

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 €1,765 million, up €58 million (3.40%). This aggregate represented in average values comes to €1,763 million, an increase of €61.2 million (+3.59%).

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

Item	2016	2015	Change	
			Absolute	%
Savings deposits	175,969,846	174,879,442	1,090,404	0.62
Current accounts	1,410,474,485	1,318,396,793	92,077,692	6.98
Bonds	175,338,161	210,477,527	-35,139,366	-16.70
Certificates of deposit	803,880	1,298,896	-495,016	-38.11
Other technical types	2,031,625	1,546,648	484,977	31.36
Grand total	1,764,617,997	1,706,599,306	58,018,691	3.40

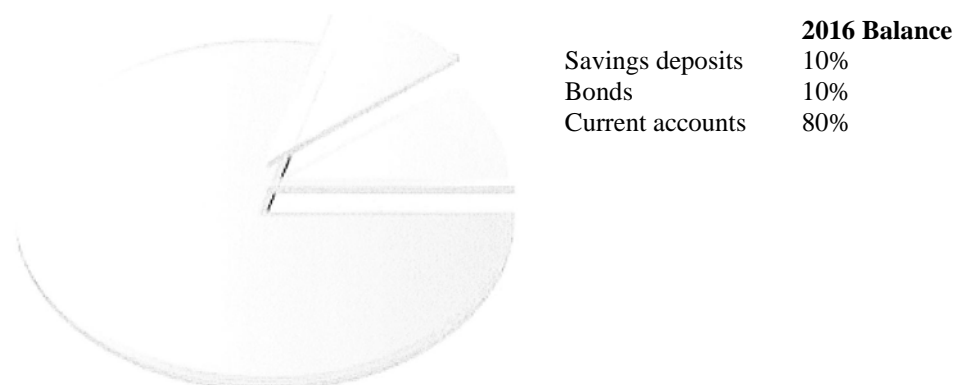
Analysis indicates the following:

- An increase in savings deposits of €1.1 million, or 0.62%. Specifically, ordinary deposits amount to €167.4 million, an increase of 0.95%, while time deposits fell by 5.37%, coming to €8.6 million;
- current accounts increased by €92.1 million, or 6.98%. Within this figure, the deposit account component totalled €16 million (+103%), while other types amounted to €1,394 million and showed growth of €84 million, or 6.41%;
- the bond component fell by €35.1 million, or 16.70%;
- certificates of deposit decreased by €495 million (-38.11%);
- “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 still weak economic climate and the low interest rates offered by financial investments.

Customer deposits represented 77.64 % of balance sheet liabilities (2015: 78.82%) and were made up, for 9.98% (2015: 12.41%), of the securities component, that is bonds and certificates of deposit.

Breakdown of direct deposits from customers



The average rate of remuneration of total deposits was 0.47%, down 30 basis points compared with the end of 2015.

The breakdown by investor category shows that the consumer households are predominant, with an increase of about €20 million over the end of 2015, representing 54.71% of total funding. Non-financial companies increased by almost €19 million and make up 27.20% of the total; likewise for public administrations, which increased by approximately €25 million and represent 6.61% of the aggregate. Producer households remain essentially stable (€-610 thousand), as do financial undertakings (€+781 thousand). Going in the opposite direction are deposits of non-profit institutions, with contracts worth over €4 million and other investor categories, falling by €1.3 million.

The geographical distribution confirms the predominance of the province of Rome with 67.99% of the total, followed by the province of Latina with 29.06%, the province of Frosinone with 2.13% and the province of Viterbo with 0.82%. Compared with the previous year, the figures point to growth in the provinces of Latina and Frosinone, while Rome and Viterbo saw a slight decrease.

Customer deposits were distributed over 79,467 accounts, with an average unit amount of €22,206. 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 €3.821 million, with an increase in productivity of 3.80% (€+140 thousand per employee).

Direct deposits by investor category

Type	Amounts 2016	Proportion % 2016	Amounts 2015	Proportion % 2015
Consumer households	965,253,752	54.71%	945,346,875	55.39%
Non-financial companies	479,949,557	27.20%	460,954,403	27.01%
Producer households	164,568,620	9.33%	165,179,118	9.68%
Public administrations	116,714,096	6.61%	91,903,277	5.39%
Non-profit institutions	24,250,899	1.37%	28,803,020	1.69%
Financial companies	11,731,859	0.66%	10,950,393	0.64%
Other	2,149,214	0.12%	3,462,220	0.20%
Total	1,764,617,997	100.00%	1,706,599,306	100.00%

Indirect deposits

Indirect deposits in financial instruments amounted to €759.1 million at the end of the year, recording a decrease of €44.3 million compared with the previous year, or 5.51%. The same aggregate inclusive of insurance deposits came out at € 871.2 million, confirming a contraction of € 41.8 million compared with the end of 2015 (-4.58%).

The table below shows the changes recorded in the segment in detail (in euro thousands).

Item	2016	2015	Change	
			Absolute	%
Administered deposits	364,642	384,504	-19,862	-5.17
Mutual funds and SICAVs	190,914	188,040	2,874	1.53
Asset management	203,520	230,788	-27,268	-11.82
Total indirect deposits in financial instruments	759,076	803,332	-44,256	-5.51
Insurance deposits	112,119	109,701	2,418	2.20
Grand total	871,195	913,033	-41,838	-4.58

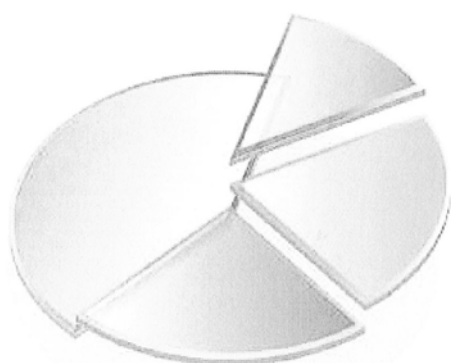
Yields on bonds – which fell further during the year, in some cases to negative rates – together with geopolitical uncertainties, encouraged the reallocation of savings to traditional forms of direct deposit, characterised by low risk and high liquidity.

The ratio between managed and administered funds at the end of 2016 is unchanged from the end of the previous year at 108%.

The various components of the administered deposits decreased by € 19.9 million, or 5.17%. The managed component consisting of mutual funds, SICAVs and asset management decreased, recording a decrease of € 24.4 million (-5.82%). In particular, asset management, compared with the same period last year, contracted by about €27 million, equivalent to 11.82%.

In contrast Life assurance deposits, which at the end of 2016 amounted to more than € 112 million, recorded an increase of € 2.4 million or 2.20 percent.

Breakdown of indirect and insurance deposits from customers

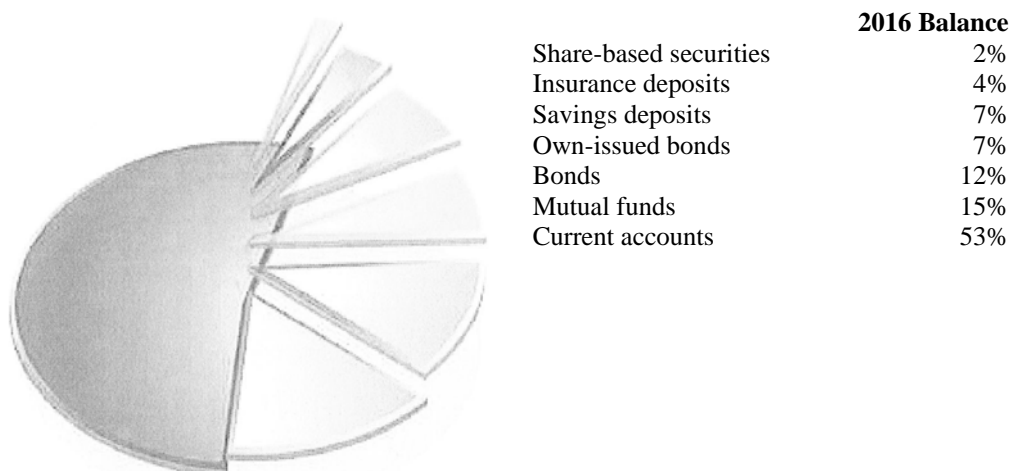


	2016 Balance
Insurance deposits	13%
Mutual funds and SICAVs	22%
Asset management	23%
Administered deposits	42%

Total customer deposits therefore amounted to €2,636 million, an increase of €16.2 million (+0.62%), and consisted of 67% direct deposits and the remaining 33% indirect deposits, as can be seen from the table below (in Euro thousands).

Item	2016	2015	Change	
			Absolute	%
Direct deposits	1,764,618	1,706,599	58,019	3.40
Indirect deposits in finan. instrum.	759,076	803,332	-44,256	-5.51
Insurance deposits	112,119	109,701	2,418	2.20
Grand total	2,635,813	2,619,632	16,181	0.62

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 €2,250 million, an increase of €108 million, or 5.05%.

Adding indirect and insurance deposits to the above aggregate gives the Bank's total intermediation capacity, which came out at €3,121 million, as illustrated in detail in the table below.

Potential intermediation (in Euro thousands)

Item	2016	2015	Change	
			Absolute	%
Direct customer deposits	1,764,618	1,706,599	58,019	3.40
Bank deposits	153,931	82,184	71,747	87.30
Other liabilities	45,722	61,965	-16,243	-26.21
Share capital, reserves and profit for the period	285,250	290,675	-5,425	-1.87
Indirect customer deposits	759,076	803,332	-44,256	-5.51
Insurance deposits	112,119	109,701	2,418	2.20
Grand total	3,120,716	3,054,456	66,260	2.17

Customer loans

In the financial year 2016 lending underwent moderate growth.

At the estimated realisable value, loans amounted in fact to €1,409 million, an increase of € 81.5 million compared with the previous year (+6.14%); while in nominal terms they amounted to €1,569 million and increased by € 99.7 million (+6.78%).

The same component with mean values showed an increase of €72.5 million from 2015 (+5.19%), amounting to €1,469 million. The table below shows the breakdown by technical type and the changes recorded in the year for the entire segment of customer loans.

Item	2016	2015	Change	
			Absolute	%
Portfolios	16,288,776	15,632,020	656,756	4.20
Current accounts	275,739,552	280,991,760	-5,252,208	-1.87
Advances	172,875,402	170,014,724	2,860,678	1.68
Sundry loans	73,693,430	64,619,193	9,074,237	14.04
Loans and other financing	819,190,877	768,831,999	50,358,878	6.55
Bad loans	210,833,892	168,132,502	42,701,390	25.40
Other lending	330,056	1,055,188	-725,132	-68.72
Gross lending	1,568,951,985	1,469,277,386	99,674,599	6.78
Write-downs	159,502,638	141,314,129	18,188,509	12.87
Net lending	1,409,449,347	1,327,963,257	81,486,090	6.14
Debt securities	-	4,750,445	-4,750,445	-100.00
Operating loans	2,020,044	1,984,030	36,014	1.82
CC&G deposit (new-mic)	-	9,000,000	-9,000,000	-100.00
Other receivables	4,467	255,464	-250,997	-98.25
Net book value	1,411,473,858	1,343,953,196	67,520,662	5.02

In terms of total volumes, gross lending confirmed a higher proportion of medium/long-term operations (51%), consisting in particular of the technical types of loans and financing, while shorter-term loans account for approximately 35%.

Analysis by technical type shows limited growth in short-term lending (+1.38%), produced by the increase in Portfolios (+4.20%), Advances (+1.68%) and Sundry Loans (+14.04%) and a simultaneous reduction in Current Accounts (-1.87%). The longer term component, consisting mainly of loans and other financing, reveals more sustained growth of over €50 million (+ 6.55%).

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 CC&G deposit (new-mic) is the loan made through Cassa di Compensazione e Garanzia for transactions in the collateralised market; at the end of the year it recorded a value of zero.

The item relating to debt securities classified in the Customer Loan portfolio, which at year end was zero, is analysed and commented on in the section on Financial Assets. 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 2016	Proportion 2015
Non-financial companies	69.73%	71.03%
Households	24.62%	24.87%
Financial companies	4.22%	2.61%
State and other entities	0.73%	0.47%
Other	0.70%	1.02%
Total	100.00%	100.00%

The distribution of lending among the various classes of borrower was substantially similar to that of the previous year, in which private consumers, self-employed professionals, and small and medium-sized enterprises prevail, representing more than 94% of loans. Trends in individual segments are as follows: non-financial corporations decreasing (-1.30%), the household sector more or less stable (-0.25%), finance companies increasing (+1.61%), growth also in the State sector and other agencies (+0.26%) and finally, a decrease in the residual sectors (-0.32%).

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	53.69%	Businesses with turnover of > € 2.5 million, or with credit agreed/used for cash of > € 1 million
Small Business	32.10%	Businesses with turnover of < € 2.5 million, or with credit agreed/used for cash of < € 1 million
Retail	14.21%	Private consumers

Financial assets

Securities portfolio

At the end of the year the Bank's total securities portfolio amounted to €603 million, down 8.46% compared with the previous year (- €55.7 million). The total securities portfolio represents 26.53% of assets (2015: 30.42%) and is made up of 77.71% from government bonds (468.6 million), 16.52% from securities issued by banks (99.6 million), while the remaining 5.77% is spread among issuers (34.8 million).

The breakdown by security type is as follows: 48.53% (292.6 million) is represented by BTPs and BOTs; 29.18% (175.9 million) is represented by other government securities; 19.24% (116 million) is represented by other bonds; and finally, 3.05% is represented by shares and UCITS units (18.4 million).

In particular:

- the available-for-sale (AFS) portfolio amounted to €549.2 million, a decrease of €50.6 million (-8.44%) compared with the previous year and represented 91.07% of the total amount (2015: 91.06%);
- the trading portfolio totalled €43.5 million, showing an increase of €8.2 million (+23.24%), which represented 7.21% of the total amount (2015: 5.35%);
- the Loans and receivables portfolio, established in 2008 to reclassify some securities that were formerly placed in the AFS portfolio, was completely cancelled during the year;
- the held to maturity (HTM) portfolio amounted to €10.3 million, down €2.4 million (-19.3%) and represented 1.72% of the total amount (2015: 1.94%). This portfolio was established in 2009 with investments in financial instruments that the Bank has the intention and ability to keep for the duration of their residual life, in order to boost net interest income. During 2016 it decreased further following the natural maturity of a number of financial instruments allocated to it.

Share Capital and Reserves

The Shareholders' Equity amounted to € 276 million, a decrease of € 3.4 million (-1.21%) 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 repercussions on the capital value of the company's shares.

The valuation reserves from financial assets available-for-sale showed a positive balance of €8.9 million (-39.97%), while reserves for defined benefit plans show a negative balance of €1.1 million (-6.12%).

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

Items	2016	2015	Change	
			Absolute	%
Share Capital (7,396,876 shares with a nominal value of € 3.00)	22,190,628	22,466,160	- 275,532	-1.23
Treasury shares (-)	-802,611	- 2,897,458	2,094,847	-72.30
Reserves:	130,579,985	126,742,269	3,837,716	3.03
- Legal Reserve	27,669,318	26,536,997	1,132,321	4.27
- Statutory Reserve	70,943,664	66,384,902	4,558,762	6.87
- Merger Reserve (pursuant to art.7 Law 218/90)	3,658,173	3,658,173	-	-
- Treasury share purchase reserve - available	2,697,389	2,402,542	294,847	12.27
- Treasury share purchase reserve - unavailable -	802,611	2,897,458	-2,094,847	- 72.30
- Other reserves	24,808,830	24,862,197	-53,367	-0.21
Share premium reserve	99,869,764	102,888,875	-3,019,111	-2.93
Valuation reserves:	24,136,702	30,151,619	-6,014,917	-19.95
- 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	8,934,544	14,884,022	- 5,949,478	- 39.97
- Defined-benefit plans (actuarial gains/losses) reserve	-1,133,986	-1,068,547	- 65,439	6.12
Grand total	275,974,468	279,351,465	- 3,376,997	-0.21

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 serves as a primary guarantee against the various operating risks intrinsic to the business.