BANCA VALSABBINA - FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015

BALANCE SHEET

ASSETS (in units of Euro)

	Asset items	31 Dec. 2015	31 Dec. 2014
10.	Cash and cash equivalents	13,573,937	13,512,990
20.	Financial assets held for trading	108,510	180,596
40.	Available-for-sale financial assets	1,141,088,523	1,183,203,314
60.	Amounts due from banks	135,020,810	108,265,669
70.	Amounts due from customers	2,780,430,973	2,960,577,817
100.	Equity investments	1,375,248	1,375,248
110.	Tangible assets	27,432,906	27,837,184
120.	Intangible Assets	10,413,957	10,715,465
	of which: goodwill	8,458,447	8,458,447
130.	Tax assets	67,833,206	53,061,568
	a) current	6,055,136	-
	b) prepaid	61,778,070	53,061,568
	b1) of which as per Italian Law No. 214/2011	54,248,442	50,496,231
150.	Other assets	41,101,338	36,461,165
	Total assets	**4,218,379,408**	**4,395,191,016**

LIABILITIES AND SHAREHOLDERS' EQUITY (in units of Euro)

	Liabilities and shareholders' equity items	31 Dec. 2015	31 Dec. 2014
10.	Amounts due to banks	621,160,228	652,259,958
20.	Amounts due to customers	2,159,345,043	2,033,694,907
30.	Securities issued	965,560,717	1,221,046,620
40.	Financial liabilities held for trading	50,800	214,737
80.	Tax liabilities	2,978,920	13,399,256
	a) current	877,216	11,578,458
	b) deferred	2,101,704	1,820,798
100.	Other liabilities	70,012,330	68,116,274
110.	Employee leaving indemnities	5,165,314	5,961,818
120.	Provisions for risks and charges	1,882,734	1,318,078
	b) other provisions	1,882,734	1,318,078
130.	Valuation reserves	(3,750,897)	2,709,246
160.	Reserves	53,972,240	47,060,415
170.	Share premium reserve	235,405,236	235,405,236
180.	Share capital	107,390,481	107,390,481
190.	Own shares (-)	(8,855,573)	(7,392,904)
200.	Profit (Loss) for the year (+/-)	8,061,835	14,006,894
	Total liabilities and shareholders' equity	**4,218,379,408**	**4,395,191,016**

INCOME STATEMENT (in units of Euro)

Items		31 Dec. 2015	31 Dec. 2014
10.	Interest income and similar revenues	108,968,327	132,701,023
20.	Interest expense and similar charges	(54,257,070)	(72,164,558)
30.	**Interest margin**	**54,711,257**	**60,536,465**
40.	Commission income	30,179,887	27,103,834
50.	Commission expense	(3,400,854)	(3,370,712)
60.	**Net commission**	**26,779,033**	**23,733,122**
70.	Dividends and similar income	1,415,397	776,823
80.	Net profit (loss) from trading activities	541,189	628,837
100.	Profit (loss) from disposal or repurchase of:	36,920,693	67,629,713
	a) loans and receivables	(1,065,620)	-
	b) available-for-sale financial assets	38,570,070	69,338,539
	d) financial liabilities	(583,757)	(1,708,826)
120.	**Net interest and other banking income**	**120,367,569**	**153,304,960**
130.	Net value adjustments/write-backs for impairment of:	(49,259,857)	(76,408,641)
	a) loans and receivables	(46,178,385)	(71,345,698)
	b) available-for-sale financial assets	(2,989,195)	(3,211,093)
	d) other financial transactions	(92,277)	(1,851,850)
140.	**Net profit (loss) from financial operations**	**71,107,712**	**76,896,319**
150.	Administrative expenses:	(69,903,437)	(63,653,446)
	a) payroll and related costs	(34,295,103)	(33,369,707)
	b) other administrative expenses	(35,608,334)	(30,283,739)
160.	Net allocations to provisions for risks and charges	(928,168)	(562,000)
170.	Net value adjustments/writebacks on tangible assets	(1,590,129)	(1,697,261)
180.	Net value adjustments/writebacks on intangible assets	(766,693)	(817,304)
190.	Other operating income/expense	13,183,925	13,748,023
200.	**Operating costs**	**(60,004,502)**	**(52,981,988)**
210.	Gains (Losses) on equity investments	(129,760)	-
240.	Gains (Losses) on disposal of investments	11,728	7,563
250.	**Profit (Loss) from operations gross of taxation**	**10,985,178**	**23,921,894**
260.	Income taxes for the year on current operations	(2,923,343)	(9,915,000)
270.	**Profit (Loss) from operations net of taxation**	**8,061,835**	**14,006,894**
290.	**Profit (loss) for the year**	**8,061,835**	**14,006,894**

STATEMENT OF COMPREHENSIVE INCOME

	Items	31 Dec. 2015	31 Dec. 2014
10.	**Profit (loss) for the year**	**8,061,835**	**14,006,894**
	Other income components net of taxation without reversal to income statement	**216,683**	**(503,849)**
40.	Defined benefit plans	216,683	(503,849)
	Other income components net of taxation with reversal to income statement	**(6,676,826)**	**5,729,879**
100.	Available-for-sale financial assets	(6,676,826)	5,729,879
130.	**Total other income components net of taxation**	**(6,460,143)**	**5,226,030**
140.	**Comprehensive income (Item 10+130)**	**1,601,692**	**19,232,924**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF 31 DECEMBER 2015

Items	Balances as of 31 December 2014	Change in opening balances	Balances as of 1 January 2015	Allocation of result for previous year		Changes during the year								Shareholders' equity as of 31 Dec. 2015
							Transactions on shareholders' equity							
				Reserves	Dividends and other allocations	Change in reserves	Issue of new shares	Purchase of own shares	Extraordinary dividend payment	Change in capital instruments	Derivatives on own shares	Stock options	Comprehensive income 2015	
Share capital:	107,390,481	-	107,390,481	-	-	-	-	-	-	-	-	-	-	107,390,481
a) ordinary shares	107,390,481	-	107,390,481	-	-	-	-	-	-	-	-	-	-	107,390,481
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	235,405,236	-	235,405,236	-	-	-	-	-	-	-	-	-	-	235,405,236
Reserves:	47,060,415	-	47,060,415	6,911,505	-	320	-	-	-	-	-	-	-	53,972,240
a) income-related	50,152,507	-	50,152,507	6,911,505	-	320	-	-	-	-	-	-	-	57,064,332
b) other	(3,092,092)	-	(3,092,092)	-	-	-	-	-	-	-	-	-	-	(3,092,092)
Valuation reserves	2,709,246	-	2,709,246	-	-	-	-	-	-	-	-	-	(6,460,143)	(3,750,897)
Capital instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Own shares	(7,392,904)	-	(7,392,904)	-	-	-	-	(1,462,669)	-	-	-	-	-	(8,855,573)
Profit (Loss) for the year	14,006,894	-	14,006,894	(6,911,505)	(7,095,389)	-	-	-	-	-	-	-	8,061,835	8,061,835
Shareholders' equity	**399,179,368**	**-**	**399,179,368**	**-**	**(7,095,389)**	**320**	**-**	**(1,462,669)**	**-**	**-**	**-**	**-**	**1,601,692**	**392,223,322**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF 31 DECEMBER 2014

Items	Balances as of 31 December 2013	Change in opening balances	Balances as of 1 January 2014	Allocation of result for previous year		Changes during the year								Shareholders' equity as of 31 Dec. 2014
							Transactions on shareholders' equity							
				Reserves	Dividends and other allocations	Change in reserves	Issue of new shares	Purchase of own shares	Extraordinary dividend payment	Change in capital instruments	Derivatives on own shares	Stock options	Comprehensive income 2014	
Share capital	107,390,481	-	107,390,481	-	-	-	-	-	-	-	-	-	-	107,390,481
a) ordinary shares	107,390,481	-	107,390,481	-	-	-	-	-	-	-	-	-	-	107,390,481
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	235,405,236	-	235,405,236	-	-	-	-	-	-	-	-	-	-	235,405,236
Reserves	43,670,167	-	43,670,167	3,389,973	-	275	-	-	-	-	-	-	-	47,060,415
a) income-related	46,762,259	-	46,762,259	3,389,973	-	275	-	-	-	-	-	-	-	50,152,507
b) other	(3,092,092)	-	(3,092,092)	-	-	-	-	-	-	-	-	-	-	(3,092,092)
Valuation reserves	(2,516,784)	-	(2,516,784)	-	-	-	-	-	-	-	-	-	5,226,030	2,709,246
Capital instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Own shares	(5,664,305)	-	(5,664,305)	-	-	-	-	(1,728,599)	-	-		-	-	(7,392,904)
Profit (Loss) for the year	7,685,141	-	7,685,141	(3,389,973)	(4,295,168)	-	-	-	-	-	-	-	14,006,894	14,006,894
Shareholders' equity	**385,969,936**	**-**	**385,969,936**	**-**	**(4,295,168)**	**275**	**-**	**(1,728,599)**	**-**	**-**	**-**	**-**	**19,232,924**	**399,179,368**

CASH FLOW STATEMENT

Indirect method	Amount	
	31 Dec. 2015	**31 Dec. 2014**
A. OPERATING ACTIVITIES		
1. Operations	**75,677,087**	**101,070,504**
-profit (loss) for the year (+/-)	8,061,835	14,006,894
-net value adjustments/writebacks for impairment (+/-)	52,894,493	76,408,642
- value adjustments/write-backs to tangible and intangible fixed assets (+/-)	2,356,822	2,514,565
- net allocations to provisions for risks and charges and other costs/revenues (+/-	928,168	562,000
-unpaid taxes and dues (+)	2,923,343	9,915,000
- other adjustments (+/-)	8,512,426	(2,336,597)
2. Liquidity generated/(absorbed) by financial assets	**110,543,253**	**(214,905,536)**
- financial assets held for trading	72,086	11,702
- available-for-sale financial assets	28,123,362	(172,174,631)
- amounts due from banks: on demand	(9,257,908)	5,973,477
- amounts due from banks: other	(17,489,120)	226,609
- amounts due from customers	128,417,125	(49,753,577)
- other assets	(19,322,292)	810,884
3. Liquidity generated/(absorbed) by financial liabilities	**(175,820,539)**	**120,361,811**
- amounts due to banks: on demand	(31,099,730)	(3,338,263)
- amounts due to banks: other	(1,927,431)	72,932,844
- amounts due to customers	124,965,253	88,749,557
- securities issued	(259,408,755)	(12,896,115)
- financial liabilities held for trading	(163,937)	(182,971)
- other liabilities	(8,185,939)	(24,903,241)
Net liquidity generated/(absorbed) by operating activities	**10,399,801**	**6,526,779**
B. INVESTMENT ACTIVITIES		
1. Liquidity generated by	**-**	**-**
- sales of tangible assets	-	-
2. Liquidity absorbed by	**(1,780,796)**	**(1,569,800)**
- purchases of equity investments	(129,760)	-
- purchases of tangible assets	(1,185,851)	(1,225,386)
- purchases of intangible assets	(465,185)	(344,414)
Net liquidity generated/(absorbed) by investment activities	**(1,780,796)**	**(1,569,800)**
C. FUNDING ACTIVITIES		
- issues/purchases of own shares	(1,462,669)	(1,728,599)
- issues/purchases of capital instruments	-	-
- dividends paid and other allocations	(7,095,389)	(4,295,168)
Net liquidity generated/(absorbed) by funding activities	**(8,558,058)**	**(6,023,767)**
NET LIQUIDITY GENERATED/(ABSORBED) DURING THE YEAR	**60,947**	**(1,066,788)**
KEY **(+) generated (-) absorbed**		
RECONCILIATION		
Financial statement items	**31 Dec. 2015**	**31 Dec. 2014**
Cash and cash equivalents at the beginning of the year	13,512,990	14,579,778
Total net liquidity generated/(absorbed) during the year	60,947	(1,066,788)
Cash and cash equivalents: effect of the change in exchange rates	-	-
Cash and cash equivalents at the end of the year	**13,573,937**	**13,512,990**

EXPLANATORY NOTES

Part A – Accounting standards

A1 - General section

Section 1 – Statement of compliance with the international accounting standards

The financial statements for the year ended 31 December 2015 have been drawn up in accordance with the international accounting standards issued by the International Accounting Standards Board (IASB) and approved as of the date of the drafting of the statements, illustrated in point A.2 below.
The statements also been drawn up in accordance with the related interpretations of the International Financial Reporting Interpretation Committee (IFRIC) and Circular No. 262 dated 22 December 2005 of the Bank of Italy, up-dated as at 15 December 2015, issued on the basis of the authorisation contained in Italian Legislative Decree No. 38/2005 which acknowledged in Italy EU Regulation No. 1606/2002 regarding international accounting standards.
Circular No. 262 contains the formats of the financial statements, the compilation rules and the content of the explanatory notes.
Reference is also made to the “systematic framework for the preparation and presentation of the financial statements” (so-called framework).
Recourse was not made to the departure laid down by Article 5.1 of Italian Legislative Decree No. 38/2005.

Section 2 – Basis of presentation

The financial statements comprise the balance sheet, income statement, statement of comprehensive income, statements of changes in shareholders’ equity, statement of cash flows and the explanatory notes and are also accompanied by a Directors' report on operations.
As per Article 5 of Italian Legislative Decree No. 38/2005, the financial statements are drawn up using the Euro as the reporting currency. The amounts presented in the financial statements are expressed in Euro, while the figures in the explanatory notes are expressed in thousands of Euro.
The financial statements and the explanatory notes present the corresponding comparative balances as at 31 December 2014 in addition to the amounts for the reporting period.
The basis of presentation laid down by IAS 1 and used for preparing these annual financial statements involved:

1) The business as a going-concern: the financial statements have been drawn up with a view to the bank continuing its business activities for the foreseeable future, therefore the assets, liabilities and “off-balance sheet” transactions have been valued according to functioning values.
   The possible foreseeable future examined is that which emerges from all the available information used for the drafting of the strategic plan. Furthermore, in relation to the activities carried out, taking into account all the risks which are analysed and illustrated in other parts of the financial statements, the Bank believes that it falls within the sphere of application of IAS 1 according to

which when pre-existing profitable activities and easy access to financial resources exists, the condition of the company as going-concern is appropriate without carrying out detailed analysis. When assessing the business as a going-concern, the references to IAS 1 contained in the joint "Bank of Italy/Consob/ISVAP No. 2 dated 6 February 2009" have been used.

2) Accruals accounting: revenues and costs are recognised, regardless of the moment of their monetary settlement, on the basis of economic accrual and according to the criterion of correlation.

3) Financial statement presentation consistency: the presentation and classification of the items is maintained from one year to the next for the purpose of ensuring the comparability of the information unless a change is requested by an International Accounting Standard or by an Interpretation or it is clear that another presentation or classification is more appropriate in terms of relevancy and reliability for the representation of the information. When the presentation or classification of the financial statement items has been changed, the comparative amounts are reclassified, where possible, also indicating the nature and the reasons for the classification.

4) Significance and aggregation: each significant class of similar items is stated separately in the financial statements. Items which are dissimilar in nature or with regard to intended use are presented separately unless they are insignificant.

5) Predominance of substance over form: the transactions and other events are recognised and represented in compliance with their economic substance and entity and not only according to their legal form.

6) Offsetting: assets, liabilities, costs and revenues are not offset unless this is required or permitted by an International Accounting Standard or by an interpretation or it is expressly envisaged by the financial statement layouts for banks.

7) Comparative information: the comparative information is provided for the previous period for all the data reported in the financial statements with the exception of when an International Accounting Standard or Interpretation permit otherwise. The commentary and descriptive information is also included when this is significant for a better comprehension of the related annual financial statements.

Recourse to estimates and appraisals

The drawing up of the financial statements requires recourse to estimates and appraisals which may have a significant impact on the balances in the balance sheet and income statement.
The use of appraisals and assumptions is more commonly required for:
- the quantification of the value adjustments to financial assets, loans, receivables and tangible and intangible assets;
- the determination of the fair value of the financial instruments to be used for financial statement disclosure and the use of appraisal models for the calculation of the fair value of financial instruments not listed on active markets;
- the appraisal of the fairness of the value of goodwill and the other intangible assets;
- the quantification of staff provisions and the provisions for risks and charges;
- the actuarial and financial hypotheses used for the determination of the liabilities linked to defined-benefit plans for employees;
- the estimates and assumptions regarding the recoverability of the deferred tax assets.

Reasonable estimates and assumptions are formulated by means of the use of all the internal and external information available and past experience.
The adjustment of an estimate further to changes in the circumstances on which the same was based or further to new information or, further still, additional experience, is applied on a forward basis and therefore generates an impact on the income statement for the period in which the change takes place and, possibly, on that relating to future years.
The appraisal process is made particularly complex in consideration of the current macro-economic and market context, characterised by unusual levels of volatility which can be seen on all the financial balances decisive for the purposes of the appraisal and the consequent difficulty in the formulation of performance forecasts, including short-term, relating to financial parameters which significantly influence the values subject to estimation.

Section 3 - Events subsequent to the report reference date

During the period of time running between the reference date of this report and its approval by the Board of Directors on 2 March 2016, no events took place which led to an adjustment of the approved figures at that time nor were there any significant events which would require a supplement to the disclosure provided.

Section 4 – Other aspects

Audit

The annual financial statements are subject to audit, pursuant to Italian Legislative Decree No. 58/98, by BDO Italia S.p.A., in accordance with the appointment granted for the 2011-2019 period to said firm by means of shareholders' resolution dated 9 April 2011. The audit report is published in full, as per Article 135 *septies* of Italian Legislative Decree No. 58/98.

Amendment of the accounting standards approved by the European Commission.

As already indicated in the disclosure accompanying the financial statements as at 31 December 2014, to which reference is made, as from 1 January 2015 the provisions as per the following EU Regulations came into force:
□□No. 634/2014 which introduced - on a mandatory basis as from the 2015 financial statements - the IFRIC 21 "Levies" interpretation, the aim of which is to provide a number of guidelines on the method for accounting for the various taxes and levies, not falling within the taxation system envisaged by IAS 12. In detail, specifications are provided on: i) what is the binding event for the recognition of the liabilities associated with a levy (if, for example, the obligation to pay the levy derives from the achievement of a minimum asset threshold or from the fact that the entity is operative as of a specific future date; ii) when a liability relating to the payment of a levy must be recognised; iii) the effects of this interpretation on the interim financial statements (former IAS 34).
With regard to 2015, this interpretation has been used to define an accounting treatment of the mandatory contributions to the deposit protection and resolution funds.
□□No. 1361/2014 which validated the "The 2011 – 2013 annual improvement cycle" with amendments to documents IFRS 3, 13 and IAS 40.
The amendments concern the following accounting principles:
- IFRS 3 *Business Combinations – Scope exception for joint ventures*.

The amendment clarifies that within the sphere of application of IFRS 3, the formation of all the types of joint arrangement, as defined by IFRS 11, is excluded.
- IFRS 13 *Fair Value Measurement.*
The amendment clarifies that the exception as per section 48 of IFRS 13, relating to the possibility of valuing the fair value of a net position (in the event there are financial assets and liabilities with positions offsetting the market risks or the credit risk), applies to all the agreements included in the sphere of application of IAS 39 (and in the future of IFRS 9) irrespective of the fact that they satisfy the definition of financial assets or liabilities provided by IAS 32.
- IAS 40 *Investment Properties – Interrelationship between IFRS 3 and IAS 40*.
The amendment clarifies that IFRS 3 and IAS 40 do not mutually exclude one another and that, for the purpose of determining whether the purchase of a real estate property falls within the sphere of application of IFRS 3 or IAS 40, it is necessary to make reference to the specific indications provided by the respective standards. In fact, a valuation is necessary so as to determine whether the acquisition of a real estate investment takes on the form of the purchase of an asset, a group of assets or even of business combination transaction as per IFRS 3.

Accounting standards/interpretations approved and applicable on a mandatory basis as from 2016

The Regulations approved by the European Commission during 2015 or in previous years, whose application will be mandatory as from 2016, are listed below.
• No. 2173 dated 24 November 2015 – IFRS 11 “Joint arrangement”
The amendments to IFRS 11 establish the accounting principles for the purchase of a “Joint Operation” which represents a company activity (business), pursuant to IFRS 3;
• No. 2231 dated 2 December 2015 – IAS 16 “Properties, plant and machinery”, IAS 38 “Intangible assets”
Clarifications are provided on the amortisation and depreciation methods considered acceptable: in detail, it is established that an amortisation/depreciation method based on the revenues generated by an activity which envisages the use of an asset is not appropriate, since said revenues in general reflect other factors besides the consumption of the economic benefits of the asset:
• No. 2343 dated 15 December 2015 – “2012 – 2014” annual improvements cycle (IFRS 5, IFRS7 and IAS19, IAS 34)
The amendments introduced represent a number of clarifications aimed at sorting out some inconsistencies or specifications of the method-related nature;
• No. 2441 dated 18 December 2015 – IFRS 27 “Separate financial statements”
The possibility of applying the equity method is introduced, described in IAS 28 “Investments in associates and joint ventures”, for the purposes of recognising the investment in subsidiaries/joint ventures/associates in the separate financial statements, in addition to the current options of cost or fair value;
• No. 2406 dated 18 December 2015 – IAS 1 “Presentation of financial statements”
The amendment, entitled “Disclosure initiative”, has the objective of improving the efficacy of the financial statement disclosure, encouraging the use of the professional opinion in the determination of the disclosure to be provided, in terms of materiality and method of aggregation;• No. 29/2015 dated 17 December 2014 – IAS 19 “Employee benefits”
It clarifies the treatment of the contributions paid by the employees to defined benefit plans, according to whether the amount of the contributions depends or not on the number of years of service.

Accounting standards/interpretations issued by the IASB/IFRIC but not yet approved

For the sake of complete disclosure, it is hereby revealed that, as of the date of approval of this report and limited to the case of potential impact, the IASB/IFRIC issued IFRS 9 “Financial instruments” not yet approved by the European Union.

By means of this publication, the process for the reform of IAS 39 was completed, which is divided up into the three stages of “classification and measurement”, “impairment”, and “hedge accounting”. The review of the accounting regulations for macro-hedging (so-called macro hedging accounting) remains to be finalised, and in relation to which the decision was made to launch a separate project with respect to IFRS 9.

In a nutshell, the main innovations concern:

• the classification of the measurement of the financial assets, based on the management method (business model) and on the characteristics of the cash flows of the financial instrument, which envisaged three accounting categories (amortised cost, fair value with impact on income statement, fair value with impact on an equity reserve - Other Comprehensive Income).

• the recognition of the so-called “own credit”, or rather the fair value changes of the liabilities designated in fair value options attributable to fluctuations in one’s credit worthiness, which, according to the new standard, must be recognised in a shareholders’ equity reserve, rather than the income statement, as by contrast envisaged by IAS 39, therefore eliminating a source of volatility of the economic results which has become particularly evident in periods of economic-financial crisis;

• recognition and registration of the hedging relationships (hedge accounting), with the aim of ensuring a greater alignment between an accounting representation of the hedges and the underlying management logics (risk management);

• unique impairment model, to be applied to all the financial assets not valued at fair value with impacts on the income statement, based on a concept of expected loss (“forward-looking expected loss”). The objective of this new approach is to ensure a more immediate recognition of the losses with respect to the “incurred loss” model envisaged by IAS 39, on the basis of which the losses must be recognised if objective evidence of losses in value are noted after the initial recognition of the asset.

In detail, the model envisaged that the exposures must be classified in three separate “stages”:

- stage 1: to be valued on the basis of an expected loss over one year. These are performing assets for which a significant impairment has not been observed with respect to the date of initial recognition;
- stage 2: to be valued on the basis of the expected loss over the residual life. These are performing assets which have suffered a significant impairment with respect to initial recognition;
- stage 3: to be valued on the basis of the expected loss over the residual life, in that they are considered as impaired.

The mandatory application of the standard is envisaged as from 1 January 2018.

During 2015, the Bank worked together with its outsourcer for the necessary project activities aimed at identifying the main areas of impact and defining the reference method framework for the classification, measurement and impairment of the financial assets. The analysis performed so far has highlighted the loans area as that of greatest impact; the new impairment model in fact envisages the need to measure the expected loss, not only for impaired assets, but also for the performing assets in relation to which a significant impairment has taken place with respect to the date of granting.

These impacts do not limit themselves to a probable increase in the loan cost, necessarily linked to the changeover from an “incurred” model to and “expected” model, but also refer to the adjustments necessary in terms of procedures and processes, organisational and IT, aimed at permitting the classification and monitoring of the loans between the various stages, as well as the need to create robust estimation models of the default probability over a timescale aligned to the residual duration of the loans, capable - on the one hand - of maximising the synergies with the existing models and - on the other hand - also incorporating "forward-looking" factors.

Statement of comprehensive income

The statement of comprehensive income, drawn up in light of the amendments to IAS 1, includes the revenue and cost items which, as required or permitted by the IAS/IFRS, are not recognised in the income statement but booked to shareholders' equity.
The "Comprehensive income" expresses the change that the equity has undergone in a financial year deriving from both the business transactions which usually give rise to the profit/loss for the year and from other transactions (e.g. valuations) booked to shareholders' equity on the basis of a specific accounting principle.

Comparability

The financial statements present the corresponding comparative balances as at 31 December 2014 in addition to the amounts for the reporting period.
Further to in-depth analysis, the dividends collected in 2014 from Polis Fondi have been reclassified from the income statement item "210. Gains (losses) on equity investments" to the item "70. Dividends and similar income".

A.2 - Section relating to the main financial statement items

1 - Financial assets and liabilities held for trading

Recognition criteria

Initial recognition takes place as of the date of settlement for securities and the date of subscription for derivatives. The recognition value is equal to the purchase cost understood as the fair value of the instrument. On the basis of IFRS 13 (Fair Value Measurement), in force as from 1 January 2013, the fair value is "the price which would be perceived for the sale of an asset or would be paid for the transfer of a liability in a regular transaction between market operators as of the valuation date", without considering the transaction costs and revenues relating to said instrument.

Classification criteria

Financial assets held for trading include the financial instruments held for the purpose of generating, over the short-term, profits deriving from the changes in their prices, inclusive of derivative contracts, with positive fair value, excluding hedging instruments.
A derivative contract is a financial instrument whose value is linked to the performance of an interest rate, the listed price of a financial instrument, the price of a commodity, the exchange rate of a foreign currency, a price or rate index or other indices; it requires an initial net investment with respect to that which would be required by other types of contracts and is settled on maturity.
Commitments to deliver securities sold and not yet purchased are classified as trading liabilities (so-called "uncovered short positions").

Measurement criteria
The trading book is measured at fair value. The determination of the fair value of the assets and liabilities of a trading book is based on prices struck on active markets or on internal measurement models generally used in financial practice. If the fair value of a financial asset becomes negative, this asset is recognised as a financial liability.

Derecognition criteria
The derecognition of the financial assets held for trading takes place when the contractual rights on the cash flow of the assets in question expire or when further to disposal essentially all the risks and benefits relating to the same financial assets are transferred.

Recognition criteria for income components
The gains and losses generated by means of disposal or reimbursement, as well as the unrealised gains and loses deriving from changes in the fair value of the trading book are recorded in the income statement under item 80 “Net profit (loss) from trading activities”.

2 - Available-for-sale financial assets

Recognition criteria
Initial recognition takes place as of the date of settlement for securities and the date of disbursement for loans and receivables. At the time of initial recognition, these assets are recorded at fair value, inclusive of the transaction costs or income directly attributable to said instrument. Without prejudice to the exceptions envisaged by IAS 39, transfers from the available-for-sale portfolio to other portfolios and vice versa are not possible.
The assets stated on the basis of the amendments to IAS 39 are measured, if stated by 31 October 2008, at the fair value as at 1 July 2008; those stated subsequently, are measured on the basis of the fair value as of the reclassification date.

Classification criteria
Available-for-sale financial assets include the non-derivative financial assets which are designated as available for sale or which are not classified as loans or receivables, investments held until maturity or financial assets at fair value through profit and loss. This item also includes the shareholdings not handled for trading purposes and not open to qualification as control, associated or joint control-based and the units in stock & share and real estate UCITs.

Measurement criteria
Subsequent to the date of initial recognition, available-for-sale assets are measured at fair value with recognition in the income statement of the value corresponding to the amortised cost.
The determination of the fair value of the securities is based on prices struck on active markets or on internal measurement models generally used in financial practice, as more fully detailed in the specific section “fair value”.
The profits and the losses which emerge from the measurements at fair value but which are not realised, are booked to a specific equity reserve, net of the related taxation, until the moment that the financial asset is sold or written down.
If an available-for-sale financial asset undergoes a permanent loss in value (impairment), the cumulative loss further to the previous measurements at fair value booked to shareholders’ equity is stated in the income statement item “Net value adjustment for impairment of available-for-sale financial assets”.

Checking of the existence of impairment losses on the basis of objective evidence (impairment test) is carried out at the time of each financial statements closure or at the time of the drafting of the interim statements.
For example, this circumstance applies in the event of:
- the disappearance of an active market relating to the financial asset in question as a result of the financial difficulties of said issuer. However, the disappearance of an active market due to the fact that the instruments of the company are no longer publically traded is not evidence of the fair value reduction;
- occurrences which indicate an appreciable decrease in the future cash flows of the issuer (the general conditions of the local and national reference economy in which the issuer operate fall within this category).

Additionally, for an investment in an equity instrument, there is objective evidence of an impairment loss in correspondence with the following additional negative events:
- significant changes with a negative impact in the technological, economic or legislative environment in which the issuer operates, such as to indicate that the investment in the same cannot be recovered;
- a prolonged and significant decrease in the fair value under the purchase cost.

The Banks uses thresholds differentiated in relation to the hierarchy of the fair value to which the instrument belongs (for the definition of the Fair Value hierarchy adopted by the Bank, please see section “A.4 Fair value disclosure”):
- in the event of shares and funds classified at level 1 of the FV hierarchy, the objective evidence of loss is registered if the fair value is lower than the initial recognition value by 40% (significance) or if the fair value does not reveal a value higher than the book price in continuation for more than 18 months;
- in the event of shares and funds classified at levels 2 and 3 of the FV hierarchy, the objective evidence of loss is registered if the fair value is lower than the initial recognition value by 30% (significance) or if the fair value does not reveal a value higher than the book price in continuation for more than 18 months;
- in the event of government securities and bonds, whatever the hierarchy, the objective evidence of loss is registered when there is an insolvency in the payment of capital/interest, there are significant delays in the payment of the capital/interest or if periods of grace are granted and simultaneous renegotiations at rates lower than those paid by the market.

With regard to the instruments listed on active markets, the Bank therefore believes that the fair value changes can be determined by economic conditions of the market such as to permit the use of higher thresholds with respect to those for the financial instruments not listed on markets.

Derecognition criteria
The derecognition of the available-for-sale financial assets takes place when the contractual rights on the cash flows of the assets in question expire or when further to disposal essentially all the risks and benefits relating to the same financial asset are transferred.

Recognition criteria for income components
If an available-for-sale financial asset is sold or disposed of, the profits or losses up to that moment which are not realised and booked to shareholders’ equity, are transferred to the item “Profit /loss from disposal of available-for-sale financial assets” in the income statement.
Any value writebacks on investments in debt instruments are stated in the accounts with a matching balance in the income statement only of this writeback may be objectively correlated to an event which takes place after the loss due to impairment has been booked to the income

statement, within the limit of the value of the amortised cost which the financial assets would have had in the absence of previous adjustments.
Writebacks on investments in equities, which can be correlated to an event that has taken place after the impairment loss has been booked to the income statement, should be recorded as a matching balance under shareholders' equity.

3 - Loans and receivables

These are recorded in the items "60 Amounts due from banks" and "70 Amounts due from customers".

Recognition criteria

Initial recognition takes place as of the date of disbursement on the basis of the related fair value which corresponds to the amount disbursed, to customers and banks, inclusive of costs and income directly attributable to the same and which can be determined as from the origin, irrespective of the moment they were settled. All the charges which are repayable by the debtor or which are attributable to internal costs of an administrative nature, are not included in the initial recognition value. In cases were the net recognition value of the loan/receivable is lower than the related fair value, due to the lower interest rate applied with respect to the market rate or that normally applied to loans with similar features, the initial recognition is made for an amount equal to the discounting back of the future cash flows at a market rate and the difference between the fair value thus determined and the amounts disbursed is booked directly to the income statement in the interest item.
This item, according to the pertinent commodities composition, includes the loans subject to securitisation transactions for which the requirements requested by IAS 39 for the derecognition from the financial statements does not exist.

Classification criteria

Loans and receivables include the amounts disbursed to customers and banks, both directly and via acquisition from third parties, which entail fixed or in any case determinable payments, which are not listed on an active market and which are not classified at inception under "Available-for-sale financial assets". Amounts receivable for repurchase agreements are also included in this item.

Measurement criteria

After initial recognition, loans and receivables are valued at "amortised cost", equal to the initial recognition cost, decreased / increased by the capital repayments, the value adjustments / writebacks and the amortisation - calculated using the effective interest rate method - of the difference between the amounts disbursed and that which can be repaid on maturity, attributable typically to the costs / income booked directly to the individual loan/receivable. The effective interest rate is identified by calculating the rate that makes the current value of the future flows of the credit, in terms of capital and interest, equal to the amount disbursed inclusive of the costs / income attributable to the credit.
The amortised cost method is not used for loans whose brief duration suggests that the effect of application of the discounting back is negligible. These loans and receivables are valued at historical cost and the costs / income referring to the same are assigned to the income statement in a linear manner over the contractual duration of the same. A similar approach is adopted for loans and receivables without a definite maturity or subject to revocation.

The loan book is subject to periodic measurement at least as of each annual financial statement or interim closure, so as to identify and establish any objective impairment losses.
This circumstance applies when it is envisaged that the bank is not able to collect the amounts due, on the basis of the original contractual conditions or rather, for example, in the presence of:
-significant financial difficulties of the issuer or the debtor;
-violation of the contract, such as breach or non-payment of the interest or the principal;
-granting to the beneficiary of a concession/facility which the Bank has taken into consideration mainly for economic or legal reasons relating to the financial difficulties of the same and which otherwise it would not have granted;
-probability that the debtor may be subject to bankruptcy/insolvency proceedings or other financial reorganisations.
-the disappearance of an active market for the security as a result of the financial difficulties of the issuer;
-other elements which indicate an objective reduction in the capacity of the issuer to generate future cash flows sufficient for covering the contractual commitments undertaken.

The “non-performing” category includes all the loans and receivables for which objective evidence exists of a loss in value (non-performing, probable defaults and positions past due by more than 90 days, as more clearly identified in part E, section 1 . Credit risk, 2.4 - Impaired financial assets, in these explanatory notes), measured by the difference between the book value and the current value of the estimated future cash flows, discounted at the original effective interest rate of the relationship. The cash flows envisaged take into account the expected recovery timescales, the estimated realisable value of any guarantees, as well as the costs which it is deemed will be incurred for the recovery of the loan exposure. The valuation is analytical in type. The value adjustment must be possible to quantify in a reliable manner and be correlated to actual and not merely expected events.
The exposures whose anomalous situation is attributable to profiles pertaining to country risk are excluded.
Amounts due for default interest accrued on impaired assets (non-performing positions) are recorded, and therefore written down, to the extent that there is no certainty with regard to their effective collection.

“Performing” loans and receivables are measured collectively, dividing them up into standardised risk classes, establishing the Estimated Loss (EL) on the basis of the Probability of Default (PD) produced by the Credit Rating System model and the estimate of the loss in the event of default (Loss Given Default – LGD) taken from the historic-statistical analysis of the performance of non-performing and watchlist loans. The estimated loss takes into account the deterioration of the loans as from the reference date, but whose entity is still not known at the time of measurement, for the purpose of taking the measurement model from the notion of estimate loss to the notion of latent loss.
This method has been adopted since it is convergent with the measurement criteria envisaged by the New Basel Agreement on capital requirements (Basel 2).
In the presence of loans to non-residents, the value of the same is adjusted on a forfeit basis in relation to the difficulties in servicing the debt by their countries of origin.

Derecognition criteria
The full or partial derecognition of the loan or receivable is recorded respectively when the same is considered definitively unrecoverable, subject to bankruptcy proceedings or on any event after all the debt collection procedures have been completed.

Recognition criteria for income components

The effects deriving from the analytical and collective measurements are booked to the income statement.
The original value of the loan or receivable is reinstated if the reasons for the value adjustment made cease to exist, recording the effects in the income statement.
The amount of the losses due to full or partial derecognition of a loan or receivable is recorded in the income statement net of the write-downs previously made.
Recoveries of amounts previously written down are booked to reduce the item “Net valuation adjustments for impairment of loans and receivables”.

4- Hedging transactions

Risk hedging transactions are aimed at neutralising potential losses on exchange and interest rates. The hedges can be divided up into the following categories:
• hedging of the fair value of a specific asset or liability which has the aim of maintaining the current value of a financial asset/liability in the presence of interest rate changes;
• hedging of the future cash flows attributable to a specific asset or liability, which has the aim of maintaining the cash flow of a financial asset/liability in the presence of interest rate changes;
• hedging of the effects of an investment in foreign currency.

Recognition criteria

Financial hedging derivatives are initially recognised and subsequently measured at fair value and classified in asset item 80 and liability item 60 “Hedging derivatives”.
A relationship qualifies as hedging if all the following conditions are satisfied:
•at the start of the hedge there is a designation and formal documentation of the hedge relationship, the nature of the risk hedged and the risk objectives pursued;
• the definition of the criteria for determining the efficacy of the hedge;
• the expected hedge is highly effective and can be reliably measured and the measurement is carried out on an on-going basis.

Measurement criteria

The determination of the fair value of the derivative instruments is based on prices taken from organised markets or provided by qualified operators on models for the measurement of the options or on models discounting back future cash flows. A hedge is considered highly effective if, both at the start and during its life, the change in the fair value or the cash flows of the element hedged are almost completely offset by the change in the fair value or the cash flows of the hedging derivative, or rather the effective results remain within an interval between 80% and 125%.
Transactions are no longer considered hedging if:
• the hedge made via the derivative ceases or is no longer highly effective;
• the derivative matures, is sold, terminated or exercised;
• the element hedged is sold, has expired or is reimbursed;
• the hedging definition is revoked.
The ineffective part of the hedge is provided by the difference between the change in the fair value of the hedging instrument and the change in the fair value of the element hedged.
For the purposes of determining the efficacy of the hedge, both forecast and retrospective tests are carried out, at least on closure of the financial statements.

Derecognition criteria

The recognition in the financial statements of hedging transactions is interrupted when the efficacy requirements are no longer observed, when they are revoked, when the hedging instrument or the instrument hedged matures, is discharged or sold.

Recognition criteria for income components

The change in the fair value of the hedging instrument, in effective fair value hedges, is recorded in the income statement item "90 Net profit (loss) from hedging activities". The changes in the fair value of the element hedged, attributable to the risk hedged with the derivative instrument, are recorded in the income statement as matching balances to the change in the book value of the hedged element.
If the hedge no longer satisfies the criteria for being recorded as such or the derivative is terminated, also due to the insolvency of the counterpart, the difference between the book value of the element hedged at the time the hedge ceases and that which would have been its book value if the hedge had never existed, in the event of interest-bearing financial instruments, is amortised in the income statement, over the residual life of the original hedge; in the event of non-interest bearing financial instruments, this difference is recorded directly in the income statement.

5 - Equity investments

Recognition criteria

Equity investments are stated in the financial statements at purchase value.

Classification criteria

The item includes the shareholdings in subsidiary and associated companies and those subject to joint control (joint ventures) or subject to the considerable influence of the Bank.

Measurement criteria

Equity investments are carried at cost.
If evidence exists that the value of an equity investment may have undergone a reduction, steps are taken to estimate the recoverable value of said investment, including the final disposal value and/or other measurement elements, which are compared with the book value of the equity investment. If this is lower, the difference is booked to the income statement under the item "Profits (losses) on equity investments".

If the reasons for the loss in value cease to exist further to an event which has taken place after the recognition of the drop in value, writebacks are made with booking to the income statement, in the same item indicated above, up to the extent of the previous adjustment.

Derecognition criteria

Equity investments are derecognised from the financial statements when the contractual rights to the cash flows deriving from the same assets expire or when the equity investment is sold essentially transferring all the risks and benefits associated with the same.

Recognition criteria for income components

In compliance with IAS 18, dividends are recognised when the right of the shareholders to receive the payment is established and, therefore, after the date of adoption of the resolution by the shareholders' meeting of the company in which the shareholdings are held.

6 - Tangible assets

Recognition criteria

Tangible assets whose cost is reliably determined and from which it is probable future economic benefits will derive, are recognised in the financial statements.

The tangible assets are initially recognised at purchase cost, inclusive of accessory charges incurred for the purchase and bringing onto stream of the asset.

As of first time adoption of the IAS/IFRS accounting standards, the exception envisaged by IFRS 1, Article 16 was availed of, opting for the measurement of the properties at fair value as the replacement for cost as of 1 January 2005.

After this date, the cost model was adopted for the measurement of the properties.

Extraordinary maintenance costs which increase the value of the asset, are allocated to the asset to which they refer. Ordinary maintenance costs are booked directly to the income statement.

Assets acquired under financial leases are recorded in accordance with the matters envisaged by IAS 17, which envisages the recording of the same under the balance sheet assets, as a matching balance to the amounts due to the lessor, and the calculation of the depreciation over the estimated useful life of the asset. The fees paid are booked to reduce the debt for principal and in the income statement under interest expense for the financial component.

Leasehold improvement and incremental costs incurred as a result of a lease agreement on third party assets which are expected to provide future benefits, are recorded in item “150 Other assets” when they are not autonomously identifiable or separable.

Classification criteria

Tangible assets include real estate properties, land, installations, furniture and furnishings, and other office equipment. These are assets instrumental for the supply of services.

The land relating to the self-contained property units owned, is recorded separately from the building, since, as a rule, it has an unlimited life and therefore cannot be depreciated, while buildings having a limited life can be depreciated.

Measurement criteria

Subsequent to initial recognition, the tangible assets are measured at cost net of depreciation and any write-downs for permanent losses in value (impairment).

The amortisation is calculated systematically on a straight-line basis by means of technical-economic rates representative of the residual possibility of use of the assets. Land is an exception, not subject to depreciation given the impossibility of determining its useful life, and in consideration of the fact that the related value is not usually destined to drop in relation to the passage of time.

At the time of closing of the financial statements for a year or period and if there is any indication that the asset may have been subject to a loss in value, a comparison is made between the book value of the asset and its recoverable value, equal to the fair value, net of any sales costs, and the related value in use of the asset, understood as the current value of the future flows originated by the asset, whichever is the lower. Potential adjustments are recorded in the income statement.

Derecognition criteria

A tangible fixed asset is eliminated from the balance sheet at the time of disposal or when the asset is permanently withdrawn from use and in the case that no future economic benefits are expected from its disposal.

Recognition criteria for income components

Value adjustments are recognised in the income statement under item “170 Net value adjustments / writebacks on tangible assets”.
The amortisation of leasehold improvements and incremental costs on third party assets takes place on the basis of the contractual duration, a minimum of 5 years, in relation to the physical deterioration and the residual possible useful life. This is recorded in the income statement under item “190 Other operating income / expense”.

7 - Intangible assets

Intangible assets comprise software for long-term use, intangible assets linked to the valorisation of dealings with customers (core deposits) and goodwill.

Recognition and classification criteria

Intangible assets represented by software and usage licences owned by the Bank are recognised in the financial statements only if they respect the requisites of being autonomously identifiable or separable, they will probably generate future economic benefits and the cost can be reliably measured.

The core deposits were recognised in the consolidated financial statements at the time of the acquisition of Credito Veronese and, at the time of the incorporation, recorded in the 2012 financial statements using the same criteria. They were originally recognised by means of the discounting back of the flows representative of the profit margins over a period which expresses the residual duration, contractual or estimated, of the relationships at the time of merger.

The goodwill is represented by the difference, when positive, between the purchase cost incurred and the value in use, as from the purchase date, of the assets and the balance sheet elements acquired within the sphere of a company merger.

Measurement criteria

Intangible assets represented by software and usage licences are recorded in the financial statements at cost net of amortisation and permanent losses in value (impairment). The amortisation is calculated systematically on a straight-line basis by means of technical-economic rates representative of the residual possibility of use of the assets. On closure of each accounting period, the residual life is measured to check the adequacy.

Intangible assets represented by core deposits are amortised on a straight-line basis over eight years, a period which approximates the period of greater significance of the expected economic benefits, as from 30 April 2011, date of acquisition of control over Credito Veronese.
Goodwill is not amortised in consideration of its indefinite useful life, but it is subject to checking of the adequacy of the recognition value (impairment test) at least once a year, generally at the time of drafting of the annual financial statements and in any event on occurrence of events which suggest that the asset has suffered a drop in value. Any value adjustments made to the goodwill, even if in subsequent years the reasons they were made cease to exist, cannot be reinstated.

Derecognition criteria

An intangible fixed asset is eliminated from the balance sheet at the time of disposal or when its use permanently ceases.

Recognition criteria for income components

Value adjustments are recognised in the income statement under item "180 Net value adjustments / writebacks on intangible assets".

8 – Current and deferred taxation

The items "tax assets" and "tax liabilities" in the balance sheet contain tax receivables and payables.
Current taxes for the year are determined by applying the tax rates and current legislation; they are recorded as liabilities, net of advances paid, to the extent that they have not been paid. They include those not yet paid relating to previous years.
They are recognised as assets in the event that the amount paid, by way of advance or withholdings made, is in excess with respect to the amount due and to the extent that the credits are recoverable in subsequent years.

Prepaid and deferred taxes are determined on the basis of the balance sheet liability method, taking into account the timing differences (deductible or taxable) between the book value of an asset or liability and its value recognised for tax purposes.
The recognition of "prepaid tax assets" is carried out if their recoverable value is deemed probable. They involve a future reduction of the taxable base, in the presence of an advance tax paid with respect to the economic - statutory pertinence.

"Deferred tax liabilities" are recognised in all the cases where it is probable that the related liability will arise. They represent a future increase in the taxable base, determining a deferral of the taxation with respect to the economic - statutory pertinence.
Deferred taxes have not been provided for with regard to reserves subject to deferred taxation, since no distributions are envisaged with regard to these reserves.
The provision for income taxes is determined on the basis of a prudential forecast of the current tax liability, deferred and prepaid.

Tax assets and liabilities, as a rule, are recorded as matching balances in the income statement, except in the case that they derive from transactions whose effects are attributed to shareholders' equity, in which case they concern the calculation of the specific valuation reserves.

9 - Provisions for risks and charges

Provisions for risks and charges concern specific costs and liabilities of a certain or probable nature, the timing and extent of which cannot be determined as of the year end date. The allowance to provisions for risks and charges is made exclusively when:
- an actual obligation exists (legal or implicit) being the result of a past event;
- it is probable that the fulfilment of this obligation will involve payment;
- a reliable estimate can be made of the amount of the obligation.

The amount of the allowance is represented by the current value of the liabilities which it is supposed will be incurred for discharging the obligation. If the time-related element is significant, the provisions are discounted back using the current market rates. The effect of the discounting back is recognised in the income statement, as is the increase in the provision due to the passage of time.

10 - Employee leaving indemnities (TFR)

On the basis of the international accounting standards, the employee leaving indemnity (TFR, “trattamento di fine rapport”) is considered to be “a benefit subsequent to the employment relationship” of a defined-benefit type, whose value is determined by means of actuarial methods. Consequently, the year end measurement of the item in question is carried out on the basis of the method of the benefits accrued using the unit credit method envisaged (Projected Unit Credit Method). This method envisages the discounting back of the projection of the future outlays on the basis of historic analysis, statistical and probabilistic and the adoption of suitable demographic technical bases. This makes it possible to calculate the TFR accrued at a given date in an actuarial sense, distributing the liability over all the years of estimated residual permanence of the workers existing, and no longer as a liability to be settled in the event the company ceases its activities as of the balance sheet date, as envisaged by Italian legislation.
The measurement of the TFR of the employees is carried out by an independent actuary in compliance with the method indicated above.

Further to Italian Law No. 296 dated 27 December 2007, the portions of indemnity accrued up until 31 December 2006 remain with the company, while those accrued after are assigned to supplement pension funds or the INPS treasury fund, at the choice of the employee. No actuarial calculations have been made on these amounts, which take on the form of a defined-contribution plan, since the Bank’s obligation vis-à-vis the employee ceases with the payment of the accrued portions.

By means of the amendment of IAS 19, made by EU Regulation No. 475 dated 5 June 2012, which the Bank applies since the 2012 financial statements, the actuarial gains and losses, which arise due to changes or adjustments of the previous hypotheses formulated, including the effects of changes in the discount rate, lead to a re-measurement of the TFR liability. They are booked to shareholders’ equity under the valuation reserve “Actuarial gains/loss relating to defined-benefit pension plans” and their booking to the income statement is no longer permitted.

Italian Law No. 190/2014 (2015 Stability Law) introduced the possibility for the workers to directly perceive the portion of indemnity accrued in the month in their pay packet; in this case, the booking of the cost to the income statement takes place directly in the month of disbursement.

11 – Payables and securities issued

The item represents the various forms of funding established by the Bank: amounts due to banks, amounts due to customers, bonds and certificates of deposits issued by the Bank.

Recognition criteria

The recognition of these financial liabilities takes place at the time of receipt of the deposits taken or the issue of the debt securities. Recognition is at fair value, generally equal to the value received, or the issue price, adjusted by any directly attributable initial charges or income.

Measurement criteria

After initial recognition, financial liabilities are measured at amortised cost, with a matching balance in the income statement, using the effective interest rate method if the duration is more than 12 months.
Financial liabilities lacking repayment plans are measured at cost.
Financial liabilities subject to hedging of the fair value are subject to the same measurement criteria as the hedging instrument, limited to just the change in the fair value, as from the moment of designation of said hedge, with a matching balance in the income statement.
The fair value of the hedging instruments is determined by discounting back the cash flow with the risk free curve. Debt instruments linked to share-based instruments, foreign currency, credit instruments or indices are considered to be structured. The embedded derivative is separated from the host contract and represents a stand-alone derivative if the criteria for the separation are observed. In this latter case, the host contract is recorded at amortised cost.

Derecognition criteria

Payables and securities issued are cancelled from the financial statements when they mature, are discharged or disposed of.
Securities issued by the Bank are stated net of any repurchases. The re-allocation of own securities previously re-purchased is recorded as a new issue at sale value.

12 - Other information

Other assets

Item “150 other assets” includes the assets not attributable to the other balance sheet asset items. It also comprises the expenses for leasehold improvements, essentially involving the costs for renovating rented property; the related amortisation is recorded in the item “Other operating income and expense”.

Purchases and sales of financial assets

Purchases and sales of financial assets are recognised as of the settlement date.

Repurchase agreements and security lending transactions

Repurchase agreement transactions which envisage the obligation for the transferee to resell/repurchase forward the assets covered by the transaction (for example, securities) and security lending transactions in which the guarantee is represented by cash which falls under the complete disposition of the bearer, are treated as repos. Therefore, the amounts received and disbursed are recorded in the financial statements as payables and receivables. In detail, the afore-mentioned funding repurchase agreements and security lending transactions are stated in the financial statements as payables for the forward amount received, while those involving lending are stated as receivables for the spot amounts.

These transactions do not lead to changes in the securities portfolio. Accordingly, the cost of the funding and the income from lending, represented by the coupon accrued on said securities and the differential between the spot price and the forward price, are stated on an accruals basis in the income statement items relating to interest.

Foreign currency assets and liabilities
Foreign currency assets and liabilities are recognised at the time of settlement of the related transactions.
Upon initial recognition, foreign currency transactions are measured in the reporting currency by applying the exchange rate in force at the date of the transaction to the foreign currency amount.
Each time the financial statements are closed, the foreign currency items are measured as follows:
• monetary items are converted using the exchange rate as of the closing date;
• non-monetary items valued at historical cost are converted using the exchange rate as of the transaction date;
• non-monetary items valued at fair value are converted using the exchange rates as of the closing date.

The exchange differences which derive from the settlement of monetary elements or the conversion of monetary elements at rates other than those of initial conversion, are recognised in the income statement for the period in which they arise. When a gain or loss relating to a non-monetary element is recognised under shareholders' equity, the exchange difference relating to this element is also recognised under equity. By contrast, when a gain or loss is recognised in the income statement, the related exchange difference is also recognised in the income statement.

Own shares
Issued shares repurchased are booked directly against the shareholders' equity. No gain or loss deriving from the purchase, sale, issue or discharge of these instruments is recorded in the income statement. Any amount paid or received for these instruments is recognised directly under shareholders' equity.
A specific reserve is inscribed as envisaged by Article 2357 *ter* of the Italian Civil Code.

Securitisations
All the securitisation transactions outstanding were carried out after 1 January 2004.
The loans assigned are not cancelled from the financial statements if there is an essential retention of risks and benefits, even if formally subject to without recourse transfer to a special purpose vehicle. This takes place, for example, if the bank underwrites a tranche of Junior securities or similar exposures, in that it bears the risk of the initial losses and, likewise, benefits from the return of the transaction.
Consequently, the loans appear in the financial statements as "Assets transferred and not derecognised" in the presence of the funding received from the special purpose vehicle, net of the securities issued by the same and subscribed by the transferring bank. Similar representation criteria, based on the predominance of substance over form, are applied for the recognition of the economic balances.

Recognition criteria for income components

Besides the matters illustrated in the basis of presentation, revenues are recognised when they are received or in any event when it is probable that future benefits will be received and these benefits can be quantifiable reliably. In detail:
- interest on amounts due from customers and banks is classified under interest income and similar revenues deriving from amounts due from banks and customers and is recognised on an accruals basis. Default interest is recognised on an accruals basis and written down for the portion which is deemed as non-recoverable;
- dividends are recognised in the income statement when received or when, on the basis of IAS 39, section 55, the right to payment arises;
- commission and interest received or paid relating to financial instruments is recognised on an accruals basis.

The costs are recorded at the time they are incurred, in observance of the criteria of correlation between the costs and revenues which derive directly and jointly from the same transactions or events. The costs directly attributable to the assets valued at amortised cost and which can be determined as from inception, irrespective of the moment when they are settled, flow to the income statement via application of the effective interest rate. The costs which cannot be associated with the revenues are immediately recognised in the income statement.
The losses in value are recognised in the income statement in the period they are noted.

Impacts deriving from the adoption of IFRS 9 "Financial instruments"

IAS 8 "Accounting policies, changes in accounting estimates and errors" envisages that significant disclosure be provided so as to assess the possible impacts on the financial statements deriving from first time application of the new accounting standards. Given the extent of the changes envisaged by IFRS 9, in relation to which disclosure was provided previously, the Bank launched - together with the outsourcer Cedacri - the analysis of the processes and the organisational impacts aimed at application of the standard. This analysis, given the extent of the changes, is still underway, also because IFRS 9, in its new edition, has not yet been approved by the European Commission.
First time application is envisaged for 2018.

A.3 Disclosure on transfers between financial asset portfolios

The Bank has not carried out, either during the year under review or in the previous year, portfolio reclassifications of financial assets from categories measured at fair value to categories measured at amortised cost on the basis of the possibilities introduced by EU Regulation No. 1004/2008 of the European Commission.
In "rare circumstances" it permits the transfer of financial instruments allocated in the trading book to other portfolios characterised by a different accounting method. This circumstance came about during 2008, year in which due to the crisis which had affected the international markets, the market values - no longer suitably expressing the fair value of the financial instruments - had lost significance and risked distorting the representation of the same in the financial statements of the companies which apply the IAS, causing excessive fluctuations in the income statement and on shareholders' equity.

A.3.1 Reclassified financial assets: book value, fair value and effects on comprehensive income

During 2008, the Bank availed itself of the amendment to IAS 39 issued on 13 October by the IASB and assimilated in the EC Regulation 1004/2008, reclassifying securities for a total of Euro 286.9 million, from the FV&PL portfolio to the AFR portfolio.
As of 31 December 2015, no reclassified securities remained.

A.3.1 Reclassified financial assets: effects on comprehensive income before transfer

A.3.3 Transfer of financial assets held for trading

A.3.4 Effective interest rate and cash flows expected from reclassified assets

The tables have not been drawn up since during 2015 there were no reclassifications of financial assets.

A.4 Information on fair value

In December 2012, the European Commission approved, by means of EU Regulation No. 1255/2012, the new IFRS 13 standard "Fair Value Measurement", in force as from 1 January 2013.
IFRS 13 defines the fair value as: "the price which would be perceived for the sale of an asset or would be paid for the transfer of a liability in a regular transaction between market operators as of the valuation date".

When determining the fair value, IFRS 13 envisaged a hierarchy of techniques for determining this value for the purpose of maximising the reliability and verifiability criteria (IFRS 13 section 72).
The concept of Fair Value Hierarchy (hereinafter FVH) envisages the classification of the valorisations at fair value on the basis of three different levels (Level 1, Level 2 and Level 3) in decreasing order of observability of the input used to estimate the fair value.

The FVH envisages the following levels:
1. Listings taken from active markets (Level 1): the fair value is provided by the prices listed on active markets for assets and liabilities identical to those subject to measurement (IFRS 13 section 76).
An active market is a market characterised by a volume and a frequency of trading such as to provide information on the price on an on-going basis (IFRS 13 Enclosure A).
2. Methods of measurement based on observable market parameters (Level 2): the fair value is determined starting from the observable inputs for the asset subject to measurement directly or indirectly (IFRS 13 section 81).
The level 2 inputs include (IFRS 13 section 82):
- the listed prices on active markets of instruments comparable to those subject to measurement;
- the listed prices on non-active markets of instruments identical or comparable to those subject to measurement;
- input, other than the prices, which can be observed (for example: interest rates, return curves, volatility, etc.);
- input deriving from or corroborated by observable market data.

3. Methods of measurement based on non-observable market parameters (Level 3): the fair value is level 3 if the inputs used in the fair value measurement techniques cannot be observed on the market (IFRS 13 section 86).
When using the level 3 inputs, it is necessary to consider that the objective of the measurement is to determine an exit price (transfer price) for the market participant which holds the financial instrument. The level 3 inputs must reflect the hypotheses of the Bank, with regard to the undertakings which the market participants would make, when assigning a price to the instrument (IFRS 13 section 87).
The level 3 inputs are developed on the basis of the best information available also with reference to the information within the Bank.

Consequently, the information within the Bank must be corrected if available, without excessive costs or efforts, proof that the market participants will use different assumptions (IFRS 13 section 89).
The Fair Value Hierarchy assigns maximum priority to the use of level 1 inputs and minimum priority to the use of level 3 inputs (IFRS 13 section 72). Generally, when inputs belonging to different levels are used for the measurement of a specific assets or liability, the entire measurement is classified in the same hierarchy level in which the lower level input is classified if deemed significant for the determination of the fair value in its entirety, as described in IFRS 13 section 73.
A measurement of the fair value, developed using the technique of the current value, could be classified in level 2 or 3 depending on the significant inputs for the entire measurement and the level of these inputs (IFRS 13 section 74).
The assessment with regard to the significance of the input, which determines the classification in level 2 rather than level 3, requires the expression of an opinion by the assessor, which takes into account specific factors of the asset or liability.

With regard to the financial instruments measured in the financial statements at fair value, the Board of Directors of Banca Valsabbina, with the collaboration of outside professionals, has approved a “Fair Value Policy” which assigns maximum priority to the prices listed on active markets and lower priority to the use of non-observable inputs, since they are more discretional, in line with the fair value hierarchy indicated above.
In detail, the policy defines:
- the rules for the identification of the market data, the selection/hierarchy of the information sources and the price configurations necessary for valorising the financial instruments contributed in active markets and classified in correspondence with level 1 of the fair value hierarchy (“Mark to Market Policy”);
- the measurement techniques and the related input parameters in all the cases where it is not possible to adopt the Mark to Market Policy (“Mark to Model Policy” for level 2 or 3 of the hierarchy).

Mark to Market Policy
When establishing the fair value, the Bank uses - each time it is available - information based on market data obtained from independent sources, since it is considered the best indication of the fair value. In this case, the fair value is the market price of the same instrument subject to measurement, or rather without changes or reconstructions of the same instrument, which can be gathered from the listings expressed by an active market (and classified in level 1 of the fair value hierarchy). A market is considered active when the transactions take place with a frequency and

with sufficient volumes so as to provide useful information for the determination of the price on an on-going basis (IFRS 13 Enclosure A).

As a rule, the following are considered to be active markets:

- the organised securities and derivatives markets, with the exception of the Luxembourg stock market;
- certain OTC electronic trading circuits, if specific conditions exist based on the presence of a certain number of contributors with proposals which can be carried out and characterised by bid-ask spreads, or by the difference between the price at which the counterparty undertakes to sell the securities (ask price) and the price at which it undertakes to buy them (bid ask), contained within a specific tolerance threshold;
- the secondary market of the UCIT units, expressed by the official NAVs (Net Asset Value), on the basis of which the issuing asset management company ensures the settlement of the units rapidly. In detail, these are harmonised open-end UCITs, characterised, per type of investment, by high levels of transparency and liquidability.

Mark to Model Policy

If the "Mark to Market Policy" is not applicable, due to the absence of prices directly observable on markets considered to be active, it is necessary to resort to measurement techniques which maximise the recourse to information available on the market, on the basis of the following measurement approaches: recent transactions, transactions in similar instruments, equity measurement methods, discounting back of future cash flows.

In detail:

- the debt securities are measured on the basis of the method involving the discounting back of the estimated cash flows, appropriately corrected to take into account the issuer risk;
- the unlisted equities are measured with reference to direct transactions on the same securities or on similar securities observed over a suitable period of time with respect to the date of measurement, to the method of the market multiples of comparable companies and subordinately to financial, income and equity measurement methods;

investments in UCITs, other than the harmonised open-end ones, are measured on the basis of the NAVs made available by the fund administrator or the management company. These investments typically include private equity funds, real estate property funds and hedge funds.

A.4.1 Level 2 and 3 fair value: measurement techniques and inputs used

In the absence of prices listed on active markets, the financial instruments must be classified in levels 2 or 3.

Classification in level 2 rather the level 3 is determined on the basis of the possibility to observe on the market significant inputs used for the purpose of determining the fair value. A financial instrument must be classified in its entirety in a single level; therefore, if inputs belonging to different levels are used in the measurement technique, the entire measurement must be classified in correspondence with the hierarchy level in which the lower level input is classified, if deemed significant for the determination of the fair value in its entirety.

In the cases where the weight of the data which cannot be observed is predominant with respect to the overall valuation, the level assigned is "3".

Fair value determined on the basis of level 2 input

The following types of investment are normally considered to be Level 2:

- equities not listed on active markets, measured:
  - by means of the market multiples technique, making reference to a selected sample of comparable companies with respect to that being measured;
  - on the basis of recent transaction prices;
  - undertaking price indications provided by the issuer counterpart possibly adjusted to take into account the counterpart and/or liquidity risk (for example: the price resolved by the Board of Directors/Shareholders' meeting for the shares of listed industrial co-operative banks, the value of the holding communicated by the management company for closed-end funds reserved for institutional investors, the redemption value determined in compliance with the issue regulations for insurance agreements);
- debt securities, not listed on active markets, in relation to which the inputs, including the loan spreads, can be traced from market sources (for example interest rates or curves of the returns which can be observed at intervals commonly listed, implied volatility and loan spreads);
- funds characterised by significant levels of transparency and liquidity, valorised on the basis of the NAVs provided by the management company/fund administrator, published weekly and/or monthly.

Fair value determined on the basis of level 3 input

The following financial instruments are as a rule considered to be level 3:

- hedge funds characterised by significant levels of illiquidity and in relation to which it is deemed that the valorisation process for the equity of the fund requires, to a significant extent, a series of assumptions and estimates. The measurement at fair value is carried out on the basis of the NAV, possibly corrected in order to take into account the scant liquidity of the investment, or rather the interval of time running between the date of request for reimbursement and that of effective reimbursement, as well as so as to take into account any investment exit commission;
- real estate property funds measured on the basis of the last NAVs available;
- non-liquid share-based securities in relation to which recent or comparable transactions cannot be observed, usually measured on the basis of the equity model;
- non-liquid equities not traded on an active market, in relation to which the fair value cannot be determined to a reliable extent according to the most common methods (in the first place, the discounted cash flow analysis) stated at cost, possibly adjusted to take into account any significant decreases in value.
- debt securities characterised by complex financial structures in relation to which sources not publically available are as a rule used; these are non-binding listings, also uncorroborated by market proof;
- debt securities issued by parties undergoing financial difficulties in relation to which management must use its judgement in the definition of the recovery rate, since significant prices which can be observed on the market do not exist.

A.4.2 Processes and sensitivity of the measurements

The measurement methods indicated above are periodically implemented to take into account the change in the observable elements (e.g. rates, market prices) and any significant change in the credit and market risk of the financial assets valued which requires a change to the valuation technique.

A.4.3 Fair value hierarchy

The Bank classifies the measurements at fair value of the financial assets and liabilities on the basis of a level hierarchy which reflects the significance of the inputs used in the measurements, whose criteria has been stated previously.

A.4.4 Other information

Within the sphere of the financial assets and liabilities, the IAS standards also include the amounts due from banks and customers and the liabilities due to banks and customers or represented by securities.
With regard to on-demand / upon revocation deposits and loans, an immediate maturity of the contractual obligations is undertaken coinciding with the balance sheet date, and therefore their fair value is approximate to the book value. Likewise, the book value is adopted for short-term loans.
With regard to medium/long-term loans to customers, the fair value is obtained by means of valuation techniques, discounting back the residual contractual flows to the current interest rates, appropriately adjusted to take into account the credit worthiness of the individual borrowers (represented by the probability of default and by the estimated loss in the event of default).

With regard to medium/long-tern debt, represented by securities and for which application of the fair value options was opted for, the fair value is determined discounting back the residual contractual flows using the “zero coupon” rate curve obtained, via the bootstrapping method, from the curve of the market rates.
With regard to medium/long-term debt represented by securities valued at amortised cost and subject to hedging for the rate risk, the book value is adjusted due to the hedging of the fair value attributable to the risk hedged discounting back the related flow.
With regard to derivative contracts traded on organised markets, the market price on the last listing day of the period is adopted as fair value.
With regard to over the counter derivative contracts, the market value as of the reference date is adopted as fair value, determined according to the following methods in relation to the type of contract:
- for contracts on interest rates, the market value is represented by the so-called “replacement cost”, determined by means of the discounting back of the differences, to the envisaged settlement dates, between the flows calculated at the contract rates and the estimated flows calculated at market rates, objectively determined, current at year end by equal residual maturity;
- for option contracts on securities and other instruments, the market value is determined making reference to recognised pricing models (e.g. Black & Scholes).

Impaired assets

The definition of the financial assets in the various risk categories is that envisaged in the current Supervisory reports and in the internal provisions, which fix the rules for the transfer of the loans and receivables within the sphere of the various risk categories.
Reference is made to the recognition, classification, measurement and derecognition criteria previously indicated for each financial statement item as well as to Part E, section 1 - Credit risk, 2.4 Impaired financial assets in these explanatory notes.
With regard to impaired assets, the book value is deemed to be an approximation of the fair value.

Method for determining the amortised cost

The “amortised cost” of a financial asset or liability is equal to the initial recognition cost, decreased / increased by the capital repayments, the value adjustments / writebacks and the amortisation - calculated using the effective interest rate method - of the difference between the amounts disbursed and that which can be repaid on maturity, attributable typically to the costs / income booked directly to the individual loan/receivable.
The effective interest rate is the rate which equalises the current value of a financial asset or liability to the contractual flows, for principal and interest, of the future payments or those received up until maturity or on the subsequent rate recalculation date.
With regard to fixed rate instruments or those at fixed rate for temporary periods (e.g. step up bonds), the future cash flows are determined in the basis of the interest rate noted during the life of the instrument.
With regard to floating rate financial assets or liabilities, the determination of the future cash flows is carried out on the basis of the last known rate. As of each price review date, steps are taken to recalculate the repayment plan and the effective rate of return on the entire useful life of the financial instrument, in other words until the maturity date.
The amortised cost is applied for loans and receivables, for financial assets held until maturity, for those available for sale, for payables and securities issued.
The financial assets and liabilities traded under market conditions are initially recognised at their fair value, which normally corresponds to the amount paid or disbursed inclusive of the transaction costs and the directly bookable commission.
Transaction costs are considered to be the internal marginal costs and income attributable at the time of initial recognition of the instrument, not rechargeable to the customer.
These accessory components, which must be attributable to the individual assets or liability, affect the effective return and make the effective interest rate different from the contractual interest rate.
Therefore, the costs and income referable without distinction to several transactions and the correlated components which may be subject to recognition during the life of the financial instrument, are excluded.
Furthermore, the costs which the Bank will have to incur irrespective of the transactions, such as administrative, stationery and communication costs, are not considered in the calculation.

Methods for determining the losses in value on financial assets (impairment).

Reference is made to the impairment formalities indicated previously for each financial statement item.
With reference to available-for-sale assets, the process for the recognition of any impairments envisages the checking of the presence of impairment indicators and the determination of any write-down.

Quantitative information

A.4.5 Fair value hierarchy

A.4.5.1 Assets and liabilities measured at fair value on a recurrent basis: breakdown by fair value level

Financial assets / liabilities measured at fair value	**Total 31 Dec. 2015**			**Total 31 Dec. 2014**		
	L 1	**L 2**	**L 3**	**L 1**	**L 2**	**L 3**
1. Financial assets held for trading	1	105	2	-	179	2
2. Financial assets measured at fair value	-	-	-	-	-	-
3. Available-for-sale financial assets	1,097,660	10,859	28,912	1,162,184	6,085	11,276
4. Hedging derivatives	-	-	-	-	-	-
5. Tangible assets	-	-	-	-	-	-
6. Intangible Assets	-	-	-	-	-	-
Total	**1,097,661**	**10,964**	**28,914**	**1,162,184**	**6,264**	**11,278**
1. Financial liabilities held for trading	-	51	-	-	215	-
2. Financial liabilities measured at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
Total	**-**	**51**	**-**	**-**	**215**	**-**

Key:
L1= Level 1 L2= Level 2 L3= Level 3

Shares issued by financial intermediaries for Euro 10,859 thousand are classified in FV Level 2 of the "Available-for-sale financial assets", valued according to the price determined by the shareholders' meeting of the issuer or the price taken from the last significant transactions.

Again with regard to the AFS portfolio, FV Level 3, for a total of Euro 28,912 thousand, includes all the securities listed (with change) in the following table in section A.4.5.2 and concern:

- units of real estate mutual funds for Euro 26,938 thousand on the basis of price indications provided by the issuer counterpart. On the basis of the impairment test, the capital losses registered in the Asset Bancari I and IV funds have been booked to the income statement for amounts, respectively Euro 71 and Euro 328 thousand, in addition to the account transfer of Euro 137 thousand previously booked to a negative reserve.
  The other changes in the UCIT units classified in level 3 are in any event described in the table which follows;
- shares for Euro 1,974 thousand, corresponding to the valuation of the holding held in Ubi Leasing (valuation on the basis of the shareholders' equity as of 30 September 2015, with impairment booked to the income statement).

The following took place during 2015:

- the shares held in Istituto Centrale Banche Popolari were disposed of for a total of Euro 1,767 thousand leading to an overall capital gain of Euro 1,451 thousand (of which Euro 267 thousand already represented as of 31 December 2014 as a positive reserve);

- additional holdings were acquired in the company Arca sgr for Euro 1,588 thousand; steps were taken to value the equity investment according to the price (Euro 9.60 per share) deriving from the significant transactions carried out towards the end of the year which affected the company. Given the change in the measurement method, steps were taken to reclassify this interest holding from FV3 LV to FV2 LV in compliance with the policy adopted by the Bank; previously, the equity

investment was measured according to the “portion of shareholders’ equity” method (Euro 3,068 per holding as of 31 December 2014). The positive net valuation reserve thus increased by Euro 1,416 thousand to Euro 4,695 thousand;
- steps were taken to fully write down the shares held in CA.RI.FE. further to the “Measure for the write-down of shares and subordinated instruments” issued by the Bank of Italy in November 2015 after said intermediary had been subject to the Banking Resolution process.

A.4.5.2 Changes during the year in financial assets measured at fair value on a recurrent basis (level 3)

	Financial assets held for trading	**Financial assets measured at fair value**	**Available-for-sale financial assets**	**Hedging derivatives**	**Tangible assets**	**Intangible assets**
1. Opening balances	**2**	**-**	**11,276**	-	-	-
2. Increases	**102**	**-**	**25,057**	-	-	-
2.1 Purchases	101	-	23,875	-	-	-
2.2 Profits booked to:	-	-	1,182	-	-	-
2.2.1 Income statement	-	-	1,155	-	-	-
- of which: Capital gains	-	-	1,155	-	-	-
2.2.2 Shareholders’ equity	-	-	27	-	-	-
2.3 Transfers from other levels	-	-	-	-	-	-
2.4 Other increases	1	-	-	-	-	-
3. Decreases	**102**	**-**	**7,421**	-	-	-
3.1 Sales	102	-	1,864	-	-	-
3.2 Reimbursements	-	-	-	-	-	-
3.3 Losses booked to:	-	-	1,997	-	-	-
3.3.1 Income statement	-	-	1,942	-	-	-
- of which: Capital losses	-	-	-	-	-	-
3.3.2 Shareholders’ equity	-	-	55	-	-	-
3.4 Transfers to other levels	-	-	3,558	-	-	-
3.5 Other decreases	-	-	2	-	-	-
4. Closing balances	**2**	-	**28,912**	-	-	-

Breakdown of financial assets measured at fair value on a recurrent basis (Level 3) - AFS portfolio

	Bonds	**Shares**					**Mutual funds**						**TOTAL**
	BANCA POPOLARE DI VICENZA	**UBI LEASING**	**CA.RI.FE.**	**ARCA S.G.R. S.p.A.(1)**	**I.C.B.P.I.**	**AEDES az. speciali (2)**	**LEOPARDI - real estate property fund**	**ASSET BANCARI I**	**ASSET BANCARI IV**	**ASSET BANCARI V**	**ASSET BANCARI VI**	**FININT FENICE**	
1. Opening balances	**98**	**2,026**	**1,491**	**1,810**	**613**	**160**	**679**	**1,036**	**2,363**	**1,000**	**-**	**-**	**11,276**
2. Increases	1	-	-	1,588	1,154	-	-	-	3,837	27	11,350	7,100	**25,057**
2.1 Purchases	-	-	-	1,588	-	-	-	-	3,837	-	11,350	7,100	**23,875**
2.2 Profits booked to:	1	-	-	-	1,154	-	-	-	-	27	-	-	**1,182**
2.2.1 Income statement	1	-	-	-	1,154	-	-	-	-	-	-	-	**1,155**
- of which: Capital gains	1	-	-	-	1,154	-	-	-	-	-	-	-	**1,155**
2.2.2 Shareholders’ equity	-	-	-	-	-	-	-	-	-	27	-	-	**27**
2.3 Transfers from other levels	-	-	-	-	-	-	-	-	-	-	-	-	**-**
2.4 Other increases	-	-	-	-	-	-	-	-	-	-	-	-	**-**
3. Decreases	**99**	**52**	**1,491**	**3,398**	**1,767**	**160**	**55**	**71**	**328**	**-**	**-**	**-**	**7,421**
3.1 Sales	97	-	-	-	1,767	-	-	-	-	-	-	-	**1,864**
3.2 Reimbursements	-	-	-	-	-	-	-	-	-	-	-	-	**-**
3.3 Losses booked to:	-	52	1,491	-	-	-	55	71	328	-	-	-	**1,997**
3.3.1 Income statement	-	52	1,491	-	-	-	-	71	328	-	-	-	**1,942**
- of which: Capital losses	-	-	-	-	-	-	-	-	-	-	-	-	**-**
3.3.2 Shareholders’ equity	-	-	-	-	-	-	55	-	-	-	-	-	**55**
3.4 Transfers to other levels	-	-	-	3,398	-	160	-	-	-	-	-	-	**3,558**
3.5 Other decreases	2	-	-	-	-	-	-	-	-	-	-	-	**2**
4. Closing balances	**-**	**1,974**	**-**	**-**	**-**	**-**	**624**	**965**	**5,872**	**1,027**	**11,350**	**7,100**	**28,912**

(1) security transferred from level 3 to level 2 at the time of the year-end measurement carried out according to the method of the price originating from recent and significant transactions
(2) securities transferred from level 3 to level 1 at the time of listing on the ordinary stock market

The previous table shows the change during the year in the securities with level 3 fair value.
The change in "financial assets held for trading" is not significant and therefore presents a more or less nil balance.

A.4.5.3 Changes during the year in financial liabilities measured at fair value on a recurrent basis (level 3)

The bank has not issued any financial liabilities measured at fair value.

A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurrent basis: breakdown by fair value level

Assets/liabilities not measured at fair value or measured at fair value on a non-recurrent basis	31 Dec. 2015				31 Dec. 2014			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets held to maturity	-	-	-	-	-	-	-	-
2. Amounts due from banks	135,021	-	-	135,021	108,266	-	-	108,266
3. Amounts due from customers	2,780,431	-	-	2,925,203	2,960,578	-	-	3,140,820
4. Tangible assets held for investment purposes	-	-	-	-	-	-	-	-
5. Non-current assets held for sale and discontinued operations	-	-	-	-	-	-	-	-
Total	**2,915,452**	**-**	**-**	**3,060,224**	**3,068,844**	**-**	**-**	**3,249,086**
		-	-					
1. Amounts due to banks	621,160	-	-	621,160	652,260	-	-	652,260
2. Amounts due to customers	2,159,345	-	-	2,159,345	2,033,695	-	-	2,033,695
3. Securities issued	965,561	-	-	961,875	1,221,047	-	-	1,221,047
4. Liabilities associated with assets held for sale and discontinued operations	-	-	-	-	-	-	-	-
Total	**3,746,066**	**-**	**-**	**3,742,380**	**3,907,002**	**-**	**-**	**3,907,002**

A.5 Information on the so-called "day one profit/loss"

This section is not drawn up since there were no transactions of this type.

Part B: Information on the Balance sheet

Assets

Section 1 - Cash and cash equivalents - Item 10

The balances of currencies in legal tender and on-demand deposits with the Bank of Italy are reported on in this section.

1.1 Cash and cash equivalents: breakdown

Items/Amounts	Total 31 Dec. 2015	Total 31 Dec. 2014
a) Cash	13,574	13,513
b) On demand deposits with Central Banks	-	-
Total	**13,574**	**13,513**

The item “Cash” includes the balances of coins and banknotes care of the branch accounts, cash point machines and the centralised account. Foreign banknotes amount to Euro 338 thousand. At year end, there were no on-demand deposits with the Bank of Italy. The Compulsory Reserve is recorded in item “60 Amounts due from banks”.

Section 2 - Financial assets held for trading - Item 20

All the financial assets (debt securities, equities, UCIT units, derivatives) used for trading with the aim of generating profits from the change in the related prices or availing of the related liquidity over the short-term, are classified in this item.

2.1 Financial assets held for trading: breakdown by type of instrument

Items/Amounts	Total 31 Dec. 2015			Total 31 Dec. 2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A On-balance sheet assets						
1. Debt securities	-	-	-	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equities	2	-	2	-	-	2
3. UCIT units	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	**2**	**-**	**2**	**-**	**-**	**2**
B Derivative instruments						
1. Financial derivatives	-	105	-	-	179	-
1.1 trading	-	105	-	-	179	-
1.2 associated with the fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 trading	-	-	-	-	-	-
2.2 associated with the fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total B	**-**	**105**	**-**	**-**	**179**	**-**
Total (A+B)	**2**	**105**	**2**	**-**	**179**	**2**

“Derivative instrument” financial assets for trading are made up of:

- with regard to level 2, Euro 92 thousand in foreign currency forward transactions, whose value is matched by liability item 40 “Financial liabilities held for trading”. The book amount “intrinsic value” is the expression of a notional value of the transactions equating to Euro 3,726 thousand;
- again with regard to level 2, Euro 13 thousand being the intrinsic value referring to hedges of foreign currency transactions carried out by the Bank, with a notional value of Euro 272 thousand.

The term “level”, in the heading of the various columns, represents the different method of measurement of the financial assets with the use for level 1 of market values, for level 2 of different external sources either direct (prices) or indirect (derived from prices), and for level 3 of internal measurements or the cost.
Complete disclosure on the fair value level is provided at the end of the accounting standards: “Fair value disclosure”.

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

Items/Amounts	Total 31 Dec. 2015	Total 31 Dec. 2014
A. On-balance sheet assets		
1. Debt securities	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other issuers	-	-
2. Equities	**4**	**2**
a) Banks	2	-
b) Other issuers:	2	2
- insurance companies	-	-
- financial companies	-	-
- non-financial companies	2	2
- others	-	-
3. UCIT units	**-**	**-**
4. Loans	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other parties	-	-
Total A	**4**	**2**
B. Derivative instruments		
a) Banks - fair value	93	130
b) Customers - fair value	12	49
Total B	**105**	**179**
Total (A+B)	**109**	**181**

Section 3 - Financial assets measured at fair value - Item 30

This section, intended to recognise financial assets designated at fair value with the valuational results recorded in the income statement on the basis of the faculty acknowledged by IAS 39 (so-called "fair value option"), is not drawn up since the Bank does not hold financial assets classified as such.

Section 4 - Available-for-sale financial assets - Item 40

Available-for-sale financial assets (debt securities, equities, units of mutual investment funds - UCIT - etc.), valued at year end using the fair value with matching balance in the shareholders' equity valuation reserves, are classified in this item.

4.1 Available-for-sale financial assets: breakdown by type of instrument

Items/Amounts	Total 31 Dec. 2015			Total 31 Dec. 2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	**905,849**	**-**	**-**	**1,040,388**	**2,055**	**98**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	905,849	-	-	1,040,388	2,055	98
2. Equities	**146**	**10,859**	**5,632**	**-**	**4,030**	**9,758**
2.1 Measured at fair value	146	10,859	1,974	-	4,030	6,100
2.2 Measured at cost	-	-	3,658	-	-	3,658
3. UCIT units	**191,665**	**-**	**26,938**	**121,796**	**-**	**5,078**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**1,097,660**	**10,859**	**32,570**	**1,162,184**	**6,085**	**14,934**

The portfolio of available-for-sale financial assets includes:
- government securities and bonds (banking book) not intended for trading;
- units of mutual investment funds (UCIT);
- equities including the interests held for long-term investment, a list of which is included in the report on operations.

FV level 3 includes Euro 3,658 thousand in unlisted shares maintained at cost, in the absence of manifestations of risk which require a different valuation.

The term "level", in the heading of the various columns, represents the different method of measurement of the financial assets with the use for level 1 of market values, for level 2 of different external sources either direct (prices) or indirect (derived from prices), and for level 3 of internal measurements or the cost.
Complete disclosure on the fair value level is provided at the end of the accounting standards: "Fair value disclosure".

4.2 Available-for-sale financial assets: breakdown by debtor/issuer

Items/Amounts	Total 31 Dec. 2015	Total 31 Dec. 2014
1. Debt securities	**905,849**	**1,042,541**
a) Governments and Central Banks	905,849	1,040,389
b) Other public bodies	-	-
c) Banks	-	2,152
d) Other issuers	-	-
2. Equities	**16,637**	**13,788**
a) Banks	3,607	6,134
b) Other issuers	13,030	7,654
- insurance companies	-	-
- financial companies	9,254	3,864
- non-financial companies	3,776	3,790
- others	-	-
3. UCIT units	**218,603**	**126,874**
4. Loans	-	**-**
a) Governments and Central Banks	-	-
b) Other public bodies	-	-
c) Banks	-	-
d) Other parties	-	-
Total	**1,141,089**	**1,183,203**

With regard to the distribution of the financial assets by economic sector the issuers belong to, the classification criteria envisaged by the Bank of Italy have been used.

Table “4.3 Available-for-sale assets: subject to micro hedging” is not drawn up since no micro hedges have been made.

Section 5 - Financial assets held to maturity - Item 50

This section is not drawn up because the Bank does not hold any financial assets classified as thus.

Section 6 - Amounts due from banks - Item 60

This item includes the unlisted financial assets due from banks, classified in the "loans/receivables" book including the deposit with the Bank of Italy for the Compulsory Reserve.

6.1 Amounts due from banks: breakdown by type of instrument

Transaction type/Balances	Total 31 Dec. 2015				Total 31 Dec. 2014			
	BV	FV Level 1	FV Level 2	FV Level 3	BV	FV Level 1	FV Level 2	FV Level 3
A. Loans and receivables due from Central Banks	**23,442**	**-**	**-**	**-**	**13,789**	**-**	**-**	**-**
1. Time deposits	-	-	-	-	-	-	-	-
2. Compulsory reserve	23,442	-	-	-	13,789	-	-	-
3. Repurchase agreements	-	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-	-
B. Amounts due from banks	**111,579**	**-**	**-**	**-**	**94,477**	**-**	**-**	**-**
1. Loans	75,068	-	-	-	56,690	-	-	-
1.1 Current accounts and unrestricted deposits	16,942	-	-	-	7,822	-	-	-
1.2. Time deposits	51,891	-	-	-	48,245	-	-	-
1.3. Other loans:	6,235	-	-	-	623	-	-	-
- Repurchase agreements receivable	-	-	-	-	-	-	-	-
- Finance leases	-	-	-	-	-	-	-	-
- Other	6,235	-	-	-	623	-	-	-
2. Debt securities	36,511	-	-	-	37,787	-	-	-
2.1 Structured securities	-	-	-	-	-	-	-	-
2.2 Other debt securities	36,511	-	-	-	37,787	-	-	-
Total	**135,021**	**-**	**-**	**135,021**	**108,266**	**-**	**-**	**108,266**

The balances recorded in this item have not been subject to impairment because they are deemed to be fully recoverable considering the duration of the investment and the quality of the counterparts.

Just the balance of the Compulsory reserve, amounting to Euro 23,442 thousand, is recorded under amounts due from Central banks.
The aggregate of amounts due from banks is made up as follows:
- current accounts and unrestricted deposits, held with both Italian and foreign banks, for amounts in Euro totalling Euro 7,031 thousand and amounts in currency for Euro 9,911 thousand;
- time deposits, held with Italian banks for Euro 45,000 thousand and foreign banks for Euro 6,891 thousand;
- other loans for Euro 6,235 thousand;
- debt securities, issued by banking counterparts for Euro 36,511 thousand.

The tables "6.2 Amounts due from banks: subject to micro hedge" and "6.3 Financial leases" are not drawn up due to the absence of such transactions.

Section 7 - Amounts due from customers - Item 70

This section includes unlisted financial assets due from customers classified in the "loans/receivables" book.

7.1 Amounts due from customers: breakdown by type of instrument

Transaction type/Balances	Total 31 Dec. 2015						Total 31 Dec. 2014					
	Book value			Fair value			Book value			Fair value		
	Unimpaired	Impaired		L1	L2	L3	Unimpaired	Impaired		L1	L2	L3
		Acquired	Other					Acquired	Other			
Loans	**2,391,804**	**-**	**388,627**	**-**	**-**	**-**	**2,577,141**	**-**	**383,437**	**-**	**-**	**-**
1. Current accounts	459,295	-	84,312	-	-	-	544,851	-	87,783	-	-	-
2. Repurchase agreements receivable	-	-	-	-	-	-	-	-	-	-	-	-
3. Mortgage loans	1,604,258		294,982	-	-	-	1,641,173	-	282,421	-	-	-
4. Credit cards, personal loans and salary-backed loans	3,529	-	547	-	-	-	2,893	-	600	-	-	-
5. Financial leases	-	-	-	-	-	-	-	-	-	-	-	-
6. Factoring	-	-	-	-	-	-	-	-	-	-	-	-
7. Other loans	324,722	-	8,786	-	-	-	388,224	-	12,633	-	-	-
Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
8. Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
9. Other debt securities	-	-	-	-	-	-	-	-	-	-	-	-
Total	**2,391,804**	**-**	**388,627**	**-**	**-**	**2,925,203**	**2,577,141**	**-**	**383,437**	**-**	**-**	**3,140,820**

Amounts due from customers are stated net of value adjustments.
Financial statement legislation envisages that amounts due from customers are stated in separate columns with distinction between performing and impaired, on the basis of their technical form; purchases of impaired loans have not been made in the period under review or the past.
The impaired exposures include positions classified as non-performing, probable defaults and past due impaired loans as more fully illustrated in part E of these explanatory notes. Section 1 - Credit risk
The Fair Value column show the value of the exposures on the basis of the rates applied to the individual transactions and the duration of the loans, discounting back on the basis of the outstanding curve of the market rates.
Other loans include the cash management transactions with central counterparties for Euro 80 million.
The additional value assigned to the loans originating from the absorbed Credito Veronese, amounting originally to Euro 5,612 thousand, were outstanding as of 31 December 2015 for Euro 2,673 thousand, post amortisation for the period amounting to Euro 540 thousand booked to decrease the interest income.

7.2 Amounts due from customers: breakdown by debtor/issuer

Transaction type/Balances	Total 31 Dec. 2015			Total 31 Dec. 2014		
	Unimpaired	Impaired		Unimpaired	Impaired	
		Acquired	Other		Acquired	Other
1. Debt securities:	**-**	**-**	**-**	**-**	**-**	**-**
a) Governments	-	-	-	-	-	-
b) Other public bodies	-	-	-	-	-	-
c) Other issuers	-	-	-	-	-	-
- non-financial	-	-	-	-	-	-
- financial companies	-	-	-	-	-	-
- insurance companies	-	-	-	-	-	-
- others	-	-	-	-	-	-
2. Loans to:	**2,391,804**	**-**	**388,627**	**2,577,141**	**-**	**383,437**
a) Governments	1	-	-	-	-	-
b) Other public bodies	20,611	-	-	21,837	-	-
c) Other parties	2,371,192	-	388,627	2,555,304	-	383,437
- non-financial	1,590,315	-	312,055	1,722,633	-	307,574
- financial companies	160,467	-	5,984	199,301	-	5,953
- insurance companies	-	-	-	-	-	-
- others	620,410	-	70,588	633,370	-	69,910
Total	**2,391,804**	**-**	**388,627**	**2,577,141**	**-**	**383,437**

The distribution of loans/receivables by debtor/issuer is obtained using the classification criteria envisaged by the Bank of Italy.
The tables “7.3 Amounts due from customer: subject to micro hedge” and “7.4 Financial leases” are not drawn up due to the absence of such transactions.

Section 8 - Hedging derivatives – Item 80

This section is not drawn up because as at 31 December 2015 the Bank did not have any transactions of this type, as in the previous year.

Section 9 - Value adjustment to financial assets subject to macro-hedging - Item 90

This section is not drawn up because the Bank does not hold any financial assets classified as such.

Section 10 – Equity investments - Item 100

This section includes the equity investments in subsidiary companies, jointly controlled companies and equity investments in companies subject to significant influence.

10.1 Equity investments: information on investment relationships

Company name	Registered offices	Operating headquarters	Ownership percentage %	% of votes available
A. Exclusively-controlled subsidiary companies				
1. Valsabbina Real Estate S.R.L.	Brescia	Brescia	100.00%	-
B. Jointly-controlled subsidiary companies	-	-	-	-
C. Companies subject to significant influence	-	-	-	-
1. Polis Fondi Immobiliare di Banche popolari SGR p.A.	Milan	Milan	9.80%	-

10.2 Significant equity investments: book value, fair value and dividends received

Company name	Book value	Fair value	Dividends received
A. Exclusively-controlled subsidiary companies			
1. Valsabbina Real Estate S.R.L.	170	-	-
B. Jointly-controlled subsidiary companies	-	-	-
C. Companies subject to significant influence	-	-	-
Total	**170**	-	-

Valsabbina Real Estate is wholly-owned; consolidated financial statements are not drawn up due to the scant significance and relevance of the balances of the subsidiary with respect to those of the parent company, in accordance with the “Systematic framework for the preparation and presentation of the financial statements”, which represents the conceptual model underlying the IAS standards.
The financial statement total of the subsidiary (Euro 2,313 thousand) is lower than the limits envisaged by the Supervisory instructions for the consolidated reèprting (financial statement assets less than Euro 10 million).
The financial statement formats of the Company are attached to the financial statements of the Bank.

10.3 Significant equity investments: accounting information

Company name	Cash and cash equivalents	Financial assets	Non-financial assets	Financial liabilities	Non-financial liabilities	Total revenues	Interest margin	Value adjustments and writebacks on tangible and intangible assets	Profit (Loss) before tax from continuing operations	Profit (Loss) after tax from continuing operations	Profit (loss) of groups of assets held for sale net of taxation	Profit (loss) for the year (1)	Other income components net of taxation (2)	Comprehensive income (3) = (1) + (2)
A. Exclusively-controlled subsidiary companies	**-**	**-**	**2,313**	**2,143**	**63**	**7,906**	**-**	**-**	**(129)**	**(117)**	**-**	**(117)**	**-**	**(117)**
1. Valsabbina Real Estate s.r.l.	-	-	2,313	2,143	63	7,906	-	-	(129)	(117)	-	(117)	-	(117)
B. Jointly-controlled subsidiary companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C. Companies subject to significant influence	-	-	-	-	-	-	-	-	-	-	-	-	-	-

The balances shown in the table relate to the annual financial statements as of 31 December 2015; the shareholders' equity of the company inclusive of the result for the year amounts to Euro 107 thousand.

10.4 Non-significant equity investments: accounting information

Company name	Book value of the equity investments	Total assets	Total liabilities	Total revenues	Profit (Loss) after tax from continuing operations	Profit (loss) of groups of assets held for sale net of taxation	Profit (loss) for the year (1)	Other income components net of taxation (2)	Comprehensive income (3) = (1) + (2)
A. Exclusively-controlled subsidiary companies	-	-	-	-	-	-	-	-	-
B. Jointly-controlled subsidiary companies	-	-	-	-	-	-	-	-	-
C. Companies subject to significant influence	1,205	11,443	2,105	6,982	788	-	788	(13)	775

The balances presented refer to the financial statements as of 31 December 2014.

The category Companies subject to significant influence includes the equity investment held by the Bank in Polis S.G.R.; the investment was acquired during 2013 (50,960 shares in Polis Fondi Immobiliare S.G.R., equal to 9.8% of the share capital), for Euro 1,205 thousand with the principal aim of taking part in the management of the closed-end real estate funds which have been assigned properties by the subsidiary Valsabbina Real Estate.
By virtue of the shareholders’ agreements, the holding has been classified under equity investments subject to significant influence.

10.5 Equity investments: changes during the year

Items	Total 31 Dec. 2015	Total 31 Dec. 2014
A. Opening balances	**1,375**	**1,375**
B. Increases	**130**	**-**
B.1 Purchases	-	-
B.2 Value writebacks	-	-
B.3 Revaluations	-	-
B. 4 Other changes	130	-
C. Decreases	**130**	**-**
C.1 Sales	-	-
C.2 Value adjustments	130	-
C.3 Other changes	-	-
D. Closing balances	**1,375**	**1,375**
E. Total revaluations	-	-
F. Total value adjustments	130	-

During the year, Banca Valsabbina paid over to the investee company Real Estate Euro 130 thousand to cover losses; at the same time, it took steps to write down the investment recorded in the financial statements.

No changes were reported for Polis S.G.R..

10.6 Commitments relating to joint equity investments in subsidiary companies

There are no equity investments in subsidiary companies held jointly with other parties.

10.7 Commitments relating to equity investments in companies subject to significant influence

As things stand, there are no commitments with Polis S.g.r..

10.8 Significant restrictions

There are no cases of significant restrictions as indicated in section 22 b) and c) of IFRS 12.

10.9 Other information

A credit facility for Euro 15 million was made available to Valsabbina Real Estate, used at year end for Euro 2,143 thousand, for future transactions falling within the cases for which the company was established.

39 properties have been acquired since its formation for an overall total of Euro 15.1 million; as of 31 December 2015 properties remained for an equivalent value of Euro 2 million.

Section 11 – Tangible assets - Item 110

This item includes the tangible assets (properties, plant, machinery, furniture and other tangible assets for operating use) owned or acquired under financial lease.

11.1 Tangible assets for operating purposes: breakdown of assets measured at cost

Assets/Balances	Total 31 Dec. 2015	Total 31 Dec. 2014
1 Owned assets	**26,955**	**27,346**
a) land	2,111	2,111
b) buildings	22,902	22,916
c) furniture	420	586
d) electronic systems	532	546
e) other	990	1,187
2 Acquired under financial lease	**478**	**491**
a) land	108	108
b) buildings	370	383
c) furniture	-	-
d) electronic systems	-	-
e) other	-	-
Total	**27,433**	**27,837**

Owned properties have been used almost entirely during the year for banking activities.

11.2 Tangible assets held for investment purposes: breakdown of assets measured at cost
11.3 Tangible assets for operating purposes: breakdown of revalued assets
11.4 Tangible assets held for investment purposes: breakdown of assets measured at fair value

There are no assets held for investment purposes or revalued assets for operating purposes.

11.5 Tangible assets for operating purposes: changes during the year

Items	Land	Buildings	Furniture	Electronic systems	Other	Total
A. Gross opening balances	**2,219**	**28,748**	**7,244**	**6,152**	**8,803**	**53,166**
A.1 Total net value reductions	-	5,449	6,658	5,606	7,616	25,329
A.2 Net opening balances	**2,219**	**23,299**	**586**	**546**	**1,187**	**27,837**
B. Increases	**-**	**674**	**62**	**180**	**301**	**1,217**
B.1 Purchases	-	674	62	180	301	1,217
B.2 Capitalised improvement expenditure	-	-	-	-	-	-
B.3 Value writebacks	-	-	-	-	-	-
B.4 Positive fair value changes booked to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Exchange gains	-	-	-	-	-	-
B.6 Transfers from investment property	-	-	-	-	-	-
B.7 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**701**	**228**	**194**	**498**	**1,621**
C.1 Sales	-	27	-	-	4	31
C.2 Depreciation	-	674	228	194	494	1,590
C.3 Impairment value adjustments booked to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Negative fair value changes booked to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) tangible assets held for investment purposes	-	-	-	-	-	-
b) assets held for sale and discontinued operations	-	-	-	-	-	-
C.7 Other changes	-	-	-	-	-	-
D. Net closing balances	**2,219**	**23,272**	**420**	**532**	**990**	**27,433**
D.1 Total net value reductions	-	6,123	6,886	5,444	7,839	26,292
D.2 Gross closing balances	**2,219**	**29,395**	**7,306**	**5,976**	**8,829**	**53,725**
E. Valuation at cost	-	-	-	-	-	-

The tangible fixed assets item amounts to Euro 27,433 thousand, with a decrease of Euro 404 thousand with respect to the previous year, as the imbalance between purchases for Euro 1,217 thousand, depreciation for Euro 1,590 thousand and net disposals for Euro 31 thousand.

The increases registered on the buildings essentially concerned work carried out for the extension of the offices at the Brescia premises.

The purchases recorded in the table columns entitled “furniture, electronic system and other assets” concern the purchase of furniture, plant, electronic machines for the office, alarm systems and other minor categories, both for the head offices and the branches.

The depreciation has been calculated on all the tangible assets, with the exclusion of land, in relation to the estimated useful life of the same as indicated below:
Properties 33 - 50 years
Furniture and furnishing 7 years
Vehicles 4 years
Armoured counters 5 years
Electronic systems 4 years
Sundry machinery and equipment 5 years

In the event of the purchase of properties, without indication in the deed of the separate value pertaining to the underlying land, steps are taken to assign this category 20% of the initial cost and the remaining 80% to the item property.

11.6 Tangible assets held for investment purposes: changes during the year

There are no assets held for investment purposes and therefore steps have not been taken to draw up the related tables.

Section 12 – Intangible assets - Item 120

This section comprises the intangible assets as defined by IAS 38.

12.1 Intangible assets: breakdown by type of asset

Assets/Balances		Total 31 Dec. 2015		Total 31 Dec. 2014	
		Specified duration	Unspecified duration	Specified duration	Unspecified duration
A.1	**Goodwill**	**-**	**8,458**	**-**	**8,458**
A.2	**Other intangible assets**	**1,956**	**-**	**2,257**	**-**
A.2.1	Assets measured at cost:	1,956	-	2,257	-
	a) intangible assets internally generated	-	-	-	-
	b) other assets	1,956	-	2,257	-
A.2.2	Assets measured at fair value:	-	-	-	-
	a) intangible assets internally generated	-	-	-	-
	b) other assets	-	-	-	-
	Total	**1,956**	**8,458**	**2,257**	**8,458**

Intangible assets with a specified duration include:

- Euro 527 thousand relating to the costs incurred for the purchase of EDP programmes, inclusive of those supplied with specific invoicing by our outsourcer; these costs have been amortised each year on the basis of the same useful life, as a rule 3 years. The accounting approach used is cost for all the classes of intangible assets.
- Euro 1,429 thousand relating to intangible assets linked to the relationship with the customers and identified as “Core Deposits” emerging from the incorporation of Credito Veronese. This item was recorded on a consistent basis with that valorised in the consolidated financial statements as at 31 December 2011 and relates to the additional value acknowledged to the “stable deposits” of the absorbed company. IFRS 3 in fact envisages that the acquisition of a “Business Combination” (such as the acquisition of Credito Veronese represents) must be recorded using the purchase method and that the price paid must be allocated to the assets acquired and the liabilities undertaken measured at their respective fair values. Amortisation

over 96 months is envisaged. The initial amount was Euro 3,428 thousand, the portion pertaining to the 2015 income statement comes to Euro 428 thousand.

Intangible assets with an unspecified duration comprise:
-Euro 6,476 thousand for the goodwill relating to the acquisition of Credito Veronese;
-Euro 1,982 thousand for the residual goodwill, recorded for Euro 4,220 thousand with the incorporation of Cassa Rurale di Storo in 2000, less the amortisation of Euro 2,238 made between 2000 and 2004.

On the basis of the IAS international accounting standards, annual systematic amortisation is no longer applied, but it is necessary at least once a year to check whether the goodwill assigned to a specific CGU (Cash Generating Unit) has suffered a permanent loss in value (impairment test). Pursuant to IAS 36, an asset has undergone a permanent reduction in value when its book value exceeds its recoverable value understood as the higher between its fair value less selling costs and its value in use.

By means of the incorporation which took place in December 2012, the CGU made up of the branches of Credito Veronese lost its legal status. In 2013, the Board of Directors approved:
- a geographic reorganisation in which a new “Verona Area” was defined, which has also been assigned the branches of Desenzano and Rivoltella;
- the 2014-2016 Strategic plan on which the specific contribution of the new “Verona Area” is envisaged and to which the Bank’s management, control, planning and reporting systems will make reference.
Since:
- the goodwill paid for the purchase of Credito Veronese represents the premium paid for entry and development in the reference area. The purchase of Credito Veronese in fact is one of the actions undertaken within the sphere of the overall strategy which envisaged the development of the Bank’s operations eastwards;
- the creation of the Verona Area consequent to the absorption of the former Credito Veronese branches led to a reorganisation of the organisational structure with an exchange of resources and contracts with the customers between some of the Bank’s branches and the branches acquired. This on the one hand indicates the complete re-arrangement of all the original structure acquired and on the other the transfer of know-how to the benefit of the entire Bank;

it has been deemed appropriate to consider the entire “Verona Area” as the Cash Generating Unit to which the goodwill deriving from Credit Veronese should be assigned.

On the basis of IAS 36, the recoverable value of the Verona Cash Generating Unit (CGU) corresponds to the additional value between the fair value and the value in use of the same CGU.
The estimate of the recoverable value, both of the goodwill and the core deposits net of the tax effect, was carried out, with the support of a specialised firm of consultants, using the forecasts contained in the Strategic Plan approved on 27 November 2013 (plan reviewed in April 2015), in the 2016 budget and in the economic/financial/cash flow forecasts drawn up by management for the period 2016-2020.
The value in use of the CGU has been established by discounting back the forecast cash flows, which in the case of banking concerns correspond to the values of capital available after the capitalisation requirements laid down by sector regulations (Excess Capital Method or Dividend Discount Method - DDM) have been satisfied.
The development of the DDM envisages the estimate of the projections of the available cash flows, the discounting back rate and the long-term growth rate (g).
The discount rate was estimated as equal to the cost of the capital on the basis of the Capital Asset Pricing Model (CAPM) from which a rate of 8.14% emerges. The model expresses a linear relationship,

under conditions of balance of the markets, between the return of an investment and its systematic risk. The return on an investment is calculated as the sum of the risk free rate and the premium for the risk assigned to the same according to the following formula:
$Ke = rf + \beta \times (rm - rf)$ where:
• rf is the return of an asset with no risk (free risk rate);
• β is the volatility index of the investment;
• (rm - rf) is the premium for the risk.
The parameters used were:
- Risk free rate: 1.57% (average value of the returns on 10-year Government securities recorded during 2015 to average out the volatility registered on the markets);
- Beta: 1.19% average of the betas revealed by Bloomberg for a sample of listed small-medium sized banks. The ratio expresses the correlation between the returns of an individual risk investment and the returns of the market portfolio.
- Premium at risk: 5.50% estimate of the market premium provided by the difference between the return of a diversified portfolio made up of all the risk investments available on the market and the return of a security lacking risk.

The growth rate (g) has been adopted as 2%, essentially in line with the expected rate of inflation.
The valuation led to an estimate for the Verona Area of a value in use of Euro 37.4 million with respect to operating capital - minimum shareholders' equity requisite - referring to all 10 branches for Euro 27.7 million, corresponding to goodwill of Euro 9.8 million, higher than the Euro 7.4 million of the book value of the intangible assets recorded (goodwill Euro 6.5 million + core deposits net of taxation Euro 0.9 million).
For the purpose of checking the measurement of the change in the values obtained with respect to the parameter used, subsequent sensitivity analysis was carried out, including analysis developed considering changes in the "Ke" discount rate and the medium/long-term growth rate "g" of ±25 bps.
The analysis provided a range of estimates of the value of the goodwill attributable to the CGU ranging between Euro 7.6 million and Euro 12.3 million; therefore, also varying the parameters used, it is indicated that the book value of the intangible assets is essentially confirmed.

In conclusion, it is specified that in the definition of the recoverable value, it was deemed to show preference for the estimate of the value in use with respect to the fair value; due to its characteristics, the value in use is a measurement method which well suits the characteristics of the banking sector, as well as being in line with the practices which have developed in the sector. Furthermore, the need to calculate both the value in use and the fair value ceases when one of the two is higher than the book value of the asset, given that this condition excludes that the same has undergone a permanent impairment loss.

With regard to the goodwill relating to the former CR Storo, an internal study was carried out, having considered the minor significance of the item in the financial statements, as well as the minor complexity in carrying out the measurement, since these are branches established for many years, which do not require a development plan, and which have guaranteed adequate profitability over the last few years.
Specifically, for the 4 former CR Storo branches the value in use has been calculated, applying the inertial projections to the current balances and profitability (with the exception of managed savings and the service margin, estimated as growing in line with the Bank's strategic objectives), estimating goodwill of Euro 2.3 million, higher than the current book value of the same, Euro 2 million.

On the basis of the results of the analysis carried out, additional amounts were not booked to the income statement as value adjustments on intangible assets with an unspecified duration.

12.2 Intangible assets: changes during the year

Items		Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total
			Spec.	Unspec.	Spec.	Unspec.	
A.	**Gross opening balances**	**8,458**	-	**-**	**4,116**	-	**12,574**
A.1	Total net value reductions	-	-	-	1,859	-	1,859
A.2	**Net opening balances**	**8,458**	-	**-**	**2,257**	-	**10,715**
B.	**Increases**	**-**	-	**-**	**465**	**-**	**465**
B.1	Purchases	-	-	-	465	**-**	465
B.2	Increases in internal intangible assets	-	-	-	-	-	-
B.3	Value writebacks	-	-	-	-	-	-
B.4	Positive fair value changes	-	-	-	-	-	-
	- to shareholders' equity	-	-	-	-	-	-
	- to income statement	-	-	-	-	-	-
B.5	Exchange gains	-	-	-	-	-	-
B.6	Other changes	-	-	-	-	-	-
C.	**Decreases**	-	-	**-**	**766**	-	**766**
C.1	Sales	-	-	-	-	-	-
C.2.	Value adjustments	-	-	-	766	-	766
	- Amortisation	-	-	-	766	-	766
	- Write-downs	-	-	-	-	-	-
	+ shareholders’ equity	-	-	-	-	-	-
	+ income statement	-	-	-	-	-	-
C.3	Negative fair value changes	-	-	-	-	-	-
	- to shareholders' equity	-	-	-	-	-	-
	- to income statement	-	-	-	-	-	-
C.4)	Transfers to non-current assets held for sale	-	-	-	-	-	-
C.5	Exchange losses	-	-	-	-	-	-
C.6	Other changes	-	-	-	-	-	-
D.	**Net closing balances**	**8,458**	-	**-**	**1,956**	-	**10,414**
D.1.	Total net value adjustments	-	-	-	2,150	-	2,150
E.	**Gross closing balances**	**8,458**	-	**-**	**4,106**	-	**12,564**
F.	Valuation at cost	-	-	-	-	-	-

Key Spec. = specified duration Unspec. = unspecified duration

12.3 Other information

With regard to intangible fixed assets (IAS 38, sections 122 and 124), it is hereby specified that:
- there are no intangible assets pledged as collateral for the Bank’s liabilities;
- there are no commitments to purchase intangible assets;

- - there are no intangible assets acquired under financial or operating lease agreement or via government concession;

there are no revalued intangible assets recorded at fair value.

Section 13 – Tax assets and tax liabilities

This section includes the tax assets (current and prepaid) and tax liabilities (current and deferred), without offsetting between the prepaid tax assets and deferred tax liabilities, stated respectively in items 130 of the assets and 80 of the liabilities.

Asset item 130 and Liability item 80

Prepaid taxes are recorded on the basis of the probability of their future recovery.
The rates used for the recognition of the prepaid and deferred taxation are 27.50% for IRES (company earnings' tax) and 5.57% for IRAP (regional business tax), rates in force for 2016; the 2016 stability law (Italian Leg. Decree 147/2015) envisages that, as from 1 January 2017 the ordinary IRES rate will decrease to 24%, but at the same time an additional IRES of 3.5% will be introduced for banks and financial institutions. Therefore, the prepaid taxes which will be recovered as from that date should be calculated always at the IRES rate of 27.50%.

IRES on 5% of any capital gains and IRAP according to the normal rate is reckoned on the shares subject to participation exemption, on the basis of current legislation.

Italian Law No. 190 dated 23 December 2014 (2015 stability law) envisaged the deductibility of the payroll and related costs for permanent staff from the IRAP taxable rate of the companies as from 2015.

Current assets, amounting to Euro 6,055 thousand, represent the excess of the IRES advances (Euro 10,529 thousand) and IRAP advances (Euro 2,693 thousand) paid over for 2015 with respect to the taxes due.

Current taxes for Euro 7,083 thousand together with the positive effect of the prepaid taxes recognised and cancelled during the year, amounting to Euro 4,288 thousand and the negative effect of the deferred taxes for Euro 128 thousand are recorded in the income statement item "260 income taxes for the year on current operations" for Euro 2,923 thousand.

The Bank has entered into a tax consolidation agreement for IRES purposes with the subsidiary Valsabbina Real Estate.

13.1 Prepaid tax assets: breakdown

Items	Total 31 Dec. 2015		Total 31 Dec. 2014	
	It. Law No.	Other	It. Law No.	Other
Matching balance in the income statement:				
Write-down of receivables deductible on a straight-line basis	49,206	-	45,330	-
- from previous years	45,330	-	26,455	-
- from current year	3,876	-	18,875	-
Freeing up of goodwill and other elements from incorporation	2,105	-	2,229	-
Freeing up of goodwill from consolidation	2,937	-	2,937	-
Allowance to provision for risks and charges	-	623	-	449
Provision for guarantees given	-	575	-	550
Financial assets	-	177	-	-
Administrative expenses	-	994	-	834
Total matching balance in the income	**54,248**	**2,369**	**50,496**	**1,833**
Matching balance under shareholders' equity:				
AFS securities	**-**	**4,903**	**-**	**367**
- bonds	-	1,987	-	190
- shares	-	1	-	23
- mutual funds	-	2,915	-	154
Actuarial effect on employee benefits	**-**	**258**	**-**	**365**
Total matching balance under shareholders'	**-**	**5,161**	**-**	**732**
Total	**54,248**	**7,530**	**50,496**	**2,565**

Prepaid taxes "as per Italian law No. 214/2011" are those recorded in relation to the write-downs of loans and receivables not yet deducted and the value of the goodwill and other intangible assets whose negative components are deductible in subsequent tax periods. In the event of the recording of a statutory or tax loss, they permit transformation into a tax credit which can be used immediately, with benefits, including supervisory.
On the basis of Stability Law No. 147/2014, under the same circumstances, the same possibility has been extended also to IRAP, in the presence of financial statements closing with a loss or a negative net production value (IRAP declaration with a loss).
Italian Decree Law No. 83/2015 envisaged that, as from 1 January 2016, the writedowns and losses on loans to customers recorded in the financial statements will become fully deductible during the year in which they are recognised, instead of deductible over five years as introduced by Italian Law No. 147/2013; with regard to 2015, a transitory regime is envisaged in which 75% of the losses/writedowns are deductible. The remaining 25%, being the balance still to be recovered as of 31 December 2014, will be deducted as from 2016 and until 2025, according to the variable breakdown of between 5% and 12% of the taxable base.

The amounts of the taxes "as per Italian Law No. 214/2011" comes to Euro 54,248 thousand and is made up as follows:
- Euro 45,330 thousand for taxes relating to writedowns of residual receivables for previous years: Euro 18,875 thousand in 2014, Euro 26,455 thousand in 2013 and previous years. These taxes will be recovered, to a variable extent depending on the year, between 2016 and 2025.

- Euro 3,876 thousand relating to the taxes calculated on the excess with respect to the 75% (deducted in the year) of the writedowns/losses on loans made in 2015;
- Euro 2,105 thousand in relation to the freeing up of the elements emerging from the incorporation of Credito Veronese of which Euro 1,785 thousand concerns the goodwill originating from the financial statements as at 31 December 2012, as envisaged by Article 186 of the ITCA (with regard to this case, taxes for 1/18th were recovered in 2015, for Euro 119 thousand) and Euro 320 thousand referring to “other elements from incorporation” and in other words to the Core Deposits and the Loans/Receivables Fair Value, for which a temporary misalignment of one year exists between the time of booking to the financial statements and the year of recovery for tax purposes;
- Euro 2,937 thousand in relation to the misalignment for tax purposes of the goodwill and the other intangible assets recorded autonomously in the 2011 consolidated financial statements as envisaged by Article 23 of Italian Decree Law No. 98/2011 and Article 20 of Italian Decree Law No. 201/2011. By means of the amendments made by Italian Law No. 228 dated 24 December 2012, the recovery in 10 annual portions will take place by the end of 2020.

The prepaid taxes matching the balance under shareholders’ equity amount to Euro 5,161 thousand; of this, Euro 4,903 thousand refers to the capital losses booked to the negative valuation reserves (the amount derives from the application of the rate envisaged on total gross negative reserves for Euro 14,837 thousand), and Euro 258 thousand refers to the actuarial differences registered on employee leaving indemnities.

13.2 Deferred tax liabilities: breakdown

Items	Total 31 Dec. 2015	Total 31 Dec. 2014
Matching balance in the income statement:		
- on sundry capital gains	4	10
- on valuation of properties at revalued cost	60	60
- on accumulated depreciation of land	181	181
- on default interest	300	242
- on amortisation of goodwill	480	404
Total matching balance in the income	**1,025**	**897**
Matching balance under shareholders’		
Available-for-sale financial assets		
- bonds	302	397
- shares	681	129
- mutual funds	94	398
Total matching balance under shareholders’	**1,077**	**924**
Total	**2,102**	**1,821**

The amount of the deferred taxes with matching balance in the income statement is essentially in line with last year and justified by the cases listed in the table.
Deferred taxes with a matching balance under shareholders’ equity amount to Euro 1,077 thousand and relate to the positive reserves from valuation of available-for-sale securities totalling Euro 6,574 thousand gross.
Liabilities for deferred taxes on monetary revaluation reserves subject to deferred taxation have not been recognised, since it is deemed that the possibility that the taxation pre-requisite will apply (distribution of the same) is very remote.

13.3 Changes in prepaid taxes (through profit and loss)

	Total 31 Dec. 2015	Total 31 Dec. 2014
1. Opening balance	**52,329**	**37,052**
2. Increases	**5,878**	**20,601**
2.1 Prepaid taxes recognised during the year	5,878	20,601
a) relating to previous years	351	54
b) due to changes in accounting standards	-	-
c) writebacks	-	-
d) other	5,527	20,547
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	**1,590**	**5,324**
3.1 Prepaid taxes cancelled during the year	1,590	5,324
a) reversals	1,590	5,257
b) write-down due to non-recoverability	-	-
c) change in accounting standards	-	-
d) other	-	67
3.2 Tax rate reductions	-	-
3.3 Other decreases:	-	-
a) transformation into tax credits as per It. Law No. 214/2011	-	-
b) other	-	-
4. Closing balance	**56,617**	**52,329**

The increase in prepaid taxes is mainly attributable to 25% of the value adjustments on loans made during the year which will be recovered in coming years and the deferral until 2016 of the recovery of the same relating to previous years, as indicated previously. It is believed that as from 2016 a gradual decrease will be seen in the same.

13.3.1 Changes in prepaid taxes as per Italian Law 214/2011 (through profit and loss)

	Total 31 Dec. 2015	Total 31 Dec. 2014
1. Opening balance	**50,496**	**35,905**
2. Increases	**4,196**	**19,255**
3. Decreases	**444**	**4,664**
3.1 Reversals	444	4,601
3.2 Transformations into tax credits	-	-
a) deriving from losses for the year	-	-
a) deriving from tax losses	-	-
3.3 Other decreases	-	63
4. Closing balance	**54,248**	**50,496**

13.4 Changes in deferred taxes (through profit and loss)

	Total 31 Dec. 2015	Total 31 Dec. 2014
1. Opening balance	**897**	**667**
2. Increases	**176**	**250**
2.1 Deferred taxes recognised in the year	176	250
a) relating to previous years	-	-
b) due to changes in accounting standards	-	-
c) other	176	250
2.2 New taxes or tax rate increases	-	-
2.3 Other increases	-	-
3. Decreases	**48**	**20**
3.1 Deferred taxes cancelled during the year	48	20
a) reversals	2	20
b) due to changes in accounting standards	-	-
c) other	46	-
3.2 Tax rate reductions	-	-
3.3 Other decreases	-	-
4. Closing balance	**1,025**	**897**

13.5 Changes in prepaid taxes (through shareholders' equity)

	Items	Total 31 Dec. 2015	Total 31 Dec. 2014
1.	**Opening balance**	**732**	**1,952**
2.	**Increases**	**4,868**	**650**
2.1	Prepaid taxes recognised during the year	4,868	650
	a) relating to previous years	-	-
	b) due to changes in accounting standards	-	-
	c) other	4,868	650
2.2	New taxes or tax rate increases	-	-
2.3	Other increases	-	-
3.	**Decreases**	**439**	**1,870**
3.1	Prepaid taxes cancelled during the year	371	1.858
	a) reversals	252	1.858
	b) write-down due to non-recoverability	-	-
	c) due to the change in the accounting standards	-	-
	d) other	119	-
3.2	Tax rate reductions	-	-
3.3	Other decreases	68	12
4.	**Closing balance**	**5,161**	**732**

13.6 Changes in deferred taxes (through shareholders' equity)

Items		Total 31 Dec. 2015	Total 31 Dec. 2014
1.	**Opening balance**	**924**	**63**
2.	**Increases**	**963**	**901**
2.1	Prepaid taxes recognised during the year	963	901
	a) relating to previous years	-	-
	b) due to changes in accounting standards	-	-
	c) other	963	901
2.2	New taxes or tax rate increases	-	-
2.3	Other increases	-	-
3.	**Decreases**	**810**	**40**
3.1	Prepaid taxes cancelled during the year	808	40
	a) reversals	801	36
	b) due to changes in accounting standards	-	-
	c) other	7	4
3.2	Tax rate reductions	-	-
3.3	Other decreases	2	-
4.	**Closing balance**	**1,077**	**924**

Section 14 - Non-current assets held for sale and discontinued operations and associated liabilities - Asset item 140 and Liability item 90

As of the balance sheet date, there were no non-current assets and liabilities or discontinued operations.

Section 15 – Other assets – Item 150

15.1 Other assets: breakdown

Items	Total 31 Dec. 2015	Total 31 Dec. 2014
Credits for direct taxes relating to previous years and accrued interest	1,184	1,532
Withholdings made	1,903	632
Amounts due from the tax authorities for advances paid	14,760	10,743
Current account cheques and foreign currency drawn on banks and third parties	14	36
Guarantee deposits on behalf of the Bank	37	37
Securities transactions pending final allocation	112	1
Cheques being processed	4,811	5,035
Sundry utilities to be debited/SDD/Other items	11,937	14,299
Cheques returned unpaid	87	101
Credit cards and Cashline card withdrawals	404	400
Credit transfers and debits to be made	4,471	2,138
Prepaid expenses	752	840

Costs for leasehold improvements	629	667
Total	**41,101**	**36,461**

The amounts due from the tax authorities for advances paid refer to the advances paid for stamp duty, for substitute tax on mortgage loans and on the capital gain.

Liabilities and shareholders' equity

Section 1 - Amounts due to banks - Item 10

1.1 Amounts due to banks: breakdown by type of instrument

Transaction type/Balances	Total 31 Dec. 2015	Total 31 Dec. 2014
1. Amounts due to central banks	**460,333**	**652,260**
2. Amounts due to banks	**160,827**	-
2.1 Current accounts and unrestricted deposits	-	-
2.2 Time deposits	-	-
2.3 Loans	160,827	-
2.3.1 Repurchase agreements payable	160,827	-
2.3.2 Other	-	-
2.4 Payables for commitments to repurchase own shares and similar instruments	-	-
2.5 Other payables	-	-
Total	**621,160**	**652,260**
Fair value - level 1	-	-
Fair value - level 2	-	-
Fair value - level 3	**621,160**	**652,260**
Total fair value	**621,160**	**652,260**

Deposits with Central Banks are made up of the following loans taken out care of the ECB, for a nominal total of Euro 460 million:

- Loan transaction dated 26 November 2015 with maturity on 25 February 2016, Euro 50 million;
- Loan transaction dated 17 December 2015 with maturity on 31 March 2016, Euro 100 million;
- Loan transaction dated 30 December 2015 with maturity on 6 January 2016, Euro 140 million;
- TLTRO dated 24 September 2014 with maturity on 26 September 2018, Euro 170 million.

As of 31 December 2015, there were also three repurchase agreement transactions outstanding, with leading banks, with a maximum maturity of January 2016.

The book value also includes an interest accrual.

The following tables have not been drawn up: 1.2 Breakdown of item 10 "Amounts due to banks: subordinated debt", 1.3 Breakdown of item 10 "Amounts due to banks: structured debt", 1.4 "Amounts due to banks subject to micro hedge” and 1.5 “Financial lease payables”, since these types of transactions are not present.

Section 2 - Amounts due to customers - Item 20

2.1 Amounts due to customers: breakdown by type of instrument

Transaction type/Balances	Total 31 Dec. 2015	Total 31 Dec. 2014
1. Current accounts and unrestricted deposits	**1,943,675**	**1,726,187**
2. Time deposits	**214,775**	**246,492**
3. Loans	**127**	**60,149**
3.1 Repurchase agreements payable	-	-
3.2 Other	127	60,149
4. Payables for commitments to repurchase own shares and similar instruments	**-**	**-**
5. Other payables	**768**	**867**
Total	**2,159,345**	**2,033,695**
Fair value - level 1	**-**	**-**
Fair value - level 2	**-**	**-**
Fair value - level 3	**2,159,345**	**2,033,695**
Total fair value	**2,159,345**	**2,033,695**

The current accounts and unrestricted deposits comprise:

	Total 31 Dec. 2015	Total 31 Dec. 2014
Euro current accounts	1,886,303	1,673,796
Savings deposits	38,058	39,473
Foreign currency current accounts	19,314	12,918
	1,943,675	**1,726,187**

Time deposits are restricted deposits with a maximum maturity of 36 months.
The item “Loans: other” includes just the payables for leased properties totalling Euro 127 thousand, as per section 2.5.

The following tables have not been drawn up: 2.2 Breakdown of item 20 “Amounts due to customers: subordinated debt”, 2.3 Breakdown of item 20 “Amounts due to customers: structured debt”, 2.4 “Amounts due to customers: payables subject to micro hedge”, since these types of transactions are not present.

2.5 Payables for financial leases

The amount due to financial leasing companies amounts in total to Euro 127 thousand and concerns the contract for the Leno branch, expiring in 2016 for an original amount of Euro 216 thousand.

Section 3 – Securities issued - Item 30

3.1 Securities issued: breakdown by type of instrument

Securities type/Balances	Total 31 Dec. 2015				Total 31 Dec. 2014			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. Bonds	953,836	-	-	950,150	1,194,540	-	-	1,194,540
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	953,836	-	-	950,150	1,194,540	-	-	1,194,540
2. Other securities	11,725	-	-	11,725	26,507	-	-	26,507
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	11,725	-	-	11,725	26,507	-	-	26,507
Total	**965,561**	**-**	**-**	**961,875**	**1,221,047**	**-**	**-**	**1,221,047**

The bonds outstanding are inclusive of the coupon accruals in course and are net of the bonds repurchased, which on the basis of the IAS accounting standards must be eliminated; the recognition criteria used for the book value is that of amortised cost.
They include subordinated bonds for a book value of Euro 84,711 thousand (Euro 83,832 thousand in nominal value).

The bonds issued by the Bank are not listed but a valuation, useful for trading, is carried out by an external provider; the value stated in the FV level 3 column has been obtained by means of the discounting back of the flows on the basis of the average rate of a basket of triple B bank bonds.

Medium/long-term certificates of deposit are recorded under other securities.

3.2 Breakdown of item 30 "Securities issued": subordinated securities

Items	Book value	
	Total 31 Dec. 2015	Total 31 Dec. 2014
Subordinated securities issued	84,711	86,242
Total	**84,711**	**86,242**

The subordinated bonds are made up of the following securities:
- IT0004982481 issued on 30 December 2013 for Euro 25 million, fixed rate of 4.50% and maturity 30 December 2019, with repayment of 20% per annum as from 30 December 2015, nominal residual balance Euro 19,574 thousand;
- IT0004987456 issued on 3 February 2014 for Euro 35 million, fixed rate of 4.50% and maturity 3 February 2021, with repayment of 20% per annum as from 3 February 2017, nominal residual balance Euro 6,483 thousand;
- IT0005014706 issued on 2 May 2014 for Euro 25,432 thousand, fixed rate of 4.00% and maturity 2 May 2022, with repayment of 20% per annum as from 2 May 2018, nominal residual balance Euro 22,775 thousand;
- IT0005085250 issued on 10 February 2015 for Euro 35 million, fixed rate of 4.50% and maturity 10 February 2021, nominal residual balance Euro 35 million.

3.3 Securities issued: securities subject to micro hedging

This table is not drawn up since these types of transactions are not present.

Section 4 – Financial liabilities held for trading - Item 40

4.1 Financial liabilities held for trading: breakdown by type of instrument

Transaction type/Balances	Total 31 Dec. 2015					Total 31 Dec. 2014				
	NV	FV			FV *	NV	FV			FV *
		L1	L2	L3			L1	L2	L3	
A. On-balance sheet liabilities										
1. Amounts due to banks	-	-	-	-	-	-	-	-	-	-
2. Amounts due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	-	-	-	-	-	-
3.1.2 Other bonds	-	-	-	-	-	-	-	-	-	-
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	-	-	-	-	-	-
3.2.2 Other	-	-	-	-	-	-	-	-	-	-
Total A	-	-	-	-	-	-	-	-	-	-
B. Derivative instruments										
1. Financial derivatives	-	-	51	-	-	-	-	215	-	-
1.1 Trading	-	-	51	-	-	-	-	215	-	-
1.2 Associated with the fair value option	-	-	-	-	-	-	-	-	-	-
1.3 Other	-	-	-	-	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-	-	-	-	-
2.1 Trading	-	-	-	-	-	-	-	-	-	-
2.2 Associated with the fair value option	-	-	-	-	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-	-	-	-	-
Total B	-	-	**51**	-	-	-	-	**215**	-	-
Total (A+B)	-	-	**51**	-	-	-	-	**215**	-	-

Key				
FV = fair value	NV = nominal or notional value	L1 = level 1	L2 = level 2	L3 = level 3
FV* = fair value calculated excluding the changes in value due to the change in the credit worthiness				

The amount of Euro 51 thousand (level 2) comprises:

- Euro 33 thousand in foreign currency forward transactions, whose value is matched by asset item 20 “Financial assets held for trading”. The book amount “intrinsic value” is the expression of a notional value of the transactions equating to Euro 3,518 thousand;
- Euro 18 thousand being the intrinsic value referring to hedges of foreign currency transactions carried out by the Bank, with a notional value of Euro 3,396 thousand.

In the absence of transactions, the following tables are not drawn up: 4.2 Breakdown of item 40 “Financial liabilities held for trading”: subordinated liabilities, 4.3 Breakdown of item 40 “Financial liabilities held for trading”: structured debt, and 4.4 On-balance sheet financial liabilities (excluding uncovered short positions) held for trading: changes during the year.

Section 5 - Financial liabilities measured at fair value - Item 50

The Bank does not have any financial liabilities designated at fair value with the valuation results recorded in the income statement on the basis of the faculty acknowledged by the IAS standards. Therefore the following tables are not drawn up:
5.1 Financial liabilities measured at fair value: breakdown by type of instrument,
5.2 Breakdown of item 50 “Financial liabilities measured at fair value”: subordinated liabilities.

Section 6 - Hedging derivatives – Item 60

As at 31 December 2015 and 31 December 2014 the bank did not have any hedging derivatives outstanding. The following tables are not drawn up:
6.2 Hedging derivatives: breakdown by type of hedge and by hierarchical levels,
6.2 Hedging derivatives: breakdown by hedged portfolios and by type of hedging.

Section 7 - Adjustment to financial assets subject to macrohedging - Item 70

The Bank has not establish any liability subject to macro hedging from the interest rate risk. The related tables 7.1 and 7.2 are not drawn up.

Section 8 – Tax liabilities - Item 80

The breakdown as well as the changes in liabilities for current and deferred taxes are illustrated in part B - Asset Section 13 of these explanatory notes.
With reference to the tax situation of the Bank, it is hereby specified that the years up to 2010 have been settled for tax purposes.

Section 9 - Liabilities associated with assets held for sale and discontinued operations - Item 90

As of the balance sheet date, there were no liabilities associated with assets held for sale and discontinued operations.

Section 10 – Other liabilities - Item 100

10.1 Other liabilities: breakdown

Items	Total 31 Dec. 2015	Total 31 Dec. 2014
Tax withholdings and contributions relating to staff	2,177	2,222
Amounts to be paid to staff and related contributions	3,704	3,744
Taxes to be paid to the tax authorities	1,802	2,418
Taxes to be paid to the tax authorities on behalf of third parties	2,972	5,552
Dividends not yet collected	1	1
Credit transfers to be carried out	10,592	9,795
Credit cards and Cashline card withdrawals	450	410
Companies being formed due to payment of the share capital	181	91
Amount paid for withdrawal of bills and cheques and payment by advice collections	860	738
Currency spreads on portfolio transactions	37,496	31,911
Provision for guarantees and commitments	2,091	1,998
Amounts due to suppliers	3,937	4,949
Deferred income and provisions	430	525
Charity Fund	90	128
Other items	3,229	3,634
Total	**70,012**	**68,116**

The "amounts to be paid to staff, inclusive of related contributions" also include the productivity bonuses to be paid to staff in the following year.

"Currency spreads on portfolio transactions" represent the imbalance between the "debit adjustments" and the "credit adjustments" of the portfolio subject to due reserve and after collection, whose breakdown is indicated in the specific table Other information in part B of these explanatory notes.

Section 11 - Employee leaving indemnities - Item 110

11.1 Employee leaving indemnities: changes during the year

Items	Total 31 Dec. 2015	Total 31 Dec. 2014
A. Opening balances	**5,962**	**5,325**
B. Increases	**1,482**	**2,207**
B.1 Provision in the year	1,478	1,420
B.2 Other changes	4	787
C. Decreases	**2,279**	**1,570**
C.1 Indemnities paid	573	299
C.2 Other changes	1,706	1,271
D. Closing balances	**5,165**	**5,962**
TOTAL	**5,165**	**5,962**

Under "increases", the line provisions includes the costs attributable to the revaluation of the provision present in-house, in as far as the Treasury Fund and the Supplementary Funds are competent, as well as the costs relating to the leaving indemnity paid directly in the pay packet. With regard to other decreases, the largest items are represented by the amounts paid to the Treasury Fund and the Supplementary Funds as well as the IAS actuarial changes (which have a impact on the shareholders' equity reserves).

11.2 Other information

The balance of the employee leaving indemnity provision as at 31 December 2015 calculated on the basis of Italian legislation amounts to Euro 4,964 thousand, Euro 201 thousand lower than the book value; in 2014, the same came to Euro 5,468 thousand, Euro 494 thousand less with respect to the book value. The difference is due to the differing financial parameters used (discounting back rate of 2.03% compared with 1.49% in 2014; annual increase rate of the leaving indemnity higher than in 2014), which led to an actuarial gain of Euro 324 thousand, compared with an actuarial loss of Euro 787 thousand in 2014.

The Bank applies the amendments to IAS 19 "Employee benefits", in force since 1 January 2013, as described in part "A Accounting standards".
The accounting standard, in the version in force, enforces the recognition of the actuarial changes with a matching balance under shareholders' equity and no longer recognition in the income statement.
The actuary carried out the calculation on the basis of the following financial hypotheses:

- annual discount rate of 2.03% (determined, on a consistent basis with section 83 of IAS 19, with reference to the average returns curve which derives from the IBOXX Eurozone Corporates AA index with a duration of 10+ struck on 31 December 2015, rate considered as the best expression of returns of businesses of primary standing),
- annual rate of inflation 1.50% for 2016, 1.80% for 2017, 1.70% for 2018, 1.60% for 2019 and 2.00% from 2020 onwards,
- annual leaving indemnity increase rate 2.625% for 2016, 2.85% for 2017, 2.775% for 2018, 2.70% for 2019 and 3.00% from 2020 onwards.

The actuarial change is illustrated in part "D - Comprehensive income".

Section 12 – Provisions for risks and charges – Item 120

12.1 Provisions for risks and charges: breakdown

Items/Amounts	Total 31 Dec. 2015	Total 31 Dec. 2014
1. Company pension funds	-	-
2. Other provisions for risks and charges	**1,883**	**1,318**
2.1 legal disputes	1,838	1,265
2.2 personnel costs	-	-
2.3 other	45	53
Total	**1,883**	**1,318**

12.2 Provisions for risks and charges: changes during the year

Items	Pension funds	Other provisior	Total
A. Opening balances	-	**1,318**	**1,318**
B. Increases	-	**1,066**	**1,066**
B.1 Provision in the year	-	1,066	1,066
B.2 Changes due to the passage of time	-	-	-
B. 3 Changes due to discount rate fluctuations	-	-	-
B. 4 Other changes	-	-	-
C. Decreases	-	**501**	**501**
C.1 Uses in the year	-	363	363
C.2 Changes due to discount rate fluctuations	-	-	-
C.3 Other changes	-	138	138
D. Closing balances	-	**1,883**	**1,883**

12.3 Defined-benefit company pension funds

The Bank has no funds of this kind recorded in the financial statements.

12.4 Provisions for risks and charges - other

The provision for legal disputes includes the amounts set aside for disputes relating to revocatory action on non-performing positions or those already written off or for other disputes which arise during the performance of the ordinary activities. The Bank makes provisions for such reasons when, in agreement with its legal advisors, it believes it is probable that it will have to may a payment and the amounts of the same can be reasonably estimated.

Section 13 - Redeemable shares - Item 140

The Bank has not issued any redeemable shares. The related tables are not drawn up.

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

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

The fully paid-in and subscribed share capital is made up of 35,796,827 shares with a par value of Euro 3.00 each for a total of Euro 107,390 thousand.

14.2 Share capital - Number of shares: changes during the year

Items/Types	Ordinary	Other
A. Shares existing at the beginning of the year	**35,796,827**	-
- fully freed up	35,796,827	-
- not fully freed up	-	-
A.1 Own shares (-)	410,187	-
A.2 Shares in circulation: opening balances	**35,386,640**	-
B. Increases	-	-
B.1 New issues	-	-
- against payment:	-	-
- business combination transactions	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- other	-	-
- bonus:	-	-
- in favour of employees	-	-
- in favour of directors	-	-
- other	-	-
B. 2 Sales of own shares	-	-
B.3 Other changes	-	-
C. Decreases	**81,600**	-
C.1. Cancellation	-	-
C. 2 Purchase of own shares	81,600	-
C.3 Business disposal transactions	-	-
C.4 Other changes	-	-
D. Shares in circulation: closing balances	**35,305,040**	-
D.1 Own shares (+)	491,787	-
D.2 Shares existing at the end of the year	35,796,827	-
- fully freed up	35,796,827	-
- not fully freed up	-	-

14.3 Share capital - Other information.

The following revaluation reserves have been transferred over time to the share capital:

- Italian Law No. 576 dated 2 December 1975 for Euro 88 thousand, reserve from monetary revaluation;
- Italian Law No.72 dated 19 March 1983 for Euro 2,067 thousand, reserve from monetary revaluation;
- Italian Law No.413 dated 30 December 1991 for Euro 1,375 thousand, reserve from monetary revaluation;
- Italian Legislative Decree No. 38 dated 28 February 2005 (application of the IAS principles in Italy) for Euro 7,955 thousand.

14.4 Income reserves: other information

The reserves as per liability item 160 amount to Euro 53,972 thousand; Euro 57,064 thousand refers to provisions of income, while the "other" reserves includes the negative reserves from the merger of Credito Veronese for Euro 3,092 thousand.
Additional information relating to their changes can be found in the statement of changes in shareholders' equity and in part F of these explanatory notes.
Pursuant to Article 2427.7 *bis* of the Italian Civil Code, the composition of the shareholders' equity, according to the origin and the degree of availability and distributable nature of the various items, is as follows:

Items	Amount	Possibility of use	Portion Available	Tax restriction	Uses made in the last three accounting periods	
					for coverage of losses	for other purposes
A) SHARE CAPITAL						
- Share capital (1)	107,390		91,371	16,019	no use	no use
B) CAPITAL RESERVES						
- Share premium reserve (2)	235,405	ABC	235,405	-	no use	no use
C) INCOME RESERVES						
- Legal reserve (3)	22,974	B		-	no use	no use
- Extraordinary reserve	21,367	ABC	21,367	-	no use	no use
- Reserve for purchase of own shares	12,014	ABC	3,159	-	no use	no use
- Other reserves	709	ABC	709	-	no use	no use
D) OTHER RESERVES						
- Merger differences	(3,092)			-	no use	no use
- IAS valuation reserves (5)	(3,751)	AB		-	no use	no use
E) OWN SHARES						
- Own shares	(8,855)					
TOTAL	**384,161**					
- 2015 net profit for the year	8,062					
TOTAL EQUITY	**392,223**					

Key:
A: for share capital increases - B: for coverage of losses - C: for distribution to shareholders
Note:
1) In the event of distribution, the share capital is subject to a tax restriction equal to the booking of monetary revaluation reserves for Euro 11,485 thousand as specified in point 14.3 plus Euro 4,534 thousand equal to the difference between the freed up amount in 2013 of the additional values acknowledged to the properties for Euro 5,398 thousand and the substitute tax of 16% for Euro 864 thousand.
2) On the basis of Article 2431 of the Italian Civil Code, the "share premium reserve" can be fully distributed since the legal reserve exceeds a fifth of the share capital, equal to Euro 21,478 thousand.
3) On the basis of Article 24 of the Banking Consolidation Act, Italian Legislative Decree No. 385 dated 1 September 1993, industrial co-operative banks must allocate at least ten percent of the annual net profits to the legal reserve.
4) The reserve is available for the surplus with respect to the amount of the own shares in the portfolio, which amounted to Euro 8,855 thousand as at 31 December 2015.
5) The reserve is restricted in accordance with Article 6 of Italian Legislative Decree No. 38/2005 (introduction of the IAS accounting standards) and in any event negative.

14.5 Capital instruments: breakdown and changes during the year

The Bank has not issued any of the capital instruments indicated in section 80.A and 136.A of IAS 1.

14.6 Other information

The Board of Directors proposes the payment of a dividend equal to Euro 0.12 per share, for a total amount of Euro 4,296 thousand.

Other information

1. Guarantees given and commitments

Transactions	Amount 31 Dec. 2015	Amount 31 Dec. 2014
1) Financial guarantees given	**12,163**	**18,855**
a) Banks	-	3,328
b) Customers	12,163	15,527
2) Commercial guarantees given	**94,638**	**103,912**
a) Banks	191	292
b) Customers	94,447	103,620
3) Irrevocable commitments to disburse funds	**33,540**	**45,759**
a) Banks	-	-
i) certain to be used	-	-
ii) not certain to be used	-	-
b) Customers	33,540	45,759
i) certain to be used	-	858
ii) not certain to be used	33,540	44,901
4) Underlying commitments on credit derivatives: sales of protection	-	-
5) Assets pledged as collateral for third party obligations	-	-
6) Other commitments	-	-
Total	**140,341**	**168,526**

2. Assets pledged to guarantee own liabilities and commitments

Portfolios	Amount 31 Dec. 2015	Amount 31 Dec. 2014
1. Financial assets held for trading	-	-
2. Financial assets measured at fair value	-	-
3. Available-for-sale financial assets	702,371	986,494
4. Financial assets held to maturity	-	-
5. Amounts due from banks	30,051	30,052
6. Amounts due from customers	-	-
7. Tangible assets	-	-

The above amounts refer to owned securities granted to third parties as collateral; each amount refers to the specific portfolio used.

3. Information om operating leases

The Bank does not carry out any leasing transactions.

4. Management and trading services on behalf of third parties

Types of services	Amount
1. Execution of orders on behalf of customers	
a) Purchases	-
1. settled	-
2. unsettled	-
b) Sales	-
1. settled	-
2. unsettled	-
2. Portfolio management	**-**
a) individual	-
b) collective	-
3. Custody and administration of securities	**3,256,467**
a) third party securities held on deposit: associated with bank activities	-
custodian bank business (portfolio management excluded)	
1. securities issued by the Bank which draws up the financial statements	-
2. other securities	-
b) third party securities held on deposit (excluding portfolio management): other	1,785,921
1. securities issued by the Bank which draws up the financial statements	1,032,305
2. other securities	753,616
b) third party securities deposited with third parties	1,444,942
d) own securities deposited with third parties	1,470,546
4. Other transactions	-

5. Receivables collected on behalf of third parties: credit and debit adjustments

The table provides a breakdown of the differences deriving from the elimination of the asset items relating to the portfolio received subject to due reserve and after collection with those of the liabilities relating to transferors with settlement date subsequent to closure of the financial statements. According to the Supervisory instructions, in the annual financial statements the “other assets” or the “other liabilities” will have to contain, according to the value of the sign, only the imbalance of the items relating to the portfolio, indicating the individual components in the Explanatory notes.
The imbalance between the sum of the “debit adjustments” represented by the asset items for bank collection order, bills of exchange, direct debits, etc. accepted subject to due reserve and after collection by customers and banks and the sum of the “credit adjustments” represented by the liability items of the transferors, is equal to Euro 37,496 thousand and is recorded in the financial statement liability item 100 “other liabilities”.
Points a.1 and b.1 include the amount of the items, with settlement date in 2016, flowing to the current accounts of the correspondent banks already during 2015 and related to remittances of bills for collection. These items have been reversed from the individual pertinent accounts and booked to the

original portfolio items (bills received on collection from banks or rather bills sent for collection to banks).

Items	Total 31 Dec. 2015	Total 31 Dec. 2014
a) “debit” adjustments	483,916	513,741
1. Current accounts	6,280	1,975
2. Portfolio	474,144	506,743
3. Cash	986	562
4. Other accounts	2,506	4,461
b) “credit” adjustments	521,412	545,652
1. Current accounts	10,148	1,282
2. Transferors’ bills and documents	508,700	539,314
3. Other accounts	2,564	5,056
Currency spreads on portfolio transactions	**37,496**	**31,911**

Part C – Information on the income statement.

Section 1 - Interest - Items 10 and 20

This section comprises the interest income and expense, the similar income and charges relating, respectively, to financial assets held for trading, available-for-sale financial assets, financial assets held until maturity, loans, receivables, financial assets measured at fair value (asset items 10, 20, 30, 40, 50, 60 and 70), payables, securities issued, financial liabilities held for trading, financial assets measured at fair value (liability items 10, 20, 30, 40, and 50), as well as any interest accrued during the year on other transactions.
The interest income and expense also includes the differentials or margins, positive or negative, accrued up until the reference date of the financial statements or expired or closed by the reference date relating to the derivative contracts.

1.1 Interest income and similar revenues: breakdown

	Items/Technical forms	Debt securities	Loans	Other transactions	Total 31 Dec. 2015	Total 31 Dec. 2014
1.	Financial assets held for trading	-	-	-	-	-
2.	Available-for-sale financial assets	9,615	-	-	9,615	16,343
3.	Financial assets held to maturity	-	-	-	-	-
4.	Amounts due from banks	767	128	-	895	889
5.	Amounts due from customers	-	98,404	-	98,404	115,468
6.	Financial assets measured at fair value	-	-	-	-	-
7.	Hedging derivatives	-	-	-	-	-
8.	Other assets	-	-	54	54	1
	Total	**10,382**	**98,532**	**54**	**108,968**	**132,701**

The sub-item 4 “Amounts due from banks” includes:

Interest income on amounts due from banks for:	Total 31 Dec. 2015	Total 31 Dec. 2014
- deposit tied to compulsory reserve	9	31
- current accounts for services rendered	6	17
- deposits	113	82
- debt securities	767	759
Total	**895**	**889**

The sub-item 5. “Amounts due from customers” includes:

Interest income on amounts due from customers for:	Total 31 Dec. 2015	Total 31 Dec. 2014
- current accounts	37,138	47,034
- mortgage and personal loans	34,578	38,941
- import - export advances	2,214	3,048
- other credit transactions	22,637	24,703
- default interest	1,837	1,742
Total	**98,404**	**115,468**

During the year, default interest accrued on non-performing positions for Euro 1,069 thousand, fully written down; item 10 comprises just the default interest collected for Euro 870 thousand.
With regard to the other performing and impaired positions other than non-performing, default interest was recorded in the income statement for a total of Euro 958 thousand.

With regard to the positions which were impaired as at 31 December 2015, interest was recorded in the income statement other than default interest, accrued throughout the year to the following extent:

- Past due Euro 1,505 thousand
- Probable defaults Euro 6,992 thousand

1.3 Interest income and similar revenues: other information
1.3.1 Interest income on foreign currency financial assets

Items/Amounts	Total 31 Dec. 2015	Total 31 Dec. 2014
Total	782	905

1.4 Interest expense and similar charges: breakdown

	Items/Technical forms	Payables	Securities	Other transactions	Total 31 Dec. 2015	Total 31 Dec. 2014
1.	Amounts due to central banks	(419)	-	-	(419)	(1,046)
2.	Amounts due to banks	(6)	-	-	(6)	(5)
3.	Amounts due to customers	(15,910)	-	-	(15,910)	(25,989)
4.	Securities issued	-	(37,901)	-	(37,901)	(45,108)
5.	Financial liabilities held for trading	-	-	-	-	-
6.	Financial liabilities measured at fair value	-	-	-	-	-
7.	Other liabilities and provisions	-	-	(21)	(21)	(17)
8.	Hedging derivatives	-	-	-	-	-
	Total	**(16,335)**	**(37,901)**	**(21)**	**(54,257)**	**(72,165)**

The sub-item 2. “Amounts due to banks”, “Payables” column includes:

Interest expense for amounts due to banks:	Total 31 Dec. 2015	Total 31 Dec. 2014
- current accounts	-	-
- loans received	(6)	(5)
Total	**(6)**	**(5)**

The sub-item 3. “Amounts due to customers”, “Payables” column includes:

Interest expense on amounts due to customers:	Total 31 Dec. 2015	Total 31 Dec. 2014
- current accounts	(11,896)	(18,320)
- savings deposits and time deposits	(3,903)	(7,541)
- NewMic market loans	(85)	(50)
- deposits and accounts in foreign currency	(26)	(78)
Total	**(15,910)**	**(25,989)**

The sub-item 4 “Securities issued” includes the amount of Euro 37,901 thousand which comprises interest expense on bonds issued for Euro 37,584 thousand and on certificates of deposit for Euro 317 thousand.

1.6 Interest expense and similar charges: other information

1.6.1 Interest expense on foreign currency financial liabilities

Items/Amounts	Total 31 Dec. 2015	Total 31 Dec. 2014
Total	**(26)**	**(78)**

1.6.2 Interest expense on liabilities for financial lease transactions

Items/Amounts	Total 31 Dec. 2015	Total 31 Dec. 2014
Total	**(3)**	**(4)**

Section 2 – Commission - Items 40 and 50

These items include the income and expense relating to the services which the bank provides to its customers and those received from third parties. These items do not comprise the costs recharged within the sphere of other operating income.

2.1 Commission income: breakdown

Type of services/Balances	Total 31 Dec. 2015	Total 31 Dec. 2014
a) guarantees given	1,126	1,190
b) credit derivatives	-	-
c) management, trading and advisory services:	10,771	8,335
1. trading of financial instruments	-	-
2. foreign exchange dealing	314	326
3. portfolio management	-	-
3.1 individual	-	-
3.2 collective	-	-
4. custody and administration of securities	121	97
5. custodian bank	-	-
6. placement of securities	4,324	2,737
7. collection of order transmission and receipt activities	1,189	1,442
8. advisory activities	-	-
8.1 regarding investments	-	-
8.2 regarding financial structure	-	-
9. distribution of third party services	4,823	3,733
9.1 portfolio management	-	-
9.1.1 individual	-	-
9.1.2 collective	-	-
9.2 insurance products	4,759	3,733
9.3 other products	64	-
d) collection and payment services	5,774	5,866
e) servicer activities for securitisation operations	233	116
f) services for factoring transactions	-	-
g) tax collection and payment services	-	-
h) management activities for multi-lateral trading systems	-	-
i) current account keeping and management	8,535	8,625
j) other services	3,741	2,972
Total	**30,180**	**27,104**

Item j) other services includes the commission relating to credit cards, the use of Cashline and POS cards for around Euro 1,584 thousand and, for the residual amount, commission relating to loans and services associated with current accounts.

2.2 Commission income: distribution channels for products and services

Channels/Balances	Total 31 Dec. 2015	Total 31 Dec. 2014
a) care of Bank branches:	**9,146**	**6,470**
1. portfolio management	-	-
2. placement of securities	4,324	2,737
3. third party products and services	4,822	3,733
b) off bank premises:	-	-
1. portfolio management	-	-
2. placement of securities	-	-
3. third party products and services	-	-
c) other distribution channels:	-	-
1. portfolio management	-	-
2. placement of securities	-	-
3. third party products and services	-	-

2.3 Commission expense: breakdown

Services/Balances	Total 31 Dec. 2015	Total 31 Dec. 2014
a) guarantees received	-	(907)
b) credit derivatives	-	-
c) management and trading services:	(891)	(401)
1. trading of financial instruments	-	-
2. foreign exchange dealing	-	-
3. portfolio management	(762)	(263)
3.1 own	(762)	(263)
3.2 delegated by third parties	-	-
4. custody and administration of securities	(129)	(138)
5. placement of financial instruments	-	-
6. offer outside bank premises of financial instruments, products and services	-	-
d) collection and payment services	(1,316)	(1,360)
e) other services	(1,194)	(703)
Total	**(3,401)**	**(3,371)**

During 2014, commission for guarantees received included the amounts acknowledged to the Ministry of the Economy and Finance for the guarantee granted on securities issued by the bank and used as collateral for the purpose of accessing the ECB loans pursuant to Article 8 of Italian Decree Law No. 201 dated 6 December 2011, a guarantee discharged in advance at the end of July 2014.
In correlation with the increase in the own UCIT portfolio, commission expense pertaining to management activities rose.

Section 3 – Dividends and similar income - Item 70

3.1 Dividends and similar income: breakdown

	Items/Income	Total 31 Dec. 2015		Total 31 Dec. 2014	
		dividends	income from UCIT units	dividends	income from UCIT units
A.	Financial assets held for trading	-	-	-	-
B.	Available-for-sale financial assets	165	1,178	206	571
C.	Financial assets measured at fair value	-	-	-	-
D.	Equity investments	73	-	-	-
	Total	**238**	**1,178**	**206**	**571**

These are dividends collected on securities recorded in the available-for-sale financial assets portfolio, both equities and UCITs, and the equity investment portfolio.

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

The item includes:

a) the balance between the profits and losses on transactions classified under “financial assets held for trading” and “financial liabilities held for trading”, including the results of the valuations of these transactions;

a) the balance between the profits and losses on financial transactions, differing from those designated at fair value and hedging ones, denominated in foreign currency, including the results of the valuations of these transactions.

4.1 Net profit (loss) from trading activities: breakdown

Transactions/ Income components	Capital gains (A)	Profits on trading (B)	Capital losses (C)	Losses on trading (D)	Net profit (loss)[(A+B) - (C+D)]
1. Financial liabilities held for trading	**2**	**566**	-	**(1)**	**567**
1.1 Debt securities	2	2	-	(1)	3
1.2 Equities	-	2	-	-	2
1.3 UCIT units	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	562	-	-	562
2. Financial liabilities held for trading	-	-	-	-	-
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Financial assets and liabilities: exchange differences	-	-	-	-	**(26)**
4. Derivative instruments	-	-	-	-	-
4.1 Financial derivatives:	-	-	-	-	-
- On debt securities and interest rates	-	-	-	-	-
- On equities and share indices	-	-	-	-	-
- On currency and gold	-	-	-	-	-
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
Total	**2**	**566**	-	**(1)**	**541**

The sub-item “1.5 Financial assets held for trading: other” includes the gains and losses deriving from foreign currency trading.

Section 5 - Net gain (loss) from hedging activities - Item 90

5.1 Net gain (loss) from hedging activities: breakdown

The Bank has not carried out any hedging transactions in the last two years; therefore, the table belonging to the section is not drawn up.

Section 6 - Gains (Losses) on disposal/repurchase - Item 100

This section includes the positive and negative balances of the gains and losses generated by means of the sale of financial assets and liabilities other than those relating to trading and those designated at fair value.

6.1 Gains (Losses) on disposal/repurchase: breakdown

Items/Income items	Total 31 Dec. 2015			Total 31 Dec. 2014		
	Profits	Losses	Net result	Profits	Losses	Net result
Financial assets						
1. Amounts due from banks	-	-	-	-	-	-
2. Amounts due from customers	243	(1,309)	(1,066)	-	-	-
3. Available-for-sale financial assets	39,213	(643)	38,570	69,819	(480)	69,339
3.1 Debt securities	30,567	(129)	30,438	67,793	(75)	67,718
3.2 Equities	1,451	-	1,451	-	(79)	(79)
3.3 UCIT units	7,195	(514)	6,681	2,026	(326)	1,700
3.4 Loans	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-
Total assets	**39,456**	**(1,952)**	**37,504**	**69,819**	**(480)**	**69,339**
Financial liabilities						
1. Amounts due to banks	-	-	-	-	-	-
2. Amounts due to customers	-	-	-	-	-	-
3. Securities issued	104	(688)	(584)	122	(1,831)	(1,709)
Total liabilities	**104**	**(688)**	**(584)**	**122**	**(1,831)**	**(1,709)**

The overall positive result of the disposal/repurchase activities amounts to Euro 36,920 thousand compared with Euro 67,630 thousand in 2014. It includes Euro 1,066 thousand for the net loss registered on the disposal of a number of amounts due from customers, Euro 38,570 thousand for total income deriving from the sale of the securities included in the portfolio of available-for-sale financial assets, mainly Government securities, and Euro 584 thousand relating to the losses on the repurchase of Bank bonds at a price higher on average than that recognised in the accounts at amortised cost.

Section 7 Profits (Losses) on financial assets and liabilities measured at fair value - Item 110

The table is not drawn up since the Bank does not hold financial assets and liabilities classified in the specific “measured at fair value” portfolio.

Section 8 – Net value adjustments/writebacks for impairment - Item 130

The balances of the value adjustments and value writebacks associated with the deterioration of amounts due from customers and banks, the available-for-sale financial assets, the financial assets held until maturity and other financial transactions are presented in this item.

8.1 Net value adjustments for impairment of loans and receivables: breakdown

The breakdown of net value adjustments for impairment of loans and receivables is as follows:

Transactions/ Income components	Value adjustments (1)			Value writebacks (2)				(1-2) Total 31 Dec. 2015	Total 31 Dec. 2014
	Specific		Portfolio	Specific		Portfolio			
	Derecognitions	Other		A	B	A	B		
A. Amounts due from banks	-	-	-	-	-	-	-	-	-
- Loans	-	-	-	-	-	-	-	-	-
- Debt securities	-	-	-	-	-	-	-	-	-
B. Amounts due from customers	**(1,021)**	**(62,787)**	**(42)**	**8,780**	**7,531**	**-**	**1,361**	**(46,178)**	**(71,346)**
Impaired loans and receivables acquired	-	-	-	-	-	-	-	-	-
- Loans	-	-	-	-	-	-	-	-	-
- Debt securities	-	-	-	-	-	-	-	-	-
Other receivables	(1,021)	(62,787)	(42)	8,780	7,531	-	1,361	(46,178)	(71,346)
- Loans	(1,021)	(62,787)	(42)	8,780	7,531	-	1,361	(46,178)	(71,346)
- Debt securities	-	-	-	-	-	-	-	-	-
C. Total	**(1,021)**	**(62,787)**	**(42)**	**8,780**	**7,531**	**-**	**1,361**	**(46,178)**	**(71,346)**

Key
A = From interest
B = Other writebacks

The value adjustments, in correspondence to the “Specific - Derecognitions” column, are those pertaining to the year which derive from discharging events, those corresponding to the “Specific - Other” column correspond to the amount booked to the income statement as a consequence of the analytical writedowns of impaired loans and receivables, adjustments inclusive of the discounting back of the estimated future cash flows which populate the specific writedown allowances.
The value adjustments/writebacks recorded in the “portfolio” columns represent the adjustment of the measurement of the overall risk on performing loans and receivables and their accounting counterpart is the allowance for the writedown of performing loans and receivables (portfolio value adjustments in the tables in part E); to a minor extent, the valuational impact of loans which have become non-interest bearing or have returned to produce interest.
The value writebacks stated in the “Specific - A” column refer to the value writebacks deriving from the discounting back and corresponding to the interest accrued in the period on the basis of the original interest rate used to calculate the value adjustments.
The specific writebacks illustrated in column B by contrast refer to all the valuation value writebacks (also for return to performing status) and collection value writebacks on impaired positions, as well as the recovery of positions by now amortised.

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

Transactions/ Income components	Value adjustments		Value writebacks		Total 31 Dec. 2015	Total 31 Dec. 2014
	Specific		Specific			
	Derecognitions	Other	A	B		
A. Debt securities	-	-	-	-	-	-
B. Equities	-	(2,453)	-	-	(2,453)	(3,052)
C. UCIT units	-	(536)	-	-	(536)	(159)
D. Loans to banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	-	**(2,989)**	-	-	**(2,989)**	**(3,211)**

Key
A = From interest
B = Other writebacks

The amount refers to:
- the write-down of the shares held in CA.RI.FE. for Euro 1,490 thousand, with writing off of the book value as a consequence of the settlement of this bank;
- the write-down of the equity investment UBI Leasing for Euro 53 thousand, aligning the value recorded in the financial statements to the shareholders' equity of the investee company as at 30 September 2015;
- Euro 414 thousand relating to the alignment of the shares of Banca Popolare di Cividale with the last valuation expressed on the security by the internal trading market of this Bank, given the continuity of trading for a period longer than 18 months at a price lower than the book one;
- Euro 496 thousand relating to the write-down of the shares held in Banca Popolare di Vicenza with adjustment to the value established by the last shareholders' meeting of said Bank;
- to the alignment of the book value expressed in the last interim report of the UCIT funds Asset Bancari I (Euro 71 thousand) and Asset Bancari IV (Euro 465 thousand).

The value adjustments were made in compliance with the classification and measurement policy adopted by the Bank.

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

The table is not drawn up because there are no financial assets classified as thus.

8.4 Net value adjustments for impairment of other financial transactions: breakdown

Transactions/ Income components	Value adjustments (1)			Value writebacks (2)				(1-2) Total 31 Dec. 2015	Total 31 Dec. 2014
	Specific		Portfolio	Specific		Portfolio			
	Derecognitions	Other		A	B	A	B		
A. Guarantees granted	-	(111)	(310)	-	329	-	-	**(92)**	**(1,852)**
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	-	-	-	-	-	-	-
D. Other transactions	-	-	-	-	-	-	-	-	-
E. Total	-	**(111)**	**(310)**	-	**329**	-	-	**(92)**	**(1,852)**

Key
A = From interest
B = Other writebacks

The table shows the value adjustments and writebacks on endorsement loans to customers which are impaired.

Section 9 - Administrative expenses - Item 150

This section provides analysis of the “payroll and related costs” and the “other administrative expenses” recorded during the year.

9.1 Payroll and related costs: breakdown

Type of expense/Balances	Total 31 Dec. 2015	Total 31 Dec. 2014
1) Employees	**(33,278)**	**(32,367)**
a) wages and salaries	(23,210)	(22,996)
b) social security charges	(6,279)	(6,105)
c) leaving indemnities	(420)	(368)
d) welfare and pension costs	-	-
e) provision for employee leaving indemnities	(110)	(157)
f) provision for pensions and similar commitments:	-	-
- defined contribution	-	-
- defined benefits	-	-
g) payments to external supplementary pension funds:	(2,079)	(1,683)
- defined contribution	(2,079)	(1,683)
- defined benefits	-	-
h) costs deriving from payment agreements based on own shares and similar instruments	-	-
i) other employee benefits	(1,180)	(1,058)
Other personnel in service	**(138)**	**(182)**
3) Directors and statutory auditors	**(879)**	**(845)**
4) Retired personnel	-	-
5) Costs recharged for employees seconded care of other companies	-	**24**
6) Reimbursements of expenses for third party employees seconded to the company	-	-
Total	**(34,295)**	**(33,370)**

The overall amount of the payroll and related costs increased in relation to the salary and wage dynamics and contractual rises, as well as the change in the workforce.
The items “wages and salaries” and “social securities contributions” also include the provision for the 2015 results bonus, which will be paid during 2016.

The sub-item “c) leaving indemnities” includes the amounts intended for the INPS Treasury Fund, in accordance with the provisions introduced by the welfare reform as per Italian Legislative Decree No. 252/2005 and Italian Law No. 296/2006, as well as the sums paid monthly in the pay packet to employees who have opted for this alternative introduced by Italian Law 190/2014.

The sub-item “e) provision for leaving indemnities - salaried employees” includes the revaluation of the indemnity which has remained in-house (employee leaving indemnity provision) and the non-actuarial components of the IAS measurements.

The sub-item g) includes the portions relating to the supplementary pension fund paid by the Bank to the Supplementary Funds on a compulsory (portion relating to the leaving indemnity) and optional basis.

The sub-item 2) “other personnel” includes Euro 138 thousand relating to costs for atypical employment contracts, including those for “temp work” contracts for Euro 109 thousand.

The item 3) “Directors and statutory auditors” comprises:
- the fee, inclusive of VAT and contributions, for the Board of Statutory Auditors totalling Euro 203 thousand;
- the fee, inclusive of VAT and contributions, if due, for the members of the Board of Director totalling Euro 676 thousand.

9.2 Average number of employees by category

	Items	**Total 31 Dec. 2015**	**Total 31 Dec. 2014**
°	**Salaried employees:**	**485**	**468**
	a) senior executives	9	9
	b) middle managers	180	171
	c) other salaried staff	296	288
°	**Other personnel**	**14**	**14**

The exact number of employees at year end was by contrast the following:

Exact number of employees	**Total 31 Dec. 2015**	**Total 31 Dec. 2014**
Salaried employees	486	483
of which part time	16	16
Under staff leasing	1	2
Other personnel	13	14

The exact number of employees is indicated without weighting the part-time employees at 50%.
Other personnel include the 10 directors and 3 external co-workers.

9.3 Defined-benefit company pension funds: costs and revenues

There are no defined-benefit company pension funds.

9.4 Other employee benefits

This item includes various types of expense, as analysed below:

Type of expense/Balances	Total 31 Dec. 2015	Total 31 Dec. 2014
Luncheon vouchers	(566)	(533)
Insurance premiums	(418)	(408)
Training expenses	(138)	(79)
Other	(58)	(38)
Total	**(1,180)**	**(1,058)**

9.5 Other administrative expenses: breakdown

Administrative expenses other than payroll and related costs amounted at year end to Euro 35,608 thousand; the table below presents a comparison with the previous year:

Type of expense/Balances	Total 31 Dec. 2015	Total 31 Dec. 2014
Contributions to the resolution fund and to the deposit guarantee system	(4,807)	-
Telephone, postal and data transmission expense	(1,940)	(2,121)
Intangible fixed asset maintenance expenses	(1,647)	(1,445)
Rentals payable on properties	(1,467)	(1,527)
Security, transportation and custody of valuables expenses	(665)	(652)
Transportation expenses	(246)	(215)
Expert appraisals and real estate documents	(212)	(110)
Legislative and procedural consulting	(373)	(501)
Sundry consulting and services	(235)	(486)
Costs for office materials and supplies	(613)	(661)
Electricity and heating costs	(644)	(722)
Advertising and entertaining expenses	(583)	(560)
Legal costs	(1,924)	(1,733)
Insurance premiums	(2,127)	(1,749)
Costs for information and searches	(1,841)	(1,765)
Data processing centre	(4,534)	(4,302)
Indirect taxes and duties	(8,877)	(9,255)
Cleaning services	(435)	(426)
Membership fees	(587)	(497)
Contributions for Treasury Service and sundry associations	(24)	(64)
Processing of bills, cheques and documents care of third parties	(494)	(482)
Rented property maintenance and condo charges	(68)	(102)
Subscriptions and ads for newspapers and magazines	(106)	(88)
Purchase of promotional materials	(81)	(128)
Cost of the staff leasing contracts service	(12)	(16)
Expenses for travel and business trips involving personnel in service	(343)	(327)
Securitisation administrative expenses	(373)	(29)

Sundry minor costs and expenses for general meetings	(350)	(321)
Total	**(35,608)**	**(30,284)**

The overall increase in administrative expenses is due to the recognition in this item of the ordinary and extraordinary contributions to the Resolution Fund (BRRD Directive) and to the Deposit Guarantee Fund (DSG Directive), funds recently established and characterised by different methods of intervention in the case of banking crises.
The Resolution Fund, set up care of the Bank of Italy, received ordinary contributions for Euro 1,056 thousand and extraordinary contributions for Euro 3,170 thousand for the capitalisation of the new banks emerging from the resolution procedures of CA.RI.FE., Banca Etruria, Banca Marche and Cassa di Risparmio di Chieti.
Ordinary contributions have been paid over to the Deposit Guarantee Fund for Euro 381 thousand, equal to the six-monthly payment required; the 2016 stability law also envisaged a solidarity fund for a total of Euro 100 million to protect the subordinated bondholders of the four banks in crisis and the Bank took steps to set aside its portion, estimated as Euro 200 thousand.
Within administrative expenses, the predominance is represented by the item “Indirect taxes and levies” which also include the stamp duty paid on behalf of customers, other taxes pertaining to the Banks such as IMU, TASI, TARI, municipal taxes, registration taxes and sundry associated with the debt collection activities. The prevailing amount regards stamp duty (Euro 7,745 thousand compared with Euro 8,105 thousand in 2014, a decrease attributable to the change in the average stock of bonds subject to the proportional duty). The amount of the related recovery is recorded in the item “190 Other operating income and expense”.
In conclusion, mention is made of the incidence of the administrative charges relating to the extension, in 2015, of the scope of the internal securitisation transaction already outstanding in previous years.

Section 10 - Net allocations to provisions for risks and charges - Item 160

This item includes the balance, positive or negative, between the allocations and any re-assignments to the income statement of provisions deemed in excess, relating to the provisions as per sub-item b) “other” in item 120 “provisions for risks and charges” under the balance sheet liabilities.

10.1 Net allocations to provisions for risks and charges: breakdown

Items	Total 31 Dec. 2015	Total 31 Dec. 2014
Provision for legal disputes, compound interest and securities as well as for bankruptcy revocatory action	(1,066)	(572)
Return to income statement for settlement of disputes arising during core business activities	138	10
Total	**(928)**	**(562)**

Section 11 - Net value adjustments/writebacks on tangible assets - Item 170

The item comprises the balance between the value adjustments and the value writebacks relating to tangible assets held for operating use, including those relating to activities acquired under financial lease.

11.1 Net value adjustments on tangible assets: breakdown

Assets/Income items	Depreciation (a)	Value adjustment for impairment (b)	Value writebacks (c)	Net result (a + b - c)
A. Tangible assets				
A.1 Owned	**(1,577)**	-	-	**(1,577)**
- Used in operations	(1,577)	-	-	(1,577)
- For investment	-	-	-	-
A.2 Acquired under financial lease	**(13)**	-	-	**(13)**
- Used in operations	(13)	-	-	(13)
- For investment	-	-	-	-
Total	**(1,590)**	-	-	**(1,590)**

The depreciation for 2015 amounts in total to Euro 1,590 thousand. Reference is also made to table 11.3 in Section 11 of the balance sheet - Assets “Intangible fixed assets”.

In detail, the depreciation is broken down as follows:
• on properties Euro 674 thousand;
• on furniture and furnishings Euro 228 thousand;
• on electronic installations Euro 194 thousand;
• on the remaining assets Euro 494 thousand.
As at 31 December 2015, there were no assets held for sale and discontinued operations as per IFRS 5.

Section 12 - Net value adjustments/writebacks on intangible assets - Item 180

This section comprises the balance between the value adjustments and the value writebacks relating to intangible assets, other than goodwill, including those relating to assets acquired under financial lease and assets provided under operating lease.

12.1 Net value adjustments on intangible assets: breakdown

Assets/Income items	Amortisation (a)	Value adjustment for impairment (b)	Value writebacks (c)	Net result (a + b - c)
A. Intangible assets				
A.1 Owned	(767)	-	-	(767)
- Internally generated by the company	-	-	-	-
- Other	(767)	-	-	(767)
A.2 Acquired under financial lease	-	-	-	-
Total	**(767)**	-	-	**(767)**

The value adjustments refer to the amount of intangible assets with a specified useful life acquired externally.
Intangible assets are more fully described in Section 12 of the balance sheet - Assets “Intangible fixed assets” in these explanatory notes

Section 13 - Other operating income and expense - Item 190

The costs and revenues not attributable to other items, which contribute to the formation of item 270 "Profit (Loss) from operations net of taxation" are illustrated in this section.

13.1 Other operating expense: breakdown

The breakdown of other operating expense is provided below.

Types of expense/Balances	Total 31 Dec. 2015	Total 31 Dec. 2014
Out-of-period expense	(191)	(104)
Costs for leasehold improvements and expenses on third party assets	(125)	(150)
Sundry	(116)	(168)
Total	**(432)**	**(422)**

The item "costs for leasehold improvements and expenses on third party assets" includes the amortisation of improvements made to third party assets, in detail structural work necessary for the setting up of rented branches.
The item "Sundry" mainly comprises costs of legal and similar transactions pertaining to the year.

13.2 Other operating income: breakdown

The breakdown of other operating income is provided below.

Types of income/Balances	Total 31 Dec. 2015	Total 31 Dec. 2014
Rental income on properties	41	57
Taxes recharged to customers	7.741	8,096
Insurance premiums recharged to customers	1,181	1,052
Recovery of expenses on deposits and current accounts	124	135
Services provided to other Group companies	20	20
Recoveries on legal costs	1,651	1,502
Out-of-period income	78	291
Fast credit processing fees	2,779	3,016
Costs recharged to employees	1	1
Total	**13,616**	**14,170**

Taxes recharged for Euro 7,741 thousand concern the stamp duty on current accounts and securities deposits; the recovery is linked to the amount recorded under administrative expenses (see the table "9.5 Other administrative expenses").
The item "Recoveries on legal costs" includes recoveries relating to the legal costs inherent to specific recovery activities vis-à-vis non-performing positions, recharged to the same (both costs for professional consulting and for taxes).
Fast credit processing fees are classified here as required by Bank of Italy financial statement legislation.
Services provided to Group companies include service activities provided to Valsabbina Real Estate S.r.l..

Section 14 - Gains (Losses) on equity investments - Item 210

14.1 Gains (losses) on equity investments: breakdown

Income components/Balances	Total 31 Dec. 2015	Total 31 Dec. 2014
A. Income	**-**	**-**
1. Revaluations	-	-
2. Profits on disposal	-	-
3. Value writebacks	-	-
4. Other income	-	-
B. Expense	**(130)**	-
1. Write-downs	(130)	-
2. Impairment value adjustments	-	-
3. Losses on disposal	-	-
4. Other expense	-	-
Net result	**(130)**	-

The item comprises the value adjustment made on the equity investment held in the subsidiary Valsabbina Real Estate S.r.l..

Section 15 – Net profit (loss) from the fair value valuation of tangible and intangible assets - Item 220

Section 16 - Value adjustments to goodwill - Item 230

These tables have not been drawn up since there have been no transactions which would require indication in these sections.

Section 17 - Gains (Losses) on disposal of investments - Item 240

17.1 Gains (Losses) on disposal of investments: breakdown

Income components/Balances	Total 31 Dec. 2015	Total 31 Dec. 2014
A. Properties	**12**	**-**
- Profits on disposal	12	-
- Losses on disposal	-	-
B. Other assets	-	**8**
- Profits on disposal	3	9
- Losses on disposal	(3)	(1)
Net result	**12**	**8**

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

This item discloses the tax liability - equal to the balance between the current taxation and the deferred taxation - relating to the profit for the year.

18.1 Income taxes for the year on current operations: breakdown

The breakdown of taxation for the year is provided below.

Income components/Balances		Total 31 Dec. 2015	Total 31 Dec. 2014
1.	Current taxes (-)	(7,083)	(24,963)
2.	Changes in current taxes for previous years (+/-)	-	-
3.	Reduction in current taxes for the year (+)	-	-
3.*bis*	Reduction in current taxes for the year for tax credits as per Italian Law No. 214/2011 (+)	-	-
4.	Change in prepaid taxes (+/-)	4,288	15,278
5.	Change in deferred taxes (+/-)	(128)	(230)
6.	**Taxation pertaining to the year (-) (-1+/-2+3+3bis+/-4+/-5)**	**(2,923)**	**(9,915)**

The current taxes have been recognised on the basis of tax legislation and the current tax rates (27.50% for IRES and 5.57% for IRAP); these taxes are calculated on the basis of the taxable base pertaining to the year for tax purposes.
The tax liability for 2015 was determined taking into account the amendments introduced by Italian Law No. 190 dated 23 December 2014 (2015 stability law) with regard to the deductibility of the payroll and related costs for permanent staff from the IRAP taxable base.
The change in prepaid taxes (prepaid arising less prepaid cancelled in the year) amounting to Euro 4,288 thousand is shown in asset table 13.3, while that for the deferred taxes is shown in asset table 13.5.

18.2 Reconciliation between the theoretical tax liability and effective tax liability in the financial statements

The following table shows the reconciliation of the effective tax liability (26.61%) with respect to the theoretical one calculated on the profit from continuing operations gross of taxation (income statement item 250).

IRES (COMPANY EARNINGS' TAX)	Taxable amount	IRES 27.5%	% incidence
Profit before taxation (theoretical taxation)	10,985	(3,021)	27.50%
Permanent increases			
- 4% non-deductible interest expense	2,170	(597)	(5.43%)
- non-deductible writedown of long-term securities	2,582	(710)	(6.46%)
- other non-deductible expense	762	(210)	(1.91%)
Permanent decreases			
-10% IRAP deduction and payroll and related costs	(1,395)	384	3.49%
- dividends	(226)	62	0.57%
- capital gains from disposal of equity investments in	(1,379)	379	3.45%
- equity increase (a.c.e.)	(4,151)	1,142	10.39%
- other changes	(571)	157	1.43%
Effective IRES tax liability		**(2,414)**	**(21.97%)**
IRAP (REGIONAL BUSINESS TAX)	**Taxable amount**	**IRAP 5.57%**	**% incidence**
Profit before taxation (theoretical taxation)	10,985	(612)	(5.57%)
Permanent increases			
- 4% non-deductible interest expense	2,170	(121)	(1.10%)
- non-recoverable writedown of long-term securities	1,620	(90)	(0.82%)
- other non-deductible expense (10% general expenses and other associated items)	1,270	(71)	(0.64%)
Permanent decreases			
- dividends	(119)	7	0.06%
- IRAP recovery on prior writedown from disposal of loans	(3,223)	180	1.63%
- other changes	(3,547)	198	1.80%
Effective IRAP tax liability		**(509)**	**(4.63%)**
Total effective IRAP and IRES tax liability		**(2,923)**	**(26.61%)**

Section 19 – Profit (loss) from groups of assets held for sale, net of tax - Item 280

The table is not drawn up because there are no assets classified as thus.

Section 20 – Other information

This section is not drawn up since it is deemed that the information provided previously is complete.

Section 21 - Earnings per share

The new international standards (IAS 33) require the returns indicator to be published on a mandatory basis: “earnings per share” (commonly known as “EPS”), in the two versions:
• “Basic EPS”, calculated by dividing the net profit by the weighted average of the ordinary shares in circulation;
• “Diluted EPS”, calculated by dividing the net profit by the weighted average of the ordinary shares in circulation, also taking into account the classes of instruments with diluting effects.

21.1 Average number of ordinary shares in terms of diluted capital

There are no ordinary shares which will be issued in the future with diluting effects on the capital.

21.2 Other information

Items	Total 31 Dec. 2015	Total 31 Dec. 2014
Profit (Loss) for the year	8,062	14,007
Ordinary shares (weighted average)	35,329,009	35,429,592
Earnings per share	**0.228**	**0.395**

On the basis of sections 19 - 20 of IAS 33, with regard to the calculation of the basic earnings per share, the number of the ordinary shares in circulation must be equal to the weighted average for the number of days which the shares have been in circulation for, therefore net of the own shares repurchased.

Part D - Comprehensive income

This is additional disclosure required for presenting not only the profit for the year but also the other income components not recognised in the income statement (these include, in essence, the changes in the shareholders' equity valuation reserves).
In addition to the statement of comprehensive income shown after the financial statement schedules, the following additional details are provided.

Analytical statement of comprehensive income				
	Items	**Gross amount**	**Income taxes**	**Net amount**
10.	**Profit (loss) for the year**	**X**	**X**	**8,062**
	Other comprehensive income components without reversal to income statement	**324**	**(107)**	**217**
40.	Defined benefit plans	324	(107)	217
	Other comprehensive income components with reversal to income statement	**(11,060)**	**4,383**	**(6,677)**
100.	Available-for-sale financial assets	**(11,060)**	**4,383**	**(6,677)**
	a) fair value changes	(9,689)	3,899	(5,790)
	b) reversal to income statement	(1,346)	482	(864)
	- impairment adjustments	551	(68)	483
	- realised gains/losses	(1,897)	550	(1,347)
	c) other changes	(25)	2	(23)
130.	**Total other comprehensive income components**	**(10,736)**	**4,276**	**(6,460)**
140.	**Comprehensive income (Item 10+130)**	**(10,736)**	**4,276**	**1,602**

With regard to item 100, the breakdown of the fair value changes and the reversal to the income statement of the impairment adjustment recognised in 2015 is as follows:

	Gross amount	**Income taxes**	**Net amount**
a) fair value changes	**(9,689)**	**3,899**	**(5,790)**
Debt securities	(5,093)	1,683	(3,410)
Equities	3,840	(574)	3,266
UCIT units	(8,436)	2,790	(5,646)
b) reversal to income statement - impairment adjustments	**551**	**(68)**	**483**
Equities	414	(23)	391
UCIT units	137	(45)	92
b) reversal to income statement - realised gains/losses	**(1,897)**	**550**	**(1,347)**
Debt securities	(625)	207	(418)
Equities	(297)	21	(276)
UCIT units	(975)	322	(653)
c) other changes	**(25)**	**2**	**(23)**

Item 40 is equal, as already indicated in the comment to liability item 110, to the actuarial change for the year in the provision for employee leaving indemnities, a change which as from the 2012 financial statements was registered with a matching shareholders' equity balance.

The amount of the income tax for Euro 4,276 thousand, is also indicated in the asset tables 13.5 and 13.6 “Tax assets”, as follows:

13.5 Changes in prepaid taxes (through shareholders’ equity)	
Increases	4,868
Decreases	(439)
13.6 Changes in deferred taxes (through shareholders’ equity)	
Increases	(963)
Decreases	810
Effect of the income taxes on comprehensive income	**4,276**

Part E

Information on risks and the related hedging policies

Introduction

The Bank carries out its activities according to prudent and sound management criteria and with a contained propensity to risk, this in relation to:

- the need for stability associated with the performance of banking activities;
- the profile of its investors.

The overall propensity to risk is measured in summary form via the identification, within the sphere of the Bank's equity ("own funds"), of a capital component not intended for the undertaking of risks (unexpected losses), but oriented towards pursuing the following purposes:

- the business as a going-concern over the mid/long-term, gradually strengthening equity and maintaining conditions of operational flexibility (so-called "strategic capital reserve");
- equity coverage of the impacts deriving from the occurrence of stress (so-called "stress capital coverage").

The Bank's system of internal controls ensures the implementation of the corporate strategies and policies and is made up of a series of rules, procedures and organisational structures which aim to observe the standards of sound and prudent management.
The Corporate Bodies have the prime responsibility of ensuring, according to specific responsibilities, the completeness, adequacy, functionality and reliability of the System of internal controls.
The Bank has adopted a traditional type of governance model which envisages the presence of a Board of Directors, a Board of Statutory Auditors and General Management.
The Board of Directors is the head of the Bank's management and strategic supervision unit, in which General Management also takes part, while the Control Unit is assigned to the Board of Statutory Auditors.
The Board of Directors defines the business model by means of the approval of the strategic business plan and the annual budgets, with the awareness of the risks which this model exposes the Bank to and comprehension of the methods by means of which the risks are detected and assessed. The Board of Directors defines and approves the strategic guidelines and sees to their periodic review, establishes the propensity to risk and the related tolerance threshold, as well as the risk governance policies, ensuring that the Bank's structure is consistent with the activities carried out and the business model adopted.
The risk governance policies are formalised in specific regulations/policies which are promptly submitted for the approval of the Board of Directors.
The adoption of new products and services, the launch of new activities, introduction into new markets and, in general, the most significant operations are always approved by the Board of Directors.
The Board of Directors periodically assesses whether the risk profiles undertaken by the Bank in terms of capital adequacy, liquidity and risk return ratio of the operating activities are consistent with the propensity towards risk defined within the sphere of the strategic planning activities and with the regulatory levels. Furthermore, the Board of Directors assesses the observance of the operating limits defined for the undertaking of the various types of risks. The Board of Directors ensures the consistency between the strategic plan, the business model, the reference framework for the propensity to risk ("Risk

Appetite Framework"), the ICAAP process, the Budgets as well as the corporate organisation and the system of internal controls, taking into consideration the developments in the internal and external conditions under which the Bank operates.
In particular, during 2015 the "Risk Appetite Framework Policy" document was reviewed further to the review of the Strategic Plan for the two-year period 2015-2016, up-dating the types of risk which the Bank intends to undertake, the risk objectives, any tolerance thresholds and possible operating limits.
The Board of Directors is supported by the Risks Committee, a body within the board which performs advisory and proposal-related functions with regard to risks and the system of internal controls.
General Management, also availing itself of the Strategic Committee made up of all the senior members of the Bank, is fully aware of the business risks, sees to the implementation of the strategic guidelines and the risk governance policies defined by the Board of Directors. In particular, it proposes operating limits for the undertaking of the various types of risk, taking into account the stress tests carried out by the appointed units, in accordance with the matters envisaged by the Bank's internal policies.
General Management, with a view to facilitating the development and the divulgation at all levels of a culture of control of the risks, plans the training programmes for the Bank's staff, on the basis of the proposals made by the Market Division and the Operational HR Division.
The Board of Statutory Auditors carries out periodic checks so as to ascertain the completeness, suitability, functionality and reliability of the System of internal controls.
When carrying out its tasks, the Board of Statutory Auditors uses suitable information flows provided by other Corporate Bodies and the control functions. The regular attendance of the Board of Statutory Auditors during Board meetings, which are held weekly, represents a guarantee with regard to prompt information to the Control Body with regard to operational events.

The sound and prudent management of the banks in ensured by a suitable business organisation, which envisages a complete and functional system of internal controls.
Specifically, the Bank's System of internal controls is divided up into three different levels:

- line controls: aimed at ensuring the correct performance of the operations. They are carried out by the same operating units or incorporated in the procedures and the IT systems, or carried out within the sphere of the back office activities.
  For the purpose of spreading deep-rooted awareness of the controls to be implemented within the sphere of each business process within the entire structure, the Bank has endowed itself with a "line control manual". Furthermore, with the aid of the T.U.N.E. application (Testo Unico della Normativa Elettronica), the mapping of all the significant processes is made available on-line to the staff. The T.U.N.E. has the purpose of harmonising the conduct of the operators facilitating the integration of the controls. The up-dates of the internal and external regulations are also promptly communicated to all the company units concerned by means of the specific on-line portal.
- Controls on the risks and on compliance (so-called "second level controls") which have the purpose of ensuring, amongst other aspects:
  - the correct implementation of the risk management process;
  - the observance of the operating limits assigned to the various divisions;
  - the compliance of the business operation with standards; including those concerning self-regulation.

  The second level controls are delegated by the organisational rules to the Risk Management, Planning & Control Service, the Compliance Service and the Anti-money Laundering Service. The units tasked with these controls are separate from the production ones; they contribute towards the definition of the risk governance policies and the risk management process.

- Internal Audit (so-called "third level controls): aimed at identifying violations of the procedures and the regulations as well as periodically assessing the completeness, suitability, functionality and reliability of the system of internal controls and the information system. These activities are carried out by the Internal Audit Service.

The company control Units who see to the second and third level controls have the authority, resources and expertise necessary for the performance of their tasks.
The company Staff organisation chart envisages - in compliance with Supervisory instructions - the hierarchical and functional relationship of the company control units with regard to the Board of Directors.
The control units have access to all the activities carried out by the bank, both care of the central offices and care of the peripheral structures, as well as any information relevant for the performance of their tasks.

Pursuant to Italian Law No. 231/01, a specific Supervisory Body of a collegial nature is present, made up of seven members, including one member of the Board of Statutory Auditors, the heads of the control units and a Bank official who also carries out the role of secretary; the Chairman of the Supervisory Body is an outside professional of proven experience.
The Supervisory Body has the task of assessing the correct functioning of the organisational safeguards adopted by the Bank so as to avoid involvement in events which could be subject to sanctions pursuant to and for the purposes of Italian Law No. 231 dated 2001. As established by the Organisational Model, it periodically reports to the Bank's Board of Directors.
During 2015, the activities of the Supervisory Body focused on the checking of the observance of the Organisational Model which the Bank has endowed itself with in accordance with the Italian Law 231 also availing itself of the support of the specialist units within the Bank, with particular reference to the legislative innovations which have taken place and the changes in the operating context.

The Compliance Unit

The risk of non-compliance is overseen by the Compliance Service. The compliance unit's activities include the monitoring of new legislation (also with the support of specialist units), the assessment of the impacts, the proposal of organisational and procedural changes aimed at ensuring suitable safeguarding of the non-compliance risks identified, as well as the checking of the efficacy of the organisational adaptations carried out by the operating units (structures, processes, procedures including operative and commercial) suggested for the prevention of the non-compliance risk. In detail, the Compliance Service works together with the other control areas (Internal Audit, Risk Management, Anti-money Laundering) for the purpose of developing its risk management methods in a consistent manner with the strategies and business operations, checks whether situations involving conflicts or interest, or the possible occurrence of such conflict, can be eliminated, reduced or handled and submits the new cases for the attention of General Management, making suggestions for the overcoming or solution of the same.
The legislative spheres overseen directly by the Compliance Service are attributable to the regulations on the provision of investments services, the regulations on market abuse, the regulations regarding remuneration and incentive policies and practices in banks and banking groups, the regulations safeguarding customers (Banking Transparency as per Section VI of the CBA) and consumers (Consumer Code as per It. Decree Law No. 206/05), the regulations regarding conflicts of interest and codes of conduct.

The Compliance Unit sees to consulting and assistance vis-à-vis the Bank's Corporate Bodies with regard to all the matters in which the risk of non-compliance is relevant. Furthermore, the unit collaborates in staff training activities on the provisions applicable to the activities carries out, for the purpose of spreading a corporate culture instilled with principles of honesty, correctness and respect of the law.
The Compliance Service sees to the constant up-dating of the system for the safeguarding of significant legislation (so-called "Compliance Framework") in light of any changes in the characteristics of the Bank (i.e. size, operations and complexity) and of the market context. The Compliance Framework permits the Bank's Compliance Unit to oversee, according to a risk based approach, the management of the risk of non-compliance with regard to the business activities, checking the suitability of the internal procedures.

Anti-money Laundering unit

The Anti-money Laundering Service is in an autonomous position, both hierarchically and functionally, with respect to the individual operating structures of the Bank and acts autonomously and independently, reporting the results of the activities carried out to the corporate Bodies objectively and impartially.
The Anti-money Laundering Service has the task of continually checking that the company procedures are consistent with the aim of preventing and contrasting money laundering and the funding of terrorism.

The operations of the Service pursue the twofold need of:

- implementing the fulfilments with regard to reporting of suspect transactions, carrying out checks with regard to the observance of the provisions regarding anti-money laundering, communicating any violations of the norms on the use of cash and bearer securities to the Ministry of the Economy and Finance as well as responding to the requests of the Authorities;
- providing advisory support to the organisational structures further to the issuance of new provisions regarding anti-money laundering having an impact on the Bank.

The guidelines adopted by the Bank with regard to anti-money laundering take into account the provisions issued by the Bank of Italy by means of the "Provisions dated 3 April 2013 relating to the adequate checking of customers and the keeping of the Centralised Computer Archive" and with the "Circular No. 285 dated 17 December 2013 "Supervisory instructions for banks". The "Anti-money laundering Policy" approved by the Board of Directors, brings together the guiding principles relating to the strategic stances and the government policies, the organisational and risk control safeguards, appropriate checks, obligations to abstain and active collaboration vis-à-vis the Supervisory Authorities.

The Anti-money Laundering Service adopts, as an instrument for internal regulation of the specialist unit, its own Regulations approved by the Board of Directors; the internal regulations for the use of all the staff, are by contrast summarised in the form of a Manual, with the aim of systematically bringing together the principles and operating norms adopted by the Bank with regard to the prevention of money laundering and terrorism funding risks.

The Anti-money Laundering Service, aided by the Compliance Service, takes steps to identify the external regulations applicable and, in collaboration with the competent company Units, assess their impact on the process and the internal procedures.

Risk Management Unit

The Risk Management Unit has the purpose of implementing the risk governance policies, by means of a suitable risk management process; this Unit is assigned to the Risk Management Planning & Control Service. The structure of the Service and its positioning within the Bank's organisational model ensures an integrated management of the different risks which the intermediary is exposed to.

The Bank's Organisational Code and the regulations of the Service discipline the following tasks:

- overseeing and co-ordinating the process for the identification of the risks which the Bank is or could be exposed to;
- seeing to the measurement/valuation of the individual First and Second Pillar risks, both in situations of normal course of business and in situations of stress also analysing the other risks difficult to quantify. The Risk Management unit also sees to the development of the instruments and the methods for handling and measuring the risks, reporting to the corporate bodies and the units involved with regard to the results of the analysis, ensuring the necessary disclosure;
- periodically checking the overall exposure of the Bank to the additional types of risk;
- seeing to the calculation of the current and forecast capital requirements of the Bank for ICAAP purposes;
- proposing the quantitative and qualitative parameters necessary for the definition of the RAF (tolerance thresholds and operating limits), on a consistent basis with the methods used within the sphere of the ICAAP process;
- seeing to the drafting of "Disclosure to the general public" document (Pillar III);
- collaborating with regard to the definition of the policies for the management and governance of the individual types of significant risk.

The sphere of the operations of the Risk Management unit include the following types of risk:

- credit and counterpart risk;
- market risk (relating to both the trading book and the bank book);
- operational risk;
- concentration risk;
- rate risk of the banking book;
- liquidity risk;
- risk of excessive financial leverage;
- reputational risk;
- strategic risk;
- residual risk;
- risks deriving from securitisations;
- IT risk.

Within the sphere of the periodic review activities on the risk monitoring perimeter which the bank is subject to, the Risk Management, Planning & Control Service also takes steps to monitor other risk aspects which are not subject to specific measurements (both qualitative and quantitative).

Examples of these risks are the model risk, the country risk, the transfer risk, the underlying risks and the risks linked to the macroeconomic environment.

The activities of the Unit aim to identify, assess and monitor the various types of risk undertaken or which may be undertaken in the various business segments and to propose the appropriate mitigation and prevention action, gathering together, within an integrated logic, the interrelationships and reporting the evidence detected by the Corporate Bodies.

The Risk Management Unit checks the adequacy and efficacy of the measures adopted to remedy the shortfalls noted in the risk management process, identifying any areas for improvement and providing disclosure within the sphere of the ICAAP process.

The Risk Management, Planning & Control Service in conclusion constantly monitors the risk profile undertaken by the Bank with respect to the propensity to risk defined in the RAF, providing disclosure to the Corporate Bodies.

Internal Audit Unit

The Internal Audit Unit checks the suitability and the efficiency of the organisational set ups and the System of internal controls, the regularity of the corporate operations and the observance of the policies adopted with regard to the undertaking of the risks; it also checks the efficiency and the effectiveness of the second level controls assigned to the other corporate control units and, in particular, those aimed at ensuring the containment of the business risks within the level deemed acceptable by the Bank. The unit also takes steps to ascertain the removal of anomalies detected in the operating processes and in the functioning of the controls by means of follow up activities, carrying out checks on the overall functioning of the system of internal controls.

The unit presents the corporate bodies with an audit plan each year, indicating the planned control activities.

The Internal Audit Service carries out checks also with regard to specific irregularities, as per its own initiative or upon the request of the Board of Directors, the Board of Statutory Auditors or General Management. In conclusion, the tasks of the unit include the checking of the observance in the various operating sectors of the limits envisaged by the authorisation mechanisms, with particular reference to the Loans and Financial Sectors, as well as the full and correct use of the information available in the various activities.

Section 1 - Credit risk

Qualitative information

1. General aspects

The business model adopted from day one by the Bank is essentially based on loan brokerage activities and is aimed at supporting families and the manufacturing sphere in the various areas of competence, according to the management guidelines outlined by the Board of Directors and in accordance with the Article of Association provisions.
The credit disbursement activities mainly address the retail, small business and small/medium-sized company segments, in that they are entities which require a reference contact, capable of understanding and satisfying the needs; lending activities also address the corporate segment to a lesser extent.
The Board of Directors outlines the lending policies overseeing the quality of the loans both at the time of initial credit facility resolution and in the subsequent management of the relationship, taking into due consideration the Bank's economic/equity situation and the related economic context.
The policies in the last few years have seen the splitting of the credit facilities and the diversification of the loans portfolio as the strategic approach, for the purpose of mitigating the impact of the current economic situation on the overall credit risk of the Bank.
The loan policies established by the Board of Directors have contributed towards the adoption, by the appointed units, of greater accuracy both in the phase of the initiation of the relationship, and during its subsequent handling.
In the launch stage of the relationship, particular attention is paid to the quality of the entrepreneurial projects underlying the financial intervention required of the Bank, in particular the income-earning prospects of the business are assessed and the consequent ability to repay.
The management and monitoring of the credit already disbursed aim to promptly reformulate the relationship in relation to the changes in the economic and financial situation of the counterparties and the identification of any trend anomalies. This monitoring is functional for preventing the effects of the deterioration of the credit worthiness as well as promptly intervening with correct action in the removal of the anomalies (i.e. reiteration of overruns, increase in the unpaid instalments, acceptance of portfolio presentations on names already in default). The management of the credit facilities granted aspires to principles of extreme prudence and therefore the signs of a performance not in line with correct operations is promptly analysed, for the purpose of establishing the necessary measures.
The commercial policy is pursued by means of the branches both in the geographic areas in which the Bank is traditionally present, for the purpose of constantly consolidating its position, and in new markets of presence, with the aim of acquiring new market shares and facilitating the growth of loan brokerage activities.

2. Credit risk management policies

2.1 Organisational aspects

The factors which generate credit risk are attributable to the possibility that an unexpected change in the credit worthiness of a counterpart, vis-à-vis whom exposure exists, generates a corresponding unexpected change in the current value of the related loan exposure.
The credit risk is not therefore confined to just the insolvency of a counterpart, but also the mere deterioration in the credit worthiness of the same.

The undertaking and handling of the credit risk has been disciplined by means of the formalisation of the underlying process, detailing the role of the corporate bodies, the operations of all the parties involved, defining the first level controls and specifying the role of the control units.
The head office "Market Division" heads up the organisational structure which oversees the execution of the process. In detail, the "Market Division" co-ordinates the operations of the Loan sector and aids General Management within the sphere of the implementation of the loan policies issued by the Board of Directors.

The “Trend Monitoring” service, hierarchically placed on the staff of the Market Division, is assigned the activities for the monitoring of the performing loans and the past due loans, in co-ordination with the area network. These activities aim to favour the advance handling of the credit risk and the implementation of management strategies aimed at improving the Bank’s credit quality. The activities for handling the relationships classified as Probable Default and Non-performing are assigned by the organisational system to the Pre-litigation Service and the Legal And Disputes Service, respectively. The handling of impaired loans is carried out on the basis of the Service regulations as well as on the basis of the specific impaired loan assessment Policy.

The company units involved in the credit process are as follows:

- the Loans Committee, whose mission involves guiding and optimising the Bank’s loan policy, within the sphere of the strategies established by the Board of Directors;
- the Anomalous Loan Committee, with the aim of supporting General Management in the formulation of strategies for recovery and handling of anomalous relationships and in the adoption of organisational and operative solutions directed at improving the supervision activities in the structures involved in the credit process and their co-ordination;
- the Market Division which with the aid of the Strategic Planning Sector sees to checking the sustainability of the lending policies adopted, making proposals to General Management relating to:
    - the instruments and the types of counterpart to which the loan is destined for the purpose of generating profitable and fractioned loans;
    - the technical forms to be preferred defining the maximum limits in terms of amount and maturity;
    - the business sectors and geographic areas to be preferred with a view to diversification of the risk.
- the Loans Sector which handles and checks the process for the undertaking of the risks associated with the disbursement of credit, proposing the credit management policies and planning the consequent activities, supporting the area network both during the initial approval phase and within the sphere of the review of the credit facilities granted;
- the Trend Monitoring Service which sees to the monitoring of the performing positions which present anomalies and the past due/overrun loans;
- the Pre-litigation Service which handles the Bank’s loan book classified as probable default;
- the Legal and Dispute Service which sees to the legal aspects of the cases classified as non-performing, with the aim of optimising the debt recovery phase also by means of the use of outside legal professional and collaborators;
- the Risk Management, Planning & Control Service which is entrusted with the checking of the correct performance of the trend monitoring on the loan exposures, in compliance with the matters envisaged by Bank of Italy Circular 285/2013 “Supervisory instructions for Banks”.
- the Internal Audit Service which assesses the functionality and reliability of the entire system of internal controls and carries out, amongst other aspects, the checks on the operational regularity of the lending activities.

Within the sphere of the risk management and undertaking formalities adopted, initial supervision takes place care of the Branch, both via constant and continual dialogue with the customers and availing itself of information sources of an internal and external nature, also with the aid of the IT procedures.

During the loan approval and review stages, the Bank analyses the financial needs of the customer and the documentation necessary for carrying out a suitable assessment of the credit worthiness of the borrower. The decision to grant the loan is therefore based on both the analysis of the complete information set relating to the business, and on the basis of the direct awareness of the customers and the economic context in which it operates. All the approval process activities inherent to the operational process, which lead to the disbursement and periodic review of the position, are developed with the aim of granting a suitable loan at individual name (and/or group) level, foreseeing the most suitable technical forms of the credit facility and a correct remuneration of the risk undertaken.
The Board of Directors has defined, within the sphere of the “Loan Regulations”, the decision-making autonomies of each body delegated with granting the loan. The observance of the proxies authorised by the Board of Directors is ensured by the automatic controls envisaged in the IT procedure used to handle the approval process of the credit facilities.

2.2 Management, measurement and control systems

The credit risk management, measurement and control systems develop within an organisational context which sees the entire credit process cycle involved, from the initial approval process to the periodic review stage, and up to the revocation and recovery stage.
The Bank also carries out quantitative and qualitative analysis for the purposes of the measurement and periodic control of the Credit Risk. In detail, the quantitative assessments avail themselves of different instruments which provide information from an economic, financial and equity standpoint of the customer:

- Financial statements and tax declarations: assessments of the equity and financial balances, determination of the degree of indebtedness, determination of the net financial positions, analysis of the economic indicators;
- Relationship with the Bank: analysis of the current account transactions, the average use of the credit facilities agreed, checking of the regularity of the repayment of the loans granted;
- Relationships with other Banks: analysis of the Credit Reference Agency and of other external databases.

At any given time, the Bank is aware of its exposure to each customer, since the information system adopted makes it possible for each counterpart (customer or group of associated customers) to avail of up-dated information and data each day.

Generally speaking, when providing credit, in addition to observance of the legal and supervisory provisions envisaged for financial brokers, the Bank resolves to achieve the following:

- the best knowledge of the contractual counterparts for the purpose of assessing the current and future repayment ability;
- the use of the most appropriate technical form with regard to the loan requirement to be satisfied, taking into account the guarantees and the duration;
- the diversification of the credit risk, limiting the concentration of the exposures on groups of associated customers/groups of businesses or on individual sectors/branches of business activities;
- a suitable economic return from the relationship with respect to the risk undertaken;

- the control of the performance of the individual positions carried out both by means of the periodic review of the cases and via systematic monitoring activities;
- the best handling of impaired loans.

The Bank, with regard to the calculation of the capital requirement in the presence of credit risk (First Pillar), uses the standardised method envisaged by the Supervisory Instructions, in line with the proportionality criteria. The related information is subject to quarterly reporting to the Bank of Italy.

The Bank uses the procedure known as C.C.M. (Credit Capital Management) supporting the calculation of the prudent requirements (First Pillar), within the sphere of the prudent control (Second Pillar) and for the drafting of reports within the sphere of public disclosure (Third Pillar).

The Bank, for merely internal management and operating purposes, has adopted the rating model provided the outsourcer Cedacri (CRS Credit Rating System), which is used within the sphere of monitoring the quality of the credit of exposures previously granted.
During 2015 the Bank, after study and analysis activities, adopted the new rating model developed by the outsourcer, with the aid of a leading consultancy firm. This model, based on statistical type analysis, and structured over a greater segmentation of the client portfolio and over a more accurate selection of the indicators used to estimate the default probability, represents a valid operational support within the sphere of the monitoring activities for the exposures, permitting a prompt identification of the signs of impairment of the loan.
The model adopted assigns an insolvency probability for each customer, by means of a statistical-type internal scoring system, based on the analysis of internal and external indicators. In detail, the loan relationship is assessed on the basis of the following information:

- trend of the relationship with the Bank;
- performance of the customer within the system (Credit Reference Agency);
- economic and financial trend of the customer (company financial statements);
- segment the customer belongs to (Private consumers, Small Businesses, SME, Large Corporate, Real Estate, Financial and Institutional).

On the basis of the estimated insolvency probability, a corresponding ratio is assigned to each position; the rating scale used is defined by the IT outsourcer, on the basis of statistical studies.

Within the sphere of the loan trend monitoring activities, the Units involved in the process are supported by specific operating procedures provided by the Outsourcer Cedacri.
In particular, the S.E.A.C. (Customer Analysis Expert System) procedure, via the observation of particular anomaly and improper operating indices, achieves an assessment of the customers expressed by a numeric score. The S.E.A.C. avails itself of an expert system which permits it to interpret the indicators and their correlations and therefore identify the positions at risk.
The Bank also uses the “Quality Credit Management” application, which supports the appointed units in the identification of the counterparties to be subjected to monitoring and in the handling of the positions where anomalies have already emerged. In detail, the application divides the customers up into monitoring sub-portfolios according to the Bank’s strategic guidelines; for each customer “cluster” identified, it is possible to associate different lending strategies, with a customisation of the process

chosen in terms of players and actions to be undertaken, ensuring an integrated view of the operations underway and the historical analysis of the relationships.

The fundamental elements of the procedure are the definition of the loan status, the assignment of the risk classes and the identification of an operating process with various types of action practicable for each position detected by the application, also diversifying among the operational roles involved in the process.

The Credit Risk management and monitoring activities are also supported by portfolio analysis and specific processing, produced by the Bank on the basis of internal databases. This reporting is functional for the optimisation of the monitoring activities.

2.3 Credit risk mitigation techniques

The main levers for the mitigation of the credit risk are represented by the system of guarantees which assist the loan exposures, a contained degree of concentration with respect to the borrowers, as well as by a suitable level of diversification of the loan by credit type and commodities sector.
In particular, with reference to the concentration risk, within the sphere of the “lending policies” the Bank has established a series of limits relating to the loan exposures vis-à-vis individual counterparts or groups of associated counterparts and vis-à-vis counterparts belonging to the same business sector. The limits are constantly monitored by the Risk Management, Planning & Control Service.
The handling of the guarantees and the related operating processes are formalised in the Bank’s internal legislative framework.
The methods for the handling of the guarantees is integrated in the information system, from which it is possible to infer the main information relating to the same.
With a view to ensuring the observance of the specific requirements envisaged by the new Supervisory provisions, Cedacri’s C.R.M. (Credit Risk Mitigation) system has been used for some time, providing the instruments for the management of the processes and the data relating to the classification and assessment of the instruments guaranteeing the credit, in compliance with the Bank’s management and strategic objectives, according to the dictates envisaged by the Supervisory legislation.

For the purpose of mitigating the credit risk, the Bank uses secured and unsecured guarantees. In detail, the main types of secured guarantee used are mortgages on properties and secured financial guarantees.
An *ad hoc* procedure has been adopted, known as “Collateral”, provided by the outsourcer Cedacri, so as to efficiently oversee the entire process for the acquisition, assessment, checking and realisation of the mortgage guarantees, identifying all the inherent information and the link between the assets provided as collateral and those entitled to the asset. The procedure also permits the periodic up-dating of the “current” value of said guarantee and the control of the consistency of the value of the guarantee with respect to the risk resolved. The relationship between the loan and the value of the assets provided as collateral is subject to constant monitoring for the appropriate precautionary measures in the event of possible dips in the real estate property market.
The organisational processes and the operational policies applied to the supervision of the pledge on financial instruments safeguard the loans from fluctuations in the prices of the stock market.
Unsecured guarantees mainly comprise sureties provided by individuals and companies. The use of guarantees issued by specialised Bodies (e.g. Confidi) and by Financial Institutions (e.g. government guarantee via Mediocredito Centrale as per Italian Law No. 662/1996) is also mentioned.

To-date, the Bank does not use credit derivatives for the hedging or transfer of the risk in the presence of portfolio loans.

2.4 Impaired financial assets and exposures subject to concession measures

With regard to the classification of the loans, the Bank applies criteria compliant with the international accounting standards and the Supervisory Instructions.

With regard to the classification of the exposures, with particular reference to the impaired ones, the Bank makes reference to the legislation issued by the Supervisory Authority, supplemented by the internal regulations which fix criteria and rules for the classification of the loans within the sphere of the various risk categories.

During 2015, the 7th up-date of the Bank of Italy Circular No. 272/2008 was issued; this reviewed the previous classifications of the impaired loans and introduced the concept of exposures subject to concessions (so-called “forbearance”), assimilating the definitions introduced by the Implementing Technical Standards (in short, ITS) issued by the European Banking Authority (EBA). The up-date has the purpose of reducing the margins of discretion existing in the accounting and prudent definitions applied in the various countries, as well as of facilitating the comparability of the data at EU level.

In detail, the legislation requires that the relationships subject to concession measures be identified both within the sphere of performing loans and impaired loans, respectively defining the categories “Forborne performing exposures” and “Non-performing exposures with forbearance measures”.
The legislation defines forbearance measures as changes to the original contractual terms and conditions, or the total or partial refinancing of the debt, which are granted to a debtor who finds themselves or is close to finding themselves in difficulty when meeting their financial commitments.

The Bank has also acknowledged the amendments to the definitions introduced by the 7th Up-date of the Bank of Italy Circular No. 272/2998 in the classification of impaired loans. Specifically, the impaired financial assets are divided up into the non-performing, probable default, past due exposures and/impaired overruns categories, depending on the following rules:

- **Non-performing**: all the cash and off-balance sheet exposures vis-à-vis a party in a state of insolvency (even if not legally ascertained) or in essentially similar situations, irrespective of any loss forecasts formulated by the bank.

- **Probable defaults** (“unlikely to pay”): classification in this category is, first and foremost, the result of the opinion of the bank regarding the improbability that, without recourse to action such as enforcement of the guarantees, the debtor fully satisfies (in terms of principal and/or interest) its loan obligations. This valuation must be carried out independently from the presence of any amounts (or instalments) past due and unpaid. Therefore, it is not necessary to wait for an explicit symptom of anomaly (non-payment), if elements exist which imply a situation of default risk of the debtor (for example, a crisis in the industrial sector in which the debtor operates).

- **Past due exposures and/or impaired overruns**: cash exposures, other than those classified under non-performing or probable defaults, which, as of the reporting reference date, are past due or overrun by more than 90 days.

The past due exposures and/or impaired overruns may be determined by making reference, alternatively, to the individual debtor or the individual transaction; the bank adopts a "by debtor" approach, as described below.

The past due or overrun must be on-going. Specifically, in the event of exposures involving repayment in instalments, the instalment not paid which has the longest delay must be considered.

If several past due exposures and/or overruns by more than 90 days refer to a debtor, it is necessary to consider the longest delay. In the event of openings of credit in current accounts upon revocation in which the credit facility limit agreed has been exceeded (also due to the capitalisation of the interest), the calculation of the overrun days starts - according to the case which occurs first - as from the first date of non-payment of the interest which leads to the overrun or as from the date of first request for repayment of the capital.

The overall exposure vis-à-vis a debtor must be recognised as past due and/or impaired overrun if, as of the reporting reference date, the greatest between the following two values is equal to or greater than the threshold of 5%:

a) average of the past due and/or overrun instalments of the entire exposure registered on a daily basis in the last previous quarter;

b) past due and/or overrun instalment of the entire exposure referring to the reporting reference date.

Consequently, the loans classified according to the impaired categories previously applicable (in particular, watchlist and restructured loans) have been classified in the new classes.

Within the sphere of the three categories of impaired loans, in compliance with legislation, the relationships subject to "concession measures" ("Non-performing exposures with forbearance measures") are identified.

The capacity of "forborne non performing" does not therefore represent a reporting category in itself within the sphere of the impaired loans, but rather an additional transversal attribution to the three categories above.

Given the legislative changes illustrated above, during 2015 the Bank took steps to adjust the management and monitoring process for both performing and impaired loans, as well as to change its internal regulations.

The information relating to the impaired exposures is supplemented in the information system with the aid of specific instruments which support the handling thereof and indicate the related status.

On the basis of the specific anomaly indices detected both with the IT procedures and on the basis of internal assessments, in light of the matters established by the specific internal regulations, the Trend Monitoring and Pre-litigation Service govern the classification process for the loan positions and the process of the variation of the related status within the limits of autonomy established by the Board of Directors and General Management.

The Trend Monitoring Service sees to the performing positions and the past due positions. Within the sphere of the performing positions, for operational purposes the Bank has defined a sub-class of loans known as "Under Control", in which the exposures which show a not fully regular trend of the loan relationship are classified.

The Pre-litigation Service has the task of handling the positions classified as probable defaults, furthering the initiatives aimed at protecting the Bank's outstanding amounts.

The non-performing positions are handled by the Legal and Dispute Service which assesses the action to be undertaken for maximising the recovery of the credit, also taking action vis-à-vis any guarantors as well as enforcing the possible guarantees.

The assessment of the collectable nature of the impaired loans takes place on the basis of the criteria defined by the Board of Directors contained in the specific assessment policy.

Quantitative information
Credit quality

A.1 Impaired and unimpaired loan exposures: amounts, value adjustments, trend, economic and geographic distribution

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

Portfolios/Quality	Non-performing loans	Probable defaults	Impaired past due exposures	Unimpaired past due exposures	Other unimpaired exposures	Total
1. Available-for-sale financial assets	-	-	-	-	905,849	905,849
2. Financial assets held to maturity	-	-	-	-	-	-
3. Amounts due from banks	-	-	-	-	135,021	135,021
4. Amounts due from customers	189,500	169,491	29,636	97,637	2,294,167	2,780,431
5. Financial assets measured at fair value	-	-	-	-	-	-
6. Discontinued financial assets	-	-	-	-	-	-
Total 31 Dec. 2015	**189,500**	**169,491**	**29,636**	**97,637**	**3,335,037**	**3,821,301**
Total 31 Dec. 2014	**162,122**	**193,370**	**27,944**	**128,951**	**3,599,176**	**4,111,563**

The values as of 31 December 2014 relating to the "Watchlist" and "Restructured" impaired loan classes (respectively Euro 175,646 thousand and Euro 17,724 thousand) in use until the previous year, have been classified, for comparative reasons, in the "Probable default" category.

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

Portfolios/Quality	Impaired assets			Unimpaired assets			Total (net exposure)
	Gross exposure	Specific adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
1. Available-for-sale financial assets	-	-	-	905,849	-	905,849	905,849
2. Financial assets held to maturity	-	-	-	-	-	-	-
3. Amounts due from banks	-		-	135,021	-	135,021	135,021
4. Amounts due from customers	598,538	209,911	388,627	2,408,405	16,601	2,391,804	2,780,431
5. Financial assets measured at fair value	-	-	-	-	-	-	-

6. Discontinued financial assets	-	-	-	-	-	-	-
Total 31 Dec. 2015	**598,538**	**209,911**	**388,627**	**3,449,275**	**16,601**	**3,432,674**	**3,821,301**
Total 31 Dec. 2014	**553,122**	**169,686**	**383,436**	**3,745,911**	**17,963**	**3,727,948**	**4,111,384**

Portfolios/Quality	Assets with manifest poor loan quality		Other assets
	Cumulative capital losses	Net exposure	Net exposure
1. Financial assets held for trading	-	-	105
2. Hedging derivatives	-	-	-
Total 31 Dec. 2015	-	-	**105**
Total 31 Dec. 2014	-	-	**179**

A.1.3 Cash and "off-balance sheet" exposures due from banks: gross and net balances and past due band

Type of exposures/amounts	Gross exposure					Specific value adjustments	Portfolio value adjustments	Net exposure
	Impaired assets				Unimpaired assets			
	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Beyond 1 year				
A. CASH EXPOSURES								
a) Non-performing	-	-	-	-	-	-	-	-
of which: exposures subject to concessions	-	-	-	-	-	-	-	-
b) Probable defaults	-	-	-	-	-	-	-	-
of which: exposures subject to concessions	-	-	-	-	-	-	-	-
C) Impaired past due exposures	-	-	-	-	-	-	-	-
of which: exposures subject to concessions	-	-	-	-	-	-	-	-
d) Unimpaired past due exposures	-	-	-	-	-	-	-	-
of which: exposures subject to concessions	-	-	-	-	-	-	-	-
e) Other unimpaired exposures	-	-	-	-	135,021	-	-	135,021
of which: exposures subject to concessions	-	-	-	-	-	-	-	-
TOTAL A	**-**	**-**	**-**	**-**	**135,021**	**-**	**-**	**135,021**
B. OFF-BALANCE SHEET EXPOSURES								
a) Impaired	-	-	-	-	-	-	-	-
b) Unimpaired	-	-	-	-	161,112	-	-	161,112
TOTAL B	**-**	**-**	**-**	**-**	**161,112**	**-**	**-**	**161,112**

The "Other unimpaired exposures" (cash) are entirely made up of "amounts due from banks" as per asset item 60.

The "Off-balance sheet exposures" almost entirely comprise the valorisation of securities guaranteeing liability repurchase agreements with Banks (see liability item 10).

A.1.4 Cash exposures due from banks: trend in the gross impaired exposures
A.1.5 Cash exposures due from impaired banks: trend of the total value adjustments

The tables are not drawn up since there are no impaired exposures due from banks.

A.1.6 Cash and "off-balance sheet" exposures due from customers: gross and net balances and past due category

Type of exposures/amounts	Gross exposure					Specific value adjustments	Portfolio value adjustments	Net exposure
	Impaired assets				Unimpaired assets			
	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Beyond 1 year				
A. CASH EXPOSURES								
a) Non-performing	-	11,106	13,500	333,569	-	168,675	-	189,500
of which: exposures subject to concessions	-	5,607	830	34,114	-	24,756	-	15,795
b) Probable defaults	72,909	16,206	27,023	92,230	-	38,877	-	169,491
of which: exposures subject to concessions	29,810	6,768	11,130	13,583	-	4,655	-	55,636
C) Impaired past due exposures	11,484	6,918	10,056	3,537	-	2,359	-	29,636
of which: exposures subject to concessions	6,701	1,705	1,912	394	-	832	-	9,880
d) Unimpaired past due exposures	-	-	-	-	99,633	-	1,996	97,637
of which: exposures subject to concessions	-	-	-	-	14,786	-	292	14,494
e) Other unimpaired exposures	-	-	-	-	3,214,621	-	14,605	3,200,016
of which: exposures subject to concessions	-	-	-	-	86,478	-	971	85,507
TOTAL A	**84,393**	**34,230**	**50,579**	**429,336**	**3,314,254**	**209,911**	**16,601**	**3,686,280**
B. OFF-BALANCE SHEET EXPOSURES								
a) Impaired	15,492	-	-	-	-	1,780	-	13,712
b) Unimpaired	-	-	-	-	126,760	-	310	126,450
TOTAL B	**15,492**	**-**	**-**	**-**	**126,760**	**1,780**	**310**	**140,162**

The net cash exposures comprise both the amounts due from customers for Euro 2,780 million and the bonds present in the assets for sale category for Euro 906 million. Gross non-performing loans, as well as the related adjustments, are stated net of the value of the default interest.

A.1.7 Cash exposures due from customers: trend in the gross impaired exposures

Causes/Categories	Non-performing loans	Probable defaults	Past due exposures impaired
A. Initial gross exposure	**292,825**	**-**	**29,773**
of which: exposures transferred not derecognised	-	-	-
B. Increases	**94,041**	**333,534**	**55,369**
B.1 transfers from performing exposures	12,142	39,828	49,939
B.2 transfers from other categories of impaired exposures	80,565	21,425	307
B.3 other increases	1,334	272,281	5,123
C. Decreases	**28,691**	**125,166**	**53,147**
C.1 transfers to performing exposures	-	5,855	18,482
C.2 derecognitions	7,699	747	-
C.3 collections	18,453	41,847	9,085
C.4 from disposals	2,539	-	-
C.5 losses on disposals	-	-	-
C.6 transfers to other categories of impaired exposures	-	76,717	25,580
C.7 other decreases	-	-	-
D. Final gross exposure	**358,175**	**208,368**	**31,995**
of which: exposures transferred not derecognised	-	-	-

The line “Other increases” includes, in general:

- with regard to non-performing positions, the charge of expenses, outstanding amounts and other similar types on positions recorded in previous years;
- with regard to the other categories, in particular for default positions, also the account transfers between relationships relating to the same name carried out after the date of inclusion in the category (e.g. advance transactions subject to due reserve).

In detail, with regard to the “Probable defaults” also the final balances as of 31 December 2014 of the previous classes “Watchlist” (Euro 211,120 thousand) and “Restructured” (Euro 19,404 thousand) have been classified here.

A.1.8 Cash exposures due from impaired customers: trend of the total value adjustments

Causes/Categories	Non-performing loans	Probable defaults	Past due exposures impaired
A. Initial total value adjustments	**130,703**	**-**	**1,829**
of which: exposures transferred not derecognised	-	-	-
B. Increases	**54,364**	**56,924**	**2,120**
B.1 value adjustments	42,343	19,405	2,006
B.2 losses on disposal	1,309	-	-
B.3 transfers from other categories of impaired exposures	10,558	365	114
B.4 other increases	154	37,154	-
C. Decreases	**16,392**	**18,047**	**1,590**
C.1 value writebacks from valuation	5,864	5,922	577
C.1 value writebacks from collection	2,585	1,188	166
C.3 profits on disposal	243	-	-
C.4 derecognitions	7,435	747	-
C.5 transfers to other categories of impaired exposures	-	10,191	847
C.6 other decreases	265	-	-
D. Final total value adjustments	**168,675**	**38,877**	**2,359**
of which: exposures transferred not derecognised	-	-	-

“Other increases” under “Probable defaults” include the final balances as of 31 December 2014 of the previous classes “Watchlist” (Euro 35,474 thousand) and “Restructured” (Euro 1,680 thousand).
The sum of the balances in correspondence with the lines “Derecognitions” and “Other decreases” is equal to that recorded under “Derecognitions” in table A.1.7.

A.2 Classification of the exposures on the basis of external and internal ratings

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

On the basis of the compilation regulations envisaged by the Bank of Italy, the table in question has not been drawn up since the amount of the exposures with external ratings is exclusively referable to Government securities, since the Bank has chosen to avail itself of the rating issued by the authorised agencies for just these assets, as per the specific resolution of the Board of Directors.

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

The table is not drawn up since, to-date, the rating models provided by the outsourcer are only used for operating purposes as a classification, analysis and monitoring instrument for the customers.

A.3 Distribution of the secured exposures by type of guarantee

A.3.1 Secured exposures to banks

The table is not drawn up because there are no secured exposures to banks as at 31 December 2015.

A.3.2 Secured exposures to customers

	Net exposure value	Secured guarantees (1)				Unsecured guarantees (2)									Total (1)+(2)
						Credit derivatives					Endorsement loans				
							Other derivatives								
		Mortgaged properties	Financially leased properties	Securities	Other secured guarantees	CLN	Governments and Central Banks	Other public bodies	Banks	Other parties	Governments and Central Banks	Other public bodies	Banks	Other parties	
1. Secured cash exposures:	*2,065,134*	*1,338,603*	-	*49,186*	*8,183*	-	-	-	-	-	-	*295,349*	*125*	*330,123*	*2,021,569*
1.1 fully secured	1,813,932	1,327,087	-	40,670	5,797	-	-	-	-	-	-	121,692	-	305,834	1,801,080
- of which impaired	321,268	254,018	-	3,197	3,231	-	-	-	-	-	-	5,587	-	48,085	314,118
1.2 partly secured	251,202	11,516	-	8,516	2,386	-	-	-	-	-	-	173,657	125	24,289	220,489
- of which impaired	25,971	7,364	-	497	306	-	-	-	-	-	-	6,022	-	6,967	21,156
2. Secured "off-balance sheet" exposures:	*67,600*	*3,770*	-	*18,533*	*6,260*	-	-	-	-	-	-	*150*	*510*	*25,999*	*55,222*
2.1 fully secured	46,860	3,770	-	15,289	2,556	-	-	-	-	-	-	106	510	24,621	46,852
- of which impaired	3,980	12	-	177	2,030	-	-	-	-	-	-	-	-	1,761	3,980
2.2 partly secured	20,740	-	-	3,244	3,704	-	-	-	-	-	-	44	-	1,378	8,370
- of which impaired	4,286	-	-	-	1,000	-	-	-	-	-	-	-	-	250	1,250

B. Distribution and concentration of exposures

A.1.6 Sector-based distribution of cash and "off-balance sheet" exposures due from customers (book value)

Exposures/Counterparts	Governments			Other public bodies			Financial companies			Insurance companies			Non-financial companies			Other parties		
	Net exposure	Specific value adjustments	Portfolio value adjustments	Net Exposure	Specific value adjustments	Portfolio value adjustments	Net Exposure	Specific value adjustments	Portfolio value adjustments	Net Exposure	Specific value adjustments	Portfolio value adjustments	Net Exposure	Specific value adjustments	Portfolio value adjustments	Net Exposure	Specific value adjustments	Portfolio value adjustments
A. Cash exposures																		
A1. Non-performing loans	-	-	-	-	-	-	5,311	1,295	-	-	-	-	144,808	147,077	-	39,381	20,303	-
of which: exposures subject to concessions	-	-	-	-	-	-	5,094	1,153	-	-	-	-	10,241	23,376	-	459	227	-
A.2 Probable defaults	-	-	-	-	-	-	670	17	-	-	-	-	145,674	36,062	-	23,147	2,798	-
of which: exposures subject to concessions	-	-	-	-	-	-	-	-	-	-	-	-	49,658	5,234	-	5,978	421	-
A.3 Impaired past due exposures	-	-	-	-	-	-	2	-	-	-	-	-	21,573	1,726	-	8,060	633	-
of which: exposures subject to concessions	-	-	-	-	-	-	-	-	-	-	-	-	7,655	641	-	2,226	191	-
A.4 Unimpaired exposures	905,850	-	-	20,611	-	140	160,467	-	86	-	-	-	1,590,315	-	15,012	620,410	-	1,364
of which: exposures subject to concessions	-	-	-	-	-	-	278	-	-	-	-	-	71,608	-	938	28,115	-	325
TOTAL A	**905,850**			**20,611**		**140**	**166,450**	**1,312**	**86**				**1,902,370**	**184,865**	**15,012**	**690,998**	**23,734**	**1,364**
B. Off-balance sheet exposures																		
B.1 Non-performing loans	-	-	-	-	-	-	-	-	-	-	-	-	767	158	-	249	58	-
B.2 Probable defaults	-	-	-	-	-	-	-	-	-	-	-	-	12,020	1.550	-	430	4	-

B.3 Other impaired assets	-	-	-	-	-	-	1	-	-	-	-	-	79	6	-	166	5	-
B.4 Unimpaired exposures	-	-	-	770	-	-	194	-	-	-	-	-	115,516	-	307	9,971	-	3
Total B	**-**	**-**	**-**	**770**	**-**	**-**	**195**	**-**	**-**	**-**	**-**	**-**	**128,382**	**1,714**	**307**	**10,816**	**67**	**3**
Total (A+B) 31 Dec. 2015	**905,850**	**-**	**-**	**21,381**	**-**	**140**	**166,645**	**1,312**	**86**	**-**	**-**	**-**	**2,030,752**	**186,579**	**15,319**	**701,814**	**23,801**	**1,367**
Total (A+B) 31 Dec. 2014	**1,040,389**	**-**	**-**	**24,452**	**-**	**80**	**221,554**	**1,306**	**221**	**-**	**-**	**-**	**2,164,734**	**149,363**	**15,388**	**714,793**	**21,015**	**2,274**

B.2 Geographic distribution of cash and "off-balance sheet" exposures due from customers (book value)

Exposures/Geographic areas	Italy		Other European countries		America		Asia		Rest of world	
	Net Exposure	Total value adjustments	Net Exposure	Total value adjustments	Net Exposure	Total value adjustments	Net Exposure	Total value adjustments	Net Exposure	Total value adjustments
A. Cash exposures										
A1. Non-performing loans	189,415	168,663	85	12	-	-	-	-	-	-
A.2 Probable defaults	169,228	38,873	263	4	-	-	-	-	-	-
A.3 Impaired past due exposures	29,636	2,359	-	-	-	-	-	-	-	-
A.4 Unimpaired exposures	3,198,518	16,590	98,163	-	968	12	4	-	-	-
Total	**3,586,797**	**226,485**	**98,511**	**16**	**968**	**12**	**4**	**-**	**-**	**-**
B. Off-balance sheet exposures										
B.1 Non-performing loans	1,016	216	-	-	-	-	-	-	-	-
B.2 Probable defaults	12,449	1,554	-	-	-	-	-	-	-	-
B.3 Other impaired assets	246	11	-	-	-	-	-	-	-	-
B.4 Unimpaired exposures	126,331	310	-	-	120	-	-	-	-	-
Total	**140,042**	**2,091**	**-**	**-**	**120**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 31 Dec. 2015	**3,726,839**	**228,576**	**98,511**	**16**	**1,088**	**12**	**4**	**-**		**-**
Total (A+B) 31 Dec. 2014	**4,108,555**	**189,577**	**56,308**	**40**	**1,053**	**30**	**-**	**-**	**6**	**-**

The exposures to customers mainly concern customers resident in the province of Brescia, to a lesser extent the province of Verona (former CREVER branches) and the area of Storo in the province of Trento.

B.3 Geographic distribution of cash and "off-balance sheet" exposures due from banks (book value)

Exposures/Geographic areas	Italy		Other European countries		America		Asia		Rest of world	
	Net Exposure	Total value adjustments	Net Exposure	Total value adjustments	Net Exposure	Total value adjustments	Net Exposure	Total value adjustments	Net Exposure	Total value adjustments
A. Cash exposures										
A1. Non-performing loans	-	-	-	-	-	-	-	-	-	-
A.2 Probable defaults	-	-	-	-	-	-	-	-	-	-
A.3 Impaired past due exposures	-	-	-	-	-	-	-	-	-	-
A.4 Unimpaired exposures	113,588	-	12,306	-	8,133	-	270	-	724	-
Total	**113,588**	**-**	**12,306**	**-**	**8,133**	**-**	**270**	**-**	**724**	**-**
B. Off-balance sheet exposures										
B.1 Non-performing loans	-	-	-	-	-	-	-	-	-	-
B.2 Probable defaults	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Unimpaired exposures	91	-	193	-	-	-	-	-	-	-
Total	**91**	**-**	**193**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 31 Dec. 2015	**113,679**	**-**	**12,499**	**-**	**8,133**	**-**	**270**	**-**	**724**	**-**
Total (A+B) 31 Dec. 2014	**99,174**	**-**	**14,128**	**-**	**478**	**-**	**203**	**-**	**185**	**-**

B.4 Significant Exposures

According to the definition contained in EU Regulation 575/2013 (CRR) “Significant exposures” are the exposures vis-à-vis a customer or group of associated customers when their value is equal to or greater than 10% of the admissible capital of the entity (Art. 392), without the application of weighting values.
Limit to the significant exposures (Art. 395 CRR) is by contrast understood be, taking into account the effect of mitigation of the credit risk (weighted values), 25% of the admissible capital of the Bank; in the event that the customer is an entity, or if within the group of associated customers an entity is present, the limited is raised to Euro 150 million if the value calculated at 25% is lower than said amount.

The concept of exposure includes both the cash loans and the off-balance sheet loans; the aggregates in any event include the exposures vis-à-vis the European Central Administrations, in particular for debt securities.

“Significant exposures” as of 31 December 2015 include:
- 3 exposures to customers for a nominal amount of Euro 142,942 thousand and a weighted amount of Euro 53,708 thousand;
- 3 exposures to financial brokers for Euro 163,126 thousand in nominal value and Euro 2,299 thousand in weighted value, exposures mainly pertaining to the securities granted under guarantee with regard to liability repurchase agreements;
- the exposure to the Italian State (Treasury) for Euro 922 million, weighted amount Euro 54,248 thousand; this item also includes the credit for tax assets along with the exposure for debt securities;
- the exposure vis-à-vis the Kingdom of Spain, Euro 103,721 thousand nominal, weighted nil (debt securities);
- the exposure vis-à-vis NewMic, entity qualified as Cassa di Compensazione e Garanzia (central counterparty) for a nominal amount of Euro 85.2 million, weighted at 100%, an exposure comprising Euro 80 million for loans with a maximum maturity of 21 January 2016, while the residual balance concerns guarantee deposits (default fund);
- an exposure classified legislatively as “unknown exposure”, comprising part of the exposure in UCIT units in relation to which it has not been possible to identify the risk counterparties, Euro 49,677 thousand nominal and weighted.
In total, the “Significant exposures” include 10 exposures for a total nominal value of Euro 1,466,701 thousand and a weighted value of Euro 245,168 thousand.

C. Securitisation operations

C.1 Securitisation operations

Qualitative information

Objectives, strategies and processes underlying the securitisation transactions
The Bank has identified an instrument in the securitisation transactions for diversifying the sources of funding, in particular so as to endow itself with a suitable reserve of liquidity to protect the Bank from any stress situations.
As of 31 December 2015, the Bank had a self-securitisation transaction on performing mortgages loans to private individuals known as “Valsabbina SPV 1”, concluded in 2012 with the intention of being able to establish funding transactions with the Central European Bank.
The Bank, in its capacity as originator, at the time of issue subscribed all the liabilities issued (self-securitisation); the transaction is described in section III - Liquidity Risk.

Furthermore, in December 2015, within the sphere of a multi-originator securitisation transaction, the Bank factored non-performing loans without recourse for a gross amount of Euro 5.8 million (net Euro 2.2 million) at a price of around Euro 2 million; in January 2016, to cover the amount owed, the Bank received in part liquidity and in part a security with underlying non-performing loans assigned by various banks (including ours). This security was issued in 2016.

D. Disclosure on the structured entities not consolidated in the accounts (other than the special purpose vehicles for the securitisation)

Qualitative information
Quantitative information

This section has not been compiled because the Bank does not use structured entities not consolidated in the accounts other than the special purpose vehicle for the securitisation.

E. Disposal transactions

Qualitative information
Quantitative information

E.1 Financial assets transferred and not derecognised: book value and full value

Technical forms/Portfolio	Financial assets held for trading			Financial assets measured at fair value			Available-for-sale financial assets			Financial assets held to maturity			Amounts due from banks			Amounts due from customers			**Total**	
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	**31 Dec. 2015**	**31 Dec. 2014**
A. On-balance sheet assets	-	-	-	-	-	-	**161,913**	-	-	-	-	-	-	-	-	-	-	-	**161,913**	-
1. Debt securities	-	-	-	-	-	-	161,913	-	-	-	-	-	-	-	-	-	-	-	161,913	-
2. Equities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. UCITs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Derivative instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total 31 Dec. 2015	-	-	-	-	-	-	**161,913**	-	-	-	-	-	-	-	-	-	-	-	**161,913**	-
of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total 31 Dec. 2014	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
of which impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

E.2 Financial liabilities against financial assets transferred and not derecognised: book value

Liabilities/Asset portfolio	Financial assets held for trading	Financial assets measured at fair value	Available-for-sale financial assets	Financial assets held to maturity	Amounts due from banks	Amounts due from customers	**Total**
1. Amounts due to customers	-	-	-	-	-	-	-
a) for assets recognised in full	-	-	-	-	-	-	-
a) for assets recognised partially	-	-	-	-	-	-	-
2. Amounts due to banks	-	-	**160,827**	-	-	-	**160,827**
a) for assets recognised in full	-	-	160,827	-	-	-	160,827
a) for assets recognised partially	-	-	-	-	-	-	-
Total 31 Dec. 2015	-	-	**160,827**	-	-	-	**160,827**
Total 31 Dec. 2014	-	-	-	-	-	-	-

These include, respectively, the value of the securities provided as collateral and the loans received for repurchase transactions with other banks as described in liability item 10.

F. Models for the measurement of credit risk

The models and the procedures aimed at classifying the customers in risk classes are used, as previously mentioned, for a more accurate management of the credit risk.
These models are not used at present for the purposes of calculating the capital ratios, since, for such purposes, the Bank uses the standardised method.

Section 2 - Market risks

2.1 Interest rate risk and price risk - regulatory trading book
Qualitative information

A. General aspects

For the purpose of drawing up this section, just the financial instruments included in the "regulatory trading book" were taken into consideration, as defined in the regulations relating to the regulatory reports on market risks.
The transactions which during the year affected the trading book were marginal.

The investment strategy is traditionally characterised by prudent management of all the risks, in compliance with the "Securities Investments Risks" Regulations, which envisage a careful and balanced system of limits and operating autonomies in this connection.

B. Management processes and methods for interest rate and price risk measurement

The "Securities Investments Risks" Regulations establish the operating limits (in terms of consistency of the portfolio and composition by type of securities) both with regard to exposure to rate risk (in terms of financial duration) and credit risk (in terms of rating and counterparts).

In consideration of the irrelevance of the trading book, the measurement of the rate risk and the price risk was carried out solely on the banking book.

Quantitative information

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

Type/Residual duration	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified duration
1. On-balance sheet assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 repurchase agreements payable	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**10,215**	**556**	**653**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	10,215	556	653	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	10,215	556	653	-	-	-	-
+ long positions	-	6,887	279	327	-	-	-	-
+ short positions	-	3,328	277	326	-	-	-	-

1. Regulatory trading book: distribution by residual duration (repricing date) of on-balance sheet financial assets and liabilities and financial derivatives - OTHER CURRENCIES

Type/Residual duration	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified duration
1. On-balance sheet assets	-	-	-	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	-	-	-	-	-	-	-	-
2.1 repurchase agreements payable	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	-	**10,314**	**551**	**661**	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	10,314	551	661	-	-	-	-
- Options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	10,314	551	661	-	-	-	-
+ long positions	-	3,403	276	331	-	-	-	-
+ short positions	-	6,911	275	330	-	-	-	-

2. Regulatory trading book: distribution of the exposures in equities and share indexes for the main countries of the listing market

TYPE OF TRANSACTIONS/LISTING INDEX	LISTED		UNLISTED
	ITALY	OTHER	
A. Equities	**3**	**-**	**-**
long positions	3	-	-
short positions	-	-	-
B. Purchases/sales not yet settled on equities	**-**	**-**	**-**
long positions	-	-	-
short positions	-	-	-
C. Other derivatives on equities	**-**	**-**	**-**
long positions	-	-	-
short positions	-	-	-
D. Derivatives on share indexes	**-**	**-**	**-**
long positions	-	-	-
short positions	-	-	-

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

The methods for analysing the sensitivity are applied to the banking book.

2.2 Interest rate risk and price risk - banking book
Qualitative information

A. General aspects, management processes and methods for interest rate and price risk measurement

The interest rate risk is generated by the imbalance between the maturities (repricing) of the asset and liability items belonging to the banking book. The latter is made up of all the financial instruments, assets and liabilities, not included in the trading book as per the supervisory legislation indicated in section 2.1.
General Management is responsible for the interpretation of the guidelines for the management of the banking book, on a consistent basis with the strategic policies defined by the Board of Directors and the monitoring of the trend in the management of the same.
The Market Division proposes to General Management any operations for the management and mitigation of the interest rate risk of the banking book.
The mitigation of the interest rate risk is pursued by means of the integrated handling of the bank assets and liabilities and is aimed at stabilisation of the interest margin and the safeguarding of the economic value of the bank book.
In detail, the management of the bond portfolio is mainly characterised by the maintenance of the Bank's liquidity reserves.
The gauging of the interest rate risk is carried out by the Risk Management, Planning & Control Service. The assessment takes place monthly, in particular for each sensitive item identified in the time period chosen for the analysis, account is taken of the specific repricing methods.
The ERMAS procedure makes it possible to monitor all the Bank's activities associated with the transformation of the maturities of the balance sheet assets and liabilities and to quantify the effects, balance sheet and income statement in type, induced by hypothetic shocks of the market rates. Said shocks are processed within the sphere of macro-economic scenarios, or rather theoretic shifts of the market rate curves.
By means of the use of the ERMAS application it is possible to analyse the impact which unexpected changes in the external market conditions have on the Bank's profitability, also offering the possibility of making an estimate of the change in the expected interest margin and the corporate value of the capital, based on the monthly balance sheet data.
For the purpose of gauging the variability of the interest margin, determined by positive and negative changes in the rates over a time period of 365 days, monitoring of the differences between asset and liability items of the financial statements is carried out, grouped according to the maturity or rate redefinition date; the method used is in fact "gap analysis", via several approaches which make it possible to achieve increasingly accurate estimates. The techniques for the operational measurement of the rate risk are constantly implemented by the Risk Management, Planning & Control Service.
In detail, in the measurement for operational purposes of the rate risk, the behavioural model created for the on demand funding and lending items is used.

The gauging of the sensitivity of the economic value of the Bank's assets and liabilities as the interest rates change is carried out via Duration Gap analysis and Sensitivity Analysis.

The source of the price risk, given the marginal nature of the regulatory trading book, is mainly represented by debt securities, equities and UCIT units falling within the "available for sale assets" book.
With regard to the quantification of the price risk with reference to the securities belonging to the Bank, a model is used based in the Value at Risk (VaR) concept, capable of summarily expressing the maximum probable loss of a static portfolio also in monetary terms, in relation to a specific timescale and a specific confidence level under normal market conditions. For the calculation of the VaR, the Risk Management, Planning & Control Service uses the ERMAS application. The financial information necessary for the determination of the VaR (volatility, correlations, forward structure of the interest rates, exchange rates, shares indexes and benchmark indices) are provided by the Risk Size product. The VaR model adopted is parametric in type and a confidence internal of 99% and a timescale of 10 days are prudently used. The measurement of the VaR takes place by taking into consideration the link (so-called beta ratio) which exists between the individual instrument and the related risk factor.
The Risk Management, Planning & Control Service calculates the VaR daily and separately for the securities portfolio managed internally by the Finance Sector of the Bank and for the portfolio, mainly made up of UCIT units, assigned under management to two external operators.
Backtesting analysis has also been prepared (or rather an accurate comparison of the portfolio V.A.R. with the daily changes in the banking book), aimed at checking the reliability of the VaR model for envisaging the quantification of (any) loss on the securities portfolio. The calculation method adopted envisages that the theoretical losses/gains registered during the day are compared with the VaR of the previous day. The theoretical losses/gains are determined by revaluing the "t" time of the day end positions at "t-1" (hypothesising that the positions remain unchanged).
The backtesting analysis carried out in 2015 revealed just 3 cases of exceeding of the VaR calculated for the portfolio managed internally, while with regard to the portfolios managed by external operators there were no overruns. The backtesting activities therefore confirm the reliability of the measurement of risk made via the VaR.

With regard to the quantification of the price risk with reference to equities, the stock market listing (for listed securities), the measurements of the shareholders' equity (for securities with a particular strategic valence), the prices of any transactions which have taken place during the year are constantly monitored and in conclusion alternative valuation methods are used via data deriving from different sources (for unlisted securities). The policies pertaining to the methods for measuring the financial instruments in the portfolio are defined in the document entitled "Fair value policy".
With regard to the price risk, the Security Investment Risks Regulations establish 10% of the average carrying price of each security as the maximum loss restriction (stop loss); this restriction can only be departed from by the Board of Directors.

The duration of the Bank's securities portfolio as at 31 December 2015 was equal to 996 days compared with 655 days as at 31 December 2014. The trend in the Duration disclosed a considerable reduction in the last few months of the year.
The investment and divestment logics adopted, within the sphere of the management of the securities portfolio, emerged as consistent with the Bank's liquidity situation, with the market context and with the structure of the Bank's assets and liabilities.

B. Fair value hedging activities

The Bank has not carried out any hedging transaction on the fair value, with the exception of the implicit hedging activities deriving from the integrated management of the bank assets and liabilities.

C. Cash flow hedging activities.

The Bank has not carried out any hedging transaction on the cash flows.

Quantitative information

1. Banking book: distribution by residual duration (repricing date) of the financial assets and liabilities - Currency: EURO

Type/Residual duration	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified duration
1. On-balance sheet assets	**1,748,871**	**819,188**	**651,934**	**47,810**	**185,212**	**208,081**	**129,723**	-
1.1 Debt securities	30,104	-	602,505	-	45,430	150,998	113,323	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	30,104	-	602,505	-	45,430	150,998	113,323	-
1.2 Loans to banks	13,143	68,565	-	-	-	-	-	-
1.3 Loans to customers	1,705,624	750,623	49,429	47,810	139,782	57,083	16,400	-
- current accts.	496,721	15	5,504	5,583	21,177	13,099	19	-
- other loans	1,208,903	750,608	43,925	42,227	118,605	43,984	16,381	-
- with early redemption option	1,117,430	636,703	28,693	20,052	36,993	14,610	16,071	-
- others	91,473	113,905	15,232	22,175	81,612	29,374	310	-
2. On-balance sheet liabilities	**2,096,555**	**657,934**	**51,792**	**170,662**	**684,508**	**65,135**	-	-
2.1 Amounts due to customers	1,924,441	69,955	24,673	97,203	22,944	-	-	-
- current accts.	1,886,303	69,955	24,673	97,203	22,944	-	-	-
- other payables	38,138	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	38,138	-	-	-	-	-	-	-
2.2 Amounts due to banks	170,329	450,832	-	-	-	-	-	-
- current accts.	-	-	-	-	-	-	-	-
- other payables	170,329	450,832	-	-	-	-	-	-
2.3 Debt securities	1,135	137,147	27,119	73,459	661,564	65,135	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	1,135	137,147	27,119	73,459	661,564	65,135	-	-
2.4 Other liabilities	650	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	650	-	-	-	-	-	-	-
3. Financial derivatives	**279,658**	**151,045**	**25,140**	**52,015**	**229,694**	**48,709**	**39,155**	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	279,658	151,045	25,140	52,015	229,694	48,709	39,155	-
- Options	279,658	151,045	25,140	52,015	229,694	48,709	39,155	-
+ long positions	-	22,824	20,362	51,965	229,694	48,709	39,155	-
+ short positions	279,658	128,221	4,778	50	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet transactions	**48,586**	-	-	-	-	-	-	-
+ long positions	24,293	-	-	-	-	-	-	-
+ short positions	24,293	-	-	-	-	-	-	-

1. Banking book: distribution by residual duration (repricing date) of the financial assets and liabilities - Currency: OTHER CURRENCIES

Type/Residual duration	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	Between 5 and 10 years	Beyond 10 years	Unspecified duration
1. On-balance sheet assets	**12,533**	**9,360**	**65**	-	-	-	-	-
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
1.2 Loans to banks	9,911	6,891	-	-	-	-	-	-
1.3 Loans to customers	2,622	2,469	65	-	-	-	-	-
- current accts.	672	-	-	-	-	-	-	-
- other loans	1,950	2,469	65	-	-	-	-	-
- with early redemption option	1,950	2,469	65	-	-	-	-	-
- others			-	-	-	-	-	-
2. On-balance sheet liabilities	**19,314**	-	-	-	-	-	-	-
2.1 Amounts due to customers	19,314	-	-	-	-	-	-	-
- current accts.	19,314	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
2.2 Amounts due to banks	-	-	-	-	-	-	-	-
- current accts.	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	-	-	-	-	-	-	-	-
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet transactions	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

The valuation of the long and short positions shown in the financial derivatives is mainly attributable to the loan relationships with the customers which contractually envisage the acknowledgement of an index-linked interest rate with a minimum and/or maximum threshold (floor and cap).

2. Banking book: internal models and other methods for analysing sensitivity

The gauging of the interest rate risk in terms of second pillar logic takes place first and foremost on the basis of the standard algorithm envisaged by the Bank of Italy Circular No. 285 dated 2013, by means of the creation of a summary index which expresses the ratio between the change in the net value of the bank book in the presence of a rate shock (200 base points) and the “own funds”. The Bank has always maintained the risk index at a level lower than the attention threshold established by legislation (20%).
The change in the economic value of the bank book is also calculated in the presence of negative and positive rate shocks corresponding respectively to the 1st percentile and 99th percentile of the changes in the market rates registered in the last 6 years.
The measurement of the rate risk also takes place for internal management purposes by means of use of the ERMAS procedure which by contrast makes it possible to quantify the effect, both on net value of the banking book and on the expected interest margin, deriving from hypothetic shocks of the market rates (for example hypothesising changes in the rates curve and applying different types of scenarios). The use of the ERMAS procedure also permits more precise measurements with respect to those made on the basis of the standard algorithm, which more fully reflect the peculiarities of the Bank’s asset and liability structure.

2.3 Exchange rate risk
Qualitative information

A. General aspects, management processes and methods of measuring exchange rate risk

The Bank is exposed to the exchange rate risk to a marginal extent, since it is always focused on the daily breakeven of the foreign exchange positions, which is obtained by means of adding the spot positions to the forward ones. The forward transactions, recorded under trading derivatives and financial trading liabilities, are carried out as offset upon the specific requests of the customer and without undertaking any risk positions.
The exchange risk is handled by means of operating limits, intraday and day end; furthermore, the internal Regulations establish stop loss operating limits both on single positions and on the overall position adopted by the Bank.
The exchange risk undertaken by the Bank during the year mainly derive from the investment in UCITs in currency other than the Euro. This type of investment is in any event specifically disciplined within the sphere of the “management mandates”, in which the limits to the undertaking of the exchange risk are defined.

B. Exchange rate risk hedging activities

The Bank’s primary objective is to prudently handled the exchange rate, therefore, the transactions which involve the direct undertaking of this risk, are handled by means of suitable hedging strategies.

Quantitative information

1. Breakdown of assets, liabilities and derivatives by currency

Items	Currencies					
	US dollar	Yen	Swiss franc	Australian dollar	GB sterling	Other currencies
A. Financial assets	**28,405**	**1,766**	**831**	**379**	**201**	**276**
A.1 Debt securities	-	-	-	-	-	-
A.2 Equities	9,900	-	-	-	-	-
A.3 Loans to banks	15,715	143	124	379	165	276
1.4 Loans to customers	2,790	1,623	707	-	36	-
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**115**	**10**	**72**	**14**	**73**	**54**
C. Financial liabilities	**18,851**	**-**	**157**	**21**	**-**	**286**
C.1 Amounts due to banks	-	-	-	-	-	-
C.2 Amounts due to customers	18,851	-	157	21	-	286
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**
E. Financial derivatives	**7,843**	**2,289**	**738**	**369**	**286**	**-**
- Options	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-
- Other derivatives	7,843	2,289	738	369	286	-
+ long positions	4,009	-	-	-	-	-
+ short positions	3,834	2,289	738	369	286	-
Total assets	**32,529**	**1,776**	**903**	**393**	**274**	**330**
Total liabilities	**22,685**	**2,289**	**895**	**390**	**286**	**286**
Imbalance (+/-)	**9,844**	**(513)**	**8**	**3**	**(12)**	**44**

2. Internal models and other methods for analysing sensitivity

Steps are not taken to analyse the sensitivity of the exchange rate risk because the asset and liability positions, spot and forward, are deemed as balanced.

2.4 Derivative instruments

8. Financial derivatives

A.1 Regulatory trading book: year-end notional values

Underlying assets/ Type of derivatives	Total 31 Dec. 2015		Total 31 Dec. 2014	
	Over-the-counter	Central counterparts	Over-the-counter	Central counterparts
1. Debt securities and interest rates	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equities and share indices	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currency and gold	**10,913**	**-**	**14,610**	**-**
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	10,913	-	14,610	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**
5. Other underlying assets	**-**	**-**	**-**	**-**
Total	**10,913**	**-**	**14,610**	**-**

A.3 Financial derivatives: gross positive fair value - breakdown by products

Underlying assets/ Type of derivatives	Positive fair value			
	Total 31 Dec. 2015		Total 31 Dec. 2014	
	Over-the-counter	Central counterparts	Over-the-counter	Central counterparts
A. Regulatory trading book	**105**	**-**	**179**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	105	-	179	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
B. Banking book - hedging	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
C. Banking book - other derivatives	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Others	-	-	-	-
Total	**105**	**-**	**179**	**-**

A.4 Financial derivatives: gross negative fair value - breakdown by products

Books/ Types of derivatives	Negative fair value			
	Total 31 Dec. 2015		Total 31 Dec. 2014	
	Over-the-counter	Central counterparts	Over-the-counter	Central counterparts
A. Regulatory trading book	**51**	**-**	**215**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
c) Equity swaps	-	-	-	-
d) Forwards	51	-	215	-
e) Futures	-	-	-	-
f) Others	-	-	-	-
B. Banking book - hedging	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
c) Equity swaps	-	-	-	-
d) Forwards	-	-	-	-
e) Futures	-	-	-	-
f) Others	-	-	-	-
C. Banking book - other derivatives	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
c) Equity swaps	-	-	-	-
e) Futures	-	-	-	-
f) Others	-	-	-	-
Total	**51**	**-**	**215**	**-**

A.5 Over-the-counter financial derivatives - regulatory trading book: notional values, gross positive and negative fair values by counterpart - contracts not falling under netting agreements

Contracts not falling under netting agreements	Governments and Central Banks	Other public bodies	Banks	Financial companies	Insurance companies	Non-financial companies	Other parties
1) Debt securities and interest rates	-	-	-	-	-	-	-
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
2) Equities and shares indices	-	-	-	-	-	-	-
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3) Currency and gold	**-**	**-**	**8,725**	**-**	**-**	**2,454**	**-**
- notional value	-	-	8,514	-	-	2,400	-
- positive fair value	-	-	93	-	-	12	-
- negative fair value	-	-	33	-	-	18	-
- future exposure	-	-	85	-	-	24	-
4) Other values	-	-	-	-	-	-	-
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

A.9 Residual life of over-the-counter financial derivatives: notional values

Underlying assets/Residual life	Up to one year	Between 1 and 5 years	Beyond 5 years	Total
A. Regulatory trading book	**10,913**	-	-	**10,913**
A.1 Financial derivatives on debt securities and interest rates	-	-	-	-
A.2 Financial derivatives on equities and share indices	-	-	-	-
A.3 Financial derivatives on exchange rates and gold	10,913	-	-	**10,913**
A.4 Financial derivatives on other values	-	-	-	-
B. Banking book	-	-	-	-
B.1 Financial derivatives on debt securities and interest rates	-	-	-	-
BA.2 Financial derivatives on equities and share indices	-	-	-	-
B.3 Financial derivatives on exchange rates and gold	-	-	-	-
B.4 Financial derivatives on other values	-	-	-	-
Total 31 Dec. 2015	**10,913**	-	-	**10,913**
Total 31 Dec. 2014	**14,610**	-	-	**14,610**

A.10 Over-the-counter financial derivatives: counterpart risk/financial risk - Internal models

The financial risk of “plain vanilla” type derivative contracts, if existing, is monitored using traditional discounting back instruments on the basis of the rates curve. When present, the Bank uses derivative contracts, entered into with leading sector operators, exclusively for the hedging of the interest and exchange rate risk. No hedging derivatives were directly subscribed in 2015.
The transactions indicated in the table refer exclusively to forward foreign currency transactions. Their fair value is recorded in asset item 20 and liability item 40.

Section 3 - Liquidity risk
Qualitative information

A. General aspects, management processes and methods of measuring liquidity risk

The management of the liquidity risk is carried out mainly by the Financial Sector, with the aim of checking the Bank's ability to efficiently meet any liquidity requirements and avoid finding itself in situations of excessive and/or insufficient liquidity, with the consequent need to invest and/or raise funds at unfavourable rates with respect to the market ones.

The overall model adopted by the bank for the handling and monitoring of the liquidity risk is divided up into three distinct spheres according to the reference scope, the timescale and the analysis frequency:
- the management of the intraday liquidity, or rather the management of the daily settlements of the debit and credit positions in the various settlement, payment and clearing systems which the Bank takes part in;
- the management of the operating liquidity, or rather the management of the most volatile events which impact the Bank's liquidity position over a period between 1 day and up to 6 months, with the primary objective of maintaining the Bank's ability to meet its ordinary and extraordinary payment commitments, minimising the related costs: within this sphere, the registrations of the imbalances between incoming and outgoing sources, as well as the related system of supervision levels, concentrates in particular on expiries of up to 6 months;
- the management of the structural liquidity, or rather the management of all the events of the bank book which impact the Bank's overall liquidity position in the period especially beyond 6 months, with the primary objective of maintaining a suitable dynamic ratio between medium/long-term assets and liabilities.

Significant support for the management of the liquidity risk derives from the monitoring carried out by the Risk Management, Planning & Control Service, by means of an internal model which has the aim of detecting the effects of the investment/financing transactions by means of the distribution by maturity of the transactions. The operations are measured by means of Asset and Liability Management (A.L.M) methods, via the ERMAS application, which makes it possible to measure and handle both any liquidity requirement/surplus of the Bank generated by the imbalance of the incoming and outgoing flows, and the structural balance deriving from the correct composition by maturity of the sources and the uses.

In line with national and international best practices and the supervisory indications, the model adopted by the Bank for the management and monitoring of the operational liquidity is based on the "Maturity Mismatch" approach, which presupposes the construction of a maturity ladder and on the allocation of the certain and estimated flows on the various time brackets of the same, for the purpose of proceeding with the calculation of the cumulative GAP for each maturity bracket.
Within the sphere of the liquidity policy, the Bank - on a consistent basis with the risk tolerance threshold established by the Board of Directors - defined operating limits both for the management of the operating liquidity and the structural liquidity.
With regard to the management of the operational liquidity the limits are defined in terms of absolute value of the cumulative GAPs, on the various maturities.

The Bank continually checks the value of the Counterbalancing Capacities (CBC), understood as the availability of assets which can be reimbursed, sold or used in refinancing transactions with the interbank system and which therefore make it possible to generate liquidity rapidly and efficiently.
The limit adopted by the Bank for the monitoring of the structural liquidity risk is by contrast defined in terms of ratio between the assets and liabilities with a maturity of more than one year. The definition of this limit has the aim of ensuring the maintenance of a structural liquidity profile consistent with the strategy for financing the assets over the mid/long-term with liabilities of the same duration.

The Bank also has a “Contingency Funding Plan”, as an instrument for mitigating the liquidity risk. The document illustrates, in detail, the individuals and the units responsible for the implementation of the extraordinary funding policies to be implemented in the event of need, as well as the action to be adopted to remedy the same, in accordance with the legislative requirements envisaged by the supervisory regulations.
Within the sphere of the definition of the “Contingency Funding Plan”, the Bank established a series of risk indicators, which are constantly monitored for the purpose of anticipating possible situations of stress or liquidity crisis.

During 2015, the Bank again implemented the liquidity indicator, “Liquidity Coverage ratio” (LCR) on the basis of the matters envisaged by the EU Delegated Regulation 2015/61 issued to supplement EU Regulation No. 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 the subject.

With regard to the “Net Stable Funding Ratio” (NSFR) indicator, the Bank has implemented a operational-type measurement on the basis of the matters envisaged by the Basel III Framework.

For an improved management of the liquidity, the Bank joined the Nuovo Mercato Interbancario Collateralizzato dei Depositi (New MIC). The New MIC is the e-MID market segment intended for Euro deposits with maturities between one day and a year, which avails itself of the guarantee system managed by Cassa di Compensazione e garanzia (CC&G).

As mentioned in section I - “Credit risk”, subsection C “Securitisations”, the Bank put together a self-securitisation transaction, for the purpose of increasing its financing ability care of the system.
This transaction adopted the name “Valsabbina SPV 1” and was finalised in 2012 with the intention of availing of securities which could be set aside so as to be able to establish funding transactions with the Central European Bank.
The transaction was concluded with the transfer of a portfolio of performing residential mortgage loans by the Bank, as originator, and the subscription by the same originator of the securities issued by the special purpose vehicle.
In January 2015, the afore-mentioned securitisation transaction was subject to ”reopening” (so-called “size increase”) by means of an additional assignment of residential mortgage loans; in the presence of this assignment, the amount of the senior security registered an increase of Euro 156,701 thousand, while the value assigned to the junior security remained unchanged.
The related details are provided below for the sake of completeness.

“Valsabbina Spv1” securitisation transaction

- Special purpose vehicle: Valsabbina Spv 1 S.r.l.
- Date of assignment of the receivables: 12 Dec. 2011 and 22 Jan. 2015
- Type of receivables assigned: Residential mortgage loans
- Quality of receivables assigned: *Performing*
- Guarantees on the receivables assigned: Senior mortgage
- Geographic area of receivables assigned: Italy
- Business activities of the assigned debtors: Private parties
- Number of receivables assigned 1st transfer: 7,401
- Price of receivables assigned 1st transfer: Euro 284,703 thousand
- Nominal value of receivables assigned 1st transfer: Euro 284,053 thousand
- Interest accrued on receivables assigned 1st transfer: Euro 650 thousand
- Number of receivables assigned 2nd transfer: 1,355
- Price of receivables assigned 2nd transfer: Euro 151,511 thousand
- Nominal value of receivables assigned 2nd transfer: Euro 151,376 thousand
- Interest accrued on receivables assigned 2nd transfer: Euro 135 thousand

Within the sphere of the afore-mentioned transactions, the ABS securities indicated below were issued, all subscribed by the originator:
• senior portion for Euro 312,600 thousand (fully subscribed by the Bank) with an external rating assigned by Moody’s (“Aa2”) and DBRS (“AAA”) with a return index-linked to the 3-month Euribor plus 40 bps;
• junior portion for Euro 100,100 thousand (fully subscribed by the Bank) without any rating.

As at 31 December 2015, the residual capital to mature amounted to Euro 311,200 thousand, with accruals for Euro 20 thousand.
Again as of the balance sheet date, the situation of the securities issued in correspondence with the securitisation transaction was as follows:
• residual senior portion Euro 215,706 thousand nominal
• junior portion for Euro 100,100 thousand nominal

The transaction made it possible to improve the Bank’s liquidity profile increasing the collateral which can be used in refinancing transactions with the ECB.

As of 31 December 2015, the senior security permitted an overall refinancing margin with the ECB for around Euro 180 million.

Quantitative information

1 - Timing of financial assets and liabilities by residual contractual duration - Currency: EURO

Items/Time bands	on demand	between 1 and 7 days	between 7 and 15 days	between 15 days and 1 month	between 1 and 3 months	between 3 and 6 months	between 6 months and 1 year	between 1 and 5 years	Beyond 5 years	Unspecified duration
On-balance sheet assets	**740,671**	**76,020**	**5,946**	**163,488**	**176,198**	**136,449**	**212,357**	**1,470,049**	**1,039,275**	**23,442**
A.1 Government securities	54	-	-	1,680	2,045	5,353	33,350	540,000	275,000	-
A.2 Other debt securities	-	-	-	-	595	30,330	510	2,465	2,890	-
A.3 UCIT units	208,704	-	-	-	-	-	-	-	-	-
A.4 Loans	531,913	76,020	5,946	161,808	173,558	100,766	178,497	927,584	761,385	23,442
- banks	13,143	25,000	123	20,000	-	-	-	-	-	23,442
- customers	518,770	51,020	5,823	141,808	173,558	100,766	178,497	927,584	761,385	-
On-balance sheet liabilities	**1,930,412**	**223,036**	**80,938**	**141,823**	**215,622**	**57,416**	**183,536**	**845,517**	**64,258**	-
B.1 Current accounts and deposits	1,924,362	3,693	4,658	19,883	42,058	24,854	98,845	22,831	-	-
- banks	-	-	-	-	-	-	-	-	-	-
- customers	1,924,362	3,693	4,658	19,883	42,058	24,854	98,845	22,831	-	-
B.2 Debt securities	5,282	79,342	36,927	448	23,543	32,562	84,691	652,686	64,258	-
B.3 Other liabilities	768	140,001	39,353	121,492	150,021	-	-	170,000	-	-
Off-balance sheet transactions	**26,908**	**611**	**1,334**	**1,889**	**7,772**	**756**	**965**	**10,886**	**8,890**	-
C. 1 Financial derivatives with exchange of capital	-	611	1,334	899	7,372	556	653	-	-	-
- long positions	-	225	847	846	4,968	279	327	-	-	-
- short positions	-	386	487	53	2,404	277	326	-	-	-
C. 2 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	26,908	-	-	990	400	200	312	10,886	8,890	-
- long positions	2,615	-	-	990	400	200	312	10,886	8,890	-
- short positions	24,293	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

C.8 Credit derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

1 Timing of financial assets and liabilities by residual contractual duration - Currency: OTHER CURRENCIES

Items/Time bands	on demand	between 1 and 7 days	between 7 and 15 days	between 15 days and 1 month	between 1 and 3 months	between 3 and 6 months	between 6 months and 1 year	between 1 and 5 years	Beyond 5 years	Unspecified
On-balance sheet assets	**22,451**	**787**	**365**	**3,699**	**4,563**	**67**	**-**	**-**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCIT units	9,899	-	-	-	-	-	-	-	-	-
A.4 Loans	12,552	787	365	3,699	4,563	67	-	-	-	-
- banks	9,911	-	-	3,218	3,679	-	-	-	-	-
- customers	2,641	787	365	481	884	67	-	-	-	-
On-balance sheet liabilities	**19,314**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Current accounts and deposits	19,314	-	-	-	-	-	-	-	-	-
- banks	-	-	-	-	-	-	-	-	-	-
- customers	19,314	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	**-**	**613**	**1,334**	**889**	**7,478**	**551**	**661**	**-**	**-**	**-**
C. 1 Financial derivatives with exchange of capital	-	613	1,334	889	7,478	551	661	-	-	-
- long positions	-	387	482	55	2,479	276	331	-	-	
- short positions	-	226	852	834	4,999	275	330	-	-	-
C. 2 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

C.8 Credit derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-	-

Section 4 - Operational risks

Qualitative information

A. General aspects, management processes and methods of measuring operational risk

Operational risk is the risk of suffering losses due to inadequacy or failures of procedures, human resources and internal systems, or due to external events. This risk is inherent to the performance of banking activities and can be generated and reside therefore in all the company processes.
In general, the main sources of manifestation of the operational risk are attributable to internal fraud, external fraud, employment and work safety relationships, professional obligations vis-à-vis the customers, to damages from external events, the malfunction of the IT system and the execution, consignment and management of the processes.

The Bank has defined a series of organisational processes for the supervision and handling of the types of operational risk, within the sphere of which it avails itself of specific functions:
- the Internal Audit unit, whose activities on the one hand are aimed at checking the due nature of the operations and the trend of the risks, and on the other hand at assessing the functioning of the overall system of internal controls;
- the Control Body pursuant to Italian Legislative Decree No. 231/2001, whose composition and functioning are disciplined by means of specific regulations, within the sphere of the Organisational, management and control model adopted;
- the Risk Management unit, which responds to the need to detect and measure the typical risks of the banking business by means of constant monitoring of those undertaken and those potentially generated by the investment, lending and service policies;
- the Compliance unit, tasked with the supervision and control of observance of the regulations, providing support for the prevention and management of the risk of incurring legal or administrative sanctions and/or suffering significant losses consequent to the violation of internal or external legislation.

To support the Operational Risk management model, the Bank has adopted the following operating processes:

- "Loss Data Collection" – process for collecting the operational losses manifesting within the Bank (active since 2012);
- "Risk Self Assessment" – self-diagnostic process for the forward-looking assessment of the operational risks aimed at identifying the possible risk events estimating the possible potential impacts.

Specifically, the Loss Data Collection process achieved is broken down into the following components:

- Data collection on the operational loss events (Loss Event Collection), this represents the collection and registration process for the operational loss data which has taken place within the Bank;
- Creation of a database of the events (Loss Data Collection) which generate losses used to carry out statistical processing of the losses which have occurred and the causes which have led to the same.

The organisational model adopted has the following levels of responsibility:

- Reporter (all the organisational units);
- Manager (Internal Audit Service);
- Validator (Risk Management, Planning & Control Service).

The role of reporter of a possible or potential operational risk is carried out by all the organisational units, whether they be branches or head office. On occurrence of a loss event, a report is drawn up and sent to the Internal Audit Service which sees to the handling of the report and its insertion in the procedure (Loss Data Collection). The validation and the consolidation is carried out by the Risk Management Planning & Control Service, which is responsible for overseeing the activities for the collection of the loss events, the checking of the correctness of the information received and the monthly assessment of the degree of exposure to risk.

Within the sphere of the Loss Data Collection activities, the events indexed over the last four years, and in relation to which steps were taken to record the related operational loss, have been catalogued by type of operational loss (event type).
The types of event were subsequently assigned to the business lines and to the loss events on the basis of the classifications envisaged by the Bank of Italy Circular No. 285/2013 and Regulation No. 575/2013 (CRR).

The objectives intended to be pursued by means of the afore-mentioned process are:

- identify the causes of the detrimental events which underlie the operational losses and consequently increase the business profitability;
- improve the efficiency of the management, by means of the identification of the critical areas, their monitoring and the optimisation of the control systems;
- optimise the risk mitigation and transfer policies;
- develop the culture of the operational risk at Bank level, raising the awareness of the entire structure.

During 2015, for the purpose of supplementing the operations which are already carried out afterwards with the collation of the operating losses, implementation of a self-assessment process was concluded functional for estimating - on a forecast basis - the Bank’s exposure to the operating risk (“Risk Self Assessment”). Specifically, this involves an estimation self-diagnostic process which sets out to assess the degree of the exposure to the risk by means of a combination of opinions expressed in terms of impact, probability of occurrence, efficacy of the controls.

The project has made it possible to strengthen and implement the method and the internal legislative framework for the measurement and the handling of the operational risk, implementing the classification of the loss events, identifying any possible risk scenarios and therefore assessing appropriate mitigation action.

Within the sphere of the risk management processes, the mitigation activities are first of all pursued by means of legislative, organisational, procedural and training measures. Any critical areas, identified by means of the prior and subsequent analysis carried out, are looked at in-depth with the competent Units so as to evaluate the appropriate corrective measures.

Furthermore, again overseeing the occurrence o types of operational risk, the following were drawn up and constantly up-dated:

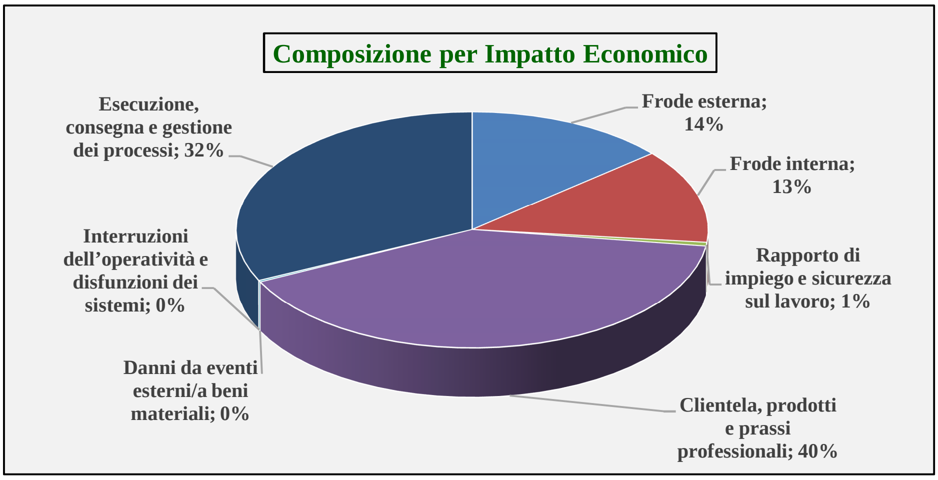
- the Operational Continuity Plan, aimed at safeguarding the Bank in the presence of critical events which may invalidate full operations;
- the mapping of the main operating processes (credit, finance and branch), with the aim of harmonising the conduct of the operators facilitating the integration of the controls.

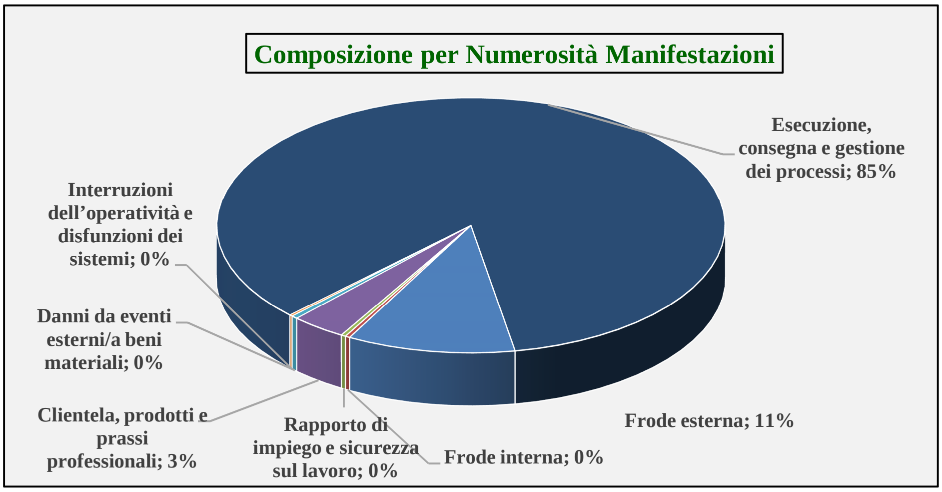
The Bank has adopted for the calculation of the capital requirement in the presence of operational risk, the basic indicator method (BIA - Basic Indicator Approach), which envisages that the capital covering this type of risk equates to 15% of the average “of the significant indicator” for the last three years, calculated in accordance with Articles 315 and 316 of the CRR Regulation.
The capital absorption for this type of risk as at 31 December 2015 came to Euro 14,835 thousand.

Quantitative information

With regard to the loss data, inserted in the Bank’s Loss Data Collection archive in the three-year period 2012-2015, the distribution by type of loss is presented below, with indication by impact on the income statement and by numerousness of the events, according to the classification of the events envisaged by the Supervisory instructions.

Incidence of the operational losses by type of event (2012 - 2015 survey)





Furthermore, by way of disclosure, the historical trend in robberies and claims is presented below, indicating the number of the events and the cost the Bank must cover, recorded under operating expense (amounts in thousand of Euro):

	Robberies		Claims		
	No.	Amount Euro 000s	No. which have occurred	No. accepted	Reimbursements Euro 000s
2009	7	23	78	19	20
2010	3	10	74	17	28
2011	3	6	84	28	26
2012	2	10	86	29	107
2013	2	26	109	26	231
2014	2	2	153	33	38
2015	2	66	161	25	251

The provisions for risks and charges are provided in relation legal action suffered for Euro 581 thousand.

Disclosure to the general public

The information regarding the capital adequacy, the exposure to the risks and the characteristics of the systems tasked with the identification, measurement and management of these risks envisaged by the New prudent supervisory instructions for banks (Circular No. 285 dated 17 December 2013), in Section III “Disclosure to the general public”, is published on the Bank’s website: www.lavalsabbina.it.

PART F – Information on Equity

Section 1 – Company equity

A. Qualitative information

The Bank's equity corresponds to the algebraic sum of the items 130 "Valuation reserves", 160 "Reserves", 170 "Share premium reserve", 180 "Share capital", 190 "Own shares (-)" and 200 "Profit/loss for the year" in the balance sheet liabilities.

The balance and the trend in the capital components represent one of the Bank's strategic priorities, both in relation to the growth and development prospects of the risk and in relation to regulatory legislation.

Therefore, also with regard to the future, the capital requirements are determined:

- by observance of the capital requirements laid down by supervisory legislation;
- by the supervision of the risks associated with banking activities;
- by the business development projects;
- by the assessments on the amount of the profits to be distributed to the shareholders and to be capitalised.

Part B. Liability Section 14 of these explanatory notes provides disclosure regarding the components, consistency, origin and degree of availability and distributable nature of the various items.

B. Quantitative information

B.1 Company equity: breakdown

A.	Items/Amounts	Total 31 Dec. 2015	Total 31 Dec. 2014
1.	Share capital	107,390	107,390
2.	Share premium reserve	235,405	235,405
3.	Reserves	53,972	47,061
	- income-related	57,064	50,153
	a) legal	22,974	21,574
	b) statutory	21,367	15,980
	c) own shares	12,014	12,014
	d) other	709	585
	- other	(3,092)	(3,092)
4.	Capital instruments	-	-
5.	(Own shares)	(8,855)	(7,393)
6.	Valuation reserves	(3,751)	2,709
	- Available-for-sale financial assets	(4,438)	2,239
	- Tangible assets	-	-
	- Intangible assets	-	-
	- Hedging of foreign investments	-	-
	- Hedging of cash flows	-	-
	- Exchange differences	-	-
	- Non-current assets held for sale	-	-
	- Actuarial gains (losses) relating to defined benefit pension plans	(292)	(509)
	- Share of valuation reserves relating to investee companies carried at equity	-	-
	- Special revaluation laws	979	979
7.	Profit (loss) for the year	8,062	14,007

	Total	**392,223**	**399,179**

The change in the reserves as per point 3. of the table above (financial statement item 160) is described in the following table:

	Balances as of 31 December 2014	Shareholders' resolution for approval of 2014 financial statements			Other changes	Balances as at 31 December 2015
		Allocation to reserves	Assignment of own shares to supplement dividend	Reintegration and increase of Provision for purchase of own shares		
Income reserves:	50,153	6,787	-	-	124	57,064
a) legal	21,574	1,400	-	-	-	22,974
b) statutory	15,980	5,387	-	-	-	21,367
c) own shares	12,014	-	-	-	-	12,014
d) other	585	-	-	-	124	709
"Other" reserves	(3,092)	-	-	-	-	(3,092)
Reserves item 160	**47,061**	**6,787**	**-**	**-**	**124**	**53,972**

The amount recorded under "Other" Reserves represents the merger difference deriving from the absorption of Credito Veronese in 2012.
The "other changes" include the dividends relating to the own shares and those acquired by the bank in accordance with Article 30.2 of the Banking Consolidation Act.

B.3 Valuation reserves for available-for-sale financial assets: breakdown

Assets/Balances		Total 31 Dec. 2015		Total 31 Dec. 2014	
		Positive reserve	Negative reserve	Positive reserve	Negative reserve
1.	Debt securities	611	(4,020)	803	(385)
2.	Equities	4,695	(13)	1,716	(391)
3.	UCIT units	190	(5,901)	807	(311)
4.	Loans	-		-	-
	Total	**5,496**	**(9,934)**	**3,326**	**(1,087)**

The valuation reserves are assigned both the positive and negative fair value changes registered in available-for-sale financial assets.
The overall net difference with regard to the previous year of Euro -6,677 thousand is indicated in the statement of comprehensive income included in part D of these explanatory notes.

B.3 Valuation reserves for available-for-sale financial assets: changes during the year

		Debt securities	Equities	UCIT units	Loans
1.	**Opening balances**	**418**	**1,325**	**496**	-
2.	**Positive changes**	**997**	**3,670**	**413**	**-**
2.1	Fair value increases	612	3,279	197	-
2.2	Reversal to income statement of				
	negative reserves	385	391	216	-
	from impairment	-	391	92	-
	from realisation	385	-	124	-
2.3	Other changes	-	-	-	-
3.	**Negative changes**	**4,824**	**313**	**6,620**	**-**
3.1	Fair value reductions	4,020	13	5,843	-
3.2	Adjustments from impairment	-	-	-	-
3.3	Reversal to income statement from				
	positive reserves: from realisation	804	277	777	-
3.4	Other changes	-	23	-	-
4.	**Closing balances**	**(3,409)**	**4,682**	**(5,711)**	**-**

B.4 Valuation reserves relating to defined-benefit plans: changes during the year

The actuarial reserve relating to the future-benefit pension plans, recorded under Valuation reserves net of the tax effects recorded under prepaid taxes, presented a negative balance of Euro 292 thousand as at 31 December 2015, whilst at the end of 2014 it presented a negative balance of Euro 509 thousand, disclosing a change of Euro 217 thousand (Euro 324 thousand without the tax effect).
The difference is due to the different financial parameters used, which led to an actuarial gain of Euro 324 thousand, compared with a loss of Euro 787 thousand in 2014.
As described in part B of the explanatory notes, the actuary carried out the calculation on the basis of the following financial hypotheses: annual discount rate of 2.03% (determined, on a consistent basis with section 83 of IAS 19, with reference to the average returns curve which derives from the IBOXX Eurozone Corporates AA index with a duration of 10+ struck on 31 December 2015, rate considered as the best expression of returns of businesses of primary standing), annual rate of inflation 1.50% for 2016, 1.80% for 2017, 1.70% for 2018, 1.60% for 2019 and 2.00% from 2020 onwards and annual leaving indemnity increase rate 2.625% for 2016, 2.85% for 2017, 2.775% for 2018, 2.70% for 2019 and 3.00% from 2020 onwards.

Section 2 - Own funds and regulatory ratios

2.1 Own funds

A. Qualitative information

Own funds and capital ratios were calculated on the basis of the financial statement values determined with the application of the legislation envisaged by the IAS/IFRS international accounting standards; furthermore, account was taken of the specific legislation issued by the European Union regarding prudent Supervision (Regulation CRR 575/2013, directive 36 of 2013, execution regulation 680/2014 and subsequent additions) and acknowledged by the Bank of Italy in its Circulars, in particular No. 285 and 286 of 2013.

1. Common Equity Tier 1 - CET1

The common equity tier 1 before the application of the deductions and the prudential filters comprises the share capital, the share premium reserves, the reserves, including the valuation ones; this aggregate also includes the regulatory reduction envisaged for own shares, equal to the maximum authorised amount of Euro 10.3 million.
The elements to be deducted include the goodwill (net of the pertinent deferred taxation), the other intangible fixed assets and the prepaid taxation relating to the second release of the goodwill from the incorporation of Credito Veronese.
The items relating to the “Transitory regime” show the values useful for the correct calculation of the reckonability of the reserves pertaining the securities recorded in the AFS portfolio.
It is hereby specified that, complying with Article 26.6 of Regulation 575/2013, the Bank did not calculate the result for the year in the equity elements since as of the date the supervisory reports were forwarded (11 February 2016) the financial statements had not yet been approved by the Board of Directors and audited by the independent auditing firm.
The Bank has exercised the option for the neutralisation of the capital gains/losses on the Government securities issued by Central Administrations of European countries (Bank of Italy Provision dated 18 May 2010, Symmetric approach).

2. Additional Tier 1 - AT1

There are no additional significant elements of Tier 1.

3. Tier 2 Capital - T2

The Tier 2 capital is made up of the issue of a subordinated bond carried out during the year. This issue observes the stringent requirements laid down by the European regulations, the main ones being:
- original duration of at least 5 years;
- no provision of early repayment incentive.

Straight-line repayment of the portion which can be reckoned for regulatory purposes is envisaged in the last 5 years of residual duration of the instrument.

The subordinated bond was issued on 10 February 2015, it has a duration of 6 years maturing on 10 February 2012 and offers a fixed rate of return of 4.50%; furthermore, early repayments are not permitted.

B. Quantitative information

	Total 31 Dec. 2015	Total 31 Dec. 2014
A. Common Equity Tier 1 - CET1 before application of the prudent filters	**382,717**	**382,265**
of which CET 1 instruments subject to transitory provisions	-	-
B. CET1 prudent filters (+/-)	**-**	**-**
C. CET1 gross of elements to be deducted and the effects of the transitory regime (A +/-	**382,717**	**382,265**
D. Items to be deducted from CET1	**(11,907)**	**(11,360)**
E. Transitory regime - Impact on CET1 (+/-)	**4,026**	**(2,240)**
F. Total Common Equity Tier 1 - CET1 (C – D +/-E)	**374,836**	**368,665**
G. Additional Tier 1 – AT1 gross of elements to be deducted and the effects of the transitory regime	**617**	**3**
of which AT1 instruments subject to transitory provisions	-	-
H. Items to be deducted from AT1	**-**	**-**
I. Transitory regime - Impact on AT1 (+/-)	**(617)**	**(3)**
L. Total Additional Tier 1 - AT1 (G - H +/- I)	**-**	**-**
M. Tier 2 - T2 gross of elements to be deducted and the effects of the transitory regime	**35,000**	**728**
of which T2 instruments subject to transitory provisions	-	-
N. Items to be deducted from T2	**-**	**-**
O. Transitory regime - Impact on T2 (+/-)	**-**	**(728)**
P. Total Tier 2 - T2 (M - N +/- O)	**35,000**	**728**
Q. Total own funds (F + L + P)	**409,836**	**369,393**

There are no effects relating to the application of the new IAS 19 in force since 2013, given that before the application of the new standard the Bank directly booked the changes from discounting back to the income statement, without using the corridor approach.

In the absence of the option for the neutralisation of the capital gains/losses on the Government securities issued by Central Administrations of European countries and with the maintenance of the asymmetric layout, the Own Funds would be lower for Euro 1,364 thousand (negative reserves on securities issued by European Central Administrations - Euro 3,409 thousand x 40% equal to the filter from transitory provisions).

2.2 Capital adequacy

Qualitative information

The prudent regulations according to the Basel Agreement on Capital are based on three Pillars as already indicated in the section “The Risk Management System” in the report on operations.

For the valuation of the equity soundness and the observance of the minimums ratios on an on-going basis, the Bank implements a series of controls which result in the production of the "ICAAP" and "RAF" reports. Among others, stress tests are carried out useful for understanding the evolution of the prudent ratios further to any impairment in the market conditions.

Quantitative information

Categories/Amounts	Unweighted amounts		Weighted amounts/requirements	
	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014
A. RISK ASSETS	4,435,933	4,450,353	2,265,472	2,319,624
A.1 CREDIT AND COUNTERPART RISK	**4,435,933**	**4,450,353**	**2,265,472**	**2,319,624**
1. Standardised approach	4,435,933	4,450,353	2,265,472	2,319,624
2. Approach based on internal ratings	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisations	-	-	-	-
B. CAPITAL REQUIREMENTS			-	-
B.1 CREDIT AND COUNTERPART RISK			**181,238**	**185,570**
B.2 ADJUSTMENT RISK OF THE VALUATION OF THE CREDIT			**-**	**1**
B.3 REGULATION RISK			**-**	**-**
B.4 MARKET RISKS			**4,648**	**-**
1. Standard approach			4,648	**-**
2. Internal models			**-**	**-**
3. Concentration risk			-	-
B.5 OPERATIONAL RISK			**14,835**	**14,817**
1. Basic approach			14,835	14,817
2. Standardised approach			-	-
3. Advanced approach			-	-
B.6 OTHER CALCULATION ELEMENTS			**-**	**-**
B.7 TOTAL PRUDENT REQUIREMENTS			**200,721**	**200,388**
C. RISK-WEIGHTED ASSETS AND CAPITAL RATIOS				
C.1 Risk-weighted assets			2,509,013	2,504,844
C.2 CET 1/Risk-weighted assets (CET 1 capital ratio)			14.94%	14.72%
C.3 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)			14.94%	14.72%
C.4 Total own funds/Risk-weighted assets (Total capital ratio)			16.33%	14.75%

The Bank presents a ratio between Tier 1 capital and risk-weighted assets (CET 1 capital ratio) equal to 14.94%, compared with 14.72% last year. The ratio between Own funds and risk-weighted assets

(Total Capital Ratio) comes to 16.33%, up significantly with respect to 2014 thanks to the issue of the subordinated bonds reckoned in Tier 2 capital.
Without the application of the neutralisation on the reserves pertaining to the securities issued by Central European Administrations, the Total capital ratio would have been essentially unchanged.

As a result of the assimilation in Italy of Directive 2013/36/EU (CRD IV), the Bank of Italy carried out a process during the year for the prudent review of the Bank (SREP) on the basis of which additional requirements were determined, requirements requested by 31 December 2015.
The overall requirements to be applied further to the process are quantified as follows:
CET 1 Ratio equal to 7%, inclusive of the 2.5% required by way of capital conservation reserve: there are no additional requirements with respect to the legislative minimum requirements;
Tier 1 Ratio equal to 9%, inclusive of the 2.5% by way of capital conservation reserve and 0.5% from the outcome of the SREP process;
Total Capital Ratio equal to 12%, inclusive of the 2.5% by way of capital conservation reserve and 1.5% further to the SREP process;
The ratios measured as of 31 December 2015 are in any event considerably higher than the minimum requirements requested.

Part G – Business combinations regarding companies or business segments

Section 1 – Transactions achieved during the year
Section 2 – Transactions achieved after the end of the year
Section3 – Retrospective adjustments

This section has not been drawn up since during the year, and even as of the current date, no business combinations were carried out.

Part H - Related-party transactions

Section 1 - Information on the fees of the directors and key executives

The following tables discloses the fees for the year of the directors and statutory auditors, as well as the remuneration paid to the key executives in 2015:

Items/Amounts	31 Dec. 2015
Directors	600
Statutory Auditors	160
Key executives	1,464

The fees for the Directors refer to the matters established by the Shareholders' meeting held on 20 April 2013, net of VAT and social security charges if due.
The emolument of the Board of Statutory Auditors is equal to that resolved by the Shareholders' meeting held on 2 May 2015 for the three year period 2015/2017, again net of VAT and the social security charges when due.
The amount is detailed in the comments on the income statement, part C of the explanatory notes - section 9.1 - Payroll and related costs.
The amount indicated for the "key executives" includes the amount of the remuneration disbursed, as well as the social security and welfare charges payable by the Bank and the portion of the leaving indemnity accrued during the year. With regard to the executives, no incentive payments linked to the profits achieved are envisaged; no pension plans are envisaged other than those which the employees avail of; and no stock option incentive plans have been envisaged
The members of general management and the two head office directors are key executives.

2 – Information on related-party transactions

Related parties, as defined by the international standard IAS 24, are the following:
1. Subsidiary companies, parent companies or those subject to joint control;
2. Companies which may exercise significant influence over the company which draws up the financial statements;
3. Associated companies;
4. Joint ventures in which the company which draws up the financial statements invests;
5. The Directors, statutory auditors and executives with strategic responsibilities of the company which draws up the financial statements.
6. Close family members of one of the parties as per point 5;
7. Subsidiary companies, jointly controlled companies or parties subject to the significant influence of one of the parties as per points 5 and 6;
8. Pension funds of employee or any other body related to the same.

Close family members are understood to be those who it is expected may influence, or be influenced by, the party concerned in their dealings with the company such as spouses not legally separated and common-law spouses, offspring and dependent individuals of the party, the spouse not legally separated and the common-law spouse.
On the basis of the legislation on industrial co-operative banks, there is no controlling party or a party which exercises management and co-ordination activities over Banca Valsabbina S.C.p.A..

The Bank wholly-owns Valsabbina Real Estate S.R.L., a single-shareholder company.

Dealings with related parties are disciplined on the basis of the market conditions (arms'-length basis) envisaged for the individual transactions or aligned, if the requirements are meet, to the conditions applied to employees.
No specific provisions have been made for losses on loans/receivables during the year, vis-à-vis related parties.

The risks outstanding with the related parties, including companies in which the directors and statutory auditors cover management and audit positions, were as follows at year end:

Directors, statutory auditors, key executives	31 Dec. 2015	31 Dec. 2014
Cash loans	69,447	78,661
Endorsement loans	3,725	5,552

The ratio between the amounts due from related parties and total loans/receivables in the financial statements came to 2.50% compared with 2.65% last year.
The balance sheet ratios, as well as the income statement balances as of 31 December, with the subsidiary company are illustrated in the table below:

Financial statement items	Valsabbina Real Estate	
	31 Dec. 2015	31 Dec. 2014
Balance sheet balances: assets	**2,143**	**8,784**
Amounts due from customers	2,143	8,784
Balance sheet balances: liabilities	-	-
Income statement figures	**105**	**192**
Interest income	85	172
Other operating income and expense	20	20

Part L - Segment reporting

This part is not drawn up since the banking activities carried out by the Bank predominantly concern retail customers resident in the province of Brescia, the province of Trento, limited to the branches in the Storo area, and in the province of Verona via the 8 branches.

Publication of the fees for the independent audit and other services differing from the audit as per the Consob Issuers' Regulations Article 149 duodecies

The fees in favour of the independent auditing firm BDO Italia SpA and possibly the companies belonging to the same network for the audit services (control of the annual and interim accounts) and certification services, as resolved by the Shareholders' meeting held on 9 April 2011 (inclusive of any index-linking, but excluding out-of-pocket expenses, the Consob contribution and VAT) amount to Euro 45 thousand.