Assets acquired on finance lease	**-**	**-**
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic systems	-	-
e) other	-	-
Total	**6,343**	**6,735**

11.2. Tangible assets held as investment: breakdown of assets carried at cost

There were no tangible assets held as investment at 31 December 2015.

11.3 Operating assets: breakdown of revalued assets

There were no revalued operating assets at 31 December 2015.

11.4. Tangible assets held as investment: breakdown of assets carried at fair value

There were no tangible assets held as investment at 31 December 2015.

11.5 Operating assets: year-on-year changes
(€/000)

	Land	Buildings	Fixtures	Electronic systems	Other	Total
A. Gross opening balance	**-**	**8,317**	**585**	**371**	**291**	**9,564**
A.1 Net total impairments	-	1,902	360	337	230	2,829
A.2 Net opening balance	**-**	**6,415**	**225**	**34**	**61**	**6,735**
B. Increases:	**-**	**-**	**2**	**6**	**-**	**8**
B.1 Purchases	-	-	2	6	-	8
B.2 Capitalised improvement expenses	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
B.4 Positive changes in fair value charged to	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Exchange profits	-	-	-	-	-	-
B.6 Transfers from buildings held as investment	-	-	-	-	-	-
B.7 Other changes	-	-	-	-	-	-
C. Decreases:	**-**	**310**	**45**	**17**	**28**	**400**
C.1 Sales	-	-	-	-	-	-
C.2 Depreciation	-	310	45	17	28	400
C.3 Adjustments due to impairment charged to	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Negative changes in fair value charged to	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) tangible assets held as investment	-	-	-	-	-	-
b) discontinuing operations	-	-	-	-	-	-
C.7 Other changes	-	-	-	-	-	-
D. Net closing balance	**-**	**6,105**	**182**	**23**	**33**	**6,343**
D.1 Net total impairments	-	2,213	404	354	258	3,228
D.2 Gross closing balance	**-**	**8,318**	**586**	**377**	**291**	**9,571**
E. Measurement at cost	-	-	-	-	-	-

Items A.1 and D.1 "Total net reductions" include the amount of depreciation on property, plant and equipment recognized in the accounts.
As indicated by Banca d'Italia, no amounts are reported in Sub-item E – Measurement at cost – as this item is intended only for tangible assets carried at fair value, which the Bank did not own at 31 December 2015.

11.6. Tangible assets held as investment: year-on-year changes

There were no tangible assets held as investment at 31 December 2015.

11.7 Commitments to purchase property, plant and equipment (IAS 16/74.c)

At 31 December 2015 the Bank had no commitments for the purchase of property, plant and equipment.

Section 12 – Intangible assets – Item 120

12.1 Intangible assets: breakdown by type of asset

(€/000)

Assets/values	Total 2015		Total 2014	
	Definite life	Indefinite life	Definite life	Indefinite life
A.1 Goodwill	X	-	X	-
A.2 Other intangible assets	**158**	**-**	**33**	**-**
A.2.1 Assets carried at cost:	158	-	33	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	158	-	33	-
A.2.2 Assets carried at fair value:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	**158**	**-**	**33**	**-**

The amounts related to the aggregate "A.2.1 b) Other Assets" with a definite 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.

At the reference date, there were no internally generated intangible assets.

12.2 Intangible assets: year-on-year changes

(€/000)

	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total
		definite life	indefinite life	definite life	indefinite life	
A. Opening balance	**-**	**-**	**-**	**481**	**-**	**481**
A.1 Net total impairments	-	-	-	448	-	**448**
A.2 Net opening balance	**-**	**-**	**-**	**33**	**-**	**33**
B. Increases	**-**	**-**	**-**	**156**	**-**	**156**
B.1 Purchases	-	-	-	156	-	**156**
B.2 Increases in internal intangible assets	X	-	-	-	-	**-**
B.3 Write-backs	X	-	-	-	-	**-**
B.4 Positive changes in fair value		-	-	-	-	**-**
- to shareholders' equity	X	-	-	-	-	**-**
- to income statement	X	-	-	-	-	**-**
B.5 Exchange profits	-	-	-	-	-	**-**
B.6 Other changes	-	-	-	-	-	**-**
C. Decreases	**-**	**-**	**-**	**31**	**-**	**31**
C.1 Sales	-	-	-	-	-	**-**
C.2 Adjustments	-	-	-	31	-	**31**
- Amortisation	X	-	-	31	-	**31**
- Write-downs	-	-	-	-	-	**-**
+ shareholders' equity	X	-	-	-	-	**-**
+ Income statement	-	-	-	-	-	**-**
C.3 Negative changes in fair value		-	-	-	-	**-**
- to shareholders' equity	X	-	-	-	-	**-**
- to income statement	X	-	-	-	-	**-**
C.4 Transfers to non-current disposal assets	-	-	-	-	-	**-**
C.5 Exchange losses	-	-	-	-	-	**-**
C.6 Other changes	-	-	-	-	-	**-**
D. Net closing balance	**-**	**-**	**-**	**158**	**-**	**158**
D.1 Net total adjustments	-	-	-	480	-	**480**
E. Gross closing balance	**-**	**-**	**-**	**638**	**-**	**638**
F. Measurement at cost	-	-	-	-	-	**-**

Items A.1 and D.1 "Total net reductions" include the amount of amortization of intangible assets recognized in the accounts.

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 – Tax assets and liabilities – Item 130 of assets and Item 80 of 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.
According to IAS 12 the recognition of deferred taxes in the financial statements should be based on the following criteria:

- deferred tax liabilities must be recognised on all the temporary taxable differences,
- deferred tax assets can be recognised for all deductible temporary differences where it is likely that the entity will earn taxable income against which it may set off the temporary deductible difference.

Therefore, in compliance with IAS 12, the Bank tested (probability test) the conditions for recognition of deferred taxes in the financial statements for the year 2015; the test result confirmed the reasonable certainty of achieving taxable income in the future and, therefore, the ability to recover deferred tax assets.
Deferred tax assets and liabilities were recognized in accordance with the current tax legislation, providing for the application of a 27.5% rate for IRES and a 5.72% rate for IRAP.

13.1 Deferred tax assets: breakdown contra entry to the income statement
(€/000)

	IRES	IRAP	TOTAL
Adjustments to receivables and losses	223	27	250
Other items	173	-	173
TOTAL	**396**	**27**	**423**

As at the reporting date there were no deferred tax assets with offsetting entry in Shareholders' equity.

13.2 Deferred tax liabilities: breakdown contra entry to the income statement
(€/000)

	IRES	IRAP	TOTAL
Deducted off-balance sheet provisions	-	-	-
Land and buildings	-	-	-
Capital gains taxed according to equal instalments	787	163	950
Other items	-	-	-
TOTAL	**787**	**163**	**950**

As at the reporting date there were no deferred tax liabilities with offsetting entry in Shareholders' equity.

13.3 Changes in deferred tax assets (contra entry to the income statement)
(€/000)

	Total 31.12.2015	Total 31.12.2014
1. Opening balance	**253**	**242**
2. Increases	**170**	**15**
2.1 Prepaid taxes recorded for the year	170	15
a) related to previous FYs	-	-
b) due to changes in accounting policies	-	-
c) recoveries	-	-
d) other	170	15
2.2 New taxes or increase in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**-**	**4**
3.1 Prepaid taxes derecognised for the year	-	4
a) reversals	-	-
b) write-downs due to impossibility of recovery	-	-
c) change in accounting criteria	-	-
d) other	-	4
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	**423**	**253**

The increase recorded in the item at 31 December 2015 include the tax effects - calculated for IRES purposes - due to the tax loss carried forward (€348 thousand) in accordance with art. 84 of the Consolidated Income Tax Code (Tuir). This change was charged to the income statement under Item 260 “Income taxes for the year on current operations”.

13.3.1 Change in deferred tax assets pursuant to Law n. 214/2011 (contra entry to the income statement)
(€/000)

	Total 31.12.2015	Total 31.12.2014
1. Opening balance	**201**	**196**
2. Increases	**49**	**5**
3. Decreases	**-**	**-**
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	-	-
4. Closing balance	**250**	**201**

13.4 Change in deferred taxes (contra entry to the income statement)
(€/000)

	Total 31.12.2015	Total 31.12.2014
1. Opening balance	**1,002**	**1,053**
2. Increases	**-**	**-**
2.1 Deferred taxes recorded for the year	-	-
a) related to previous FYs	-	-
b) due to changes in accounting criteria	-	-
c) other	-	-
2.2 New taxes or increase in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**51**	**-**
3.1 Deferred taxes derecognised for the year	51	51
a) reversals	51	51
b) due to changes in accounting criteria	-	-
c) other	-	-
3.2 Reductions in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**950**	**1,002**

The decrease recorded during the year 2015 refers to taxes calculated on the depreciation charge for the period relating to the capital gain on the property recognized in the financial statements.

13.5 Change in prepaid taxes (contra entry to shareholders' equity)

At 31 December 2015, no prepaid taxes were recognised directly in equity.

13.6 Change in deferred taxes (contra entry to shareholders' equity)

At 31 December 2015, no deferred taxes were recognised directly in equity.

13.7 Other information

Breakdown of current taxes

(€/000)

	IRES / IRPEG	IRAP	OTHER	TOTAL
Current tax liabilities (-)	-	-4	-	**-4**
Advances paid (+)	59	55	-	**114**
Other tax credits (+)	127	-	-	**127**
Withholding taxes paid (+)	2	-	-	**2**
Tax credits as per Law no. 214/2011 (+)	-	-	-	**-**
Debit balance of item 80 a) of liabilities	**-**	**-**	**-**	**-**
Credit balance of item 130 a) of assets	**188**	**51**	**-**	**239**
Tax credits that cannot be offset: principal	132	-	-	**132**
Tax credits that cannot be offset: interest	-	-	-	**-**
Balance of tax credits that cannot be offset	**132**	**-**	**-**	**132**
Credit balance of item 130 a) of assets	**320**	**51**	**-**	**371**

The "Other tax credits" recognized for €127 thousand represent the amount of the DTA Credit sold - by way of performance in lieu effected by act of 2 November 2015- by the originator Banca M.B. S.p.A. in favour of the Bank.

Section 14 – Non-current assets and disposal groups and related liabilities – Item 140 of assets and item 90 of liabilities

There were no items to be reported in the tables – provided for in Banca d'Italia Circular no. 262, 4th update of 15 December 2015 – related to "Section 14 – Non-current assets and disposal groups and related liabilities – Item 140 of Assets and Item 9 of Liabilities.

Section 15 – Other assets – Item 150

15.1 Other assets: breakdown

(€/000)

	Total 31.12.2015	Total 31.12.2014
Items in progress	178	-
Amounts to be charged to customers	-	462
Credit transfers being charged	477	529
Miscellaneous tax items	419	518
Sdd being charged	-	6
Deferred income	75	-
Other minor items	200	195
Total	**1.349**	**1.710**

The "Items in progress" reflect temporary transactions, which primarily refer to items processed in the last days of the year 2015, with contra entry in the subsequent year.
The sub-item "Other tax items" mainly includes substitute tax advances for € 257 thousand and tax advances on assets under administration for € 73 thousand.
The "Other minor items" essentially include loans to customers for invoices issued for € 130 thousand.

Liabilities

Section 1 – Payables to banks – Item 10

1.1 Payables to banks: commodity breakdown
(€/000)

Transaction type/Values	Total 2015	Total 2014
1. Deposits from Central Banks	**6,754**	**6,751**
2. Bank borrowings	**621**	**130**
2.1 Current accounts and unrestricted deposits	621	130
2.2 Term deposits	-	-
2.3 Loans	-	-
2.3.1 Repurchase agreements	-	-
2.3.2 Other	-	-
2.4 Payables for repurchase commitments of equity instruments	-	-
2.5 Other payables	-	-
Total	**7,375**	**6,881**
Fair value – level 1	-	-
Fair value – level 2	7,357	6,881
Fair value – level 3	-	-
Total fair value	**7,357**	**6,881**

Item " 1.Payables to central banks" includes the amount payable to the European Central Bank for loans outstanding at 31 December 2015 in relation to two loans granted by the ECB against securities given as collateral by Banca Promos. As part of the financing obtained, of special note is the aggregate amount of €1,750 thousand as targeted longer-term refinancing operation (TLTRO).
With regard to the criteria for determining the fair value of this item, reference is made to the comments in Part A - Accounting Policies.

1.2 Breakdown of item 10 "Bank borrowings": subordinated payables

At 31 December 2015, the Bank held no subordinated payables.

1.3 Breakdown of item 10 "Bank borrowings": structured payables

At 31 December 2015, the Bank held no structured payables.

1.4 Bank borrowings subject to micro-hedging

At 31 December 2015 the Bank held no payables subject to micro-hedging.

1.5 Finance lease payables

At 31 December 2015, the Bank held no finance lease payables to banks.

Section 2 – Trade payables – Item 20

2.1 Trade payables: commodity breakdown
(€/000)

Transaction type/Values	Total 2015	Total 2014
1. Current accounts and unrestricted deposits	28,017	28,964
2. Restricted deposits	5,699	2,932
3. Loans	-	-
3.1 Repurchase agreements	-	-
3.2 Other	-	-
4. Payables for commitments to repurchase own equity instruments	-	-
5. Other payables	-	-
Total	**33,716**	**31,896**
Fair value – level 1	-	-
Fair value – level 2	-	-
Fair value – level 3	33,716	31,896
Total fair value	**33,716**	**31,896**

The item Customer Accounts showed an overall increase of € 1,820 thousand mainly due to the increase in restricted deposits with maturity within 12 months.
Restricted deposits at 31 December 2015 included time deposits for € 1,578 thousand.
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.

2.2 Breakdown of item 20 "Trade payables": subordinated payables

At 31 December 2015, the Bank held no subordinated payables.

2.3 Breakdown of item 20 "Trade payables": structured payables

At 31 December 2015, the Bank held no structured payables.

2.4 Trade payables subject to micro-hedging

At 31 December 2015 the Bank held no payables subject to micro-hedging.

2.5 Finance lease payables

At 31 December 2015, the Bank held no finance lease trade payables.

Section 3 – Outstanding securities – Item 30

3.1 Outstanding securities: commodity breakdown
(€/000)

Type of securities/Values	Total 2015			
	Book value	Fair value		
		Level 1	Level 2	Level 3
A. Securities				
1. Bonds	8,407	-	8,557	-
1.1 structured	-	-	-	-
1.2 other	8,407	-	8,557	-
2. Other securities	-	-	-	-
2.1 structured	-	-	-	-
2.2 other	-	-	-	-
Total	**8,407**	-	**8,557**	-

Type of securities/Values	Total 2014			
	Book value	Fair value		
		Level 1	Level 2	Level 3
A. Securities				
1. Bonds	8,829	-	8,994	-
1.1 structured	-	-	-	-
1.2 other	8,829	-	8,994	-
2. Other securities	-	-	-	-
2.1 structured	-	-	-	-
2.2 other	-	-	-	-
Total	**8,829**	-	**8,994**	-

The Fair Value of the two bonds issued by the Bank, considered in chronological order of issue, amounted to € 673 thousand and € 7,884 thousand respectively at 31 December 2015.

With reference to the fair value determination criteria, the Bank discounted the future cash flows of the financial instruments held, referring to the linearly interpolated swap rate curve at 31 December 2015, and the expected credit spreads for banks rated BBB (Senior).

3.2 Breakdown of item 30 "Outstanding securities": subordinated securities

At 31 December 2015, the Bank held no subordinated securities.

3.3 Outstanding securities subject to micro-hedging

At 31 December 2015 the Bank held no securities subject to micro-hedging.

Section 4 – Financial liabilities held for trading – Item 40

There were no items to be reported in the tables of "Section 4 – Financial liabilities held for trading – Item 40" envisaged by Banca d'Italia Circular 262, 4th update of 15 December 2015.

Section 5 – Financial liabilities carried at fair value – Item 50

There were no items to be reported in the tables of "Section 5 – Financial Liabilities carried at fair value – Item 50" envisaged by Banca d'Italia Circular 262, 4th update of 15 December 2015.

Section 6 – Hedging derivatives – Item 60

There were no items to be reported in the tables of "Section 6 – Hedging derivatives – Item 60" envisaged by Banca d'Italia Circular 262, 4th update of 15 December 2015.

Section 7 – Adjustment to financial liabilities subject to macro-hedging – Item 70

There were no items to be reported in the tables of "Section 7 – Adjustment to financial liabilities subject to macro-hedging – Item 70" envisaged by Banca d'Italia Circular 262, 4th update of 15 December 2015.

Section 8 – Tax liabilities – Item 80

Reference is made to the comments in section 13 of the Assets.

Section 9 – Liabilities related to discontinuing operations – Item 90

Reference is made to the comments in section 14 of the Assets.

Section 10 – Other Liabilities – Item 100

10.1 Other liabilities: breakdown
(€/000)

	Total 2015	**Total 2014**
Portfolio credited subject to collection and after collection	728	310
Credit transfers settled through clearing house	633	989
Banker's drafts issued	-	33
Sums payable to the Inland Revenue on behalf of clients/staff	461	375
Trade payables	276	250
Payables to other entities	110	114
Accrued liabilities and deferred income	3	6
Personnel costs	113	94
Amounts payable to customers	77	59
Other payables to third parties	62	13
Total	**2,463**	**2,243**

Section 11 – Staff severance indemnity - Item 110

11.1 Staff severance indemnity: year-on-year changes
(€/000)

	Total 2015	Total 2014
A. Opening balances	**872**	**864**
B. Increases	**131**	**241**
B.1 Allocation for the year	99	124
B.2 Other changes	32	117
C. Decreases	**51**	**233**
C.1 Indemnities disbursed	15	221
C.2 Other changes	36	12
D. Closing balances	**952**	**872**
Total	**952**	**872**

The B.1 sub-item "Allocation for the year" is broken down as follows:

- € 102,334 as service cost;
- € 13,406 as interest cost;
- € -16,553 as past service cost.

"Other changes" in sub-items B.2 and C.2 include actuarial losses (€ 36,188) and actuarial gains (€ 31,610) arising from the actuarial valuation, with contra entry to an equity reserve.

The sub-item C.1 refers to uses of the provision.

11.2 Other information

11.2.1 Other Information: Staff severance indemnity calculated according to article 2120 of the Italian Civil Code
(€/000)

	Total 2015	Total 2014
Opening provision	**769**	**884**
Increases	120	106
Decreases	15	221
Closing provision	**874**	**769**

The provision for the staff severance indemnity governed by art. 2120 of the Italian Civil Code, accrued as at 31 December 2015, amounted to € 874 thousand. The Staff Severance Indemnity accruing continues to be kept in the company, as the Bank did not exceed the minimum threshold of 50 employees, as provided for by Law no. 296 of 27 December 2006.
Please note that as at 31 December 2015 no employee of the Bank had opted to request the monthly direct payment of their accruing severance indemnity - salary supplement (QU.IR) - as an integral part of the remuneration, as permitted and governed by Prime Minister's Decree no. 29 of 20 February 2015.

11.2.2 Other Information: Break down of actuarial assumptions

The actuarial model for the valuation of the staff severance indemnity is based on demographic and economic assumptions.

Within the framework of the technical-economic bases used, it should be noted that the annual discount rate (2.03%) used to calculate the present value of the liability was determined in accordance with paragraph 83 of IAS 19, with the IBoxx Corporate AA index with a duration of over 10 years as quoted on 31 December 2015.

The additional information required by IAS 19 for post-employment defined benefit plans is provided below:

Sensitivity analysis on the main valuation parameters

Rate breakdown	DBO at 31/12/2015
Turnover rate +1%	947,175,30
Turnover rate -1%	958,496,86
Inflation rate +0.25%	971,114,18
Inflation rate -0.25%	934,420,43
Discounting rate +0.25%	929,408,71
Discounting rate -0.25%	976,559,79

Service Cost and Duration

Service Cost 2016	107,680,55
Plan duration	14.1

Estimated future disbursements

Years	Expected disbursements
1	78,282
2	81,233
3	84,590
4	87,186
5	89,493

Section 12 – Provisions for liabilities and charges – Item 120

12.1 Provisions for liabilities and charges: breakdown
(€/000)

Items/Values	Total 2015	Total 2014
1 Company retirement funds	-	-
2. Other provisions for liabilities and charges	18	18
2.1 legal disputes	-	-
2.2 staff expenses	-	-
2.3 other	18	18
Total	**18**	**18**

The allocations to the provisions for liabilities and charges solely attributable to sub-item 2.3 "Other provisions for liabilities and charges- other provisions" were unchanged at 31 December 2015. The amounts allocated mainly refer to the deductible under the insurance coverage following a € 50 thousand cash shortage caused by the company Ipervigile Srl, which provided cash transport and custody services to the Bank.

With reference to legal disputes - as also subsequently described in Part E - Operational Risk within the section on legal risks involving the Bank at the reporting date - disclosure is provided below on threatened and/or ongoing litigation with third parties as at 31 December 2015:

- 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.
- With reference to the writ of summons received upon application by a customer claiming the invalidity and unlawfulness of some financial transactions entered into with the Bank over the three year 2010-2013 period, and the subsequent repayment of the economic losses assumed by the counterparty for a total of € 1,007

thousand, the Naples court postponed the hearing for the examination of witnesses to 8 November 2016. It should be noted that, on the basis of the views expressed by our legal advisor, as at the reporting date the Bank had not recognized any provision in the financial statements as it is not possible to reliably estimate the potential liability.

12.2 Provisions for liabilities and charges: year-on-year changes
(€/000)

	Retirement funds	Other provisions	Total
A. Opening balances	**-**	**18**	**18**
B. Increases	**-**	**-**	**-**
B.1 Allocation for the year	-	-	-
B.2 Changes due to the passage of time	-	-	-
B.3 Changes due to discount rate adjustments	-	-	-
B.4 Other changes	-	-	-
C. Decreases	**-**	**-**	**-**
C.1 Use for the year	-	-	-
C.2 Changes due to discount rate adjustments	-	-	-
C.3 Other changes	-	-	-
D. Closing balances	**-**	**18**	**18**

12.3 Defined-benefit company retirement funds

At 31 December 2015 there were no defined-benefit company retirement funds.

12.4 Provisions for liabilities and charges – other provisions

Reference is made to the comments in paragraph 12.1 of this section.

Section 13 – Redeemable shares – Item 130

There were no items to be reported in the tables of "Section 13 – Redeemable shares – Item 130" envisaged by Banca d'Italia Circular 262, 4th update of 15 December 2015.

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

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

At 31 December 2015 the share capital consisted 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.
The Bank holds no treasury shares.

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

Items/Types	Ordinary	Other
A. Shares at the beginning of the FY	**7,740,000**	**-**
- fully paid-up	7,740,000	-
- not fully paid-up	-	-
A.1 Treasury shares (-)	-	-
A.2 Outstanding shares: opening balances	**7,740,000**	**-**
B. Increases	**-**	**-**
B.1 New issues	-	-
- for consideration:	-	-
- business combinations transactions	-	-
- bond conversion	-	-
- warrants exercised	-	-
- other	-	-
- scrip issue:	-	-
- in favour of employees	-	-
- in favour of directors	-	-
- other	-	-
B.2 Disposal of treasury shares	-	-
B.3 Other changes	-	-
C. Decreases	**-**	**-**
C.1 Write-off	-	-
C.2 Purchase of treasury shares	-	-
C.3 Company disposal transactions	-	-
C.4 Other changes	-	-
D. Outstanding shares: closing inventories	**7,740,000**	**-**
D.1 Treasury shares (+)	-	-
D.2 Existing shares at the end of the FY	7,740,000	-
- fully paid-up	7,740,000	-
- not fully paid-up	-	-

14.3 Share capital: other information

Change in the shareholding structure

	Males	Females	Not natural persons	Total
Number of shareholders at 1 January 2015	47	23	4	74
Number of shareholders: in	-	-	-	-
Number of shareholders: out	-	-	-	-
Number of shareholders at 31 December 2015	**47**	**23**	**4**	**74**

14.4 Profit reserves: other information

In keeping with the requirements of IAS 1, paragraph 76.b and art. 2427 paras. 4 and 7-bis of the Italian Civil Code in relation to the composition of the Bank's shareholders equity, the required information is provided in the table below.

Shareholders' equity	Amount 31.12.2015	Principal	Profits	Potential use	Use of the last 3 FYs
Share capital	7,740	7,740			-
Share premium account	1,071	1,071		A,B,C	-
Legal reserve	802	802		B	-
Business combinations reserve	621	621		A,C	-
Valuation reserve	-120		-120	A,C	-
FTA provision	115	115		A,C	-
Use of previous FYs	4,897		4,897	A,B,C	-
Total	**15,126**	**10,349**	**4,777**		-

A = for share capital increase

B = for coverage of losses

C = for payment to shareholders

14.5. Capital instruments: breakdown and year-on-year changes

At 31 December 2015, the Bank held no capital instruments.

14.6 Other information

There is no further information to provide in relation to this section.

Other Information

1.Guarantees granted and commitments
(€/000)

Transactions	Amount 2015	Amount 2014
1) Financial guarantees granted	84	57
a) Banks	84	57
b) Customers	-	-
2) Commercial guarantees granted	867	782
a) Banks	-	-
b) Customers	867	782
3) Irrevocable commitments to grant finance	2,536	30
a) Banks	-	-
i) certain use	-	-
ii) uncertain use	-	-
b) Customers	2,536	30
i) certain use	-	30
ii) uncertain use	2,536	-
4) Commitments underlying credit derivatives: protection sales	-	-
5) Assets pledged as security for third party commitments	-	-
6) Other commitments	-	-
Total	**3,487**	**869**

2.Assets pledged as collateral for own liabilities and commitments
(€/000)

Portfolios	2015	2014
1. Financial assets held for trading	10,923	8,687
2. Financial assets carried at fair value	-	-
3. Financial assets available for sale	-	-
4. Financial assets held to maturity	-	-
5. Receivables from banks	-	-
6. Loans to customers	836	1,384
7. Property, plant and equipment	-	-

The sub-item 1 “Assets held for trading” includes the securities used as collateral against the loans received from the European Central Bank.
The item “Loans to customers” shows the commitment to Cassa di Compensazione e Garanzia (Clearing House).

3.Information on operating lease
At 31 December 2015 the Bank had no operating leases in place.

4.Third-party management and brokerage

Type of service	Amount
1. Execution of orders on behalf of clients	-
a) purchases	-
1. settled	-
2. unsettled	-
b) sales	-
1. settled	-
2. unsettled	-
2. Asset management	-
a) individual	-
b) collective	-
3. Custody and management of securities	-
a) third-party securities in custody: in the capacity of custodian bank (excluding asset management)	-
1. securities issued by the bank drafting the financial statements	-
2. other securities	-
b) third-party securities in custody (excluding asset management): other	50,955
1. securities issued by the bank drafting the financial statements	15,613
2. other securities	35,342
c) third-party securities in custody with third parties	35,478
d)) own securities in custody with third parties	14,495
4. Other transactions	-

5.Financial assets that were offset in the balance sheet, or subject to master netting agreements or similar arrangements

At 31 December 2015 the Bank had no financial assets that were offset in the balance sheet, or subject to master netting agreements or similar arrangements.

6.Financial liabilities that were offset in the balance sheet, or subject to master netting agreements or similar arrangements

At 31 December 2015 the Bank had no financial liabilities that were offset in the balance sheet, or subject to master netting agreements or similar arrangements.

7.Securities lending transactions

At 31 December 2015 the Bank had no outstanding securities lending transactions.

8.Disclosure of joint operations

There were no joint operations as at the reporting date.

Part C – Information on the Income Statement

Section 1 – Interest – Items 10 and 20

1.1 ***Interest and similar income: breakdown***

(€/000)

Items/Technical forms	Debt securities	Loans	Other assets	Total 2015	Total 2014
1. Financial assets held for trading	297	-	-	297	169
2. Financial assets available for sale	-	-	-	-	-
3. Financial assets held to maturity	-	-	-	-	-
4. Receivables from banks	-	7	-	7	50
5. Loans to customers	-	1,744	-	1,744	1,603
6. Financial assets carried at fair value	-	-	-	-	-
7. Hedging derivatives	X	X	-	-	-
8. Other assets	X	X	-	-	-
Totale	**297**	**1,751**	**-**	**2,048**	**1,822**

In line with IAS 1 paragraph 41, in order to provide a meaningful comparison of data, the Bank reclassified the comparative balances at 31 December 2014 in the amount of € 189 thousand, from item 10 - Interest income and similar revenue to item 40 - Fee and commission income in the income statement for the year 2014. The reclassified amount refers to similar revenue, which the new computer system automatically applies as part of commissions received by the Bank on the basis of specific contractual provisions for the management of customer relationships.

1.2 Interest and similar income: hedging differentials

At 31 December 2015 there were no differentials receivable related to hedging transactions..

1.3 Interest and similar income: other information

1.3.1 Interest income on financial assets in foreign currency

(€/000)

Items/Values	Total 2015	Total 2014
Interest and similar income on financial assets in foreign currency	**58**	**12**

1.3.2 Interest income on finance lease transactions

At 31 December 2015 there was no interest income on finance lease transactions.

1.4 Interest expense and similar charges: breakdown
(€/000)

Items/Technical forms	Payables	Securities	Other transactions	Total 2015	Total 2014
1. Payables to central banks	(7)	X	-	(7)	(8)
2. Payables to banks	(72)	X	-	(72)	(71)
3. Trade payables	(281)	X	-	(281)	(214)
4. Outstanding securities	X	(322)	-	(322)	(323)
5. Financial liabilities held for trading	-	-	-	-	-
6. Financial liabilities carried at fair value	-	-	-	-	-
7. Other liabilities and provisions	X	X	-	-	-
8. Hedging derivatives	X	X	-	-	-
Total	**(360)**	**(322)**	**-**	**(682)**	**(616)**

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

1.5 Interest expense and similar charges: hedging differentials

At 31 December 2015 there were no differentials payable related to hedging transactions.

1.6 Interest expense and similar charges: other information

1.6.1 Interest expense on financial liabilities in other currencies
(€/000)

Items/Values	Total 2015	Total 2014
Interest expense and similar charges on liabilities in foreign currency	-	(46)

At 31 December 2015 there were no Interest expense and similar charges on liabilities in foreign currency.

1.6.2 Interest expense on liabilities for financial lease payables

At 31 December 2015 there was no interest expense on financial lease payables.

Section 2 – Fees and Commissions – Items 40 and 50

These items include income and expenses relating, respectively, to services provided and services received by the bank.

2.1 Fees and commissions receivable: breakdown
(€/000)

Type of service/Values	Total 2015	Total 2014
a) guarantees granted	8	16
b) credit derivatives	-	-
c) management, brokerage and consultancy services:	150	88
1. trading of financial instruments	6	7
2. trading of foreign currencies	2	3
3. asset management	-	-
3.1. individual	-	-
3.2. collective	-	-
4. custody and management of securities	33	11
5. custodian bank	-	-
6. placement of securities	4	51
7. receipt and transmission of orders	13	16
8. consultancy services	75	-
8.1. in investments	-	-
8.2. in financial structure	75	-
9. distribution of third-party services	17	-
9.1. asset management	-	-
9.1.1. individual	-	-
9.1.2. collective	-	-
9.2. insurance products	-	-
9.3. other products	17	-
d) collection and payment services	258	228
e) *servicing* for securitisation	-	-
f) services for factoring	-	-
g) tax collection and treasury services	-	-
h) management of multilateral trading systems	-	-
i) operation and management of current accounts	378	346
j) other services	14	-
Totale	**808**	**678**

At 31 December 2015 item 40 – Fees and commissions receivable was reclassified for € 189 thousand, as indicated in table 1.1 Interest and other income.

2.2 Fees and commissions receivable: distribution channels of products and services
(€/000)

Channels/Values	Total 2015	Total 2014
a) at own branches:	**-**	**-**
1. asset management	-	-
2. placement of securities	-	-
3. third-party products and services	-	-
b) external offer:	**21**	**51**
1. asset management	-	-
2. placement of securities	4	51
3. third-party products and services	17	-
c) other distribution channels:	**-**	**-**
1. asset management	-	-
2. placement of securities	-	-
3. third-party products and services	-	-

2.3 Fees and commissions payable: breakdown
(€/000)

Services/Values	Total 2015	Total 2014
a) guarantees received	-	-
b) credit derivatives	-	-
c) management and brokerage services:	(407)	(690)
1. trading of financial instruments	(379)	(670)
2. trading of foreign currencies	-	-
3. asset management:	-	-
3.1. own assets	-	-
3.2. delegated by third parties	-	-
4. custody and management of securities	(28)	(20)
5. placement of financial instruments	-	-
6. external placement of financial instruments, products and services	-	-
d) collection and payment services	(50)	(51)
e) other services	(59)	(13)
Total	**(516)**	**(754)**

Section 3 – Dividends and similar income – Item 70

There were no items to be reported in the tables of "Section 5 – Dividends and similar income – Item 70" envisaged by Banca d'Italia Circular 262, 4th update of 15 December 2015.

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

4.1 Net profit/(loss) from trading activities: breakdown
(€/000)

Transactions/Income items	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net result [(A+B) - (C+D)]
1. Financial assets held for trading	**33**	**9,961**	**(119)**	**(7,005)**	**2,870**
1,1 Debt securities	33	9,961	(119)	(7,005)	**2,870**
1,2 Equity shares	-	-	-	-	**-**
1,3 UCIT units	-	-	-	-	**-**
1,4 Loans	-	-	-	-	**-**
1,5 Other	-	-	-	-	**-**
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	-
2,1 Debt securities	-	-	-	-	**-**
2,2 Payables	-	-	-	-	**-**
2,2 Other	-	-	-	-	**-**
3. Other financial assets and liabilities: exchange rate differences	X	X	X	X	82
4. Derivative instruments	**-**	**-**	**-**	**-**	**-**
4,1 Financial derivatives:	-	-	-	-	**-**
- On debt securities and interest rates	-	-	-	-	**-**
- On equity shares and stock indexes	-	-	-	-	**-**
- On foreign currencies and gold	X	X	X	X	-
- Other	-	-	-	-	**-**
4,2 Credit derivatives	-	-	-	-	**-**
Total	**33**	**9,961**	**(119)**	**(7,005)**	**2,952**

The item includes:

a) the net profit (loss) on transactions classified as "financial assets held for trading" and "financial liabilities held for trading", including the results on the valuation of such transactions.

b) the net profit (loss) on financial transactions in foreign currencies including the results on the valuation of these transactions.

c) capital gains, amounting to € 33 thousand, and capital losses amounting to € 119 thousand on securities in the portfolio as at 31/12/2015.

Section 5 – Net income on hedging activity – Item 90

There were no items to be reported in the tables of “Section 5 – Net income on hedging activity – Item 90” envisaged by Banca d’Italia Circular 262, 4th update of 15 December 2015.

Section 6 – Profits (losses) on disposal/repurchase – Item 100

6.1 Profits (losses) on disposal/repurchase: breakdown

(€/000)

	Total 2015			Total 2014		
	Profits	Losses	Net result	Profits	Losses	Net result
Financial assets						
1. Receivables from banks	-	-	-	-	-	-
2. Loans to customers	-	-	-	-	-	-
3. Financial assets available for sale	-	-	-	-	-	-
3.1 Debt securities	-	-	-	-	-	-
3.2 Equity shares	-	-	-	-	-	-
3.3 UCIT units	-	-	-	-	-	-
3.4 Loans	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-
Total assets	-	-	**-**	**-**	**-**	**-**
Financial liabilities						
1. Payables to banks	-	-	-	-	-	-
2. Trade payables	-	-	-	-	-	-
3. Outstanding securities	-	(9)	(9)	-	-	-
Total liabilities	-	**(9)**	**(9)**	**-**	**-**	**-**

The item includes gains and losses from the repurchase of bonds issued by the Bank.

Section 7 – Net income on financial assets and liabilities carried at fair value – Item 110

There were no items to be reported in the tables of “Section 7 – Net income on financial assets and liabilities carried at fair value – Item 110” envisaged by Banca d’Italia Circular 262, 4th update of 15 December 2015.

Section 8 – Net impairment losses/recoveries – Item 130

8.1 Net impairment losses: breakdown
(€/000)

Transactions/Income items	Adjustments (1)			Recoveries (2)				Total 2015 (3) = (1)-(2)	Total 2014
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Other		Interest	Other recoveries	Interest	Other recoveries		
A. Receivables from banks	-	-	-	-	-	-	-	**-**	**-**
- loans	-	-	-	-	-	-	-	-	-
- debt securities	-	-	-	-	-	-	-	-	-
B. Loans to customers	-	(741)	(58)	16	135	-	68	**(580)**	**(194)**
Purchased impaired loans	-	-		-	-			-	**-**
- loans	-	-	X	-	-	-	X	-	-
- debt securities	-	-	X	-	-	-	X	-	-
Other receivables	-	(741)	(58)	16	135	-	68	(580)	**(194)**
- loans	-	(741)	(58)	16	135	-	68	(580)	(194)
- debt securities	-	-	-	-	-	-	-	-	-
C. Total	**-**	**(741)**	**(58)**	**16**	**135**	**-**	**68**	**(580)**	**(194)**

Recoveries include recoveries from collection for € 27 thousand.

8.2 Net adjustments for impairment of financial assets available for sale: breakdown

At 21 December 2015 there were no net adjustments for impairment of financial assets available for sale.

8.3 Net adjustments for impairment of financial assets held to maturity: breakdown

At 21 December 2015 there were no net adjustments for impairment of financial assets held to maturity.

8.4 Net adjustments for impairment of other financial transactions: breakdown

At 21 December 2015 there were no net adjustments for impairment of other financial transactions.

Section 9 – Administrative expenses – Item 150

9.1 Staff expenses: breakdown
(€/000)

Type of expense/Values	Total 2015	Total 2014
1) Employees	(2,175)	(2,103)
a) wages and salaries	(1,576)	(1,504)
b) social security charges	(406)	(406)
c) employee severance pay	-	-
d) supplementary benefits	-	-
e) allowance to employee severance indemnity	(99)	(124)
f) allowance to retirement fund and similar funds:	-	-
- defined contribution	-	-
- defined benefits	-	-
g) payments to external social security funds:	-	-
- defined contribution	-	-
- defined benefits	-	-
h) costs deriving from payment agreements based on own equity instruments	-	-
i) other benefits in favour of employees	(94)	(69)
2) Other employed personnel	-	-
3) Directors and Auditors	(376)	(371)
4) Personnel in retirement	-	-
5) Recovery of expenses for employees in secondment at other businesses	-	-
6) Recovery of expenses for third-party employees in secondment at the company	-	-
Total	**(2,551)**	**(2,474)**

Sub-item e) allowance to employee severance indemnity – employees consists of:
- € 102,334 as service cost;
- € 13,406 as interest cost;
- € -16,553 as past service cost.

Item 3), Directors and Auditors, 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

	2015	2014
Employees:	**44**	**42**
a) Managers	1	-
b) Middle managers	6	5
c) Remaining employed staff	37	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%.

9.3 Defined-benefit company retirement funds: costs and revenue

At 31 December 2015 there were no defined-benefit company retirement funds.

9.4 Other benefits in favour of employees

(€/000)

	Total 2015	Total 2014
Sundry staff expenses: Allowance to loyalty premium	-	-
Sundry staff expenses: Accident insurance	-	-
Sundry staff expenses: Incentive expenses for voluntary layoffs	-	-
Sundry staff expenses: training expenses	(41)	(34)
Sundry staff expenses: costs for luncheon vouchers	(13)	(16)
Sundry staff expenses: reimbursement for mileage and expenses on submitting an expense account	(40)	(19)
Sundry staff expenses: other benefits	-	-
Other benefits in favour of employees	**(94)**	**(69)**

9.5 Other administrative expenses: breakdown
(€/000)

	Total 2015	Total 2014
Administrative expenses	***(1,764)***	**(1,426)**
General expenses	**(1,146)**	**(945)**
Expenses for electronic services	(932)	(707)
Postal and telephone expenses	(109)	(102)
Stationery and printed material	(31)	(41)
Membership and similar fees	(51)	(67)
Finance leases and rentals	(23)	(28)
Real estate expenses	**(219)**	**(204)**
Lease payable and condominium expenses	(67)	(60)
Energy costs	(51)	(54)
Cleaning of premises	(3)	(4)
Security and surveillance expenses	(22)	(11)
Maintenance and repairs	(76)	(75)
Professional and insurance expenses	**(352)**	**(215)**
Fees for professional services	(34)	(14)
Auditing fees	(77)	(68)
Legal and sundry consultancy	(216)	(108)
Insurance	(25)	(25)
indirect staff costs	**-**	**(18)**
Transport and travels	-	(18)
Other administrative expenses - Other	**(4)**	**(25)**
Miscellaneous	(4)	(25)
Promotional and advertising expenses	**(43)**	**(19)**
Advertising and entertainment	(43)	(19)
Direct and indirect taxes	***(172)***	***(183)***
Other	(172)	(183)
Total administrative expenses	**(1,936)**	**(1,609)**

In line with IAS 1 paragraph 41, in order to provide a meaningful comparison of data, the Bank restated around € 132 thousand, reclassifying the comparative balance at 31 December 2014 from said item to item "Other operating expenses". The amount relates to the recovery of stamp duties charged to customers, with offsetting entry in the sub-item Taxes and duties under Other administrative expenses.

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

At 31 December there were no allowances to the provision of liabilities and charges.

Section 11 – Net adjustments to/recoveries on tangible assets – Item 170

11.1 Net adjustments to tangible assets: breakdown
(€/000)

Assets/Income item	Depreciation (a)	Adjustments for impairment (b)	Recoveries (c)	Net result (a + b + c)
A. Tangible assets				
A.1 Owned	(400)	-	-	(400)
- Functional assets	(400)	-	-	(400)
- For investment	-	-	-	-
A.2 Acquired on finance lease	-	-	-	-
- Functional assets	-	-	-	-
- For investment	-	-	-	-
Total	**(400)**	**-**	**-**	**(400)**

Depreciation on tangible fixed assets amounted to € 400 thousand and includes depreciation on the properties, recognised on the basis of their useful life.

Section 12 – Net adjustments to/recoveries on intangible assets – Item 180

12.1 Net adjustments to intangible assets: breakdown
(€/000)

Assets/Income item	Amortisation (a)	Adjustments for impairment (b)	Recoveries (c)	Net result (a + b + c)
A. Intangible assets				
A.1 Owned	(31)	-	-	(31)
- Internally generated	-	-	-	-
- Other	(31)	-	-	(31)
A.2 Acquired on finance lease	-	-	-	-
Total	**(31)**	**-**	**-**	**(31)**

Section 13 – Other operating income and expenses – Item 190

13.1 Other operating expenses: breakdown
(€/000)

Expense item/Values	Total 2015	Total 2014
Non-recurring gains/losses that cannot be classified into a specific item	(10)	(6)
Other expenses	(13)	(12)
Total	**(23)**	**(18)**

13.2 Other operating income: breakdown
(€/000)

	Totale 2015	Totale 2014
Non-recurring gains/losses that cannot be classified into a specific item	15	8
Recovery of expenses	156	171
Other operating income	-	-
Total	**171**	**179**

In line with IAS 1 paragraph 41, in order to provide a meaningful comparison of data, the Bank restated around € 132 thousand, reclassifying the comparative balance at 31 December 2014 from item “Other administrative expenses” to said item. The amount relates to the recovery of stamp duties charged to customers, with offsetting entry in the sub-item Taxes and duties under Other administrative expenses.

Section 14 – Profits (Losses) on equity investments – Item 210

There were no items to be reported in the tables of “Section 14 – Profits (losses) on equity investments – Item 210” envisaged by Banca d’Italia Circular 262, 4th update of 15 December 2015.

Section 15 – Net result of tangible and intangible assets carried at fair value – Item 220

There were no items to be reported in the tables of “Section 15 – Net result on tangible and intangible assets carried at fair value – Item 220” envisaged by Banca d’Italia Circular 262, 4th update of 15 December 2015.

Section 16 – Adjustments to goodwill – Item 230

There were no items to be reported in the tables of “Section 16 – Adjustments to goodwill – Item 230” envisaged by Banca d’Italia Circular 262, 4th update of 15 December 2015.

Section 17 – Profits (losses) on investment disposal – Item 240

There were no items to be reported in the tables of “Section 17 – Profits (losses) on investment disposal – Item 240” envisaged by Banca d’Italia Circular 262, 4th update of 15 December 2015.

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

18.1 Income taxes for the year on current operations: breakdown

(€/000)

Income items/Values	Total 2015	Total 2014
1. Current taxes (-)	(4)	(289)
2. Changes in current taxes for previous years (+/-)	-	-
3. Reduction in current taxes for the period (+)	-	-
3. Reduction in current taxes for the year for tax credits as per law bis no. 214/2011 (+)	-	-
4. Change in prepaid taxes (+/-)	170	10
5. Change in deferred taxes (+/-)	51	51
6. Taxes for the year (-) (-1+/-2+3+3 bis +/-4+/-5)	217	(228)

18.2 Reconciliation of notional and actual tax burden

(€/000)

Pre-tax profit (item 250 CE)	**(748)**
Theoretical tax burden (2015: 27.5%)	**(206)**
Taxes on increases	112
Taxes on decreases	(20)
Actual IRES tax	**-**
IRAP	**4**

Section 19 – Profit / (Loss) on disposal groups, after taxes – Item 280

There were no items to be reported in the tables of "Section 19 – Profit / (Loss) on disposal groups, after taxes – Item 280" envisaged by Banca d'Italia Circular 262, 4th update of 15 December 2015.

Section 20 – Other information

At 31 December 2015 there was no further information to provide on the income statement.

Section 21 – EPS

21.1 Average number of ordinary shares with diluted capital earnings

At 31 December 2015 the Bank owned no ordinary shares with diluted capital earnings.

21.2 Other information

Earnings per share for 2015 amounted to € -0.07, calculated - as provided for by law - by dividing the result for the period by the average number of shares outstanding during the year.

Part D – Comprehensive Income

BREAKDOWN OF COMPREHENSIVE INCOME

(€/000)

	Items	Gross amount	Income taxes	Net amount
10.	**Profit (loss) for the year**	**X**	**X**	**(531)**
	Other income items not reversed to income statement			
20.	Property, plant and equipment	-	-	-
30.	Intangible assets	-	-	-
40.	Defined-benefit plans	5	-	5
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 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/losses on disposal	-	-	-
	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/losses on disposal	-	-	-
	c) other changes	-	-	-
130.	**Total of other income items**	5	-	5
140.	**Comprehensive income (Item 10+130)**	**5**	**-**	**(526)**

This page was intentionally left blank

Part E – Information on Risks and Hedging Policies

Introduction

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 2015 the Bank continued to expand its core banking activities, such as deposit collection and lending, aimed at diversifying business.

In particular, loans are broken down as follows:
- a major component (74.35%) is represented by loans, 46.63% of which are medium-long term real estate loans secured by mortgage;
- a sizeable amount of the bank's exposure is represented by credit lines that are part of the ordinary cash lending business (13.61%);
- a residual part is represented by advances on invoices subject to collection (7.86%), through which companies are ensured immediate availability of cash against their trade receivables not yet due, by personal loans (1.61%) and by security deposits (2.57%).

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.

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.

[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.

2.2 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.

Impaired financial assets include loans when there is any objective evidence of impairment as a result of circumstances occurring after initial recognition. In classifying impaired assets in the various risk categories (non-performing, unlikely to pay and past due and/or overdrawn exposures, according to their decreasing level of severity) the Bank makes reference to the regulations issued by the Bank of Italy and in force since January 2015, consistent with the applicable regulations laid down by the Basel Accords and the IAS/IFRS principles, supplemented by internal provisions that establish criteria and rules for the reclassification of exposures across the various risk categories, including automatically (except for non-performing loans).

Again with effect on 1 January 2015, in implementation of the new legislation, a further parallel classification was introduced, which covers both performing and non-performing exposures: “Forborne exposures”.

Thus, the following new parallel categories have been introduced:

- forborne non performing. these exposures fall within the non-performing, unlikely to pay or impaired past due and/or overdrawn exposures, as appropriate, and are not a separate category of impaired assets.
- forborne performing.

These concessions are subject to careful monitoring as the legislation sets very strict criteria for migration across the categories (forborne non-performing, forborne performing, non-forborne).

In order to enable a correct and continuous monitoring of exposures with forborne status, the outsourcer has put in place specific functionalities that report, propose and in some cases update the changes in status.

The Credit Control and Litigation department has been tasked with the monitoring and overall management of impaired loans.

That activity mainly consists in:

- Monitoring the positions, supporting the branches that are in charge of 1st level controls;
- Defining, in agreement with the Branch Manager, the actions necessary to bring the exposures back to regular performance;
- Identifying and recommending reimbursement procedures or restructuring plans to the relevant bodies;
- Identifying and recommending value adjustments to the exposures to the relevant bodies;
- Recommending the reclassification of positions into the "non-performing” category to the relevant bodies.

Non-performing assets are individually assessed in accordance with the provisions laid down by the Supervisory regulations and by the Credit Regulations adopted by the Bank.
The assessment is made at the time the loans are classified in the various risk categories of impaired assets, and is reviewed periodically in accordance with criteria and procedures laid down by the Credit Regulations.

In any case, the loan assessment is subject to review whenever the Bank becomes aware of significant events that can alter the prospects of recovery. In order for such events to be timely detected, the information database of borrowers is periodically monitored and the progress of out-of-court agreements and the various phases of judicial proceedings are constantly checked.

The Risk Management Department is responsible for assessing the consistency of the classifications, the adequacy of provisions and the effectiveness of the recovery process; it also verifies the correct application of valuation parameters laid down by internal regulations for non-performing loans subject to individual assessment. More specifically, it verifies the correct application of the criteria envisaged for assessing:

- loans secured by real estate collateral,
- loans secured by lien
- loans secured by guarantees provided by consortia /MCC,
- loans secured by principal obligor and/or by guarantors by way of surety who own real estate assets that may be seized (both in the case of classification as unlikely to pay and as non-performing)
- unsecured loans to individuals without seizable assets;
- unsecured loans to sole proprietorships, partnerships and companies.

The return to performing status of exposures classified as unlikely to pay and NPLs, governed by the Supervisory Authority and by specific internal regulations, is made upon recommendation of Credit Control and Litigation to the Chief Executive Officer, after verifying that the anomalies leading to the classification of exposures as impaired financial assets no longer apply and the stability of the new counterparty's situation.
With regard to exposures classified as "Past due and overdrawn loans" the return to performing status takes place automatically when payment is received.

In conclusion, the overall non-performing loan portfolio is continually monitored through a predefined control system, including through "single name" audits conducted by the Credit Control and Litigation Department, and is subject to periodic management reporting.

All impaired loans (unlikely to pay, 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 0.45% of total loans;
- the presence of "unlikely to pay" loans to customers, accounting for 5.43% of total loans;
- the presence of non-performing loans to customers, accounting for 2.11% of total loans.

Quantitative information

A. Credit quality

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

A.1.1 Breakdown of exposures by portfolio and credit quality (book values)
(€/000)

Portfolio/Quality	Non-performing loans	Unlikely to pay	Impaired overdue exposures	Non-impaired overdue exposures	Other non-impaired exposures	Total
1. Financial assets available for sale	-	-	-	-	-	-
2. Financial assets held to maturity	-	-	-	-	-	-
3. Receivables from banks	-	-	-	-	12,331	12,331
4. Trade receivables	706	1,822	149	1,596	29,276	33,549
5. Financial assets carried at fair value	-	-	-	-	-	-
6. Discontinuing operations	-	-	-	-	-	-
Total 2015	**706**	**1,822**	**149**	**1,596**	**41,607**	**45,880**
Total 2014	**576**	**1,635**	**77**	**1,180**	**43,172**	**46,640**

A.1.2 Breakdown of exposures by portfolio and credit quality (gross and net values)
(€/000)

Portfolio/Quality	Impaired assets			Non-impaired assets			Total
	Gross exposure	Specific adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	(Net exposure)
1. Financial assets available for sale	-	-	-	-	-	-	-
2. Financial assets held to maturity	-	-	-	-	-	-	-
3. Receivables from banks	-	-	-	12,331	-	12,331	12,331
4. Loans to customers	4,188	1,511	2,677	31,087	215	30,872	33,549
5. Financial assets carried at fair value	-	-	-			-	-
6. Discontinuing operations	-	-	-	-	-	-	-
Total 2015	**4,188**	**1,511**	**2,677**	**43,418**	**215**	**43,203**	**45,880**
Total 2014	**3,392**	**1,104**	**2,288**	**44,576**	**224**	**44,352**	**46,640**

Portfolio/Quality	Assets of manifest poor credit quality		Other assets
	Accrued capital losses	Exhibits	Net exposure
1. Financial assets held for trading	-	-	13,137
8. Hedging derivatives	-	-	-
Total 2015	**-**	**-**	**13,137**
Total 2014	**-**	**-**	**10,825**

A.1.3 On- and off-balance sheet exposure with banks*:* gross and net amounts, and past due ranges
(€/000)

Type of exposure/amounts	Gross exposure					Specific adjustments	Portfolio adjustments	Net exposure
	Impaired assets							
	Up to 3 months	From over 3 to 6 months	From over 6 to 9 months	Over 1 year	Non-impaired assets			
A. ON-BALANCE SHEET EXPOSURES								
a) Non-performing	-	-	-	-	X	-	X	-
- of which: Forborne exposures	-	-	-	-	X	-	X	-
b) Unlikely to pay	-	-	-	-	X	-	X	-
- of which: Forborne exposures	-	-	-	-	X	-	X	-
c) Impaired overdue exposures	-	-	-	-	X	-	X	-
- of which: Forborne exposures	-	-	-	-	X	-	X	-
d) Non-impaired overdue exposures	X	X	X	X	-	X	-	-
- of which: Forborne exposures	X	X	X	X	-	X	-	-
e) Other non-impaired exposures	X	X	X	X	22,339	X	-	22,339
- of which: Forborne exposures	X	X	X	X	-	X	-	-
TOTAL A	**-**	**-**	**-**	**-**	**22,339**	**-**	**-**	**22,339**
B. OFF-BALANCE SHEET EXPOSURES								
a) Impaired	-	-	-	-	X	-	X	-
b) Non-impaired	X	X	X	X	84	X	-	84
TOTAL B	**-**	**-**	**-**	**-**	**84**	**-**	**-**	**84**
TOTAL A+B	**-**	**-**	**-**	**-**	**22,423**	**-**	**-**	**22,423**

The item includes the amount of loans and advances to banks for € 12,331 thousand and the total amount of debt securities issued by banks for € 10,008 thousand.

A.1.4 On-balance sheet exposures with banks: dynamics of gross impaired exposures

At 31/12/2015 there were no on-balance-sheet credit exposures to banks classified as gross impaired exposures.

A.1.4bis On-balance sheet exposures with banks: changes in gross forborne exposures broken down by credit quality

At 31/12/2015 there were no on-balance-sheet gross forborne exposures to banks.

A.1.5 Impaired on-balance sheet exposures with banks: overall adjustment trend

At 31/12/2015 there were no on-balance-sheet impaired credit exposures to banks.

A.1.6 On- and off-balance sheet exposure with clients: gross and net amounts, and past due ranges
(€/000)

Type of exposure/amounts	Gross exposure					Specific adjustments	Portfolio adjustments	Net exposure
	Impaired assets				Non-impaired assets			
	Up to 3 months	From over 3 to 6 months	From over 6 months to 1 year	Over 1 year				
A. ON-BALANCE SHEET EXPOSURES								
a) Non-performing	-	-	-	1,647	X	941	X	706
- of which: Forborne exposures	-	-	-	-	X	-	X	-
b) Unlikely to pay	373	658	1,116	199	X	524	X	1,822
- of which: Forborne exposures	-	-	-	-	X	-	X	-
c) Impaired overdue exposures	-	88	98	9	X	46	X	149
- of which: Forborne exposures	-	-	-	-	X	-	X	-
d) Non-impaired overdue exposures	X	X	X	X	1,724	X	128	1,596
- of which: Forborne exposures	X	X	X	X	-	X	-	-
e) Other non-impaired exposures	X	X	X	X	29,363	X	87	29,276
- of which: Forborne exposures	X	X	X	X	-	X	-	-
TOTAL A	**373**	**746**	**1,214**	**1,855**	**31,087**	**1,511**	**215**	**33.549**
B. OFF-BALANCE SHEET EXPOSURES								
a) Impaired	6	-	-	-	X	-	X	6
b) Non-impaired	X	X	X	X	3,397	X	-	3,397
TOTAL B	**6**	**-**	**-**	**-**	**3,397**	**-**	**-**	**3.403**
TOTAL A+B	**379**	**746**	**1,214**	**1,855**	**34,484**	**1,511**	**215**	**36,952**

A.1.7 On-balance sheet exposures with clients: dynamics of gross impaired exposures (€/000)

Transactions/Categories	Non-performing loans	Unlikely to pay	Impaired overdue exposures
A. Opening gross exposure	**1,534**	**0**	**82**
- of which: exposures disposed of (not derecognised)	-	-	-
B. Increases	**297**	**2,659**	**225**
B.1 transfers from performing exposures	89	1,033	172
B.2 transfers from other categories of impaired exposures	32	19	-
B.3 other increases	176	1,607	53
C. Decreases	**-184**	**-315**	**-112**
C.1 transfers into performing exposures	-	-	-76
C.2 write-offs	-182	-	-
C.3 repayments	-2	-285	-15
C.4 revenue from disposals	-	-	-
C.5 losses on disposals	-	-	-
C.6 transfers to other categories of impaired exposures	-	-30	-21
C.7 other decreases	-	-	-
D. Closing gross exposure	**1,647**	**2,344**	**196**
- of which: exposures disposed of (not derecognised)	-	-	-

A.1.8 Impaired on-balance sheet exposures with clients: overall adjustment trend

(€/000)

Transactions/Categories	Non-performing loans		Unlikely to pay		Impaired overdue exposures	
	Total	**Of which: Forborne exposures**	**Total**	**Of which: Forborne exposures**	**Total**	**Of which: Forborne exposures**
A. Opening overall adjustments	**958**	**-**	**0**	**-**	**5**	**-**
- of which: exposures disposed of (not derecognised)	-	-	-	-	-	-
B. Increases	**367**	**-**	**989**	**-**	**97**	**-**
B.1 Adjustments	170	-	525	-	46	-
B.2 losses on disposals	-	-	-	-	-	-
B.3 transfers from other categories of impaired exposures	7	-	7	-	-	-
B.4 other increases	190	-	457	-	51	-
C. Decreases	**-385**	**-**	**-465**	**-**	**-56**	**-**
C.1 write-backs for valuations	-184	-	-409	-	-46	-
C.2. write-backs for repayments	-2	-	-25	-	-	-
C.3 profits on disposals	-	-	-	-	-	-
C.4 write-offs	-182	-	-	-	-	-
C.5 transfers to other categories of impaired exposures	-	-	-6	-	-1	-
C.6 other decreases	-17	-	-25	-	-9	-
D. Closing overall adjustments	**941**	**-**	**524**	**-**	**46**	**-**
- of which: exposures disposed of (not derecognised)						

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

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

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

Exposures	External rating classes						Unrated	Total
	Aaa/Aa3	A1/A3	Baa1/Baa3	Ba1/Ba3	B1/B3	< B3		
A. On-balance sheet exposures	-	-	4,559	1,506	-	-	52,952	59,017
B. Derivatives	-	-	-	-	-	-	-	-
B.1 Financial derivatives	-	-	-	-	-	-	-	-
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees granted	-	-	-	-	-	-	951	951
D Commitments to grant finance	-	-	-	-	-	-	2,537	2,537
E. Other	-	-	-	-	-	-	-	-
Total	-	-	4,559	1,506	-	-	56,440	62,505

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

A.2.2 Distribution of on- 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 on-balance sheet exposures with banks.

A.3.2 Secured credit exposures with customers

(€/000)

	Net exposure value	Guarantees secured by assets (1)				Personal guarantees (2)									Total (1+2)
						Credit derivatives					Credit commitments				
		Properties					Other derivatives								
		Mortgages	Finance lease	Securities	Other secured guarantees	Credit linked notes	Governments and Central Banks	Other public institutions	Banks	Other entities	Governments and Central Banks	Other public institutions	Banks	Other entities	
1. Secured on-balance sheet exposures:	**28,836**	**17,310**	**-**	**-**	**326**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**10,802**	**28,438**
1.1 wholly secured	27,830	16,827	-	-	276	-	-	-	-	-	-	-	-	10,727	**27,830**
- of which impaired	1,730	1,024	-	-	-	-	-	-	-	-	-	-	-	706	**1,730**
1.2 partially secured	1,006	483	-	-	50	-	-	-	-	-	-	-	-	75	**608**
- of which impaired	449	376	-	-	-	-	-	-	-	-	-	-	-	-	**376**
2. "Off-balance sheet" secured cash exposures:	**422**	**-**	**-**	**-**	**259**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**91**	**350**
2.1 wholly secured	276	-	-	-	184	-	-	-	-	-	-	-	-	91	**275**
- of which impaired	6	-	-	-	6	-	-	-	-	-	-	-	-	-	**6**
2.2 partially secured	146	-	-	-	75	-	-	-	-	-	-	-	-	-	**75**
- of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**

B. Distribution and concentration of credit exposures

B.1 Distribution of on- and off-balance sheet exposures with clients by sector (book values) – Part 1
(€/000)

Exposures/Counterparties	Governments			Other public institutions		
	Net exposure	Specific adjustments	Portfolio adjustments	Net exposure	Specific adjustments	Portfolio adjustments
A. On-balance sheet exposures						
A.1 Non-performing loans	-	-	X	-	-	X
of which: Forborne exposures	-	-	X	-	-	X
A.2 Unlikely to pay	-	-	X	-	-	X
of which: Forborne exposures	-	-	X	-	-	X
A.3 Overdue exposures	-	-	X	-	-	X
of which: Forborne exposures	-	-	X	-	-	X
A.4 Non-impaired exposures	2,644	X	-	-	X	-
of which: Forborne exposures	-	X	-	-	X	-
Total A	**2,644**	**-**	**-**	**-**	**-**	**-**
B. Off-balance sheet exposures						
B.1 Non-performing loans	-	-	X	-	-	X
B.2 Unlikely to pay	-	-	X	-	-	X
B.3 Other impaired assets	-	-	X	-	-	X
B.4 Non-impaired exposures	-	X	-	-	X	-
Total B	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 31.12.2015	**2,644**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 31.12.2014	**2,124**	**-**	**-**	**-**	**-**	**-**

B.1 Distribution of on- and off-balance sheet exposures with clients by sector (book values) – Part 2
(€/000)

Exposures/Counterparties	Financial companies			Insurance companies		
	Net exposure	Specific adjustments	Portfolio adjustments	Net exposure	Specific adjustments	Portfolio adjustments
A. On-balance sheet exposures						
A.1 Non-performing loans	1	2	X	-	-	X
of which: Forborne exposures	-	-	X	-	-	X
A.2 Unlikely to pay	-	-	X	-	-	X
of which: Forborne exposures	-	-	X	-	-	X
A.3 Overdue exposures	-	-	X	-	-	X
of which: Forborne exposures	-	-	X	-	-	X
A.4 Non-impaired exposures	1,072	X	2	-	X	-
of which: Forborne exposures	-	X	-	-	X	-
Total A	**1,073**	**2**	**2**	**-**	**-**	**-**
B. Off-balance sheet exposures						
B.1 Non-performing loans	-	-	X	-	-	X
B.2 Unlikely to pay	-	-	X	-	-	X
B.3 Other impaired assets	-	-	X	-	-	X
B.4 Non-impaired exposures	-	X	-	-	X	-
Total B	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 31.12.2015	**1,073**	**2**	**2**	**-**	**-**	**-**
Total (A+B) 31.12.2014	**220**	**25**	**-**	**-**	**-**	**-**

B.1 Distribution of on- and off-balance sheet exposures with clients by sector (book values) – Part 3
(€/000)

Exposures/Counterparties	Non-financial institutions			Other entities		
	Net exposure	Specific adjustments	Portfolio adjustments	Net exposure	Specific adjustments	Portfolio adjustments
A. Cash exposures						
A.1 Non-performing loans	254	672	X	451	267	X
of which: Forborne exposures	-	-	X	-	-	X
A.2 Unlikely to pay	766	358	X	1,056	166	X
of which: Forborne exposures	-	-	X	-	-	X
A.3 Overdue exposures	60	22	X	89	24	X
of which: Forborne exposures	-	-	X	-	-	X
A.4 Non-impaired exposures	17,765	X	127	12,035	X	86
of which: Forborne exposures	-	X	-	-	X	-
Total A	**18,845**	**1,052**	**127**	**13,631**	**457**	**86**
B. Off-balance sheet exposures						
B.1 Non-performing loans	-	-	X	-	-	X
B.2 Unlikely to pay	-	-	X	-	-	X
B.3 Other impaired assets	-	-	X	6	-	X
B.4 Non-impaired exposures	1,636	X	-	1,761	X	-
Total B	**1,636**	**-**	**-**	**1,767**	**-**	**-**
Total (A+B)dicembre 2015	**20,481**	**1,052**	**127**	**15,398**	**457**	**86**
Total (A+B) dicembre 2014	**20,906**	**741**	**132**	**16,624**	**338**	**92**

B.2 Distribution of on- and off-balance sheet exposures with clients by territory (book values)
(€/000)

Exposures/Geographical areas	Italy		Other European countries	
	Net exposure	Overall adjustments	Net exposure	Overall adjustments
A. On-balance sheet exposures				
A.1 Non-performing loans	706	941	-	-
A.2 Unlikely to pay	1,822	524	-	-
A.4 Overdue impaired exposures	149	46	-	-
A.5 Non-impaired exposures	33,969	215	32	-
Total A	**36,646**	**1,726**	**32**	**-**
B. Off-balance sheet exposures				
B.1 Non-performing loans	-	-	-	-
B.2 Unlikely to pay	-	-	-	-
B.3 Other impaired assets	6	-	-	-
B.4 Non-impaired exposures	3,397	-	-	-
Total B	**3,403**	**-**	**-**	**-**
TOTAL (A+B) 31.12.2015	**40,049**	**1,726**	**32**	**-**
TOTAL (A+B) 31.12.2014	**39,887**	**1,328**	**40**	**-**

Exposures / Geographical areas	America		Asia		Rest of the World	
	Net exposure	Overall adjustments	Net exposure	Overall adjustments	Net exposure	Overall adjustments
A. On-balance sheet exposures						
A.1 Non-performing loans	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-
A.3 Impaired overdue exposures	-	-	-	-	-	-
A.4 Non-impaired exposures	-	-	-	-	-	-
Total A	**-**	**-**	**-**	**-**	**-**	**-**
B. Off-balance sheet exposures						
B.1 Non-performing loans	-	-	-	-	-	-
B.2 Unlikely to pay	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-
B.4 Non-impaired exposures	-	-	-	-	-	-
Total B	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL (A+B) dicembre 2015	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL (A+B) dicembre 2014	**-**	**-**	**-**	**-**	**-**	**-**

B.3 Distribution of on- and "off-balance sheet" exposures with banks by territory (book values)
(€/000)

Exposures / Geographical areas	Italy		Other European countries	
	Net exposure	Overall adjustments	Net exposure	Overall adjustments
A. On-balance sheet exposures				
A.1 Non-performing loans	-	-	-	-
A.2 Unlikely to pay	-	-	-	-
A.3 Impaired overdue exposures	-	-	-	-
A.4 Non-impaired exposures	17,674	-	4,640	-
Total A	**17,674**	**-**	**4,640**	**-**
B. Off-balance sheet exposures				
B.1 Non-performing loans	-	-	-	-
B.2 Unlikely to pay	-	-	-	-
B.3 Other impaired assets	-	-	-	-
B.4 Non-impaired exposures	84	-	-	-
Total B	**84**	**-**	**-**	**-**
TOTAL (A+B) December 2015	**17,758**	**-**	**4,640**	**-**
TOTAL (A+B) December 2014	**14,244**	**-**	**4,179**	**-**

Exposures / Geographical areas	America		Asia		Rest of the World	
	Net exposure	Overall adjustments	Net exposure	Overall adjustments	Net exposure	Overall adjustments
A. On-balance sheet exposures						
A.1 Non-performing loans	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-
A.3 Impaired overdue exposures	-	-	-	-	-	-
A.4 Non-impaired exposures	25	-	-	-	-	-
Total A	**25**	**-**	**-**	**-**	**-**	**-**
B. Off-balance sheet exposures						
B.1 Non-performing loans	-	-	-	-	-	-
B.2 Unlikely to pay	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-
B.4 Non-impaired exposures	-	-	-	-	-	-
Total B	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL (A+B) December 2015	**25**	**-**	**-**	**-**	**-**	**-**
TOTAL (A+B) December 2014	**-**	**-**	**-**	**-**	**-**	**-**

B.4 Major exposures	**Total 31.12.2015**	**Total 31.12.2014**
a) Amount (book value)	17,542	14,683
b) Amount (weighted value)	14,898	11,206
c) Number	5	4

At 31/12/2015 there were risk positions representing a major risk for a nominal value of € 17,542 thousand.
These positions include:

- € 2,644 thousand for exposures to the Italian Government (Italian government securities which for supervisory purposes are included in the trading book);
- € 2,633 thousand for securities issued by Italian banks which for supervisory purposes are included in the trading book;
- € 12,265 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 € 14,898 thousand.

C. Securitisations

There were no items to be reported in the tables of Section C. Securitisation envisaged by Banca d'Italia Circular 262, 4th update of 15 December 2015.

D. Disclosures related to unconsolidated structured entities (other than special purpose vehicles for securitisation)

There were no items to be reported in the tables of Section D. Disclosures related to unconsolidated structured entities (other than special purpose vehicles for securitization) envisaged by Banca d'Italia Circular 262, 4th update of 15 December 2015.

E. Disposals

There were no items to be reported in the tables of Section E. Disposals envisaged by Banca d'Italia Circular 262, 4th update of 15 December 2015.

F. Credit risk measurement models

The Bank does not use internal models for measuring credit risk.

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. With reference to rating, the book is composed for 35% of securities with a rating falling into the so-called "investment grade" category, from Baa1 to Baa3 (Moody's); for around 12% of securities with a rating lower than the "investment grade" category and for the remaining part for unrated securities.
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. Regulatory trading book: breakdown of on-balance sheet financial assets and liabilities and financial derivatives by residual term (repricing date)

Total of currencies

Type/Residual term	on demand	up to 3 months	from over 3 to 6 months	from over 6 months to 1 year	from over 1 year to 5 years	from over 5 to 10 years	over 10 years	Undetermined term
1. On-balance sheet assets	**-**	**3,967**	**3,536**	**870**	**4,187**	**472**	**25**	**-**
1.1 Debt securities	-	3,967	3,536	870	4,187	472	25	-
- with option of early redemption	-	-	-	-	-	-	-	-
- other	-	3,967	3,536	870	4,187	472	25	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

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

EURO

Type/Residual term	on demand	up to 3 months	from over 3 to 6 months	from over 6 months to 1 year	from over 1 year to 5 years	from over 5 to 10 years	over 10 years	Undetermined term
1. On-balance sheet assets	**-**	**3,967**	**3,536**	**870**	**4,187**	**472**	**-**	**-**
1.1 Debt securities	-	3,967	3,536	870	4,187	472	-	-
- with option of early redemption	-	-	-	-	-	-	-	-
- other	-	3,967	3,536	870	4,187	472	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

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

Other currencies

Type/Residual term	on demand	up to 3 months	from over 3 to 6 months	from over 6 months to 1 year	from over 1 year to 5 years	from over 5 to 10 years	over 10 years	Undetermined term
1. On-balance sheet assets	**-**	**-**	**-**	**-**	**-**	**-**	**25**	**-**
1.1 Debt securities	-	-	-	-	-	-	25	-
- with option of early redemption	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	25	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

2. Regulatory trading book: breakdown of equity share and share index exposure 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.

3. Regulatory trading book: internal models and other sensitivity analysis methods

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:
-3.88%/+4.49% on the brokerage margin;
+33.62%/-38.91% on the result for the year;
-1.22%/+1.41% on shareholders' equity.

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 various 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 total Own Funds.

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)

Total value

Type/Residual term	on demand	up to 3 months	from over 3 to 6 months	from over 6 months to 1 year	from over 1 year to 5 years	from over 5 to 10 years	over 10 years	Undetermined term
1. On-balance sheet assets	**19,616**	**22,600**	**1,380**	**273**	**1,983**	**28**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with option of early redemption	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	12,043	288	-	-	-	-	-	-
1.3 Loans to customers	7,573	22,312	1,380	273	1,983	28	-	-
- current accounts	4,114	22	182	115	116	18	-	-
- other loans	3,459	22,290	1,198	158	1,867	10	-	-
- with option of early redemption	-	-	-	-	-	-	-	-
- other	3,459	22,290	1,198	158	1,867	10	-	-
2. On-balance sheet liabilities	**32,767**	**5,317**	**8,348**	**12**	**3,054**	**-**	**-**	**-**
2.1 Trade payables	32,145	317	480	12	762	-	-	-
- current accounts	26,909	-	-	-	-	-	-	-
- other payables	5,236	317	480	12	762	-	-	-
- with option of early redemption	-	-	-	-	-	-	-	-
- other	5,236	317	480	12	762	-	-	-
2.2 Payables to banks	622	5,000	-	-	1,753	-	-	-
- current accounts	622	-	-	-	-	-	-	-
- other payables	-	5,000	-	-	1,753	-	-	-
2.3 Debt securities	-	-	7,868	-	539	-	-	-
- with option of early redemption	-	-	-	-	-	-	-	-
- other	-	-	7,868	-	539	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with option of early redemption	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet transactions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

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

EUROS

Type/Residual term	on demand	up to 3 months	from over 3 to 6 months	from over 6 months to 1 year	from over 1 year to 5 years	from over 5 to 10 years	over 10 years	Undetermined term
1. On-balance sheet assets	**19,309**	**22,600**	**1,380**	**273**	**1,983**	**28**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with option of early redemption	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	11,736	288	-	-	-	-	-	-
1.3 Loans to customers	7,573	22,312	1,380	273	1,983	28	-	-
- current accounts	4,114	22	182	115	116	18	-	-
- other loans	3,459	22,290	1,198	158	1,867	10	-	-
- with option of early redemption	-	-	-	-	-	-	-	-
- other	3,459	22,290	1,198	158	1,867	10	-	-
2. On-balance sheet liabilities	**32,593**	**5,317**	**8,348**	**12**	**3,054**	**-**	**-**	**-**
2.1 Trade payables	31,971	317	480	12	762	-	-	-
- current accounts	26,735	-	-	-	-	-	-	-
- other payables	5,236	317	480	12	762	-	-	-
- with option of early redemption	-	-	-	-	-	-	-	-
- other	5,236	317	480	12	762	-	-	-
2.2 Payables to banks	622	5,000	-	-	1,753	-	-	-
- current accounts	622	-	-	-	-	-	-	-
- other payables		5,000	-	-	1,753	-	-	-
2.3 Debt securities	-	-	7,868	-	539	-	-	-
- with option of early redemption	-	-	-	-	-	-	-	-
- other	-	-	7,868	-	539	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with option of early redemption	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet transactions	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

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

Other currencies

Type/Residual term	on demand	up to 3 months	from over 3 to 6 months	from over 6 months to 1 year	from over 1 year to 5 years	from over 5 to 10 years	over 10 years	Undetermined term
1. On-balance sheet assets	**307**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with option of early redemption	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	307	-	-	-	-	-	-	-
1.3 Loans to customers	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other loans	-	-	-	-	-	-	-	-
- with option of early redemption	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	**174**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Trade payables	174	-	-	-	-	-	-	-
- current accounts	174	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
- with option of early redemption	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Payables to banks	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with option of early redemption	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with option of early redemption	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet transactions	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

2. Banking book: internal models and other sensitivity analysis methods

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:

-34.46%/+3.11% on the interest margin;

88.66%/-8.00% on the result for the year;

-3.22%/+0.29% 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 2015 there were no outstanding foreign currency hedges.

Quantitative information

1. Breakdown by currency of assets, liabilities and derivatives
(€/000)

Items	Currencies					
	US Dollar	British Pound	Yen	Canadian Dollar	Swiss Frank	Other currencies
A. Financial assets	**332**	**-**	**-**	**-**	**-**	**-**
A.1 Debt securities	25	-	-	-	-	-
A.2 Equity shares	-	-	-	-	-	-
A.3 Loans to banks	307	-	-	-	-	-
A.4 Loans to customers	-	-	-	-	-	-
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**-**	**-**	**-**	**-**	**-**	**-**
C. Financial liabilities	**174**	**-**	**-**	**-**	**-**	**-**
C.1 Payables to banks	-	-	-	-	-	-
C.2 Trade payables	174	-	-	-	-	-
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	**332**	**-**	**-**	**-**	**-**	**-**
Total liabilities	**174**	**-**	**-**	**-**	**-**	**-**
Imbalance (+/-)	**158**	**-**	**-**	**-**	**-**	**-**

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.

During the current year an overall foreign exchange loss was incurred amounting to € 82 thousand, which is due to the impact of exchange rates fluctuations on trading commissions.

2.4. Derivative instruments

There were no items to be reported in the tables of this Section envisaged by Banca d'Italia Circular 262, 4th update of 15 December 2015.

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

Total of currencies

(€/000)

Items/Time frames	On demand	From over 1 day to 7 days	From over 7 to 15 days	From over 15 days to 1 month	From over 1 month to 3 months	From over 3 to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	Over 5 years	Undetermi-ned term
On-balance sheet assets	**16,387**	**62**	**678**	**730**	**3,456**	**1,839**	**4,901**	**22,295**	**9,939**	**288**
A.1 Government securities	-	-	-	-	-	11	11	2,001	600	-
A.2 Other debt securities	-	-	6	327	976	21	1,048	7,792	539	-
A.3 UCIT units	-	-	-	-	-	-	-	-	-	-
A.4 Loans	16,387	62	672	403	2,480	1,807	3,842	12,502	8,800	288
- Banks	12,070	-	-	-	-	-	-	-	-	288
- Customers	4,317	62	672	403	2,480	1,807	3,842	12,502	8,800	-
On-balance sheet liabilities	**28,823**	**798**	**392**	**181**	**5,216**	**9,396**	**1,942**	**3,212**	**-**	**-**
B.1 Deposits and current accounts	28,690	798	232	121	121	970	1,923	-	-	-
- Banks	622	-	-	-	-	-	-	-	-	-
- Customers	28,068	798	232	121	121	970	1,923	-	-	-
B.2 Debt securities	-	-	-	-	-	7,947	7	700	-	-
B.3 Other liabilities	133	-	160	60	5,095	479	12	2,512	-	-
“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 Loans and deposits to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to grant finance	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees granted	-	-	-	-	-	-	-	-	-	-
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 ***EUROS***

Items/Time frames	On demand	From over 1 day to 7 days	From over 7 to 15 days	From over 15 days to 1 month	From over 1 month to 3 months	From over 3 to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	Over 5 years	Undetermined term
On-balance sheet assets	**16,079**	**62**	**678**	**730**	**3,456**	**1,839**	**4,901**	**22,295**	**9,900**	**288**
A.1 Government securities	-	-	-	-	-	11	11	2,001	600	-
A.2 Other debt securities	-	-	6	327	976	21	1,048	7,792	500	-
A.3 UCIT units	-	-	-	-	-	-	-	-	-	-
A.4 Loans	16,079	62	672	403	2,480	1,807	3,842	12,502	8,800	288
- Banks	11,763	-	-	-	-	-	-	-	-	288
- Customers	4,316	62	672	403	2,480	1,807	3,842	12,502	8,800	-
On-balance sheet liabilities	**28,648**	**798**	**392**	**181**	**5,216**	**9,396**	**1,942**	**3,212**	**-**	**-**
B.1 Deposits	28,515	798	232	121	121	970	1,923	-	-	-
- Banks	622	-	-	-	-	-	-	-	-	-
- Customers	27,893	798	232	121	121	970	1,923	-	-	-
B.2 Debt securities	-	-	-	-	-	7,947	7	700	-	-
B.3 Other liabilities	133	-	160	60	5,095	479	12	2,512	-	-
"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 Loans and deposits to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to grant finance	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees granted	-	-	-	-	-	-	-	-	-	-
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 ***Other currencies***

Items/Time frames	On demand	From over 1 day to 7 days	From over 7 to 15 days	From over 15 days to 1 month	From over 1 month to 3 months	From over 3 to 6 months	From over 6 months to 1 year	From over 1 year to 5 years	Over 5 years	Unlimited term
On-balance sheet assets	**307**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**39**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	39	-
A.3 UCIT units	-	-	-	-	-	-	-	-	-	-
A.4 Loans	307	-	-	-	-	-	-	-	-	-
- Banks	307	-	-	-	-	-	-	-	-	-
- Customers	-	-	-	-	-	-	-	-	-	-
On-balance sheet liabilities	**174**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits	174	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	174	-	-	-	-	-	-	-	-	-
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 Loans and deposits to be received	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to grant finance	-	-	-	-	-	-	-	-	-	-
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees granted	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-

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 revenue.

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".

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.

With reference to significant legal disputes, disclosure is provided below on threatened and/or ongoing litigation with third parties as at the reporting date:

- 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 liabilities and charges 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.
- With reference to the writ of summons received upon application by a customer claiming the invalidity and unlawfulness of some financial transactions entered into with the Bank over the three year 2010-2013 period, the Naples court postponed the hearing for the examination of witnesses to 8 November 2016. It should be noted that, on the basis of the views expressed by our legal advisor, as at the reporting date the Bank had not recognized any provision in the financial statements as it is not possible to reliably estimate the potential liability.

Quantitative information

In order to calculate its capital requirement, the Bank adopts the Basic Indicator Approach provided for by the legislation. At 31 December 2015 the capital requirement was € 754 thousand (€ 882 thousand at 31 December 2014).

In 2015 there were no events resulting in operating losses.

Part F – Information on Equity

Section 1 – Corporate equity

A. Qualitative information

At 31 December 2015, equity totalled € 14,595 thousand.
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
(€/000)

Items/Values	Amount 2015	Amount 2014
1. Share capital	7,740	7,740
2. Share premium account	1,071	1,071
3. Reserves	6,435	6,388
- profit reserve	6,435	6,388
a) legal reserve	802	796
b) statutory reserve	-	-
c) treasury share reserve	-	-
d) other	5,633	5,592
- other	-	-
4. Capital instruments	-	-
5. (Treasury shares)	-	-
6. Valuation reserves:	-120	-125
- Financial assets available for sale	-	-
- Tangible assets	-	-
- Intangible assets	-	-
- Foreign investment hedging	-	-
- Cash flow hedging	-	-
- Exchange rate differences	-	-
- Non-current discontinuing operations	-	-
- Actuarial gains (losses) relating to defined benefits pension plans	-120	-125
- Shares of valuation reserves for subsidiaries carried at equity	-	-
- Special revaluation regulations	-	-
7. Profit (loss) for the year	-531	125
Total	**14,595**	**15,199**

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.

B.4 Valuation reserves relating to defined-benefit pension plans: year-on-year changes

(€/000)

	Amount 2015
1. Opening amount	**-125**
2. Positive changes	**-**
2.1 Actuarial gains relating to defined-benefit pension plans	-
2.2 Other changes	5
2.3 Business combinations	-
3. Negative changes	**-**
3.1 Actuarial losses relating to defined-benefit pension plans	-
3.2 Other changes	-
3.3 Business combinations	-
4. Closing inventories	**-120**

Section 2 – Own Funds and regulatory ratios

2.1 Own Funds

A. Qualitative information

The Own Funds and the regulatory ratios were calculated according to the provisions in force (Circular no. 285 and no. 286, both issued in 2013, and update of Circular no. 154 of 22 November 1991) issued by the Bank of Italy following the implementation of Directive 2013/36/EU (CRD IV) and Regulation (EU) 575/2013 (CRR) of 26 June 2013 implementing in the EU the standards defined by the Basel Committee on Banking Supervision (Basel 3 framework).
The Bank's own funds at 31 December 2015 amounted to € 14,423 thousand.

1. Common Equity Tier 1 - CET 1

The "Common Equity Tier 1 - CET1 before application of prudential filters", totalling € 14,595 thousand, includes the paid-in share capital (€ 7,740 thousand), the share premium reserve (€ 1,071 thousand), the legal reserve (€ 802 thousand) and other Retained earnings (€ 5,633 thousand). The item also includes the valuation reserve relating to employee severance indemnities (negative by € 120 thousand) determined in accordance with IAS 19.
The Bank did not hold any innovative capital instruments at the reporting date.
At 31 December 2015, the "the Common Equity Tier 1 - CET1 net of the positive / negative effects of the application of prudential filters (€ 13,000), of the items to be deducted (€ 477,000) and of the transitional arrangements (€ 318 000) amounted to € 14,423 thousand.

2. Additional Tier 1 - AT1

At 31 December 2015, there were no items of "Additional Tier 1- AT1" capital.

3. Tier 2 capital - T2

At 31 December 2015, there were no items of "Tier 2- T2" capital.
Accordingly, the total amount of Own Funds - equivalent to the CET1 item - amounted to € 14,423 thousand.

B. Quantitative information

(€/000)

	Total 2015	Total 2014
A. Common Equity Tier 1 - CET 1 prior to first-time application of prudential filters	**14,595**	**15,246**
of which CET1 instruments subject to transitional provisions	**-**	**-**
B. CET1 prudential filters (+/-)	**(13)**	**-**
C. CET1 before items to be deducted and the effects of the transitional arrangements (A+/- B)	**14,582**	**15,246**
D. Elements to be deducted from CET 1	**(477)**	**(33)**
E. Transitional arrangements - Impact on CET1 (+/-)	**318**	**-**
F. Total Common Equity Tier 1 - CET 1 (C - D +/- E)	**14,423**	**15,213**
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. Elements to be deducted from AT1	**-**	**-**
I. Transitional arrangements - Impact on AT1 (+/-)	**-**	**-**
L. Total Additional Tier 1 - AT (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. Elements to be deducted from T2	**-**	**-**
O. Transitional arrangements - Impact on T2 (+/-)	**-**	**-**
P. Total Tier 2 - T2 (M - N +/- O)	**-**	**-**
Q. Total own funds (F + L + P)	**14,423**	**15,213**

2.2 Capital adequacy

A. Qualitative Information

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, for the financial statements at 31 December 2015 - as established by the Bank of Italy pursuant to art. 53-bis, paragraph 1 of Legislative Decree No. 385/93 - for capital adequacy purposes the Bank is required to comply with specific capital requirements as defined at the outcome of the SREP, in addition to the minimum capital measures provided for in the current regulations; in detail:

- 7% for the CET1 ratio - which is the ratio of the Common Equity Tier 1 to total risk-weighted assets - inclusive of 2.5% by way of Capital Conservation Buffer; this ratio is binding to the extent of 6.6%;
- 8.8% for the Tier 1 Ratio, which is the ratio of the tier 1 capital to total risk-weighted assets;
- 11.8% 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 amount to 29.23%.
The sizeable capital of the Bank adequately covers the overall exposure to credit and counterparty risk, market risk and operational risk, with a capital surplus that at the balance sheet date amounted to € 10,476 thousand. Therefore, the bank's own funds are sufficient to support its investment plans as envisaged for by the Bank's management.
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 and in normal and stressed conditions.

C. Quantitative information

(€/000)

Categories	Unweighted amounts		Weighted amounts / requirements	
	2015	**2014**	**2015**	**2014**
A. RISK ASSETS				
A.1 Credit and counterparty risk	**62,011**	**62,742**	**29,013**	**30,738**
1. Standardised method	62,011	62,742	29,013	30,738
2. Internal-rating based method	-	-	-	-
2.1 Base	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisations	-	-	-	-
B. PRUDENTIAL CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			**2,321**	**2,459**
B.2 Risk of credit valuation adjustment			**-**	**-**
B.3 Settlement risk			**-**	**-**
B.4 Market risk			**872**	**206**
1. Standard method			872	206
2. Internal models			-	-
3. Concentration risk			-	-
B.5 Operational risk			**754**	**882**
1. Base method			754	882
2. Standardised method			-	-
3. Advanced method			-	-
B.6 Other elements of the calculation			**-**	**-**
B.7 Total prudential requirements			**3,947**	**3,547**
C. RISK ACTIVITY AND REGULATORY COEFFICIENTS				
C.1 Risk-weighted assets			49,338	44,338
C.2 Common Equity Tier 1 /Risk-weighted assets (CET1 capital ratio)			29.23%	34.31%
C.3 Tier 1 /Risk-weighted assets (Tier 1 capital ratio)			29.23%	34.31%
C.4 Total own funds /Risk-weighted assets (Total capital ratio)			29.23%	34.31%

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 (12.5%) of the minimum required ratio for credit risks; Item C.1 is determined by multiplying the total capital requirements (Item B0.7) by the reciprocal (12.5%) of the minimum required ratio for risks.

Part H – Transactions with Related Parties

1. *Information on the remuneration of managers with strategic responsibilities*

The 2015 emoluments pertaining to managers with strategic responsibilities, also including directors and members of the Board of statutory auditors, can be summarised as follows:

(€/000)

Overall remuneration paid to Directors	31.12.2015
- Salaries and other short-term benefits	335
- Post-employment benefits (social security, insurances, etc.)	3

(€/000)

Overall remuneration paid to Auditors	31.12.2015
- Salaries and other short-term benefits	36
- Post-employment benefits (social security, insurances, etc.)	3

(€/000)

Overall remuneration paid to Managers	31.12.2015
- Salaries and other short-term benefits	68
- Post-employment benefits (social security, insurances, etc.)	-
- Severance indemnity	-
- Other long-term benefits	-

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.

Transactions with related parties

(€/000)

	Assets	Liabilities	Guarantees granted	Guarantees received	Revenue	Costs
Directors and Managers	4	55	-	-	11	-
Auditors	-	8	-	-	-	-
Family members	-	50	-	-	-	-
Other related parties	-	12	-	-	-	-
Total	**4**	**125**	**-**	**-**	**11**	**-**

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.

Revenue and expenses corresponding to the disclosed assets and liabilities are not included in the table as they are below the minimum reportable figures.

Annexes

Audit Fees as per para. 1 no. 16bis article 2427 of the Italian Civil Code

In compliance with the provisions of article 2427 para. 1 no. 16bis of the Italian Civil Code, the contractually agreed fees for FY2015 with the auditing company Deloitte & Touche S.p.A. to audit the Bank's accounts and for the other services rendered to the Bank are broken down here below, net of VAT and expenses.

(€/000)

Type of service	Fees' amount
Audit of the Financial Statements	32
Checking proper keeping of accounting records and proper reporting of the operations	10
Limited audit of the interim accounts	9
Audit for the signing of tax returns / Certification to the national guarantee fund (FNG)	1
Check of accuracy of reported data in relation to targeted longer-term refinancing operations (TLTRO)	4

Public disclosure by state

As set forth by Bank of Italy Circular no. 285 of 17 December 2013 6th update - the information is published on the Bank's website at the following link www.bancapromos.it/it/documenti.

IAS/IFRS ratified by the European Commission at 31 December 2015

IAS/IFRS	RATIFYING REGULATION
IAS 1 Presentation of financial statements	1274/2008, 53/2009, 70/2009, 494/2009, 243/2010, 149/2011, 1205/2011, 475/12, 1254/12, 1255/12, 301/13
IAS 2 Inventories	1126/200, 1255/12
IAS 7 Statement of cash flows	1126/2008, 1274/2008, 70/2009, 494/2009, 243/2010, 1254/12
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	1126/2008, 1274/2008, 70/2009, 1255/12
IAS 10 Events after the reporting period	1126/2008, 1274/2008, 70/2009, 1142/2009, 1255/12
IAS 11 Construction Contracts	1126/2008, 1274/2008, 495/09, 475/12, 1254/12, 1255/12
IAS 12 Income taxes	1126/2008, 1274/2008, 495/2009, 475/12, 1254/12, 1255/12
IAS 16 Property, plant and equipment	1126/2008, 1274/2008, 70/2009, 495/2009, 1255/12, 301/13
IAS 17 Leases	1126/2008, 243/2010, 1255/12
IAS 18 Revenue	1126/2008, 69/2009, 1254/12, 1255/12
IAS 19 Employee Benefits	1126/2008, 1274/2008, 70/2009, 475/2012, 1255/12
IAS 20 Accounting for Government Grants and Disclosure of Government Assistance	1126/2008, 1274/2008, 70/2009, 475/12, 1255/12
IAS 21The Effects of Changes in Foreign Exchange Rates	1126/2008, 1274/2008, 69/2009, 494/2009, 149/2011, 475/12, 1254/12, 1255/12
IAS 23 Borrowing Costs	1260/2008, 70/2009
IAS 24 Related Party Disclosures	632/2010, , 475/12, 1254/12
IAS 26Accounting and Reporting by Retirement Benefit Plans	1126/2008
IAS 27 Consolidated and Separate Financial Statements	494/2009, 1254/12, 1174/13
IAS 28 Investments in Associates	1126/2008, 1274/2008, 70/2009, 494/2009, 495/2009, 149/2011, 1254/12

IAS 29 Financial Reporting in Hyperinflationary Economies	1126/2008, 1274/2008, 70/2009
IAS 31 Interests in Joint Ventures	1126/2008, 70/2009, 494/2009, 149/2011, 1255/12
IAS 32 Financial instruments: presentation	1126/2008, 1274/2008, 53/2009, 70/2009, 495/2009, 1293/2009, 49/2011, 475/12, 1254/12, 1255/12, 1256/12, 301/13
IAS 33 Earnings per Share	1126/2008, 1274/2008, 495/2009, 475/12, 1254/12, 1255/12
IAS 34 Interim Financial Reporting	1126/2008, 1274/2008, 70/2009, 495/2009, 149/2011, 475/12, 1255/12, 301/13
IAS 36 Impairment of Assets	1126/2008, 1274/2008, 69/2009, 70/2009, 495/2009, 243/2010, 1254/12, 1255/12, 1354/2013
IAS 37 Provisions, Contingent Liabilities and Contingent Assets	1126/2008, 1274/2008, 495/2009
IAS 38 Intangible Assets	1126/2008, 1274/2008, 70/2009, 495/2009, 243/2010, 1254/12, 1255/12
IAS 39 Financial Instruments: Recognition and Measurement	1126/2008, 1274/2008, 53/2009, 70/2009, 494/2009, 495/2009, 824/2009, 839/2009, 1171/2009, 243/2010, 149/2011, 1254/12, 1255/12, 1355/2013
IAS 40 Investment Property	1126/2008, 1274/2008, 70/2009, 1255/12
IAS 41 Agriculture	1126/2008, 1274/2008, 70/2009, 1255/12
IFRS 1 First-time Adoption of International Financial Reporting Standards	1126/2009, 1164/2009, 550/2010, 574/2010, 662/2010, 149/2011, 475/12, 1254/12, 1255/12, 183/2013, 301/13, 313/13
IFRS 2 Share-Based Payment	1126/2008, 1261/2008, 495/2009, 243/2010, 244/2010, 1254/12, 1255/12
IFRS 3 Business Combinations	495/2009, 149/2011, 1254/12, 1255/12
IFRS 4 Insurance Contracts	1126/2008, 1274/2008, 1165/2009, 1255/12
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations	1126/2008, 1274/2008, 70/2009, 494/2009, 1142/2009, 243/2010, 475/12, 1254/12, 1255/12
IFRS 6 Exploration for and Evaluation of Mineral Assets	1126/2008
IFRS 7 Financial Instruments: Disclosures	1126/2008, 1274/2008, 53/2009, 70/2009, 495/2009, 824/2009, 1165/2009, 574/2010, 149/2011, 1205/2011, 475/12, 1254/12, 1255/12, 1256/12
IFRS 8 Operating Segments	1126/2008, 1274/2008, 243/2010, 632/2010, 475/12

IFRS 10 Consolidated Financial Statements	1254/2012, 1174/2013
IFRS 11 Joint Arrangements	1254/2012
IFRS 12 Disclosure of Interests in Other Entities	1254/2012, 1174/2013
IFRS 13	1255/12
SIC 7 Introduction of the Euro	1126/2008, 1274/2008, 494/2009
SIC 10 Government Assistance – No Specific Relation to Operating Activities	1126/2008, 1274/2008
SIC 12 Consolidation – Special Purpose Entities	1126/2008
SIC 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers	1126/2008, 1274/2008
SIC 15 Operating Leases - Incentives	1126/2008, 1274/2008
SIC 21 Income Taxes – Recovery of Revalued Non-Depreciable Assets i	1126/2008
SIC 25 Income Taxes – Changes in the Tax Status of an Enterprise or its Shareholders	1126/2008, 1274/2008
SIC 27 Evaluating the Substance of Transactions in the Legal Form of a Lease	1126/2008
SIC 29 Disclosure – Service Concession Arrangements	1126/2008, 1274/2008, 70/2009
SIC 31 Revenue – Barter Transactions Involving Advertising Services	1126/2008
SIC 32 Intangible Assets – Web Site Costs	1126/2008, 1274/2008
IFRIC 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities	1126/2008, 1274/2008
IFRIC 2 Members' Shares in Co-operative Entities and Similar Instruments	1126/2008, 53/2009, 1255/12, 301/13
IFRIC 4 Determining Whether an Arrangement Contains a Lease	1126/2008, 70/2009, 1126/08, 70/09, 1255/12
IFRIC 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1126/2008, 1254/12
IFRIC 6 Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1126/2008
IFRIC 7 Applying the Restatement Approach under IAS 29 - Financial Reporting in Hyperinflationary Economies	1126/2008, 1274/2008

IFRIC 9 Reassessment of Embedded Derivatives	1126/2008, 495/2009, 1171/2009, 243/2010, 1254/12
IFRIC 10 Interim Financial Reporting and Impairment	1126/2008, 1274/2008
IFRIC 12 Service Concession Agreements	254/2009
IFRIC 13 Customer Loyalty Programmes	1262/2008, 149/2011, 1255/12
IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1263/2008, 1274/2008, 633/2010, 475/12
IFRIC 15 Agreements for Construction of Real Estate	636/2009
IFRIC 16 Hedges of a Net Investment in a Foreign Operation	460/2009, 243/2010, 1254/12
IFRIC 17 Distribution of Non-Cash Assets to Owners	1142/2009, 1254/12, 1255/12
IFRIC 18 Transfers of Assets from Customers	1164/2009
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	662/2010, 1255/12
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	1255/12