

Customer deposits

Direct deposits

The items “Due to customers” and “Securities in issue” on the balance sheet liabilities represent the aggregate of direct customer deposits, the total of which reached € 1,820 million, up € 55 million (3.14%). This aggregate represented in average values comes to € 1,719 million, an increase of € 44.3 million (-2.51%).

The table below shows the details of the trends recorded by technical type (in Euro units).

Item	2017	2016	Change	
			Absolute	%
Savings deposits	190,272,852	175,969,846	14,303,006	8.13
Current accounts	1,484,312,802	1,410,474,485	73,838,317	5.23
Bonds	143,170,698	175,338,161	- 32,167,463	- 18.35
Certificates of deposit	-	803,880	- 803,880	- 100.00
Other technical types	2,343,196	2,031,625	311,571	15.34
Grand total	1,820,099,548	1,764,617,997	55,481,551	3.14

Analysis indicates the following:

- An increase in savings deposits of € 14.3 million, or 8.13%. Specifically, ordinary deposits amount to € 182.2 million, an increase of 8.81%, while time deposits fell by 5.20%, coming to € 8.1 million;
- current accounts increased by € 73.8 million, or 5.23%. Within this figure, the deposit account component totalled € 22.6 million (+41.2%), while other types amounted to € 1,461.7 million and showed growth of € 67 million, or 4.82%;
- the bond component fell by € 32.2 million, or 18.35%;
- “other technical types” refers to deposits made using cards with IBANs and prepaid cards.

The process continues for the reallocation of savings towards traditional forms of deposits, characterised by a high liquidity and low risk. The trend is influenced both by the weak economic climate with a recovery that still requires additional consolidation, and the persistent low levels of returns offered by financial investments.

Customer deposits represented 74.85% of balance sheet liabilities (2016: 77.64%) and were made up, for 7.87% (2016: 9.98%), of the securities component, represented by the bonds issued.

Breakdown of direct deposits from customers



The average rate of remuneration of total deposits was 0.31%, down 16 basis points compared with the end of 2016.

The breakdown by investor category shows that the consumer households sector dominates, with the component remaining stable in relation to 2016, representing 52.99% of total funding. There were also no significant changes in the non-financial companies component, which impacted for 26.39% on total deposits. Producer households (+ € 75.4 million) representing 13.18% of total deposits, and non-profit institutions, going up by around € 20 million (2.42% of total funding), both increased on the other hand in relation to the previous period.

The opposite trend was seen for public administrations, which decreased by approximately € 38 million and represents 4.31% of the aggregate.

The geographical distribution confirms the predominance of the province of Rome with 68.59% of the total, followed by the province of Latina with 28.40%, the province of Frosinone with 2.09% and the province of Viterbo with 0.92%. The figures expressed, compared with the previous year, indicate growth in the provinces of Rome and Viterbo, while Latina and Frosinone saw a slight decrease.

Customer deposits were distributed over 81,198 accounts, with an average unit amount of € 22,415. These figures show an increase both in average deposits per position and in the number of accounts.

The volume of deposits per employee came out at € 3.867 million, with an increase in productivity of 1.22% (+ € 47 thousand per employee).

Direct deposits by investor category

Type	Amounts 2017	Proportion % 2017	Amounts 2016	Proportion % 2016
Consumer households	964,460,501	52.99%	965,253,752	54.71%
Non-financial companies	480,244,828	26.39%	479,949,557	27.20%
Producer households	239,965,337	13.18%	164,568,620	9.33%
Public administrations	78,435,988	4.31%	116,714,096	6.61%
Non-profit institutions	44,025,738	2.42%	24,250,899	1.37%
Financial companies	10,948,462	0.60%	11,731,859	0.66%
Other	2,018,694	0.11%	2,149,214	0.12%
Total	1,820,099,548	100.00%	1,764,617,997	100.00%

Indirect deposits

Indirect deposits in financial instruments amounted to € 746.6 million at the end of the year, recording a decrease of € 12.6 million compared with the previous year, or 1.66%. The same aggregate inclusive of insurance deposits came out at € 857.4 million, confirming a contraction of € 13.8 million compared with the end of 2016 (-1.58%).

The table below (in thousands of euros) details the changes recorded in the segment.

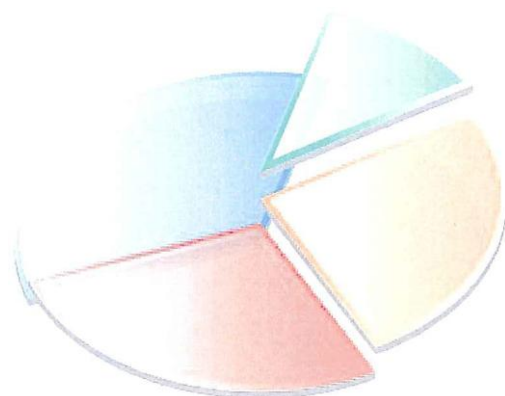
Item	2017	2016	Change	
			Absolute	%
Administered deposits	297,910	364,642	- 66,732	- 18.30
Mutual funds and SICAVs	221,155	190,914	30,241	15.84
Asset management	227,444	203,520	23,924	11.76
Total indirect deposits in financial instruments	746,509	759,076	- 12,567	- 1.66
Insurance deposits	110,926	112,119	- 1,193	- 1.06
Grand total	857,435	871,195	- 13,760	- 1.58

Yields on bonds, which fell further during the year, in some cases to negative rates, continue to encourage the reallocation of savings both to traditional forms of direct deposit, characterised by low risk and high liquidity, as well as savings pursuing higher yields.

The ratio between managed and administered funds at the end of 2017 stands at 151% with the managed portion having increased significantly compared to the previous year (2016: 108%).

The administered deposits decreased by € 66.7 million, or 18.30%, whereas the managed component, comprising mutual funds, SICAVs and asset management went up by € 54.2 million (+13.73%). In particular, our asset management, compared with the same period last year, increased by about € 24 million, equivalent to 11.76%.

Breakdown of indirect and insurance deposits from customers



2017 Balance

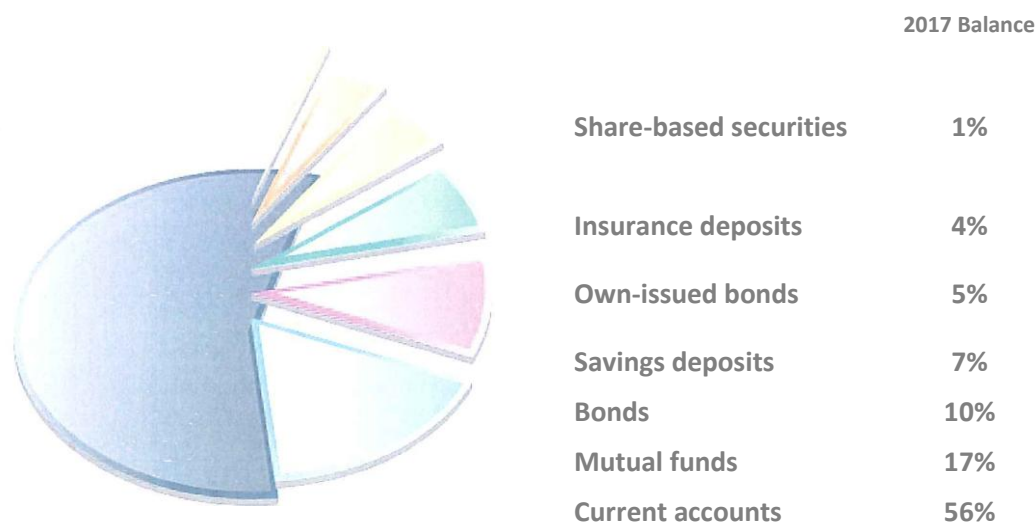
Insurance deposits	12%
Mutual funds and SICAVs	26%
Asset management	27%
Administered deposits	35%

Life assurance deposits, which at the end of 2017 amounted to € 110.9 million, recorded a slight decrease of € 1.2 million on the previous year, or 1.1%.

Total customer deposits therefore amounted to € 2,678 million, an increase of € 41.7 million (+1.58%), and consisted of 68% direct deposits and the remaining 32% indirect deposits, as can be seen from the table below (in Euro thousands).

Item	2017	2016	Change	
			Absolute	%
Direct deposits	1,820,100	1,764,618	55,482	3.14
Indirect deposits in finan. instrum.	746,509	759,076	- 12,567	- 1.66
Insurance deposits	110,926	112,119	- 1,193	- 1.06
Grand total	2,677,535	2,635,813	41,722	1.58

Breakdown of direct, indirect and insurance deposits from customers



Administered assets

Total administered assets (direct deposits, deposits by banks, other liabilities, share capital, reserves and profits) reached € 2,407 million, an increase of € 157 million, or 6.98%.

Adding indirect and insurance deposits to the above aggregate gives the Bank's total intermediation capacity, which came out at € 3,266 million, as illustrated in detail in the table below.

Potential intermediation (in Euro thousands)

Item	2017	2016	Change	
			Absolute	%
Direct customer deposits	1,820,100	1,764,618	55,482	3.14
Bank deposits	251,458	153,931	97,527	63.36
Other liabilities	52,023	45,722	6,301	13.78
Share capital, reserves and profit for the period	285,013	285,250	- 237	- 0.08
Indirect customer deposits	746,509	759,076	- 12,567	- 1.66
Insurance deposits	110,926	112,119	- 1,193	- 1.06
Grand total	3,266,029	3,120,716	145,313	4.66

Customer loans

The 2017 financial year saw appreciable growth in loans.

At the estimated realisable value, loans amounted in fact to € 1,461 million, an increase of € 51.7 million compared with the previous year (+3.67%), while in nominal terms they amounted to € 1,633 million and increased by € 64.6 million (+4.11%).

The same component with mean values showed an increase of € 91.8 million from 2016 (+6.25%), amounting to € 1,561 million. The table below shows the breakdown by technical type and the changes recorded in the year for the entire segment of amounts due from customers.

Item	2017	2016	Change	
			Absolute	%
Portfolios	20,649,814	16,288,776	4,361,038	26.77
Current accounts	285,905,774	275,739,552	10,166,222	3.69
Advances	170,684,654	172,875,402	-2,190,748	-1.27
Sundry loans	40,781,550	73,693,430	-32,911,880	-44.66
Loans and other financing	890,627,290	819,190,877	71,436,413	8.72
Bad loans	224,578,688	210,833,892	13,744,796	6.52
Other lending	278,627	330,056	-51,429	-15.58
Gross lending	1,633,506,397	1,568,951,985	64,554,412	4.11
Write-downs	172,317,706	159,502,638	12,815,068	8.03
Net lending	1,461,188,691	1,409,449,347	51,739,344	3.67
Operating loans	2,060,112	2,020,044	40,068	1.98
Other receivables	564,826	4,467	560,359	n.s.
Net book value	1,463,813,629	1,411,473,858	52,339,771	3.71

In terms of total volumes, gross lending confirmed a higher proportion of medium/long-term operations (54%), consisting in particular of the technical types of loans and financing, while shorter-term loans account for approximately 32%.

Analysis by technical type shows a reduction in short-term lending (-3.82%), produced by the increase in Portfolios (+26.77%), Current Accounts (+3.69%) and by the reduction in Advances (-1.27%) and Sundry Loans (-44.66%).

The longer term component, consisting mainly of loans and other financing, reveals growth of over € 71.4 million (+8.72%).

Operating loans can be attributed to loans deriving from provision of financial services and refer to commissions earned due to accruals that have not yet been collected by our partners.

The item Other lending includes the shareholders' loans, carried out in favour of the subsidiary Real Estate Banca Popolare del Lazio Srl, for the assignment of properties in auctions based on a court order.

The analyses below of the trends and breakdown of the portfolio refer to the aggregates of gross and net lending.

The following table illustrates the breakdown of the portfolio by category of borrower:

Borrower category	Proportion 2017	Proportion 2016
Non-financial companies	71.04%	69.73%
Households	25.53%	24.62%
Financial companies	2.08%	4.22%
State and other entities	0.42%	0.73%
Other	0.93%	0.70%
Total	100.00%	100.00%

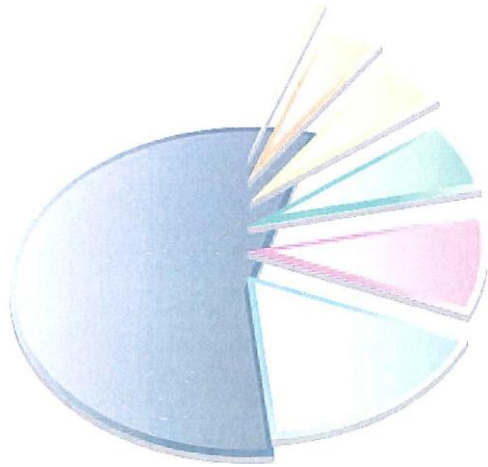
The distribution of lending among the various classes of borrower confirmed that private consumers, self-employed professionals, and small and medium-sized enterprises prevail, representing around 96% of loans.

Performance in individual segments are as follows: non-financial corporations increasing (+1.31%), similarly to the household sector (+0.91%), and residual sectors (+0.23%), whereas a decrease was seen for finance companies (-2.14%) and also in the State sector and other agencies (-0.31%).

The table below shows the classification of customers on the basis of segmentation for the purposes of attributing the *Internal Counterparty Rating*:

Borrower category	Proportion	Definition
Corporate	52.69%	Businesses with turnover of > € 2.5 million, or with credit agreed/used for cash of > € 1 million
Small Business	33.13%	Businesses with turnover of < € 2.5 million, or with credit agreed/used for cash of < € 1 million
Retail	14.18%	Private consumers

Breakdown of customer loans



2017 Balance

Portfolios	1%
Sundry loans	2%
Advances	10%
Bad loans	14%
Current accounts	18%
Loans and other financing	55%

Financial assets

Securities portfolio

At the end of the year the Bank's total securities portfolio amounted to € 632 million, up 4.82% compared with the previous year (+ € 29 million). The total securities portfolio represents 25.99% of assets (2016: 26.53%) and is made up of 62.57% from government bonds (395.4 million), 25.74% from securities issued by banks (162.7 million), while the remaining 11.69% is spread among issuers (73.9 million).

The breakdown by security type is as follows: 31.93% (201.8 million) is represented by BTPs and BOTs; 30.64% (193.7 million) is represented by other government securities; 34.42% (217.5 million) is represented by other bonds; and finally, 3.01% is represented by shares and UCITS units (19.0 million).

In particular:

- the available-for-sale (*AFS*) portfolio amounted to € 590.1 million, an increase of € 40.9 million (+7.45%) compared with the previous year and represented 93.37% of the total amount (2016: 91.07%);
- the trading portfolio totalled € 41.9 million, showing a decrease of € 1.5 million (-3.53%), representing 6.63% of the total amount (2016: 7.21%);
- the held to maturity (*HTM*) portfolio established in 2009, was completely cancelled during the year given its residual amount.

Further quantitative information on financial assets and on the specific portfolios in which they are classified is provided in the relevant sections of the Notes to the Statements.

The composition strategies of the aforementioned portfolios aimed at achieving the natural objectives of prudence in terms of risk (credit, interest rate and liquidity).

2017 was a year that was characterised by consolidation in global growth, by the latter's acceleration and synchronising towards the end of the year; from monetary policies that remain accommodating, but with operators expecting this to normalise and move towards being gradually removed, by substantially low volatility in financial markets, which were however characterised by a few peaks associated especially with the type of asset and determined by local political and international geopolitical events.

The start of the year was characterised by Trump's election in the USA, with the initial impact besides additional elements of uncertainty, was to direct investments towards less risky assets, which then at the close of the year, were directed towards assets with a higher risk level (commodities, shares, corporate securities, the dollar, etc.), based on the expansionary fiscal policy declarations.

Share Capital and Reserves

The Shareholders' Equity amounted to € 276 million, a decrease of € 229 thousand (-0.08%) from the figure for the previous year. The trend is mainly due to the contribution of shareholders, the allocation of a portion of the profit for the year to reserves, changes in the valuation reserves for financial assets available-for-sale, and profit or loss deriving from actuarial hypotheses associated with provisions for employee severance indemnities and the additional pension fund. Allocation to reserves of part of the profit forms a significant source of self-funding and provides an illustration of our intention to reinvest part of the income generated in corporate operations, having positive effects on the capital value of the company's shares.

The valuation reserves from financial assets available-for-sale showed a positive balance of € 7.4 million (-17.41%), while reserves for defined benefit plans show a negative balance of € 1.3 million (+12.15%).

The table below provides an analysis of the balances of the individual components (in euro units) and the respective changes that occurred.

Items	2017	2016	Change	
			Absolute	%
Share Capital (7,396,876 shares with a nominal value of € 3.00)	22,190,628	22,190,628	-	-
Treasury shares (-)	- 3,437,356	- 802,611	- 2,634,745	328.27
Reserves:	134,677,581	130,579,985	4,097,596	3.14
- Legal Reserve	28,596,855	27,669,318	927,537	3.35
- Statutory Reserve	71,952,834	70,943,664	1,009,170	1.42
- Merger Reserve (pursuant to art.7 Law 218/90)	3,658,173	3,658,173	-	-
- Treasury share purchase reserve - available -	2,262,644	2,697,389	- 434,745	- 16.12
- Treasury share purchase reserve - unavailable -	3,437,356	802,611	2,634,745	328.27
- Other reserves	24,769,719	24,808,830	- 39,111	- 0.16
Share premium reserve	99,871,317	99,869,764	1,553	-
Valuation reserves:	22,443,060	24,136,702	- 1,693,642	- 7.02
- Special revaluation law reserves	13,328,838	13,328,838	-	-
- Property, plant and equipment (deemed cost) reserve	3,007,306	3,007,306	-	-
- Available-for-sale financial assets reserve	7,378,730	8,934,544	- 1,555,814	- 17.41
- Defined-benefit plans (actuarial gains/losses) reserve	- 1,271,814	- 1,133,986	- 137,828	12.15
Grand total	275,745,230	275,974,468	- 229,238	- 0.08

The Equity, as well as being an expression of the Bank's book value, performs the fundamental function of providing support for corporate expansion and is a primary guarantee against the various operating risks intrinsic to the business.

As regards the proposed allocation of profit for 2017, the amount assigned to reserves for the current period amounts to € 3.4 million, which on approval will take the net worth to € 279.1 million.