



Financial Statements 2016

133rd fiscal year

Financial Statements as at 31 December 2016

**Approved by the Ordinary Shareholders' Meeting held
6 May 2017**



**ENTE
CAMBIANO** SCPA

Società Capogruppo - Gruppo Bancario Cambiano

denominated up until 31 December 2016



**BANCA
DI CREDITO COOPERATIVO
DI CAMBIANO**



ENTE CAMBIANO SOCIETÀ COOPERATIVA PER AZIONI

previously denominated

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

Registered Office and General Administration: 50051 Castelfiorentino (Firenze) - Piazza Giovanni XXIII, 6

Registered with the Company Register of Florence at n. 00657440483

Fiscal code and VAT n. 00657440483

Administrative Economic Index (R.E.A.) of Florence n. 196037

Registered with the Register of Traditional Cooperatives ("*a mutualità prevalente*") at n. A161000

Parent Company of the Gruppo Bancario Cambiano

Registered with the Register of Banking Groups at n. 238

Bank of Italy mechanized processing code n. 20067



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Administrative, control and general management bodies

Board of Directors

Chairman	<i>Paolo Regini</i>
Vice Chairman	<i>Enzo Anselmi</i>
Director	<i>Mauro Bagni</i>
Director	<i>Enzo Bini</i>
Director	<i>Mario Gozzi</i>
Director	<i>Renzo Maltinti</i>
Director	<i>Paolo Profeti</i>
Director	<i>Francesco Bosio</i> <i>(in office as of 1st January 2017)</i>
Director	<i>Giorgio Brunelli</i> <i>(in office as of 1st January 2017)</i>

Board of Statutory Auditors

Chairman	<i>Stefano Sanna</i>
Acting auditor	<i>Edoardo Catelani</i>
Acting auditor	<i>Rita Ripamonti</i>
Alternate auditor	<i>Elena Gori</i>
Alternate auditor	<i>Angela Orlandi</i>

Board of Internal Arbitrators *(in office up to 31 December 2016)*

Chairman	<i>Luciano Giomi</i>
Acting member	<i>Fausto Falorni</i>
Acting member	<i>Giuliano Lastraioli</i>
Alternate member	<i>Paolo Papini</i>
Alternate member	<i>Lisa Vasconi</i>

General Managers

Managing Director	<i>Francesco Bosio</i> <i>(in office up to 31 December 2016)</i>
Managing Director	<i>Ennio Furesi</i> <i>(in office as of 1 January 2017)</i>
Deputy Managing Director	<i>Giuliano Simoncini</i> <i>(in office up to 31 December 2016)</i>

Independent Auditor

Baker Tilly Revisa S.p.A.



Notice of the Shareholders' Meeting

(Official Gazette of the Republic of Italy – Second Section - n. 41 issued 6 April 2017)

ENTE CAMBIANO SOCIETÀ COOPERATIVA PER AZIONI

Registered with the Register of Mutual Aid Cooperatives at A161000

Parent Company of the Gruppo Bancario Cambiano

Registered with the Register of Banking Groups at n. 20067

Registered offices: piazza Giovanni XXIII n. 6 - 50051 Castelfiorentino (FI), Italy

Register of Companies: Florence 00657440483 – Administrative Economic Index (R.E.A.):

Florence 196037 – Fiscal code: 00657440483 – Vat number: 00657440483

Notice of Shareholders' Meeting

The shareholders are hereby given notice of a Shareholders' Meeting to be held at first calling on 28 April 2017 at 1:00 pm at the corporate offices and, if necessary, at second calling on 6 May 2017, at 4:00 pm, at the Auditorium of the State Institute for Higher Education «F. Enriques» located in Castelfiorentino, via Duca d'Aosta n. 65, to discuss and vote on the following agenda:

- 1) Presentation of fiscal year Financial Statements of the Banca di Credito Cooperativo di Cambiano as at 31 December 2016; Director's Report on Operations; Report of the Board of Statutory Auditors and the Report of the Independent Auditor. Proposal for the distribution of fiscal year profits. Resolutions pertaining thereto and resulting there from;
- 2) Determination of the share premium to be paid by new shareholders in accordance with Article 21 of the articles of association;
- 3) Information on remuneration policies in accordance with Article 26(1), n. 9 and 10, of the articles of association;
- 4) Information regarding registration in the Register of Mutual Aid Cooperatives ("*a mutualità prevalente*").

In accordance with Article 24 of the articles of association, shareholders are entitled to participate in and vote at the Shareholders' Meeting provided they have been recorded in the shareholders' register for at least ninety days.

Castelfiorentino, 31 March 2017

Signed for the Board of Directors

The Chairman

Paolo Regini



Schedules to the financial statements

	Asset line items	2016	2015
10	Cash and cash balances	10,419,842	10,689,825
20	Financial assets held for trading	57,645,960	694,970
30	Financial assets measured at fair value	-	-
40	Financial assets available for sale	631,706,459	1,304,537,115
50	Financial assets held through maturity	-	-
60	Receivables from banks	171,494,742	216,561,308
70	Receivables from customers	2,136,866,011	2,009,908,372
80	Hedges	236,761	1,376,992
90	Adjustment of value of generic hedges for financial assets (+/-)	-	-
100	Equity investments	25,573,381	19,621,818
110	Property, plant and equipment	65,841,410	65,186,100
120	Intangible assets	2,504,246	2,267,099
	<i>of which:</i>		
	- goodwill	2,100,000	2,100,000
130	Tax receivables	33,479,266	30,785,219
	a) current	12,440,647	9,349,208
	b) pre-paid	21,038,619	21,436,010
	Noncurrent assets and groups of assets in the course of divestment	19,709,583	20,755,974
140	Other assets	-	-
150	Tax receivables	48,996,206	43,422,208
	Total assets	3,184,764,285	3,705,051,026



	Liability line items and Shareholders' Equity	2016	2015
10	Payables to banks	488,534,471	484,257,938
20	Payables to customers	1,981,003,632	2,267,390,500
30	Outstanding securities	348,528,372	532,751,581
40	Financial liabilities from trading	-	-
50	Financial liabilities measured at fair value	-	-
60	Hedges	427,147	499,523
70	Adjustment of value of generic hedges for financial liabilities (+/-)	-	-
80	Tax liabilities	3,503,753	3,583,364
	<i>a) current</i>	-	-
	<i>b) deferred</i>	3,503,753	3,583,364
90	Liabilities associated with assets in the course of divestment	-	-
100	Other liabilities	84,849,147	140,987,855
110	Employee severance pay	3,579,535	3,625,427
120	Risk and expense funds	479,323	911,141
	<i>a) pensions and similar commitments</i>	-	-
	<i>b) other funds</i>	479,323	911,141
130	Valuation reserves	12,367,554	13,684,553
140	Redeemable shares	-	-
150	Equity instruments	-	-
160	Reserves	251,964,891	247,700,771
170	Premiums on issue of new shares	562,291	582,455
180	Share capital	3,864,168	4,075,920
190	Treasury shares (-)	-	-
200	Fiscal year profit (loss) (+/-)	5,100,000	5,000,000
	Total Liabilities and Shareholders' Equity	3,184,764,285	3,705,051,026



	Income statement	2016	2015
10	Earned interest and similar income	62,123,279	72,831,558
20	Interest payable and similar expenses	(21,085,883)	(34,362,684)
30	Interest income	41,037,396	38,468,874
40	Commission income	23,097,192	22,611,457
50	Commission expenses	(1,662,522)	(1,533,263)
60	Net commissions	21,434,670	21,078,195
70	Dividends and similar income	1,887	619
80	Net trading result	2,021,615	1,641,384
90	Net hedging result	(97,474)	2,890
100	Gains (losses) from the disposal or repurchase of:	8,398,629	31,034,124
	<i>a) receivables</i>	-	-
	<i>b) financial assets available for sale</i>	8,334,084	30,964,236
	<i>c) financial assets held through maturity</i>	-	-
	<i>d) financial liabilities</i>	64,545	69,888
110	Net income of financial assets and liabilities measured at fair value	-	-
120	Operating income	72,796,723	92,226,086
130	Net adjustments/write-backs of value due to impairment of:	(14,433,281)	(36,719,122)
	<i>a) receivables</i>	(14,441,667)	(35,259,929)
	<i>b) financial assets available for sale</i>	-	-
	<i>c) financial assets held through maturity</i>	-	-
	<i>d) other financial operations</i>	8,385	(1,459,194)
140	Net income from financial assets	58,363,442	55,506,964
150	Administrative costs:	(53,719,286)	(50,084,552)
	<i>a) personnel costs;</i>	(24,919,753)	(23,029,377)
	<i>b) other administrative costs</i>	(28,799,533)	(27,055,175)
160	Net allocations to risk and expense funds	(3,394)	-
170	Net adjustments/write-backs of value to property, plant and equipment	(3,180,029)	(3,060,669)
180	Net adjustments/write-backs of value to intangible assets	(88,812)	(84,217)
190	Other operating costs/income	3,662,757	2,738,603
200	Operating costs	53,328,763	50,490,835
210	Profit (loss) from equity investments	199,911	645,017
220	Net result of the fair value measurement of property, plant and equipment and intangible assets	-	-
230	Adjustments to value of goodwill	-	-
240	Gains (losses) from the disposal of investments	-	8,210
250	Gains (losses) from current operations before tax	5,234,589	5,669,355
260	Fiscal year income taxes on current operations	(134,589)	(669,355)
270	Profit (loss) from current operations after tax	5,100,000	5,000,000
280	Gains (losses) from groups of assets in the course of divestment after tax	-	-
290	Fiscal year profit (loss)	5,100,000	5,000,000



Schedule of overall profitability

	Line items	2016	2015
10	Fiscal year profit (loss)	5,100,000	5,000,000
	Other income components net of tax without reversal to income statement		
20	Property, plant and equipment	-	-
30	Intangible assets	-	-
40	Defined benefit assets	(15,055)	154,365
50	Noncurrent assets in course of divestment	-	-
60	Share of valuation reserves of equity investments measured on basis of shareholders' equity	-	-
	Total other income components net of tax without reversal to income statement		
70	Hedging foreign investments	-	-
80	Exchange rate differences	-	-
90	Hedging cash flows	-	-
100	Financial assets available for sale	(1,301,954)	(13,714,584)
110	Noncurrent assets in course of divestment	-	-
120	Share of valuation reserves of equity investments measured on basis of shareholders' equity	-	(3,191,158)
130	Total other income components net of tax	(1,316,999)	(16,751,378)
140	Overall profitability (Line item 10 + 130)	3,783,001	(11,751,378)



Report on Management

*Desertum fecerunt et pacem appellaverunt
(Tacito, Agricola, 30)*

Dear Shareholders,

The year 2016 also came to a close at the mercy of an unprecedented crisis that is putting the Italian production and financial fabric to the test.

The global economic context has remained substantially unvaried with respect to 2015, with a global growth rate around 3%, and a slight slowdown in international trade. The main central banks of industrialized countries have continued to adopt expansive monetary policies in the face of domestic inflation rates that have remained under control.

The monetary policy of the ECB, which became more expansive starting March 2016 thanks to the implementation of enhanced *Quantitative Easing* measures, helped relieve concerns regarding deflation. In Italy, following a long recessive stage, the most recent statistical surveys confirm a recovery underway.

Within this difficult context, your Bank was able to continue to confirm positive results, drawing strength from its credibility and social legitimacy, acknowledged by its customers, thanks to the Bank's long-established integrity, transparency and absolute uprightness in business activities. The economic results are 5.1 million euro, in spite of the absorption of extraordinary charges equal to 3,831,187 euro in support of banks facing crisis situations. The results qualify as even more positive in that, in addition to having borne the aforementioned charges, they were achieved in an extremely difficult economic and financial context, in which businesses carry on amongst thousands of difficulties and aggravated risk scenarios that are in turn reflected within the financial statements of the banks that are an integral part of the system and share in the resulting credit risk, and this cannot be interpreted in an idiosyncratic manner, or at least not wholly so, in respect of honest and upright management methods, far from the *mala gestio*.

In Italy the economy is recovering, albeit in a moderate manner. In the face of a reduction in world trade, which has slowed down exports, the positive evolution of the main aggregates of domestic demand, consumption and investments have sustained growth.

Based on the most recent data from ISTAT (Italian National Statistics Institute), over the whole of 2016 the GDP grew by 1% (+0.7% in 2015). This is the second year of growth after 3 consecutive years of decrease. Both passed and expected growth results are absolutely meager if compared to the losses incurred during the crisis. That which is in fact a recovery in technical terms is not yet so in terms of substance, to the extent that the sensation of a decline seems to continue to prevail, both within large part of the production sector and in the generalized perception of families. The drop in profits and equity stock that has taken place over the last years is, after all, a concrete fact, and not only a mere perception on the part of economic operators. After all, the intensity of the economic consequences of the crisis is such as to require various years of growth before there will be the clear perception of an improvement of the economic context.

Although there is not as yet cognizance of the positive effects of the new cycle, it is nonetheless a fact that the recovery underway seems to be continuing.

1. Summary of results

If there is one factor that differentiates and characterizes the profile of banks – aside from their size, the specificity of management policies, or the vastness of the territories served – that factor is most certainly to be found in the approach towards and in the style of relations with customers: that is to say, their “manner of banking, of being a bank”, acting according to behavioral models that are at the basis of company culture and reflect the true nature of the bank, that is felt by customers in a direct manner. The model that we identify with – that is first and foremost a mindset – is that of “bank in the territory”: an attachment to work and savings ethics; the awareness and responsibility of being an integral part of local communities; the desire to contribute to their economic and social development, by fulfilling our duties to the best of our capacities and as efficiently



as possible. Keeping respect for the local area and experiencing the territory as an ensemble entity with respect to viewing it as a mere geographical space, these are the values that are at the very basis of our entire business. There are strong values capable of turning themselves into a wealth of knowledge with respect to the disconnection from the local territory resulting from globalization and laid as the basis of the business activities of many banks, in spite of the attractive advertising communications that soon prove themselves to be nothing but images without real content, which contribute to increasing social disfavor towards the banking system on the part of a large part of the market.

Albeit with the strict limits imposed by risk profiles and a credit demand in net downturn, company management was centered on credit intermediation. Favored by adequate share equity, families and small/medium businesses remained the main target, aiming at maximum splitting by borrowers and sector economic diversification. The salient features of the management method, which is substantially savings collection and loans, underscore how the entire structure is committed to the mission that typifies our Bank: that of earning the trust of our depositors and favoring credit to those who deserve to be trusted. In addition to the traditional deposit and lending activities, the same commitment was exercised in developing the entire services area, an increasingly significant component also in terms of forming the intermediation margin, nonetheless confirming an extreme aversion to establishing relationships based on the short-term. Hence, through an accurate selection among specialized counter-parties, and in compliance with the Strategic Plan, important agreements have been perfected for the distribution of third party products, with particular focus on the insurance sector and the investment services sector.

SUMMARY OF RESULTS				
(in thousands of euro)	2016	2015	Absolute Var.	Var. %
Capital data				
Receivables from customers	2,136,866	2,009,908	126,958	6.32%
Receivables from banks	171,495	216,561	-45,067	-20.81%
Financial assets	631,707	1,305,537	-672,831	-51.58%
Equity investments	25,573	19,622	5,952	30.33%
Total assets	3,184,764	3,705,051	-520,287	-14.04%
Direct deposits from customers	2,329,532	2,800,142	-470,610	-16.81%
Indirect funding from customers	433,701	278,579	155,122	55.68%
Shareholders' equity (excluding fiscal year profits)	268,759	266,044	2,715	1.02%
Economic data				
Interest income	41,037	38,469	2,569	6.68%
Operating income	72,797	92,226	-19,429	-21.07%
Net income from financial assets	58,363	55,507	2,856	5.15%
Result of operating management	5,235	5,669	-435	-7.67%
Net value adjustments for impairment of loans	14,442	35,260	-20,818	-59.04%
Fiscal year profit	5,100	5,000	100	2.00%
Other information				
Number of branches	39	38	1	

2. Local economic situation

The economic recovery in Tuscany continued during the first half of 2016 (data from "The economic situation in Tuscany at the end of 2016", *Unioncamere Toscana*), although at a modest rate. The overall industrial sales turnover has grown, particularly in terms of foreign sales. Exports increased slightly less as compared to 2015, due to the deceleration of some economies outside the eurozone that are traditional markets for important specialized regional products. Weak prospects in terms of market demand have led to a new drop in investments, following the recovery registered in the 2014-15 two year period, despite the further drop in the cost of credit. In the construction sector, activity levels remained very contained; residential property sales sent out positive signals, benefitting from favorable mortgage granting conditions. Sales turnover in the non-financial private services sector was substantially stable. Sales of consumer durables continued to rise in the commercial sector; the presence of tourists also increased, both Italian and foreign.



Employment increased in the industrial sector and, to a lesser extent, in the services sector, while it once again dropped in the construction sector. A significant decrease of inactive workers was recorded, with a consequent increase of the labor force. The unemployment rate rose slightly.

Funding to the economy increased at a moderate rate, thanks to the household component, while the business component remained substantially stable. Due to practically unvaried conditions for access to financial credit, the demand from households was substantially aimed at mortgages and consumer credit, and demand from businesses regarded mostly financing for working capital. The principle risk indicators nevertheless showed signs of improvement. Total deteriorated loans with respect to total overall loans remains however at historically high levels, especially for businesses. Bank deposits continued to grow.

Businesses expect that over the next months sales turnover and employment should increase, as should investments, although uncertainty and caution regarding this scenario are still high. On the credit market, the loan demand should expand in the face of stable conditions for loan offers.

As regards the banking sector, during 2016 the quality of credit of Italian banks has benefitted from the timid and as yet uncertain improvement of the economic scenario. The government authorized the financing of possible granting of guarantees or capital strengthening in favor of Italian banking groups; the precautionary recapitalization requested by Banca Monte dei Paschi di Siena will continue, in observance of the European framework for bank crisis recovery and resolution and government aid.

In 2016, the dynamics of funding were, on the whole, weak; during the last months of the year a small expansion was registered in loans to private, non-financial corporations, including an increase in loans to businesses; nevertheless, growth remains modest and limited to some sectors and industries. Lending to families registered an especially positive annual variation (+1.5%). As regards the technical forms of lending, personal loans, financing against salaries and financing through credit card continued to grow, supported by the positive trend of available profits, as well as home mortgages loans (+1.4% at the end of the third quarter of the year), in line with the further growth in property sales.

In the closing months of the year, the trend of loans to corporations was marginally positive (a slight growth on a quarterly basis). Differences associated to the business sector remain: lending to service companies and the consumer trade sector registered a moderate recovery; loans to manufacturing companies decreased slightly; the contraction in loans to construction companies further increased. Lending to companies with 20 or more employees on staff was substantially stagnant, while the drop in financing to smaller companies recovered somewhat. Between August and November, overall funding for Italian banks basically remained stationary; the increase in deposits by residents and increased recourse to refinancing operations in the Eurosystem compensated for the drop in Securities held by families. The contraction in bonds placed with intermediaries and investment institutes continued.

Banks contacted for the quarterly eurozone Bank Lending Survey reported lending policies that are substantially stable in 2016.

The surveys carried on businesses out in December by ISTAT and Bank of Italy in collaboration with the financial paper *Il Sole 24 Ore* also reported substantially stable credit granting conditions, albeit with differentiated trends for businesses in different categories. The cost of credit is at a minimum as compared to historic levels.

In December 2016, interest rates on lending in the month to families for home purchase purposes, comprehensive of all accessory charges, were equal to 2.32%; rates on new consumer credit transactions dropped to 7.64%. Interest rates on new loans to non-financial corporations were equal to 1.54% (1.56% in the previous month); rates on imports up to 1 million euro were equal to 2.27% and those on imports above this threshold were at 1.12%. Deposit rates on overall existing deposits remained stationary.

The slight improvement of the economic outlook reflected favorably on the quality of credit of Italian banks. In the third quarter of 2016, the flow of new, non-performing loans on total lending for the year, net of seasonal factors dropped by three decimal points (to 2.6%). The indicator decreased by four tenths for loans to businesses (at 4.1%) and two for loans to families (at 1.7%).

As regards income components of the banking industry, in the first nine months of 2016, the income of major banking groups diminished as compared to the same period of the previous year: the return on equity and on reserves (ROE) on an annual basis dropped to 1.4 % (from 3.8% at the end of 2015). Both interest income and other income decreased. Operating expenses increased, primarily due to extraordinary charges connected to voluntary redundancy incentive plans and contributions to deposit guaranty funds and resolution funds.



Operating results decreased by about one fifth. Value adjustments on loans increased by 20.6%, following a significant increase of coverage rates for non-performing loans by some intermediaries.

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

As regards the annual report on the mutuality nature of the cooperative, before illustrating the most significant results for the year in review, in compliance with article 2528 of the Italian Civil Code, information regarding the management criteria adopted to reach statutory aims, in conformity with the prevalently mutualistic and cooperative nature of the Company is provided below. During 2015, the Board of Directors continued its efforts to consolidate the “local” character of our Bank, reinforcing relations with local communities and proximity to Shareholders and customers, elements that qualify our specific corporate mission and that are considered determining strategic factors for an appropriate market monitoring. The requirements of prevalent mutuality for cooperative credit banks subject to vigilance and biannual review with a specific cooperative Vigilance activity with particular focus with respect to compliance to the Statute with mutualistic requirements, to compliance with the principles and effectiveness of mutualistic exchange, to the correct management of the Shareholders’ Register, to participation of Shareholders in the social life and mutualistic attitude, as well as compliance with legal requirements as regards the destination of the year’s profit. The provisions of article 11 of Law 59/1992 regarding the destination to the national Fund for the development of cooperation of a share equal to 3.00% of the year’s profits were complied with; the amount of dividends was established within the limits provided for by current laws.

Now we will illustrate the motivations behind resolutions made regarding the admission of new shareholders, in compliance with article 2528 of the Italian Civil Code and of the Articles of Association.

Specifically, please note that: on 31 December 2016 the body of shareholders was composed by 2,947 members, with a total share capital of 3,864.168.00 euro; the share capital at 31 December 2015 amounted to 4,075,920.00, registering a decrease of 211,752.00, equal to -5.20%.

Our Bank’s fundamental objective is to organize and implement all those activities that permit Shareholder participation and, for this purpose, numerous institutional and informal initiatives have been promoted, involving the majority of our shareholders. Appropriate communication methods were also implemented, in order to provide correct information for informed participation in the Bank’s activities.

Various important charitable, socially useful and culturally useful initiatives were also carried out in the Bank’s territory of competence, from funds assigned by the Shareholders’ Meeting to charitable and mutual aid initiatives. The Bank provided significant sponsorship and promotional support for activities aimed at enhancing the value of the territory of reference, including various sport, cultural and recreational events, supporting a variety of projects for youths, particularly in favor of associations in the territory of reference involved in sports activities for children and youths, in favor of schools to help purchase equipment and implement scholastic projects, of associations aiding the elderly, providing healthcare services, and social-oriented associations in general. The Bank also supported interventions promoted by the principal local Associations and Bodies, including many of the most important events organized locally. The over expense bourn by the Bank for sponsorship, publicity and charity in 2016 amount to 1,712,012.06 euro.

A line of management has been implemented regarding the type of interventions in question, aimed at rationalizing concessions, also in light of the significant reduction of disposable funds on the part of many banking foundations previously active in this sector, necessarily concentrating resources on initiatives with a high social value (new poverty, social emergencies), in compliance with ethical and transparency values, while attempting to keep marginal activities nonetheless active. The above underscores that all the social activity has been essentially aimed a benefitting the local community and their base components.

4. Management trend and dynamics of the principal aggregates

Direct deposits, indirect funding, overall deposits

Overall, direct deposits registered a good trend, although marked by a variation in composition.

ECONOMIC LENDING ORDINARY CUSTOMERS	2016	2015	2016/2015 Variation	2016/2015 % Variation
Effective economic lending	2,157,877,432	2,246,937,751	-89,060,319	-3.96%



Managed and administered deposits and insurance products	433,700,793	278,578,805	155,121,988	55.68%
Totals	2,591,578,225	2,525,516,556	66,061,669	2.62%

The increase of current accounts compensated the stasis or decrease of other components. Term to maturity of investments registered a marked trend towards the short-term.

The Bank's direct deposits are entered into the financial statements at line items 20 (Payable to customers) and 30 (Outstanding securities) and amount to 2,330.00 million, decreasing by 471 million (-16.81%). In compliance with regulatory provisions, the value for the aforementioned line items also include components and operations with counterparties that cannot be qualified as ordinary customers, such as the Clearinghouse Guaranty Fund and the Deposits and Loans Fund.

The table shows company data in detail.

TOTAL LENDING – DATA COMPARISON 2016/2015				
Type of transaction/values	2016	2015	2016/2015 Variation	2016/2015 % Variation
1. Bank accounts and demand deposits	1,520,677,734	1,471,454,866	49,222,868	3.35%
2. Deposits	59,188,804	59,227,401	-38,596	-0.07%
3. Time Deposits / Bills	229,482,521	181,282,552	48,199,969	26.59%
4. Repurchase agreements	0	2,221,352	-2,221,532	-100.00%
5. Deposit certificates	2,455,469	4,642,735	-2,187,267	-47.11%
6. Securities	346,072,904	528,108,846	-182,035,942	-34.47%
Total lending	2,157,877,432	2,246,937,751	-89,060,319	-3.96%
7. Repo with Clearinghouse and Guaranty Fund	129,624,381	501,628,247	-372,003,866	-74.16%
8. Funding from Deposit and Loans Fund	42,030,191	51,576,082	-9,545,891	-18.51%
Total other lending	171,654,573	553,204,329	-381,549,757	-68.97%
Total (balance sheet value)	2,329,532,005	2,800,142,081	-470,610,076	-16.81%

Type of operations/values	2016	2015	2016/2015 Variation	2016/2015 % Variation
1. Administered deposits	169,974,253	164,328,736	5,645,517	3.44%
2. Managed deposits	39,985,624	27,608,197	12,377,427	44.83%
3. Insurance sector	223,740,916	86,641,872	137,099,044	158.24%
Totals	433,700,793	278,578,805	155,121,988	55.68%

The increase in indirect funding, especially managed deposits and insurance products (the latter registered an increase of approximately 150 million euro), was a result of a determined activity carried out due to the market context.

In compliance with the Bank's risk aversion policy, and considering that that our customers have a medium-low risk propensity, the Bank's decision was to offer products that included among the main features that of not being sensitive to rate trends, of having guaranteed capital, and interesting but "only" positive yields: hence the significant increase with Branch I type insurance products, which, in the long run, was the natural switch from securities and government bonds to less sensitive investment types.

Furthermore, our focus on customers, our drive towards innovation, our attention to investment strategies and our knowledge of International markets, have lead our Bank to increase partnering with leading international Professional Asset Management Groups: F. Templeton, Jp Morgan, E. Rothschild, Shroders, M&G, Natixis, Pimco, Lombard Odier, Anima, Arca, Ubi Pramerica, and last but not least our own Gp Plus: the Asset Management that combines innovation with experience in a team of investment experts, fruit of the collaboration between INVEST BANCA and BlackRock IShares.

During this period of widespread difficulties and uncertainties, our financial counseling activity aimed at providing customers with greater security and less doubts, with not only technical information but also cognitive and relational information, has also covered a markedly social function.



Direct, administered and managed deposits and insurance products registered a value of 2,591,578,225 euro, as compared to 2,525,516,556 euro in 2015, with an increase of 66,061,669 euro, equal to 2.62%.

Lending to customers

Uncertainty regarding economic prospects is forcing businesses and families in a “standby” position, the fall in credit applications for new initiatives confirms this position, but the Bank continues to maintain credit concession activities aimed at supporting and protecting the stability of local the production system. A management decision pursued by means of adequate products, services and conditions and with organizational and decision-making processes correlated to market requirements and to controlling the risk levels connected to credit activities.

At the end of December, receivables from customers net of doubtful loans amounted to 2,137 million, a 6.32% increase, equal to 126.9 million as compared to 2015 values. This increase was greater than that of the overall banking system (+0.4%; source, International Bankers’ Association). The effective increase, filtered of the component constituted by Poste Italiane S.p.a. (post accounts), the Clearinghouse and Guaranty Fund and the special purpose vehicle society for the securitization transaction, counterparties that cannot be considered businesses or families, was equal to 138.9 million, or 6.99%.

Details are indicated in the table below.

EFFECTIVE ECONOMIC LENDING - 2016/2015 DATA COMPARISON				
Type of operations/values	2016	2015	2016/2015 Variation	2016/2015 % Variation
1. Bank accounts	470,232,032	479,161,439	-8,929,407	-1.86%
2. Mortgage loans and financing	1,381,635,077	1,218,594,868	163,040,208	13.38%
3. Portfolio	1,689,466	1,808,527	-119,061	-6.58%
4. Securitized mortgage loans	0	0	0	0
5. Self-securitized mortgage loans	110,552,636	131,017,828	-20,465,192	-15.62%
6. Other financing	69,018,130	70,749,076	-1,730,946	-2.45%
7. Gross non-performing loans	240,427,546	221,718,465	18,709,081	8.44%
8. Write-downs on non-performing loans	-108,579,985	-100,492,386	-8,087,599	8.05%
9. Overall write-downs	-39,386,043	-35,907,637	-3,478,406	9.69%
Total net effective economic lending	2,125,588,857	1,986,650,179	138,938,678	6.99%
10. Receivables from Pontormo RMBS	10,497,025	11,807,022	-1,309,997	-11.10%
11. Receivables from Poste Italiane	159,750	121,021	38,729	32.00%
12. Receivables from Clearinghouse and Guaranty Fund	620,379	11,330,151	-10,709,772	-94.52%
13. Receivables from Deposits and Loans Fund	0	0	0	ND
Total other net economic lending	11,277,154	23,258,194	-11,981,040	-51.51%
Total (balance sheet value)	2,136,866,011	2,009,908,372	126,957,638	6.32%

The impact of net effective economic lending on effective direct deposits by customers is 98.50% as compared to 88.42% for the previous fiscal year.

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

In the light of the current and protracted economic and financial crisis, the Bank has continued its policy, considered of significant strategic value and fully aware of all implications, of ensuring loans to businesses and families in its territory of reference, in order to both contribute to supporting development and to keep the savings generated in the area. The Bank has continued credit allocation activities, reinforcing agreements with the main Credit Consortia in the Region, and within this scope has further developed its collaboration with local Associations.

The agreement stipulated with the E.I.F (European Investment Fund) is particularly important in terms of the Fund’s guaranty coverage for loans destined to innovation initiatives. The E.I.F.’s choice of counterparties for this sort of agreement represents a further value for our Bank.



These are operations assisted by the “InnovFin” European Community guarantee facility issued by the European Investment Fund, with financial support from the European Union as per the terms defined within the scope of the Horizon 2020 program and the European Fund for Strategic Investments (EFSI). These funds are to be deployed by eligible banks that meet specific size requirements and have organizational intents and set-up coherent with an orientation to research, development and innovation. The operational opportunities that derive from this convention are significant, also due to the fact that our Bank is among the few at a national level admitted into the convention itself. This is, for us, a further acknowledgement of our recognized professional quality.

As mentioned above, as at 31 December, the Bank issued loans within the InnovFin guarantee scheme for an overall amount of € 26,983,446 and at the end of 2016 transactions for a total of 9,857,000 euro were in the preliminary stages.

Data regarding lending classification by sector of economic activity (gross par amount), for only sectors 004 (non financial corporations) and 006 (households) limited to subgroups 614 (artisans) and 615 (other household producers), which together represent 1,221,888,999 of total overall lending, as compared to the previous fiscal year, are shown in the table below.

Economic sector (ATECO code)	2016 amount (gross par)	% share on lending for 2016	2016 absolute variation	2016 % variation	2015 amount (gross par)	% share on lending for 2015
A agriculture, forestry and fishing	57,747,748	4,73%	1,728,004	-0.20%	56,019,744	4.93%
B mining and quarrying products	11,659,359	0,95%	-1,288,931	-0.18%	12,948,290	1.14%
C manufacturing products	344,713,395	28,21%	28,526,338	0.41%	316,187,057	27.80%
10 food industry	47,411,010	3,88%	8,358,675	0.45%	39,052,335	3.43%
11 beverages industry	1,110,193	0,09%	-479,969	-0.05%	1,590,162	0.14%
12 tobacco industry	0	0,00%	0	0.00%	0	0.00%
13 textile industry	19,161,671	1,57%	1,287,557	0.00%	17,874,114	1.57%
14 wearing apparel including leather and fur	23,272,133	1,90%	3,311,137	0.15%	19,960,996	1.75%
15 leather and related items	45,020,740	3,68%	-5,525,542	-0.76%	50,546,282	4.44%
16 wood, and wood and cork products (excluding furniture); articles made of straw and plaiting materials	14,156,961	1,16%	780,458	-0.02%	13,376,503	1.18%
17 paper and paper products	28,865,699	2,36%	2,251,505	0.02%	26,614,194	2.34%
18 printing and re production of recorded media	5,088,632	0,42%	-206,195	-0.05%	5,294,827	0.47%
19 coke and refined petroleum products	0	0,00%	-43,220	0.00%	43,220	0.00%
20 chemical products	8,805,123	0,72%	-2,015,851	-0.23%	10,820,974	0.95%
21 basic pharmaceutical products and pharmaceutical preparations	1,954,474	0,16%	-529,938	-0.06%	2,484,412	0.22%
22 rubber and plastic products	21,754,713	1,78%	2,231,330	0.06%	19,523,383	1.72%
23 other non-metallic products	13,280,474	1,09%	3,046,871	0.19%	10,233,603	0.90%
24 metal products	3,534,639	0,29%	-31,329	-0.02%	3,565,968	0.31%
25 metal products (excluding machinery and equipment)	32,712,240	2,68%	3,197,018	0.08%	29,515,222	2.59%
26 computer, electronic and optical products; electro-medical and measuring equipment, watches and clocks	7,634,557	0,62%	5,374,559	0.43%	2,259,998	0.20%
27 electrical equipment and non-electric domestic appliances	8,453,284	0,69%	1,261,782	0.06%	7,191,502	0.63%
28 machinery and equipment n.e.c.	32,280,821	2,64%	4,376,462	0.19%	27,904,359	2.45%
29 motor vehicles, trailers, semi-trailers	499,153	0,04%	-233,858	-0.02%	733,011	0.06%



Economic sector (ATECO code)	2016 amount (gross par)	% share on lending for 2016	2016 absolute variation	2016 % variation	2015 amount (gross par)	% share on lending for 2015
30 other transport vehicles	224,541	0,02%	-78,156	-0.01%	302,697	0.03%
31 furniture	11,232,020	0,92%	-2,136,844	-0.26%	13,368,864	1.18%
32 other manufacturing industry products	13,159,950	1,08%	3,631,346	0.24%	9,528,604	0.84%
33 repair, maintenance and installation of machinery and equipment	5,100,367	0,42%	698,540	0.03%	4,401,827	0.39%
D Electricity, gas, steam and air-conditioning supply	12,498,806	1,02%	742,982	-0.01%	11,755,824	1.03%
E Water supply; sewage systems, waste management and remediation products	12,168,224	1,00%	2,483,595	0.14%	9,684,629	0.85%
F Building industry	151,393,707	12,39%	10,316,764	-0.01%	141,076,943	12.40%
41 construction	119,921,755	9,81%	9,322,948	0.09%	110,598,807	9.72%
42 civil engineering	1,240,138	0,10%	-501,663	-0.05%	1,741,801	0.15%
43 specialized construction work	30,231,814	2,47%	1,495,479	-0.05%	28,736,335	2.53%
G Wholesale and retail sales, vehicle and motorcycle repairs	239,190,371	19,58%	31,808,414	1.34%	207,381,957	18.23%
45 wholesale and retail sales and motor vehicle and motorcycle repairs	41,663,557	3,41%	6,695,100	0.34%	34,968,457	3.07%
46 wholesale sales (excluding motor vehicles and motorcycles)	125,993,257	10,31%	15,808,244	0.62%	110,185,013	9.69%
47 retail sales (excluding motor vehicles and motorcycles)	71,533,557	5,85%	9,305,071	0.38%	62,228,486	5.47%
H Transport and storage	19,481,286	1,59%	1,595,577	0.02%	17,885,709	1.57%
I Accommodation and restaurant services	61,564,897	5,04%	-442,625	-0.41%	62,007,522	5.45%
J Information and communication services	11,608,099	0,95%	2,280,340	0.13%	9,327,759	0.82%
K Financial and insurance activities	12	0,00%	12	0.00%	0	0.00%
L Real estate activities	214,398,958	17,55%	9,190,565	-0.50%	205,208,393	18.04%
M Professional, scientific and technical activities	31,122,166	2,55%	1,957,915	-0.02%	29,164,251	2.56%
69 legal and accounting services	11,442,206	0,94%	2,682,115	0.17%	8,760,091	0.77%
70 company management services and management consulting services	8,157,192	0,67%	-1,097,240	-0.15%	9,254,432	0.81%
71 architect and engineering offices, testing and technical analyses	4,832,143	0,40%	749,206	0.04%	4,082,937	0.36%
72 scientific research and development	184,021	0,02%	124,699	0.01%	59,322	0.01%
73 advertising and market research	1,135,390	0,09%	-1,589,665	-0.15%	2,725,055	0.24%
74 other professional, scientific and technical activities	5,083,887	0,42%	1,108,588	0.07%	3,975,299	0.35%
75 veterinary services	287,327	0,02%	-19,789	0.00%	307,116	0.03%
N Rental services, travel agencies, business support services	13,092,297	1,07%	-5,506,129	-0.56%	18,598,426	1.64%
O Public administration and defense, obligatory social insurance	0	0,00%	0	0.00%	0	0.00%
P Schooling	3,087,422	0,25%	42,945	-0.01%	3,044,477	0.27%
Q Healthcare and social services	15,644,833	1,28%	1,970,985	0.08%	13,673,848	1.20%
R Arts, sports, entertainment and recreation	9,183,794	0,75%	-1,947,220	-0.23%	11,131,014	0.98%
S Other services	13,333,621	1,09%	1,015,207	0.01%	12,318,414	1.08%



Economic sector (ATECO code)	2016 amount (gross par)	% share on lending for 2016	2016 absolute variation	2016 % variation	2015 amount (gross par)	% share on lending for 2015
T Family and household activities such as employers of domestic help; production of undiversified goods and services for personal use on behalf of families and households	0	0,00%	0	0.00%	0	0.00%
U Organizations and organisms outside the territory	0	0,00%	0	0.00%	0	0.00%
TOTAL COMPANY and HOUSEHOLD PRODUCERS	1,221,888,995	100,00%	84,474,739	0.00%	1,137,414,256	100.00%

Credit quality

In the difficult current context, the Bank has further reinforced risk control both during credit granting and during management and control. In line with the intervention program already under way, credit selection and management policies were reviewed, perfected and codified in a specific company policy. To this end, additional procedural and organizational measures were adopted, to increase the efficacy of monitoring activities and controls aimed at protecting the volume of impaired loans. The continuing crisis has further weakened the traditional solidity of small and medium businesses across our territory of competence, with an inevitable impact on bank credit quality.

Against an incidence of 17.24% of impaired assets on total gross receivables from customers (16.04% in 2015), the Bank maintained its policy of adequate write-downs, also in consideration of the guarantees supporting the positions, constantly verified in terms of the adequacy of both market values and quick ratio values. Credit quality suffers the effect of the persisting weakness of the economic cycle. At the end of 2016, impaired receivables from customers, net of write-downs, registered an absolute value 11.68% of total net receivables, as compared to 13.00% registered as at 31 December 2015.

The tables below show the breakdown of these dynamics.

CREDIT QUALITY INDEXES		
% OF NET RECEIVABLES	2016	2015
% net non performing loans on total net receivables	6.17%	6.03%
% net watchlist on total net receivables	4.92%	5.72%
% net overdue/overdrawn accounts on total net receivables	0.59%	1.25%
% total net impaired receivables on total net receivables	11.68%	13.00%
% OF GROSS RECEIVABLES	2016	2015
% gross non performing loans on total gross receivables	10.52%	10.33%
% gross watchlist on total gross receivables	6.11%	6.76%
% gross overdue/overdrawn accounts on total gross receivables	0.61%	1.27%
% total gross impaired receivables on total gross receivables	17.24%	18.36%
% OF HEDGES	2016	2015
Non performing	45.16%	45.32%
Other impaired receivables	23.34%	18.73%
Total impaired receivables	36.65%	33.69%
Receivables in bonis	0.19%	0.21%

As regards hedges, during the fiscal year, the Board of Directors reviewed the whole of internal policy, introducing stricter criteria for the examination of positions with abnormal trends, for the evaluation of guarantees, for the determination of recovery value and of the scheduling for periodical review of counterparties in default positions, to improve protection and monitoring of credit quality.

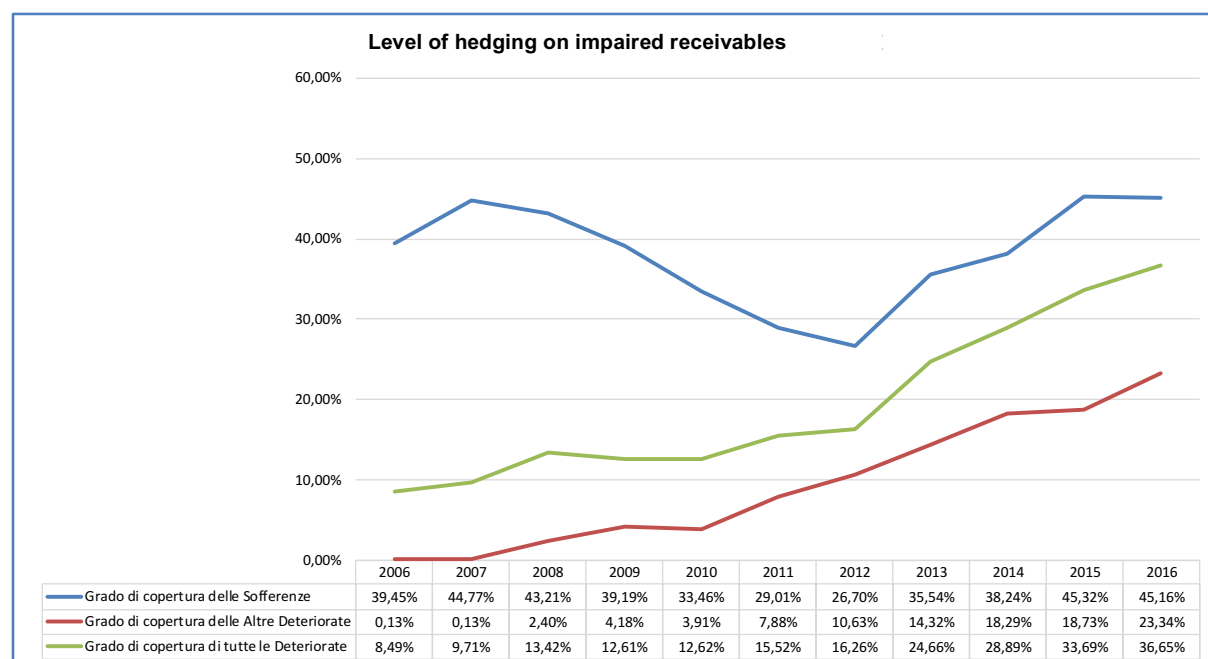
Year 2016							
Types of exposure/values	Gross exposure	Specific value adjust.	Portfolio value adjust.	Net exposure	Level of hedging	Level of hedging other impaired receivables	Level of hedging all impaired receivables



A. BALANCE SHEET EXPOSURES							
a) Non performing	240,427,546	108,579,985	0	131,847,560	45.16%		
b) Doubtful exposures	139,665,859	34,515,535	0	105,140,324	24.71%		
c) Overdue exposures	13,915,422	1,321,959	0	12,593,463	9.50%	23.34%	36.65%
d) Receivables in bonis	1,890,833,213	0	3,548,549	1,887,284,664	0.19%		
TOTAL A	2,284,832,039	144,417,479	3,548,549	2,136,866,011	6.48%		

Year 2015							
Types of exposure/values	Gross exposure	Specific value adjust.	Portfolio value adjust.	Net exposure	Level of hedging	Level of hedging other impaired receivables	Level of hedging all impaired receivables
A. BALANCE SHEET EXPOSURES							
a) Non performing	221,718,465	100,492,386	0	121,226,078	45.32%		
b) Doubtful exposures	145,019,661	30,007,169	0	115,012,492	20.69%		
c) Restructured exposures	0	0	0	0	nd		
d) Overdue exposures	27,297,334	2,265,679	0	25,031,655	8.30%	18.73%	33.69%
e) Receivables in bonis	1,752,272,937	0	3,634,789	1,748,638,148	0.21%		

The level of hedging for impaired receivables is in constant growth, having made consistent adjustments to credit values in 2016 as well.



Securities, treasury account and foreign activity

The market trend for government securities, on which a large part of the Bank's portfolio is allocated, has been impacted by the ECB's monetary policy provisions, by expectations based on additional expansion provisions and by increased sovereign debt risk, all of which are aspects that have characterized the year 2015. These dynamics started in January 2015, when the ECB announced the extension of the financial asset purchase program, including government securities, for an overall total purchase of 60 billion year a month. In the meeting held on 10 March 2016, The Board of Directors of the ECB decided to continue this policy, through a series of operations (Targeted LTRO II) finalized at improving lending by banks in favor of the non-financial private sector. The TLTRO program scheme consists in four operations (June, September and December 2016 and March 2017), each with a four year maturity starting from the date of subscription.

Thanks to these measures on the part of the ECB, the spread differentials between Italian government Securities and the German bund remained practically stationary, with maximum variations of about 40-50 b.p.



The management of the Bank's own portfolio was characterized by a reduction in average invested volumes, in particular in the available-for-sale financial assets portfolio (AFS), which decreased by 637,205,678 Euro. Security sales interested prevalently corporate securities, which allowed not only reducing exposure towards these counterparties but also reducing the duration of the AFS portfolio. The management approach fully reconfirmed the risk aversion policy. This management line produced fully satisfactory results with respect to the risks assumed and has contributed significantly to the income statement, also vis-à-vis market yields now almost down to zero on maturities under 5 years. Management of liquidity risk benefitted from the additional, albeit gradual, improvement of market conditions.

During 2015, the Bank took part in the tranches of the Targeted Longer Term Refinancing Operations (TLTRO), for an overall total of 455 million euro in financing obtained from the ECB through TLTRO operations. These transactions were subsequently reimbursed during 2016. At the same time, in June 2016, the Bank adhered to the first TLTRO:

Amount	Rate	Expiry
479,000,000	0.00%	24/06/2020

Management of the Securities portfolio entailed, following a constant, in-depth and careful observation of market trends, targeted purchases and sales, especially of bank Securities, without exceeding V.a.R., duration, composition and size limits for the portfolio as deliberated by the Board of Directors and codified in the specific company policy.

As anticipated in the initial portion of this report, the European Central Bank's monetary policy provided all banks with a favorable opportunity, thanks to positive impacts on the statement of accounts in a considerably difficult period for management approaches typical of banking concerns that found themselves dealing with, among other things, the unimaginable measure of negative rates.

Management of investments was carefully correlated between yield and high liquidity requirements. Trading activities on the European monetary and financial market continued to improve, in a context of increased excess liquidity; however, short-term and long-term rates reached historical lows following the introduction of longer term refinancing operations at very low rates, on the part of the Central Bank.

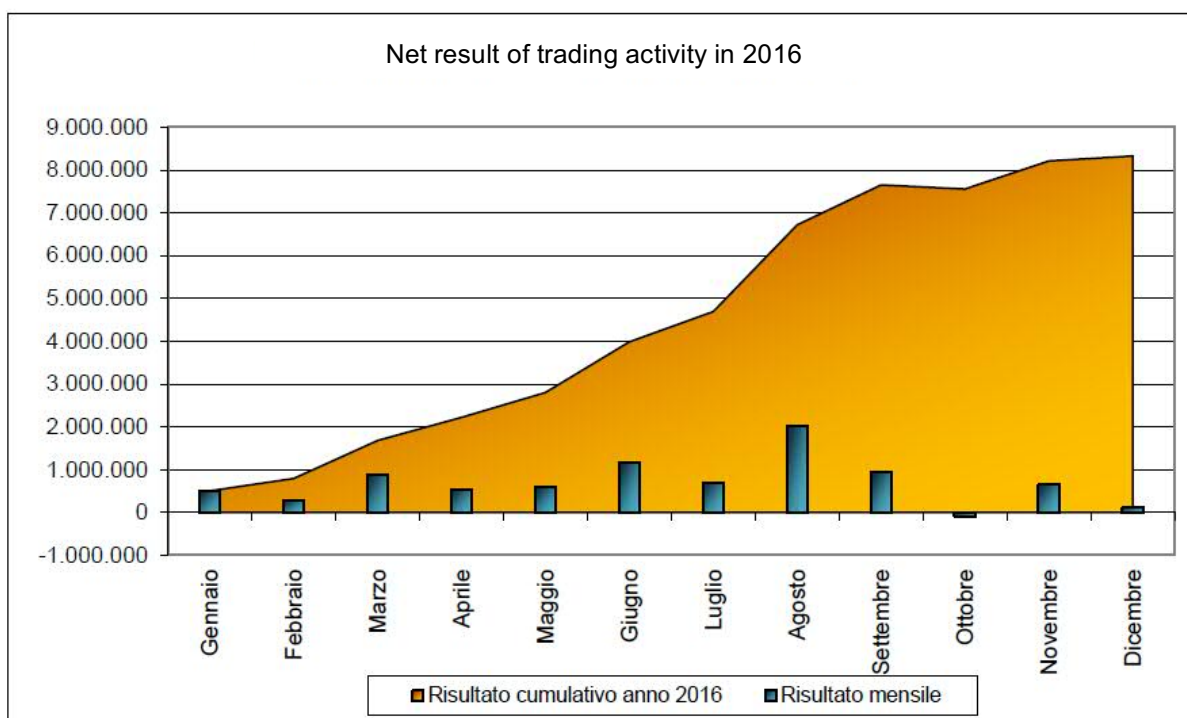
FINANCIAL ASSETS – VARIATIONS

Type	2016	2015	Absolute var.	Var. %
Italian government bonds	615,312,702	1,205,685,102	-590,372,399	-48.97%
Banks	32,568,314	87,879,214	-55,310,900	-62.94%
Other issuers	41,471,404	11,667,769	29,803,635	255.44%
Totals	689,352,420	1,305,232,085	-615,879,665	-47.19%

ATTIVITÀ FINANZIARIE – BREAKDOWN

Type	2016 amounts	% 2016 comp.	2015 amounts	2015 % comp.
Italian government bonds	615,312,702	89,26%	1,205,685,102	92.37%
Banks	32,568,314	4,72%	87,879,214	6.73%
Other issuers	41,471,404	6,02%	11,667,769	0.89%
Totals	689,352,420	100,00%	1,305,232,085	100.00%

The net result of trading activity on securities and hedges during 2016 was equal to 2,768,445 euro. The graph below shows the year's trend (monthly and yearly cumulative data).



The foreign sector has continued to contribute significantly to corporate growth in both the commercial and financial areas.

Equity investments

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

Name	Balance sheet value as at 31/12/2016	Balance sheet value as at 31/12/2015	Variations
1. Cabel Leasing Spa	3,211,834	3,210,243	1,591
2. Cabel Holding Spa	21,800,808	15,931,175	5,869,633
3. Cabel Industry Spa	560,739	480,400	80,339
Totals	25,573,381	19,621,818	5,951,563

For details, please consult the Explanatory Notes.

Regulatory capital

Our Bank has always dedicated commitment and attention to capital adequacy as a primary reference point to support growth and operating development.

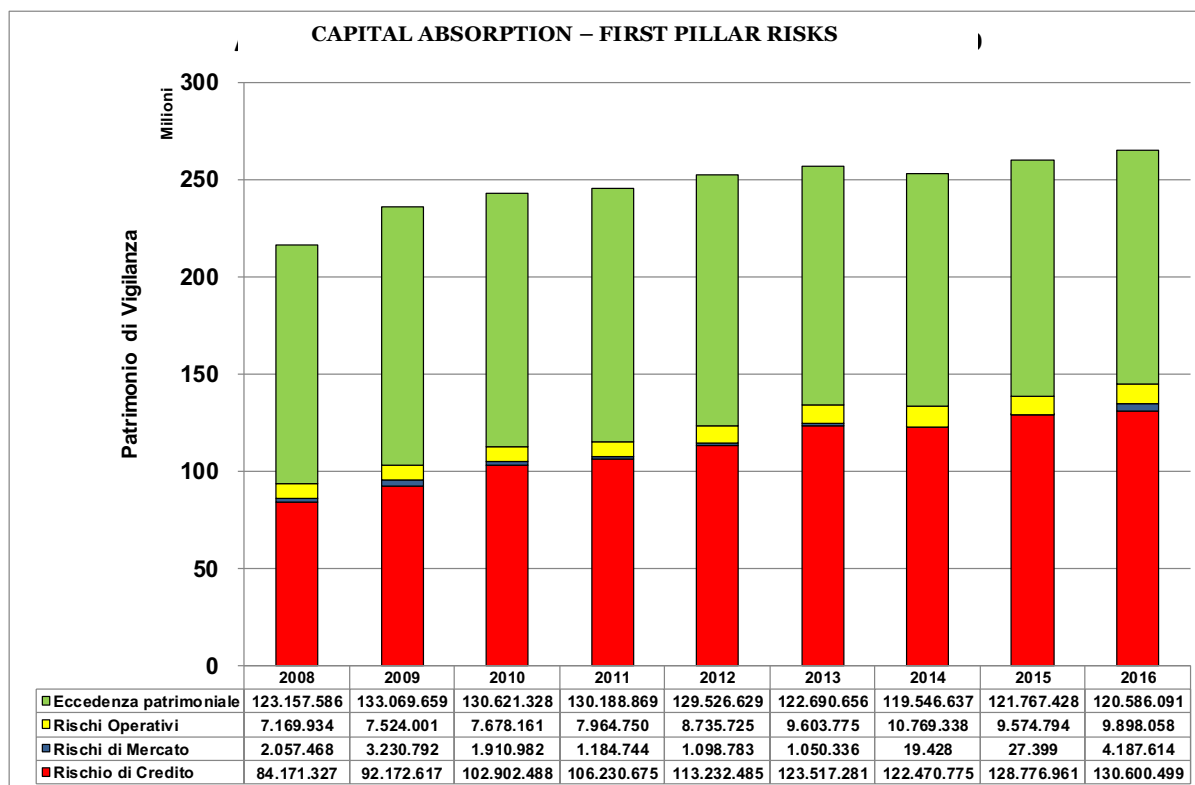
Capital adequacy is constantly monitored and is attested to, annually, in the ICAAP document that the Bank must draft and transmit to the Regulatory Authority. These data are essential and evaluations for ICAAP purposes are carried out on a quarterly basis.

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

As shown in the table, the Bank presents capital data well above regulatory data and SREP thresholds (comprehensive of add-ons defined by Bank of Italy based on the intrinsic risk of each bank).



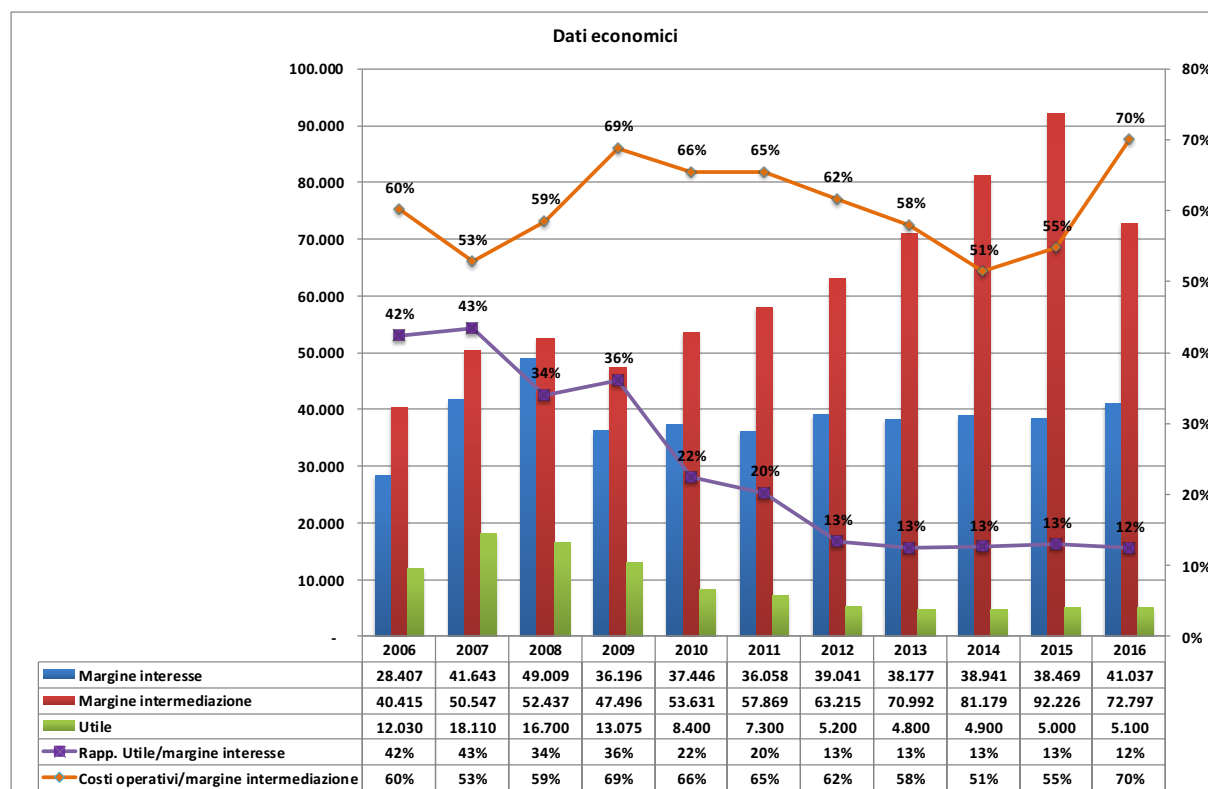
Type	2016	2015
Shareholders' equity / direct deposits from customers (effective)	12.69%	12.06%
Shareholders' equity / receivables from customers (effective)	12.88%	13.64%
Shareholders' equity / Total assets	8.60%	7.32%
Net impaired receivables / own funds	94.08%	100.43%
CET1 capital ratio – own funds	14.66%	15.03%
Total Capital Ratio – own funds	14.66%	15.03%



Income trend – Summary of results

Income for the 2016 fiscal year registered an increase of 2.6 million euro in Interest Income (+6.68%) and a decrease of 19.4 million euro in Operating Income (-21.07%). These differences are essentially due to a reduction of 22.6 million euro in gains from sales or repurchases of financial assets available for sale. The net profit resulting from financial operations increased by 2.8 million euro (+5.15%); operating costs increased by 2.8 million euro (+5.62%), bearing in mind that this latter aggregate includes measures in favor of National Resolution Funds for 3.8 million euro; profits from current operations, before tax, decreased by 0.4 million euro (-7.67%).

The 2016 fiscal year closed with a net profit of 5.1 million euro, compared to 5.0 million the previous year.



Therefore, **total earnings before tax** were 5.2 million euro, as compared to 5.6 million euro the previous year. Finally, after deducting income tax, equal to 135 thousand euro, **net income** for the year was 5.1 million euro, as compared to 5.0 million the previous year, and +2.00% is the resulting percent variation.

Worthy of note is the fact that the effect of the negative Euribor weighed negatively on the Bank's profitability; in fact, on the stock of mortgage loans index-linked to the Euribor rate, equal to 1,381,635,077 euro at 31 December 2016, the negative Euribor rate reduces the spread that the Bank initially negotiated.

For years, home purchase loans, which often turned into non performing loans due the crisis, have been the principle cause of suffering for Italian banks. Instead, in the next years, according to the contents of the report dedicated to European banks by Morgan Stanley analysts, thanks to a generalized rise in rates, these loans could finally be the source of some joy; in particular, to those who have many, with the right duration and of an above average quality.

Banks have much to gain, and even rather quickly. Especially during the initial stage, the effects of a rise in rates would be immediate and significant: 50 basis points more than the rates applied by the ECB could immediately bring 120 basis points more on the ROTe for banks, that is on profitability calculated on net tangible equity. The reason is simple: according to the analysts of the financial services bank, indeed, despite a rise in interest rates, for some time the interest paid by banks to deposit holders, extremely close to zero, would remain intact. Therefore, with remuneration rising and collection costs remaining unvaried, the interest income in favor of banks would increase. Although at a slower rate, the progressive rise of interest rates would maintain its positive effects on interest income: 60 basis points more on returns – still in terms of ROTe – for every half point interest rate increase. The benefits, again, in terms of interest income, will be especially significant for banks that are particularly exposed in terms of home purchase mortgages; in fact, in Italy, the average duration of current lending is still high (20-25 years) and the predominance of floating interest rates linked to the Euribor rate means that an interest increase is a purely mechanical fact.

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

FINANCIAL STATEMENT INDEXES	2016	2015	Variations
STRUCTURAL INDEXES			
Lending / Total assets	67.10%	54.25%	12.85%
Lending / Direct deposits	91.73%	71.78%	19.95%
Traded volume (Direct deposits + loans to customers + capital)	4,740,256,920	5,081,094,152	-6.71%



FINANCIAL STATEMENT INDEXES	2016	2015	Variations
Personnel in branch offices / Personnel in head office	2.20	2.20	0.00%
PROFITABILITY INDEXES			
Interest income / Total assets	2.58%	2.08%	0.50%
Operating income / Total assets	4.57%	4.98%	-0.41%
Interest income / Operating income	56.37%	41.71%	14.66%
Net profit / Total assets	0.32%	0.27%	0.05%
Operating income / Traded volumes	3.07%	3.63%	-0.56%
Adjustments to value of receivables / Operating income	19.84%	38.23%	-18.39%
PRODUCTIVITY INDEXES			
Traded volumes by employee	14,540,665	15,878,419	-8.42%
Lending by employee	6,554,804	6,280,964	4.36%
Direct deposits by employee	7,145,804	8,750,444	-18.34%
Operating income by employee	446,606	576,413	-22.52%
EFFICIENCY INDEXES			
Administrative costs / Total assets	3.37%	2.70%	0.67%
Administrative costs / Operating income	73.79%	54.31%	19.49%
Operating costs / Operating income (cost income)	73.26%	54.75%	18.51%
Cost income without trading result (ratio between the line items of the Income Statement: 200 and 120-80-90-100)	85.36%	84.79%	0.57%
Administrative costs / Traded volumes	2.27%	1.97%	0.30%
Personnel costs / Average number of employees	154.781	149.541	5.240
ASSET QUALITY INDEXES			
Net other bad debts / Net lending	5.51%	6.97%	-1.46%
Net non performing loans / Net lending	6.17%	6.03%	0.14%
Total net bad debts / Net lending	11.68%	13.00%	-1.32%
CAPITAL RATIOS			
CET1 Capital Ratio – own funds	14.66%	15.03%	-0.37%
Total Capital Ratio – own funds	14.66%	15.03%	-0.37%
OTHER INDEXES			
Shareholders' equity / Direct deposits from customers	11.76%	9.68%	2.08%
Shareholders' equity / Receivables from customers	12.82%	13.49%	-0.67%
Shareholders' equity / Total assets	8.60%	7.32%	1.28%
Net impaired loans / Own Funds	94.08%	100.43%	-6.35%
Degree of hedging on non performing loans	45.16%	45.32%	-0.16%
Degree of hedging on impaired loans	36.65%	33.69%	2.96%
Degree of hedging on all lending	6.48%	6.36%	0.12%

Interest income grew from 38.4 million euro in 2015 to 41.0 million euro in 2016. In detail, interest receivable amount to 62.1 million as compare to 72.8 million in 2015, while interest payable went from 34.4 to 21.1 million. The continuingly small difference between borrowing and lending rates, in addition to market rate trends, is also a result of the credit operations decided by our Bank at favorable terms for families and businesses, shareholders and customers, aimed at guaranteeing lending continuity during this heavy economic crisis, as well as to the correct remuneration of deposits, in order to comply with our function of “extended mutuality”.

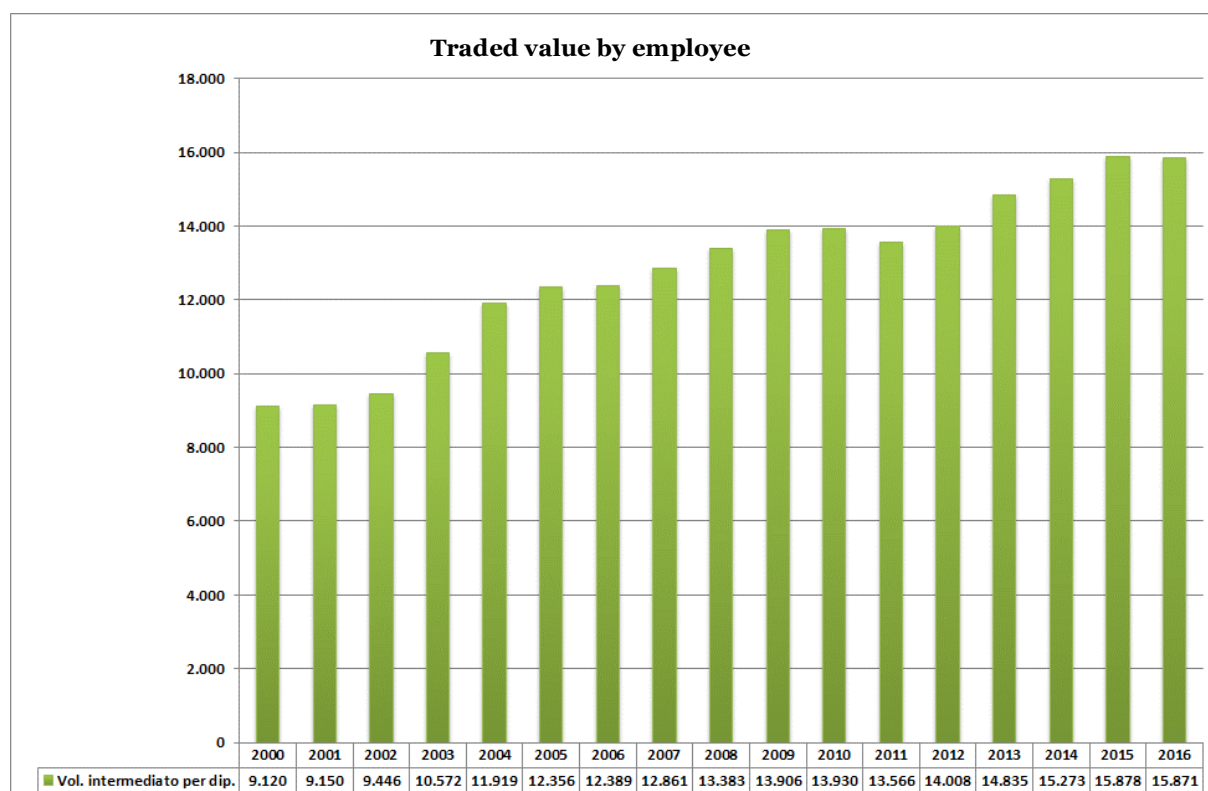
Operating income was 72.8 million, down with respect to 92.2 million (-21.07%) of the previous fiscal year, a difference that is essentially due to a drop in earnings from the sale or repurchase of financial assets available for sale, for 22.6 million.

The **Net income from financial management** was equal to 58.4 million euro, registering a 5.15% increase, equal to 2.8 million euro with respect to the previous fiscal year. Adjustments decreased by 20.8 million euro, equal to -59.04%, dropping from 35.2 million euro to 14.4 million euro.

Operating costs amounted to 53.4 million euro, with an increase of 2.8 million, equal to 5.62%. The ratio of operating costs to operating income, the so-called «cost income ratio» rose to 73.26% from 54.75% in the



previous fiscal year. The strong rise of the index, equal to 18.51%, is due to earnings from the sale or repurchase of financial assets available for sale, which decreased by 22.6 million euro (-73.08%) as compared to 2015.



5. The Bank's services, initiatives and structure

Human resources

It is common opinion, always advocated in our reports, that in banking – a typical service activity, further based on trust relationships with customers – human resources play a primary and decisive role to reach objectives and affirm an image that may be perceived on the market as a distinctive company feature. And it is exactly the commitment of our collaborators, their professional training, their sense of belonging to and identification with their, and our Bank, that give rise to the quality of the results, just as their daily conduct embodies those values that enrich the reputation of the Bank; an intangible component, the latter, but anything but invisible, especially in an extremely crowded competitive context within which cultures, habits, interpersonal relationship styles are different enough to permit a comparison.

The Bank has always given great importance to human resource management and development policies, with the precise aim of fostering the emergence of absolutely unique competencies and values. The efforts made towards this objective seem to have proven to be effective, considering that our collaborators stand out first and foremost for their professional competence and listening skills. The preliminary comment to be made regarding the bank's human resources is in actual fact an acknowledgement that is also confirmed by the high productivity rate: we must acknowledge that, indeed, not many banks with the same number of employees produce the same economic and social value. Pairing up organization and human resources has proven to be a winning combination.

At the end of 2016, our Bank counted 326 employees on staff, of whom 3 temporary, as detailed in the Explanatory notes. The increase with respect to the previous fiscal year is due primarily to the opening of new branches and strengthening of internal organizational structures.

The activity outlined in the training program continued in 2016 and the Bank's personnel was involved based on an analysis of training needs arising from operating requirements as well as with a view to create skills for the long-term. Training was programmed and carried out with the professional contribution of qualified exponents of the economic and productive world, by inside personnel and by training agencies. Numerous specialized training programs were also undertaken, aimed at expanding competencies in the credit, finance,



human resources, foreign business and payment system competency areas, which involved some of our resources. Classroom courses on anti-money laundering and other obligatory subject were also carried out. The Bank also participated in training initiatives proposed by Bank of Italy regarding the introduction of the new banknotes and an e-learning course was offered, in a special section of the company intranet, on cash management. Specific programs aimed at maintaining IVASS certifications were organized, as well as a training program for resources that are required to obtain IVASS certification for the first time. Participation in the training sessions organized by Cabel Ricerca e Formazione and other training agencies also continued, dealing with various aspects of bank operations, such as taxation, accounting, finance, legal, anti-money laundering and privacy issues. In compliance with the provisions contained in current regulations regarding on-the-job health and safety, various training sessions specifically for personnel designated to fire prevention and workplace evacuation and first aid activities were also organized and carried out.

Territorial network

At year's end, our network counted 39 branches. During 2016, the operating units in Figline Valdarno, Greve in Chianti, Sesto Fiorentino and the Florence branch in Viale Gramsci began working at full rhythm; towards the end of the year the branch in Quarrata became operational, despite the fact that we are aware of the scarce potential of that market, in order to fulfill the necessary proximity requirements with the Pistoria branch, established by regulations for cooperative credit banks.

Organizational activities

The 2016 fiscal year was strongly characterized by complex and diverse activities in preparation of the APPLICATION pursuant to art. 2, sub-section 3-bis, of Law Decree n. 18 issued 14 February 2016 and converted into Law n. 49 dated 8 April 2016 (so-called "way out") that lead to the creation of Banca Cambiano 1884 Spa.

The objective of the way out operation (hereinafter also referred to as the "Operation") was therefore that of creating a broad-ranging Bank, resulting from the transfer of the banking institution BCC Cambiano (the "Transferor") into Banca AGCI Spa (the "Transferee") which, consequently, will be the investee not only of the current corporate structure of the Transferee, but also of the cooperative company deriving from the transfer of the banking branch of Cambiano.

From a purely corporate point of view, please bear in mind that the operation took the form of the transfer of a banking institution falling under the category of "transfer en bloc of legal relationships", in terms of authorization, as provided for by article 58 of the Consolidated Banking Act; this operation entailed an increase in corporate capital on the part of Banca AGCI, implemented as per articles 2438 *et sequitur* of the Italian Civil Code, reserved for BCC di Cambiano as per article 2441, sub-sections 4 and 5 of the Italian Civil Code. The completion of the Operation lead to the creation of a Banking Group, as per indications received during the meetings with Bank of Italy and in accordance with articles 60 *et sequitur* of the Consolidated Banking Act.

In particular, the structure, the aims and the time-line for the transfer operations were defined in collaboration with Banca di Credito Cooperativo di Cambiano, taking into consideration the breadth of transferred assets, the accounting methods and the prudential impacts that the way out operation generated, also in terms of risk concentration and capital adequacy.

An Industrial Plan was drawn up for the new Banca Cambiano 1884 Spa and the Banking Group, specifically developing the role, the organizational structure and the technical make-up of the Ente Cambiano, taking into consideration the fact that the same company, in pursuing its corporate mission, must take into account the institutional objectives set forth in the regulations of way out operations (pursuit of mutualistic aims as per article 2514 of the Italian Civil Code) and by Supervisory provisions for banking groups (carrying out management and coordination activities, as per article 61 of the Consolidated Banking Act).

Programming also took into account the definition of the lines for development of operations for the new Banca Cambiano 1884 and the foreseen competitive positioning through strategic options – also in terms of risk objective – and the business/products catalogue model to be pursued. The effects of the aforementioned development strategies on management technical profiles and capital adequacy were also assessed.

The documents generated and subsequent additional documents required were sent to the Vigilance Authorities; the overall operation was completed on 16 November 2016, upon receiving authorization for the way operation on the part of Bank of Italy, having already received authorization from the ECB on 5 October 2016.

The complex activities required to implement the strategic plan took shape in the last months of 2016 in the transcoding of the databases of Banca AGCI into the new information technology system of Banca Cambiano



1884 Spa. Maximum attention was focused on information and assistance to Banca AGCI customers, striving for the least possible impact and guarantying operational continuity.

In terms of organization and procedures, during the year the organizational chart was reviews, modifying roles and designated sectors, redefining some work procedures, revising/integrating existing internal regulations and issuing new regulations, and redefining and reviewing corporate policies.

As regards the revision of work processes and conformity of internal policies and procedures, below is a highlight of the main issues that were dealt with, also on the basis of the innumerable and daily directive and regulatory modifications:

A) FATCA and CRS Regulations

With law n. 95 dated 18 June 2015, published in the Official Gazette issue n. 155 of 7 July 2015, the agreement between Italy and the United States regarding tax compliance matters, underwritten in Rome on 10 January 2014 and called the Foreign Account Tax Compliance Act (FATCA) was transposed.

In parallel, in the month of July 2014, the OCSE approved the Common Reporting Standard (CRS), a compilation of regulations and common criteria that discipline appropriate auditing, for tax purposes and methods for the Exchange of information regarding financial accounts. This document was undersigned on 29 October 2014 by 58 jurisdictions, including Italy.

The two standards, FATCA and CRS, although distinct the one from the other, pursue the same purpose, which is to favor the Exchange of financial information between country in order to fight tax evasion. Indeed, the CRS is very similar to the FATCA agreements, in terms of both the actual scope and the methods of application.

The subjects involved are, instead, different; indeed:

- The Fatca standards are applicable to United States subjects, whether they are citizens or have residence for tax purposes in the USA;
- CRS standards are applicable to subjects whose residence for tax purposes is not in Italy.

For these reasons, starting 1 January 2016, all obligations already reviewed for FATCA compliance must also be applied to all other non-resident customers for CRS compliance.

B) Regulations regarding mortgage credit contracts for consumers

On 20 May 2016, Legislative Decree n. 72 dated 21 April 2016 was published in the Official Gazette, transposing European Directive 2014/17/EU regarding mortgage loan contracts for consumers for residential real estate property (hereinafter referred to with the acronym CIC "*Credito Immobiliare ai Consumatori*" – Mortgage Credit for Consumers), including amendments and integrations at heading VI-bis of the Consolidated Banking Act regarding regulations for agents performing financial and credit mediation activities and Legislative Decree n. 141 of 13 August 2010. The aforementioned directive introduces a regulatory framework that is harmonized at European Union level, regarding the offer of mortgage credit contracts for consumers, with the aim of creating a more transparent and efficient internal market and improving the degree of consumer safeguarding. Italian legislators chose to implement the directive through the introduction of a new Chapter I-bis dedicated to mortgage credit for consumers ("*Credito immobiliare ai consumatori*") within the Chapter VI of the Consolidated Banking Act, which creates a further "sub-system" of transparency, in addition to the two existing "sub-systems" for consumer credit (Chapter II) and payment services (Chapter II-bis).

C) Single Supervisory Mechanism

With the 8th update of Bank of Italy Circular 272/2008 the structure of Section II was reviewed in order to implement (EU) Regulation 2015/534 of the ECB that governs supervisory financial information of banking intermediaries within the scope of the single supervisory mechanism (SSM).

For intermediaries other than those already obliged to sent the entire FINREP and Italian banks part of large banking groups, the new schemes entered into force as of notifications received at 31 December 2016. A lower notification frequency was also provided for, that is six-monthly, for the entire period preceding the date of obligatory application provided for by the aforementioned ECB Regulations (1 July 2017).

In the light of the new regulatory framework, organizational, operational and supervisory controls were defined, in order to ensure that new notification requirements are met, in strict compliance with the methodological and operational provisions for FINREP notifications on an individual basis set forth in compliance with the new regulatory framework of reference.

D) Circular 285 – Security of Internet payments



On 20 May 2016, through the update of Circular n. 285, Bank of Italy transposed EBA guidelines regarding the security of Internet payment services.

The new provisions apply to the following payment transactions carried out through the Internet, regardless of the device used for access to the system:

- Card payments, including payments using virtual cards, as well as the registration of data of debit cards for the use of “wallet” type solutions;
- Bank transfers;
- Issuance and modification of e-mandates for direct debit operations;
- Electronic money transfers between two electronic money accounts.

These regulations make it mandatory for operators to implement specific physical, logic and organizational measures to reduce the risk of fraud and ensure correct management of stored sensitive information.

During 2016, in close collaboration and agreement with Cabel, the Bank began the activities required to render remote banking services compliant, with the objective of completing the work within the first semester of 2017.

Information on environmental issues

Environmental issues are not directly relevant to the economic and financial standing or to the business performance, seeing as the Bank’s activity is to provide dematerialized services that do not impact the environment in any direct or significant manner.

Nevertheless, please note that the Bank relies on the services of companies specialized in the collection and disposal of hazardous waste, composed exclusively by office supplies (printer cartridges and toner for photocopiers) and recycles used paper.

Particular attention is paid to all financial interventions aimed at energy savings, the use of alternative or renewable energy sources and all possible restructuring and renovation investments that revolve around improving environmental issues.

6. Internal Controls System and Risk Management

Consistently with its business and operational model, the Bank is exposed to various types of risks that are principally inherent to typical credit and financial trading activities.

The governance model for the Bank’s system of internal controls has been designed and progressively updated in accordance with current regulatory and governance frameworks, standards, both national and international and best practices. In line with Corporate Governance provisions, the model adopted outlines the main responsibilities of Corporate Bodies, in order to guarantee overall efficacy and efficiency of the internal control system. Specifically:

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



omissions or irregularities, requests the adoption of suitable corrective measures and verifies the efficacy thereof over time.

The Bank has created the following corporate Control functions – permanent and independent – dedicated to ensuring the correct and efficient operation of the Internal Controls System:

- Internal Auditing function;
- Risk Management function;
- Compliance function;
- Anti Money Laundering function.

Personnel participating in corporate control functions is not involved in the activities that said functions are called upon to control. These personnel are ensured participation in ongoing training programs. Retribution criteria are defined so as to not compromise objectivity and to contribute to the creation of a system of incentives consistent with the aims of the function carried out.

The persons responsible for corporate control functions:

- Are not directly responsible for the operating areas subject to control nor are they hierarchically subordinate to the managers responsible for said areas;
- Are nominate and revoked (providing reasons therefore) by the Board of Directors, on counsel of the Board of Statutory Auditors;
- Given the functional rapport with General Management, corporate control functions have direct access to the Board of Directors and to the Board of Statutory Auditors. This access takes the form of transmission of all information flows generated and in the participation in the meetings of these bodies in circumstances in which the agenda is of specific competence, or in the event of disagreement with General Management on issues critical to pursuance of the objectives defined and the Banks stability.

In compliance with supervisory regulations, these functions, in addition to reporting directly to corporate government and control bodies, also have unlimited access to corporate data and external data necessary to execution of the tasks assigned.

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

- Level I: Line controls, carried out by the same operative structures that performed the transactions or incorporated in the procedure and aimed at ensuring that the transactions are performed properly;
- Level II:
 - risk management controls, carried out by structures other than the operative structures, with the task of defining risk assessment methods, verifying the respect of the limits assigned to the various operating functions and controlling the operational coherence of individual production areas vis-à-vis risk/performance objectives, quantifying the degree of risk exposure and the possible economic impact thereof;
 - Regulatory compliance, carried out by the independent corporate function created for this purpose, with the specific task of promoting observance of external regulations (regulatory laws and standards), corporate governance regulations, as well as internal conduct codes, to minimize the risk of regulatory non conformity and the risks to reputation associated thereto, aiding in the realization of the corporate model for risk control and management; The Bank has in partially out-sourced Level II control functions;
 - Controls regarding the management of money-laundering risks and the risk associated to financing international terrorist activities, carried out by the independent corporate function created for this purpose, with the specific task of continuously verifying that company procedures are consistent with the objective of preventing and contrasting violations of external regulations (regulatory laws and standards) and corporate governance regulations on the matter of money laundering and financing of terrorist activities;
- Level III: Internal Auditing, aimed at assessing the adequacy and functioning of the overall Internal Control System. This activity is carried out on the basis of the annual auditing schedule approved by the Board of Directors or through spot-checks on operations of all functions involved, requested during the year. The Bank has partially out-sourced third level control functions.



Over the years, the Bank has adopted and developed a series of organizational solutions, processes and detection, monitoring and management policies regarding exposure to the various types of risks, set forth in the respective guidelines issued by the Board of Directors. The Risk Management, Planning and Management Control Office is responsible for conducting second level controls regarding risk governance, while the Compliance Office is in charge of ensuring the compliance of corporate operations to current regulations. Given the above, aware of the technical complexity of the subject matter, the measurement, management and mitigation methods for the various types of risks that, based on the internal self-evaluation process, have been identified as relevant in light of operations and of the limited complexity of the Bank, are indicated in Part E of the Explanatory Notes "Information regarding risks and the relative hedging policies", where all the qualitative and quantitative information regarding risks is provided, while Part F "Information on Capital" provides detailed information regarding own funds.

As known, the supervisory regulations contained in "Circular 285" have introduced various novelties as regards the definition of Internal Control Systems for banks, as well as regards Information Systems and Operational Continuity, redefining the roles of corporate control functions with respect to coordination, programming and reporting and outlining the specific requirements for the various functions involved (compliance, anti-money laundering, risk management, internal audit).

Some time ago, the Bank implemented the organizational, management and control model set forth in Legislative Decree n. 231/01 (hereinafter the "Decree" for the purpose of brevity) by creating a structured and unified system of procedures and control activities aimed at a knowledgeable management of the crime risks. The implemented model has been integrated into the existing Control System and, in addition to allowing the Bank to benefit from the exemption provided for in the Decree, it aims at improving the Bank's corporate governance, reducing crime risk and the correlated reputational and economic aspects.

The Supervisory Body is responsible for monitoring the efficiency of and compliance with the organizational and management model adopted by the Bank in accordance with Legislative Decree 231/01, as well as for updating it in order to avoid administrative liability deriving from criminal acts.

Specifically, the Supervisory Body is responsible for vigilance with independent power of initiative and control over:

- The efficacy and adequacy of the Model with respect to the effective capability of preventing the crimes contemplated by the Decree;
- The efficiency of and compliance with the prescriptions contained in the Model through appropriate controls, including periodical inspections;
- The need to update the Model, should it require amending in relation to altered corporate and/or regulatory conditions or in the event of consistent and/or repeated violations of the Model itself.

Moreover, as regards crimes of receiving stolen goods, money laundering and the utilization of money, goods or benefits of unlawful origin (Legislative Decree 231/01, art. 25-octies), the Supervisory Body, in accordance with the provisions of article 52 of Legislative Decree 231/07, within the scope of its attributions and competencies, monitors compliance with the regulations contained in the same decree and issues the relative notifications to competent authorities.

7. Research and development

In coordination and conjunction with the Cabel network, the Bank concentrates its innovation research on new products and distribution channels and on continuing technological upgrading. Participation in seminars and conferences to study certain topics in depth has been intense, including the direct participation in ABILAB seminars, as a channel for professional growth and to share experiences with other structures.

Activities aimed at implementing programs with a strong organizational impact, aimed at improving and rationalizing operating efficacy and efficiency in terms of both business processes for customers and internal support process continued in 2016. Various project sectors were involved, with the aim, on the one hand, of continuing the constant improvement of the Bank's structure and, on the other, of keeping the structure constantly compliant in terms of the implementation of new regulations.

The Bank, availing itself of the collaboration and coordination provided by the Cabel network, develops its innovation activities by researching new products and distribution channels, constantly focused on the technological upgrading of processes and initiatives.



These activities aim at reducing operational risks and administrative workloads, consequently simplifying processes and providing benefits in terms of greater and increasing focus and attention of customer needs and on increasing customer satisfaction.

8. Significant events during the course of the fiscal year

As illustrated in the last Shareholders' meeting, within the scope of the reform of Cooperative Credit Banks, the regulations on the one hand contained a provision obligating such institutions to unite in one or more groups with the constitution of specific holding companies in the form of joint stock companies and, alternatively, only for Cooperative Institutions that had an equity as at 31 December 2015 equal to or greater than 200 million Euro, the possibility of undertaking the so-called "way out" by transferring the banking activity to a bank already incorporated as a joint stock company or by constituting a new-co with analogous characteristics; this second possibility allowed Banca di Credito Cooperativo di Cambiano S.c.p.a. and Banca A.G.C.I. S.p.A., despite the difficulties in implementing the project given by the complexity of the operation and by the restrictive conditions provided for by the Legislator, and after having assessed the mutual interest and common objective, to initiate and bring to term together an innovative project of great strategic value.

BCC di Cambiano, which operated in full autonomy from other federal Cooperative Credit structures for over forty years, considered the "way out" as the continuance of its history, despite the burden of the 20% equity provided for by the option in question, and identified Banca AGCI S.p.A. as the ideal partner with whom to implement this ambitious project; the two Institutes, both belonging to the Cabel network, shared common founding principles, strategic guidelines followed over recent years and, since the constitution of Banca AGCI S.p.A, Cambiano has been a point of reference in terms of organization and daily operations.

After having received authorization on the part of the European Central Bank and Bank of Italy, the entire "way out" project was submitted to evaluation on the part of the Shareholders' Meetings of the two banks, convened in ordinary and extraordinary meetings, respectively on 15 (Banca A.G.C.I. S.p.A.) and 17 (BCC di Cambiano) December 2016, receiving the support and unanimous consent of Shareholders present at the meetings and therefore stipulating the immediate variation of the corporate name of Banca A.G.C.I. S.p.a. and the birth of Banca Cambiano 1884 S.p.a. as of 1 January 2017.

It is our firm belief that, based on its economic and financial solidity, organizational structure, governance and business model characteristics, and focusing on increased autonomy in the use of technology as a strategic differentiation lever, and continuing to pursue a type of banking activity based on ethics and respect for customers, which as always characterized the business of both Institutions, Banca Cambiano 1884 S.p.a. will have what it takes to position itself positively on a market marked by so many difficulties often resulting from just that failure to respect those principles, and will be able to seize all opportunities for growth that will come its way.

In terms of operations, a significant event worthy of note is the fact that on 22 March last an agreement was undersigned between our investee, Cabel, and Oracle, a world leader in information technology applications. The project was started in the month of June, with the aim of launching the production of the new FLEXCUBE platform for the management of financial services in April 2018. The new product will help banks improve their capacity to sell new products and services, responding to specific new regulations of the sector, in particular national ones, and local market innovations. The collaboration between Cabel and Oracle represents a very significant fact in the market of banking service providers and will lead to the creation of a product capable of providing banks with a considerable competitive potential.

As regards our investee, once Cabel has completed "localization" of the platform, it will keep Oracle FLEXCUBE inside its own Data Center and will provide a specific version for the Italian market on a private cloud environment, allowing user Italian banks to reduce loads for IT departments and optimize processing times significantly. Our bank will benefit from this innovation as a Cabel associate, but most of all as user of the applications that will allow the bank to make considerable technological and organizational progress, in line with its traditional search for process efficiency.

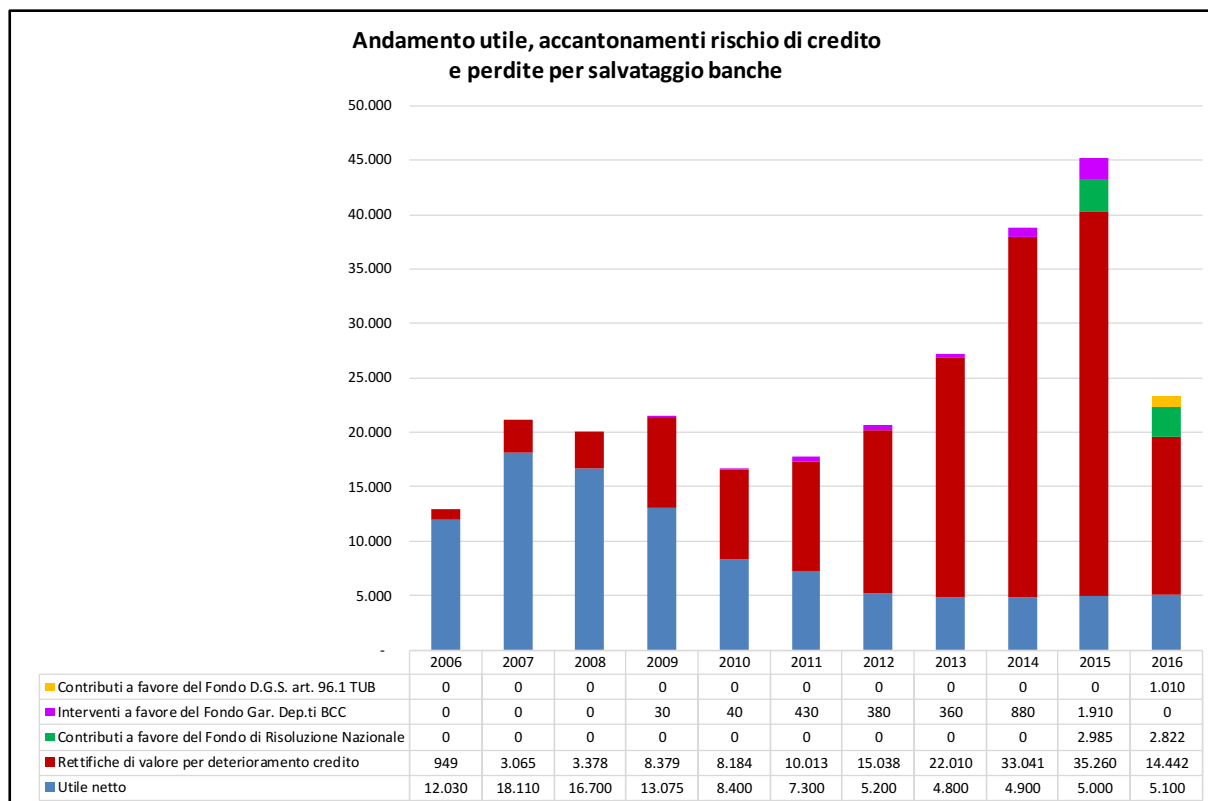
Again for this reporting period, the overall costs sustained by our Bank to support and save banks undergoing a crisis were significant and equal to 3,831,187 Euro (4,874,644.69 Euro in 2015), subdivided as follows:

- Ordinary contribution to the National Resolution Fund equal to 939,675.00 Euro;
- Extraordinary contribution to the National Resolution Fund equal to 1,881,605.00 Euro;
- Contribution to the D.G.S. Fund, Art. 96.1 Consolidated Banking Act 1,009,907.10 Euro.



The graph below shows the trend of the bank's income capacity and income destination. The increasing income potential has been accompanied by a consistent and prudential credit write-down policy. Over the last years, the weight of contributions to be paid for bank recoveries has grown progressively. It is useful to note that upon examination of the various cases, the causes of the financial difficulties in almost the totality of cases stemmed from evident poor management, even stretching over year, as opposed to crises due to risks deriving from errors in ordinary management.

The bar graph below shows the Bank's overall income capacity over the last ten year period.



9. Significant events after the close of the fiscal year

In compliance with regulatory provisions, below is provided adequate information regarding significant events subsequent to the close of the fiscal year.

The new Banca Cambiano 1884 S.p.A., born of the unification of the ex-Banca A.G.C.I S.p.a. and the ex-Banca di Credito Cooperativo di Cambiano S.c.p.a., as described in detail in the previous section, began business starting 1 January 2017.

Following implementation of the "way out" charges calculated as 20% of the assets as at the end of the 2015 fiscal year were paid in January 2017.

Below are the asset and liability positions transferred by BCC Cambiano into Banca AGCI Spa (now Banca Cambiano 1884 Spa) as at the effective date of the transfer (1 January 2017):

Cod.	Asset line items	Amounts
10	Cash and cash balance	10,419,841,54
20	Financial assets held for trading	57,645,960,47
30	Financial assets measured at fair value	0,00
40	Financial assets available for sale	631,590,879,00
50	Financial assets held through maturity	0.00



Cod.	Asset line items	Amounts
60	Receivables from banks	171,494,742.15
70	Receivables from customers	2,136,866,010.67
80	Hedges	236,760.72
90	Adjustment of value of generic hedges for financial assets (+/-)	0.00
100	Equity investments	25,573,381.07
110	Property, plant and equipment	57,644,022.20
120	Intangible assets	2,504,245.70
	<i>Of which:- goodwill</i>	<i>2,100,000.00</i>
130	Tax receivables	25,921,718.98
	<i>a) current</i>	<i>4,883,099.99</i>
	<i>b) pre-paid</i>	<i>21,038,618.99</i>
140	Non current assets and groups of assets in the course of divestment	0.00
150	Other assets	49,063,432.39
	Total assets transferred	3,168,960,994.89

Cod.	Liability line items and shareholders' equity	Amounts
10	Payables to banks	488,534,471.19
20	Payables to customers	2,027,940,206.00
30	Outstanding securities	348,528,372.29
40	Financial liabilities from trading	0.00
50	Financial liabilities measured at fair value	0.00
60	Hedges	427,146.82
70	Adjustment of value of generic hedges for financial liabilities (+/-)	0.00
80	Tax liabilities	2,251,751.43
	<i>a) current</i>	<i>0.00</i>
	<i>b) deferred</i>	<i>2,251,751.43</i>
90	Liabilities associated with assets in the course of divestment	0.00
100	Other liabilities	81,749,799.41
110	Employee severance pay	3,579,389.30
120	Risk and expense funds	362,632.45
	<i>a) pensions and similar commitments</i>	<i>0,00</i>
	<i>b) other funds</i>	<i>362,632.45</i>
130	Valuation reserves	0.00
140	Redeemable shares	0.00
150	Equity instruments	0.00
160	Reserves	0.00
170	Premiums on issue of new shares	0.00
180	Share capital	0.00
190	Treasury shares (-)	0.00
200	Fiscal year profit (loss) (+/-)	0.00
	Total liabilities and Shareholders' equity	2.953,373,768.89



Cod.	Liability line items and shareholders' equity	Amounts
	Asset value of the transferred Banking business	215,587,226.00
	Total liabilities and shareholder's equity	3,168,960,994.89

During the month of January 2017 we calculated the Total Capital Ratio, taking into consideration:

- Overall BBC di Cambiano and Banca AGCI Own Funds;
- The reduction for payment of the 20% "charge".

The data obtained were compared to the capital requirements defined by Bank of Italy at the conclusion of the 2016 SREP.

Description	31/12/2016	01/01/2017
Common Equity Tier 1 (CET1) accumulated (Banca AGCI + BCC Cambiano) at 31.12.2016	281,049,848	
20% equity quota		54,208,740
Common Equity Tier 1 (CET1) accumulated (Banca AGCI + BCC Cambiano + shareholders' equity 2016) at 01.01.2017 post tax payment		229,383,538
TOTAL CAPITAL RATIO	14.70%	12.00%
Minimum requirement + additional buffer (SREP)	11.70%	9.75%
Difference in Total Capital Ratio 31.12.2016 - 01.01.2017	3.00%	2.25%

The Bank's Total Capital Ratio, even following subtraction of the 20% quota indicated above, nonetheless exceeds the Total Capital Ratio required for vigilance purposes.

As regards the 20% "charge" on net equity at 31.12.2015, paid on 2 January 2017 and amounting to 54,208,740.00, on 10 March 2017 a claim for reimbursement was presented.

The Legislator of the "cooperative credit bank reform", where allowing the possibility of transferring the respective banking companies into joint stock companies, subordinated transferring undistributable reserves to the transferee in compliance with Article 3-*quater* of Article 2 of Law Decree n. 18/2016, that is to say:

- Modifying the corporate purpose, to exclude banking activity;
- Keeping the "mutualistic" clauses as per Article 2514 of the Italian Civil Code;
- Undertaking to provide shareholders with services aimed at ensuring a relationship with the transferee joint stock company based on formation and information regarding savings and the promotion of assistance programs.

On December 17 2017, the extraordinary Shareholders' Meeting of Ente Cambiano S.c.p.a. (ex BCC di Cambiano) deliberated the statutory modifications set forth in aforementioned Article 3-*quater*.

Therefore, we consider said charges, conceived as an "extraordinary levy" on the net equity of cooperatives not adhering to the bank group, illegitimate insofar as it is contrary to the constitutional canons of equality, reasonableness and contributive capacity set forth in Article 3 and 53 of the Constitution. Moreover, this tax imposition does not seem coherent with the treatment that the legislation sets forth for business transfer or sale operations, thereby creating an illegitimate subject-sector discrimination.

Furthermore, the tax imposition in question is also contrary to Article 117, subsection 2, letter e) of the Constitution, which establishes the constitutional principle of defense of competition and the free trade as manifestations of private business initiatives. In fact, the aforementioned tax exposes those cooperatives that possess greater financial soundness to an unreasonable and poor quality difference in treatment with respect to other economic operators, first and foremost those operating in the same credit sector.



Following the modification of the corporate purpose deliberated by the meeting of 17 December 2016 and in compliance with regulatory dispositions and Vigilance requirements, during the month of January 2017 the request was submitted, to register the company in the Registrar of Banking Groups with the role of Parent Company of the banking group “Gruppo Bancario Cambiano”, with a 92.58% shareholding in Banca Cambiano 1884 Spa.

The regional economic context – not unlike the national one – shows how over the last year those signals of consolidation of the economic recovery registered during 2015 in fact struggle to resurface. Growth remains weak, in the absence of the drive up to now ensured by international demand and with a domestic demand lacking impetus. Nor, at the current state of affairs, does it seem possible to hypothesize an acceleration of the economy during 2017.

The forecasts of the International Monetary Fund regarding the global economy are as yet cautious, with a slightly stronger growth of both emerging economies and advanced economies, among which, however, the Euro Zone is struck by further deceleration. Even the growth rate of the Italian GDP, according to some among the leading national economic forecasting organizations, will remain below 1% in absence of more expansive budgetary policies, confirming the persistence of a negative differential with respect to other economies in the Euro Zone.

Tuscany seems to share a similar destiny, where exports continue to represent the most important stimulus on the demands front, albeit with the uncertainties present in the global scenario. This should permit businesses more directly affected by stimuli from International markets, especially manufacturing and tourism concerns, to benefit from conditions that are as yet relatively favorable to growth.

Businesses and sectors prevalently dedicated to the domestic market seem to be in a less propitious situation, although as far as at least the construction sector is concerned, the declining stage of recent years seems to have been interrupted. Despite that it seems that 2017 will be the third consecutive year of growth, the expected recovery seems as yet too modest to be able to generate significant improvements on the national and regional labor market, and therefore not capable of favoring a more rapid absorption of critical situations and social disadvantage left as a legacy of the crisis.

Information regarding corporate continuity, financial risks, impairment tests on assets and uncertainties in the use of estimates

With reference to the Bank of Italy, Consob and Isvap documents n. 2 dated 6 February 2009 and n. 4 dated 3 March 2010, regarding information to be contained in financial reports on corporate prospects, with specific reference to corporate continuity, financial risks, impairments tests on assets and uncertainties in the use of estimates, the Board of Directors confirms being reasonably certain that the bank may continue its operations in the foreseeable future and therefore declares that the Financial Statements for the fiscal year in review were prepared with an outlook of ongoing corporate activity. The Bank's equity and financial structure do not contain any elements or signs that may give rise to any doubts whatsoever as to corporate continuity. For information regarding financial risks, impairment tests on assets and uncertainties in the use of estimates, please refer to the information provided in this report as regards management trends and/or the specific sections of the Explanatory Notes. Also please note that these aspects will continue to reasonably exist even with the with the modified corporate purpose and the new role of Parent Company of the Banking Group.

Information on transactions with related parties

For information regarding transactions with related parties, as defined in IAS 24, please refer to “Part H – Transactions with related parties” of the Explanatory Notes. In accordance with prudential regulations regarding risk activities and conflict of interest vis-à-vis connected subjects, please note that no noteworthy transactions were carried out with related parties, pursuant to pertinent regulations and criteria adopted within the scope of implemented policies, regarding which the Independent Director and/or the Board of Statutory Auditors formulated a negative judgment or made observations.

Proposal for the allocation of the fiscal year profit

On the basis of what is set forth herein, the Board of Directors therefore proposes to the Shareholders' Meeting the distribution of a dividend scaled to the measure of 2.50% of the par value of the shares. The gratuitous revaluation of the par value of the shares is not possible for the year 2016 in that the ISTAT yearly general national price index, which constitutes the maximum revaluation measure, was such as to not allow share revaluation.



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

Project for the allocation of the fiscal year profit	Amount
1 To the indivisible reserves set forth in Article 2 of Law no. 904 of 16.12.1977, confirming exclusion of the possibility of distribution among Shareholders under any form, both during the life of the Bank as well as at the time it is dissolved, specifically:	
– To the ordinary/legal reserve set forth in Article 37(1) of Legislative Decree no. 385 of 1.9.1993	3,629,149
2 To extraordinary/statutory reserves	467,015
3 To mutual aid funds for the promotion and development of cooperation (equivalent to 3% of net profits in accordance with Article 11(4) of law no 59 of 31.1.1992 and subsequent modifications)	153,000
4 To Shareholders as dividends in the measure of 2.50% of the nominal value (scaled to the capital paid and the date of payment)	100,836
5 Available to the Board of Directors for charity and mutual aid	750,000
Net profit for the fiscal year	5,100,000

12. Final comments

With the close of the 2016 fiscal year, our operations as cooperative credit bank ceases and our activity as Parent Company of the newly constituted “Gruppo Bancario Cambiano” and correlated social and economic development activities of the territories through the support of cultural, artistic and training initiatives in the interest of the context of reference begins. Starting January 2017 the banking activity is carried out by our investee company “Banca Cambiano 1884 Società per azioni”; the “way out” project was amply evaluated, illustrated and deliberated upon in the shareholders’ meetings, as is once again described in this report.

Today, we note that at a national level, BCC di Cambiano is the only institute that has completed the “way out” process. Coherence with our history and the fundamental industrial decisions taken over the last 40 years of detachment from federal structures are the frame of our position with respect to other initiatives just recently undertaken.

The value of our new legal form resides in the confirmation of our manner of “being a bank” but structured within a corporate frame work more appropriate to meeting market needs. Against the numerous negative events that are still involving the banking system, once the wave of shooting into the herd and tarring everyone with the same brush has come to an end, Banca di Cambiano’s will witness the further consolidation of the social legitimacy that has accompanied its growth over the years.

The compactness of our corporate structure and the appreciation demonstrated towards us by the market will be the basis for future endeavors, even in the new legal form as a joint stock company, with the firm belief that, alongside the greater management and regulatory complexity, the main rule is still probity, transparency and acting based on the vision of “us” and the culture of having to account to those who put their trust in the profound values that our Bank personifies. This is a strong passage for our joint stock company, which has turned the principles of cooperation into its cultural patrimony.

Esteemed Shareholders, moving on to the final part of the report, we wish to sincerely thank all those who have accompanied the Bank over the years and in this extremely important passage:

- The banking supervisory authorities, from the ECB to Bank of Italy, both Central Administration and, in particular, the Florence head office for the assistance and collaboration provided;
- Cabel Group for the collaboration afforded and for the commitment that it is dedicating to the Oracle project, which will constitute an extremely significant competitive edge;
- The Board of Statutory Auditors, for the commendable work carried out;
- General Management and all employees for the manifest competence in terms of ordinary banking operations, particularly complex due to the existing criticalities and, especially during the complex stage of perfecting the “way out” and in launching the work of our Banca Cambiano 1884 S.p.A.



And finally, to you, the Shareholders, who have constantly demonstrated your participation and attachment to your Bank.

Castelfiorentino, 17 March 2017

The Board of Directors



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

To the Shareholders,

this report acknowledges the results of the activity performed by the Board of Statutory Auditors during the fiscal year ended 31 December 2016, also with reference to the functions attributed to it by Article 19 of Italian Legislative Decree n. 39/2010.

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

The financial statements were audited by the company Baker Tilly Revisa S.p.A. in accordance with articles 2112 and 2558 of the Italian Civil Code and Consob Circular Consob n. 10121 dated 30/06/1988. As regards the statutory audit, pursuant to article 14 of Legislative Decree n. 39 of 27 January 2010, please refer to their report.



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

1. Supervisory activity performer in compliance with obligations

During the course of fiscal year 2016 the Board of Statutory Auditors supervised compliance with law and the Articles of Association, as well as compliance with principles of proper administration and sound and prudent management.

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

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

The supervisory and control activity was performed in the different areas noted above, as follows:

- 1) Participation at meetings of the Board of Directors (n. 24), the Executive Committee (n. 20), the President of the Risk Committee (n. 4) and the Shareholders' Meeting;
- 2) Meetings with the company entrusted with the statutory audit;
- 3) Controls with the managers of the various corporate departments, in particular with the Compliance and Risk Management Department and with the Internal Audit Department, whose activities are carried out in co-sourcing with the company META Srl with offices in Empoli;
- 4) Meetings with the "*Supervisory Authority in accordance with Legislative Decree 231/01*".

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

Participation at the meetings of the Board of Directors also allowed us to verify that delegated individuals reported on the operations they performed in accordance with the powers attributed to them, the general management trend, and its foreseeable development. The directors also reported any cases of conflict of interest, in accordance with outstanding provisions of the Italian Civil Code in order to allow proper decision-making procedures to be implemented pursuant to Article 136 of the Consolidated Law on Banking, article 2391



of the Italian Civil Code “Interests of the administrators” and the Regulations for Operations with Connected Subjects, adopted to implement the dispositions of the New Prudential Banking Regulations and Supervision, Heading V – chapter 5 of Circular n. 263/06, 9th update of 12 December 2011.

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

With respect to the adequacy of the internal control system, the Board of Statutory Auditors interacted with the Internal Audit Department, and autonomous and independent structure, as the recipient of the inspection reports containing the results of the controls that this service carried out during the course of the year, as mentioned, in co-sourcing with the company META Srl in Empoli; this also in reference to the service agreements in force with the Compliance, Risk Management Anti-Money Laundering Departments. The Board of Statutory Auditors also reviewed and approved the 2017-2019 three year plan and the annual auditing plan scheduled by the Internal Audit Department.

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

- the Risk Management Department, that supplied adequate information regarding risks, the object of periodic reports concerning the controls carried out directly, as well as the effectiveness of the departments entrusted with examining and measuring the different types of risks, and the co-ordination of such departments aimed at an overall vision of risks;
- the Compliance Department (compliance to regulations), for the review and assessment of issues regarding the legal framework with which the Bank must comply and for reports regarding the state of company compliance with respect to the areas of the Department’s competence; regarding compliance, please note that starting 1 January 2016, this function was strengthened through the activation of a co-sourcing agreement with the company META S.r.l.;
- the Anti-Money Laundering Department, for reports regarding this delicate sector, documents whose level of clarification fully represent, among other things, organization and electronic controls in terms of an adequate control of customers and the supply of information to the Centralized Computer Archive;
- the Management Control Office and the Risk Control Office, whose reports provide this Board with adequate information regarding monitored risks pertaining to the specific competence of this function.

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

During the fiscal year in review, still as regards internal audits, the Board of Statutory Auditors was also able to evaluate the compliance to the provisions of Bank of Italy Circular n. 285 dated 17 December 2013 “Vigilance provisions for Banks” and the continuing conformity of internal regulations.

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

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

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

According to the information obtained by the Board of Statutory Auditors, non atypical and/or unusual operations were performed during the course of the fiscal year. Please note that at 00.00 hours of 1 January 2017 the so-called “way-out” operation, already deliberated by the extraordinary shareholders’ meeting on 17 December 2016, was completed, with the transfer of the branch of business to Banca Cambiano 1884 SpA.

Relationships with related parties took place on the basis of the Regulations approved during the year as implementation of the provisions set forth in the Bank of Italy’s Measure «*Risks and conflict of interest with*



respect to related parties». The Board of Statutory Auditors, in its supervisory function, has always found compliance with the regulations on this topic. Indeed, transactions were always in line with market conditions or, where appropriate reference parameters were missing, according to cost and, in any event, on the basis of evaluations of objective reciprocal convenience and correctness. No large transactions were carried out with related parties, pursuant to the regulatory provisions of reference and criteria adopted within the scope of corporate policies, regarding which the Independent Directors and/or the undersigned members of the Board of Statutory Auditors expressed a negative opinion or formulated reports.

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

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

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

- the Board of Statutory Auditors met 15 times during the course of the fiscal year;
- no complaints or allegations were made pursuant to Article 2408 of the Italian Civil Code;
- the Board of Statutory Auditors did not have to issue any opinions required by law as there was no need due to the lack of pre-requisites;
- during the course of the fiscal year, the activity of the Supervisory Body, which was established in accordance with Legislative Decree 231/2001, continued on a regular basis. Its activity consisted of examining the organizational and management model and the training program for personnel, as well as advising the Bank’s managers of the need for ongoing collaboration, useful for allowing full and effective activity to prevent the crimes provided by the above law;
- procedures and activities were also initiated and further adjusted that were required for compliance with the Legislative Decree 231/2007 on money laundering”;
- during 2015, with the 11th update of Circular n. 285/2013, Bank of Italy introduced in the internal control system for reporting of violations (so-called “whistleblowing” systems), aimed at promoting a culture of legality at all corporate levels and incentivizing bank personnel to follow appropriate reporting procedures in order to notify irregularities and/or violations of regulations that govern banking activities on behalf of Company human resources. In compliance with these provisions, the Bank has implemented the Regulations regarding internal reporting of violations, which define the procedural and organizational details of the reporting process, describing the stages, activities, subjects involved and all the protection methods, obligations and responsibilities thereof;
- the procedure for the autonomous assessment of capital adequacy (ICAAP) was further implemented, in accordance with the regulatory guidelines, as discussed by the Board of Directors, the capital is fully adequate for the risks assumed;
- the law on the transparency of banking and financial services and transactions was implemented;
- in terms of usury, the Bank’s operations were conducted in compliance with Law no. 108/1996 and the Implementing Provisions of the Bank of Italy;
- with reference to the law on privacy, the provisions of Legislative Decree 196/2003 were complied with;
- as required by Article 136 of the Consolidated Law on Banking, the Board unanimously confirmed the transactions conducted, directly or indirectly, by the Bank’s representatives, all approved in accordance with law, including Article 2391 of the Italian Civil Code;
- with reference to the 21 complaints received by the Bank in 2016, compared to the 31 in 2015, the enquiry procedure and management of such cases was found to be proper; further, it was determined that the parties involved were given a timely and reasoned response and that such complaints were properly represented to the Bank’s bodies according to regulatory requirements;
- it is certified that, with the participation required of employees, the necessary training was conducted regarding anti-money laundering, financial consulting, the placement of insurance and financial products, occupational safety, credit, usury, etc.



2. Fiscal year results

The Board of Statutory Auditors has examined the draft financial statements for the fiscal year closed on 31/12/2015 and the management reports, submitted to the same Board by the Board of Directors, within the term required by law.

As the Board of Statutory Auditors is not required to perform the statutory audit of the Financial Statements, the Board has verified the overall layout of the statements, its composition, its structure, the evaluation made of company assets and the management report, in conformity with current laws, provisions of the Supervisory authority and the International IAS/IFRS accounting principles.

The draft financial statements were submitted to review by the company Baker Tilly Revisa Spa, in charge of the statutory audit of accounts. On today's date, in accordance with articles 14 and 16 of Legislative Decree n. 3972010, the audit company has issued its professional opinion as to the reliability of the financial statements in question, without notes or objections.

The financial statements for the 2016 fiscal year, submitted to your approval, are summarized in the most significant aggregates set forth below, and compared with those of the 2015 financial statements:

	31/12/2016	31/12/2015
STATEMENT OF ASSETS AND LIABILITIES		
Cash and cash equivalents	10,419,841.54	10,689,825.31
Financial assets	689,352,419.88	1,305,232,084.59
Receivables from banks	171,494,742.15	216,561,307.86
Receivables from customers	2,136,866,010.67	2,009,908,372.49
Other assets	176,631,270.67	162,659,436.12
TOTAL ASSETS	3,184,764,284.91	3,705,051,026.37
Payables to banks	488,534,471.19	484,257,937.64
Payables to customers	1,981,003,632.47	2,267,390,499.95
Outstanding Securities	348,528,372.29	532,751,580.70
Other liabilities	92,838,904.72	149,607,309.69
Shareholders' equity	268,758,904.24	266,043,698.39
Fiscal year profit	5,100,000.00	5,000,000.00
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	3,184,764.284.91	3,705,051,026.37
INCOME STATEMENT		
Interest income	41,037,396.04	38,468,873.92
Net commissions	21,434,669.71	21,078,194.50
Result of negotiations and other valuation activities	10,324,657.34	32,679,018.04
Operating income	72,796,723.09	92,226,086.46
Net adjustments for impaired credits and other	-14,433,281.49	-36,719,122.33
Net income from financial assets	58,363,441.60	55,506,964.13
Operating costs	-53,328,763.25	-50,490,835.29
Other costs and revenue	199,911.10	653,226.48
Profit (loss) on current operations before taxes	5,234,589.45	5,669,355.32
Fiscal year income tax on current operations	-134,589.45	-669,355.32
FISCAL YEAR PROFIT	5,100,000.00	5,000,000.00

The explanatory notes contain further information considered useful or required by specific provisions of law for a more exhaustive representation of company events and a better comprehension of balance sheet data.

The Board of Statutory Auditors also met with the company in charge of the statutory audit of the accounts, thus taking note of the work carried out by the latter and exchanging reciprocal information, as per article 2409-septies of the Italian Civil Code. As regards the items in the draft financial statements submitted to the Shareholders' assembly, the Board of Statutory Auditors has carried out the controls required to be able to provide the following comments



3. Comments on the financial statements

It is noted as follows:

- The draft financial statements were prepared, as implementation of Legislative Decree no. 38/2005, from a substantive standpoint, in accordance with the Supervisory Regulations contained in Circular no. 262 of 22 December 2005 of the Bank of Italy and in application of the IAS/IFRS international accounting standards issued by the International Accounting Standards Board (IASB), approved by the European Union, and in effect as of the date the financial statements were closed, as well as the related interpretations (SIC/IFRIC). Such accounting standards are reported analytically in part A.1, section 2 of the Explanatory Notes. The above documentation duly considers what is provided in the Joint Document of the Bank of Italy, Consob and Isvap no. 4 of 3 March 2010, on the information to be provided in financial reports on controls of the reduction of value of assets (impairment test), on the contractual clauses of financial liabilities, on debt restructuring and on the "hierarchy of fair value";
- the draft financial statements, as prepared, correspond to the facts and information the Administrative Body was aware of as of the date of their approval;
- The Report on Operations contains the information required by outstanding law and completes, in a clear manner, the content of the fiscal year financial statements; specifically, in the Report on Operations and in the Explanatory Notes, the directors have provided the information required by Document no. 2 of Consob, the Bank of Italy and Isvap of 6 February 2009 on "business continuity" (*going concern*), and they prepared the financial statements based on an expectation of business continuity. The Board agrees with the judgment expressed and confirms the expectation that the company will continue operating in the future, carrying out its role as Parent Company of the Gruppo Bancario Cambiano banking group, in addition to the activities set forth in the articles of association of the new "Ente Cambiano Scpa".

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

In conclusion, the Board of Statutory Auditors approves the 2016 fiscal year financial statements, which were duly made available within the prescribed term.

Specifically, in accordance with Article 2426(5) of the Italian Civil Code, the Board consents to recording multi-year software costs and expenses, amounting to a total of 404,245.70 Euro in asset line item 120 "Intangible assets". The entry is at cost, net of constant rates of amortization over five years. Again with the Board's consent, the expenses for improvements to third party assets corresponding to 786,333.63 Euro were allocated to asset line item 150 "Other assets" and were amortized directly on the basis of the duration of the leases. In accordance to the specific policy on Goodwill we have verified that goodwill "value of use" is greater than the "booking value", and therefore the Board consents to recording goodwill amounting to 2,100,000 Euro. Goodwill is relative to the purchase of the company branch from Banca Interregionale Spa which took place on 20 November 2014, effective 1 January 2015.

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

The Board of Statutory Auditors, in compliance with the provisions of Article 2 of Law no. 59/1992 and Article 2545 of the Civil Code, approves the standards followed by the Board of Directors in its social activity to pursue mutual aid objectives in conformity with the cooperative nature of the company, and set forth in detail in the report on operations presented by the Directors. Specifically in such regard, we confirm that in 2015 as well the Bank remained faithful to its social mission of cooperative credit. Consistently with such mission, it sustained the economies in the territories in which it operates, supporting families and the activities of the companies operating therein.

We further wish to emphasize, also due to their effect on the economic result, the strict criteria adopted in assessing receivables also in 2016, in assessing receivable in conformity with the internal policy "Rules for classification and assessment of the credit portfolio" approved by deliberation of the Board of Directors on 28/07/2014 and updated with subsequent deliberations on 15/07/2016 and 27/02/2017.

Such orientation represents a determined «factor safeguarding the integrity of capital», including in prospective terms, considering the persistence of the difficult economic situation and uncertain outlook with respect to economic recovery. The Bank's considerable capital assets should also be emphasized, an endowment



that is reassuring in any case due to its ability to absorb negative trends, both present and future, of the economic situation.

4. Proposals regarding the financial statements and the approval thereof

Upon the conclusion of the specific controls carried out, the Board can certify that the Report on Operations is consistent with the Bank's financial statements as of 31 December 2015 and indicates business performance, its current trend and outlook. This is true with reference both to the financial information, as an analysis of the income, asset and financial situation and indicators of capital adequacy, as well as with respect to other information, such as risks and uncertainties concerning the Bank's activity, its management, human resources, cultural and promotional activities, security, mutual aid activities, and business performance. The significance of credit risk, liquidity risk and market risk was adequately indicated, also in consideration of the strong market tensions. The Explanatory Notes indicate the measurement criteria used and provide all of the information required by laws currently in force, including information on credit risk, market risk, liquidity risk and operational risks.

As conclusion of our report, in repeating that on the basis of the supervisory activity carried out no critical events appeared and no omissions or irregularities were found, the Board of Statutory Auditors expresses its favorable opinion, to the extent of our responsibility, for the approval of the financial statements for fiscal year 2016 and related proposal for the allocation of the fiscal year net profit, which it certifies conforms to law and the Articles of Association and is suitable in view of the Bank's economic and financial situation.

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



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

Castelfiorentino, 10 April 2017

THE BOARD OF STATUTORY AUDITORS

Prof. Stefano Sanna	<i>Chairman</i>
Prof.ssa Rita Ripamonti	<i>Acting Auditor</i>
Prof. Edoardo Catelani	<i>Acting Auditor</i>



Report of the Independent Auditor

Report of the Independent Auditor
in accordance with Article 14 of Legislative Decree no. 39 of 27.1.2010
on the financial statements for the fiscal year ended 31 December 2015.

To the Shareholders of
ENTE CAMBIANO S.c.p.a.
Piazza Giovanni XXIII, 6
50051 CASTELFIORENTINO (FI)

Report on the financial statements

We have audited the fiscal year financial statements of Banca di Credito Cooperativo di Cambiano, consisting of the equity and financial situation as at 31 December 2016, the income statement, the overall income statement, the schedule of variations to shareholders' equity, statement of cash flows for the fiscal year ending on the aforementioned date, by a summary of significant accounting principles and other explanatory notes thereto.

Responsibility of the Directors for the financial statements.

The directors are responsible for preparing the financial statements so that they provide a true and correct representation in conformity with the International Financial Reporting Standards adopted by the European Union and with the provisions issued to implement Article 9 of Legislative Decree n. 38/05.

Responsibility of the Independent Auditors

We are responsible for expressing our professional opinion regarding the financial statements based on the audit of accounts. Our audit was conducted according to the international auditing principles (ISA Italia) set forth in accordance to article 11, sub-section 3 of Legislative Decree 39/10. These standards require observance of ethical principles as well as planning and conducting the accounting audit in order to acquire a reasonable certainty that financial statements contain no significant errors.

The audit procedure included the review, based on sample controls, of the evidence justifying the balances and information contained in the financial statements. The procedures chosen depend on the professional opinion of the auditor, including the evaluation of the risks of significant errors in the financial statements due to fraud or non intentional conduct or events.

While assessing these risks, the auditor takes into account internal controls regarding the preparation of the financial statements of the company, and whether it provides a true and correct representation for the purpose of defining auditing the procedures appropriate to the circumstances, and not to express an opinion as to the efficacy of internal corporate controls. The accounting audit also includes an evaluation of the adequacy of the accounting standards adopted, of the reasonableness of the estimates made by the directors, and of the overall presentation of the financial statements.

It is our opinion that we have acquired sufficient and adequate evidence on which to base our opinion.

Opinion

In our opinion, the financial statements represent in a truthful and accurate manner shareholders' equity and the financial situation of Banca di Credito Cooperativo di Cambiano as at 31 December 2016, as well



as of the economic result and cash flows for the fiscal year closed on the same date, in conformity with the International Financial Reporting Standards adopted by the European Union, as well as with the regulations implementing article 9 of Legislative Decree n. 38/05.

Information note

As specified by the Directors in the Explanatory Notes to the financial statements closed on 31 December 2016, the Bank, in compliance with Bank of Italy Circular n. 0292446 dated 13/03/2015, has recalculated the profit and equity of the affiliated company, Cabel Holding S.p.a. for the years from 2008 to 2012, with the relative impact on the balance sheets.

In fact, the overall difference of 4.1 million Euro has been reclassified from “Valuation reserve” to “Reserves”, with the relative differed tax impact. The increased value of the Cabel Holding S.p.a. shares of euro 812 thousand has been recorded in increase of “Shareholding” and with contra-entry in “Valuation reserve”, here again with the relative tax impact.

Report on other law and regulatory provisions

Opinion regarding the consistency of the report on operations with the financial statements.

We conducted the procedures specified in the audit standards (SA Italia) n. 720B for the purpose of expressing, as required by current laws in force, an opinion as regards the consistency of the report on operations, the responsibility for the preparation of which rests with the directors of Banca di Credito Cooperativo di Cambiano, with respect to the financial statements of the Banca di Credito Cooperativo di Cambiano as at 31 December 2016. In our opinion, the report on operations is consistent with Banca di Credito Cooperativo di Cambiano’s financial statements as at 31 December 2016.

Florence, 10 April 2017

BAKER TILLY REVISA S.p.A.
Lucia Caciagli
Executive Partner



Report of the Independent Auditors



**RELAZIONE DELLA SOCIETÀ DI REVISIONE INDIPENDENTE
AI SENSI DELL'ART. 14 E 16
DEL D.LGS. 27 GENNAIO 2010, N.39**

Ai Soci del
Ente Cambiano S.c.p.a.
Piazza Giovanni XXIII, 6
50051 Castelfiorentino (FI)

Società di Revisione e
Organizzazione Contabile
50129 Firenze - Italy
Via Cavour 81
T: +39 055 2477851
F: +39 055 214933
PEC: bakertillyrevisa@pec.it
www.bakertillyrevisa.it

Relazione sul bilancio d'esercizio

Abbiamo svolto la revisione contabile del bilancio d'esercizio della Banca di Credito Cooperativo di Cambiano, costituito dalla situazione patrimoniale-finanziaria al 31 dicembre 2016, dal conto economico, dal conto economico complessivo, dal prospetto delle variazioni nel patrimonio netto, dal rendiconto finanziario per l'esercizio chiuso a tale data, da una sintesi dei principi contabili significativi e dalle altre note esplicative.

Responsabilità degli amministratori per il bilancio d'esercizio

Gli amministratori sono responsabili per la redazione del bilancio d'esercizio che fornisca una rappresentazione veritiera e corretta in conformità agli International Financial Reporting Standards adottati dall'Unione Europea, nonché ai provvedimenti emanati in attuazione dell'art. 43 del D.Lgs. n. 136/2015.

Responsabilità della società di revisione

È nostra la responsabilità di esprimere un giudizio sul bilancio d'esercizio sulla base della revisione contabile. Abbiamo svolto la revisione contabile in conformità ai principi di revisione internazionali (ISA Italia) elaborati ai sensi dell'art. 11 del D.Lgs. 39/10. Tali principi richiedono il rispetto di principi etici, nonché la pianificazione e lo svolgimento della revisione contabile al fine di acquisire una ragionevole sicurezza che il bilancio d'esercizio non contenga errori significativi.

La revisione contabile comporta lo svolgimento di procedure volte ad acquisire elementi probativi a supporto degli importi e delle informazioni contenuti nel bilancio d'esercizio. Le procedure scelte dipendono dal giudizio professionale del revisore, inclusa la valutazione dei rischi di errori significativi nel bilancio d'esercizio dovuti a frodi o a comportamenti o eventi non intenzionali.



Nell'effettuare tali valutazioni del rischio, il revisore considera il controllo interno relativo alla redazione del bilancio d'esercizio dell'impresa che fornisca una rappresentazione veritiera e corretta al fine di definire procedure di revisione appropriate alle circostanze, e non per esprimere un giudizio sull'efficacia del controllo interno dell'impresa. La revisione contabile comprende altresì la valutazione dell'appropriatezza dei principi contabili adottati, della ragionevolezza delle stime contabili effettuate dagli amministratori, nonché la valutazione della presentazione del bilancio d'esercizio nel suo complesso.

Riteniamo di aver acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio.

Giudizio

A nostro giudizio, il bilancio d'esercizio fornisce una rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria della Banca di Credito Cooperativo di Cambiano al 31 dicembre 2016 e del risultato economico e dei flussi di cassa per l'esercizio chiuso a tale data, in conformità agli International Financial Reporting Standards adottati dall'Unione Europea, nonché ai provvedimenti emanati in attuazione dell'art. 43 del D.Lgs. n. 136/2015.

Relazione su altre disposizioni di legge e regolamentari

Giudizio sulla coerenza della relazione sulla gestione con il bilancio d'esercizio

Abbiamo svolto le procedure indicate nel principio di revisione (SA Italia) n. 720B al fine di esprimere, come richiesto dalle norme di legge, un giudizio sulla coerenza della relazione sulla gestione, la cui responsabilità compete agli amministratori della Banca di Credito Cooperativo di Cambiano con il bilancio d'esercizio della Banca di Credito Cooperativo di Cambiano al 31 dicembre 2016. A nostro giudizio la relazione sulla gestione è coerente con il bilancio d'esercizio della Banca di Credito Cooperativo di Cambiano al 31 dicembre 2016.

Firenze, 10 aprile 2017

Baker Tilly Revisa S.p.A.

Lucia Caciagli
Socio Procuratore


Table of variations to shareholders' equity

TABLE OF VARIATIONS TO SHAREHOLDERS' EQUITY AS AT 31 DECEMBER 2016													
	Amounts as at 31 December 2015	Modification of opening balance	Amounts as at 1 January 2016	Allocation prior fiscal year result		Fiscal year variations							Shareholders' equity as at 31 December 2016
				Reserves	Dividends and other allocations	Variations of reserves	Transactions involving shareholders' equity					Overall profitability 2016 fiscal year	
							Issue of new shares	Purchase of treasury shares	Distribution of extraordinary Dividends	Variation of equity instruments	Derivatives on treasury shares		
Share capital:													
a) ordinary shares	4,075,920		4,075,920				-211,752						3,864,168
b) Other shares													
Premium on issue of new shares	582,455		582,455				-20,163						562,291
a) from gains	247,700,771		247,700,771	4,264,120									251,964,891
b) other													
Valuation reserves	13,684,553		13,684,553									-1,316,999	12,367,554
Equity instruments													
Treasury shares													
Fiscal year profit (loss)	5,000,000		5,000,000	-4,264,120	-735,880							5,100,000	5,100,000
Shareholders' equity	271,043,698		271,043,698	-	-735,880		-231,915					3,783,001	273,858,904

TABLE OF VARIATIONS TO SHAREHOLDERS' EQUITY AS AT 31 DECEMBER 2015													
	Amounts as at 31 December 2014	Modification of opening balance	Amounts as at 1 January 2015	Allocation prior fiscal year result		Fiscal year variations							Shareholders' equity as at 31 December 2015
				Reserves	Dividends and other allocations	Variations of reserves	Transactions involving shareholders' equity					Overall profitability 2015 fiscal year	
							Issue of new shares	Purchase of treasury shares	Distribution of extraordinary Dividends	Variation of equity instruments	Derivatives on treasury shares		
Share capital:													
a) ordinary shares	2,991.762		2,991.762				1,084.158						4,075,920
b) other shares													
Premium on issue of new shares	255.143		255.143				327.312						582,455
a) from gains	239,485,218		239,485,218	4,133,567		4,081,986							247,700,771
b) other													
Valuation reserves	30,435,931		30,435,931									-16,751,378	13,684,553
Capital instruments													
Treasury shares													
Fiscal year profit (loss)	5,000,000		5,000,000	-4,133,567	-766,433							5,000,000	5,000,000
Shareholders' equity	278,068,053		278,068,053	-	-766,433	4,081,986	1,411,470					-11,751,378	271,043,698



Cashflow statement

CASHFLOW STATEMENT		
Indirect Method		
A. OPERATING ASSETS	Amount	
	2016	2015
Operations	23,361,524	50,217,215
- fiscal year result (+/-)	5,100,000	5,000,000
- gains/losses on financial assets held for trading and on financial assets/liabilities measured at fair value (+/-)	318,952	-36,051
- gains/losses on assets used for hedging (+/-)	97,474	-2,890
- adjustments/write-backs of net value due to impairment (+/-)	14,433,281	36,719,122
- net adjustments/write-backs of value of property, plant and equipment and intangible assets (+/-)	3,268,841	3,144,886
- net allocations to risk and expense funds and other costs/income (+/-)	3,394	0
- outstanding taxes (+)	134,589	669,355
- adjustments/write-backs of net value of groups of assets being divested net of tax (+/-)	0	0
- other adjustments (+/-)	4,991	4,722,792
2. Liquidity generated by financial assets	511,802,774	-615,083,481
- financial assets held for trading	-57,269,942	81,211
- financial assets measured at fair value	0	0
- financial assets available for sale	672,830,655	-434,822,083
- receivables from banks: on demand	66,082	-24,512,841
- receivables from banks: other receivables	45,000,483	-27,982,643
- receivables from customers	-141,399,305	-123,024,272
- other assets	-7,425,200	-4,822,853
3. Liquidity generated/absorbed by financial liabilities	-510,533,233	573,951,278
- payables to banks: on demand	-661,887	5,772,613
- payables to banks: other payables	4,938,421	-130,052
- payables to customers	-286,386,867	742,478,533
- outstanding securities	-184,223,208	-203,422,651
- financial liabilities from trading	0	0
- financial liabilities measured at fair value	0	0
- other liabilities	-44,199,691	29,252,835
Net liquidity generated/absorbed by operating assets	24,631,064	9,085,012
B. ATTIVITÀ DI INVESTIMENTO		
1. Liquidity generated by	-14,020,302	-2,365
- sales of equity investments	0	0
- dividends received from equity investments	0	36,000
- sales of financial assets held through maturity	0	0
- sales of property, plant and equipment	-14,020,302	-38,365
- sales of intangible assets	0	0
- sales of branches of business	0	0
2. Liquidity absorbed by	-9,912,951	-8,115,070
- purchases of equity investments	-5,751,652	0
- purchases of financial assets held through maturity	0	0
- purchases of property, plant and equipment	-3,835,339	-5,994,614
- purchases of intangible assets	-325,960	-20,456
- purchases of branches of business	0	-2,100,000
Net liquidity generated/absorbed by investment assets	-23,933,253	-8,117,436
C. FUNDING ACTIVITIES		
- issues/purchases of treasury shares	-231,915	1,411,470
- issues/purchases of equity instruments	0	0
- distribution of dividends and other purposes	-735,880	-766,433
Net liquidity generated/absorbed by funding activities	-967,795	645,037
NET LIQUIDITY GENERATED/ABSORBED DURING THE FISCAL YEAR	-269,984	1,612,613
KEY: (+) generated (-) absorbed		
RECONCILIATION		
LINE ITEMS OF THE FINANCIAL STATEMENTS	Amounts	
	2016	2015
Cash and cash balances at the beginning of the fiscal year	10,689,825	9,077,212
Total net liquidity generated/absorbed during the fiscal year	-269,984	1,612,613
Cash and cash balances: effect of variation of exchange rates	0	0
Cash and cash balances at the close of the fiscal year	10,419,842	10,689,825



EXPLANATORY NOTES

Part A – ACCOUNTING POLICIES

A.1 – General part

Section 1 – Statement of conformity to International Accounting Standards

The Banca di Credito Cooperativo di Cambiano s.c.p.a. declares that these financial statements were prepared in compliance with Legislative Decree of 28 February 2005 n. 38, were prepared in conformity with the IAS/IFRS accounting standards issued by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretation Committee (IFRIC) and approved by the European Commission, as set forth by Community Regulations n. 1606 of 19 July 2002. The financial statements as at 31/12/2015 were prepared based on the instructions contained in Bank of Italy Circular n. 262/05 “Bank financial statements: schedules and rules for preparation” issued on 22 December 2005 and subsequent updates.

Section 2 – General preparation standards

The financial statements per prepared in observance of the following general principles set forth in IAS 1:

- Going concern – The financial statements per prepared based on a going concern assumption and assets and liabilities were therefore booked based on operating values.
- Accrual basis accounting – Revenues and expenses are booked, regardless of their monetary settlement, based on economic accrual and correlation criteria.
- Coherency in the presentation of the financial statements – The format and classification of the various items are kept the same from one financial year to the next, in order to guaranty the comparability of the information, save for changes required by an International Accounting Standard or an interpretation thereof, or even only so that another presentation or classification is deemed more appropriate in terms of relevance and reliability in the representation of the information.
- Relevance and aggregation– Each relevant class of similar items is distinctly set out in the financial statements. Items that are dissimilar in terms by nature or destination are presented separately, unless they are irrelevant.
- No compensation – Assets, liabilities, expenses and revenues are not compensated the ones with the others, unless required by an International Accounting Standard or by an interpretation or unless where expressly descriptive where this favors better comprehension of the financial statements of reference provided for by statement schedules for banks.
- Comparative information – Comparative information is provided for the previous financial period for all data illustrated in the schedules to the financial statements with the exception of those cases in which an International Accounting Standard or interpretation allows otherwise. Commentary information is also provided.

The fiscal year financial statements were in any event prepared in application of national regulations where compatible with IAS principles. Therefore, these financial statements comply with the provisions of Legislative Decree 136/2015, the articles of the Italian Civil Code and the corresponding regulations of the Consolidated Financial Act as well as the schedules and rules on compilation issued by Bank of Italy circular n. 262 dated 22 December 2005, and subsequent updates.

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

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

Section 4 – Other aspects

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

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

The main items for which the use of subjective evaluations on the part of the Bank is mostly required are:

- The quantification of losses due to reductions in credit values and, in general, other financial assets;
- The determination of the fair value of financial instruments to be used for the purpose of information on the financial statements;
- The use of evaluation models to determine the fair value of financial instruments not traded on an active market;



- The evaluation of the congruity of goodwill values and other intangible assets;
- The quantification of allocations for personnel and for risks and charges;
- Estimations and assumptions regarding the recoverability of deferred tax assets

The description of the accounting policies applied on the main financial statement aggregates provides the details and information necessary to identify the main subjective assumptions and evaluations used to prepare the fiscal year financial statements. For further detailed information regarding the composition and the relative entry values of the items involved in the aforementioned estimations, please refer to the specific sections of the explanatory notes.

A.2 – Part related to the principal line items of the financial statements

1 – Financial assets held for trading

Classification criteria

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

Recognition criteria

Financial assets are initially entered on the date of subscription.

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

Measurement criteria

Subsequent to initial recognition, financial assets held for trading are valued at fair value, recognizing the variations with a balancing entry in the income statement. If the fair value of a financial asset becomes negative, this line item is usually registered as a financial liability. IFRS 13 defines fair value as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”. The fair value of investments listed in active markets is determined with reference to the listings measured at the date of reference of the financial statements. A market is defined active if prices reflect normal market transactions, are promptly and regularly available and express the price of actual and regular market transactions.

In the absence of an active market, estimates and measurement models are used that take into account all the risk factors correlated to the instruments are based on data that can be found in the market. Specifically, the methods used are based on the measurement of listed financial instruments that have analogous characteristics, calculation of discounted cash flows, option pricing models, prices registered in recent similar transactions and other methods commonly used by market operators. If it is not objectively possible to use one of the two methods indicated above, fair value is measured based on estimates and assumptions made by the appraiser based on historical cost and the application of measurement techniques having significant discretionary factors.

Derecognition criteria

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

Criteria for recognition of income components

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

2 – Financial assets available for sale

Classification criteria

This line item includes all non-derivative financial assets not included among credit portfolios, financial assets held for trading or assets held through maturity. In particular, this line item includes Securities not subject to trading activities and share participations not subject to control, association, joint control or significant influence, and that are not held for trading.

Recognition criteria

Financial assets available for sale are initially entered on the date of subscription. On initial recognition, financial assets available for sale are recognized at fair value; this is generally represented by the amount paid for execution of the transaction, comprehensive of costs or income referred to the transaction or attributable to the instrument itself.



Recognition of financial assets available for sale may also derive from reclassification from the sector “Financial assets held to maturity” or, only and solely in rare circumstances and in any event only if the financial instrument is no longer held for sale or repurchase in the short-term, from the sector “Financial assets held for trading”; in such circumstances, entry value is equal to the fair value of the asset as at the date of transfer.

Measurement criteria

Subsequent to initial recognition, assets available for sale continue to be measured at fair value.

Equity investments not listed on active markets, for which it is not possible to determine fair value in a reliable manner, are maintained at cost and adjusted and recognized in the income statement, upon verification of losses due to a reduction in value.

Share capital in other businesses, other than those controlled, associated or of significant influence, are valued at cost and not at fair value, in that it is deemed that the conditions provided for in paragraph AG80 of Annex A to IAS39 may apply.

On closing of the financial statements, verification of the existence of objective evidence of a non-temporary reduction of fair value is carried out (impairment test). If an asset available for sale is subject to a long-term value reduction, the non realized cumulated loss previously entered in net assets is reversed from net assets and entered in the income statement at line item “net adjustments/write-backs of net value due to impairment of financial assets available for sale”.

To assess situations that entail impairment losses and determine the relative amount, the Bank uses all the information available based on past experience and data observable at the date of assessment.

A significant or prolonged reduction in the fair value of a representative asset instrument below its cost is considered objective evidence of impairment loss.

If the motives for impairment loss should cease to exist following an event occurring subsequent to its measurement, a write-back is entered in the income statement in the case of debt securities or in net equity in the case of equity securities. In any event, the value of the write-back cannot exceed the amortized cost that the financial instrument would have had in absence of the previous adjustments.

Impairment testing is carried out at the close of the financial statements.

Derecognition criteria

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

Criteria for recognition of income components

Income components are allocated to the pertinent line items in the income statement based on the criteria described below.

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

3 – Financial assets held through maturity

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

4 - Receivables

Classification criteria

Receivables include lending to customers and banks, both direct and purchased from third parties, which entail fixed or determinable payments, which are not listed in active markets and have not been classified among the “Financial assets available for sale”. This category also includes insurance policies aimed at guaranteeing, on expiry, with payment of a single premium, capital in the amount of the premium paid increase by all revaluations provided for in the terms of the policy, minus any expenses sustained by the insurance company.

Recognition criteria



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

Measurement criteria

Subsequent to initial recognition, receivables are valued at amortized cost, equal to the value of first recognition, plus or minus principal repayments, adjustments and write-backs and amortization, calculated using the effective interest rate method, of the difference between the amount disbursed and the amount payable on maturity. The effective interest rate is found by calculating the rate equal to the current value of future cash flows on the loan, both capital and interest, on the sum disbursed, inclusive of costs and income attributable to the loan. This accounting method, using a financial logic, allows distributing the economic effect of costs and income over the entire expected residual life of the loan. The amortized cost method is not used for short-term loans where discounting to present value is deemed to have a negligible effect. These receivables are therefore stated at historical cost. Similar measurement criteria are adopted for receivables without a fixed payment date or which are repayable on demand. Specifically as regards receivables, the impairment test is articulated in two phases:

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

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

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

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

- probable non-performing loans and overdue exposures;
- other receivables *in bonis*.

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

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

Derecognition criteria

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

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

Securitization transactions completed subsequent to the introduction of International accounting principles, with which receivables are transferred to special purpose vehicles and in which, even in the presence of formal transfer of legal ownership of the credit in question, control of cash flows deriving from the same and risks and benefits are substantially retained, the receivables involved in the transactions are not derecognized.

Therefore, the transferred receivables continue to be recorded in the financial statements, entering a payable in respect of the special purpose vehicle, net of securities issued by the same and repurchased by the transferor. The income statement also reflects the same accounting principles.

Criteria for recognition of income components

Interest deriving from “Receivables from banks and customers” are allocated to “Earned interest and similar income” in the income statement, on an accrual basis, based on the effective interest rate.



Impairment losses are allocated to line item 130 of the income statement "Adjustments to net value due to impairment of a) receivables", as are recoveries of partial or total amounts subject to previous devaluations. Value write-backs are recorded in respect of improved credit quality, such as to engender the reasonable certainty of timely recovery of capital in accordance with the original terms of contract, both in respect of the gradual loss of discounting, calculated at the time of entry of the value adjustment. In the event of collective measurement, any additional adjustments or write-backs are recalculated separately with reference to the entire credit portfolio.

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

5 – Financial assets measured at fair value

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

6 – Hedges

Classification and recognition criteria

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

Derecognition criteria

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

Measurement criteria

Hedge instruments are measured at fair value.

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

Criteria for recognition of income components

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

- The differences matured on hedge instruments for interest rate risk (in addition to the interest of the hedged position) are allocated to line item 10 of the income statement "Earned interest and similar income" or to line item 20 of the income statement "Interest payable and similar expenses";
- Gains and losses deriving from the measurement of the hedge instruments and accounts that are the object of the hedges are allocated to line item 90 of the income statement "Net hedging result";
- Gains and losses from trading hedge contracts are capitalized on the hedged instrument if it is valued at amortized cost (IAS 39 par. 92), the amount of the premium or discount will be measured in the income statement on the basis of the new effective interest rate of the hedged instrument.

7 – Equity investments

Classification criteria

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



Recognition criteria

The line item includes equity investments in subsidiaries, jointly held companies or companies subject to significant influence. At the time of initial recognition, such equity investments are recognized at purchase cost, supplemented by directly attributable costs.

Measurement criteria

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

Derecognition criteria

Financial assets are derecognized when the contractual rights to the cash flows deriving from such assets expire or when the financial asset is sold, transferring all of the risks and benefits connected to it.

Criteria for recognition of income components

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

8 – Property, plant and equipment

Classification criteria

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

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

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

Recognition Criteria

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

Measurement criteria

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

The following are not subject to depreciation:

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

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

Derecognition criteria

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

Criteria for recognition of income components

Periodic depreciation is allocated to line item “Net adjustments/write-backs of value to property, plant and equipment”. In the fiscal period in which the asset is recognized for the first time, the depreciation rate applied takes into account the date in which the asset is available for use. Gains and losses deriving from disposal of property, plant and equipment



are calculated as the difference between the net sale price and the asset's carrying amount, and are recognized in the income statement at the same date as the write-off from accounts. The line item "Gains/losses on disposal of investments" is the balance, positive or negative, between gains and losses from the disposal of property, plant and equipment.

9 – Intangible assets

Classification criteria

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

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

In absence of one of the aforementioned characteristics, the cost to purchase or generate the same internally is registered as a cost in the fiscal year in which it was sustained. Intangible assets include, in particular application software for multi-year use and other identifiable assets that arise from legal or contractual rights. Expenses for third party assets (branch offices being rented) were recognized in Asset line item 150 "Other assets"; the relative amortization was proportional to the duration of the leases. Within the scope of a company merger, the IFRS3 principle establishes that at the date of purchase of the control, the purchaser must classify or designate the purchased intangible assets. As regards the definition of intangible elements, the principle identifies intangible elements purchased in company merger as identifiable non-monetary assets with no physical substance. Goodwill is represented by the positive difference between the purchase cost and the fair value of assets and liabilities acquired within the scope of the company merger.

Recognition criteria

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

Measurement criteria

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

Derecognition criteria

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

Criteria for recognition of income components

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

10 – Non-current assets and groups of assets in the course of divestment

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



11 – Current and deferred taxation

Income taxes, calculated according to current national tax regulations, are registered as costs and in the same period as the related income was earned. In the event of taxable temporary differences, a pre-paid or deferred tax asset or liability is recognized. Deferred taxes represent income taxes that are recoverable in future periods in respect of deductible temporary differences (deferred tax assets) and income taxes payable in future periods in respect of taxable temporary differences (deferred tax liability). Tax assets and liability are generally recorded as offset items in the income statement at line item 260 “Fiscal year income taxes”, save for those deriving from operations the effects of which are attributable to net equity, in which case they are registered in net assets.

Tax assets and liabilities are calculated at the rates that will presumably be in effect when the assets are realized or the liability is settled, based on current regulations; they are then monitored and recalculated as required, in the event of changes in the rates in current regulations.

12 – Risk and expense funds

Classification criteria

Risk and expense funds include provisions for current debt securities (legal or constructive) originating from past events or for which an outflow of resources will probably be required to settle the obligation, always provided that the amount can be reliably estimated. No provisions are made for liabilities that are merely potential but not probable.

Recognition criteria

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

Measurement criteria

The amount registered as provision represents the best possible estimate of the resources required to settle the existing obligation as at the date of reference of the financial statements. Where the time element is significant, provisions are discounted using current market rates. Provision funds are periodically re-examined and adjusted as required, to reflect the best possible current estimate. If, subsequent to review, it becomes improbable that the charge will be sustained, the provision is reversed.

Derecognition criteria

If it is no longer likely that an outflow of resources will be required to settle the obligation, the provision must be reversed. A provision may be used solely for those charges for which it has been recognized.

Criteria for the recognition of income components

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

13 – Liabilities and outstanding securities

Classification criteria

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

Recognition criteria

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

Measurement criteria



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

Derecognition criteria

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

Criteria for recognition of income components

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

14 – Financial liabilities from trading

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

15 – Financial liabilities measured at fair value

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

16 – Operations in foreign currency**Classification criteria**

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

Recognition criteria

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

Measurement criteria

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

Criteria for recognition of income components

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

17 – Other information**Accruals and deferrals**

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

Employee severance pay

Employee severance pay ("T.F.R.") may be considered a "benefit subsequent to the employment relationship" of the "defined-benefit" type, for which IAS 19 provides that the relative value be calculated using actuarial methods. Consequently, the year-end calculation is made based on the method of accrued benefits, using the Projected Unit Credit Method. This method projects future expenses based on historical, statistical and probabilistic analyses, in addition to applying appropriate demographic techniques. It consists in calculating the severance pay accrued at a given date, actuarially, distributing the relative charge over all the years of expected residual permanence of the workers on roll, and no longer as a charge to be paid if the company were to cease activity as at the date of the financial statements. Actuarial values for employee severance pay were estimated by an independent professional in conformity with the aforementioned methods. Following entry into force of the supplementary social security/pension scheme plan reform, as per Italian Legislative Decree n. 252/2005, the severance pay quotas accrued as at 31 December 2006 remain in the company accounts, while the quotas accrued starting 1 January 2007 were either destined to supplementary social security plans, or to the INPS Treasury Fund, based on the personal choice of each employee. The latter are therefore booked to the income statement on the basis of contribution due in each accounting period, the Bank did not proceed



with the financial discount the security to the social security plan or INPS, as the expiry date was less than 12 months. Based on IAS 19, severance pay paid to the INPS Treasury Fund is classifiable, as is the quota paid to the supplementary social security plan, a defined contribution plan. Amounts accrued and paid to additional supplementary social security funds are registered at line sub-item 150a), as specified in Section 9 of Part C of the Explanatory Notes. These amounts are classified as defined contribution plans as the company obligation vis-à-vis the employee ceases when the amounts accrued are deposited to the funds. Therefore, in such cases, the Bank may recognize in Liabilities only the quota due (under “other liabilities”) for payments still to be made to INPS or to supplementary social security plans as at the date of closing of the accounts.

Loyalty bonus

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

Transformation of deferred tax assets (DTA) into tax credits receivable

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

- Deferred tax assets relative to surpluses in credit write-downs (Article 106 TUIR – Italian Income Tax Consolidation Act);
- Deferred tax assets relative to realignment of intangible assets such as goodwill and trademarks (Articles 15(10), 15(10bis) 15(10ter) Law Decree n. 185/2008)..

The aforementioned law was subsequently integrated by Law n. 214/2011, which extended the conversion of DTA (deferred tax assets), albeit with different methods, to tax loss situations, despite profits. The subject matter was reviewed from an accounting point of view by the Document issued jointly by Bank of Italy/CONSOB/ISVAP on 15 May 2012, which states that the above-mentioned fiscal law essentially makes recovery of the DTA “certain”, considering the probability test provided for by IAS 12 par. 24 based on which deferred tax assets may be registered only if it is probable that a taxable income will be realized against which the same DTA may be used, as automatically satisfied for all intents and purposes. Consequently, the effects of the above tax law do not in any way vary the accounting classification of the DTA, which continue to be booked as tax assets for pre-paid taxes until they are converted, at which point they become, in compliance with the provision of Law Decree n. 225/2010, and without impacting the income statement, “current tax assets”.

Valuation of guarantees granted

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

Income

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

- Revenues and expenses directly related to financial instruments measured at amortized cost and determinable from the start, regardless of when they are settled, flow to the income statement by applying the effective interest rate;
- Dividends are recognized in the income statement when they are received;
- Revenues deriving from dealing in trading instruments, representing the difference between the transaction price and the fair value of the instrument, are recognized in the income statement when the transaction is recorded if fair value can be determined with reference to parameters or recent transactions observed on the same market on which the instrument is traded;
- Other fees are recognized on an accruals basis.

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



Criteria for measurement of fair value of financial instruments

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

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

Type of guaranty represented by cash or government bonds with high liquidity and credit quality, subject to an adequate safety margin;

Absence of a threshold for the fair value of the derivative below which no exchange of guaranty is provided for, or setting of this threshold at a level that allows for an effective and significant mitigation of counterparty risk;

- MTA - Minimum Transfer Amount (that is, the difference between the contract fair value and the value of the guaranty) – below which collateralization of positions is not adjusted, identified by contract at a level that allows for substantial mitigation of counterparty risk.

Hedging derivatives existing as at the date of the financial statements are all collateralized.

Hierarchy of fair value

Hierarchy of fair value, based on the provisions of IFRS 13, must be applied to all financial instruments for which fair value is recognized in the balance sheet. In this regard, for these instruments, maximum priority is given to official prices available on active markets and lower priority to the use of non-observable input, which are more discretionary. Consequently, fair value is calculated through the use of prices acquired from financial markets, in the case of



instruments listed on active markets or, for other financial instruments, through the use of measurement methods that aim at an estimation of fair value (exit price). The levels used for classifications and referred to hereinafter in the explanatory notes are the following:

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

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

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

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

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

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

Method of calculation of amortized cost

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

Mechanism of Resolution and Deposit Guarantee Scheme

Through the single European resolution mechanism, European legislation introduced significant changes to governance of bank crises, aiming to strengthen the unified market and systemic stability. European Union Directive 2014/49 (DGS) harmonized the protection levels offered by national guarantee funds and has introduced changes to the contribution system; for Italian banks, this means passing from an “ex-post” contribution system to a mixed system that entails an advance contribution until a minimum objective equal to 0.8% of guaranteed deposits is reached, within a ten year period. The amount paid in was equal to approximately 1,009,917.10 Euro. Directive 2014/59EU (BRRD) defines the new rules for



resolution, to be applied to all European Union banks in financial difficulty. These regulations provide that, under given circumstances, the State's National Resolution Fund intervenes. The ordinary contribution amounts to 939,675.00 Euro, the extraordinary contribution amounts to 1,884,605.00 Euro and the overall amount is 2,824,280.00 Euro.

A.3 – Information on asset transfers between portfolios

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

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

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

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

A.3.3. Transfer of financial assets held for trading

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

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

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

A.4 – Information on Fair Value

Qualitative information

Fair value is the price that would be received for the sale of an asset, or that would be paid for the transfer of a liability in a standard market transaction at the date of valuation and not during a forced sale or a distress sale. Underlying the definition of fair value is the assumption that the company is carrying out its regular business activities without the intention of liquidating assets or reducing the level of activities significantly in any way.

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

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

A.4.2 Measurement processes and sensitivity

As at 31 December 2016, there were no assets classified at level 2 of the Fair Value Hierarchy. Conventionally, Financial Assets Available for Sale referred to capital securities "valued at cost" relative to instrumental capital holdings, for which fair value cannot be determined in a reliable or verifiable manner, are classified at level 3 of the hierarchy of Fair Value.

A.4.3 Hierarchy fair value

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

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

A price listed on an active market provides the most reliable evidence of the fair value and, when available, must be used without adjustments to measure fair value. If there are no price listings on active markets, the financial instruments must be classified in level 2 or 3. Classification in Level 2 as opposed to Level 3 is determined based on the observability on markets of significant inputs used to calculate fair value.

A.4.4 Other information

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

Quantitative information

A.4.5 Hierarchy of fair value

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



Financial assets/liabilities measured at fair value	31/12/2016			31/12/2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	47,334	0	10,312	102	0	593
2. Financial assets measured at fair value	0	0	0	0	0	0
3. Financial assets available for sale	625,902	0	5,804	1,294,936	5,078	4,524
4. Hedges	0	0	237	0	0	1,377
Total	673,236	0	16,353	1,295,037	5,078	6,494
1. Financial liabilities held for trading	0	0	0	0	0	0
2. Financial liabilities measured at fair value	0	0	0	0	0	0
3. Hedges	0	0	427	0	0	500
Total	0	0	427	0	0	500

Key:

Level 1 = Fair value of a financial instrument listed in an active market;

Level 2 = Fair value measured on the basis of measurement techniques that use parameters that can be observed on the market, other than the listings of the financial instrument;

Level 3 = Fair value measured on the basis of measurement techniques that use parameters that cannot be observed on the market.

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

	FINANCIAL ASSETS			
	Held for trading	Measured at fair value	Available for sale	Hedges
1. Initial value	593	0	4,524	1,377
2. Additions				
2.1. Issues	10,000	0	1,500	0
2.2. Losses allocated to:				
2.2.1. The income statement	0	0	0	0
- of which capital losses	0	0	0	0
2.2.2. Shareholders' equity	X	X	4	0
2.3. Transfers from other levels	0	0	0	0
2.4. Other additions	0	0	0	0
3. Reductions				
3.1. Sales	0	0	0	0
3.2. Redemptions	0	0	0	1,032
3.3. Losses allocated to:				
3.3.1. The income statement	281	0	0	0
- of which capital losses	281	0	0	0
3.3.2. Shareholders' equity	X	X	223	0
3.4. Transfer to other levels	0	0	0	0
3.5. Other reductions	0	0	0	108
4. Final value	10,312	0	5,804	237

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

	FINANCIAL LIABILITIES		
	Held for trading	Measured at fair value	Hedges
1. Initial value	0	0	500
2. Additions			
2.1. Issues	0	0	0
2.2. Losses allocated to:			
2.2.1. The income statement	0	0	0
- of which capital losses	0	0	0
2.2.2. Shareholders' equity	X	X	0
2.3. Transfers from other levels	0	0	0
2.4. Other additions	0	0	6
3. Reductions			
3.1. Sales	0	0	0
3.2. Redemptions	0	0	0
3.3. Losses allocated to:			
3.3.1. The income statement	0	0	0



- of which capital losses	0	0	0
3.3.2. Shareholders' equity	X	X	0
3.4. Transfer to other levels	0	0	0
3.5. Other reductions	0	0	79
4. Final value	0	0	427

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

Line items	31/12/2016				31/12/2015			
	BV	L1	L2	L3	VB	L1	L2	L3
1. Financial assets held through maturity	0	0	0	0	0	0	0	0
2. Receivables from banks	171.495	0	0	171.495	216.561	0	0	216.561
3. Receivables from customers	2.136.866	0	0	2.136.866	2.009.908	0	0	2.009.908
4. Property, plant and equipment held as investments	0	0	0	0	0	0	0	0
5. Noncurrent assets and groups of assets in course of divestment	0	0	0	0	0	0	0	0
Total	2.308.361	0	0	2.308.361	2.226.470	0	0	2.226.470
1. Payable to banks	488.534	0	0	488.534	484.258	0	0	484.258
2. Payable to customers	1.981.004	0	0	1.981.004	2.267.390	0	0	2.267.390
3. Outstanding Securities	348.528	0	0	348.528	532.752	0	0	532.752
4. Liabilities associated with assets in course of divestment	0	0	0	0	0	0	0	0
Total	2.818.066	0	0	2.818.066	3.284.400	0	0	3.284.400

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

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

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



Parte B - INFORMATION ON THE BALANCE SHEET

ASSETS

Section 1 – Cash and cash balances – Line item 10

1.1 Cash and cash balances: composition

Line items	31/12/2016	31/12/2015	Variation	% Var.
a) Cash	10,420	10,690	-270	-2.53%
b) Demand deposits with Central Banks	0	0	0	
Total	10,420	10,690	-270	-2.53%

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

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

2.1 Financial assets held for trading: breakdown by type

Line items/Values	31/12/2016			31/12/2015		
	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2
A. Cash assets						
1 Debt securities	47,259	0	47,259	0	47,259	0
1.1 Structured securities	0	0	0	0	0	0
1.2 Other debt securities	47,259	0	47,259	0	47,259	0
2 Equity instruments	74	0	74	0	74	0
3 Shares of mutual funds	0	0	0	0	0	0
4 Loans	0	0	0	0	0	0
4.1 Repurchase agreements	0	0	0	0	0	0
4.2 Other	0	0	0	0	0	0
Total A	47,334	0	47,334	0	47,334	0
B. Derivative instruments						
1 Financial derivatives:	0	0	0	0	0	0
1.1 from trading	0	0	0	0	0	0
1.2 connected with the fair value option	0	0	0	0	0	0
1.3 other	0	0	0	0	0	0
2 Credit derivatives	0	0	0	0	0	0
2.1 from trading	0	0	0	0	0	0
2.2 connected with the fair value option	0	0	0	0	0	0
2.3 other	0	0	0	0	0	0
Total B	0	0	0	0	0	0
Total (A+B)	47,334	0	47,334	0	47,334	0

2.2 Financial assets held for trading: break down by borrower/issuer

Line items/Values	31/12/2016	31/12/2015	Variation	% Var.
A. CASH ASSETS				
1. Debt securities	47,259	0	47,259	0.00%
a) Governments and Central Banks	20,043	0	20,043	0.00%
b) Other public entities	0	0	0	
c) Banks	27,217	0	27,217	
d) Other issuers	0	0	0	0.00%
2 Equity instruments	74	102	-27	0.00%
a) Banks	0	0	0	0.00%
b) Other issuers:	74	102	-27	0.00%
- Insurers	0	0	0	0.00%
- Finance companies	0	0	0	0.00%
- Non finance companies	74	102	-27	0.00%
- Other	0	0	0	0.00%
3 Shares of mutual funds	9,947	0	9,947	0.00%
4 Loans				
a) Governments and Central Banks	0	0	0	0.00%
b) Other public entities	0	0	0	0.00%



Line items/Values	31/12/2016	31/12/2015	Variation	% Var.
c) Banks	0	0	0	0.00%
d) Other issuers	0	0	0	0.00%
Total (A)	57,281	102	57,179	0.00%
B DERIVATIVE INSTRUMENTS				
a) Banks	365	593	-228	0.00%
fair value	365	593	-228	0.00%
b) Customers	0	0	0	0.00%
fair value	0	0	0	0.00%
Total (B)	365	593	-228	-38.44%
Total (A+B)	57,646	695	56,951	8194.74%

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

4.1 Financial assets available for sale: break down by type

Line items/Values	Total 31/12/2016			Total 31/12/2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	625.902	0	1.289	1.294.097	0	0
1.1 Structured securities	5.646	0	0	10.300	0	0
1.2 Other debt securities	620.256	0	1.289	1.283.796	0	0
2. Equity instruments	0	0	3.780	0	0	3.780
2.1 Measured at fair value	0	0	0	0	0	0
2.2 Measured at cost	0	0	3.780	0	0	3.780
3. Shares of mutual funds	0	0	735	5.917	0	743
4. Loans	0	0	0	0	0	0
Total	625.902	0	5.804	1.300.013	0	4.524

LIST OF SECURITIES VALUED AT COST AT 31/12/2016

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

4.2 Financial assets available for sale: break down by borrower/issuer

Line items/Values	Total 31/12/2016	Total 31/12/2015	Variation	% Var.
1. Debt securities	627,191	1,294,097	-666,906	-51.53%
a) Governments and Central Banks	595,270	1,205,685	-610,415	-50.63%
b) Other public entities	0	0	0	
c) Banks	30,102	87,879	-57,777	-65.75%
d) Other issuers	1,819	532	1,287	241.80%
2. Equity instruments	3,780	3,780	0	0.00%
a) Banks	2,467	2,467	0	0.00%
b) Other issuers	1,314	1,314	0	0.00%
- insurers	0	0	0	



Line items/Values	Total 31/12/2016	Total 31/12/2015	Variation	% Var.
- finance companies	324	324	1	0.16%
- non finance companies	990	990	0	0.00%
- other	0	1	-1	-100.00%
3. Shares of mutual funds	735	6,660	-5,925	-88.96%
4. Loans	0	0	0	
a) Governments and Central Banks	0	0	0	
b) Other public entities	0	0	0	
c) Banks	0	0	0	
d) Other issuers	0	0	0	
Total	631,706	1,304,537	-672,831	-51.58%

Section 6 – Receivables from banks – Line item 60

6.1 Receivables from banks: breakdown by type

Type of operation/Values	Total 31/12/2016				Total 31/12/2015				Variation	% Var.
	Balance sheet value	Fair value Level 1	Fair value Level 2	Fair value Level 3	Balance sheet value	Fair value Level 1	Fair value Level 2	Fair value Level 3		
A. Receivables from Central Banks										
1. Term deposits	0	0	0	0	0	0	0	0	0	
2. Regulatory reserves	113,872	0	0	113,872	140,754	0	0	140,754	-26,882	-19.10%
3. Repurchase agreements	0	0	0	0	0	0	0	0	0	
4. Other	0	0	0	0	0	0	0	0	0	
B. Receivables from banks										
1. Bank accounts and demand deposits	57,622	0	0	57,622	50,806	0	0	50,806	6,816	13.42%
2. Term deposits	0	0	0	0	25,000	0	0	25,000	-25,000	
3. Other Loans:	0	0	0	0	0	0	0	0	0	
3.1 Repurchase agreements – receivables	0	0	0	0	0	0	0	0		
3.2 Financial leasing	0	0	0	0	0	0	0	0		
3.3 Other	0	0	0	0	0	0	0	0		
4. Debt securities	0	0	0	0	0	0	0	0	0	
4.1 Structured securities	0	0	0	0	0	0	0	0		
4.2 Other debt securities	0	0	0	0	0	0	0	0		
Total (balance sheet value)	171,495	0	0	171,495	216,561	0	0	216,561	-45,067	-20.81%

Section 7 – Receivables from customers – Line item 70

7.1 Receivables from customers: breakdown by type

Type of operation/values	Total 31/12/2016							Total 31/12/2015						
	Balance sheet value			Total	Fair value			Balance sheet value			Total	Fair value		
	Bonis	Impaired			Level 1	Level 2	Level 3	Bonis	Impaired			Level 1	Level 2	Level 3
		Acquired	Other	Acquired					Other					
1. Bank accounts	354,710	0	41,864	396,575	0	0	396,575	365,200	0	45,327	410,527	0	0	410,527
2. Repurchase agreements – receivables	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3. Loans	1,051,791	0	180,016	1,231,808	0	0	1,231,808	989,708	0	187,810	1,177,518	0	0	1,177,518
4. Credit cards, personal loans and salary guaranteed finance	17,483	0	831	18,314	0	0	18,314	16,949	0	790	17,739	0	0	17,739
5. Financial leasing	4,914	0	0	4,914	0	0	4,914	6,172	0	0	6,172	0	0	6,172
6. Factoring	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7. Other transactions	458,387	0	26,870	485,256	0	0	485,256	370,609	0	27,342	397,952	0	0	397,952
8. Debt securities	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8.1 Structured securities	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8.2 Other debt securities	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total (Balance sheet value)	1,887,285	0	249,581	2,136,866	0	0	2,136,866	1,748,638	0	261,270	2,009,908	0	0	2,009,908



In particular, please note that "impaired receivables decreased by 11,689 thousand Euro (-4.47%).

In order to better illustrate the variations between 2015 and 2016 on this aggregate, the following tables have been added to the Explanatory Notes:

Type of operation/values	Total 2016	Total 2015	Difference 2016/2015	Difference 2016/2015 %
1. Bank accounts	395,795	399,076	-3,282	-0.82%
2. Cash Clearing and Guarantee Fund	620	11,330	-10,710	-94.52%
3. Poste Italiane s.p.a.	160	121	39	32.00%
4. Repurchase agreements – receivables	0	0	0	0.00%
5. Loans	1,121,255	1,046,500	74,755	7.14%
6. Securitized loans	0	0	0	#DIV/0!
7. Self-securitized loans	110,553	131,018	-20,465	-15.62%
8. Credit cards, personal loans and salary guaranteed finance	18,314	17,739	574	3.24%
9. Finance leasing	4,914	6,172	-1,258	-20.39%
10. Factoring	0	0	0	0.00%
11. Other transactions	474,759	386,145	88,615	22.95%
12. Bank for Deposits and Loans	0	0	0	0.00%
13. Receivable from the Vehicle Pontormo RMBS	10,497	11,807	-1,310	-11.10%
14. Debt Securities	0	0	0	0.00%
Total (Balance sheet value)	2,136,866	2,009,908	126,958	6.32%

Not considering "Cassa Compensazione e Garanzia", "Poste Italiane s.p.a.", "Cassa Depositi e Prestiti", and "Pontormo RMBS" as "Receivables from customers", the following variations are noted:

Type of operation/values	Total 2016	Total 2015	Difference 2016/2015	Difference 2016/2015 %
Receivables from customers – Recalculated values	2,125,589	1,986,650	138,939	6.99%

Breakdown of impaired receivables:

Description	2016	2015
Non-performing loans	131,848	121,226
Doubtful loans	105,140	115,012
Expired loans	12,593	25,032
Total impaired loans	249,581	261,270

7.2 Receivables from customers: breakdown by borrowers/issuers

Type of operation/values	Total 31/12/2016			Total 31/12/2015		
	Bonis	Impaired		Bonis	Impaired	
		Acquired	Other		Acquired	Other
1. Debt securities						
a) Governments	0	0	0	0	0	0
b) Other public entities	0	0	0	0	0	0
c) Other issuers	0	0	0	0	0	0
- non finance companies	0	0	0	0	0	0
- finance companies	0	0	0	0	0	0
- insurers	0	0	0	0	0	0
- other	0	0	0	0	0	0
2. Loans to:						
a) Governments	0	0	0	0	0	0
b) Other public entities	2,337	0	0	2,701	0	0
c) Other borrowers	1,884,948	0	249,581	1,745,938	0	261,270
- non finance companies	1,041,985	0	173,104	952,317	0	180,235
- finance companies	63,737	0	243	63,979	0	230
- insurers	15,514	0	0	15,083	0	0
- other	763,713	0	76,234	714,559	0	80,805
Total	1,887,285	0	249,581	1,748,638	0	261,270



7.4 Receivables from customers: Leasing

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

The item went from 6,172 thousand Euro at 31/12/2015 to 4,914 thousand Euro at 31/12/2016, with a decrease of 1,258 thousand Euro, equal to -20.39%.

Section 8 - Hedges – Line item 80

8.1 Hedges: breakdown by type of hedge and by level

Line items	Fair value 31/12/2016			Notional value 31/12/2016	Fair value 31/12/2015			Notional value 31/12/2015
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	0	0	237	5,795	0	0	1,377	32,239
1) Fair value	0	0	237	5,795	0	0	1,377	32,239
2) Cash flows	0	0	0	0	0	0	0	0
3) Foreign investments	0	0	0	0	0	0	0	0
B. Credit derivatives	0	0	0	0	0	0	0	0
1) Fair value	0	0	0	0	0	0	0	0
2) Cash flows	0	0	0	0	0	0	0	0
Total	0	0	237	5,795	0	0	1,377	32,239

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

8.2 Hedges: breakdown by hedged portfolio and by type of hedge

Transactions/Type of hedge	Fair Value					Cash flows			Foreign investments
	Specific					Generic	Specific	Generic	
	Interest rate risk	Exchange risk	Credit risk	Price risk	Various risks				
1. Financial assets available for sale	0	0	0	0	0	0	0	0	0
2. Receivables	0	0	0	0	0	0	0	0	0
3. Financial assets held through maturity	0	0	0	0	0	0	0	0	0
4. Portfolio	0	0	0	0	0	0	0	0	0
5. Other transactions	0	0	0	0	0	0	0	0	0
Total assets	0	0	0	0	0	0	0	0	0
1. Financial liabilities	0	0	0	0	0	237	0	0	0
2. Portfolio	0	0	0	0	0	0	0	0	0
Total liabilities	0	0	0	0	0	237	0	0	0
1. Forecast transactions	0	0	0	0	0	0	0	0	0
2. Portfolio of financial assets and liabilities	0	0	0	0	0	0	0	0	0

Section 10 – Equity investments - Line item 100

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

Denomination	Registered office	Operating office	Shareholding %	Votes available %
A. Wholly owned subsidiaries				
B. Jointly held companies				
C. Companies subject to significant influence				
1. Cabel Leasing s.p.a. (1)	Empoli	Empoli	17.40%	17.40%
2. Cabel Holding s.p.a.	Empoli	Empoli	49.60%	49.60%
3. Cabel Industry s.p.a. (2)	Empoli	Empoli	6.00%	6.00%

(1) – The shareholding percent in Cabel Leasing s.p.a. increases to 35.26% due to the Cabel Holding s.p.a. equity investment in Cabel Leasing s.p.a. for 36.00%.

(2) – The shareholding percent in Cabel Industry s.p.a. increases to 39.61% due to the Cabel Holding s.p.a. equity investment in Cabel Industry s.p.a. for 67.77%.

10.2 Significant equity investments: Balance sheet value, fair value and dividends received

Denomination	Balance sheet value	Fair value	Dividends received
A. Wholly owned subsidiaries			
B. Jointly held companies			
C. companies subject to significant influence			



Denomination	Balance sheet value	Fair value	Dividends received
1. Cabel Leasing s.p.a.	3,212	3,212	0
2. Cabel Holding s.p.a.	21,801	21,801	0
3. Cabel Industry s.p.a.	561	561	0
Totals	25,573	25,573	0

The fair value of shareholdings in companies subject to significant interest corresponds to the balance sheet value in that none of the companies in question is listed on a trade market.

10.3 Significant equity investments: accounting information

Denomination	Cash and cash equivalents	Financial assets	Non financial assets	Financial liabilities	Non financial liabilities	Total revenue	Interest income
A. Wholly owned subsidiaries							
B. Jointly held companies							
C. companies subject to significant influence							
1. Cabel Leasing s.p.a.	x	183,444	5,680	136,260	34,406	4,908	x
2. Cabel Holding s.p.a.	x	22,926	17,707	4	1,145	6,157	x
3. Cabel Industry s.p.a.	x	2,981	12,328	0	5,964	28,488	x
Totals		209,351	35,716	136,264	41,514	39,554	

Denomination	Value adj. And write-backs on prop., plant and equip. and intang. assets	Profit (loss) on continuing operations before tax	Profit (loss) on continuing operations after tax	Profit (loss) of groups of assets under divestment, after tax	Fiscal year profit (loss) (1)	Other income components after tax(2)	Overall income (3) = (1) + (2)
A. Wholly owned subsidiaries							
B. Jointly held companies							
C. Companies subject to significant influence							
1. Cabel Leasing s.p.a.	x	139	9	0	9	0	9
2. Cabel Holding s.p.a.	x	357	306	0	306	0	306
3. Cabel Industry s.p.a.	x	2,044	1,339	0	1,339	0	1,339
Totals		2,540	1,654	0	1,654	0	1,654

The above companies carry out activities that are instrumental to Bank activities and perform services that are auxiliary to Bank activities. The values shown in the above table refer to the year 2015 as, at the date of presentation of the financial statements to the BoD for approval, the definitive balance sheet data for 2016 for the companies in question were not available, and were approved subsequently.

The Balance sheet value was determined according to the schedule below:

Denominations	Net equity	Shareholding %	Purchase/Sale	Dividends received	Balance sheet value
1. Cabel Leasing s.p.a.	18,459	17.40%	0	0	3,212
2. Cabel Holding s.p.a.	41,654	38.53%	5,752	0	21,801
3. Cabel Industry s.p.a.	9,346	6.00%	0	0	561
Totals	69,458		5,752	0	25,573

10.5 Equity investments: annual variations

Line items	Total 31/12/2016	Total 31/12/2015
A. Initial value	19,622	18,166
B. Additions		
B.1 Purchases	5,752	0
B.2 Write-backs of value	0	0
B.3 Revaluations	200	1,455
B.4 Other additions	0	0
C. Reductions		



Line items	Total 31/12/2016	Total 31/12/2015
C.1 Sales	0	0
C.2 Value adjustments	0	0
C.3 Other reductions	0	0
D. Final value	25,573	19,622
E. Total revaluations	12,946	12,746
F. Total adjustments	0	0

Line B.3 "Revaluations" includes the revaluation of the company Cabel Leasing s.p.a. for 2 thousand Euro, the revaluation of the company Cabel Holding s.p.a. for 118 thousand Euro and the revaluation of the company Cabel Industry s.p.a. for 80 thousand Euro. The data from the 2015 financial statements refer to the last financial statements approved by subsidiaries (31/12/2014). The data from the 2016 financial statements refer to the last financial statements approved by subsidiaries (31/12/2015).

10.7 Equity investments: investments in companies subject to significant influence

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

10.8 Equity investments: restrictions

There are no significant restrictions referred to investments in companies subject to significant influence.

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

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

Assets/values	Total 31/12/2016	Total 31/12/2015
1. Own assets	65,841	65,186
a) land	14,655	14,655
b) buildings	36,869	36,423
c) furniture	9,044	9,006
d) electronic equipment	689	759
e) other	4,585	4,343
2. Purchased in financial leasing	0	0
a) land	0	0
b) buildings	0	0
c) furniture	0	0
d) electronic equipment	0	0
e) other	0	0
Total	65,841	65,186

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

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

Line items	Land	Buildings	Furniture	Electronic systems	Other	Total 31/12/2016
A. Initial gross value	14,655	56,739	15,441	3,107	16,403	106,344
A.1 Total net reductions of value	0	20,316	6,435	2,348	12,060	41,158
A.2 Initial net value	14,655	36,423	9,006	759	4,343	65,186
B. Additions:						
B.1 Purchases	0	0	495	200	1,360	2,055
B.2 Expenses for capitalized improvements	0	1,780	0	0	0	1,780
B.3 Write-backs of value	0	0	0	0	0	0
B.4 Increases of fair value allocated to:						
a) shareholders' equity	0	0	0	0	0	0
b) the income statement	0	0	0	0	0	0
B.5 Positive exchange rate differences	0	0	0	0	0	0
B.6 Transfers from real property held for investment	0	0	0	0	0	0
B.7 Other additions	0	0	0	0	0	0
C. Reductions:						
C.1 Sales	0	0	0	0	0	0
C.2 Depreciation	0	1,335	457	270	1,118	3,180
C.3 Value adjustments from impairment allocated to:						
a) shareholders' equity	0	0	0	0	0	0
b) the income statement	0	0	0	0	0	0
C.4 Negative fair value variations allocated to:						
a) shareholders' equity	0	0	0	0	0	0



Line items	Land	Buildings	Furniture	Electronic systems	Other	Total 31/12/2016
b) the income statement	0	0	0	0	0	0
C.5 Negative exchange rate differences	0	0	0	0	0	0
C.6 Transfers to:						
a) property, plant and equipment held for investment	0	0	0	0	0	0
b) assets in the course of divestment	0	0	0	0	0	0
C.7 other reductions	0	0	0	0	0	0
D. Final net value	14,655	36,869	9,044	689	4,585	65,841
D.1 Reductions of total net value	0	21,651	2,644	1,486	4,537	30,318
D.2 Final gross value	14,655	58,519	11,688	2,176	9,122	96,159
E. Measurement at cost	0	0	0	0	0	0

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

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

Section 12 – Intangible assets - Line item 120

12.1 Intangible assets: breakdown by type of asset

Asset/values	Total 31/12/2016		Total 31/12/2015	
	Limited duration	Unlimited duration	Limited duration	Unlimited duration
A.1 Goodwill	0	2,100	0	2,100
A.2 Other intangible assets				
A.2.1 Assets measured at cost:	404	0	167	0
a) Intangible assets generated internally	0	0	0	0
b) Other assets	404	0	167	0
A.2.2 Assets measured at fair value:	0	0	0	0
a) Intangible assets generated internally	0	0	0	0
b) Other assets	0	0	0	0
Total	404	2,100	167	2,100

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

Goodwill entered refers to the purchase of n. 2 bank tellers of Banca Interregionale s.p.a.

The branches were purchased on operating date 01/01/2015, and they are the branch in Pistoia (PT) and the branch in San Giovanni Valdarno (AR).

12.2 Intangible assets: annual variations

Line items	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Other intangible assets: generated internally
		limited duration	unlimited duration	limited duration	unlimited duration	
A. Initial value	2,100	0	0	3,826	0	5,926
A.1 Total net reduction of value	0	0	0	3,659	0	3,659
A.2 Initial net value	2,100	0	0	167	0	2,267
B. Additions						
B.1 Purchases	0	0	0	326	0	326
B.2 Increases of internal intangible assets	0	0	0	0	0	0
B.3 Write-backs of value	0	0	0	0	0	0
B.4 Increases of fair value						
- to shareholders' equity	0	0	0	0	0	0
- to the income statement	0	0	0	0	0	0
B.5 Positive exchange rate differences	0	0	0	0	0	0
B.6 Other additions	0	0	0	0	0	0
C. Reductions						
C.1 Sales	0	0	0	0	0	0



Line items	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Other intangible assets: generated internally
		limited duration	unlimited duration	limited duration	unlimited duration	
C.2 Adjustments of value						
- Amortizations	0	0	0	89	0	89
- Write-downs						
+ shareholders' equity	0	0	0	0	0	0
+ the income statement	0	0	0	0	0	0
C.3 Reductions of value						
- to shareholders' equity	0	0	0	0	0	0
- to the income statement	0	0	0	0	0	0
C.4 Transfers of noncurrent assets in the course of divestment	0	0	0	0	0	0
C.5 Negative exchange rate differences	0	0	0	0	0	0
C.6 Other reductions	0	0	0	0	0	0
D. Final net value	2,100	0	0	404	0	2,504
D.1 Total net adjustments of value	0	0	0	3,748	0	3,748
E. Final gross value	2,100	0	0	4,152	0	6,252
F. Measurement at cost	0	0	0	0	0	0

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

13.1 Assets related to pre-paid taxes: breakdown

Line items/Values	Total 31/12/2016	Total 31/12/2015
1. Multi-year costs	0	0
2. Personnel costs	0	0
3. Receivables	19,710	20,756
4. Entertainment expenses	0	0
5. Financial instruments (Securities Available for Sale)	999	356
6. Tax losses	0	0
7. Other	330	324
Total	21,039	21,436

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

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

Line items/Values	Total 31/12/2016	Total 31/12/2015
1. Ires (corporate income tax) subdivided into eighteenths	0	0
2. Ires (corporate income tax) subdivided into fifths	0	0
3. Irap (tax on productive activities) subdivided into fifths	0	0
4. Irap (tax on productive activities) scheduled for 2016	0	135
5. Ires (corporate income tax) scheduled for 2016	0	903
6. Irap (tax on productive activities) scheduled for 2017	216	216
7. Ires (corporate income tax) scheduled for 2017	1,444	1,445
8. Irap (tax on productive activities) scheduled for 2018	270	270
9. Ires (corporate income tax) scheduled for 2018	1,805	1,806
10. Irap (tax on productive activities) scheduled for 2019	324	324
11. Ires (corporate income tax) scheduled for 2019	2,166	2,167
12. Irap (tax on productive activities) scheduled for 2020	324	324
13. Ires (corporate income tax) scheduled for 2020	2,166	2,167
14. Irap (tax on productive activities) scheduled for 2021	324	324
15. Ires (corporate income tax) scheduled for 2021	2,166	2,167
16. Irap (tax on productive activities) scheduled for 2022	324	324
17. Ires (corporate income tax) scheduled for 2022	2,166	2,167
18. Irap (tax on productive activities) scheduled for 2023	324	324
19. Ires (corporate income tax) scheduled for 2023	2,166	2,167
20. Irap (tax on productive activities) scheduled for 2024	324	324
21. Ires (corporate income tax) scheduled for 2024	2,166	2,167
22. Irap (tax on productive activities) scheduled for 2025	135	135



Line items/Values	Total 31/12/2016	Total 31/12/2015
23. Ires (corporate income tax) scheduled for 2025	902	903
Total	19,710	20,756

13.2 Liabilities for deferred taxes: breakdown

Line items/Values	Total 31/12/2016	Total 31/12/2015
1. Property, plant and equipment	3,247	3,367
2. Personnel costs	0	0
3. Former credit risk fund	0	0
4. Equity investments	62	62
5. Financial instruments (Securities Available for Sale)	0	0
6. Goodwill	77	39
7. Other	118	116
Total	3,504	3,583

Among liabilities for deferred taxes, we note the line "Property, plant and equipment": the tax liability was calculated between the IAS value and the "tax" value of the property, plant and equipment owned.

The line "Equity investments" indicates the tax liability referable to equity investments calculated at the IRES tax rate (27,50) on 5.00% of overall capital gain (4,485 thousand Euro).

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

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

Line items	Total 31/12/2016	Total 31/12/2015
1. Initial value	20,756	17,938
2. Additions		
2.1 Pre-paid taxes recognized during the fiscal year		
a) related to previous fiscal years	0	0
b) due to change of accounting policies	0	0
c) write-backs of value	0	0
d) other	0	3,093
2.2 New taxes or increases of tax rates	0	0
2.3 Other additions	0	0
3. Reductions		
3.1 Pre-paid taxes derecognized during the fiscal year		
a) reversals	1,046	276
b) write-downs for receivables written off as unrecoverable	0	0
c) change of accounting policies	0	0
d) other	0	0
3.2 Reductions of tax rates	0	0
3.3 Other reductions		
a) transformation into tax credits pursuant to Law n. 214/2011	0	0
b) Other	0	0
4. Final value	19,710	20,756

The table summarizes all pre-paid taxes which will be absorbed in subsequent fiscal years as offsets to the income.

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

Line items	Total 31/12/2016	Total 31/12/2015
1. Initial value	20,756	17,663
2. Additions	0	3,093
3. Reductions	1,046	0
3.1 reversals	1,046	0
3.2 transformation into tax credits	0	0
a) deriving from operating losses	0	0
b) deriving from tax losses	0	0
3.3 Other reductions	0	0
4. Final value	19,710	20,756

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

Line items	Total 31/12/2016	Total 31/12/2015
1. Initial value	3,522	3,610
2. Additions		
2.1 Deferred taxes recognized during the fiscal year		



Line items	Total 31/12/2016	Total 31/12/2015
a) related to previous fiscal years	0	0
b) due to a change of accounting policies	0	0
c) other	40	41
2.2 New taxes or increases of tax rates	0	0
2.3 Other additions	0	0
3. Reductions		
3.1 Deferred taxes derecognized during the fiscal year		
a) reversals	120	129
b) due to a change of accounting policies	0	0
c) other	0	0
3.2 Reductions of tax rates	0	0
3.3 Other reductions	0	0
4. Final value	3,442	3,522

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

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

Line items	Total 31/12/2016	Total 31/12/2015
1. Initial value	680	382
2. Additions		
2.1 Pre-paid taxes recognized during the fiscal year		
a) related to previous fiscal years	0	0
b) due to a change of accounting policies	0	0
c) other	649	948
2.2 New taxes or increases of tax rates	0	0
2.3 Other additions	0	0
3. Reductions		
3.1 Pre-paid taxes derecognized during the fiscal year		
a) reversals	0	651
b) write-downs for receivables written off as unrecoverable	0	0
c) due to a change of accounting policies	0	0
d) other	0	0
3.2 Reductions of tax rates	0	0
3.3 Other reductions	0	0
4. Final value	1,329	680

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

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

Line items	Total 31/12/2016	Total 31/12/2015
1. Initial value	62	6,397
2. Additions		
2.1 Deferred taxes recognized during the fiscal year		
a) related to previous fiscal years	0	0
b) due to a change in accounting policies	0	0
c) other	0	0
2.2 New taxes or increases of tax rates	0	0
2.3 Other additions	0	0
3. Reductions		
3.1 Deferred taxes derecognized during the fiscal year		
a) reversals	0	6,335
b) due to a change in accounting policies	0	0
c) other	0	0
3.2 Reduction of tax rates	0	0
3.3 Other reductions	0	0
4. Final value	62	62

13.7 Other information – Assets due to current taxes – Breakdown

Line items	Total 31/12/2016	Total 31/12/2015
1. Accounts paid to the Tax Authority	12,621	14,097
2. Tax receivables – principal	639	608



Line items	Total 31/12/2016	Total 31/12/2015
3. Tax receivables – interest	3	290
4. Other withholdings	12	12
Total	13,276	15,007

Assets due to current taxes in 2016 are shown on a “closed” account basis in the balance sheet and on an “open” account basis in the table above.

13.7 Other information – Liabilities due to current taxes – Breakdown

Line items	Total 31/12/2016	Total 31/12/2015
1. Fund for IRES tax	85	4,578
2. Fund for IRAP tax	750	1,080
3. Fund for stamp duty	0	0
4. Tax fund – substitute tax Law 244/2007	0	0
5. Tax fund – other	0	0
Total	835	5,658

Liabilities for current taxes in 2016 are shown on a “closed” account basis in the balance sheet and on an “open” account basis in the table above.

Section 15 – Other assets - Line item 150

15.1 Other assets: breakdown

Line items	Total 31/12/2016	Total 31/12/2015
01. Other debtors	4,711	2,202
02. Entries in transit	1,919	1,732
03. Entries being processed	23,402	20,173
04. Various entries to be settled	174	457
05. Stipulated loans to be disbursed	12,065	14,139
06. Checks, bills returned unpaid and protested	97	92
07. Assets sold and not cancelled	0	0
08. Assets for expenses on third party goods	786	904
09. Expenses not yet invoiced	282	281
10. Costs to be allocated	0	0
11. Advanced operations on notes	240	381
12. Various open entries	4,116	2,602
13. Accrued income and prepayments	1,202	458
14. Securities to be settled (sales)	0	0
Total	48,996	43,422



LIABILITIES

Section 1 – Payables to banks - Line item 10

1.1 Payables to banks: breakdown by type

Type of operation/values	Total 31/12/2016	Total 31/12/2015	Variation	% Var.
1. Payables to central banks	479,000	456,877	22,123	4.84%
2. Payables to banks				
2.1 Bank accounts and demand deposits	8,319	4,438	3,881	87.46%
2.2 Term deposits	1,215	22,943	-21,728	-94.70%
2.3 Loans	0	0	0	
2.3.1 Repurchase agreements - payables	0	0	0	
2.3.2 Other	0	0	0	
2.4 Liabilities for commitments to repurchase own shares	0	0	0	
2.5 Other liabilities	0	0	0	
Total	488,534	484,258	4,277	0.88%
Fair value - Level 1	0	0	0	
Fair value - Level 2	0	0	0	
Fair value - Level 3	488,534	484,258	4,277	
Total fair value	488,534	484,258	4,277	0.88%

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

Section 2 – Payables to customers - Line item 20

2.1 Payables to customers: breakdown by type

Type of operation/values	Total 31/12/2016	Total 31/12/2015	Variation	% Var.
1. Bank accounts and demand deposits	1,579,426	1,530,489	48,937	3.20%
2. Term deposits	229,483	181,283	48,200	26.59%
3. Loans	171,655	555,426	-383,771	-69.09%
3.1 Repurchase agreements – payables	129,624	503,850	-374,225	-74.27%
3.2. Other	42,030	51,576	-9,546	-18.51%
4. Liabilities for commitments to buy back treasury shares	0	0	0	
5. Other liabilities	440	193	247	127.98%
Total	1,981,004	2,267,390	-286,387	-12.63%
Fair value - Level 1	0	0	0	
Fair value - Level 2	0	0	0	
Fair value - Level 3	1,981,004	2,267,390	-286,387	
Total fair value	1,981,004	2,267,390	-286,387	-12.63%

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

Line 3.2 "Loans - Others" for 42,030 thousand Euro includes transactions with Cassa Depositi e Prestiti s.p.a.

Section 3 – Outstanding securities - Line item 30

3.1 Outstanding securities: breakdown by type

Type of security/values	Total 31/12/2016				Total 31/12/2015			
	Balance sheet value	Fair value			Balance sheet value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. Bonds	346,084	0	0	346,084	528,131	0	0	528,131
1.1 structured	4,986	0	0	4,986	7,764	0	0	7,764
1.2 other	341,098	0	0	341,098	520,368	0	0	520,368
2. Other securities	2,445	0	0	2,445	4,620	0	0	4,620
2.1 structured	0	0	0	0	0	0	0	0
2.2 other	2,445	0	0	2,445	4,620	0	0	4,620
Total	348,528	0	0	348,528	532,752	0	0	532,752

The table indicates deposits consisting of securities that also include, in addition to bonds, outstanding and matured certificates of deposit to be repaid.

All of the liabilities are measured at cost or at amortized cost, with the exception of entries that are the object of specific hedges of the interest rate risk on which the effect of the Swap was capitalized.



Liabilities are indicated net of the repurchased bonds.

The aggregate decreased with respect to the previous fiscal year by 184,224 thousand Euro (-34.58%).

3.3 Outstanding securities: Securities subject to specific hedges

Type of operation/values	Total 31/12/2016	Total 31/12/2015
1. Securities subject to specific fair value hedges:		
a) interest rate risk	4,808	18,021
b) exchange rate risk	0	0
c) various risks	0	0
2. Securities subject to specific cash flow hedges:		
a) interest rate risk	0	0
b) exchange rate risk	0	0
c) other	0	0
Total	4,808	18,021

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

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

Section 6 – Hedges - Line item 60

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

Line items	Fair value 31/12/2016			Notional value 31/12/2016	Fair value 31/12/2015			Notional value 31/12/2015
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
A. Financial derivatives	0	0	427	10,441	0	0	500	22,406
1) Fair value	0	0	427	10,441	0	0	500	22,406
2) Cash flows	0	0	0	0	0	0	0	0
3) Foreign investments	0	0	0	0	0	0	0	0
B. Credit derivatives	0	0	0	0	0	0	0	0
1) Fair value	0	0	0	0	0	0	0	0
2) Cash flows	0	0	0	0	0	0	0	0
Total	0	0	427	10,441	0	0	500	22,406

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

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

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

Operations/type of hedge	Fair Value					Cash flows			Foreign investments
	Specific					Generic	Specific	Generic	
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	Various risks				
1. Financial assets available for sale	0	0	0	0	0	0	0	0	0
2. Receivables	0	0	0	0	0	231	0	0	0
3. Financial assets held through maturity	0	0	0	0	0	0	0	0	0
4. Portfolio	0	0	0	0	0	0	0	0	0
5. Other transactions	0	0	0	0	0	0	0	0	0
Total assets	0	0	0	0	0	231	0	0	0
1. Financial liabilities	0	0	0	0	0	0	0	0	0
2. Portfolio	197	0	0	0	0	0	0	0	0
Total liabilities	197	0	0	0	0	0	0	0	0
1. Expected transactions	0	0	0	0	0	0	0	0	0
2. Portfolio of financial assets and liabilities	0	0	0	0	0	0	0	0	0

Section 10 – Other liabilities - Line item 100

10.1 Other liabilities: breakdown

Line items	Total 31/12/2016	Total 31/12/2015
01. Various tax entries	4,388	4,453
02. Entries transferred among branch offices	3,227	4,162
03. Differences receivables on offsets of third party portfolio	12,921	32,462
04. Suppliers	2,895	2,804
05. Entries being processed and other creditors	48,884	33,147



Line items	Total 31/12/2016	Total 31/12/2015
06. Accrued liabilities and deferred income	469	809
07. Borrower accounts for stipulated loans to be disbursed	12,065	14,139
08. Securities to be settled (purchases)	0	49,011
Total	84,849	140,988

Section 11 – Employee severance pay - Line item 110

11.1 Employee severance pay: annual variations

Line items	Total 31/12/2016	Total 31/12/2015
A. Initial value	3,625	3,894
B. Additions		
B.1 Allocations during the fiscal year	1,132	977
B.2 Other additions	163	93
C. Reductions		
C.1 Payments made	209	188
C.2 Other reductions	1,132	1,150
D. Final value	3,580	3,625
Total	3,580	3,625

Line B.1 "Allocation during fiscal year" includes severance pay matured during the fiscal year in the amount of 1,132 thousand Euro.

Line B.2 "Other additions" includes "Interest Cost", for 53 thousand Euro and Actuarial Gains/Losses for 110 thousand Euro.

Line C.1 "Payments made" includes "Benefit Paid" for IAS purposes of employee severance pay in the amount of 209 thousand Euro.

Line C.2 "Other reductions" includes employee severance pay transferred to the Supplementary Pension Fund for employees (an external fund) or INPS Treasury for 1,132 thousand Euro

Section 12 – Risks and expenses fund - Line item 120

12.1 Risk and expenses fund: breakdown

Line items/Values	Total 31/12/2016	Total 31/12/2015
1. Funds for company pensions	0	0
2. Other risk and expense funds	479	911
2.1 lawsuits	93	89
2.2 personnel costs	270	356
2.3 other	117	466
Total	479	911

The table shows a decrease of 432 thousand Euro (-47.42%).

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

12.2 Risk and expense funds: annual variations

Line items	Pension funds	Other funds	Total 31/12/2016
A. Initial value	0	911	911
B. Additions			
B.1 Allocation during fiscal year	0	503	503
B.2 Additions due to the passage of time	0	0	0
B.3 Additions due to modifications of the discount rate	0	0	0
B.4 Other additions	0	0	0
C. Reductions			
C.1 Use during the fiscal year	0	935	935
C.2 Reductions due to modifications of the discount rate	0	0	0
C.3 Other reductions	0	0	0
D. Final value	0	479	479

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

14.2 Share capital – Number of shares: annual variations

Line items/Type	Ordinary	Other
A. Outstanding shares at the start of the fiscal year	13,320	0
- entirely unrestricted	13,320	0
- with restrictions	0	0
A.1 Treasury shares (-)	0	0
B.2 Outstanding shares: initial value	13,320	0
B. Additions		



Line items/Type	Ordinary	Other
B.1 New issues		
- for payment:	294	0
- mergers	0	0
- conversion of bonds	0	0
- exercise of warrants	0	0
- other	294	0
- on a gratuitous basis:	0	0
- to employees	0	0
- to directors	0	0
- other	0	0
B.2 Sale of treasury shares	0	0
B.3 Other variations	0	0
C. Reductions		
C.1 Derecognition	986	0
C.2 Buy backs of treasury shares	0	0
C.3 Sales of companies	0	0
C.4 Other variations	0	0
D. Outstanding shares: final value	12,628	0
D.1 Treasury shares (+)	0	0
D.2 Outstanding shares at the end of the fiscal year	12,628	0
- Entirely unrestricted	12,628	0
- with restrictions	0	0

14.3 Share capital: other information - annual variations

Line items	Amounts	Number of shares	Number of shareholders
A. Initial value	4,076	13,320	3,213
B. Additions			
B.1 New shareholders	9	31	8
B.2 From revaluations	0	0	0
B.3 From successions	23	75	21
B.4 From other additions	58	188	3
C. Reductions			
C.1 Redemptions	162	530	258
C.2 Partial redemptions	50	165	0
C.3 From successions	32	103	37
C.4 From other reductions	58	188	3
D. Final value	3,864	12,628	2,947

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

Line items	Total 31/12/2016	Total 31/12/2015
1. Share capital	3,864	4,076
2. Premiums on issue of new shares	562	582
3. Reserves	251,965	247,701
3.1 ordinary/extraordinary reserves	204,442	200,751
3.2 Statutory reserve	47,520	46,947
3.3 Reserves - First Time Adoption I.A.S.	3	3
4. (Treasury shares)	0	0
5. Valuation reserves	12,368	13,685
5.1 Financial assets available for sale	-2,023	-721
5.2 Property, plant and equipment	0	0
5.3 Intangible assets	0	0
5.4 Hedging foreign investments	0	0
5.5 Hedging cash flows	0	0
5.6 Exchange rate differences	0	0
5.7 Noncurrent assets in the course of divestment	0	0
5.8 Actuary profit (loss) on defined benefit plans	-869	-854
5.9 Share of the valuation reserves of equity investments measured at shareholders' equity	4,423	4,423



Line items	Total 31/12/2016	Total 31/12/2015
5.10 Special revaluation laws	10,836	10,836
6. Equity instruments	0	0
7. Fiscal year profit (loss)	5,100	5,000
Total	273,859	271,044

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

Line items	Amount	Accounting classification of capital
Ordinary/Legal Reserve	3,432	Increase of Liability line item 160 (Tier 1)
Reserve pursuant to Article 6, Legislative Decree 38/2005	197	Increase of Liability line item 160 (Tier 1)
Statutory Reserve	467	Increase of Liability line item 160 (Tier 1)
Shareholders for dividends	101	
Shareholders for gratuitous revaluation of shares	0	Increase of Liability line item 180 (Tier 1)
Mutual aid fund to promote and develop cooperation, Law 59/1992	153	
Available to the Board of Directors for charity and mutual aid	750	
Total	5,100	

14.6 Other information – Schedule regarding the origin, level of availability and potential distribution of line items of shareholders' equity (art. 2427, sub-section 1 n. 7 bis, Italian Civil Code)

In accordance with art. 2427, sub-section 7-bis of the Italian Civil Code, the table below indicates the breakdown of shareholders' equity according to the origin and level of availability and potential distribution of the various entries:

Line items	Amount	Possibility of use	Available share	Summary of uses made in the last three fiscal years	
				To cover losses	To cover losses
Share capital	3,864	B - C	3,864		452
Share premium reserve	562	B - C	562		16
Fund for general bank risks	0		0		
Valuation reserves:					
- revaluation reserve pursuant to Law 576/75	12	A - B - C	12		
- revaluation reserve pursuant to Law 72/83	695	A - B - C	695		
- revaluation reserve pursuant to Law 413/91	273	A - B - C	273		
- Available for Sale revaluation reserve	-2,023	B	-2,023		
- reserve from equity investments	4,485	B	4,485		
Retained earnings:					
- indivisible legal/statutory reserve	251,965	B	251,965		
- reserve from transition to International Accounting Standards	9,855	B	9,855		
Total	269,689		269,689		
Non distributable share			268,709		
Residual distributable share			981		

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

Other information

1. Guarantees given and commitments

Operations	Amount 31/12/2016	Amount 31/12/2015
1) Financial guarantees given to:	89,052	84,831
a) Banks	16,439	14,575
b) Customers	72,612	70,256
2) Commercial guarantees given to:	18,060	14,252
a) Banks	2,219	270
b) Customers	15,841	13,982
3) Irrevocable commitments to disburse funds given to:	26,668	58,394
a) Banks	0	45,006
i) for certain use	0	45,006
ii) for uncertain use	0	0



Operations	Amount 31/12/2016	Amount 31/12/2015
b) Customers	26,668	13,387
i) for certain use	0	4,010
ii) for uncertain use	26,668	9,378
4) Underlying commitments for credit derivatives: sales of protection	0	0
5) Assets pledged as collateral for third party obligations	0	0
6) Other commitments	20	50
Total	133,800	157,527

2. Assets pledged as collateral for own liabilities and commitments

Portfolios	Amount 31/12/2016	Amount 31/12/2015
1. Financial assets held for trading	0	0
2. Financial assets measured at fair value	0	0
3. Financial assets available for sale	571,195	900,867
4. Financial assets held through maturity	0	0
5. Receivables from banks	0	0
6. Receivables from customers	0	0
7. Property, plant and equipment	0	0

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

List of securities pledged as collateral for repurchase agreements

Description	Isin	Par value	Balance sheet value
BOT 14.02.2017 368GG	IT0005162620	20,000	20,003
CTZ 27.02.2017	IT0005089955	40,000	40,021
CTZ 30.08.2017	IT0005126989	10,000	10,019
CTZ 28.03.2018	IT0005175366	60,000	60,128
Totals		130,000	130,171

List of securities pledged as collateral for Eurosystem operations

Description	Isin	Par value	Balance sheet value	Attributed value
UNICREDIT 11-17 ZC	IT0004763782	9,817	9,760	8,459
UNICREDIT 16-23 2%	XS1374865555	4,700	4,922	3,142
ICCREA/IND 20180320	IT0004897200	5,160	5,124	3,703
BTP ITALIA 22.04.2017 IL	IT0004917958	15,000	15,172	15,112
BTP 15.12.2021 2,15%	IT0005028003	49,015	52,698	51,905
BTP 15.04.2022 1.35	IT0005086886	10,000	10,311	10,115
BTP 1.05.2020 0.70	IT0005107708	160,000	163,199	160,646
BTP 01.06.2021 0,45%	IT0005175598	29,000	29,001	28,567
BTP 15.04.2019 0,10%	IT0005177271	25,000	25,113	24,850
BTP 15.10.2023 0.65	IT0005215246	59,500	57,593	56,422
BTP 01.11.2021 0.35%	IT0005216491	22,000	21,766	21,431
BTP 15.10.2019 0.05%	IT0005217929	20,000	20,022	19,813
BTP ITALIA 12.11.2017 IL	IT0004969207	6,000	6,153	6,079
CCTEU 15.07.23 TV	IT0005185456	20,000	20,190	20,070
Totals		435,192	441,024	430,313

The following Notes are to be added to the above listed securities:

- Pontormo RMBS Notes Class A4 - Isin IT0004867849 par value 71,919,428.10 with a value attributed by the ECB of 61,259,834.29, ad a Credit Line of 12,572,827.80.

4. Management and trading on behalf of others

Type of services	Amount
1. Trading financial instruments on behalf of customers	0
a) purchases	0
settled	0
not settled	0
b) sales	0
settled	0
not settled	0



Type of services	Amount
2. Asset management	13,364
a) individual	13,364
b) collective	0
3. Custody and management of securities	1,753,256
a) third party securities on deposit: related to bank performance as depository bank (excluding asset management)	0
1. securities issued by the bank that prepares the balance sheet	0
2. other securities	0
b) third party securities on deposit (excluding asset management): other	470,376
1. securities issued by the bank that prepares the balance sheet	343,898
2. other securities	126,479
c) third party securities deposited with third parties	467,810
d) treasury securities deposited with third parties	815,070
4. Other operations	0

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

Technical forms	Gross amount of financial assets (a)	Amount of financial liabilities netted on-balance sheet (b)	Net amount of financial assets registered in the balance sheet (c = a - b)	Correlated amounts not netted on-balance sheet		Net amount as at 31/12/2016 (f = c - d - e)	Net amount as at 31/12/2015
				Financial instruments (d)	Cash deposits received as collateral (e)		
1. Derivatives	365	0	365	0	0	365	-342
2. Repurchase agreements	0	0	0	0	0	0	0
3. Loan Securities	0	0	0	0	0	0	0
4. Other	0	0	0	0	0	0	0
Total at 31/12/2016	365	0	365	0	0	365	0
Total at 31/12/2015	1,258	0	1,258	0	1,600		-342

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

Counterparty	Derivative used	Deposit received	Net amount
Banca IMI s.p.a.	365	0	365
Totals	365	0	365

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

Technical forms	Gross amount of financial liabilities (a)	Amount of financial liabilities netted on-balance sheet (b)	Net amount of financial assets registered in the balance sheet (c = a - b)	Correlated amounts not netted on-balance sheet		Net amount as at 31/12/2016 (f = c - d - e)	Net amount as at 31/12/2015
				Financial instruments (d)	Cash deposits received as collateral (e)		
1. Derivatives	187	0	187	0	0	187	0
2. Repurchase agreements	0	0	0	0	0	0	0
3. Loan Securities	0	0	0	0	0	0	0
4. Other	0	0	0	0	0	0	0
Total at 31/12/2016	187	0	187	0	0	187	
Total at 31/12/2015	0	0	0	0	0		0

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

Counterparty	Derivative used	Deposit received	Net amount
Banca MPS s.p.a.	187	0	187
Totals	187	0	187

**Part C - INFORMATION ON THE INCOME STATEMENT****Section 1 - Interest - Line items 10 and 20****1.1 Earned interest and similar income: breakdown**

Line items/Technical forms	Debt securities	Loans	Other operations	Total 31/12/2016	Total 31/12/2015	Variation	% Var.
1. Financial assets held for trading	104	0	0	104	23	81	351.79%
2. Financial assets available for sale	3,372	0	0	3,372	9,392	-6,020	-64.10%
3. Financial assets held through maturity	0	0	0	0	0	0	
4. Receivables from banks	0	121	0	121	526	-406	-77.09%
5. Receivables from customers	0	57,767	0	57,767	61,230	-3,464	-5.66%
6. Financial assets measured at fair value	0	0	0	0	0	0	
7. Hedges	0	0	126	126	1,580	-1,454	-92.05%
8. Other assets	0	0	634	634	80	554	694.76%
Total	3,477	57,887	759	62,123	72,832	-10,708	-14.70%

The column "Loans", item 5 "Receivables from customers" includes earned interest and similar income matured during the fiscal year referring to impaired exposure as of the balance sheet reference date in the amount of 6,056 thousand Euro.

1.2 Earned interest and similar income: differences related to hedges

Line items	Total 31/12/2016	Total 31/12/2015
A. Positive differences relating to hedges:	174	1,609
B. Negative differences relating to hedges:	48	30
C. Balance (A-B)	126	1,580

The table indicates positive interest income in the amount of 126 thousand Euro, deriving from the difference between earned interest (158 thousand Euro) and payable interest (48 thousand Euro). These differences are the consequence of the transformation from a fixed to a variable interest rate of a series of bonds issued by the Bank which, speculatively, were combined with mirror fixed interest rate (IRS) hedges.

1.3 Earned interest and similar income: other information**1.3.1 Earned interest on financial assets in foreign currency**

Line items/Values	Total 31/12/2016	Total 31/12/2015
Earned interest on financial assets in foreign currency	198	73

1.3.2 Earned interest on financial leasing operations

Line items/Values	Total 31/12/2016	Total 31/12/2015
Earned interest on financial leasing operations	36	60

1.4 Interest payable and similar expenses: breakdown

Line items/Technical forms	Liabilities	Securities	Other operations	Total 31/12/2016	Total 31/12/2015	Variation	% Var.
1. Payables to central banks	-157	0	0	-157	-336	178	-53.14%
2. Payables to banks	-7	0	0	-7	-124	117	-94.40%
3. Payables to customers	-8,863	0	0	-8,863	-15,537	6,674	-42.95%
4. Outstanding securities	0	-11,905	0	-11,905	-18,366	6,461	-35.18%
5. Financial liabilities from trading	0	0	0	0	0	0	
6. Financial liabilities measured at fair value	0	0	0	0	0	0	
7. Other liabilities and funds	0	0	-153	-153	0	-153	
8. Hedges	0	0	0	0	0	0	
Total	-9,028	-11,905	-153	-21,086	-34,363	13,277	-38.64%

1.6 Interest payable and similar expenses: other information**1.6.1 Interest payable on liabilities in foreign currency**

Line items/Values	Total 31/12/2016	Total 31/12/2015
Interest payable on financial liabilities in foreign currency	-28	-62



Section 2 – Commissions - Line items 40 and 50

2.1 Commission income: breakdown

Type of services/Values	Total 31/12/2016	Total 31/12/2015	Variation	% Var.
a) guarantees given	301	264	37	13.96%
b) credit derivatives	0	0	0	
c) management, intermediation and consulting services:	2,428	1,879	549	29.20%
1 trading financial instruments	0	0	0	-100.00%
2 trading foreign currencies	598	585	13	2.23%
3 asset management	108	39	69	177.40%
3.1 individual	108	39	69	177.40%
3.2 collective	0	0	0	
4 custody and management of securities	87	106	-19	-18.26%
5 depository bank	0	0	0	
6 securities placement	250	235	15	6.35%
7 receipt and transmission of orders	154	212	-58	-27.21%
8 consulting activity	0	0	0	
8.1 on investments	0	0	0	
8.2 on financial structure	0	0	0	
9 distribution of third party services	1,230	701	529	75.45%
9.1 asset management	0	0	0	
9.1.1. individual	0	0	0	
9.1.2 collective	0	0	0	
9.2 insurance products	995	496	500	100.83%
9.3 other products	235	206	29	14.29%
d) collection and payment services	6,345	6,754	-408	-6.04%
e) servicing securitizations	56	59	-3	-5.58%
f) factoring services	0	0	0	
g) fiscal year tax collection and payee services	0	0	0	
h) asset management of multilateral exchange systems	0	0	0	
i) maintenance and management of bank accounts	12,831	12,725	105	0.83%
j) other services	1,137	931	206	22.17%
Total	23,097	22,611	486	2.15%

2.2 Commission income: distribution channels of products and services

Channels/Values	Total 31/12/2016	Total 31/12/2015
a) at its own branches:	1,588	975
1. asset management	108	39
2. securities placement	250	235
3. third party services and products	1,230	701
b) off-site offer:	0	0
1. asset management	0	0
2. securities placement	0	0
3. third party services and products	0	0
c) other distribution channels	0	0
1. asset management	0	0
2. securities placement	0	0
3. third party services and products	0	0

2.3 Commission expenses: breakdown

Services/Values	Total 31/12/2016	Total 31/12/2015	Variation	% Var.
a) guarantees received	-88	0	-88	
b) credit derivatives	0	0	0	
c) management and intermediation services:	-129	-86	-43	50.51%
1. trading financial instruments	0	0	0	-99.65%
2. trading foreign currency	-81	-71	-10	14.04%
3. asset management	-48	-15	-33	229.85%
3.1 own portfolio	0	0	0	
3.2 delegated by third parties	-48	-15	-33	229.85%



Services/Values	Total 31/12/2016	Total 31/12/2015	Variation	% Var.
4. custody and management of securities	0	0	0	
5. placement of financial instruments	0	0	0	
6. off-site offer of financial instruments, products and services	0	0	0	
d) collection and payment services	-1,446	-1,448	2	-0.11%
e) other services	0	0	0	
Total	-1,663	-1,533	-129	8.43%

Section 3 – Dividends and similar income - Line item 70

3.1 Dividends and similar income: breakdown

Line items/Income	Total 31/12/2016		Total 31/12/2015	
	Dividends	Income from shares of mutual funds	Dividends	Income from shares of mutual funds
A. Financial assets held for trading	1	0	0	0
B. Financial assets available for sale	1	0	1	0
C. Financial assets measured at fair value	0	0	0	0
D. Equity investments	0	0	0	0
Total	2	0	1	0

Section 4 – Net trading income - Line item 80

4.1 Net trading income: breakdown

Transactions/Income components	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses(D)	Net income [(A+B) - (C+D)]
1. Financial assets from trading	0	2,258	0	8	2,250
1.1 Debt securities	0	0	0	8	-8
1.2 Equity instruments	0	0	0	0	0
1.3 Shares of mutual funds	0	0	0	0	0
1.4 Loans	0	0	0	0	0
1.5 Other	0	2,258	0	0	2,258
2. Financial liabilities from trading	0	0	0	0	0
2.1 Debt securities	0	0	0	0	0
2.2 Liabilities	0	0	0	0	0
2.3 Other	0	0	0	0	0
3. Financial assets and liabilities: exchange rate differences	0	0	0	0	0
4. Derivative instruments	0	0	0	228	-228
4.1 Financial derivatives	0	0	0	228	-228
- On debt securities and interest rates	0	0	0	228	-228
- On equity instruments and equity indexes	0	0	0	0	0
- On foreign currencies and gold	0	0	0	0	0
- Other	0	0	0	0	0
4.2 Credit derivatives	0	0	0	0	0
Total	0	2,258	0	236	2,022

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

Section 5 - Net hedging income - Line item 90

5.1 Net hedging income: breakdown

Income components/Values	Total 31/12/2016	Total 31/12/2015
A. Income related to:		
A.1 Hedges of fair value	186	526
A.2 Hedged financial assets (fair value)	0	0
A.3 Hedged financial liabilities (fair value)	0	0
A.4 Hedges of cash flows	0	0
A.5 Assets and liabilities in foreign currency	0	0
Total income from pledged assets (A)	186	526
B. Expenses related to:		
B.1 Hedges of fair value	0	0



Income components/Values	Total 31/12/2016	Total 31/12/2015
B.2 Hedged financial assets (fair value)	0	0
B.3 Hedged financial liabilities (fair value)	-284	-524
B.4 Hedges of cash flows	0	0
B.5 Assets and liabilities in foreign currency	0	0
Total expenses of hedged assets (B)	-284	-524
C. Net hedging income (A-B)	-97	3

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

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

6.1 Gains (Losses) from disposal/repurchase: breakdown

Line items/Income components	Total 31/12/2016			Total 31/12/2015		
	Gains	Losses	Net income	Gains	Losses	Net income
Financial assets						
1. Receivables from banks	0	0	0	0	0	0
2. Receivables from customers	0	0	0	0	0	0
3. Financial assets available for sale	8,334	0	8,334	30,964	0	30,964
3.1 Debt securities	8,334	0	8,334	30,964	0	30,964
3.2 Equity instruments	0	0	0	0	0	0
3.3 Shares of mutual funds	0	0	0	0	0	0
3.4 Loans	0	0	0	0	0	0
4. Financial assets held through maturity	0	0	0	0	0	0
Total assets	8,334	0	8,334	30,964	0	30,964
Financial liabilities						
1. Payables to banks	0	0	0	0	0	0
2. Payables to customers	0	0	0	0	0	0
3. Outstanding securities	65	0	65	70	0	70
Total liabilities	65	0	65	70	0	70

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

With respect to assets available for sale in line item 3.1, there was a net positive income of 8,334 thousand Euro of which gains on Italian Government securities for 8,269 thousand Euro and gains on other securities in the amount of 65 thousand Euro.

The gains deriving from the repurchase of outstanding Securities, point 3 of Financial Liabilities, in the amount of 65 thousand Euro originates from the repurchase of own bonds.

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

8.1 Net adjustments/write-backs of value due to impairment: breakdown

Operations/Income components	Value adjustments			Write-backs of value				Total 31/12/2016	Total 31/12/2015
	Specific		From portfolio	Specific		From portfolio			
	Derecognition	Other		From interest	Other write-backs	From interest	Other write-backs		
A. Receivables from banks									
- loans	0	0	0	0	0	0	0	0	0
- debt securities	0	0	0	0	0	0	0	0	0
Impaired receivables purchased									
- loans	0	0	0	0	0	0	0	0	0
- debt securities	0	0	0	0	0	0	0	0	0
Other receivables									
- loans	0	-20,113	0	0	5,585	0	86	-14,442	-35,260
- debt securities	0	0	0	0	0	0	0	0	0
C. Total	0	-20,113	0	0	5,585	0	86	-14,442	-35,260

The table summarizes value adjustments and write-backs of value recognized due to the impairment of receivables from customers. In particular, the column "Other" includes specific write-downs of impaired receivables subject to "analytical" measurement, while the column "From portfolio" includes adjustments quantified exclusively on receivables in bonis.

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

Description of the portfolio	Type	Method	Amount 2016	Amount 2015
Non-performing – Net value of adjustments/write-backs of value	Specific	Analytical	-10,460	-31,586
Watchlist – Net value of adjustments/write-backs of value	Specific	Analytical	-6,137	-923
Watchlist – Net value of adjustments/write-backs of value	Specific	Flat-rate	1,125	-2,899
Restructured – Net value of adjustments/write-backs of value	Specific	Analytical	0	0
Restructured – Net value of adjustments/write-backs of value	Specific	Flat-rate	0	819
Overdue/overdrawn – Net value of adjustments/write-backs of value	Specific	Flat-rate	944	-1,081
In Bonis – Net value of adjustments/write-backs of value	Portfolio	Flat-rate	86	411
Total – Net value of adjustments/write-backs of value			-14,442	-35,260

8.4 Net impairment adjustments to other financial transactions: breakdown

Operations/Income components	Value adjustments			Value recoveries				Total 31/12/2016	Total 31/12/2015
	Specific		portfolio	Specifics		Portfolio			
	Write-offs	Other		From interest	Other recoveries	From interest	Other recoveries		
A. Guarantees issued	0	-85	0	0	94	0	0	8	-1,459
B. Credit derivatives	0	0	0	0	0	0	0	0	0
C. Commitments to lend funds	0	0	0	0	0	0	0	0	0
D. Other operations	0	0	0	0	0	0	0	0	0
E. Total	0	-85	0	0	94	0	0	8	-1,459

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

Section 9 – Administrative costs - Line item 150**9.1 Personnel costs: breakdown**

Type of expense/Values	Total 31/12/2016	Total 31/12/2015
1) Employees	-23,961	-22,154
a) salaries and wages	-17,105	-15,817
b) social security contributions	-4,194	-3,911
c) severance pay	0	0
d) pension costs	0	0
e) allocation to employee severance pay	-1,126	-49
f) allocation to pension fund and similar obligations:	0	0
- to a defined contribution plan	0	0
- to a defined services plan	0	0
g) payments to external complementary pension funds	-721	-1,622
- to a defined contribution plan	-721	-1,622
- to a defined services plan	0	0
h) costs deriving from payment agreements based on its own equity instruments	0	0
i) other employee benefits	-816	-755
2) Other personnel	-582	-575
3) Directors and Statutory Auditors	-376	-300
4) Retired personnel	0	0
5) Recovery of expenses for personnel temporarily transferred to other companies	0	0
6) Recovery of expenses for third party personnel temporarily transferred to the company	0	0
Total	-24,920	-23,029

The table indicates an increase of the aggregate in the amount of 1,891 thousand Euro (+8.21%).

9.2 Average number of employees by category

Description	31/12/2016 Values	31/12/2015 Values
Employees	310	296
a) Managers	3	3
b) Middle management employees	73	64
c) Remaining employees	234	229
Other personnel	12	12
Total	322	308



Precise number of employees by category

Description	31/12/2016 Values	31/12/2015 Values
Employees	323	308
a) Managers	3	3
b) Middle management employees	65	64
c) Remaining employees	255	241
Other personnel	3	12
Total	326	320

9.4 Personnel costs: other employee benefits

Type of costs / Values	Total 31/12/2016	Total 31/12/2015
1) Meal vouchers for employees	-477	-492
2) Loyalty bonus for employees	-28	-31
3) Other employee costs	-311	-232
Total	-816	-755

9.5 Other administrative costs: breakdown

Line items/Values	Total 31/12/2016	Total 31/12/2015	Variation	% Var.
1. Insurers and security	-1,289	-1,205	-84	6.93%
2. Advertising and entertainment	-1,864	-1,790	-74	4.12%
3. Rent for real property	-1,238	-1,177	-61	5.20%
4. Maintenance, repairs, transformation of real and personal property	-3,242	-3,501	260	-7.42%
5. Electricity, heating and cleaning services	-1,101	-1,009	-92	9.13%
6. Telex, telephone and postage	-1,126	-1,106	-20	1.78%
7. Costs for data processing	-3,084	-2,099	-985	46.94%
8. Stamped paper and stationary	-320	-409	89	-21.83%
9. Fees to outside professionals	-1,307	-1,214	-93	7.66%
10. Expenses for write-backs of receivables	0	0	0	0.00%
11. Technical assistance and maintenance of software products	-2,551	-2,430	-121	4.98%
12. Information and registry searches	-2,004	-2,140	136	-6.36%
13. Charitable contributions allocated to the income statement	0	0	0	
14. Expenses for treasury assets	-71	-74	3	-4.05%
15. Travel and transportation costs	-609	-580	-29	4.99%
16. Indirect taxes	-4,239	-4,471	231	-5.17%
17. Other costs	-4,756	-3,850	-905	23.52%
Total	-28,800	-27,055	-1,744	6.45%

The line item "Other costs" includes:

Line items/Values	Total 31/12/2016	Total 31/12/2015
Contribution in favor of the Resolution fund – Ordinary	940	746
Contribution in favor of the Resolution fund – Extraordinary	1,885	2,239
Contribution to the DGS fund	1,010	0
Total	3,834	2,985

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

10.1 Net allocations to risks and expense funds: breakdown

Line items/Values	Total 31/12/2016	Total 31/12/2015
1. Allocations to pending litigation	-3	0
2. Allocations to interest expenses on IRES for taxation year 2009	0	0
3. Other allocations	0	0
4. Write-backs of provisions for outstanding disputes	0	0
Total	-3	0

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

11.1 Net adjustment of value for Property, plant and equipment: breakdown

Assets/Income component	Depreciation (a)	Adjustments of value due to impairment (b)	Write-backs of value (c)	Net income (a+b-c)
A. Property, plant and equipment				



Assets/Income component	Depreciation (a)	Adjustments of value due to impairment (b)	Write-backs of value (c)	Net income (a+b-c)
A.1 Owned	-3,180	0	0	-3,180
- for functional use	-3,180	0	0	-3,180
- for investment	0	0	0	0
A. 2 Acquired in financial leasing	0	0	0	0
- for functional use	0	0	0	0
- for investment	0	0	0	0
Total	-3,180	0	0	-3,180

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

12.1 Net value adjustments to intangible assets: breakdown

Assets/Income component	Amortization (a)	Value adjustments due to impairment (b)	Write-backs of value (c)	Net income (a+b-c)
A. Intangible assets				
A.1 Owned	-89	0	0	-89
- generated internally by the company	0	0	0	0
- other	-89	0	0	-89
A.2 Acquired in financial leasing	0	0	0	0
Total	-89	0	0	-89

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

13.1 Other management expenses: breakdown

Line items/Values	Total 31/12/2016	Total 31/12/2015
1. Contingent liabilities and non-existent assets	-126	-101
2. Use of the Guarantee Fund for BCC's depositors	0	-430
3. Depreciation of third party assets	-174	-155
Total	-300	-686

13.2 Other management income: breakdown

Line items/Values	Total 31/12/2016	Total 31/12/2015
1. Recovery of expenses	3,621	3,180
4. Contingent assets and non-existent liabilities	268	198
5. Other income	73	47
Total	3,963	3,425

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

14.1 Gains (losses) from equity investments: breakdown

Income component/Values	Total 31/12/2016	Total 31/12/2015
A. Income		
1. Revaluations	200	609
2. Gains from disposal	0	0
3. Write-backs of value	0	0
4. Other income	0	36
B. Expenses:		
1. Write-downs	0	0
2. Value adjustments from impairment	0	0
3. Losses from disposals	0	0
4. Other expenses	0	0
Net income	200	645

Line A.1 "Revaluations" includes the following transactions:

- Revaluation of Cabel Leasing s.p.a. in the amount of 2 thousand Euro for the fiscal year profit achieved by the subsidiary;
- Revaluation of Cabel Holding s.p.a. in the amount of 118 thousand Euro for the fiscal year profit achieved by the subsidiary;
- Revaluation of Cabel Industry s.p.a. in the amount of 80 Euro for the fiscal year profit achieved by the subsidiary.



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

17.1 Gains (losses) from the disposal of investments: breakdown

Income components/ Values	Total 31/12/2016	Total 31/12/2015
A. Property, plant and equipment		
- Gains from disposal	0	0
- Losses from disposal	0	0
B. Other assets		
- Gains from disposal	0	8
- Losses from disposal	0	0
Net income	0	8

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

18.1 Fiscal year income taxes on current operations: breakdown

Income components/Values	Total 31/12/2016	Total 31/12/2015
1. Current taxes (-)	832	-3,575
2. Variation of current taxes of previous fiscal years (+/-)	0	0
3. Reduction of current taxes for fiscal year (+)	0	0
3 bis. Reduction of current taxes for fiscal year for tax credits as per Law n. 214/2011 (+)	0	0
4. Variation of pre-paid taxes (+/-)	-1,046	2,818
5. Variation of deferred taxes (+/-)	80	88
6. Fiscal year income taxes (-) (1+/-2+3+/-4+/-5)	-135	-669

Current taxes are measured in accordance with current tax legislation.

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

Summary of fiscal year income taxes, by type of tax

Income components/Values	Total 31/12/2016
- Ires	817
- Irap	-952
- Other taxes	0
Total	-135

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

Line items/Values	Ires	Tax rate	Irap	Tax rate
(A) Gain (Loss) from current operations before taxes	5,235		5,235	
(B) Income taxes – Theoretical burden	1,440	27.50%	292	5.57%
Reductions of tax base	13,565	27.50%	19,011	5.57%
Additions to tax base	2,286	27.50%	28,678	5.57%
Tax base	-6,044		14,901	
Income taxes – Effective tax burden	-1,662	27.50%	830	5.57%
Pre-paid/deferred taxes	845	27.50%	122	5.57%
Total taxes	-817		952	
Overall tax	135			
Effective tax rate	2.57%			

Section 20 - Other information

Mutual aid

It is certified that the conditions for being a cooperative bank exist and remain.

For such purpose, in accordance with what is provided for by Article 2512 of the Italian Civil Code and by Article 35 of Italian Legislative Decree 385/1993 and the related Supervisory Regulations, during the course of fiscal year 2016, the Bank satisfied the pre-requisites on prevalent operations with shareholders.

It is certified that “risk assets” for shareholders and zero weighted assets exceeded 50% of the total during the course of fiscal year 2016. Specifically, at the reporting date of the 2016 Financial Statements, the above ratio was 50.052%.

**Part D - OVERALL PROFITABILITY****Analytical schedule of overall profitability– Year 2016**

	Line items	Gross amount	Income tax	Net amount
10	Fiscal Year Profit (Loss)	X	X	5.100
	Other income components without reversal to income statement			
20	Property, plant and equipment	0	0	0
30	Intangible assets	0	0	0
40	Defined benefit assets	-21	-6	-15
50	Noncurrent assets in the course of divestment	0	0	0
60	Share of the valuation reserves from measurement of equity investments	0	0	0
	Other income components with reversal to income statement			
70	Hedging foreign investments:	0	0	0
	a) variations of fair value	0	0	0
	b) reversal to the income statement	0	0	0
	c) other variations	0	0	0
80	Exchange rate differences:	0	0	0
	a) variations of fair value	0	0	0
	b) reversal to the income statement	0	0	0
	c) other variations	0	0	0
90	60. Hedging cash flows:	0	0	0
	a) variations of fair value	0	0	0
	b) reversal to the income statement	0	0	0
	c) other variations	0	0	0
100	Financial assets available for sale:	-1,945	-643	-1,302
	a) variations of fair value	-2,768	-916	0
	b) reversal to the income statement	823	272	0
	- adjustments due to impairment	0	0	0
	- gains/losses from use	823	272	0
	c) other variations	0	0	0
110	Noncurrent assets in the course of divestment:	0	0	0
	a) variations of fair value	0	0	0
	b) reversal to the income statement	0	0	0
	c) other variations	0	0	0
120	Share of the valuation reserves from measurement of equity investments:	0	0	0
	a) variations of fair value	0	0	0
	b) reversal to the income statement	0	0	0
	- adjustment due to impairment	0	0	0
	- gains/losses from use	0	0	0
	c) other variations	0	0	0
130	Total other income components	-1,966	-649	-1,317
140	Overall profitability (10+130)			3,783

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



Analytical schedule of overall profitability– Year 2015

	Line items	Gross amount	Income tax	Net amount
10	Fiscal Year Profit (Loss)	X	X	5,000
	Other income components without reversal to income statement			
20	Property, plant and equipment	0	0	0
30	Intangible assets	0	0	0
40	Defined benefit plans	213	59	154
50	Noncurrent assets in the course of divestment	0	0	0
60	Share of the valuation reserves from measurement of equity investments	0	0	0
	Other income components with reversal to income statement			
70	Hedging foreign investments:	0	0	0
	a) variations of fair value	0	0	0
	b) reversal to the income statement	0	0	0
	c) other variations	0	0	0
80	Exchange rate differences:	0	0	0
	a) variations of fair value	0	0	0
	b) reversal to the income statement	0	0	0
	c) other variations	0	0	0
90	60. Hedging cash flows:	0	0	0
	a) variations of fair value	0	0	0
	b) reversal to the income statement	0	0	0
	c) other variations	0	0	0
100	Financial assets available for sale:	-20,361	-6,647	-13,715
	a) variations of fair value	-740	-245	0
	b) reversal to the income statement	-19,621	-6,402	0
	- adjustments due to impairment	0	0	0
	- gains/losses from use	-19,621	-6,402	0
	c) other variations	0	0	0
110	Noncurrent assets in the course of divestment:	0	0	0
	a) variations of fair value	0	0	0
	b) reversal to the income statement	0	0	0
	c) other variations	0	0	0
120	Share of the valuation reserves from measurement of equity investments:	-3,236	-44	-3,191
	a) variations of fair value	34	0	0
	b) reversal to the income statement	0	0	0
	- adjustment due to impairment	0	0	0
	- gains/losses from use	0	0	0
	c) other variations	-3,269	-45	0
130	Total other income components	-23,384	-6,633	-16,751
140	Overall profitability (10+130)			-11,751

International accounting standards allow allocating financial instruments to different portfolios to which accounting standards are applied that result in the allocation of costs or income directly to special reserves of shareholders' equity without going through the income statement. The chart shows the overall result, considering income items matured and realized in the fiscal year that were recognized directly in shareholders' equity, sterilizing the components that already matured and thus which had been recognized in shareholders' equity in previous fiscal years, but which are the object of a second and definitive allocation to the income statement (reversal) at the time effectively realized.



Part E - INFORMATION ON RISKS AND THE RELATIVE HEDGING POLICIES

Introduction

The Bank carries out its activities according to sound and prudent management principles, with a moderate risk propensity, in respect of stability requirements connected to the banking business.

Overall risk propensity is measured synthetically by identifying, within the scope of the Bank's asset resources ("own funds"), a capital component that is not eligible for risk assumption (unexpected losses), held for medium-long term to cover capital against impact in the event of unexpected stress events.

The Bank's internal control system ensure implementation of corporate strategies and policies and is composed of all the regulations, procedures and organizational structures aimed at compliance with sound and prudent management principles.

Corporate Bodies have the primary responsibility for ensuring, in line with their respective specific competencies, the completeness, adequacy, efficiency and reliability of the internal control system.

The Bank has implemented a traditional type of governance model that entails a Board of Directors, a Board of Statutory Auditors and General Management.

The Board of Directors is responsible for Bank strategic supervision and management, along with General Management, and the Board of Statutory Auditors is responsible for monitoring activities.

The Board of Directors defines the business model by approving an annual strategic business plan and budget, aware of the risks to which this model exposes the Bank and comprehending the processes by means of which such risks are identified and measured. The Board of Directors defines and approves strategic policies and periodically reviews them, decides on risk propensity and the relative tolerance levels as well as the risk management policies, ensuring that the Bank's structure is consistent with the business carried out and with the business model adopted.

Risk government policies are set forth in specific regulations/policies that are subject to approval by the Board of Directors.

Uptake of new products and services, launching of new activities, introduction into new markets and, in general, all more significant activities are always subject to approval by the Board of Directors.

Periodically, the Board of Directors verifies that the risks assumed by the Bank in terms of capital adequacy, liquidity and risk-return ratio for management activities are consistent with the risk propensity defined in strategic planning and with regulatory levels.

Furthermore, the Board of Directors verifies compliance with operating limits defined for the assumption of the various Types of risk. The Board of Directors ensures consistency between the strategic plan, the business model, the Risk Appetite Framework, the ICAAP process, the Budget and the corporate organization and the internal control system, taking in consideration the evolution of the internal and external conditions within which the Bank operates.

The Board of Directors is aided by the Risk Committee, a committee within the Board itself that provides the Board with advisory support and proposal regarding risks and the internal control system.

General Management fully comprehends corporate risks and is responsible for implementing the strategic policies and risk management policies defined by the Board of Directors. In particular, General Management proposes the operating limits with respect to the assumption of the various Types of risk, taking into account the stress tests carried out by the various designated function, in accordance with the Bank's internal policies.

For the purpose of facilitating the development and awareness at all company levels, of a risk control culture, General Management plans training programs for Bank personnel, based on the proposals made.

The Board of Statutory Auditors carries out periodical inspections to ascertain the completeness, adequacy, efficiency and reliability of the internal control system.

In carrying out its tasks, the Board of Statutory Auditors is provided with appropriate information from the other Corporate Bodies and control functions. The regular presence of the Board of Statutory Auditors at BoD meetings, which are held twice weekly, represents a guarantee with respect to timely information of the Control Body regarding management issues.

Sound and prudent bank management is ensured by an appropriate corporate organization that provides for a complete and functional internal control system.

In particular, the Bank's internal control system is composed of three different levels:

- First level controls (line): aimed at ensuring that operations are carried out correctly. These controls are performed by operating structures or incorporated into the procedures and information technology systems, or carried out during back office activities.
- Second level controls on risks and conformity, also aimed at ensuring, among other things:
 - correct implementation of the risk management process;
 - respect of operating limits assigned to the various functions;
 - conformity of corporate operations to standards, including self-governance regulations.



Second level controls as assigned to the Risk Management Service, the Compliance Service and the Anti-Money Laundering Service. Through specific agreements the services are systematically performed by Internal Auditing. The functions designated to controls are separate from production functions; they contribute to defining the risk management policies and the risk management process.

- Third level controls (internal auditing): aimed at identifying violations of procedures and regulations, and at periodically evaluating the completeness, adequacy, efficiency and reliability of the internal control system and the information technology system.

This activity is carried out by the Internal Audit Service.

Corporate control functions in charge of second and third level controls have the authority, resources and competencies required to carry out their tasks.

In conformity with Vigilance provisions, the company organizational structure requires that company control functions report back to the Board of Directors in terms of both hierarchy and functions.

Control functions have access to all the activities carried out by the Bank, both in the central offices and in peripheral offices, as well as to any information relevant to carry out controls.

In accordance with Law 231/01, there is a Vigilance Committee, which is a collective body in charge of assessing the efficiency of organizational measures adopted by the Bank to avoid involvement in sanctionable actions pursuant to Law 231 of 2001.

As set forth in the Organizational Model, the committee periodically reports to the Board of Directors.

Section 1 – Credit risk

Qualitative information

1. General information

The Bank's business model has always been based prevalently on credit intermediation activities and aimed at supporting families and businesses in local areas, in accordance with the management policies defined by the Board of Directors and in respect of the provisions of the Articles of Association.

Lending is principally destined to retail, small and small-medium businesses, because these are customer types that need a contact reference capable of understanding and satisfying their needs; lending to the corporate sector is a negligible part of our activity.

The Board of Directors defines credit policies to safeguard the quality of lending both during the first approval for disbursement and during subsequent management of the relationship, taking into due account the Bank's economic/financial situation and the economic context of reference.

The policies adopted over the last years have been strategically oriented towards fractioning of credit and diversification of the lending portfolio in order to mitigate the impact of the current economic crisis on the Bank's overall credit risk.

The credit policies adopted by the Board of Directors have contributed to the implementation, on the part of designated structures, of greater accuracy both when opening a credit line and when subsequently managing the credit relationship.

During the initial stage, particular attention is paid to the quality of the business projects underlying the loan request; in particular, the company's income generating prospects and the consequent capacity to repay are evaluated.

Management and monitoring of disbursed loans are aimed at timely re-modulation of the loan agreement based on variations in the economic and financial situations of the counterparties and the identification of possible trend anomalies. Monitoring activities are aimed at preventing the effects of the deterioration of creditworthiness as well as at intervening quickly with corrective actions to remove anomalies (for example, recurrence of overdrafts, increase in unpaid installments, acceptance of portfolios for customers already outstanding). Management of granted loans is based on principles of extreme prudence and therefore, signals of trends that are not in line with correct operation are immediately analyzed, in order to implement necessary measures.

Commercial policies are pursued by the branches, both in the geographical areas where the Bank is traditionally present, in order to constantly consolidate its position, and in new markets, with the aim of acquiring new market shares and facilitating the growth of the credit intermediation activity.

2. Credit risk management policies

2.1 Organizational aspects

The factors that generate credit risk are tied to the possibility that an unexpected variation in the creditworthiness of a counterparty, to which the Bank has an exposure, may generate a corresponding unexpected variation of the current value of the respective credit exposure.

Therefore, credit risk is not limited only to the counterparty's insolvency, but also includes the mere deterioration of its creditworthiness.



Taking on credit risk and risk management is governed by formalizing the underlying process, detailing the roles of corporate bodies, the operations of all subjects involved, defining first level controls and rendering explicit the roles of all control functions. The Credit Area heads the organizational structure that oversees process execution. During 2015, the new electronic credit line procedure was implemented in all the branches. The Problem Debts Management Office manages, at a corporate level and according to methods defined by internal regulations, every single problem debt and loans that present anomalous situations, regardless of their classification as performing or non performing, with the exception of non-performing loans that are managed by the Legal and Litigation Services Office. Supports the Network in carrying out peripheral monitoring activities on single anomalies and problem loans, as well as in defining and implementing corrective actions aimed at ensuring sound administration of the credit process. This activity is aimed at favoring an anticipatory management of credit risk and implementing management strategies aimed at improving the Bank's credit quality. The corporate organization system assigns management of relationships classified as Probable Default and Non-Performing respectively to the Problem Debt Monitoring Office and the Legal and Litigation Services Office. Impaired loans are managed based on Service regulations and in accordance with the specific impaired loan assessment policy. The Credit Control Office oversees the credit risk monitoring process, in order to detect, even in advance, possible critical evolutions; this activity is carried out within the scope of second instance first level controls and with the aim of providing credit manager and the Problem Debt Management function with all the information required to take necessary measures, and the Risk Management function with all the information required to carry out second level control on credit risks.

Within the scope of the risk taking and management procedures adopted, the first safeguard filter takes place in the Branch office, through constant and ongoing dialogue with the customers, by means of both internal and external information sources and with the aid of information technology procedures.

During the credit preliminary assessment and review processes, the Bank analyzes the customer's financial needs and the documents required to carry out an adequate assessment of the creditworthiness. The decision to grant a loan is therefore based both on the analysis of all the information regarding the economic entity, and on the basis of direct knowledge of the customer and the relative economic. All preliminary activities regarding the operational process that lead up to disbursement and periodic review of the loan, are developed with the aim of granting a congruous loan to each individual applicant (and/or group), providing for the most appropriate types of loan and a adequate remuneration for the risk taken.

Within the scope of the "Credit Risk Regulations", the Board of Directors has defined the decision-making autonomy of each body delegated to granting loans. Observance of the powers authorized by the Board of Directors is guaranteed by automatic controls provided for in the IT procedure recently implemented with the new "Easy Loans" application used to manage the preliminary process for loan disbursement.

2.2 Management, measurement and control systems

Risk management, measurement and control systems are developed in an organizational framework that involves the entire credit process cycle, from the initial preliminary stage, to the periodical reviews up to revocation and recovery. The Bank also carries out quantitative and qualitative analyses for periodic Credit Risk measurement and control. In particular, quantitative assessments make use of various instruments that provide economic, financial and capital information regarding the customer.

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

In support of these activities, the Bank has adopted specific procedures for the stages regarding credit application/deliberation, renewal of credit lines and monitoring of credit risk.

In these stages, the Bank uses qualitative and quantitative methods to measure creditworthiness, supported by information technology procedures subject to periodic verification and maintenance.

Line of credit application, deliberation and review processes are regulated by a decision-making process supported by the "Electronic Line of Credit Procedure", which allows verifying (on behalf of all the departments involved in credit management) the status of each borrower or potential borrower. This procedure also allows reconstructing the credit deliberation process by tracking the various steps of the process and the types of analyses carried out.

Two review levels are provided for, in order to keep the procedures slim: one is a simplified review, with limited formalities, which is reserved to the renewal of small credit lines with a regular performance; the other is an ordinary review applied to all other situations.

The definition of classification, measurement and management criteria for impaired positions and of the methods to be implemented to monitor loan performance aims also at implementing a systematic control procedure on loan positions by the Risk Control Office, in close collaboration with the branch structure.

This activity is supported by an electronic procedure that allows for periodic extrapolation of all relations that may show signs of anomalous performance, both internally and externally.



Hence, constant monitoring of the reports provided by the procedure, along with the measurement of other types of events allows for rapid intervention as soon as irregular positions arise, in order to take the necessary measures for problem loans.

All trust positions are also subject to periodic review of each individual counterparty or group of connected customers. The Risk Manager is responsible for second level controls; this function carries out controls aimed at periodically ascertaining that credit granting, monitoring and classification of credit exposures, the process for recovery and calculation of provisions for impaired loans, are all carried out in compliance with internal and supervisory regulations, and that they are efficacious and reliable as regards the capacity for timely detection and notification of problem loans, and for ensuring the adequacy of value adjustments and the relative writing-off.

Credit risk, like other risks, is mapped in the RAF process, defined by specific objectives and tolerance thresholds. Hence, the Risk Management function monitors credit risk management processes, periodically checking and verifying compliance to risk objectives, operating limits and the risk indicators defined by the Board of Directors, according to the methods and schedules defined in the RAF Regulations and in the risk management processes. Furthermore, this function provides advance opinions regarding RAF compliance of significant credit transactions (so-called OMR), as defined in the specific regulations approved by the BoD, requesting, if necessary and based on the nature of the transactions, the opinion of other functions involved in the risk management process. The entire credit and counterparty risk management process (risk measurement, application, disbursement, performance monitoring, exposure monitoring, review of lines of credit, classification of risk positions, actions in the event of problem loans, classification criteria, assessment and management of impaired loans) is formalized in the internal regulations.

The Bank continues to use an “ordinal” classification management system for creditworthiness which, in a nut-shell, aims at attributing an univocal rating to borrowing customers, on the basis of a series of qualitative and quantitative considerations.

On this matter, please bear in mind that the evaluations resulting from the application constitute a limit to the use of powers associated to loan authorizations.

The Bank adopts standard methods to determine the minimum capital requirement for credit risk.

As regards the internal capital adequacy evaluation process (ICAAP), the Bank uses the so-called Granularity Adjustment simplified algorithm (ref. Annex B, Title III, Chapter 1 Circ. 285/2013) to quantify internal capital vis-à-vis concentration risk for exposure to single counterparties or groups of connected customers.

Within the scope of the ICAAP analysis performed on a quarterly basis, the Bank performs stress tests with reference to credit and concentration risks through sensitivity analyses that evaluate the effects of specific events on the same risks.

The Bank performs the stress test and, with specific reference to credit risk, recalculates the internal capital required against the new risk level of the loan portfolio redefined on the basis of any increase of the incidence of impaired exposures on company lending. The Bank also determines the impact on overall capital (Own Funds) deriving from the reduction of expected income due to the increase in write-downs of receivables.

With reference to operations on securities markets, the Bank’s Finance Area implements measurements and controls both during acquisition of the financial instruments and after, when the composition of the fund is periodically analyzed by asset class / IAS/IFRS portfolio, the specific or counterparty risk level is identified and calculated and compliance with the limits and powers assigned is verified. The results of these analyses are discussed periodically by the Finance Committee within the scope of which the Risk Management Office sets forth its valuations in accordance with the Risk Appetite Framework.

2.3 Techniques for mitigating credit risk

The main levers for mitigating credit risk are represented by the system of guarantees that accompany loan exposure, by a limited degree of concentration on specific borrowers, as well as an adequate level of diversification of loans by type and by industry.

In particular, with reference to concentration risk, please note that within the scope of its “credit policies”, the Bank has set forth a series of limits regarding credit exposure towards single counterparties or groups of connected customers and towards counterparties belonging to the same economic sector. These limits are constantly monitored by the Risk Management Services.

The methods used to manage guarantees and the relative operating processes are set forth in the Bank’s internal regulations.

The guaranty management process is incorporated in the IT system, which may be accessed to obtain all related information.

In order to mitigate credit risk, the Bank uses collateral security and personal guarantees. In particular, the main types of real guarantees used are mortgages on property and financial pledges.

The IT management application allows monitoring the entire mortgage guarantee acquisition, assessment, verification and realization efficaciously, identifying all inherent information. The procedure also allows periodically “updating” the current value of the guarantee itself and monitoring the consistency of the value of the guaranty with respect to the



risk. The ratio between the loan and the value of the collateral property is monitored constantly in order to intervene appropriately in the event of drops in the real estate market.

Loans are also protected against fluctuations in security market prices by various organizational processes and the policies applied to monitoring financial pledges.

Personal guarantees consist mainly of sureties given by individuals or companies, or guarantees issued by specialized bodies (for example, Confidi, a credit guarantee consortium) and by Financial institutes (for example: Government guarantee through Mediocredito Centrale pursuant to Law 662/1996).

To date, the Bank does not use credit derivatives to cover or transfer the risk for credits in portfolio.

The above controls are performed by centralized structures that are separate from those that disburse and review the loan; the Internal Auditing Office ensures that assets are managed properly and prudently by means of periodic controls. No significant changes were registered with respect to the information provided above during the course of the fiscal year.

2.4 Impaired financial assets

As regards credit classification, the Bank applies criteria that are conformant to international accounting standards and Vigilance Provisions.

To classify exposures, with specific reference to impaired loans, the Bank refers to regulations issued by the Vigilance Authority, integrated by internal provisions that set forth criteria and regulations for the classification of credits within the scope of the various risk categories.

During 2015, Bank of Italy issued the 7th Update of Circular n. 272/2008, which revised previous classifications for impaired credits and introduced the so-called forbearance concept, transposing the definitions introduced by the Implementing Technical Standards (abbreviated to ITS) issued by the European Banking Authority (EBA). The update aims to reduce the existing discretionary margins in accounting and prudential definitions applied in the various member countries, and facilitate data comparability at a EU level.

In particular, the regulations requires the identification, as regards both performing and non-performing loans, call for identification of loan disbursement relations respectively defining the categories of “Forborne performing exposures” (performing loans granted) and “Non-performing exposures with forbearance measures” (impaired loans granted).

The regulations define as “forbearance measures” changes to the original contract terms and conditions or total or partial loan refinancing, granted to a debtor who is or is about to enter into difficulty in terms of respecting financial obligations.

In terms of classification of impaired loans, the Bank has also transposed the changes made to definitions introduced by the 7th Update of Bank of Italy Circular n. 272/2008. Specifically, impaired financial assets are divided into the categories “non-performing”, “probable default” and “overdue/overdrawn exposures”, based on the following criteria:

- **Non-performing:** the overall on-balance sheet and off-balance sheet exposures vis-à-vis a customer in a state of insolvency (even if not judicially ascertained) or in essentially comparable situations, regardless of any loss forecasts formulated by the Bank.

- **Probable default (“unlikely to pay”):** classification in this category is, first of all, the result of the Bank’s judgment regarding the unlikelihood that, without recourse to measures such as enforcement of guarantees, the debtor fully pays back the credit (the principal and/or the amount of interest payable). This evaluation must be made aside from the presence of any amounts (or installments) overdue and not paid. Therefore, it is not necessary to wait for an explicit sign of anomaly (failure to pay), if there are elements that imply a situation of probable default on the part of the debtor (for example, a crisis in the debtor’s industry sector).

- **Overdue and/or overdrawn exposures:** cash loans, other than those classified as non-performing or probable defaults, which, at the date of reference of the notification have been overdue or overdrawn for over 90 days.

Overdue and/or overdrawn exposures may be determined with reference to either an individual customer or a single transaction; the Bank adopts the “by debtor” approach, as described here below.

Overdue or overdrawn positions must be characterized by the continuity of the condition. In particular, as regards exposures with repayment in installments, the unpaid installment bearing the greatest delay is used for the purpose of the necessary calculations.

If more than one exposure that has been overdue or overdrawn for over 90 days refer to the same customer, the longest overdue position on which calculations are based. As regards the opening of “revocable” current-account credit facilities where the credit ceiling has been exceeded (also due to the capitalization of interest), the days of overdraft are calculated starting from the first day of missed payment of the interest that determines overdraft, or starting from the date of the first request to repay the principal, whichever of the two comes first.

Overall exposure vis-à-vis a debtor must be considered overdue and/or overdrawn if, at the date of reference of the notification, the larger of the two following values is equal to or greater than the 5% threshold:

- a) average of the overdue and/or overdrawn amounts on the entire exposure, measured on a daily basis over the last previous quarter;
- b) amount overdue and/or overdrawn on the entire exposure referred to the date of reference of the notification.



Within the scope of the three categories of impaired loans, in conformity with the regulations, “Non-performing exposures with forbearance measures” are identified.

Therefore, the classification “forborne non-performing” is not a category of impaired loans in itself, but is instead an additional attribution, applicable to positions in any one of the above-mentioned three categories.

Information regarding impaired loans has been integrated into the information technology system with the aid of specific instruments that support management of irregular exposures and track their conditions.

Based on specific irregularity indicators, monitored by means of both information technology procedures and internal evaluations, and in light of the provisions contained in specific internal regulations that govern exposure classification and variations of the relative exposure “status”, the Credit Control Office monitors the risk classification of exposure positions and formulates proposals to the corporate structures of reference for possible status changes or recalculation of loss forecasts.

With respect to *in bonis* loans, for management purposes, the Bank has defined a sub-class of credits called “under observation”, in which exposures showing a not fully regular trend are classified

The Problem Debts Management Office is responsible for managing positions classified as probable defaults, promoting initiatives aimed at safeguarding the Bank’s credit claims.

Non-performing loans are managed by the Legal and Litigation Services office, which evaluate the actions to be taken to maximize credit recovery, also taking action vis-à-vis any guarantors and realizing any guarantees.

The possibility of payment of impaired loans is calculated based on criteria defined by the Board of Directors and contained in the specific evaluation policy.

Quantitative information

A. Credit quality

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

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

Portfolio/quality	Non performing	Probable default	Impaired overdue positions	In bonis overdue positions	Not impaired assets	Total 31/12/2016
1. Financial assets available for sale	0	0	0	0	627,191	627,191
2. Financial assets held through maturity	0	0	0	0	0	0
3. Receivables from banks	0	0	0	0	171,495	171,495
4. Receivables from customers	131,848	105,140	12,593	74,820	1,812,465	2,136,866
5. Financial assets measured at fair value	0	0	0	0	0	0
6. Financial assets in the course of divestment	0	0	0	0	0	0
Total 31/12/2016	131,848	105,140	12,593	74,820	2,611,150	2,935,552
Total 31/12/2015	121,226	115,012	25,032	80,783	3,178,513	3,520,566

The table shows the classification by credit quality for the entire portfolio of financial assets, with the exception of equity instruments and shares of mutual funds, amounting to 4,516 thousand Euro.

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

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

Portfolio/Type	Impaired assets			In bonis assets			Total (net exposure)
	Gross exposure	Specific adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
1. Financial assets available for sale	0	0	0	627,191	0	627,191	627,191
2. Financial assets held through maturity	0	0	0	0	0	0	0
3. Receivables from banks	0	0	0	171,495	0	171,495	171,495
4. Receivables from customers	393,999	144,417	249,581	1,890,833	3,549	1,887,285	2,136,866
5. Financial assets measured at fair value	0	0	0	X	X	0	0
6. Financial assets in course of divestment	0	0	0	0	0	0	0
Total 31/12/2016	393,999	144,417	249,581	2,689,519	3,549	2,685,970	2,935,552
Total 31/12/2015	394,035	132,765	261,270	3,262,931	3,635	3,259,296	3,520,566

The table indicates classification by type of receivable of the entire portfolio of financial assets, with the exception of equity instruments and shares of mutual funds amounting to 4,516 thousand Euro.

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

A.1.2 Bis Exposure to impaired and in bonis receivables: amount, value adjustments, dynamics, economic and territorial distribution – Distribution of exposure to receivables for assets with poor credit quality



Quality portfolios	Assets with evidently poor credit quality		Other assets
	Cumulative losses	Net exposure	Net exposure
1. Financial assets held for trading	0	0	57,572
2. Hedges	0	0	237
Total	0	0	57,808

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

Type of exposure/Values	Gross exposure					In bonis assets	Specific value adjustments	Portfolio value adjustments	Net exposure
	Impaired assets								
	Up to 3 months	From 3 months to 6 months	From 6 months to 1 year	Over 1 year					
A. ESPOSIZIONI PER CASSA									
A. CASH EXPOSURES	0	0	0	0	0	0	0	0	0
a) Non performing	0	0	0	0	0	0	0	0	0
- of which: forbearance	0	0	0	0	0	0	0	0	0
b) Probable defaults	0	0	0	0	0	0	0	0	0
- of which: forbearance	0	0	0	0	0	0	0	0	0
c) Impaired overdue exposures	0	0	0	0	0	0	0	0	0
- of which: forbearance	0	0	0	0	0	0	0	0	0
d) In bonis overdue exposures	0	0	0	0	0	228,813	0	0	228,813
- of which: forbearance	0	0	0	0	0	228,813	0	0	228,813
e) Other in bonis exposures	0	0	0	0	0	0	0	0	0
- of which: forbearance	0	0	0	0	0	0	0	0	0
TOTAL A									
B. OFF BALANCE SHEET POSITIONS	0	0	0	0	0	0	0	0	0
a) Impaired	0	0	0	0	0	19,245	0	0	19,245
b) In bonis	0	0	0	0	0	19,245	0	0	19,245
TOTAL B	0	0	0	0	0	248,058	0	0	248,058

The cash values indicated are taken from the balance sheet, net of relative impaired receivables. In addition to Asset line item 60, parts of Asset line items 20 and 40 were included, amounting to 57,318 thousand Euro.

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

Type of exposure/Values	Gross exposure					In bonis assets	Specific value adjustments	Portfolio value adjustments	Net exposure
	Impaired assets								
	Up to 3 months	From 3 months to 6 months	From 6 months to 1 year	Over 1 year					
A. CASH EXPOSURES									
a) Non performing	0	0	0	240,428	0	108,580	0	0	131,848
- of which: forbearance	0	0	0	0	0	0	0	0	0
b) Probable defaults	102,744	3,829	10,040	23,043	0	34,516	0	0	105,140
- of which: forbearance	90,991	1,905	6,273	4,112	0	28,229	0	0	75,052
c) Impaired overdue exposures	990	1,464	5,521	5,940	0	1,322	0	0	12,593
- of which: forbearance	119	156	0	0	0	26	0	0	249
d) In bonis overdue exposures	0	0	0	0	0	74,947	0	127	74,820
- of which: forbearance	0	0	0	0	0	6,396	0	11	6,385
e) Other in bonis exposures	0	0	0	0	0	2,433,018	0	3,421	2,429,597
- of which: forbearance	0	0	0	0	0	58,837	0	100	58,737
TOTAL A	103,734	5,293	15,561	269,410	2,507,965	144,417	3,549	3,549	2,753,998
B. OFF BALANCE SHEET POSITIONS									
a) Impaired	11,809	0	0	0	0	0	0	0	11,809
b) In bonis	0	0	0	0	0	105,445	0	0	105,445
TOTAL B	11,809						0	0	117,254

The table indicates the breakdown of accounts receivable from customers by type of receivable. Specifically, all financial assets regarding customers are reported, taken from balance sheet line items "20 - Financial assets held for trading", "40 - Financial assets available for sale", and "70 - Receivables from customers". Equity instruments and shares of mutual funds amounting to 14,537 thousand Euro, as well as securities issued by banks in the amount of 57,318 thousand Euro.

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



Variables/Categories	Non performing	Probable defaults	Impaired Overdue/overdrawn accounts
A. Initial gross exposure	221,718	145,020	27,297
- of which: accounts disposed of but not derecognized	0	0	0
B. Additions			
B.1 entries from receivables in bonis	8,067	21,441	18,860
B.2 transfers from other categories of impaired accounts	26,758	11,743	12
B.3 other additions	5,823	9,866	1,658
C. Reductions			
C.1 transfers to receivables in bonis	0	18,779	14,745
C.2 derecognition	1,490	0	0
C.3 collections	19,212	7,806	2,483
C.4 income from disposals	1,238	0	0
C.5. losses from disposals	0	0	0
C.6 transfers to other categories of impaired accounts	0	0	0
C.7 other reductions	0	0	0
D. Final gross exposure	240,428	139,656	13,915
- of which: accounts disposed of but not derecognized	0	0	0

A.1.8 Exposure to customers: dynamics of adjustments to overall value

Variables/Categories	Non performing	Probable defaults	Impaired overdue/overdrawn accounts
A. Initial overall adjustments	100,492	30,007	2,266
- of which: exposure disposed of but not derecognized	0	0	0
B. Additions			
B.1 value adjustments	6,841	13,271	0
B.1.bis losses from disposals	0	0	0
B.2 transfers from other categories of impaired accounts	7,829	1,220	1
B.3 Other additions	235	41	2,772
C. Reductions	0	0	0
C.1 write-backs of value from measurement	953	0	0
C.2 write-backs of value from collections	3,609	570	452
C.2.bis income from disposals	0	0	0
C.3 derecognition	1,487	0	0
C.4 transfers to other categories of impaired accounts	0	6,992	2,058
C.5 Other reductions	769	2,462	1,207
D. Final overall adjustments	108,580	34,516	1,322
- of which: exposure disposed of but not derecognized	0	0	0

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

A.2.1 Distribution of cash and off balance sheet exposure by class of external rating

Exposures	Class of external rating						Without a rating	Total 31/12/2015
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Cash exposure	0	0	653,614	7,948	9,527	0	2,311,723	2,982,811
B. Derivatives								
B.1 Financial derivatives	0	0	0	0	237	0	0	237
B.2 Credit derivatives	0	0	0	0	0	0	0	0
C. Security given	0	0	0	0	0	0	107,112	107,112
D. Commitments to issue funds	0	0	0	0	0	0	26,688	26,688
E. Other	0	0	0	0	0	0	0	0
Total	0	0	653,614	7,948	9,763	0	2,445,522	3,116,847

Class 1 = AAA/AA-

Class 2 = A+/A-

Class 3 = BBB+/BBB-

Class 4 = BB+/BB-

Class 5 = B+/B-

Class 6 = Inferior to B-

The exposure considered was taken from the balance sheets present in the previous tables A.1.3 (exposure to banks) and A.1.6 (exposure to customers), as well as hedges.

A.3 Distribution of secured exposures by type of guarantee



A.3.1 Secured credit exposure to banks - part 1

Line items	Net exposure value	Collateral (1)			
		Real property for mortgage loans	Real property for financial leasing	Securities	Other collateral
1. Secured cash credit exposure:					
1.1 totally secured	0	0	0	0	0
- of which impaired	0	0	0	0	0
1.2 partially secured	0	0	0	0	0
- of which impaired	0	0	0	0	0
2. Secured off balance sheet credit exposure:					
2.1 totally secured	0	0	0	0	0
- of which impaired	0	0	0	0	0
2.2 partially secured	0	0	0	0	0
- of which impaired	0	0	0	0	0

A.3.1 Secured credit exposure to banks - part 2

Line items	Personal security (2)									Total (1)+(2)
	Derivatives on receivables					Endorsement receivables				
	CLN	Other derivatives				Governments and Central Banks	Other public Entities	Banks	Other Parties	
Governments and Central Banks		Other public Entities	Banks	Other Parties						
1. Secured cash credit exposure:										
1.1 totally secured	0	0	0	0	0	0	0	0	0	0
- of which impaired	0	0	0	0	0	0	0	0	0	0
1.2 partially secured	0	0	0	0	0	0	0	0	0	0
- of which impaired	0	0	0	0	0	0	0	0	0	0
2. Secured off balance sheet credit exposure:										
2.1 totally secured	0	0	0	0	0	0	0	0	0	0
- of which impaired	0	0	0	0	0	0	0	0	0	0
2.2 partially secured	0	0	0	0	0	0	0	0	0	0
- of which impaired	0	0	0	0	0	0	0	0	0	0

A.3.2 Secured credit exposure to customers - part 1

Line items	Net exposure value	Collateral (1)			
		Real property for mortgage loans	Real property for financial leasing	Securities	Other collateral
1. Secured cash credit exposure:					
1.1 totally secured	1,552,678	1,231,094	0	8,892	10,438
- of which impaired	217,232	176,257	0	324	124
1.2 partially secured	113,597	869	0	4,984	315
- of which impaired	6,798	698	0	60	5
2. Secured off balance sheet credit exposure:					
2.1 totally secured	37,314	1,254	0	2,661	2,748
- of which impaired	8,213	1,099	0	24	237
2.2 partially secured	22,170	8,468	0	590	216
- of which impaired	665	4	0	10	50

A.3.2 Secured credit exposure to customers - part 2

Line items	Personal security (2)									Total (1)+(2)
	Derivatives on receivables					Endorsement receivables				
	CLN	Other derivatives				Governments and central banks	Other public entities	Banks	Other parties	
Governments and central banks		Other public entities	Banks	Other parties						
1. Secured cash credit exposure:										
1.1 totally secured	0	0	0	0	0	3,956	28,820	0	260,587	1,543,787
- of which impaired	0	0	0	0	0	0	2,713	0	33,037	212,455
1.2 partially secured	0	0	0	0	0	7,656	28,709	0	25,444	67,977



- of which impaired	0	0	0	0	0	0	1,171	0	3,251	5,185
2. Secured off balance sheet credit exposure:										
2.1 totally secured	0	0	0	0	0	0	309	0	30,156	37,128
- of which impaired	0	0	0	0	0	0	254	0	6,447	8,061
2.2 partially secured	0	0	0	0	0	0	600	0	7,981	17,855
- of which impaired	0	0	0	0	0	0	0	0	473	538

B. Distribution and concentration of credit exposure

B.1 Sector distribution cash and "off balance sheet" credit exposure to customers (Balance sheet value) - part 1

Exposure/Counterparty	Governments			Other public entities		
	Net exposure	Specific value adjustments	Adjustment portfolio value	Net exposure	Specific value adjustments	Adjustment portfolio value
A. Cash exposure						
A.1 Non performing	0	0	0	0	0	0
- of which: forbearance	0	0	0	0	0	0
A.2 Probable defaults	0	0	0	0	0	0
- of which: forbearance	0	0	0	0	0	0
A.3 Impaired overdue exposures	0	0	0	0	0	0
- of which: forbearance	0	0	0	0	0	0
A.4 In bonis exposures	615,313	0	0	2,337	0	0
- of which: forbearance	0	0	0	0	0	0
TOTAL A	615,313	0	0	2,337	0	0
B. "Off balance sheet" exposures						
B.1 Non performing	0	0	0	0	0	0
B.2 Probable defaults	0	0	0	0	0	0
B.3 Other impaired assets	0	0	0	0	0	0
B.4 In bonis exposures	0	0	0	3	0	0
TOTAL B	0	0	0	3	0	0
TOTAL (A+B) 31/12/2016	615,313	0	0	2,339	0	0
TOTAL (A+B) 31/12/2015	1,205,685	0	0	2,701	0	0

B.1 Sector distribution cash and "off balance sheet" credit exposure to customers (Balance sheet value) - part 2

Exposure/Counterparty	Financial companies			Insurance companies		
	Net exposure	Specific value adjustments	Adjustment portfolio value	Net exposure	Specific value adjustments	Adjustment portfolio value
A. Cash exposure						
A.1 Non performing	183	353	0	0	0	0
- of which: forbearance	0	0	0	0	0	0
A.2 Probable defaults	49	5	0	0	0	0
- of which: forbearance	0	0	0	0	0	0
A.3 Impaired overdue exposures	11	1	0	0	0	0
- of which: forbearance	0	0	0	0	0	0
A.4 In bonis exposures	65,026	0	448	16,044	0	26
- of which: forbearance	12	0	0	0	0	0
TOTAL A	65,269	360	448	16,044	0	26
B. "Off balance sheet" exposures						
B.1 Non performing	0	0	0	0	0	0
B.2 Probable defaults	0	0	0	0	0	0
B.3 Other impaired assets	0	0	0	0	0	0
B.4 In bonis exposures	1,284	0	0	0	0	0
TOTAL B	1,284	0	0	0	0	0
TOTAL (A+B) 31/12/2016	66,553	360	448	16,044	0	26
TOTAL (A+B) 31/12/2015	65,560	355	8	15,615	0	26

B.1 Sector distribution cash and "off balance sheet" credit exposure to customers (balance sheet value) - part 3

Exposure/Counterparty	Non finance companies	Other parties
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	Net exposure	Specific value adjustments	Portfolio adjustment value	Net exposure	Specific value adjustments	Portfolio adjustment value
A. Cash exposure						
A.1 Non performing	89,010	91,356	0	42,654	16,871	0
- of which: forbearance	0	0	0	0	0	0
A.2 Probable defaults	77,903	31,195	0	27,189	3,315	0
- of which: forbearance	59,452	26,450	0	15,599	1,779	0
A.3 Impaired overdue exposures	6,191	650	0	6,392	671	0
- of which: forbearance	105	11	0	144	15	0
A.4 In bonis exposures	1,041,985	0	1,774	763,713	0	1,300
- of which: forbearance	36,776	0	63	28,334	0	48
TOTAL A	1,215,088	123,201	1,774	839,947	20,857	1,300
B. "Off balance sheet" exposures						
B.1 Non performing	3,739	0	0	0	0	0
B.2 Probable defaults	7,547	0	0	4	0	0
B.3 Other impaired assets	335	0	0	184	0	0
B.4 In bonis exposures	94,311	0	0	7,749	0	0
TOTAL B	105,932	0	0	7,938	0	0
TOTAL (A+B) 31/12/2016	1,321,020	123,201	1,774	847,885	20,857	1,300
TOTAL (A+B) 31/12/2015	1,221,404	108,111	2,021	798,804	24,300	1,580

Exposure/Counterparty	Total net exposure	Total specific value adjustments	Total portfolio value adjustments
A. Cash exposure			
A.1 Non performing	131,848	108,580	0
- of which: forbearance	0	0	0
A.2 Probable defaults	105,140	34,516	0
- of which: forbearance	75,052	28,229	0
A.3 Impaired overdue exposures	12,593	1,322	0
- of which: forbearance	249	26	0
A.4 In bonis exposures	2,504,416	0	3,549
- of which: forbearance	65,121	0	111
TOTAL A	2,753,998	144,417	3,549
B. "Off balance sheet" exposures			
B.1 Non performing	3,739	0	0
B.2 Probable defaults	7,551	0	0
B.3 Other impaired assets	519	0	0
B.4 In bonis exposures	103,347	0	0
TOTAL B	115,156	0	0
TOTAL (A+B) 31/12/2016	2,869,154	144,417	3,549
TOTAL (A+B) 31/12/2015	3,309,769	132,765	3,635

The cash exposure for receivables indicated in the table (2,753,998 thousand Euro) is measured in the financial statements net of impaired receivables, and with an indication of specific value adjustments and to the portfolio.

Specifically, it indicates all financial assets regarding customers taken from balance sheet line items "20 - Financial assets held for trading", "40 - Financial assets available for sale", and "70 - Receivables from customers". Equity instruments and shares of mutual funds in the amount of 14,537 thousand Euro, and securities issued by banks in the amount of 57,318 thousand Euro.

B.2 Territorial distribution of cash and "off balance sheet" exposure to customers (balance sheet value) - part 1

Exposure/Geographical area	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. Cash exposure										
A.1 Non performing	131,848	108,055	0	525	0	0	0	0	0	0
A.2 Probable default	105,140	34,516	0	0	0	0	0	0	0	0
A.3 Impaired overdue exposures	12,580	1,321	14	1	0	0	0	0	0	0
A.4 In bonis assets	2,499,829	3,541	4,145	7	324	1	118	0	0	0
TOTAL (A)	2,749,397	147,432	4,159	533	324	1	118	0	0	0
B. "Off balance sheet" exposures										
B.1 Non performing	3,739	0	0	0	0	0	0	0	0	0



B.2 Probable default	7,551	0	0	0	0	0	0	0	0
B.3 Impaired overdue exposures	519	0	0	0	0	0	0	0	0
B.4 In bonis assets	103,347	0	0	0	0	0	0	0	0
TOTAL (B)	115,156	0	0	0	0	0	0	0	0
TOTAL (A + B) 31/12/2016	2,864,553	147,432	4,159	533	324	1	118	0	0
TOTAL (A + B) 31/12/2015	3,305,957	135,874	3,467	525	345	1	0	0	0

Exposure/Geographic area	TOTAL	
	Net exposure	Overall value adjustments
A. Cash exposure		
A.1 Non performing	131,848	108,580
A.2 Probable defaults	105,140	34,516
A.3 Impaired overdue exposures	12,593	1,322
A.4 In bonis assets	2,504,416	3,549
TOTAL (A)	2,753,998	147,966
B. "Off balance sheet" exposure		
B.1 Non performing	3,739	0
B.2 Probable defaults	7,551	0
B.3 Other impaired assets	519	0
B.4 In bonis assets	103,347	0
TOTAL (B)	115,156	0
TOTAL (A + B) 31/12/2016	2,869,154	147,966
TOTAL (A + B) 31/12/2015	3,309,769	136,400

Cash exposure for receivables indicated in the table (2,753,998 thousand Euro) are those measured in the financial statements net of impaired receivables, distributed territorially according to the area of the counterparty's residence.

Specifically, it indicates all financial assets regarding customers taken from line items "20 - Financial assets held for trading", "40 - Financial assets available for sale", and "70 - Receivables from customers". Equity instruments and shares of mutual funds in the amount of 14,537 thousand Euro, and securities issued by banks in the amount of 57,318 thousand Euro.

B.2 Territorial distribution of cash and "off balance sheet" exposure to customers (balance sheet value) - part 2

Exposure/Geographic area	NORTHWEST ITALY		NORTHEAST ITALY		CENTRAL ITALY		SOUTHERN ITALY AND ISLANDS	
	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. Cash exposure								
A.1 Non performing	212	821	1,355	1,821	129,546	105,008	735	406
A.2 Probable defaults	363	38	1,087	1,153	103,574	33,312	116	12
A.3 Impaired overdue exposures	1	0	1	0	12,557	1,318	21	2
A.4 In bonis assets	26,314	43	27,612	47	2,434,094	3,431	11,808	20
TOTAL (A)	26,889	902	30,056	3,021	2,679,772	143,069	12,680	440
B. "Off balance sheet" exposure								
B.1 Non performing	0	0	0	0	3,739	0	0	0
B.2 Probable defaults	0	0	0	0	7,551	0	0	0
B.3 Other impaired assets	0	0	0	0	519	0	0	0
B.4 In bonis assets	3,389	0	0	0	99,940	0	18	0
TOTAL (B)	3,389	0	0	0	111,749	0	18	0
TOTAL (A + B) 31/12/2016	30,278	902	30,056	3,021	2,791,520	143,069	12,698	440
TOTAL (A + B) 31/12/2015	22,564	1,070	26,938	1,926	3,245,450	132,420	11,004	458

Exposure/Geographic area	TOTAL ITALY	
	Net exposure	Overall value adjustments
A. Cash exposure		
A.1 Non performing	131,848	108,055
A.2 Probable defaults	105,140	34,516
A.3 Impaired overdue exposures	12,580	1,321
A.4 In bonis assets	2,499,829	3,541
TOTAL (A)	2,749,397	147,432
B. "Off balance sheet" exposure		
B.1 Non performing	3,739	0
B.2 Probable defaults	7,551	0
B.3 Other impaired assets	519	0



B.4 In bonis assets	103,347	0
TOTAL (B)	115,156	0
TOTAL (A + B) 31/12/2016	2,864,553	147,432
TOTAL (A + B) 31/12/2015	3,305,957	135,874

The cash exposure for receivables indicated in the table (2,749,397 thousand Euro) are those measured in the financial statements net of impaired receivables, distributed territorially according to the area of the counterparty's residence.

Specifically, it indicates all financial assets regarding customers taken from line items "20 - Financial assets held for trading", "40 - Financial assets available for sale", and "70 - Receivables from customers". Equity instruments and shares of mutual funds in the amount of 14,537 thousand Euro, securities issued by banks in the amount of 57,318 thousand Euro, and for "non Italy" customers in the amount of 4,601 thousand Euro.

B.3 Territorial distribution of cash and "off balance sheet" exposure to banks (balance sheet value) - part 1

Exposure/Geographic areas	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Net exposure	Overall value adjustment	Net exposure	Overall value adjustment	Net exposure	Overall value adjustment	Net exposure	Overall value adjustment	Net exposure	Overall value adjustment
A. Cash exposure										
A.1 Non performing	0	0	0	0	0	0	0	0	0	0
A.2 Probable defaults	0	0	0	0	0	0	0	0	0	0
A.3 Impaired overdue exposures	0	0	0	0	0	0	0	0	0	0
A.4 In bonis assets	220,602	0	4,923	0	3,103	0	137	0	47	0
TOTAL (A)	220,602	0	4,923	0	3,103	0	137	0	47	0
B. "Off balance sheet" exposure										
B.1 Non performing	0	0	0	0	0	0	0	0	0	0
B.2 Probable defaults	0	0	0	0	0	0	0	0	0	0
B.3 Other impaired assets	0	0	0	0	0	0	0	0	0	0
B.4 In bonis assets	16,805	0	2,441	0	0	0	0	0	0	0
TOTAL (B)	16,805	0	2,441	0	0	0	0	0	0	0
TOTAL (A + B) 31/12/2016	237,407	0	7,364	0	3,103	0	137	0	47	0
TOTAL (A + B) 31/12/2015	310,451	0	10,568	0	45	0	166	0	49	0

Exposure/geographical area	TOTAL	
	Net exposure	Overall value adjustment
A. Cash exposure		
A.1 Non performing	0	0
A.2 Probable defaults	0	0
A.3 Impaired overdue exposures	0	0
A.4 In bonis assets	228,813	0
TOTAL (A)	228,813	0
B. "Off balance sheet" exposure		
B.1 Non performing	0	0
B.2 Probable defaults	0	0
B.3 Other impaired assets	0	0
B.4 In bonis assets	19,245	0
TOTAL (B)	19,245	0
TOTAL (A + B) 31/12/2016	248,058	0
TOTAL (A + B) 31/12/2015	321,279	0

The values of cash exposures to banks (228,813 thousand Euro) are taken from the balance sheet, net of impaired receivables. In addition to Asset Line item 60 Parts of Asset line items 20 in the amount of 27,217 and 40 in the amount of 30,102 thousand Euro were included.

B.3 Territorial distribution of cash and "off balance sheet" credit exposure to banks (balance sheet value) - part 2

Exposure/Geographic area	NORTHWEST ITALY		NORTHEAST ITALY		CENTRAL ITALY		SOUTHERN ITALY AND ISLANDS	
	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. Cash exposure								
A.1 Non performing	0	0	0	0	0	0	0	0
A.2 Probable defaults	0	0	0	0	0	0	0	0
A.3 Impaired overdue exposures	0	0	0	0	0	0	0	0
A.4 In bonis assets	51,727	0	8,579	0	160,296	0	0	0
TOTAL (A)	51,727	0	8,579	0	160,296	0	0	0



B. "Off balance sheet" exposure								
B.1 Non performing	0	0	0	0	0	0	0	0
B.2 Probable defaults	0	0	0	0	0	0	0	0
B.3 Other impaired assets	0	0	0	0	0	0	0	0
B.4 In bonis assets	365	0	0	0	16,439	0	0	0
TOTAL (B)	365	0	0	0	16,439	0	0	0
TOTAL (A + B) 31/12/2016	52,093	0	8,579	0	176,736	0	0	0
TOTAL (A + B) 31/12/2015	62,486	0	18,427	0	229,538	0	0	0

Exposure/Geographical area	TOTAL	
	Net exposure	Overall value adjustment
A. Cash exposure		
A.1 Non performing	0	0
A.2 Probable defaults	0	0
A.3 Impaired overdue exposures	0	0
A.4 In bonis assets	220,602	0
TOTAL (A)	220,602	0
B. "Off balance sheet" exposure		
B.1 Non performing	0	0
B.2 Probable defaults	0	0
B.3 Other impaired assets	0	0
B.4 In bonis assets	16,805	0
TOTAL (B)	16,805	0
TOTAL (A + B) 31/12/2016	237,407	0
TOTAL (A + B) 31/12/2015	310,451	0

The values of cash exposure (220,602 thousand Euro) are taken from the balance sheet, net of impaired receivables. In addition to asset line item 60, parts of Asset line items 20 and 40 were included in the amounts of 27,217 thousand Euro and 30,102 thousand Euro respectively, and net non "Italian" exposure in the amount of 8,211 thousand Euro was excluded.

The data are distributed territorially according to the macro-area of the counterparty's residence.

B.4 Large risks (according to regulatory legislation)

Line items/Values	31/12/2016			31/12/2015		
	Number	Balance sheet value	Weighted value	Number	Balance sheet value	Weighted value
a. Large risks	6	1,011,399	134,921	7	2,049,932	171,216
b. Zero weighted risks	3	876,408	0	2	1,365,825	0
Total Large Risks (A-B)	3	134,992	134,921	5	684,107	171,216

E. Sales

Qualitative and quantitative information

E.1 Financial assets sold but not fully derecognized: balance sheet value and entire value - part I

Technical forms/Portfolio	Financial assets held for trading			Financial assets measured at fair value			Financial assets available for sale		
	Recognized in full (balance sheet value)	Partially recognized (balance sheet value)	Partially recognized (entire value)	Recognized in full (balance sheet value)	Partially recognized (balance sheet value)	Partially recognized (entire value)	Recognized in full (balance sheet value)	Partially recognized (balance sheet value)	Partially recognized (entire value)
A. Cash assets									
1. Debt securities	0	0	0	0	0	0	130,171	0	0
2. Equity instruments	0	0	0	0	0	0	0	0	0
3. Mutual funds	0	0	0	0	0	0	0	0	0
4. Loans	0	0	0	0	0	0	0	0	0
B. Derivative instruments	0	0	0	0	0	0	0	0	0
Total 31/12/2016	0	0	0	0	0	0	130,171	0	0
Of which impaired	0	0	0	0	0	0	0	0	0
Total 31/12/2015	0	0	0	0	0	0	504,441	0	0
Of which impaired	0	0	0	0	0	0	0	0	0



E.1 Financial assets sold but not fully derecognized: balance sheet value and entire value - part 2

Technical forms/Portfolio	Financial assets held through maturity			Receivables from banks			Receivables from customers			Total 31/12/2016	Total 31/12/2015
	Recognized in full (balance sheet value)	Partially recognized (balance sheet value)	Partially recognized (entire value)	Recognized in full (balance sheet value)	Partially recognized (balance sheet value)	Partially recognized (entire value)	Recognized in full (balance sheet value)	Partially recognized (balance sheet value)	Partially recognized (entire value)		
A. Cash assets											
1. Debt securities	0	0	0	0	0	0	0	0	0	130,171	504,441
2. Equity instruments	0	0	0	0	0	0	0	0	0	0	0
3. Mutual funds	0	0	0	0	0	0	0	0	0	0	0
4. Loans	0	0	0	0	0	0	0	0	0	0	0
B. Derivative instruments	0	0	0	0	0	0	0	0	0	0	0
Total 31/12/2016	0	0	0	0	0	0	0	0	0	130,171	0
Of which impaired	0	0	0	0	0	0	0	0	0	0	0
Total 31/12/2015	0	0	0	0	0	0	0	0	0	0	504,441
Of which impaired	0	0	0	0	0	0	0	0	0	0	0

E.2 Financial liabilities for financial assets sold but not derecognized: balance sheet value

Liabilities/Assets portfolio	Financial assets held for trading	Financial assets measured at fair value	Financial assets available for sale	Financial assets held through maturity	Receivables from banks	Receivables from customers	Total 31/12/2016	Total 31/12/2015
1. Payables to customers								
a) for assets recognized in full	0	0	129,624	0	0	0	129,624	503,850
b) for assets partially recognized	0	0	0	0	0	0	0	0
2. Payables to banks								
a) for assets recognized in full	0	0	0	0	0	0	0	0
b) for assets partially recognized	0	0	0	0	0	0	0	0
Total 31/12/2016	0	0	129,624	0	0	0	129,624	0
Total 31/12/2015	0	0	503,850	0	0	0	0	503,850

E.3 Sales with liabilities that have recourse exclusively on the transferred assets (Part 1)

Technical forms/Portfolio	Financial assets held for trading		Financial assets measured at fair value		Financial assets available for sale		Financial assets held through maturity (fair value)	
	Recognized in full	Partially recognized	Recognized in full	Partially recognized	Recognized in full	Partially recognized	Recognized in full	Partially recognized
A. Cash assets	0	0	0	0	130,171	0	0	0
1) Debt securities	0	0	0	0	130,171	0	0	0
2) Equity instruments	0	0	0	0	0	0	0	0
3) Mutual funds	0	0	0	0	0	0	0	0
4) Loans	0	0	0	0	0	0	0	0
B. Derivative instruments	0	0	0	0	0	0	0	0
Total assets	0	0	0	0	130,171	0	0	0
C. Associated liabilities	0	0	0	0	129,624	0	0	0
1) Payables to customers	0	0	0	0	129,624	0	0	0
2) Payables to banks	0	0	0	0	0	0	0	0
Total liabilities	0	0	0	0	129,624	0	0	0
Net value	0	0	0	0	547	0	0	0

E.3 Sales with liabilities that have recourse exclusively on the transferred assets (Part 1)

Technical forms/Portfolio	Financial assets held for trading		Financial assets measured at fair value		Financial assets available for sale		Total 31/12/2016	Total 31/12/2015
	Recognized in full	Partially recognized	Recognized in full	Partially recognized	Recognized in full	Partially recognized		
A. Cash assets	0	0	0	0	130.171	0	130.171	504.441
1) Debt securities	0	0	0	0	130.171	0	130.171	504.441
2) Equity instruments	0	0	0	0	0	0	0	0



3) Mutual funds	0	0	0	0	0	0	0	0
4) Loans	0	0	0	0	0	0	0	0
B. Derivative instruments	0	0	0	0	0	0	0	0
Total assets	0	0	0	0	130.171	0	130.171	504.441
C. Associated liabilities	0	0	0	0	129.624	0	129.624	503.850
1) Payables to customers	0	0	0	0	129.624	0	129.624	503.850
2) Payables to banks	0	0	0	0	0	0	0	0
Total liabilities	0	0	0	0	129.624	0	129.624	503.850
Net value	0	0	0	0	547	0	547	592

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

F – Models for measurement of credit risk

For the purpose of accurate management of credit risk, models and procedures aimed at classifying customers into risk classes are used. Such models are not currently used for the purpose of calculating equity coefficients in that, for this purpose the Bank uses standardized methods.

Section 2 – Market risks

2.1 Interest rate risk and price risk – regulatory trading portfolio

Qualitative information

A. General information

The primary activity of the Bank is trading financial instruments exposed to interest rate risk.

The strategy underlying its trading activity corresponds both to treasury needs and to the objective of enhancing the risk/yield profile of portfolio investments in terms of the interest rate risk and the counterparty's credit risk.

The Bank does not assume speculative positions in derivative instruments, in accordance with the Bank of Italy's Supervisory Regulations and the Bank's By-laws.

Trading regards exclusively operations involving bonds.

B. Management procedures and measurement methods of the interest rate risk and price risk

The Finance Area Regulations establish both operating limits (both in terms of portfolio value as well as the breakdown by type of security) and limits for exposure to interest rate risk (in terms of financial duration).

Quantitative information

1. Regulatory trading portfolio: distribution by residual duration (re-pricing date) of cash financial assets and liabilities and financial derivatives – All currencies

Type/Residual duration	On demand	Up to 3 months	Beyond 3 months through 6 months	Beyond 6 months through 1 year	Beyond 1 year through 5 years	Beyond 5 years 10 years	Beyond 10 years	Indefinite duration	Total
1. Cash assets									
1.1 Debt securities									
- with an early repayment option	0	0	0	0	0	0	0	0	0
- other	0	13,600	2,617	4,981	26,061	0	0	0	47,259
1.2 Other assets	0	0	0	0	0	0	0	0	0
2. Cash liabilities									
2.1 Repurchase agreements on debt	0	0	0	0	0	0	0	0	0
2.2 Other liabilities	0	0	0	0	0	0	0	0	0
3. Financial derivatives									
3.1 With underlying security									
- Options									
+ long-term positions	0	0	0	0	0	0	0	0	0
+ short-term positions	0	0	0	0	0	0	0	0	0
- Other derivatives									
+ long-term positions	0	0	0	0	0	0	0	0	0
+ short-term positions	0	0	0	0	0	0	0	0	0
3.2 Without underlying security									
- Options									
+ long-term positions	0	0	0	0	0	0	0	0	0
+ short-term positions	0	0	0	0	0	0	0	0	0
- Other derivatives									



+ long-term positions	0	0	0	0	0	365	0	0	365
+ short-term positions	0	0	0	0	0	365	0	0	365

2.2 Interest rate risk and price risk – bank portfolio

Qualitative information

A. General information, management procedures and measurement methods of interest rate risk and price risk

Interest rate risk is created by an imbalance between the due dates (re-pricing) of asset and liability items belonging to the bank portfolio. This latter is composed of all the financial instruments, assets and liabilities, not included in the trading portfolio in accordance with the regulatory provisions outlined in section 2.1.

General Management is responsible for setting forth the guidelines for banking book management, in compliance with the strategic policies defined by the Board of Directors, and monitoring banking book management trends.

The Management Control Office proposes possible banking book interest rate risk management and mitigation measures to General Management.

Interest rate risk mitigation is pursued by means of integrated management of bank assets and liabilities and is aimed at stabilizing interest income and safeguarding the economic value of the bank portfolio.

In particular, management of the securities portfolio is based principally on maintaining the Banks liquidity reserves.

The main sources of interest rate risk consist in fixed rate items. Assets are principally represented by securities in the AFS sector (BTP) and mortgage loans; while liabilities are represented by fixed rate bonds whose risk is hedged by fixed interest rate (IRS) operations for issues with more prolonged maturities.

The interest rate risk inherent in the bank portfolio is monitored by the Bank on a monthly basis by an Asset Liability Management analysis conducted by the Financial Risk Committee.

B. Hedging of fair value

The Bank did not carry out any fair value hedging operations, with the exception of implicit hedging deriving from integrated management of bank assets and liabilities.

C. Hedging of cash flow

The Bank did not carry out any cash flow hedging operations.

Quantitative information

1. Bank portfolio: distribution by residual duration (by re-pricing date) of financial assets and liabilities – All currencies

Type/Residual duration	On demand	Up to 3 months	Beyond 3 months through 6 months	Beyond 6 months through 1 year	Beyond 1 year through 5 years	Beyond 5 year through 10 years	Beyond 10 years	Indefinite duration	Total
1. Cash assets									
1.1 Debt securities									
- with early repayment option	0	0	0	0	0	0	0	0	0
- other	0	60,024	31,382	58,241	384,388	93,155	0	0	627,191
1.2 Loans to banks	57,622	113,872	0	0	0	0	0	0	171,495
1.3 Loans to customers									
- bank accounts	356,684	9,476	6,027	2,863	13,478	49	0	0	388,577
- other loans									
- with early repayment option	232	53,085	7,023	2,748	0	0	0	0	63,089
- other	1,188,785	162,255	73,512	54,072	163,308	19,191	24,077	0	1,685,200
2. Cash liabilities									
2.1 Payables to customers									
- bank accounts	1,520,373	24,083	7,417	21,591	176,280	0	0	0	1,749,743
- other liabilities									
- with early repayment option	0	0	0	0	0	0	0	0	0
- other	101,636	129,624	0	0	0	0	0	0	231,260
2.2 Payables to banks									
- bank accounts	8,319	0	0	0	0	0	0	0	8,319
- other liabilities	0	480,215	0	0	0	0	0	0	480,215



Type/Residual duration	On demand	Up to 3 months	Beyond 3 months through 6 months	Beyond 6 months through 1 year	Beyond 1 year through 5 years	Beyond 5 year through 10 years	Beyond 10 years	Indefinite duration	Total
2.3 Debt Securities									
- with early repayment option	0	0	0	0	0	0	0	0	0
- other	1,434	43,885	36,255	32,898	207,454	26,602	0	0	348,528
2.4 Other liabilities	0	0	0	0	0	0	0	0	0
- with early repayment option	0	0	0	0	0	0	0	0	0
- other									
3. Financial derivatives									
3.1 with underlying security									
- Options	0	0	0	0	0	0	0	0	0
+ long-term positions	0	0	0	0	0	0	0	0	0
+ short-term positions									
- Other derivatives	0	0	0	0	0	0	0	0	0
+ long-term positions	0	0	0	0	0	0	0	0	0
+ short-term positions									
3.2 without underlying security									
- Options	0	0	0	0	0	0	0	0	0
+ long-term positions	0	0	0	0	0	0	0	0	0
+ short-term positions									
- Other derivatives	0	8,942	1,684	380	5,000	0	0	0	16,007
+ long-term positions	0	8,940	6,682	379	0	0	0	0	16,000
+ short-term positions									
4. Other off balance operations	845	12,786	4,925	2,003	6,016	15	98	0	26,688
+ long-term positions	26,688	0	0	0	0	0	0	0	26,688

Notes:

Long and short-term positions in "other derivatives", point 3.2 are expressed in notional values.

2.3 Exchange rate risk

Qualitative information

A. General information, management procedures and methods to measure the exchange rate risk

The exchange rate risk represents the risk of suffering losses on operations in foreign currency, due to the effect of negative variations to foreign currencies. During the fiscal year, the Bank's assets in foreign currency did not have speculative positions. In any case, the Bank limits its net position in foreign currency to not more than 2% of regulatory capital, as provided by the regulations of the Bank of Italy for credit cooperative banks.

The Bank is marginally exposed to the Exchange rate risk due to assets used to serve customers.

Exposure to exchange rate risk is measured using a methodology that faithfully follows what is provided by the Supervisory Regulations.

Measurement is based on the calculation of the "net position in foreign exchanges", i.e. the balance of all assets and liabilities (in financial statements and "off balance sheet") related to each foreign currency, including operations in Euro indexed to the exchange rate trend of foreign currency.

The organizational structure provides that the management of the exchange rate risk is delegated to the Foreign Office for assets used to service customers and to the Securities Treasury Office for financial instruments, whereas the measurement of exposure is attributed to the Risk Management Office based on the data provided by the Management Control Office.

The "net position in foreign exchanges" as at the reference date amounted to 23,644.04 equal to 0.009% of regulatory capital. It is within the 2.00% threshold established by the Supervisory Instructions of the Bank of Italy that can be held by credit cooperative banks. There are no forward exchange transactions.

B. Hedging of exchange rate risk

Hedging of exchange rate risk is carried out through a careful policy of substantially balancing the recognized currency positions. The Bank's primary objective is prudent exchange rate risk control; therefore, operations entailing direct assumption of this risk are managed by appropriate hedging strategies.

**Quantitative information****1. Distribution by denominated currency of assets, liabilities and derivatives**

Line items	Value					
	US dollars	Swiss francs	British pound sterling	Japanese yen	Canadian dollar	Other currencies
A. Financial assets						
A.1 Debt securities	0	0	0	0	0	0
A.2 Equity instruments	0	0	0	0	0	0
A.3 Loans to banks	2,968	165	185	138	473	281
A.4 Loans to customers	4,701	566	19	0	0	0
A.5 Other financial assets	0	0	0	0	0	0
B. Other assets	195	45	54	12	10	41
C. Financial liabilities						
C.1 Payables to banks	132	745	0	162	0	308
C.2 Payables to customers	7,674	3	277	4	484	61
C.3 Debt securities	0	0	0	0	0	0
C.4 Other financial liabilities	0	0	0	0	0	0
D. Other liabilities	0	0	0	0	0	0
E. Financial derivatives						
- Options						
+ Long-term positions	0	0	0	0	0	0
+ Short-term positions	0	0	0	0	0	0
- Other derivatives						
+ Long-term positions	5,605	0	0	0	0	0
+ Short-term positions	5,631	0	0	0	0	0
Total assets	13,469	776	258	150	483	322
Total liabilities	13,437	749	277	166	484	368
Imbalance (+/-)	32	27	-19	-16	-1	-46

2.4 Derivative instruments**A. Financial derivatives****A.1 Regulatory trading portfolio: notional values at end period**

Underlying assets /Type of derivative	Total 31/12/2016		Total 31/12/2015	
	Over the counter	Central Counterparties	Over the counter	Central Counterparties
1. Debt securities and interest rates				
a) Options	40,000	0	593	0
b) Swap	0	0	0	0
c) Forward	0	0	0	0
d) Futures	0	0	0	0
e) Other	0	0	0	0
2. Equity instruments and equity indexes	0	0	0	0
a) Options	0	0	0	0
b) Swap	0	0	0	0
c) Forward	0	0	0	0
d) Futures	0	0	0	0
e) Other	0	0	0	0
3. Foreign currencies and gold	0	0	0	0
a) Options	0	0	0	0
b) Swap	0	0	0	0
c) Forward	0	0	0	0



d) Futures	0	0	0	0
e) Other	0	0	0	0
4. Goods	0	0	0	0
5. Other underlying assets	0	0	0	0
Total	40,000	0	593	0
Average values	20,297	0	689	0

A.2 Bank portfolio: notional values at end period

A.2.1 Hedges

Underlying assets /Type of derivative	Total 31/12/2016		Total 31/12/2015	
	Over the counter	Central Counterparties	Over the counter	Central Counterparties
1. Debt securities and interest rates				
a) Options	0	0	0	0
b) Swap	5,000	0	18,000	0
c) Forward	0	0	0	0
d) Futures	0	0	0	0
e) Other	0	0	0	0
2. Equity instruments and equity indexes	0	0	0	0
a) Options	0	0	0	0
b) Swap	0	0	0	0
c) Forward	0	0	0	0
d) Futures	0	0	0	0
e) Other	0	0	0	0
3. Foreign currencies and gold	0	0	0	0
a) Options	0	0	0	0
b) Swap	0	0	0	0
c) Forward	11,236	0	0	0
d) Futures	0	0	0	0
e) Other	0	0	0	0
4. Goods	0	0	0	0
5. Other underlying assets	0	0	0	0
Total	16,236	0	18,000	0
Average values	17,118	0	58,538	0

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

Portfolios/Type of derivative	Positive fair value			
	Total 31/12/2016		Total 31/12/2015	
	Over the counter	Central Counterparties	Over the counter	Central Counterparties
A. Regulatory trading portfolio				
a) Options	0	0	593	0
b) Interest rate swap	365	0	0	0
c) Cross currency swap	0	0	0	0
d) Equity swap	0	0	0	0
e) Forward	0	0	0	0
f) Futures	0	0	0	0
g) Other	0	0	0	0
B. Bank portfolio – hedges				
a) Options	0	0	0	0
b) Interest rate swap	0	0	1,032	0
c) Cross currency swap	0	0	0	0
d) Equity swap	0	0	0	0
e) Forward	237	0	345	0
f) Futures	0	0	0	0
g) Other	0	0	0	0
C. Bank portfolio - other derivatives				
a) Options	0	0	0	0
b) Interest rate swap	0	0	0	0
c) Cross currency swap	0	0	0	0



d) Equity swap	0	0	0	0
e) Forward	0	0	0	0
f) Futures	0	0	0	0
g) Other	0	0	0	0
Total	602	0	1,970	0

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

Underlying assets/Type of derivative	Negative fair value			
	Total 31/12/2016		Total 31/12/2015	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading portfolio				
a) Options	0	0	0	0
b) Interest rate swap	0	0	0	0
c) Cross currency swap	0	0	0	0
d) Equity swap	0	0	0	0
e) Forward	0	0	0	0
f) Futures	0	0	0	0
g) Other	0	0	0	0
B. Bank portfolio – hedges				
a) Options	0	0	0	0
b) Interest rate swap	197	0	180	0
c) Cross currency swap	0	0	0	0
d) Equity swap	0	0	0	0
e) Forward	231	0	319	0
f) Futures	0	0	0	0
g) Other	0	0	0	0
C. Bank portfolio - other derivatives				
a) Options	0	0	0	0
b) Interest rate swap	0	0	0	0
c) Cross currency swap	0	0	0	0
d) Equity swap	0	0	0	0
e) Forward	0	0	0	0
f) Futures	0	0	0	0
g) Other	0	0	0	0
Total	427	0	500	0

A.5 Over the counter financial derivatives – regulatory trading portfolio: notional values, positive and negative gross fair value by counterparties – contracts that are not part of netting agreements

Contracts that are not part of a netting agreement	Governments and Central Banks	Other public entities	Banks	Finance companies	Insurance companies	Non finance companies	Other parties
1) Debt securities and interest rates							
- notional value	0	0	365	0	0	0	0
- positive fair value	0	0	365	0	0	0	0
- negative fair value	0	0	0	0	0	0	0
- future exposure	0	0	5	0	0	0	0
2) Equity instruments and equity indexes							
- notional value	0	0	0	0	0	0	0
- positive fair value	0	0	0	0	0	0	0
- negative fair value	0	0	0	0	0	0	0
- future exposure	0	0	0	0	0	0	0
3) Foreign currency and gold							
- notional value	0	0	0	0	0	0	0
- positive fair value	0	0	0	0	0	0	0
- negative fair value	0	0	0	0	0	0	0
- future exposure	0	0	0	0	0	0	0
4) Other values							
- notional value	0	0	0	0	0	0	0
- positive fair value	0	0	0	0	0	0	0
- negative fair value	0	0	0	0	0	0	0



- future exposure	0	0	0	0	0	0	0
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A.7 Over the counter financial derivatives – bank portfolio: notional values, positive and negative gross fair value by counterparties – contracts that are not part of netting agreements

Contracts that are not part of a netting agreement	Governments and Central Banks	Other public entities	Banks	Finance companies	Insurance companies	Non finance companies	Other parties
1) Debt securities and interest rates							
- notional value	0	0	5,000	0	0	0	0
- positive fair value	0	0	0	0	0	0	0
- negative fair value	0	0	197	0	0	0	0
- future exposure	0	0	25	0	0	0	0
2) Equity instruments and equity indexes							
- notional value	0	0	0	0	0	0	0
- positive fair value	0	0	0	0	0	0	0
- negative fair value	0	0	0	0	0	0	0
- future exposure	0	0	0	0	0	0	0
3) Foreign currency and gold							
- notional value	0	0	5,608	270	0	4,951	408
- positive fair value	0	0	222	0	0	15	0
- negative fair value	0	0	12	17	0	196	5
- future exposure	0	0	54	3	0	47	4
4) Other values							
- notional value	0	0	0	0	0	0	0
- positive fair value	0	0	0	0	0	0	0
- negative fair value	0	0	0	0	0	0	0
- future exposure	0	0	0	0	0	0	0

A.9 Residual life of over the counter financial derivatives: notional values

Underlying assets/Residual life	Up to 1 year	Beyond 1 year and up to 5 years	Beyond 5 years	Total 31/12/2016
A. Regulatory trading portfolio				
A.1 Financial derivatives on debt securities and interest rates	0	0	40,000	40,000
A.2 Financial derivatives on equity instruments and equity indexes	0	0	0	0
A.3 Financial derivatives on exchange rates and gold	0	0	0	0
A.4 Financial derivatives on other values	0	0	0	0
B. Bank portfolio				
B.1 Financial derivatives on debt securities and interest rates	0	5,000	0	5,000
B.2 Financial derivatives on equity instruments and equity indexes	0	0	0	0
B.3 Financial derivatives on exchange rates and gold	11,236	0	0	11,236
B.4 Financial derivatives on other values	0	0	0	0
Total 31/12/2016	11,236	5,000	40,000	56,236
Total 31/12/2015	49,644	5,000	593	55,238

Section 3 – Liquidity risk

Qualitative information

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

Liquidity risk is managed principally by the Treasury and Own Portfolio Office, the Management Control Office and Risk Management, with the aim of verifying the Bank's capacity to efficiently face liquidity requirements and avoid situations of excessive and/or insufficient liquidity, with the consequent need to invest and/or find funds at unfavorable rates with respect to market rates.

The overall model implemented by the Bank to manage and monitor liquidity risk is divided into three separate sectors, according to the perimeter of reference, the time span and the frequency analysis:

- management of intraday liquidity, that is management of daily adjustment of liabilities and receivables on various settlement, payment and compensations systems in which the Bank participates;
- management of operating funds, that is the management of decidedly unstable events that impact the Bank's liquidity standing, principally with the objective of maintaining the Bank's capacity to meet ordinary and extraordinary payment obligations, in a cost-effective manner;



- management of structural liquidity, that is, management of all the bank portfolio events that impact the Bank's overall liquidity position on the medium-term, aiming primarily to maintain an appropriate balance between assets and liabilities on the medium and long-term.

Significant support for liquidity risk management is provided by the monitoring activities carried out by the Risk Management Office, based on a management model that measures the effect of investment/financing operations based on the distribution by transaction expiry. Operations are measured using Asset and Liability Management methods, which allow evaluating and assessing both Bank cashflow requirements/surplus generated by unbalances between cash inflow and cash outflow, and the structural balance deriving from the correct composition by maturity of cash sources and lending.

In line with domestic and International best practices and in compliance with vigilance provisions, the model adopted by the Bank to manage operating liquidity is based on the "Maturity Mismatch" approach, which presupposes the construction of a "maturity ladder" (a timeframe of maturity dates) and the allocation of sure and estimated flows over the various periods of the ladder, in order to calculate the cumulative gap for each maturity bracket.

Within the scope of its liquidity policy and in accordance with the tolerance threshold decided by the Board of Directors, the Bank has defined a series of alerts to manage both operating liquidity and structural liquidity.

As regards operating liquidity management, the limits are defined in terms of the absolute cumulative gap values on the various maturities.

The Bank continuously monitors the Counterbalancing Capacity (CBC) value, intended as the availability of assets that may be reimbursed, sold or used in refinancing transactions with the interbanking system and that therefore allow generating cash funds rapidly and efficiently.

The limit adopted by the Bank to monitor structural liquidity is instead defined in terms of the ratio between liabilities and assets with maturities in excess of one year. The aim of using this limit is that of guaranteeing a structural liquidity profile that is consistent with the strategy of financing medium/long-term assets with liabilities that have the same duration.

The Bank has also prepared and implemented a "Liquidity Risk Management and Governance Manual" and a "Contingency Liquidity Plan", which are instruments used to mitigate liquidity risks.

The document details the persons and structures responsible for implementing extraordinary funding policies, as required, as well as any actions to be taken to remedy the extraordinary event situation, in compliance with the regulatory requirements provided for by vigilance regulations.

In the Contingency Liquidity Plan, the Bank has defined a series of risk indicators that are constantly monitored in order to anticipate possible stress or liquidity crisis situations.

The Bank has further implemented the Liquidity Coverage Ratio (LCR) indicator, in accordance with Commission Delegated Regulation (EU) n. 575 dated 26 June 2013 of the European Parliament (CRR Regulations), as well as the additional indications and recommendations of the European Banking Authority on this subject.

As regards the Net Stable Funding Ratio (NSFR), the Bank has implemented a management-type measurement, according to the provisions of the Basel 3 Framework.

In order to improve liquidity management, the Bank adheres to the New Collateralized Interbank Market (or New MIC). The New MIC is the e-MID market segment destined to deposits in Euro with maturity dates ranging from one day to one year, which makes use of the guaranty system managed by Cassa di Compensazione e Garanzia (CC&G or central counterparty clearing).

As mentioned in other sections of the Explanatory Notes, the Bank set up a self-securitization transaction in order to increase its financing capacity within the system. This transaction was called "Pontormo RMBS" and was perfected in 2012 with the intent of obtaining securities that could be lodged with the European Central Bank for refinancing operations. The operation was finalized with the sale of a portfolio of performing real estate mortgage loans by the Bank, as one of the various originators, and undersigning by the same originator of the Notes issued by the special purpose vehicle company.

For the sake of completeness of the information provided, the details of the transaction are set forth in the respective section.

Quantitative information

1. Time period distribution by residual contract duration of financial assets and liabilities – All currencies

Line items/Time periods	On demand	Beyond 1 day through 7 days	Beyond 7 days through 15 days	Beyond 15 days through 1 month	Beyond 1 month through 3 months	Beyond 3 months through 6 months	Beyond 6 months through 1 year	Beyond 1 year through 5 years	Beyond 5 years	Indefinite duration	Total
Cash assets											
A.1 Government Bonds	0	0	61	0	60,109	16,780	23,795	391,576	122,991	0	615,313
A.2 Other debt securities	0	0	1	2,080	12,288	2,882	10,629	25,056	6,200	0	59,137



Line items/Time periods	On demand	Beyond 1 day through 7 days	Beyond 7 days through 15 days	Beyond 15 days through 1 month	Beyond 1 month through 3 months	Beyond 3 months through 6 months	Beyond 6 months through 1 year	Beyond 1 year through 5 years	Beyond 5 years	Indefinite duration	Total
A.3 Shares of mutual funds	10,682	0	0	0	0	0	0	0	0	0	10,682
A.4 Loans	447,584	3,783	35,089	32,841	117,178	115,046	123,955	634,135	684,877	113,872	2,308,361
- Banks	57,622	0	0	0	0	0	0	0	0	113,872	171,495
- Customers	389,962	3,783	35,089	32,841	117,178	115,046	123,955	634,135	684,877	0	2,136,866
Cash liabilities											
B.1 Deposits and bank accounts	1,760,298	1,296	7,391	3,233	13,261	7,461	21,617	654,980	0	0	2,469,538
- Banks	8,320	0	0	0	1,215	0	0	479,000	0	0	488,534
- Customers	1,751,979	1,296	7,391	3,233	12,047	7,461	21,617	175,980	0	0	1,981,004
B.2 Debt securities	1,425	10,436	97	138	25,718	33,986	36,957	213,442	26,329	0	348,528
B.3 Other liabilities	440	0	39,743	0	90,023	4,131	4,000	16,341	18,025	0	172,703
"Off balance sheet" transactions											
C.1 Financial derivatives with an exchange of principal	0	0	0	0	3	2	1	0	0	0	6
- Long-term positions	0	0	0	185	8,758	1,684	380	0	0	0	11,007
- Short-term positions	0	0	0	184	8,755	1,682	379	0	0	0	11,000
C.2 Financial derivatives without an exchange of principal	365	0	0	0	0	-21	-21	-128	0	0	195
- Long-term positions	365	0	0	0	0	0	0	0	0	0	365
- short-term positions	0	0	0	0	0	21	21	128	0	0	171
C.3 Deposits and loans to be received	0	0	0	0	0	0	0	0	0	0	0
- Long-term positions	0	0	0	0	0	0	0	0	0	0	0
- Short-term positions	0	0	0	0	0	0	0	0	0	0	0
C.4 Irrevocable commitments to issue funds	-3,720	-143	0	15	-5,560	-7,959	-4,960	5,688	16,639	0	0
- Long-term positions	497	0	0	15	128	2,207	1,513	5,688	16,639	0	26,688
- Short-term positions	4,217	143	0	0	5,688	10,166	6,473	0	0	0	26,688
C.5 Financial guarantees issued	9	70	14	14	129	352	521	14,024	34,335	0	49,467
C.6 Financial guarantees received	0	0	0	0	0	0	0	0	0	0	0
C.7 Credit derivatives with an exchange of principal	0	0	0	0	0	0	0	0	0	0	0
- Long-term positions	0	0	0	0	0	0	0	0	0	0	0
- Short-term positions	0	0	0	0	0	0	0	0	0	0	0
C.8 Credit derivatives without an exchange of principal	0	0	0	0	0	0	0	0	0	0	0
- Long-term positions	0	0	0	0	0	0	0	0	0	0	0
- Short-term positions	0	0	0	0	0	0	0	0	0	0	0

List of guarantees – situation with Eurosystem as at 31/12/2016

Isin	Security	Par value	Fair value	ECB assessment	ECB differences	Specifics
IT0004763782	UNICREDIT 11-17 ZC	9,817	9,760	8,459	-1,301	On balance sheet
XS1374865555	UNICREDIT 16-23 2%	4,700	4,922	3,142	-1,780	On balance sheet
IT0004897200	ICCREA/IND 20180320	5,160	5,124	3,703	-1,421	On balance sheet
IT0004917958	BTP ITALIA 22.04.2017 IL	15,000	15,172	15,112	-60	On balance sheet
IT0005028003	BTP 15.12.2021 2,15%	49,015	52,698	51,905	-793	On balance sheet
IT0005086886	BTP 15.04.2022 1.35	10,000	10,311	10,115	-196	On balance sheet
IT0005107708	BTP 1.05.2020 0.70	160,000	163,199	160,646	-2,553	On balance sheet
IT0005175598	BTP 01.06.2021 0,45%	29,000	29,001	28,567	-434	On balance sheet
IT0005177271	BTP 15.04.2019 0,10%	25,000	25,113	24,850	-262	On balance sheet
IT0005215246	BTP 15.10.2023 0.65	59,500	57,593	56,422	-1,172	On balance sheet
IT0005216491	BTP 01.11.2021 0.35%	22,000	21,766	21,431	-335	On balance sheet
IT0005217929	BTP 15.10.2019 0.05%	20,000	20,022	19,813	-209	On balance sheet
IT0004969207	BTP ITALIA 12.11.2017 IL	6,000	6,153	6,079	-74	On balance sheet
IT0005185456	CCTEU 15.07.23 TV	20,000	20,190	20,070	-121	On balance sheet
IT0004867849	PONTORMO RMBS NOTES CLASS A4	71,919	71,919	61,260	-10,660	Off balance sheet
	Totals	507,111	512,943	491,573	-21,370	
	Refinancing with Eurosystem - use	455,000		-479,000		
	Credit line			12,573		

List of deposits with Eurosystem as at 31/12/2016



Amount	Rate	Maturity
479,000	0.00000	24/06/2020
479.000	0,00000	

List of guarantees – situation with Cassa Compensazione e Garanzia and other parties as at 31/12/2016

Isin	Security	Par value	Fair value
IT0005162620	BOT 14.02.2017 368GG	20,000	20,003
IT0005089955	CTZ 27.02.2017	40,000	40,021
IT0005126989	CTZ 30.08.2017	10,000	10,019
IT0005175366	CTZ 28.03.2018	60,000	60,128
	Totals	130,000	130,171

INFORMATION ON THE SELF-SECURITIZATION TRANSACTIONS

PONTORMO RMBS –2016 FISCAL YEAR

General information

In 2016, the company Pontormo RMBS s.r.l. (hereinafter: Company or SPV) closed its fifth year of activity. The exclusive object of the Company is the realization of one or more securitizations of receivables by means of the purchase of monetary receivables, both existing as well as future, financed by the issue of securities in accordance with article 1(1)(b) of Italian Law n. 130/99 (the so-called "Securitization law). During its first year of activity, in 2012, the Company, which was incorporated on 20 June 2012 in accordance with the aforementioned Securitization law (and which has been registered since 19 October 2012 at n. 35038.9 in the List of securitization vehicles in accordance with Article 11 of Bank of Italy's Measure of 29 April 2011), realized the Pontormo RMBS securitization transaction (hereinafter: Securitization) involving Banca di Credito Cooperativo di Cambiano s.c.p.a. as Servicer, Originator and Note-Holder along with four other banking institutions: Banca di Pisa e Fornacette Credito Cooperativo S.c.p.a. ("Banca Pisa"), Banca di Viterbo Credito Cooperativo S.c.p.a. ("Banca Viterbo"), Banca Popolare di Lajatico S.c.p.a. ("BP Lajatico"), and Banca di Credito Cooperativo di Castagneto Carducci ("BCC Castagneto").

During 2016 the rating assigned to Class A Notes did not vary, remaining constant at AA- for Standard & Poor's and AA+ for Fitch.

As regards the Vehicle Company, during the 2016 fiscal year, there were no events worthy of note or of comment.

The objectives of the transaction, the main characteristics of the Notes issued, a selection of quantitative information relative to the 2016 fiscal year and a description of the accounting registration in the Bank's financial statements are provided here following.

Objectives and structure of the transaction

The Bank's objective, in initiating the Securitization in 2012, was to transform part of the assets used (mortgage loans) in an asset backed security type of note (Pontormo RMBS Class A), to be used in a series of activities aimed at further facilitating any needs for liquidity, specifically:

- short/medium term liquidity through transactions with Eurosystem;
- medium term liquidity through Private REPOs (at 2-3 years);
- refinancing transactions on the New Collateralized Interbank Market (New Mic);
- if no market opportunities arise, and consistently with the average weighted cost of the Bank's funding, the sale of the ABS on the market.

In addition, the transaction was done considering the possible and conceivable trend of the sources of funding over the next few years. By means of the self-securitization and an ABS instrument (with underlying loans issued by the Bank) having a high credit rating (AA+ both for FITCH as well as S&P, with respect to the Italian sovereign debt rating which is Baa2 for Moody's, BBB+ for S&P and A- for Fitch, and which are thus lower ratings), the objective was achieved of transforming part of the assets, which were otherwise not liquid, into a financial instrument having a transparent rating that is potentially eligible as well as negotiable.

This transaction stands out due to its "multi-originator" nature because five banks participated, each of which, by means of a sales contract stipulated on 17 October 2012, sold a portfolio of loans (each of which was separate and independent with respect to the others). In addition to the Banca di Credito Cooperativo di Cambiano s.c.p.a., the banks are: Banca di Pisa e Fornacette Credito Cooperativo S.c.p.a. ("Banca Pisa"), Banca Popolare di Lajatico S.c.p.a. ("BP Lajatico"), Banca di Credito Cooperativo di Castagneto Carducci S.c.p.a. ("BCC Castagneto"), and Banca di Viterbo S.c.p.a. ("BCC Viterbo").

The transferred loans consist of a portfolio of receivables in accordance with the Securitization law, classified as "in bonis" in conformity with outstanding supervisory regulations, and derive from mortgage loans secured by voluntary mortgages on real property.

The above-mentioned banks act as Servicer of their own portfolios transferred to the Vehicle Company.

The SPV paid the selling banks the price of 428,519,593.37 Euro as consideration for the purchase of the receivables, corresponding to the total of the individual purchase prices for the receivables, as specified below:

- BCC Fornacette: 73,416,631.74 Euro;
- BCC Castagneto: 24,858,533.52 Euro;
- BP Lajatico: 48,810,332.01 Euro;
- **BCC Cambiano: 198,073,181.26 Euro;**
- Banca Viterbo: 83,360,914.84 Euro.



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

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

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

On 28 February 2013, the transfer of three additional portfolios of receivables was perfected, for a final price of 130,741,000 Euro, equivalent to the total amount of the individual purchase prices, as specified below:

- Banca Pisa, 76,254,000 Euro;
- BCC Castagneto, 23,348,000 Euro;
- BP Lajatico, 31,139,000 Euro.

In exchange for the price paid, there was a Notes Increase with respect to Class A1, A2, A3, B1, B2 and B3 Notes (issued partly paid), in accordance with the Terms and Conditions of the Notes and the Notes Subscription Agreement, upon payment by the respective subscribers of the Partly Paid Notes Further Installment.

In particular, the subscribers undertook to pay the Partly Paid Notes Further Installment for the following amounts:

Subscriber	Notes	Partly Paid Notes Further Installment
Banca Pisa	Class A1	59,800,000
BCC Castagneto	Class A2	18,300,000
BP Lajatico	Class A3	24,400,000
BCC Fornacette	Class B1	16,454,000
BCC Castagneto	Class B2	5,048,000
BP Lajatico	Class B3	6,739,000
		130,741,000

This was done by offsetting the amounts with the price due by the SPV for the purchase of the three above-mentioned additional portfolios of receivables.

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

Senior – (Class “A” Notes)

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

Junior – (Class “B” Notes)

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

Specifically classes A1, A2, A3, B1, B2 and B3 were issued as partly paid notes, and therefore with a nominal value expressed on the basis of the amounts of the initial forecast loans. Subsequent to the additional sale, the nominal value was partially reduced (due to the differential between the forecast value and the sale price) and integrated for the share corresponding to the loans sold.

Subscriber	Isin	Class	Tranching Senior	Rating at issue	Nominal at issue	Further nominal value post sale
Banca Pisa	IT0004867823	Class A1*	78.50%	AA+	119,800,000	117,400,000
BCC Castagneto	IT0004867831	Class A2*	78.50%	AA+	38,800,000	37,800,000



Subscriber	Isin	Class	Tranching Senior	Rating at issue	Nominal at issue	Further nominal value post sale
BP Lajatico	IT0004867856	Class A3*	78.50%	AA+	64,600,000	62,700,000
BCC Cambiano	IT0004867849	Class A4	78.50%	AA+	155,400,000	155,400,000
Banca Viterbo	IT0004867864	Class A5	78.50%	AA+	65,400,000	65,400,000
		Class A Notes	78.50%		444,000,000	438,700,000
Banca Pisa	IT0004867872	Class B1*			37,604,000	36,965,000
BCC Castagneto	IT0004867880	Class B2*			12,224,000	11,929,000
BP Lajatico	IT0004867914	Class B3*			20,237,000	19,780,000
BCC Cambiano	IT0004867898	Class B4			48,763,000	48,763,000
Banca Viterbo	IT0004867906	Class B5			20,524,000	20,524,000
		Class B Notes			139,352,000	137,961,000

Subscriber	Isin	Class	Tranching Senior	Rating at 31/12/2014	Further nominal value post sale	Outstanding amount at 31/12/2016	Outstanding amount post sale 05/02/2017
Banca Pisa	IT0004867823	Class A1*	78.50%	AA+ / AA-	117,400,000	50,299,970	46,741,689
BCC Castagneto	IT0004867831	Class A2*	78.50%	AA+ / AA-	37,800,000	14,473,202	13,122,330
BP Lajatico	IT0004867856	Class A3*	78.50%	AA+ / AA-	62,700,000	23,565,411	20,576,984
BCC Cambiano	IT0004867849	Class A4	78.50%	AA+ / AA-	155,400,000	71,919,429	67,877,798
Banca Viterbo	IT0004867864	Class A5	78.50%	AA+ / AA-	65,400,000	28,273,345	26,325,548
		Class A Notes	78.50%		438,700,000	188,531,357	174,644,350
Banca Pisa	IT0004867872	Class B1*			36,965,000	36,965,000	36,965,000
BCC Castagneto	IT0004867880	Class B2*			11,929,000	11,929,000	11,929,000
BP Lajatico	IT0004867914	Class B3*			19,780,000	19,780,000	19,780,000
BCC Cambiano	IT0004867898	Class B4			48,763,000	48,763,000	48,763,000
Banca Viterbo	IT0004867906	Class B5			20,524,000	20,524,000	20,524,000
		Class B Notes			137,961,000	137,961,000	137,961,000

*: Partly Paid Notes.

As regards the data shown in the table, please note that on 06/02/2017 in accordance with the respective contracts, all flows pertinent to the last quarter of 2016, including redemption of a faction of Class A Notes, were cash settled. Therefore, the table shows both the outstanding values at 31/12/2016 and those resulting from the relative redemption that took place during the 2017 fiscal year.

Class "A" Notes were listed with the Irish Stock Exchange and, at 31/12/2016, were given an AA+ rating by the rating agency Fitch Italia S.p.A. (AA+ at issue) and an AA- rating by the rating agency Standard & Poor's Credit Market Services Italy S.r.l. (AA+ at issue, downgraded on 09/07/2013 from AA+ to AA and on 19/12/2014 from AA to AA-, both due to downgrading of the Italy rating). Class "B" Notes were neither listed nor rated.

All classes of Notes generate interest at a Euribor-linked floating interest rate at 3 or 6 months, increased by a spread equal to 0.50 % on Class "A" Notes and 0.60% on Class "B" Notes; interest and revenue on notes are paid quarterly, on the payment dates specified in the securitization transaction documents (5 February, 5 May, 5 August and 5 November of each year).

Differentiation in the yields of the different Notes has allowed a more consistent performance of the Notes with respect to that of loans portfolio to which they are directly linked and, therefore, also thanks to the quality of sold portfolios, non derivative contracts (swap) were required.

The notes subscribed to by BCC Cambiano are Class A4 (senior) and B4 (junior), with the following characteristics:

Class A4

Currency: Euro

Amount at issue: 155,400,000

Rate: Euribor 6M + spread 0.50%

Coupon: quarterly

Legal duration: February 2071

Redemption: amortization linked to recovery of the underlying receivables

Rating on 31/12/14: "AA+" by Fitch e "AA-" by S&P

Listing: Irish Stock Exchange

ISIN: IT0004867849

Applicable law: Italian law.



Subscriber: BCC Cambiano

Class B4

Currency: Euro

Amount at issue: 48,763,000

Rate: Euribor 6M + spread 0.60%

Coupon: quarterly

Legal duration: February 2071

Redemption: amortization linked to recovery of the underlying receivables

Rating: Unrated

Listing: Not listed on a Stock Exchange

ISIN: IT0004867898

Applicable law: Italian law.

Subscriber: BCC Cambiano

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

The Junior Notes include a cash reserve (the amount of which is specified in the "Reserve Amount"), which in the case of Banca di Credito Cooperativo di Cambiano s.c.p.a. is equivalent to 6,061,336.42 Euro and the amount required to fund the reserve for expenses (Retention Amount), which at the time of issue corresponded to a share of 28,000.00 Euro for Banca di Credito Cooperativo di Cambiano s.c.p.a., out of a total amount of 80,000.00 Euro

Reserve Amount (3.06% of the provisional amount of the sold loan portfolio)		
	% of Total	€
Banca Pisa Reserve Amount	26.98%	4,672,424,47
BCC Castagneto Reserve Amount	8.75%	1,515,334,10
BP Lajatico Reserve Amount	14.54%	2,518,052,33
BCC Cambiano Reserve Amount	35.00%	6,061,336,42
Banca Viterbo Reserve Amount	14.73%	2,550,956,73
Total Reserve	100.00%	17,318,104,05

Retention Amount (reserve for expenses at issue)		
	% of Total	€
Banca Pisa	26.98%	21,584,00
BCC Castagneto	8.75%	7,000,00
BP Lajatico	14.54%	11,632,00
BCC Cambiano	35.00%	28,000,00
Banca Viterbo	14.73%	11,784,00
Total	100%	80,000,00

The cash reserve corresponds to 3.06% of the initial contribution of assigned loans, and is a guarantee for Senior Noteholders (who in this case are the same as the originators; therefore there is an implicit guarantee also on behalf of Banca di Credito Cooperativo di Cambiano s.c.p.a., which holds class "A4" notes). It is also provided that such reserve remain available to the vehicle in the form of cash, or in a form that can be liquidated on a quarterly basis on the payment date of the notes (it contributes to the amount of available funds on a quarterly basis for the servicing of senior Noteholders), or is used in other liquid and low risk assets in compliance with the prudential standards established by the rating agencies (*eligible assets*), and properly set forth in a contract.

The reserve is an integral part of the junior note and will therefore be repaid to the originator banks once the senior note has been redeemed, or upon the closure of the self-securitization.

The Retention Amount is an expense fund available to the vehicle, used by the structure for the vehicle's management costs. At each quarterly settlement, on the basis of the documented costs sustained, this expense account/fund is replenished until it is the equivalent of the pre-established total amount of 80,000.00 Euro, of which the 28,000.00 Euro mentioned above represent the share for which Banca di Credito Cooperativo di Cambiano s.c.p.a. was responsible at the time of subscription.

The Notes are repaid on the same date as the payment of interest, in accordance with recovery of the underlying receivables, available funds and the order of priority of payments. The *interest period* becomes effective starting from a payment date (inclusive) through the following payment date (exclusive) and interest is calculated on the basis of the actual number of days that have passed, divided by 360. Further, an additional return is provided for class "B" notes, payable on each payment date in accordance with available funds and the order of priority of payments.

The characteristics of the class "A" notes allow them to be used for loan transactions with the European Central Bank.

Selected quantitative information at 31/12/2016

A selection of some of the principal information of a quantitative nature regarding the operation in review is set forth below. The values, unless otherwise specified, are in Euro and refer to 31 December 2016.

**Securitized assets**

At close of 2016, self-securitized assets were equivalent to their purchase price, net of the amounts received as at the transfer date of 31 December 2016, and the amounts to be received for collections during the fiscal year but not yet transferred by the Servicers and increased by accrued interest due as at 31 December 2016.

	31/12/2016
Securitized receivables in bonis	295,202,902
Receivables for interest accrued by not yet received	124,887
Total	295,327,789

At 31/12/2016, overall, no accounts were classified as “impaired”, while difficult loans amounted to 1,389,763 Euro, equal to 0.47% of the total. The amount of “difficult loans” relative to Banca di Credito Cooperativo di Cambiano amounted to 95,102 Euro, equal to 0.03% of the total.

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

	31/12/2016
Residual capital	110,550,966
Number of loans	1,660
Average residual life (years)	14.15
Weighted average rate	1.24%
Average amount of the loans	66,597
Current LTV	0.67

Cash flow of receivables with respect to reductions and additions during the 2016 fiscal year are set forth below.

Description	Balance at 31 December 2015	Increases for penalties	Increases for accrued interest	Reductions for amounts received (**)	Balance at 31 December 2016
Receivables in bonis	354,365,773	-	-	(59,162,871)	295,202,902
Interest for the period on overdue installments	117,059	-	7,829	-	124,888
Interest for the period	-	-	6,381,160	(6,381,160)	-
Penalties	-	78,034	-	(78,034)	-
Accrued interest	579,132	-	426,452	(579,132)	426,452
Total	355,061,964	78,034	6,815,441	(66,201,197)	295,754,242(*)

(*)This item includes accrued interest not overdue equal to 426,452 Euro.

(**)Reductions due to receipts include the amounts received by the Servicers at 31/12/2016 pertaining to the fiscal year, to be transferred to the Company’s bank accounts, amounting to 1,761,767 Euro.

The following table indicates the outstanding securitized assets as at 31 December 2016, classified on the basis of their residual life.

	Total Portfolio		Banca Cambiano Portfolio	
	Balance at 31/12/2016	% impact	Balance at 31/12/2016	% impact
Up to 3 months	248,179	0.08%	58,436	0.05%
From 3 to 6 months	177,218	0.06%	106,335	0.10%
From 6 to 12 months	678,934	0.23%	306,550	0.28%
From 12 to 60 months	25,251,713	8.55%	10,234,458	9.26%
Over 60 months	268,846,859	91.07%	99,845,187	90.32%
Total	295,202,902	100.00%	110,550,966	100.00%

Representation in the financial statements of Banca di Credito Cooperativo di Cambiano at 31/12/2016

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

Description	Amounts in euro cent
Specifics of Borrowers at amortized cost	110,552,636.12
Receivables from Pontormo RMBS – Cash reserve	6,061,336.42
Receivables from Pontormo RMBS – Reserve for expenses	28,000.00
Receivables from Pontormo RMBS – collected loan principal	4,041,631.86
Receivables from Pontormo RMBS – collected loan interest	366,056.38



Total	121,049,660.78
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With reference to the above operation, costs were recorded in line item 150b of the income statement "Other administrative expenses" for a total amount of 140,512.61 Euro. With reference to the above operation, costs were recorded in line item 150b of the income statement "Other administrative expenses" for a total amount of 55,837.87 Euro (Servicing).

For prudential purposes, the provisions of the Bank of Italy's Circular n. 263/06 subordinate recognition of securitizations on the condition that the credit risk is actually transferred to the transferor. The cited provisions also provide that the accounting treatment of securitizations is irrelevant for purposes of their prudential recognition. With respect to the self-securitization realized by the Bank, there was no significant transfer of credit risk. The operation is therefore not recognized for prudential purposes. The prudential requirement is, therefore, equivalent to 8% of the weighted value of the securitized assets, the latter clearly calculated on the basis of the approach used by the Bank to calculate capital requirements with respect to credit risk (standardized method).

Section 4 – Operational risks

Qualitative information

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

Operational risk is defined as the possibility of suffering losses deriving from the inadequacy or dysfunction of procedures, human resources and internal systems, or from external factors. This risk is inherent to banking activity and therefore may be generated by and exist in all company processes.

In general, the main sources of operational risk derive from internal fraud, external fraud, employment relationships and on the job safety, professional obligations towards customers, damage from external events, malfunctioning of information technology system and the execution, delivery and management of processes.

The Bank has defined a series of organizational processes aimed at monitoring and management operational risks, with the aid of the following specific organizational functions:

- Internal Audit, whose activities are aimed, on the one hand, at controlling the regularity of operations and risks trends, and on the other at assessing the overall efficiency of the internal controls system;
- The Control Body, pursuant to Italian Legislative Decree 231/2001, whose composition and functions are defined in specific regulations, within the scope of the organization, management and control model adopted;
- the Risk Management office, which fulfils the requirement of identifying and measuring the risks typical of the banking business through the constant monitoring of risks taken and of those potentially generated by investment, lending and service policies;
- the Compliance Office, with the role of monitoring and controlling observance of regulations, and providing support for prevention and management of the risk of incurring judicial or administrative sanctions and/or of incurring significant losses as a consequence of violation of external or internal regulations.

Furthermore, the following documents have been prepared and are constantly updated, to safeguard against the insurgence of operational risks:

- the "Operational Continuity Plan", aimed at protecting the Bank from critical events that may harm operations;
- mapping of the main operating processes (credit, finance and teller), with the aim of leveling operator behavior thereby facilitating the integration of controls.

Particular attention was focused on information technology risks, which are, by definition, included among operational risks, by setting forth regulations and processes for the identification, assessment and limitation of events originating from, or that could originate from, malfunctioning information technology procedures and/or electronic equipment, such as, for example, network crashes, unavailability of internet banking, and imprecise applications for branch operations.

Finally, within the scope of actions implemented in order to ensure full compliance with the new Bank of Italy regulations provided for in Circular 285, the Bank has undertaken important initiatives connected to completing transposition within organizational profiles and internal regulations of the references contained in Chapter IV – Corporate government, internal controls, management risks, Chapter 4 (information system) and 9 (business continuity) of the aforementioned new regulations.

Within this scope, the Bank, acknowledging the importance of managing information technology risks as a tool to guaranty the efficacy and efficiency of measures aimed at safeguarding the Bank's own information technology systems, has defined, in accordance with the results of the project elaborated within the Cable network and in compliance regulatory principles and provisions currently in force, a method for the analysis of information technology risks and the relative management process that hinges on the Bank's broader risk management system.

In order to calculate capital requirements for operational risks, the Bank has adopted the Basic Indicator Approach (BIA), which entails that capital hedging this type of risk is equal to 15% of the average of the "relevant indicator" over the previous three years, calculated in accordance with articles 315 and 316 of CRR regulations.

Capital absorption for this type of risk at 31 December 2016 was € 9,898,058.

Quantitative information

The amount of losses actually verified during the past two fiscal years is set forth below, classified according to the categories provided by regulatory provisions. Their amount, consequent also to the risk assessments conducted on the specific type of risk in review, is not material; in any event there is specific documentation regarding events that resulted in losses.



Type of event resulting in losses			
Categories of the event (Level 1)	Definition	2016	2015
1. Internal fraud	Losses due to unauthorized activities, fraud, embezzlement or violation of laws, regulations or company policy that involve at least one of the Bank's internal resources.	7,500	0
2. External fraud	Losses due to fraud, embezzlement or the violation of laws by parties not employed by the Bank.	22,177	11,235
3. Employment and workplace safety	Losses deriving from acts that violate laws or agreements with respect to employment or workplace health or safety, from the payment of damages for personal injuries or episodes of discrimination or the failure to apply equal treatment.	0	3,497
4. Customers, products and professional practice	Losses due to breaches of professional obligations to customers or from the nature or characteristics of the product or service supplied.	0	0
5. Damages from external events	Losses deriving from external events, such as natural catastrophes, terrorism, or acts of vandalism.	0	0
6. Interruptions of operations and system malfunctions	Losses due to interruptions of operations, to malfunctions or the unavailability of systems.	0	0
7. Performance, delivery and management procedures	Losses due to the failure to complete operations or manage procedures, as well as losses due to relations with commercial counterparties, sellers or suppliers.	7,703	67,386
Total		37,380	82,118

Publication of public disclosure

Information regarding capital adequacy, risk exposure and the characteristics of the systems implemented to identify, evaluate and manage said risks, as set forth in the "Vigilance Provisions for Banks" (Circular n. 285 of 17 December 2013), under the Heading III "Information to the public", are published on the Bank's Internet site: www.bancacambiano.it.



Part F - INFORMATION ON CAPITAL

Section 1 – Shareholders' equity

A. Qualitative information

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

The evolution of corporate capital not only punctually accompanies a growth in size, but also represents a decisive factor in the stages of development. To ensure correct capital dynamics in regular operating conditions, the Bank mostly counts on self-financing operations, that is, reinforcing reserves through the allocation of net income. Indeed, the Bank allocates to indivisible reserves almost all of the net profits for the period.

The Bank's shareholders' equity is determined by summing corporate capital, the share premium reserve, retained earnings, valuation reserves and the income for the period, for the amount to be allocated to reserve, as specified in Part B of this Section.

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

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

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

Please also note that in the month of November 2015, the Bank received notification from Bank of Italy regarding the outcome of the Prudential review procedure (SREP) carried out in accordance with article 97 and subsequent articles of EU Directive n. 36/2013 (CRD IV) and in conformity with the EBA provision contained in the document "Guidelines for common procedures and methodologies for the supervisory review and evaluation process" published on 19 December 2014, regarding the imposition of specific capital requirements in addition to the previously set forth minimum capital requirements.

Aforementioned article 97 of CRD IV sets forth that Bank of Italy must periodically review the organization, strategies, processes and methodologies that supervised banks implement to manage the overall risk to which they are exposed (supervisory review and evaluation process - SREP). Through the SREP, the Authority reviews and evaluates the process used to determine capital adequacy carried out internally, analyzes the bank's risk profiles individually and as a whole, including in stress conditions, and the relative contribution to systemic risk; evaluates the corporate governance system, the efficiency of corporate bodies, the organizational structure and the internal control system; verifies compliance of prudential regulation as a whole. Upon completion of this process, Bank of Italy, pursuant to article 104 of CRD IV, has the power – among others – to request additional capital with respect to regulatory minimum capital requirements, in the face of the overall risk level of the intermediary: the capital ratios quantified taking into account additional requirements are therefore finding ("target ratio").

In light of the evaluation carried out, Bank of Italy has set forth that, as of the notifications delivered on 31 December 2015, the Bank must continue to comply with the following minimum capital coefficients:

- Tier 1 capital ratio requirement (CET 1 ratio) equal to 7%, comprehensive of 2.5% as capital conservation buffer. This ratio is binding, pursuant to article 53-bis of the Italian Consolidated Banking Act, in the measure of 6.57% (of which 4.5% is the minimum regulatory requirement and 2.07% is the additional requirement deriving from the outcome of the SREP);



- Tier 1 capital ratio requirement equal to 8.77%, comprehensive of 2.5% as capital conservation buffer. This ratio is binding, pursuant to article 53-bis of the Italian Banking Consolidation Act, in the measure of 8.77% (of which 6% is the minimum regulatory requirement and 2.77% is the additional requirements deriving from the outcome of the SREP);
 - Total Capital ratio requirement equal to 11.70%, comprehensive of 2.5% as capital conservation buffer. This ratio is binding, pursuant to article 53-bis of the Italian Banking Consolidation Act, in the measure of 11.70% (of which 8% is the minimum regulatory requirement and 3.70% is the additional requirement deriving from the outcome of the SREP).
- In calculating the above-mentioned requirements, the Bank of Italy has taken into account, among other things, the internal corporate capital estimated by the Bank in the ICAAP process.

Please note that on 13 February 2017 The Bank received a communication from the Bank of Italy in which the latter – on conclusion to the aforementioned periodic supervisory review and evaluation process (SREP) – had begun the review process for additional capital requirements with respect to regulatory minimum requirements, required based on the overall risk level of each bank. In this context, Bank of Italy, on conclusion of SREP 2016, defined the capital that the Bank must have, in addition to minimum regulatory capital, in relation to its overall risk exposure, in compliance with current regulations.

Specifically, the Bank – starting on the date subsequent to that of implementation of the relative provision – will be obliged to apply for the future the following capital requirements at an individual level, in continued observance of the minimum capital requirement provided for in art. 92 of Regulation (EU) n. 575/2013:

- Tier 1 capital ratio requirement (CET 1 ratio) equal to 6.00%, composed of a binding component of 4.75% (of which 4.50% is the minimum regulatory requirement and 0.25% is the additional requirement deriving from the outcome of the) and the remaining amount as capital conservation reserve component;
- Tier 1 capital ratio requirement equal to 7.60%, composed of a binding component of 6.35% (of which 6.00% is the minimum regulatory requirement and 0.35% is the additional requirement deriving from the outcome of the SREP) and of the remaining amount as capital conservation reserve component;
- Total Capital ratio requirement equal to 9.75%, composed of a binding component of 8.50% (of which 8.00% is the minimum regulatory requirement and 0.50% is the additional requirement deriving from the outcome of the SREP) and of the remaining amount as capital conservation reserve component.

The Bank is also subject to additional prudential limits on corporate operations regarding cooperative credit institutions:

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

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

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

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

Compliance with regulatory requirements and the consequent capital adequacy is evaluated quarterly. The aspects subject to review are mainly the “ratios” with respect to the Bank’s financial structure (lending, non-performing receivables, fixed assets, total assets) and the risk hedging degree.

Current capital complies with the prudential supervision regulations required for all banks, as well as with specific regulations provided for Cooperative Credit Institutions.

B. Quantitative information

B.1 Shareholders’ equity: breakdown

Line items\Values	Amount 31/12/2016	Amount 31/12/2015
1. Capital	3,864	4,076
2. Premiums on issues	562	582



Line items\Values	Amount 31/12/2016	Amount 31/12/2015
3. Reserves	251,965	247,701
- earnings	251,965	247,701
a) legal	160,291	157,236
b) statutory	47,520	83,558
c) treasury shares	0	0
d) other	44,154	6,907
- other	0	0
4. Equity instruments	0	0
5. (Treasury shares)	0	0
6. Valuation reserves	12,368	13,685
- Financial assets available for sale	-2,023	-721
- Property, plant, equipment	0	0
- Intangible assets	0	0
- Hedging of foreign investments	0	0
- Cash flow hedges	0	0
- Exchange rate differences	0	0
- Noncurrent assets in the course of divestment	0	0
- Actuarial profits (losses) related to defined benefit plans	-869	-854
- Shares of valuation reserves related to subsidiaries measured at shareholders' equity	4,423	4,423
- Special revaluation laws	10,836	10,836
7. Fiscal year profit (loss)	5,100	5,000
Total	273,859	271,044

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

Assets/Values	Total 31/12/2016		Total 31/12/2015	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	999	3.022	356	1,077
2. Equity instruments	0	0	0	0
3. Shares of mutual funds	0	0	0	0
4. Loans	0	0	0	0
Total	999	3.022	356	1,077

B.3 Valuation reserve of financial assets available for sale: annual variations

Line items	Debt securities	Equity instruments	Shares of mutual funds	Loans
1. Initial value	-627	0	-94	0
2. Additions	1,843	0	63	0
2.1 Increases of fair value	302	0	3	0
2.2 Reversal to the income statement of negative reserves:	1,541	0	60	0
- from impairment	0	0	0	0
- from use	1,541	0	60	0
2.3 Other additions	0	0	0	0
3. Reductions	3,195	0	12	0
3.1 Reduction of fair value	2,150	0	8	0
3.2 Adjustment from impairment	0	0	0	0
3.3 Reversal to the income statement from positive reserves: from use	1,046	0	4	0
3.4 Other reductions	0	0	0	0
4. Final value	-1,979	0	-43	0

Section 2 – Own funds and regulatory ratios

2.1 Own funds

A. Qualitative information

Own funds and capital ratios are calculated on the basis of the capital value and the economic result, calculated by applying the regulations on financial statements provided for by the IAS/IFRS International Accounting Standards and considering the new regulations regarding own funds and prudential ratios introduced with the issue of Regulations (EU) n. 575/2013 (CRR) and Directive (EU) n. 36/2013 (CRD IV), as well as the correlated technical and applicative provisions of the EBA, subject of specific regulations delegated by the European Commission.



Own funds are a result of the sum of positive and negative components, based on their capital quality: positive components must be fully available to the Bank in order to be able to use them to cover the total capital requirements for supervision of risks.

The total of own funds, which constitutes the primary defense in terms of prudential supervisory provisions, is constituted by Tier 1 capital and by Tier 2 capital (Tier 2 – T2); in turn, Tier 1 capital is the sum of Common Equity Tier 1 capital (CET 1) and Additional Tier 1 capital (AT1).

The three aforementioned aggregates (CET1, AT1 and T2) are the algebraic sum of the positive and negative elements that make them up, considering so-called “prudential filters”, which are all those negative and positive adjustment values on equity tier 1 capital introduced by the Supervisory Authority for the precise purpose of reducing potential equity volatility.

As regards prudential filters, please note that, with the issue of Circular n. 285 of 17 December 2013 “Vigilance Provisions for Banks”, Bank of Italy set a deadline at 31 January 2014 to exercise the power to derogate from temporary exclusion from CET1 of positive and negative valuation reserves against notes, held by the banks in the portfolio of financial assets available for sale, issued by central Administrations classified in the “Financial assets available for sale” portfolio. This derogation will be applied until the European Commission implements the specific regulations approving IFRS 9 in replacement of IAS 39, in conformity with EU Regulation n. 1606/2002.

The new regulatory provisions on own funds and capital requirements is also subject to transitional measures which, in particular, entail:

- phase-in of some of the new regulations, generally over a 4-year period (2014-2017);
- “grandfathering” regulations that allow for partial eligibility, with gradual exclusion by 2021, of previous core capital and additional capital equity instruments that do not meet the requirements prescribed by the aforementioned Regulation (EU) n. 575/2013 for CET1, AT1 and T2 equity instruments.

Part of the provisions governing the aforementioned transitional stage have been set forth by Bank of Italy in the already mentioned Circular n. 285/2013, within the scope of national options allowed for by Regulation (EU) 575/2013 delegated to national supervisory authorities in the specific area of competence.

The Bank exercised the option for neutralization of plus/minus on government bonds issued by Central Administrations of European Countries (Bank of Italy Provision dated 18 May 2010, “Symmetrical Approach”). Pursuant to article 467 of the CRR, the faculty exercised by Bank of Italy to allow banks to opt for total sterilization of profits and losses deriving from exposures towards central administrations classified in the “Financial assets available for sale” portfolio is applicable only temporarily, that is, until implementation of the IFRS accounting principles; these principles are in force as of December 2016. On this matter, On 23/01/17 Bank of Italy communicated that while waiting for a formal clarification on the part of the European Vigilance Authority, this discretionary measure will continue to apply for non significant banks.

Below is a description of the elements making up, respectively common equity tier 1 capital, additional tier 1 capital and tier 2 capital, specifically:

1. Common Equity Tier 1 Capital (CET1)

Common equity tier 1 capital, which represents the whole of highest quality capital components, is constituted by the following elements: corporate capital, share issue premiums, retained earnings and capital buffers, valuation reserves and reserves arising on transition to the new IAS/IFRS International Accounting Standards, prudential filters, deductions (interim losses, goodwill and other intangible assets, own shares held even indirectly and/or synthetically and the relative buy-back obligations, significant and non-significant interest in the capital of other entities in the financial sector held even indirectly and/or synthetically, deferred tax assets, securitization exposures and other exposures ponderable at 1250% and deducted from common equity). The quantification of the above-mentioned elements must also take into consideration the effects deriving from the “transitional measures”.

2. Additional Tier 1 Capital (AT1)

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

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

3. Tier 2 Capital (T2)

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



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

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

This aggregate is not relevant for the Bank, in that the Bank has not issued subordinated liabilities with contractual characteristics that classify them as T2 instruments.

B. Quantitative information

Line items	Total 31/12/2016	Total 31/12/2015
1. Common Equity Tier 1 (CET1)	265,272	260,147
2. Additional Tier 1 (AT1)	0	0
3. Tier 2 (T2)	0	0
Total regulatory own funds	265,272	260,147

Line items	Total 31/12/2016
A. Common Equity Tier 1 - CET1 before application of prudential filters	263,748
of which CET1 instruments subject to transitional measures	1,525
B. CET1 prudential filters (+/-)	0
C. CET1 gross of deductions and effects of transitional measures (A +/- B)	263,748
D. Deductions from CET1	0
E. Transitional measures – Impact on CET1 (+/-)	1,525
F. Total Common Equity Tier 1 (CET1) (C - D +/- E)	265,272
G. Additional Tier 1 (AT1) gross of deductions and effects of transitional measures	0
of which AT1 instruments subject to transitional measures	0
H. Deductions from AT1	0
I. Transitional measures – Impact on AT1 (+/-)	0
L. Total Additional Tier 1 (AT1) (G - H +/- I)	0
M. Tier 2 (T2) gross of deductions and effects of transitional measures	0
of which T2 instruments subject to transitional measures	0
N. Deductions from T2	0
O. Transitional measures - Impact on T2 (+/-)	0
P. Total Tier 2 (T2) (M - N +/- O)	0
Q. Total own funds (F + L + P)	265,272

2.2 Capital adequacy

A. Qualitative information

The new harmonized regulations for banks and investment companies contained in Regulations (EU) n. 575/2013 (CRR) and in Directive (EU) n. 36/2013 (CRD IV) of 26 June 2013 that transpose the standards defined by the Basel Committee for bank supervision (so-called Basel 3 framework) at a European Union level became applicable starting 1 January 2014. The regulatory framework is being completed through the issue of the executive measures contained in regulatory or complementary technical standards (respectively “Regulatory Technical Standard – RTS” and “Implementing Technical Standard – ITS”) adopted by the European Commission as proposed by the European Banking Authority (EBA) and, in some cases, by the other European Supervisory Authorities (ESA).

In order to implement and facilitate the application of the new European Community regulations and carry out an overall review and simplification of bank supervisory regulations, Bank of Italy issued Circular n. 285/2013 “Supervisory Provisions for Banks”, which transposes the provision of CRD IV, indicates the methods used to exercise national discretion granted by the European Community CRR regulations to national authorities and outlines a regulatory framework that is complete, organic, rational and integrated by directly applicable European Community dispositions. In line with the past, the new regulations are based on three Pillars:

- a) The First Pillar attributes relevance to the measurement of risks and capital, providing capital requirements in order to face some of the principal types of risks of banking and financial activity (credit risk, counterparty risk, market risk and operational risk). This Pillar also provides for:
- the obligation to maintain additional capital reserves for the purpose of defending capital and countering the cyclic trend as well as for systematically important institutions;
 - new requirements and supervision systems for liquidity risk, both in terms of short-term liquidity (Liquidity Coverage Ratio - LCR) and in terms of rules for structural stability more on the long-term (Net Stable Funding Ratio – NSFR);



- a “leverage ratio”, which is the percent relation between equity constituted by Tier 1 capital and the sum of on-balance sheet and off-balance sheet non-weighted exposures; at the moment no obligatory minimum limit to be respected has been set;

b) the Second Pillar requires financial intermediaries to adopt a strategy and control process for capital adequacy (so-called “Internal Capital Adequacy Assessment Process” - ICAAP), current and prospective and in hypothetical “stress” conditions, to cover all risks relevant to banking activities (credit, counterparty, market, operations, concentration, interest rate, liquidity, etc.) and solid organizational, corporate governance and internal control systems. Moreover, the second pillar framework also provides for control of excessive leverages risks. The Supervisory Body is responsible for monitoring stability, efficiency, sound and prudent management and for verifying the reliability and accuracy of internal assessment results (the so-called “Supervisory Review and Evaluation Process” - SREP), in order to adopt appropriate corrective measures, where required by the situation;

c) the Third Pillar introduces specific public disclosure requirements regarding capital adequacy, risk exposure and the general characteristics of the relative management, measurement and control systems. The prudential ratios obligatory at the close of these financial statements were calculated using the methods provided for by Regulation (EU) n. 575/2013, adopting:

i) the standardized method to calculate capital requirements with respect to credit risk and counterparty risk (including, for derivative contracts, the current value method and, within this scope, measurement of the risk of credit value adjustment (CVA) per OTC derivatives other than those stipulated with qualified counterparties);

ii) the standardized method to calculate capital requirements with respect to market risk (for the trading portfolio, position risk on debt securities and equity securities, and settlement and concentration risks; with respect to the entire financial statements, exchange risk and position risk on goods);

iii) the “basis” method to calculate operational risk.

In accordance with the aforementioned regulations, banks must always maintain, in relation to all of first pillar risks (credit, counterparty, market, operational):

- a common equity tier 1 capital (CET 1) amount equal to at least 4.5 percent of risk weighted assets (“CET1 capital ratio”);

- a tier 1 capital (T1) amount equal to at least 6 percent of risk weighted assets (“CET 1 capital ratio”);

- an own funds amount equal to at least 8 percent of risk weighted assets (“total capital ratio”).

Finally, banks are also required to maintain an additional capital “buffer”, in the form of an additional capital reserve, to cover possible stress situations (capital conservation buffer), equivalent to 2.5% of total risk weighted exposure, which reserve may be funded only by common equity tier 1 capital not used to cover obligatory capital requirements (including specific requirements).

Moreover, as already mentioned, starting 31 December 2015 the Bank is obliged to comply with specific capital requirements in addition to the above-mentioned minimum requirements, set forth by Bank of Italy following the prudential review process (SREP) and quantified as specified below:

- 2.07% in addition to the common equity capital ratio, for a binding CET 1 binding ratio equal to 6.57% (“target CET 1 ratio”). This requirement, comprehensive of the Capital Conservation Buffer, amounts to 7% overall;

- 2.77% in addition to the tier 1 capital ratio requirement, for a binding TIER 1 ratio equal to 8.77% (“target Tier 1 ratio”). This requirement, comprehensive of the Capital Conservation Buffer, amounts to 8.77% overall;

- 3.70% in addition to the total capital ratio, for a binding Total Capital ratio equal to 11.70% (“target Total Capital ratio”). This requirement, comprehensive of the Capital Conservation Buffer, amounts to 11.77% overall;

Given all the above factors, self-evaluation of capital adequacy was performed taking into account the separate results obtained with reference to measurement of risks and of capital, both current and future and in the hypothesis of stress on current and future values.

The result of the self-evaluation of capital adequacy is summarized in a qualitative judgment with reference to the company situation at the end of the last fiscal year closed and at the end of the current fiscal year (current and future view).

The evaluation of capital adequacy and the formulation of the respective judgment are based on the following indicators considered relevant within the scope of the RAF, limited to the capital profile, in order to define the Bank’s risk propensity:

a) Common Equity Tier1 Capital Ratio in relation to obligatory capital requirements;

b) Total Capital Ratio in relation to obligatory capital requirements;

c) Free capital in absolute value, net of Pillar I and II capital requirements (including additional requirements) and of the Capital Conservation Buffer;

d) overall internal capital on Own Funds.

For each indicator, based on the values assumed, both for the current and future periods, a specific “adequacy judgment” is formulated, as specified below:

- adequate;

- prevalently adequate;



▪ inadequate.

This “judgment” is attributed by comparing the values assumed by the indicators, both for the current and future periods, within the scope of the ICAAP process and the intervals defined by the evaluation thresholds identified: for this purpose, obligatory capital requirements are taken into consideration, including the obligation to hold additional reserves for capital conservation and the aforementioned additional requirements (where in excess with respect to the measure of the aforementioned capital conservation buffer).

In particular, for the purpose of attributing the judgment based on the value assumed by the indicator adopted for the current and future periods (during regular business), the bank identifies, for each indicator, the risk tolerance threshold, adopted in the RAF, which discriminates between the judgment of partial adequacy and adequacy. This critical adequacy threshold identifies the value that the indicator adopted must assume to comply with the minimum requirement and fully cover any need identified as a result of the stress test.

B. Quantitative information

Categories/Values	Non weighted amounts		Weighted amounts/requisites	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
A. RISK ASSETS				
A.1 Credit risk and counterparty's credit risk	3,993,386	4,946,321	1,632,506	1.609.712
1. Standard methodology	3,993,386	4,946,321	1,632,506	1.609.712
2. Methodology based on internal ratings	0	0	0	0
2.1 Base	0	0	0	0
2.2 Advanced	0	0	0	0
3. Securitizations	0	0	0	0
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit risk and counterparty risk			130,600	128,777
B.2 Credit value adjustment risk			0	0
B.3 Settlement risk			0	0
B.4 Market risks			4,188	27
1. Standard methodology			4,188	27
2. Internal models			0	0
3. Concentration risk			0	0
B.5 Operational risk			9,898	9,575
1. Base method			9,898	9,575
2. Standard method			0	0
3. Advanced method			0	0
B.6 Other calculation items			59	73
B.7 Total prudential requirements			144,746	138,452
C. RISK ASSETS AND REGULATORY RATIOS				
C.1 Risk weighted assets			1,809,319	1,730,649
C.2 Common equity tier 1 capital / Risk weighted assets (CET1 capital ratio)			14.661%	15.032%
C.3 Tier 1 capital / Risk weighted assets (Tier 1 capital ratio)			14.661%	15.032%
C.4 Total own funds / Risk weighted assets (Total capital ratio)			14.661%	15.032%

**Part G – MERGERS WITH COMPANIES OR BRANCHES OF BUSINESS****Section 3 – Retrospective adjustments**

Information required as per Bank of Italy / Consob joint document n. 4 issued 03/03/2010.

With reference to Goodwill booked in the financial statements for a total of 2,100,000, goodwill relative to the Pistoia Branch amounts to 1,691,702 euro and goodwill relative to the S. Giovanni V/A Branch amounts to 408,298 euro.

IMPAIRMENT TEST ON PISTOIA BRANCH GOODWILL AT 31/12/2016 – FORECAST DATA FROM 2017 TO 2021.

Data useful for 2017 calculations:	
Branch economic lending – Average value	-86,903,243
Average rate of Branch economic lending	2.00%
Average rate of Bank collection of savings	0.78%
Transfer spread from Bank to Branches	0.50%
Average rate of transfer assigned to lending	1.28%
Branch collection of savings – Average value	52,435,653
Average rate of Branch collection of savings	0.85%
Average rate of Bank economic lending	2.95%
Transfer spread from Bank to Branches	-0.50%
Average rate of transfer assigned to economic lending	2.45%
Commission income – Value	718,425
Commission expenses – Value	-51,088
Net adjustments/Write-backs of net value on receivables	-1,303,549
Personnel costs - Value	-639,294
Other administrative costs - Value	-580,321
Net adjustments /Write-backs of net value on property, plant and equipment - Value	-70,000
Other income and expenses - Value	97,962

LIST OF VARIABLES USED TO CALCULATE FUTURE VALUES UP TO 2021.

Description	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021
Variation % of economic lending	3.00%	3.00%	3.00%	3.00%	3.00%
Variation % of collection of savings	3.00%	3.00%	3.00%	3.00%	3.00%
Variation of rates:					
Economic lending	0.03186	0.10000	0.15000	0.15000	0.10000
Collection of savings	-0.06469	-0.05000	-0.10000	0.00000	0.00000
Rates:					
Economic lending	0.03186	0.13186	0.28186	0.43186	0.53186
Collection of savings	-0.06469	-0.11469	-0.21469	-0.21469	-0.21469
Rates of return:					
Average rate of economic lending (Bank)	0.78000	0.72000	0.70000	0.70000	0.70000
Additional spread	0.50000	0.50000	0.50000	0.50000	0.50000
Average rate of economic lending (Bank)	1.28000	1.22000	1.20000	1.20000	1.20000
Average rate of economic lending (Bank)	2.95000	2.97000	3.00000	3.00000	3.00000
Additional spread	-0.50000	-0.50000	-0.50000	-0.50000	-0.50000
Rate of return on collection of savings (Bank)	2.45000	2.47000	2.50000	2.50000	2.50000
Variations of commission income	3.00%	3.00%	3.00%	3.00%	3.00%
Variations of commission expenses	3.00%	3.00%	3.00%	3.00%	3.00%
Percent of adjustments on receivables	1.50%	1.50%	1.50%	1.50%	1.50%
Variations of personnel costs	14.00%	1.00%	1.00%	1.00%	1.00%
Variations of other administrative costs	2.00%	3.00%	3.00%	3.00%	3.00%
Variations of other income and expenses	2.00%	3.00%	3.00%	3.00%	3.00%



Description	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021
Average number of employees	7	7	7	7	7

PISTOIA BRANCH- SYNTHESIS OF FORECAST DATA FROM 2017 TO 2021 – CALCULATION OF VALUE IN USE AND IMPAIRMENT.

Description	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021
030 – Interest income	1,464,669	1,689,632	1,969,371	2,170,895	2,333,831
040 – Commission income	718,425	739,978	762,177	785,042	808,594
050 – Commission expenses	-51,088	-52,621	-54,199	-55,825	-57,500
060 – Net commissions	667,337	687,357	707,978	729,217	751,094
070 – Dividends and similar income	0	0	0	0	0
080 – Net trading result	0	0	0	0	0
090 – Net hedging result	0	0	0	0	0
100 - Gains (losses) the disposal or repurchase of:	0	0	0	0	0
a) receivables	0	0	0	0	0
b) financial assets available for sale	0	0	0	0	0
c) financial assets held through maturity	0	0	0	0	0
d) financial liabilities	0	0	0	0	0
110 – Net income of financial assets and liabilities measured at fair value	0	0	0	0	0
120 – Operating income	2,132,006	2,376,989	2,677,349	2,900,112	3,084,925
130 – Net adjustments/write-backs of value due to impairment of:	-1,303,549	-1,342,655	-1,382,935	-1,424,423	-1,467,155
a) receivables	-1,303,549	-1,342,655	-1,382,935	-1,424,423	-1,467,155
b) financial assets available for sale	0	0	0	0	0
c) financial assets held through maturity	0	0	0	0	0
d) other financial operations	0	0	0	0	0
140 – Net income from financial assets	828,457	1,034,334	1,294,414	1,475,689	1,617,770
150 – Administrative costs:	-1,219,615	-1,243,418	-1,267,807	-1,292,798	-1,318,409
a) personnel costs	-639,294	-645,687	-652,144	-658,665	-665,252
b) other administrative costs	-580,321	-597,731	-615,663	-634,133	-653,157
160 – Net allocations to risk and expense fund	0	0	0	0	0
170 – Net adjustments/write-backs of value to property, plant and equipment	-70,000	-70,000	-70,000	-70,000	-70,000
180 – Net adjustments/write-backs of value to intangible assets	0	0	0	0	0
190 – Other operating costs/income	97,962	100,901	103,928	107,046	110,257
200 – Operating costs	-1,191,653	-1,212,517	-1,233,879	-1,255,752	-1,278,152
210 – Profit (loss) from equity investments	0	0	0	0	0
220 – Net result of fair value measurement of property, plant and equipment and intangible assets	0	0	0	0	0
230 – Adjustments to value of goodwill	0	0	0	0	0
240 - Gains (losses) from the disposal of investments	0	0	0	0	0
250 – Profit (loss) from current operations before tax	-363,196	-178,183	60,535	219,937	339,618
Discount rate applied (average weighted rate on economic lending)	2.98400%				
Discount growth rate	0.00000%				
Discounted profit/loss flows	-352,672	-168,007	55,424	195,532	293,186



Description	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021
Sum of discounted flows	23,463				
Base of calculation for term value post 31/12/2021	339,618				
Discounted value post 31/12/2021	9,825,253				
Value in use of the Pistoia Branch	9,848,716				
Goodwill attributable to the Pistoia Branch	1,691,702				
Difference between value in use and goodwill of the Pistoia Branch	8,157,014				
Value in use greater than goodwill - Impairment measured on the Pistoia Branch	0				

As regards the Pistoia Branch, impairment is not reported in that the value in use is greater than the Goodwill paid.

IMPAIRMENT TEST S. GIOVANNI V/A BRANCH GOODWILL AT 31/12/2016 – FORECAST DATA FROM 2017 TO 2021.

Data useful for 2017 calculations:	
Branch economic lending – Average value	-34,304,718
Average rate of Branch economic lending	3.10%
Average rate of Bank collection of savings	0.78%
Transfer spread from Bank to Branches	0.50%
Average rate of transfer assigned to lending	1.28%
Branch collection of savings – Average value	13,780,269
Average rate of Branch collection of savings	0.60%
Average rate of Bank economic lending	2.95%
Transfer spread from Bank to Branches	-0.50%
Average rate of transfer assigned to economic lending	2.45%
Commission income – Value	243,338
Commission expenses – Value	-17,304
Net adjustments/Write-backs of net value on receivables	-514,571
Personnel costs - Value	-379,379
Other administrative costs - Value	-440,818
Net adjustments /Write-backs of net value on property, plant and equipment - Value	0
Other income and expenses - Value	33,162

LIST OF VARIABLES USED TO CALCULATE FUTURE VALUES UP TO 2021.

Description	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021
Variation % of economic lending	5.00%	5.00%	5.00%	5.00%	5.00%
Variation % of collection of savings	5.00%	5.00%	5.00%	5.00%	5.00%
Variation of rates:					
Economic lending	-0.05969	-0.05000	-0.05000	0.00000	0.00000
Collection of savings	0.01432	0.05000	0.05000	0.00000	0.00000
Rates:					
Economic lending	0.00000	-0.05000	-0.10000	-0.10000	-0.10000
Collection of savings	0.00000	0.05000	0.10000	0.10000	0.10000
Rates of return:					
Average rate of economic lending (Bank)	0.78000	0.72000	0.70000	0.70000	0.70000
Additional spread	0.50000	0.50000	0.50000	0.50000	0.50000
Average rate of economic lending (Bank)	1.28000	1.22000	1.20000	1.20000	1.20000
Average rate of economic lending (Bank)	2.95000	2.97000	3.00000	3.00000	3.00000
Additional spread	-0.50000	-0.50000	-0.50000	-0.50000	-0.50000
Rate of return on collection of savings (Bank)	2.45000	2.47000	2.50000	2.50000	2.50000



Description	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021
Variations of commission income	3.00%	3.00%	3.00%	3.00%	3.00%
Variations of commission expenses	3.00%	3.00%	3.00%	3.00%	3.00%
Percent of adjustments on receivables	1.50%	1.50%	1.25%	1.00%	1.00%
Variations of personnel costs	1.00%	1.00%	1.00%	1.00%	1.00%
Variations of other administrative costs	2.00%	2.00%	2.00%	2.00%	2.00%
Variations of other income and expenses	2.00%	2.00%	2.00%	2.00%	2.00%
Average number of employees	5	5	5	5	5

S. GIOVANNI V/A BRANCH - SYNTHESIS OF FORECAST DATA FROM 2017 TO 2021 – CALCULATION OF VALUE IN USE AND IMPAIRMENT.

Description	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021
030 – Interest income	879,282	922,508	954,248	1,001,960	1,052,058
040 – Commission income	243,338	250,638	258,157	265,902	273,879
050 – Commission expenses	-17,304	-17,823	-18,358	-18,909	-19,476
060 – Net commissions	226,034	232,815	239,799	246,993	254,403
070 – Dividends and similar income	0	0	0	0	0
080 – Net trading result	0	0	0	0	0
090 – Net hedging result	0	0	0	0	0
100 - Gains (losses) the disposal or repurchase of:	0	0	0	0	0
a) receivables	0	0	0	0	0
b) financial assets available for sale	0	0	0	0	0
c) financial assets held through maturity	0	0	0	0	0
d) financial liabilities	0	0	0	0	0
110 – Net income of financial assets and liabilities measured at fair value	0	0	0	0	0
120 – Operating income	1,105,316	1,155,323	1,194,047	1,248,953	1,306,461
130 – Net adjustments/write-backs of value due to impairment of:	-514,571	-540,299	-472,762	-397,120	-416,976
a) receivables	-514,571	-540,299	-472,762	-397,120	-416,976
b) financial assets available for sale	0	0	0	0	0
c) financial assets held through maturity	0	0	0	0	0
d) other financial operations	0	0	0	0	0
140 – Net income from financial assets	590,745	615,024	721,285	851,833	889,485
150 – Administrative costs:	-820,197	-832,808	-845,631	-858,674	-871,939
a) personnel costs	-379,379	-383,173	-387,004	-390,874	-394,783
b) other administrative costs	-440,818	-449,635	-458,627	-467,800	-477,156
160 – Net allocations to risk and expense fund	0	0	0	0	0
170 – Net adjustments/write-backs of value to property, plant and equipment	0	0	0	0	0
180 – Net adjustments/write-backs of value to intangible assets	0	0	0	0	0
190 – Other operating costs/income	33,162	33,825	34,502	35,192	35,896
200 – Operating costs	-787,035	-798,983	-811,129	-823,482	-836,043
210 – Profit (loss) from equity investments	0	0	0	0	0
220 – Net result of fair value measurement of property, plant and equipment and intangible assets	0	0	0	0	0
230 – Adjustments to value of goodwill	0	0	0	0	0
240 - Gains (losses) from the disposal of investments	0	0	0	0	0
250 – Profit (loss) from current operations before tax	-196,290	-183,959	-89,844	28,351	53,442



Description	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021
Discount rate applied (average weighted rate on economic lending)	2.98400%				
Discount growth rate	0.00000%				
Discounted profit/loss flows	-190,602	-173,453	-82,259	25,205	46,136
Sum of discounted flows	-374,973				
Base of calculation for term value post 31/12/2021	53,442				
Discounted value post 31/12/2021	1,546,097				
Value in use of the S. Giovanni V/A Branch	1,171,124				
Goodwill attributable to the S. Giovanni V/A Branch	408,298				
Difference between value in use and goodwill of the S. Giovanni V/A Branch	762,826				
Value in use greater than goodwill - Impairment measured on the S. Giovanni V/A Branch	0				

As regards the Pistoia Branch, impairment is not reported in that the value in use is greater than the Goodwill paid.

Sensitivity analysis

Sensitivity analyses were carried out hypothesizing changes in the main parameters used for the impairment test procedure. The table below summarizes, for those branches with residual goodwill, deviations from the base assumptions adopted for the various branches, required to render the recoverable value of the branch itself equal to the balance sheet value:

Description	Pistoia Branch	S. Giovanni V/A Branch
Absolute variation of the discount rate to render the value in use equal to the balance sheet value – Increase	8.25%	2.35%
Absolute variation of the nominal growth rate to calculate TV - Decrease	-14.59%	-2.91%

- For the Pistoia Branch – If we were to increase the 2.98% rate used to discount flows by 8.25%, thereby bringing it to 11.23% we would obtain a value in use equal to the balance sheet value of 1,691,702 Euro. If we were to decrease the 0.00% rate used for nominal growth of the flows by 14.59%, thereby bringing it to -14.59%, we would obtain a value in use equal to the balance sheet value of 1,691,702;
- For the San Giovanni V/A Branch – If we were to increase the 2.98% rate used to discount flows by 2.35%, thereby bringing it to 5.33% we would obtain a value in use equal to the balance sheet value of 408,298 Euro. If we were to decrease the 0.00% rate used for nominal growth of the flows by 2.91%, thereby bringing it to -2.91%, we would obtain a value in use equal to the balance sheet value of 408,298.

The table below shows the variation of the overall value in use of the Branch following the variation of the main parameters used in the calculation model:

Description	Pistoia Branch	S. Giovanni V/A Branch
Increase of the discount rate with a Sensitivity Factor of +1.00%	-40.31%	-37.43%
Decrease of the nominal growth rate for calculation of TV with a Sensitivity Factor of -1.00%	-33.41%	-33.14%

- For the Pistoia Branch – If we were to increase the 2.98% rate used to discount flows by 1.00%, thereby bringing it to 3.98%, the calculated value in use would decrease by 40.31%. If we were to decrease the 0.00% rate used for nominal growth of the flows by 1.00%, bringing it to -1.00%, the calculated value in use would decrease by 33.41%;
- For the San Giovanni V/A Branch – If we were to increase the 2.98% rate used to discount flows by 1.00%, thereby bringing it to 3.98%, the calculated value in use would decrease by 37.43%. If we were to decrease the 0.00% rate used for nominal growth of the flows by 1.00%, bringing it to -1.00%, the calculated value in use would decrease by 33.41%

The sensitivity analysis illustrated in the tables above indicates that to obtain a value in use lower than the balance sheet value, the changes to the calculation parameters used must be decidedly considerable.



Part H - TRANSACTIONS WITH RELATED PARTIES

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

Line items	31/12/2016	31/12/2015	Variation	% Var.
a) Compensation for Directors	262	203	59	28.99%
b) Compensation for statutory auditors	114	96	18	18.47%
c) Compensation for executives	1,313	1,282	32	2.48%
Total	1,690	1,581	108	6.86%

2. Information on transactions with related parties

Directors	31/12/2016	31/12/2015	Variation	% Var.
a) Receivables	3,214	1,177	2,037	173.13%
b) Security given	93	271	-178	-65.61%
Total	3,308	1,448	1,860	128.44%

Statutory auditors	31/12/2016	31/12/2015	Variation	% Var.
a) Receivables	0	0	0	
b) Security given	5	5	0	0.00%
Total	5	5	0	0.00%

**ANNEXES TO THE FINANCIAL STATEMENTS****Annex 1 – Analytical list of real property with indication of revaluation – Law n. 72 of 19/03/1983, article 10**

Description	Historical cost	Rev. Law 576/75	Rev. Law 72/83	Rev. Law 413/91	Rev. From First Time Adoption IAS 01/01/2005	Total real property at 31/12/2016	Of which land value at 31/12/2016	Of which value of buildings at 31/12/2016	Amortization fund 31/12/2016	Balance sheet value at 31/12/2016
Castelfiorentino - P.za Giovanni XXIII, 6 - Head office	4,105,383	0	0	179,686	3,749,134	8,034,203	2,000,000	6,034,203	4,513,257	3,520,947
Gambassi Terme - Via Garibaldi, 18 - Branch	26,830	1,033	23,241	3,352	153,497	207,952	0	207,952	119,991	87,961
Castelfiorentino - Loc. Cambiano - Mailing address	1,336	156	12,452	4,523	182,046	200,513	0	200,513	159,781	40,733
Castelfiorentino - Via Piave, 8 - Head office	30,196	10,641	179,368	42,042	1,258,394	1,520,641	480,000	1,040,641	917,805	602,836
Castelfiorentino - Via Carducci, 8/9 - Head office	1,190,430	0	480,305	63,974	2,409,822	4,144,530	1,800,000	2,344,530	1,620,570	2,523,960
Certaldo - Viale Matteotti, 29/33 - Branch	3,507,134	0	0	31,824	1,999,995	5,538,954	1,574,000	3,964,954	2,610,396	2,928,558
Empoli - Via Chiarugi, 4 - Branch	4,224,838	0	0	0	2,747,576	6,972,415	2,000,000	4,972,415	3,005,930	3,966,484
Poggibonsi - Via S.Gimignano, 24/26 - Branch	2,272,577	0	0	0	710,082	2,982,659	935,000	2,047,659	1,272,238	1,710,421
Castelfiorentino - Via Cerbioni - Archive 1	617,658	0	0	0	227,844	845,502	185,000	660,502	339,581	505,921
Castelfiorentino - Via Dante 2/a - Head office	574,926	0	0	0	62,634	637,561	0	637,561	251,198	386,363
Barberino V.E. - P.za Capocchini, 21/23 - Branch	74,026	0	0	0	475,968	549,993	0	549,993	234,733	315,260
Gambassi Terme - Via Garibaldi, 16 - Branch	37,565	0	0	0	182,506	220,071	0	220,071	94,550	125,521
Empoli - Via Cappuccini, 4 - Branch	44,547	0	0	0	156,468	201,015	0	201,015	87,173	113,842
Castelfiorentino - Via Cerbioni - Archive 2	503,164	0	0	0	98,101	601,265	150,000	451,265	183,416	417,849
Castelfiorentino - Via Gozzoli, 45 - Branch	1,007,905	0	0	0	1,013	1,008,917	250,000	758,917	286,239	722,678
Cerreto Guidi - Via V. Veneto, 59 - Branch	472,442	0	0	0	216,286	688,728	0	688,728	252,233	436,495
Castelfiorentino - Via Veneto/Via Piave - Head office - Not operative	7,885,904	0	0	0	-70,200	7,815,704	708,620	7,107,083	0	7,815,704



Description	Historical cost	Rev. Law 576/75	Rev. Law 72/83	Rev. Law 413/91	Rev. From First Time Adoption IAS 01/01/2005	Total real property at 31/12/2016	Of which land value at 31/12/2016	Of which value of buildings at 31/12/2016	Amortization fund 31/12/2016	Balance sheet value at 31/12/2016
Gambassi Terme - Via Volta, 19/21 - Archive 3	1,691,075	0	0	0	0	1,691,075	552,655	1,138,420	264,622	1,426,452
Castelfiorentino - Via Piave, 10 - Head office - Not operative	239,743	0	0	0	0	239,743	0	239,743	0	239,743
Firenze - Viale Gramsci 34 - Head office	12,091,993	0	0	0	0	12,091,993	1,222,000	10,869,993	644,343	11,447,651
Castelfiorentino - Via Piave, 6 (Garage) - Head office - Not operative	138,468	0	0	0	0	138,468	0	138,468	0	138,468
Castelfiorentino - Via Piave, 25 - Head office - Not operative	1,361,521	0	0	0	0	1,361,521	0	1,361,521	0	1,361,521
Firenze - Via Maggio - Branch	1,558,533	0	0	0	0	1,558,533	0	1,558,533	215,669	1,342,864
Castelfiorentino - Via Carducci 4 - Head office - Not operative	557,166	0	0	0	0	557,166	0	557,166	0	557,166
Montespertoli - Via Romita 105 - Branch	252,244	0	0	0	0	252,244	0	252,244	29,994	222,250
Colle Val d'Elsa - Piazza Arnolfo - Branch - Not operative	1,772,105	0	0	0	0	1,772,105	774,000	998,105	0	1,772,105
Fucecchio - Piazza Montanelli - Branch	4,853,742	0	0	0	0	4,853,742	900,000	3,953,742	485,784	4,367,958
San Gimignano - Via dei Fossi - Branch - Not operative	1,339,401	0	0	0	0	1,339,401	1,000,000	339,401	0	1,339,401
San Miniato - Via Tosco Romagnola - Branch	271,697	0	0	0	0	271,697	50,193	221,504	13,322	258,375
Greve in Chianti - Piazza Santa Croce - Branch	845,729	0	0	0	0	845,729	73,200	772,529	17,983	827,746
Total	53,550,280	11,830	695,366	325,401	14,561,164	69,144,041	14,654,669	54,489,372	17,620,809	51,523,232

**Annex 2 – Fees for statutory audit – sub-section 1, n. 16-bis, article 2427 Italian Civil Code**

In compliance with the provisions of article 2427, sub-section 1, n. 16-bis of the Italian Civil Code, below is a detail of the fees for the 2016 fiscal year set forth in the contract with the Auditing Company for the statutory accounting audit and for the performance of other services rendered to the Bank.

Amounts are net of VAT and expenses.

Type of service	Subject performing the service: auditing company / statutory auditor	Total amount of fees (in Euro)
A) Statutory audit	Baker Tilly Revisas.p.a.	36,504.95
B) Certification services	Baker Tilly Revisas.p.a.	800.00
C) Tax consulting services		0.00
D) Other services	Baker Tilly Revisas.p.a.	11,746.05
Total fees		49,051.00



Annex 3 – Public disclosure (Country by country reporting) with reference to the situation at 31 December 2015 in accordance with Vigilance provisions for banks – Bank of Italy Circular n. 285/2013 – Part One – Title III – Chapter 2

Line item	Value
a) Name of established companies and business purpose	<p><i>Name</i> Banca di Credito Cooperativo di Cambiano (Castelfiorentino – Firenze) Società cooperativa per azioni</p> <p><i>Business purpose</i> 1) The company has as its business purpose the collection of savings and lending of credit services in its various forms. In compliance with current regulations, the company may carry out all banking and financial transactions and services, as well as any other instrumental operation or any operation connected to fulfilling the corporate purpose, in accordance with provisions issued by the Supervisory Authority. 2) The company may issue securities in compliance with current regulatory provisions in force. 3) The company, with regulatory approval, can carry out securities trading transactions on behalf of third parties, on condition that the customer provides payment in advance, in the event of purchases, or delivers the securities in advance, in the event of sale. 4) In carrying out exchange activities and using future contracts and other derivative products, the company will not take speculative positions and will maintain its overall net foreign exchange position within the limits set forth by the Supervisory Authority. It may also provide customers with future agreements, on securities and currency, and other derivative products if the resulting risks are hedged by other transactions. 5) The company may acquire shareholdings, within the limits set forth by the Supervisory Authority. 6) The company carries out its operations also with non-member third parties.</p>
b) Turnover ⁽¹⁾	€ 72,796,723
c) Number of employees on a full-time equivalent basis ⁽²⁾	n. 310
d) Pre-tax gains or losses ⁽³⁾	€ 5,234,589
e) Taxes on gains or losses ⁽⁴⁾	€ (134,589)
f) Public contributions received ⁽⁵⁾	The Bank received no contributions from Public Administrations during the 2016 fiscal year.

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

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

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

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

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

