The right direction.

Annual report and financial statements

2014

Iccrea Banca

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Iccrea Banca S.p.A.

Iccrea Banca S.p.A.
Registered office: Via Lucrezia Romana 41/47 - 00178 Rome
Company Register and Tax ID no. 04774801007 - R.E.A. of Rome no. 801787
Share capital: €216.913.200 fully paid up
Member of the Iccrea Banking Group
Entered in the register of banking groups at no. 20016
Subject to management and control

CORPORATE BODIES

2013-2015

BOARD OF DIRECTORS

CARRI Francesco	Chairman
COLOMBO Annibale	Deputy Chairman
FIORELLI Bruno	Deputy Chairman
BUDA Pierino	
CAPOGROSSI Maurizio	
MAZZOTTI Roberto	
MICHIELIN Gianpiero	
MOTTA Flavio since 16/04/2014	
PALDINO Nicola	
RAVAGLIOLI Domenico	
SAPORITO Salvatore	

BOARD OF AUDITORS

GASPARI Luigi	Chairman
CATAROZZO Camillo	Auditor
NAPPINI Eros	Auditor
GIUDICI Massimo	Alternate
MASCARELLO Santiago	Alternate

GENERAL MANAGER

RUBATTU Leonardo

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Overview of 2014

OVERVIEW OF 2014

The year 2014 was one of significant monetary policy measures undertaken to combat the risk of deflation and to stimulate economic recovery. Cuts in policy rates helped push interbank rates to historic lows. Iccrea Banca, in its role as the finance hub for the mutual banking system, provided support to both the mutual banks and the Group companies with a series of initiatives on the domestic and international money, financial and collateralized markets.

Also in 2014, the significant decline in yields on the bond markets, particularly Italian government securities, along with dynamic portfolio management, made it possible to achieve impressive profit margins to support the returns offered to the mutual banks on the various forms of short and long-term lending.

As concerns the management of liquidity for the mutual banking system in 2014, mutual banks increased their use of collateralized funding, which Iccrea Banca provided both through operations with the ECB and with market counterparties.

In August, Iccrea Banca, in response to initiatives announced by the ECB in June and July, encouraged the formation of a targeted longer-term refinancing operations (TLTRO) group, serving as its lead institution. The TLTRO Group's membership includes 190 mutual banks, in addition to the Banca Iccrea Group banks. Around €4 billion worth of funding was auctioned in 2014, of which €500 million handled by the Group.

The improvement in the Group's liquidity and the encouraging market conditions made it possible in the early part of the year for Iccrea Banca to repay €2.2 billion of the money borrowed in three-year refinancing operations. The remaining involvement in the two three-year operations amounted to €9.4 billion at year end. The total amount of collateralized funding disbursed by Iccrea Banca to the mutual banks through the collateral pool rose from €18.5 billion at the end of 2013 to €20.6 billion in December 2014.

With regard to our range of investment instruments, we have maintained an extensive offering of term deposits, investment accounts and bonds, to be held both by the banks themselves and by their customers.

The bonds offered to the mutual banks also met the refinancing requirements of the ECB so that they can be included among the liquidity reserves required by supervisory regulations and company policy.

In November 2014, a €500 million benchmark sized, five-year public issue was carried out on the international markets within the framework of the EMTN program for a cost of less than 2%.

Around €600 million in bonds were placed through the mutual bank network, earning the mutual banks over €5 million in commissions as placement agents.

Within the scope of structured financing activities to support the mutual banks, two securitization transactions were executed in 2014:

- "Dominato Leonense", a single-assignor securitization involving residential mortgage loans, for around €180 million;
- "Credico Finance 15", for involving secured and unsecured commercial loans, in which 14 mutual banks participated, in the amount of around €300 million. This was the first European multi-originator operation involving commercial loans carried out with the European Investment Fund serving as guarantor of the Class A1 securities and the European Investment Bank as subscriber of the Class A2 securities.

With regard to settlement services and with the central bank efforts continued on developing new solutions that will be launched in 2015 to offer the mutual banks the most advanced and up-to-date services for the current operational and regulatory environment. Specifically:

- completion of the ABACO project for using bank loans in operations with the ECB, including in the new mechanisms, recently introduced by the Bank of Italy, consisting of "homogeneous pools of loans" consisting of commercial and residential mortgage loans;
- installation of a new, integrated, treasury dashboard that will make it possible to:
  - manage Target 2 and T2S settlements in accordance with new system standards;
  - monitor the indicators for the management of the inter-day liquidity as envisaged under the Basel 3 rules;
  - provide more efficient tools for managing the liquidity for Iccrea Banca treasury operations, coordinating them better with the information from the IT systems and the treasuries of the mutual banks;
- launch a process for strengthening the functioning of the collateral and the "account pool" operating system.

As concerns intermediation in government securities, there was another significant increase in volumes, reaching a total of about €190 billion in both direct trading and order collection, thereby keeping Iccrea Banca among the leading players in the industry. In addition to this, there was more than €50 billion in order collection, signifying a further year-on-year increase in volumes handled by the mutual banks through the Bank aiming for

€6 billion in equities and €47 billion in bonds listed on Borsa Italiana, HI-MTF and EuroTLX.
The currency operations sector saw a further improvement in the quality of the prices offered the mutual banks and to customers through the FX&MM trading portal on the Webfin portal.
In terms of lending, in 2014 efforts focused on providing full and timely support to meet the funding and liquidity needs of the mutual banks. We were able to achieve this objective by extending lines of credit and credit ceilings appropriately scaled for the operations and capabilities of the different mutual banks, in line with their strategic plans.
In 2014 Iccrea Banca provided the mutual banks with financial support through 511 financing transactions in the form of loans and operational credit ceilings. Lending continued to expand, reaching €20.6 billion by the end of 2014 (of which €20.4 billion to mutual banks and €251 million to other banks).
Of the total loan transactions authorized, 247 concerned lines of credit granted to the mutual banks and other banks served indirectly, 146 of which related to new or increased financing under the "collateral pool" instrument.
Uses of lines of credit largely concerned treasury lines backed by these collateral pools (over €20 billion). The remainder was in bonds subscribed by the Bank in order to support the medium and long-term funding of the mutual banks (average exposure of €403 million).
Several targeted actions were also taken to support mutual banks facing particular difficulties, sometimes in collaboration with other central institutions of the mutual banking industry. In 2014, these efforts included the disbursement of various forms of financing in the total amount of €33 million to these troubled mutual banks. In certain cases, they also involved recourse to the mutual bank deposit guarantee fund. As at December 31, 2014, the amount of funding disbursed directly to the mutual bank deposit guarantee fund or to mutual banks backed by the fund came to €195 million.
With regard to international operations, Iccrea Banca continued to provide all the support required to carry out transactions involving documentary credit fully guaranteed by Iccrea BancaImpresa. More specifically, in 2014 credit lines for documentary credit were authorized for banks in Tunisia, Switzerland and Georgia for a total of €61 million. The Bank also refinanced letters of credit, directly assuming the risk.
Efforts to support the mutual banks also continued in the area of collections and payments through initiatives aimed at reducing costs and improving service quality. The main activities in 2014 in this regard concerned the completion of the SEPA credit transfer, direct debit and cash products in order to ensure the full compliance of in-house procedures with national and international market standards by 2015.
Iccrea performed the migration to the SEPA SDD and SCT procedures and, therefore, in accordance with applicable regulations, the banks served have been able to operate in accordance with the end date required beginning on February 1, 2014.
The pricing policy has been revised in order to:

- reduce costs for the banks served and allow for effective commercial efforts with customers involving products with a lower cost-to-income ratio;
- minimize costs (increasing the efficiency) of the operations of both the mutual banks and Iccrea Banca;
- leverage the role and nature of the mutual banking circuit, both in terms of fees and commissions (e.g. no fees charged on SCT transactions) and with the goal of making transfers and settlements even faster.

In this evolving environment, actions were completed in the various areas of payment systems aimed at adapting to the new system rules and developing new products. They include:

- electronic invoicing and dematerialization in order to enable the customers of the mutual banks to reduce the costs connected with the handling/storing of hard-copy invoices, sending them to recipients (by various means such as corporate interbank banking, the postal system and certified e-mail), reconciliation of payments;
- the project to enable agreements with major customers for collections on secured transactions in respect of customers of the mutual banks, implementing an internal value-added circuit within the mutual bank industry that will lead to the Group being viewed as a single entity.

In the payment card area, growth continued in both card issuing, with 3.1 million active cards and some €15.8 billion in transactions, and in POS and ATM acquiring, with over 130,000 PagoBANCOMAT POS terminals, 4,400 active ATMs, and some €17 billion in transactions.
Regarding the issuing sector, all three segments (debit, prepaid, and credit) recorded substantial increases that can be summarized at the end of 2014 as follows:

- operational debit cards equipped with chip technology exceeded 2 million compared with 1.9 million in 2013, an increase of 7.2%;

- the stock of operational credit cards increased by 6.2%, going from 684,000 cards at the end of 2013 to 727,458 cards at the end of December 2014;
- active prepaid cards went from 345,000 at the end of 2013 to 418,984 at the end of 2014, an increase of 21.8%.

Similarly, volume growth was posted in the acquiring segment, reaching €16.9 billion in total transaction value in 2014 (of which €12.4 billion on the PagoBANCOMAT/BANCOMAT circuit and €4.5 billion on international circuits), compared with €16.7 billion in 2013, an increase of 1.2%. Various projects were begun during the year to develop new products that have already been launched, or will be launched, in early 2015:

- the development of new payment card hub platform by internalizing issuing and acquiring resulted, in the issuing side in the completion of the MasterCard certifications, which will allow the mutual banks to move the issuing of new cards (debit, credit, prepaid) entirely in-house in 2015;
- the ACS RSA project to enhance fraud protection regarding the online use of debit, credit and prepaid cards, which involves replacing the current static password system with a dynamic one;
- the "Push Acquiring" project, developed in the second half of 2014 and launched in March 2015 with 7 pilot mutual banks, a commercial initiative to acquire new customers in the area using off-premise sale efforts;
- the new Carta IBAN CartaBCC Tasca Conto Business card targeted at businesses, that combines all the main functions of a bank account in one prepaid card.

Also in 2014, in order to implement its new strategy of making electronic money a "relationship hub", Iccrea Banca launched Scontiriservati.it, its e-commerce platform, and offered the mutual banks and their credit card holders a service that it very different from that of its major competitors, offering e-commerce platforms full of promotions exclusively for holders of their cards. The on-line shop run for the mutual banks, by contrast, was created with the clear goal of linking the "demand" of consumer cardholders with the "supply" provided by the mutual banks' business customers.

The mutual banks are the only players today capable of matching the supply and the demand of their partners and customers. This is also interesting in terms of scale: the products of business customers are placed on display in a nationwide forum that could be potentially visited by 3 million cardholders. All the players in this transaction benefit: cardholders purchase products and services at favorable prices, business customers of the mutual banks gain access to a large e-commerce platform at zero cost and, finally, the mutual banks themselves benefit by receiving a significant percentage of each purchase made through the platform (from 1% to 3% of the amount of the transactions), as compared with the margin on normal credit card purchases (0.35% of the amount).

Among the greatest benefits for business customers is that participation in the e-commerce platform is entirely free. Among the services provided at no charge to business customers are the "logistics platform", which for small craft firms is generally the most substantial barrier to entry into the world of e-commerce. Transport and home delivery services are provided via the Sconti Riservati platform at no cost.

With regard to development in the service provided their customers, to improve customer loyalty, satisfaction and to create new business opportunities, Iccrea Banca has also introduced, in partnership with the mutual banks, a number of specific telephone-contact based activities in support of the issuing (cardholder) and acquiring (merchant) customer portfolio. More specifically, outbound calling campaigns in 2014 involved the following:

- credit card activation;
- text message alert service activation (with a considerable reduction in operations performed by the mutual banks);
- welcome calls to merchants and in support of registration on the www.cartabccpos.it portal.

With regard to the Contact Center's activity focused on CartaBCC cardholders, in 2014 Iccrea Banca handled a total of more than 1.5 million calls (76.7% of which were handled in the first 30 seconds of the call), of which 1.4 million received from cardholders and 121,000 from mutual banks requesting assistance from the mutual bank help desk.

In order to improve Customer Service, in 2014 the interactive voice response (IVR) service was partially redesigned in order to simplify menu navigation, which as a result increased the number of calls handled in automated fashion and thereby decreasing the number of calls requiring the attention of an operator. At the end of 2014, automated calls accounted for 40% of all calls handled, compared with 38% in January.

To further improve the service provided to CartaBCC cardholders, the "call me back" function was introduced, which allow cardholders to request that they be called back at a later time rather than remain on hold.
Finally, in an environment of falling net interest income, Iccrea Banca has taken steps to optimize revenues from services by making a break with the past. The electronic money landscape is rapidly evolving, with new players, new service models and new playing fields, not the least of which is strong regulatory pressure which will cut revenues from multilateral interchange fees by around 50% in 2015.
Given this situation, in 2014 Iccrea Banca carried out careful due diligence in assessing whether to invest in Satispay S.r.l., a start-up in the mobile payments industry.
Satispay's idea is to create a free, efficient and secure payment system that can be used on any mobile device, with any telephone service and with any bank participating in SEPA, and that meets all money-transfer needs. At present, the Satispay service offers clear benefits over the common e-payment tools offered by the major banking industry players, as well as over the main online payment market competitor (PayPal):

- lower commissions on online and offline purchases;
- purchases can be made at bricks-and-mortar establishments;
- no commissions on peer-to-peer money transfers.

Therefore, Iccrea Banca chose to invest in Satispay to achieve the following benefits and synergies:

- the service proposed by Satispay complements Iccrea Banca's current e-money products (e.g. the TascaConto with IBAN) and is, without a doubt, an improvement in and further development of the quality of available products;
- the target audience (young people between 18 and 35 years of age) represents an opportunity for Iccrea Banca and the mutual banks to significantly expand their customer base;
- by being immediately accessible to the entire SEPA market, Satispay will enable us to generate income from transactions made by customers of banks that do not belong to the Iccrea Banking Group;
- the investment in Satispay given Iccrea Banca access to a market that it had not been in before, thereby enabling us to benefit from the synergies arising from offering this innovative and dynamic start-up access to Iccrea Banca's distribution capabilities in the mutual bank market and, potentially, in the non-mutual bank market as well.

Based upon these considerations, Iccrea Banca acquired about 13.89% of Satispay, with the right, among other things, to appoint a member of the Board of Directors. It also has the right to subscribe an additional 5% in a subsequent capital increase.

With regard to institutional services, the Iccrea Banca product range continues to offer an efficient, financially advantageous opportunity for mutual banks compared with in-house process management and direct involvement in central guarantee and settlement systems, particularly within the scope of the evolving external landscape of ongoing, rapid change in laws and regulations and the increasing complexity of operations and infrastructures needed to comply with the related obligations.
Iccrea Banca's Securities Services product is focused on offering customers a single custodian, as a partner delivering the entire value chain of securities administrative and settlement services, and on providing a high degree of flexibility in service delivery so that it can also handle non-standardized models, customizing products and services based upon customer needs.
The most important projects in 2014 concerned areas covered by the European Market Infrastructure Regulation (EMIR) governing derivatives, the introduction of the new European securities settlement system, Target2 Securities, securities operations carried out by the ECB and the Group project to rationalize our custodian bank activities. Using the portal through which mutual banks can access all of the services provided by Iccrea Banca concerning EMIR compliance connected with derivative contracts, the service for reporting derivatives trades to the trade repositories was launched in response to the introduction of related regulatory requirements and the measurement of capital requirements.
With regard to the Target2 Securities project, the new infrastructure for the settlement of securities transactions currently being launched by the ECB along with the European System of Central Banks will enter into operation in 2015. Iccrea Banca formally notified the Eurosystem of its desire to participate in the new settlement system as a direct participant in the same manner as the leading international players in securities settlement and custody.
This decision places the Bank among the top banks in Europe that have opted for this approach. The purpose of this decision is to strengthen the Bank's central role in the

markets and in the mutual bank network and to mitigate the impact, in terms of organization and costs, on the mutual banking system as a whole. Therefore, the unit formed the working group responsible for implementing the project with the involvement of the entire company structure, including the communication and marketing unit, through which a system for informing and updating the mutual banks was also set up.
As regards the support provided to mutual banks in the distribution of collective investment undertakings, the Fund Operations unit took an active part in the ABI's group pilot program on standardizing messaging, thereby beginning implementation of the procedures to be adopted and the new system standards.
Under the strategic policies established by the Parent Company, once the process of rationalizing the organizational and operational structures of the custodian bank between the Banking Group companies was completed, the process of negotiating the sale of the business to Istituto Centrale delle Banche Popolari Italiane (ICBPI) began. The transaction was completed in September, with the transfer of around €21 million.
The process of enhancing the efficiency and rationalizing information providers for the securities database continued in an effort to improve and strengthen the quality of data produced and to optimize the associated costs.
With regard to financial information services, we continued the daily publication of the Market Trends investment report in 2014, the goal of which is to support the mutual banks' investment and consulting activities. Quarterly presentations have been given together with BCC Risparmio e Previdenza at the Federazione Lombarda regarding global financial market trends and the outlook for the near future. Finally, we have provided training on technical analysis of the financial markets and on strategic and tactical asset allocation for the mutual banks that requested it.
In 2014, we also continued work to develop the ALM and consulting service, with enrollment for consulting services increasing with 24 new mutual banks. There are currently 175 mutual banks that take advantage of the ALM service, while 102 of these also make use of the consulting service thanks, in part, to specific agreements signed with the six federations that have enabled all of the federations' member banks to take advantage of the service.
The Innovative Financial Solutions unit further strengthened the specialized support regarding system activities and topics available to the mutual banks, such as:

- participation in the TLTRO auctions by 190 mutual banks;
- the adoption of a new assessment framework for pricing collateralized derivative instruments, in which around 160 mutual banks, in addition to the Group companies, have taken part;
- the calculation of credit (CVA) and debt (DVA) valuation adjustments to be applied to the fair value of non-collateralized derivatives products;
- the introduction of "on demand VaR" for use in financial consulting.

Support was also provided, upon request, to these mutual banks through around 95 interventions, 45 of which involved calculating the price of financial assets and liabilities and 50 related to analysis of capital requirements.
In order to further increase the level of service provided to the mutual banks, we have also enhanced our market and customer analysis services so as to provide a more complete overview of the main financial and performance aggregates for each mutual bank and their relations with Iccrea Banca in terms of the products and services used.
Alongside market analysis, using historic/forecasting information, and customer analysis, using financial and capital data, we have further developed our product range in order to make Iccrea Banca's products and services more complete and easier to access. During 2014 we unveiled the product catalogue, using graphics to demonstrate the features that best meets the needs of our customers for each product/service show, in addition to explaining the technical characteristics.
A variety of operational marketing campaigns were also conducted in 2014. Specifically, during the year various projects and initiatives focusing on CartaBCC were conceived and carried out in an effort to position the card, not just as a means of payment, but also as a platform for interaction, catering to the distinct characteristics of the mutual bank system.
The Bank's communication activities became better structured and have made multi-channel approaches the key to getting our messages and information across to a larger number of people. In 2014, Iccrea Banca's strategic vision took form by making communication one of our primary business tools. The main channel used is our Polaris extranet: the web-based environment shared by Iccrea Banca and the mutual banks. Polaris makes the complete range of Iccrea Banca's products and services available, hosts all the circulars and all the operating procedures and offers an overview of all the initiatives and events that have been developed and are being promoted. Polaris is also the name of the newsletter distributed to readers by email. To the general managers of the mutual banks, Polaris is a newsletter providing information on topics of greatest interest. In 2014, Polaris TV produced 80 videos, an average of 1.5 videos per week. It represents a great leap ahead in the quality of Iccrea Banca's

communication in an effort to provide more relevant information in a more direct and engaging manner than the traditional printed format. The mutual banks have expressed their clear appreciation for this form of communication and they are using the videos for both internal training purposes and to provide information to their customers.
Polaris is now the site most visited by mutual bank operators. The Polaris newsletter is currently sent to some 3,000 subscribers and 274 mutual banks regularly consult Polaris.
In terms of internal Iccrea Banca organization, we continued the reorganization and change management efforts begun over the course of the last three years to stimulate, promote and support the transformation occurring at the Bank in recent years.
As part of this, integration with the rest of the Group concerning the primary actions for supporting change, such as internal communication, training, professional development, organization, processes, etc., has become increasingly important.
With regard to training and development:

- on the one hand, we continued to make investments designed to ensure that the set of technical skills among staff needed to support the various business sectors and operations of the Bank and the mutual banks are kept up-to-date and are the most advanced, operationally incorporating the concept of **partnership, through training programs** dedicated to enhancing and expanding the professional expertise in the areas of ALM, Finance and Electronic Money, with about **400 training hours** provided,
- on the other, we have ensured that key employees are taking part in management grooming and development programs adopting a cross-disciplinary approach within the Banking Group.

More specifically, for management employees, the Bank has implemented:

- the Management Assessment KCommunity: initiative for assessing the potential and the degree of coverage of the role of about 50 Group managers belonging to the KCommunity (community of managers comprised of persons holding key positions within the Group). The assessment is part of a broader program aimed at supporting the development and, even more so, the integration of the Group's management in order to create and exploit a cross-disciplinary community that shares the same values and distinctive attitudes. This initiative is a fundamental tool in the process of achieving more optimal coverage of key positions, allowing us to plan better targeted programs for each member of the KCommunity.

- Manager Lab: training and management development initiative targeted at middle management and team leaders of the Group designed to support and develop the Group's distinctive expertise. The program, built around a methodology that invites heavy active involvement by participants, aims, on the one hand, to provide a base of standard managerial tools for the entire target community and, on the other, to provide a better understanding to each participant of the areas in which they need greater support. The program does not start and end with just classroom training, but involves crafting a development plan for each participant with the help of a coach that is expected to be followed throughout their careers.

Internal job rotation have remained a priority with the goals of enhancing the professional development of employees and meeting business needs through technically appropriate and financially sustainable solutions. Job rotation affected 68 employees, equal to about 9.1% of the Bank's total workforce at the end of December. Of these employees, 36 were rotated within the same unit and 32 were transferred to other units within the Bank. More specifically, the business units made the greatest use of this tool by rotating employees within their own units (equal to 40% of the total employees affected) and by transferring staff into and out of other units.
Alongside this, the Bank undertook the process of transforming various areas through ongoing revision of the organizational model and processes aimed at continuously optimizing and improving areas by applying Lean Six Sigma techniques.
Thanks to the use of these techniques, in 2014, the Bank was successful in streamlining processes, providing targeted training and mapping the skill set within the company.
The various working groups formed to optimize processes undertook more than 260 improvement actions (50% of which have already been completed) that have generated the equivalent of about €1 million in annual savings. Furthermore, the Bank was engaged in standardizing processes thereby reducing problems and the related operating risks. We trained 140 employees in these techniques, completed 33 improvement projects (Kaizen) and evaluated 458 business processes.

As in previous years, once again in 2014 we focused on monitoring and optimization of flexible personnel costs, which allowed us to continue to reduce such costs.

During 2014, the Bank's information system was developed in order to support the growth of the business and the initiatives of the Group, taking advantage of opportunities to rationalize application- and infrastructure-related services.

With this in mind, the IT function continued to expand the role of the Technology Officer (the "TO") to cover all Group companies with a considerable increase in the provision of application- and infrastructure-related services outside of Iccrea Banca. In parallel with this action, the "TrasformAzione" program was launched in order to create am ICT structure that is fully integrated with the operating models and performing in line with the best industrial standards, and having modern architectures that are able to support the challenges posed by evolution in the digital world.

More specifically with regard to the various application areas:

Thea activities of the Web and Multi-channel Applications Unit focused on supporting the evolution of existing communication tools, which are increasingly central to Iccrea Banca's strategic vision, and on the creation of collaborative platforms and platforms that support social interaction, deemed key ingredients to pushing the Bank's strategic vision in the direction of community-based topics (Group Community, Electronic Money Community, Finance Community, etc.).

The development and maintenance of the mutual banks' sites has long been an important area for improving the system, involving, in 2014:

- the management of 250 web-based environments
- 100 mutual bank websites attracting about 20 million visits per year
- 25 new mutual bank websites and 3 new Apps launched during the year
- the creation of the new identify website for the mutual banks in line with the most modern design guidelines and fully integrated with the centralized services infrastructure of the bank itself. This product, for which a mobile version is also available, has been officially added to the Iccrea Banca product catalogue.

Again, at the end of 2014, the first steps were taken in the social media sphere with the publication of the CartaBCC Facebook page, which, having attracted more than 14,000 followers in just a few months, has been an unexpected success, opening the door to more rapid progress in this area.

The area's activities are also targeted at the Group companies through the creation of vertical websites and tools to support the productivity of operating and commercial units:

- extension of the Retail Customer Relationship Management (CRM) tool to Creco and BCC Risparmio e Previdenza
- development of Iccrea BancaImpresa's workflow and prospecting module for Social Enterprise WIBI solutions

The activities of the Electronic Money Applications unit were focused on supporting the ongoing expansion of the segment and on completing the VisionPLUS platform in support of the internalization of issuing and acquiring services scheduled for 2015, a step deemed necessary for the development of the new interaction platform (the so-called "e-money hub") and the implementation of complementary functions on the VisionPLUS platform required to make the e-money segment architecture consistent within the:

- the ScontiRiservati.it portal, the virtual marketplace "reserved" for the mutual bank system
- the CartaBCC portal, the primary portal for mutual bank customers
- the SMS Ubiquity platform, making it possible to manage text message notifications and support for purchases made using CartaBCC in near-real time
- ACS RSA functionality for enhanced fraud protection through the generation of a dynamic password for online purchases

As the end of 2014, work began on strengthening the infrastructure for the launch of the pilot and migration phases under the plan to internalize issuing and acquiring services in 2015.

The Payment Systems and International Applications Unit provided support for initiatives aimed at reducing operating costs and improving service quality, finalizing the payments hub platform.

During the year, the migration to the SEPA SDD and SCT systems was completed, ensuring that the end date established in Payment Services Directive was met. Participation in the night-time cycle of the European Banking Authority (EBA) made us more competitive, ensuring that the mutual banks could credit salaries to accounts even in the early hours of the morning. The decision to drop the ICBPI ACH and participate in just the EBA ACH (a platform that supports around 90% of SEPA transactions) resulted in further simplification and strengthening of flows, eliminating the incidents that marked the initial SEPA period.

In 2014, the Internal and Finance Applications unit carried out important projects concerning the European Market Infrastructure Regulation (EMIR) governing derivatives, the carrying out of securities transactions by the ECB and the rationalization of our custodian bank activities. Through the special portal the mutual banks have access to all of the services provided by Iccrea Banca concerning EMIR compliance connected with derivative contracts.
With regard to settlement services and with the central bank efforts continued on developing new solutions that will be launched in 2015 to offer the mutual banks the most advanced and up-to-date services for the current operational and regulatory environment. Specifically:

- the completion of the ABACO project for using bank loans in operations with the ECB, including in the new "pools of homogeneous loans" mechanisms
- the installation of a new, integrated, treasury dashboard that will make it possible to manage Target 2 and T2S settlements in accordance with new system standards
- the introduction of indicators for the management of the inter-day liquidity as envisaged under the Basel 3 rules
- the launch of the functions for operational management of the collateral and the "account pool" system

The unit has also gradually aligned the IT architecture with the standards established at the Group level for analysis and reporting systems through a variety of major projects. One of the more important projects involved the consolidation of the centralized management database, scalable at the Group level, into which information is entered into the management control system, the CRM and the ALM. We also focused on the management of counterparty data, and their use in geo-marketing analysis. Finally, All the information has also been made accessible (including in mobile format) through the business intelligence platform used by the Iccrea Banking Group, offering considerable potential for possible uses in joint planning with the mutual banks.

Furthermore with regard to the development of the analysis systems, in 2014, the launch of the SAP platform for managing expenditure, and therefore the supply chain, was completed. The initiative is part of a broader program, which also involved the introduction of Centralized Procurement for the Group and is therefore a factor in making it possible to more effectively managing methodologies for monitoring and controlling spending.

In 2014, the Data Center unit successfully completed the "System IT" infrastructure project, the goal of which was to bring together within a single data center, consistent with business continuity: Iccrea Banca, Iccrea Banca Impresa, BCC Sistemi Informatici and all the mutual banks integrated with the same technical structure. This project, which achieved the efficiency targets, significantly improved the performance of the systems available to the mutual banks and laid the groundwork for future opportunities for providing hosting services to the other Group companies.
The year also saw the project to bring the system into compliance with the 15th update of Bank of Italy Circular no. 263, which sought to raise the maturity level of the IT internal control system in the areas of IT Governance, IT Risk, Information Security and Data Governance.

With regard to compliance, work focused on identifying, assessing and monitoring the risk to the Bank associated with non-compliance, money laundering and terrorist financing, and for identifying the operational risks. Once again in 2014, the unit's main actions took the form of providing advice and support to the business units, as well as the head office, regarding new commercial initiatives and the organization of actions to update the control systems for managing the risks associated with compliance, operations and anti-money laundering.

With regard to technology, work continued on updating and adapting infrastructures based on organizational needs, both in terms of capacity and regulatory compliance, the latter of which is of particular importance in the electronic money segment. The upcoming insourcing of international issuing and acquiring efforts in this area have required a particularly complex and expensive upgrade to the rules of the Visa-MasterCard (PCI-DSS) circuits. However, this will also help achieve a broader reinforcement of company security levels (Iccrea Banca has already obtained ISO 27001 certification of its information security management system).
The business continuity management system has also been upgraded to the specifications of the new ISO 22301 standard, and compliance has been certified.
In summary, in 2014 Iccrea Banca was once again an important partner for the mutual banks, assisting them across the board and supporting them in maintaining their positions in local markets and achieving significant financial and operational results:

- €351 million in economic value created for the mutual banks:
  - €260 million in interest recognized;
  - €91 million in commissions and fees passed through.

- Support of liquidity and system profitability:
  - €22.6 billion in collateralized loans in the form of operating loans and facilities (average annual exposure);
  - €403 million in bonds underwritten (average annual exposure);
  - €7 billion average balance in active management of liquidity using short-term treasury instruments;
  - an outstanding of €2.5 billion / €3.4 billion in securitized loan portfolios.

- Support for operations and system stability:
  - €190 billion in direct trading and order collection;
  - 244 million items handled in the collections and payment segment;
  - €33 billion in volumes handled in the electronic money segment;
  - €100 million in financing for interventions in support of the deposit guarantee fund

We expect to continue these works in 2015 and to further explore the role played by partnership in addressing an increasingly dynamic and challenging market.

Report on Operations

January 1 to December 31, 2014

CONTENTS

Report on Operation

About us

Iccrea Banca is the central institute for the mutual banking system. Our mission, as established in our bylaws, is to make the work of mutual banks more complete, intensive and effective by supporting and strengthening their efforts.

Iccrea Holding, the parent company of the Iccrea Banking Group, holds 99.998% of the capital of Iccrea Banca.

Iccrea Banca is a solid organization, providing services in the areas of finance, electronic money and payment systems, while also providing lending services to support the needs of the mutual banking system.

Iccrea Banca manages the technology infrastructure to support, monitor and provide the services supporting the business processes of the Iccrea Banking Group.

Iccrea Banca is the finance hub for the Iccrea Banking Group, as well as the direct acquirer and issuer for the Ottomila circuit, which serves the full line of Italian and international credit, debit and pre-paid payment cards.

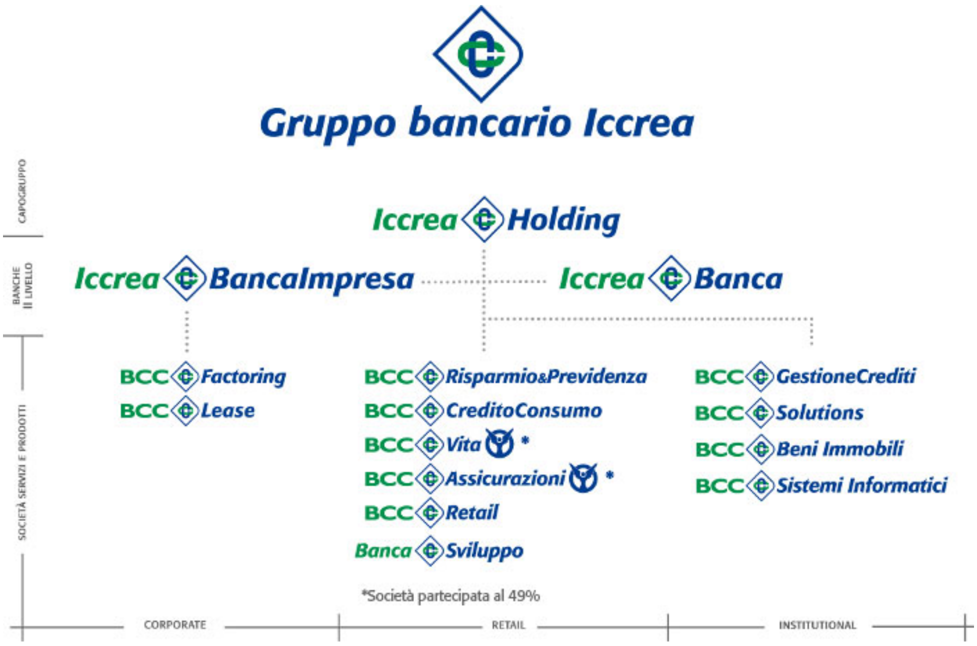
The Iccrea Banking Group and its parent company Iccrea Holding

The Iccrea Banking Group is a group of companies that provide mutual banks a range of products, services and consulting to maximize their performance in their areas, acting as a partner in supporting the sustainable development of the markets of each bank.

To pursue this mission, the companies of the Iccrea Banking Group offer advanced financial instruments, asset management products, insurance products, credit solutions for SMEs, impaired loan management services, IT outsourcing, corporate finance solutions and support for import/export activities and international expansion.

The companies of the Iccrea Banking Group are controlled by Iccrea Holding, which is wholly owned by the mutual banks.

The structure of the Iccrea Banking Group


Gruppo bancario Iccrea
CAPOGRUPPO
Iccrea Holding
BANCHE II LIVELLO
Iccrea BancaImpresa
Iccrea Banca
SOCIETÀ SERVIZI E PRODOTTI
BCC Factoring
BCC Lease
BCC Risparmio&Previdenza
BCC CreditoConsumo
BCC Vita *
BCC Assicurazioni *
BCC Retail
Banca Sviluppo
BCC GestioneCrediti
BCC Solutions
BCC Beni Immobili
BCC Sistemi Informatici
*Società partecipata al 49%
CORPORATE
RETAIL
INSTITUTIONAL

1. MAIN RESULTS OF THE BANK

Reclassified balance sheet	Assets	Dec. 14	Dec. 13*	% change
Financial assets designated as at fair value through profit or loss	20. Financial assets held for trading	471,050	440,380	7.0%
Financial assets available for sale	30. Financial assets designated as at fair value through profit or loss	321,232	321,150	0.0%
Financial assets held to maturity	40. Financial assets available for sale	4,145,823	3,449,428	20.2%
Due from banks	50. Financial assets held to maturity	3,536,799	3,755,290	-5.8%
Loans to customers	60. Due from banks	35,587,200	32,827,713	8.4%
Equity investments	70. Loans to customers	1,873,283	1,768,381	5.9%
Property and equipment and intangible assets	100. Equity investments	263,610	63,564	314.7%
		18,107	15,558	16.4%
	110. Property and equipment	9,402	8,320	13.0%
Tax assets	120. Intangible assets	8,705	7,238	20.3%
Other assets	130. Tax assets	1,967	8,229	-76.1%
		261,928	335,840	-22.0%
	10. Cash and cash equivalents	104,077	82,637	25.9%
	80. Hedging derivatives	10,333	5,562	85.8%
	90. Value adjustments of macro-hedged financial assets (+/-)	171	-53	-425.2%
	140. Non-current assets and disposal groups held for sale	0	30,313	-100.0%
	150. Other assets	147,347	217,381	-32.2%
	Total assets	**46,480,999**	**42,985,532**	**8.1%**

* Figures restated on a uniform basis to take account of the provisions of IAS 12 concerning the offsetting of deferred tax assets and liabilities in the financial statements.

Reclassified Balance Sheet	Liabilities and shareholders' equity	Dec. 14	Dec. 13*	% change
Due to banks	10. Due to banks	29,295,429	21,391,952	36.9%
Due to customers	20. Due to customers	10,940,997	15,259,974	-28.3%
Securities issued	30. Securities issued	4,397,339	4,287,398	2.6%
Financial liabilities held for trading	40. Financial liabilities held for trading	487,068	391,236	24.5%
Financial liabilities designated as at fair value through profit or loss	50. Financial liabilities designated as at fair value through profit or loss	462,100	763,418	-39.5%
Other liabilities		330,199	340,952	-3.2%
	80. Tax liabilities	22,474	25,677	-12.5%
	60. Hedging derivatives	77,039	75,167	2.5%
	90. Liabilities associated with assets held for sale	0	32,905	-100.0%
	100. Other liabilities	230,685	207,203	11.3%
Provisions		20,044	19,927	0.6%
	110. Employee termination benefits	13,740	13,348	2.9%
	120. Provisions for risks and charges	6,304	6,579	-4.2%
Reserves		283,217	273,733	3.5%
	130. Valuation reserves	96,292	92,042	4.6%
	160. Reserves	186,925	181,691	2.9%
Capital	180. Capital	216,913	216,913	0.0%
Net profit/(loss) for the period	220. Net profit/(loss) for the period (+/-)	47,693	40,028	19.1%
	Total liabilities and shareholders' equity	**46,480,999**	**42,985,532**	**8.1%**

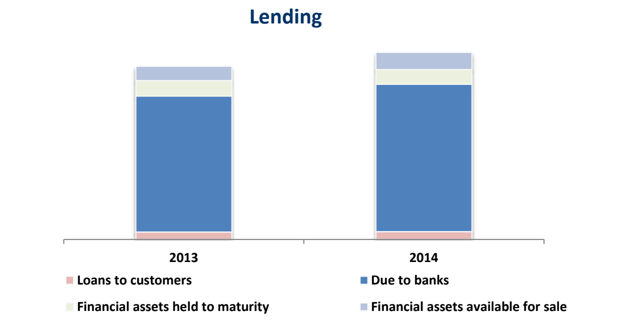
* Figures restated on a uniform basis to take account of the provisions of IAS 12 concerning the offsetting of deferred tax assets and liabilities in the financial statements.

Reclassified income statement (thousands of euros)				
	Dec. 14	Dec. 13	% change	Items pursuant to format in Bank of Italy Circular 262 of 22/12/2005
Net interest income	**59,082**	**71,045**	**-16.8%**	**10-20**
Net income (loss) on financial transactions	40,453	26,509	52.6%	80-90-100-110
Dividends	536	160	235.0%	70
Net fee and commission income	**122,825**	**120,115**	**2.3%**	**40-50**
Other operating expenses/income	41,473	20,925	98.2%	190
Total revenues	**264,370**	**238,754**	**10.7%**	
Personnel expenses	-67,813	-63,458	6.9%	150a
Other administrative expenses	-114,714	-103,428	10.9%	150b
Net adjustments of property and equipment and intangible assets	-7,853	-7,603	3.3%	170-180
Total operating expenses	**-190,380**	**-174,489**	**9.1%**	
Gross operating profit	**73,990**	**64,265**	**15.1%**	
Net provisions for risks and charges	-1049	-1		160
Net losses/recoveries for impairment	4,053	12,929	-68.6%	130
Writedowns of goodwill				230
Total provisions and adjustments	**3,004**	**12,928**	**-76.8%**	
Net operating profit	**76,994**	**77,193**	**-0.3%**	
Profit/(loss) before tax	**76,994**	**77,193**	**-0.3%**	
Income tax expense from continuing operations	-29,301	-37,142	-21.1%	260
Profit (loss) after tax from non-current assets held for sale	47,693	40,051	19.1%	270
Profit/(loss) after tax from disposal groups held for sale	0	-23	-100.0%	280
Net profit/(loss) for the period	**47,693**	**40,028**	**19.1%**	

Performance indicators

Lending

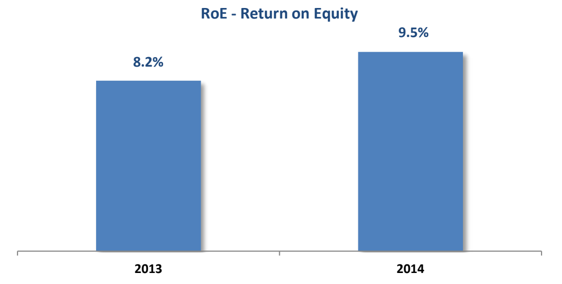
At the end of 2014, lending to banks and to customers accounted for 79% and 4% of total lending, respectively. Financial assets held to maturity, and financial assets available for sale were equal to 8% and 9% of the total.



Return on Equity (RoE)

Return on equity for 2014 came to 9.5%, up from 8.2% for 2013, due essentially to the increase in profit for the year.

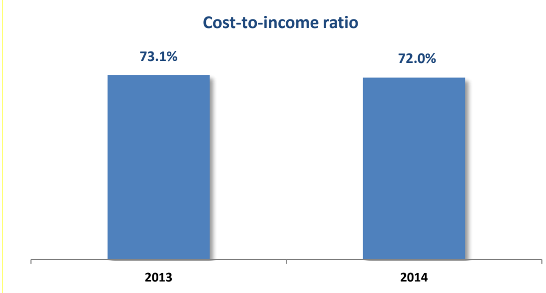
ROE is calculated as the ratio of net profit for the year to equity at the end of the period.



Cost-to-income ratio

The cost-to-income ratio for 2014 came to 72%, a decrease from the ratio for 2013 due to an increase in revenues.

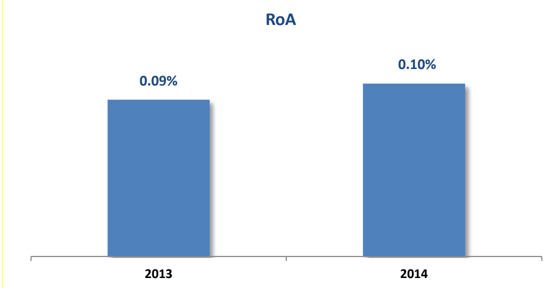
This ratio is calculated as the ratio of operating costs (administrative expenses and depreciation and amortization) to total revenues, including other operating income. It is an indicator of productivity expressed as the percentage of revenues absorbed by operating costs.



Return on Assets (RoA)

Return on assets for 2014 came to 0.10%, slightly up from 2013.

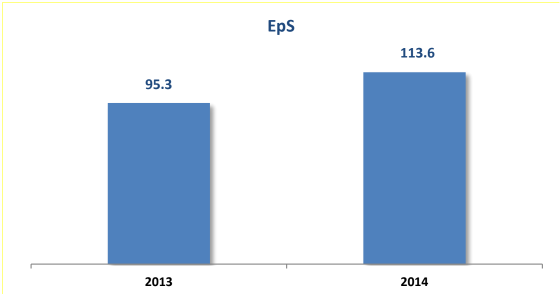
ROA is calculated as the ratio of net profit to total assets and is an indicator of the return on total capital employed.



Earnings per Share (EpS)

Earnings per share for 2014 came to €113.6, compared with €95.3 for 2013, and reflects the increase in net profit.

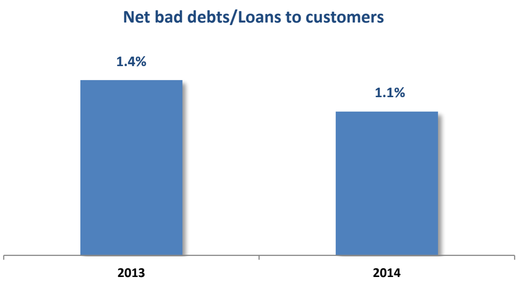
EPS is calculated as net profit divided by the number of shares that make up share capital.



Net bad debts as a proportion of total loans to customers

The ratio of net bad debts to total loans to customers for 2014 came to 1.1%, compared with 1.4% for 2013.

This indicator reflects the level of risk of the loan portfolio.



2. OPERATING CONDITIONS

The macroeconomic environment and the international banking system

The global economy and international trade disappointed expectations last year: the growth posted in the first half of 2014 was less than projected, continuing into a second half marked by uncertainty and with world trade feeling impacted by the decline in imports by emerging countries.

Although growth expectations were not met, the United States bucked the trend, with a sound recovery (4.6% year-on-year) after an initial contraction. In the United Kingdom, GDP returned to pre-crisis levels (3.7% year-on-year), while the reversal of the trend has continued in the major emerging countries, with the exception of Brazil, where, after a contraction in the first few months of the year, the country appears to be experiencing a modest recovery.

Despite weaker-than-expected growth in international merchandise trade in the first half of the year, a modest recovery was reported in the second half (2.7% year-on-year), although the decline in imports by emerging Asian nations continued. The deterioration in international economic conditions also appears to be linked to the confrontation between Russia and Ukraine, which prompted the European Union and the United States to impose heavy sanctions on Russia.

The price of oil is falling. In mid-October the price of crude oil fell to $85/barrel, spurred mainly by weak demand from emerging countries.

There was a general decline in the inflation rate, which was 1.7% in the United States, 3.3% in Japan and 1.2% in the United Kingdom. Among the emerging countries, the inflation rate declined in China (1.6%) but remained high in India and Brazil.

Monetary policy will gradually normalize in the United States, but will remain accommodative in the United Kingdom, Japan and India, which decided to leave their rates unchanged.

The euro area[1]

The euro area economy remained stagnant In the second half of the year (0.1% over the previous period) and rose only moderately in the third quarter. The PMI index for the area deteriorated but remained just above the threshold consistent with an increase in economic activity.

GDP is forecast to grow by 1.2% in 2015 and by 1.5% in 2016.

Consumer price inflation continued to fall (0.3%). Starting in March 2014, price increases of less than 1.0% were reported for 50% of the items comprising the market basket, while prices declined for 33% of the components.

This led the ECB to intervene with monetary policy measures designed to counter risks of deflation, with the introduction of longer-term refinancing operation targeted at the non-financial sector (TLTRO). The lowering of interest rates caused interbank rates to hit extremely low levels. More specifically, the Eonia rate fell, while the three-month Euribor came to 0.08% in mid-December. Thanks to the TLTROs, European banks are able to refinance at very low cost. Furthermore, at the start of the year, measures to buy bank bonds (quantitative easing - QE) were introduced in an attempt, first of all, to stave off the crisis and, secondly, to revitalize the euro area economy. However, Germany does not appear to have agreed with this approach.

The Governing Council of the ECB made monetary policy even more accommodative, reducing official rates to 0.05% for main refinancing operations and -0.20% for the Eurosystem deposit facility. The Council will continue to buy securities issued through securitizations of bank loans to households and businesses and the covered bond purchase program over the next two years.

[1] *Source: Bank of Italy* Economic Bulletin*, no. 4/2014*

Macroeconomic conditions in Italy[2]

The expectations of recovery and growth in Italian GDP in the first half of 2014 were disappointed. GDP contracted by 0.4%, with a drop in consumer prices in August and September (-0.1%). A slow recovery should begin in 2015, with GDP expected to rise by 0.5%, as should employment, consumption and exports.

In 2014, household spending rose slightly, by 0.2%. There was also an increase in spending on capital goods (-1.5% in 2014, compared with -2.3 in 2013) and construction (-2.8% in 2014, compared with -6.7 in 2013). Exports rose slightly (1.5%), while imports improved considerably(+1.3% in 2014, compared with -2.9% in 2013).

Domestic demand has picked up, but continues to reflect labor market weakness (with unemployment above 12%) and the poor performance of disposable income (+0.7%), although this was countered by an improvement in industrial production (from -3.1% in 2013 to -0.5% in 2104).

The Italian banking system

Lending to enterprises continued to contract in Italy (-1.7%), suffering from the weakening of demand. There was a considerable decline in lending to non-financial companies (-2.6%) and a modest decline in lending to households (-0.4%). More specifically, demand for residential mortgage loans fell (-0.2% from 0.7%), while the performance of other kinds of lending improved (from -0.9% to -0.1%).

Retail lending to households rose overall, while the net placement of bonds and foreign interbank funding fell.

The cost of lending to households and enterprises continues to fall as a result of cuts in interest rates by the ECB: the average interest rate on mortgages dropped to 3.1% and the rate on lending to enterprises decreased to 3.0%.

[2] *Source: Prometeia,* Previsione dei bilanci bancari, *October 2014*

The ratio of new bad debts to total loans to enterprises continued to decline. Total exposure to debtors flagged for the first time as having bad debts fell by 14% compared with the same period of the previous year (July-August 2013).

The profitability of the major banking groups improved slightly in the first half of the year, benefiting from containment of operating costs and the reduction in writedowns of loans (respectively, -1.4% and -10%). The year-on-year ROE improved, although it remained modest (2.5%). The slight increase in net interest income (1.2%) contrasts with the marked decline in revenues from trading activity (-36%), which caused net interest income to fall by a total of 1.5%.

The results of the Stress Test and asset quality review (AQR) performed by the ECB-EBA arrived at the end of the year. The results were reassuring despite the fairly harsh environment facing Italian banks.

Only two of the fifteen banks scrutinized failed the test and six exceeded the minimum thresholds, including: the Unicredit Group, Intesa San Paolo, the Iccrea Banking Group, Ubi, Mediobanca and Credem.

Mutual banks[3]

The conditions analyzed above underscore the challenges that have been impacting banking in the medium term.

Lending by mutual banks in 2014 declined compared with 2013. Gross lending to mutual bank customers totaled €135.4 billion at September 2013, for a market share of 7.3%. Growth was posted in central Italy (+2.2%), whereas declines were registered in the northwest (-1.9%), northeast (-1.2%) and south (-1.4%).

Lending to enterprises came to €87.3 billion (-1.9% compared with -0.9%% for the banking system as a whole), for a market share of 9.6%.

3 Source: Federcasse statistics circular, September 2014

With regard to the breakdown of lending by segment, mutual banks reported an increase in lending to consumer households (+0.3%) and to financial companies (+32.2%). By contrast, lending for producer households (-1.5%) and non-financial companies (-1.9%) fell.

The mutual banks' share of the lending market came to 17.8% for producer households, 8.7% for consumer households and 8.6% for non-financial companies. Market share in the non-profit segment was also quite high at 12.8%. By geographic area, growth was posted in lending to financial companies throughout the country and a rise in lending to resident consumer households both in the Italian northwest (+0.6%) and in central Italy (+2.0%).

An analysis of lending to businesses confirms an emphasis on construction and real estate activities, which is greater for mutual banks (35.3%) than for the system average (30.5%), and a significant share of agricultural lending (9.3% for mutual banks vs. 4.9% for the banking system as a whole).

Against the background of an overall reduction in lending to enterprises, growth was still posted in the "professional, scientific and technical" segment (+4.8%, compared with -7.7% for the system average), to IT and communication services (+2.7%, compared with -0.9% for the banking industry), to the "transportation and warehousing" segment (+6.4%, compared with -3.1% for the system average) and to the agricultural segment (+0.8%, in line with the rest of the banking industry).

Market share remained high in lending to agriculture (18.2%), hotels and restaurants (17.6%), construction and real estate (11.1%), and wholesale and retail trade (10.3%).

Mutual banks' total funding from banks and customers exceeded €199 billion in September 2014, up 5% compared with 2013. This strong growth was due to interbank funding, which increased by 14.1% for the year, and the strengthening of customer funding to €162.7 billion, up 3.1%. Growth was greatest in the south (+7.1%) and in central Italy (+5.3%), driven by fixed-term deposits and certificates of deposit, which featured significant yields.

Bonds issued by mutual banks declined throughout Italy, in line with the average for the banking system as a whole.

Of total funding by mutual banks, 81.5% is accounted for by customers and bonds and 18.5% by interbank funding.

The capital and reserves of mutual banks posted an increase of 0.6% for the year to total €20.2 billion. The tier-one and total capital ratios also rose slightly, to 15.6% and 16.2%, respectively.

At the end of the third quarter, the net interest income of the mutual banks rose (+0.8%), in line with the increase reported for the banking industry as a whole (+0.6%). The gross income of the mutual banks rose (+18.8%, compared with -3.9% for the banking industry) due to the significant increase in profits from the sale/repurchase of loans and financial assets and liabilities (+111.5% for the mutual banks and +69.3% for the system average).

The moderation of the increase in the operating costs (+0.4%) of the mutual banks is attributable to the decline in depreciation and amortization (-4.6%, compared with -1.8% for the banking industry). Personnel expenses rose by 1.6% and other administrative expenses by 3.0%.

As a result, the mutual banks reported operating profits of €2.8 billion, marking considerable growth (+44.9%, compared with -10.1% for the system average).

In the second half of the year, thanks to ECB monetary policy measures, Italian banks were able to replace maturing bank debt at lower cost. On August 22, the Bank of Italy recognized the TLTRO Group sponsored by Iccrea Banca as lead institution, to which 186 mutual banks, 3 intermediated banks, Iccrea BancaImpresa and Banca Sviluppo all belong. We expect that the new pricing policies will encourage the mutual banks to gradually repay the funds raised in three-year LTRO auctions, which are near to expiring.

3. DEVELOPMENTS IN OPERATIONS AND THE MAIN ITEMS OF THE BALANCE SHEET AND INCOME STATEMENT

The financial statements of Iccrea Banca S.p.A. for the year ended December 31, 2014, have been prepared in accordance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as well as with related interpretations by the International Financial Reporting Interpretations Committee (IFRIC), as endorsed by the European Commission in accordance with the procedures established under Article 6 of Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of July 19, 2002, and the provisions of Circular no. 262 of the Bank of Italy of December 22, 2005, regarding the preparation of bank financial statements, as further updated on January 21, 2014.

It should be further specified that the aggregates and related performance indicators shown below are intended to meet the requirements specified under Article 2428, first paragraph, of the Italian Civil Code, that they facilitate understanding of company performance and financial position, and the source of risks. Accordingly, in order for these aggregates and indicators to be clearly interpretable and enhance the information provided in this report, the procedures followed in reclassifying the financial statements, the calculation procedures, and the meanings of the various aggregates and indicators are described below.

THE BALANCE SHEET

To enable a more immediate reading of the asset and liability items, a condensed balance sheet has been prepared.

At December 31, 2014, total assets and liabilities stood at €46,481 million, compared with €42,986 million at December 31, 2013, an increase of 8.1%. On the asset side, growth was concentrated mainly in lending to banks, with an increase of €2,759 million (+8.4%), and in assets available for sale, up €696 million (+20.2%). On the liability side, the increase is attributable to amounts due to banks, up €7,903 million (+36.9%).

BALANCE SHEET DATA (millions of euros)				
AGGREGATES	Dec. 14	Dec. 13	Delta	Delta %
Due from banks	35,587	32,828	2,759	8.4%
Loans to customers	1,873	1,768	105	5.9%
Financial assets held for trading	471	440	31	7.0%
Financial assets at fair value through profit or loss	321	321	0	0.0%
Financial assets available for sale	4,146	3,449	696	20.2%
Financial assets held to maturity	3,537	3,755	-219	-5.8%
Other assets	147	217	-70	-32.2%
Total interest-bearing assets	**46,083**	**42,780**	**3,303**	**7.7%**
Other non-interest-bearing assets	398	206	192	93.5%
TOTAL ASSETS	**46,481**	**42,986**	**3,495**	**8.1%**

BALANCE SHEET DATA (millions of euros)				
AGGREGATES	Dec. 14	Dec. 13	Delta	Delta%
Due to banks	29,295	21,392	7,903	36.9%
Due to customers	10,941	15,260	-4,319	-28.3%
Securities and financial liabilities	5,347	5,442	-96	-1.8%
Liabilities associated with assets held for sale	0	33	-33	-100.0%
Other liabilities	231	207	23	11.3%
Total interest-bearing liabilities	**45,814**	**42,334**	**3,480**	**8.2%**
Other non-interest-bearing liabilities	113	114	-1	-0.8%
Shareholders' equity and provisions	506	497	9	1.9%
Net profit for the period	48	40	8	19.2%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**46,481**	**42,985**	**3,496**	**8.1%**

Changes in the main asset and liability aggregates are discussed below.

Assets

Total interest-bearing assets increased from €42,780 million in 2013 to €46,083 million in 2014 (+7.7%). The increase comprised amounts due from banks in the amount of €2,759 million (+8.4%). Mutual bank operations with Iccrea Banca are mainly in the form of financing backed by pool collateral (refinanceable securities). The total as at December 31, 2014, came to €20,721 million. The collateral securities assigned by the mutual banks totaled €24,628 million net of the haircut applied to the various types of securities.

As the manager of the Group's financial resources, the Bank handles the funding and lending for all of the companies of the Group. In particular, the aggregate "Due from banks – Debt securities" includes securities issued by Iccrea BancaImpresa in the total amount of €3,228.1 million. Within the aggregate of amounts due from banks, amounts due from mutual banks increased by 7.7% (from €19,167.8 million to €20,636.7 million), while amounts due from other banks increased from €13,659.9 million to €14,950.5 million (+9.4%).

Due from banks (thousands)	Dec-14	Dec-13	Delta	Delta%
Mutual banks	20,636,707	19,167,820	1,468,887	7.7%
Other credit institutions	14,950,493	13,659,893	1,290,600	9.4%
Total	**35,587,200**	**32,827,713**	**2,759,487**	**8.4%**
BREAKDOWN OF AMOUNTS DUE FROM BANKS (thousands)	**Dec-14**	**Dec-13**	**Delta**	**Delta%**
Claims on central banks	**197,424**	**467,426**	**-270,002**	**-57.8%**
Reserve requirement	197,424	467,426	-270,002	-57.8%
Due from banks	**35,389,776**	**28,089,261**	**7,300,515**	**26.0%**
Current accounts and demand deposits	304,824	526,695	-221,871	-42.1%
Fixed-term deposits	149,071	1,152,394	-1,003,323	-87.1%
Other	31,310,503	26,410,172	4,900,331	18.6%
Debt securities	3,625,378	4,271,026	-645,648	-15.1%
Total amounts due from banks	**35,587,200**	**32,827,713**	**2,759,487**	**8.4%**

Loans to non-bank customers grew by 5.9% from €1,768.4 million to €1,873.3 million, attributable mainly to "repurchase agreements", amounting to around €54 million, and to "other transactions", which rose by 5.3%.

BREAKDOWN OF LOANS TO CUSTOMERS (thousands)	Dec-14	Dec-13	Delta	Delta%
Current accounts	163,552	153,036	10,516	6.9%
Medium/long-term loans	144,941	151,923	-6,982	-4.6%
Repurchase agreements	53,992	19,160	34,832	181.8%
Other transactions	1,471,679	1,397,430	74,249	5.3%
Debt securities	16,883	16,883	0	0.0%
Impaired assets	22,236	29,949	-7,713	-25.8%
Total loans to customers	**1,873,283**	**1,768,381**	**104,902**	**5.9%**

The portfolio of financial assets held for trading posted an increase of €30.7 million (from €440.4 million to €471 million), up 7% from the previous year.

BREAKDOWN OF FINANCIAL ASSETS HELD FOR TRADING (thousands)	Dec-14	Dec-13	Delta	Delta%
Debt securities	5,771	5,526	245	4.4%
Equity securities	536	489	47	9.6%
Units in CIUs	953	904	49	5.4%
Total on-balance-sheet assets	**7,260**	**6,919**	**341**	**4.9%**
Derivative instruments	463,790	433,461	30,329	7.0%
Total derivative instruments	**463,790**	**433,461**	**30,329**	**7.0%**
Total financial assets	**471,050**	**440,380**	**30,670**	**7.0%**

At the end of December 2014, the portfolio of financial assets available for sale amounted to €4,146 million, compared with the €3,449 million posted at December 31, 2013.

For further details on assets held for trading and those available for sale, please see Part B, sections 2 to 4, of the notes to the financial statements.

Liabilities

Interest-bearing funding totaled €45,818 million, an increase of 8.2% year on year (up €3,480 million).

Interbank deposits came to €29,295.4 million, an increase on 2013 of 36.9%.

Due to banks (thousands)	Dec-14	Dec-13	Delta	Delta%
Mutual banks	6,159,956	6,220,169	-60,213	-1.0%
Other credit institutions	23,135,473	15,171,783	7,963,690	52.5%
Total	**29,295,429**	**21,391,952**	**7,903,477**	**36.9%**

Within this aggregate, funding from mutual banks declined by 1% (from €6,220.2 million to €6,160 million), while amounts due to other credit institutions increased by 52.5% (from €15,171.8 million to €23,135.5 million). Amounts due to central banks (€21,732 million), represents funds received from the ECB for advances on collateral securities for both the Bank and the mutual banks. Fixed-term deposits are also included in deposits received from other banks in the amount of €732 million and concern the indirect discharge of reserve requirements.

BREAKDOWN OF AMOUNTS DUE TO BANKS (thousands)	Dec-14	Dec-13	Delta	Delta%
Due to central banks	21,731,878	14,044,974	7,686,904	54.7%
Current accounts and demand deposits	4,139,959	4,516,451	-376,492	-8.3%
Fixed-term deposits	3,409,506	2,762,112	647,394	23.4%
Loans	11,695	66,633	-54,938	-82.4%
Other payables	2,391	1782	609	34.2%
Total amounts due to banks	**29,295,429**	**21,391,952**	**7,903,477**	**36.9%**

BREAKDOWN OF AMOUNTS DUE TO CUSTOMERS (thousands)	Dec-14	Dec-13	Delta	Delta%
Current accounts and demand deposits	379,904	705,522	-325,618	-46.2%
Fixed-term deposits	15,069	26,014	-10,945	-42.1%
Loans	10,116,090	14,133,497	-4,017,407	-28.4%
Other payables	429,934	394,941	34,993	8.9%
Total amounts due to customers	**10,940,997**	**15,259,974**	**-4,318,977**	**-28.3%**

Funding from non-bank customers fell compared with 2013, going from €15,260 million at December 2013 to €10,941 million at December 2014, due mainly to transactions on current accounts and demand deposits, which declined by 46.2%.

Securities issued

Securities funding increased during the year (from €4,287 million at December 31, 2013 to €4,397 million at December 31, 2014). This funding came both through issues in Italy intended for retail and institutional investors and through issues under the EMTN program on international markets. It includes bonds issued by the Bank that are hedged for interest rate risk by derivatives, the fair value of which is adjusted for changes in the hedged risk as at the balance sheet date. The aggregate also contains unhedged bonds, which are recognized at amortized cost.

Securities issued includes a lower Tier II subordinated bond, issued on March 6, 2014 and maturing on March 6, 2021, for €200 million, with repayment through periodic amortization as from the third year (March 6, 2017) in 5 equal annual instalments at an annual fixed interest rate of 4.75%.

Shareholders' equity

At December 31, 2014, the strength of the Bank's financials can be seen, in particular, in the level of equity, which totals €500.1 million not including net profit for the year.

Share capital, which is made up of 420,000 ordinary shares with a par value of €516.46 each, was unchanged at €216.9 million. Reserves total €186.9 million, up 2.9% from the previous €181.7 million.

Valuation reserves came to €96.3 million, an increase of €4.3 million.

THE INCOME STATEMENT

In order to facilitate a more immediate understanding of performance for the period, a condensed reclassified income statement has been prepared. The figures for the two periods are comparable and not affected by changes in scope.

Reclassified income statement	Income Statement	Dec. 14	Dec. 13	% Chg
Net interest income		59,082	71,045	-16.8%
	10. Interest income and similar revenues	389,490	467,003	-16.6%
	20. Interest expense and similar charges	-330,407	-395,958	-16.6%
Net fee and commission income		122,825	120,115	2.3%
	40. Fee and commission income	372,707	348,628	6.9%
	50. Fee and commission expense	-249,882	-228,514	9.4%
Dividends	70. Dividends	536	160	235.0%
Gains/losses on financial transactions		40,453	26,509	52.6%
	80. Net gain (loss) on trading activities	15,216	20,475	-25.7%
	90. Net gain (loss) on hedging activities	268	-4234	-106.3%
	100. Net gain (loss) on disposal or repurchase	27,911	28,063	-0.5%
	110. Net gain (loss) on financial assets and liabilities at fair value through profit or loss	-2,941	-17,796	83.5%
Other operating expenses/income	190. Other operating expenses/income	41,473	20,925	98.2%
	Total revenues	**264,370**	**238,754**	**10.7%**
Administrative expenses	150. Administrative expenses	-182,527	-166,885	9.4%
Depreciation and amortization		-7,853	-7,603	3.3%
	170. Net adjustments of property and equipment	-2,418	-3,027	-20.1%
	180. Net adjustments of intangible assets	-5,435	-4,576	18.8%
	Gross operating profit	**73,990**	**64,265**	**15.1%**
Net provisions	160. Net provisions for risks and charges	-1,049	-1	104847.1%
Net losses/recoveries on impairment	130. Net losses/recoveries on impairment	4,053	12,929	-68.6%
Income taxes	260. Income tax expense from continuing operations	-29,301	-37,142	-21.1%
Profit (loss) from non-current assets held for sale	270. Profit (loss) after tax on continuing operations	47,693	40,051	19.1%
	280. Profit (loss) from disposal groups held for sale		-23	-100.0%
	Net profit (loss) for the period	**47,693**	**40,028**	**19.1%**

Net interest income

Net interest income at December 31, 2014 came to €59.1 million, a decline of 16.8% compared with 2013 (€71 million) due to rate effects attributable to the following developments:

- renewal of maturing Italian treasury bonds in the investment portfolio at an average annual rate of 2.29%, which is lower than the average annual rate of the previous year (about 3.08%).
- renewal of maturing Italian treasury bonds in the tactical portfolio at an average annual rate of 1.81%, which is lower than the average annual rate of the previous year (about 2.13%), despite a slight increase in the average principal amount from €3.1 billion to €3.4 billion;
- a significant reduction in the rate paid on collateral deposits, the average rate for which went from 0.55% in December 2013 to 0.23% in December 2014, despite an increase in average balances handled from €17.7 billion to €20.2 billion;

Net interest income as a proportion of total revenues went from 29.7% in December 2013 to 22.3% in December 2014.

Fees and commissions

In 2014, net fees and commissions from services amounted to €122.8 million, an increase of €2.7 million from December 2013 (+2.3%).

Gains/losses on financial transactions

In 2014, gains on financial transactions, which includes the net result on trading activities (€15.2 million), the net result on hedging activities (€0.3 million), the net result on disposal and repurchase (€27.9 million), and the net result on financial assets/liabilities at fair value through profit or loss (-€2.9 million), came to €40.5 million, an increase of €13.9 million (+52.6%) compared with 2013 (€26.5 million). The change is due mainly to the net result on financial assets and liabilities at fair value through profit or loss.

Total revenues

The Bank posted total revenues of €264.4 million in 2014, an increase (about 10.7%) compared with 2013 (€238.7 million). This increase includes the revenues generated from the sale of the custodian bank unit, equal to about €21 million.

Operating expenses

Operating expenses incurred in 2014 totaled €190.4 million (€174.5 million in December 2013) and include personnel expenses, other administrative expenses, indirect taxes and duties, and net adjustments of property and equipment and intangible assets.

Compared with the previous year, total administrative expenses increased by €15.6 million, reflecting an increase in personnel expenses of €4.4 million and one in other administrative expenses of €11.3 million.

Personnel expenses

Personnel expenses for the Bank came to €67.8 million at December 2014, compared with €63.5 million at 2013, a rise of €4.4 million (+6.9%).

Other administrative expenses

At the end of December 2014 other administrative expenses totaled €114.7 million, up 10.9% over the previous period (€103.4 million). For further details, see the notes to the financial statements (Section 9 – Administrative expenses – Item 150, table 9.5).

Net adjustments of property and equipment and intangible assets

Adjustments totaled about €7.8 million at December 31, 2014, of which €2.4 million for depreciation and €5.4 million for amortization.

Gross operating profit

As a result of the foregoing, the gross profit from ordinary operations came to €74 million, up 15.1% compared with December 2013 (€64.3 million).

Net profit for the period

Net profit, consisting of profit from continuing and discontinued operations, net of the change in direct taxes for the period, amounted to €47.7 million, compared with €40 million in 2013, an increase of 19.1 %.
The cost-to-income ratio went from 73.1 in 2013 to 72% in December 2014.

4. BANK OPERATIONS

The following section contains information on the primary activities carried out in 2014 by the various company structures.

FINANCE

In 2014, Iccrea Banca, in its role as the Group finance hub, provided support to the mutual banks and to the Group companies through a series of initiatives in domestic and foreign monetary and financial markets, as well as in collateralized markets.

Also during the year, the considerable decline in yields on the bond markets, especially Italian government securities, and the dynamic management of the proprietary portfolio generated significant profit margins, which helped support the levels of returns offered to the mutual banks through our various forms of lending, at both short and long term.

With regard to the management of the mutual banking system's liquidity, in 2014 the mutual banks made more extensive use of collateralized funding activities, both through transactions with the ECB and with market counterparties.

In August, Iccrea Banca, in response to initiatives announced by the ECB in June and July, encouraged the formation of a targeted longer-term refinancing operations (TLTRO) group, serving as its lead institution. The TLTRO Group's membership includes 190 mutual banks, in addition to the Banca Iccrea Group banks. Around €4 billion worth of funding was tendered in the two auctions in 2014, of which €500 million pertaining to the Group.

The improvement in the Group's liquidity position and favorable market conditions made it possible, in the first few months of the year, for Iccrea Banca to repay €2.2 billion in financing received in the three-year LTRO auctions. The remaining total involvement in the two three-year auctions came to €9.4 billion at the end of the year. The total amount of collateralized loans to the mutual banks from Iccrea Banca using the collateral pool mechanism rose from €18.5 billion at the end of 2013 to €20.6 billion at the end of December 2014.

Within the scope of securitization activities to support the mutual banks, two securitization transactions were executed in 2014: the first, "Dominato Leonense", was a single-assignor securitization involving residential mortgage loans, for around €180 million; the second, named "Credico Finance 15", involved secured and unsecured commercial loans, in which 14 mutual banks participated, in the amount of around €300 million. This was the first European multi-originator operation involving commercial loans carried out with the European Investment Fund serving as guarantor of the Class A1 securities and the European Investment Bank as subscriber of the Class A2 securities. The format used, which the EIB has shown willingness to replicate in 2015 having allocated around €300 million in funding for the mutual banks, will be analyzed by UNICO to determine whether it should be also be adopted by other European mutual bank groups.

In December, Iccrea Banca, along with BCC Gestione Crediti, launched a project called "Non-Performing Loans" (NPLs), involving the non-recourse multi-originator transfer of non-performing loans (secured and unsecured) by the mutual banks. Around 90 mutual banks have joined on for the project, which was explained in a series of meetings throughout the area.

With regard to the supply of investment instruments, the Company continued to offer a system centered on fixed-term deposits, investment accounts and bonds, both to be held by the banks and to be distributed to their customers.

The bonds offered to the mutual banks can be refinanced with the ECB, in part to permit their inclusion in the calculation of the liquidity reserves required by the supervisory regulations and company policy.

In 2014, the Company carried out a €500 million benchmark sized, five-year public issue was carried out on the international markets within the framework of the EMTN program for a cost of less than 2%.

Around €600 million in bonds were placed through the mutual bank network, generating commissions returned to the mutual banks of more than €5 million.

With reference to the intermediation of government securities, there was a further significant increase in the volumes traded, which reached around €190 billion, again placing Iccrea among the principal operators in the sector.

With respect to order collection, the volumes handled by the mutual banks through the Bank rose further in 2014.

The volume of shares traded rose from €5 billion in 2013 to more than €6 billion in 2014. The trading of bonds listed on Borsa Italiana, Hi-MTF and EuroTLX rose by almost 8%, to about €47 billion.

There was a significant increase in volumes handled on the primary market, going from €5.5 billion in 2013 to €6 billion in 2014, thanks in part to the contribution of the two BTP (Italian treasury bonds) operations, which generated orders totaling €3.3 billion.

More specifically, Iccrea Banca took on the role of co-dealer for the first time for the April issue, placing more than €2.6 billion, equal to about 13% of the total.

The total commissions passed through to the mutual banks exceeded €7 million.

Within the scope of the areas covered by its various business units, the Company continued to increase its involvement in the working groups formed by ABI, AssiomForex, the Bank of Italy and UNICO in 2014.

Proprietary Finance and Trading

The Proprietary Finance and Trading unit is organized into four units, which are involved in:

- market making on the Hi-MTF and EuroTLX multilateral trading systems;
- trading government securities on regulated markets, multilateral trading systems and/or off-market transactions;
- activities to identify the finance needs of the Bank and the other companies of the Iccrea Banking Group and to formulate investment proposals for the proprietary portfolio and to manage interest rate, exchange rate and liquidity risks;
- managing the Bank's portfolio, including using unlisted financial derivatives;
- funding through the issue of bonds on domestic and international markets.

In 2014, Iccrea Banca has about 450 Eurobonds and 70 Italian government securities listed on the Hi-MTF market, while 185 Eurobonds and 70 Italian government securities are listed on the EuroTLX.

The total volume traded in 2014 amounted to about €17 billion, up 70% on 2013 (around €10 billion). The increase is attributable in particular to market making in Italian government securities, an activity that, on the one hand, saw an increase in securities listed and, on the other, the introduction of market making for the Italian BTP 04/20 on Borsa Italiana (MOT) by the Company.

Activity as a specialist on the MOT was the result of the request by the Ministry for the Economy and Finance that the Company take part in the placement of the Italian BTP 04/20 as co-leader.

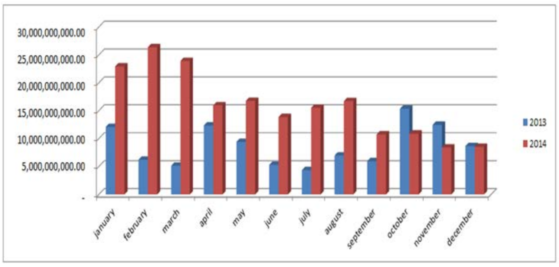
More specifically, the volume of corporate securities traded in 2014 amounted to about €1.1 billion, an increase of 10% over 2013, while around €11 billion in Italian government securities were traded, up 37%. This positive performance by Italian government securities is in large part due to the listing of the new Italian BTP 04/20, with around €1.6 billion in volume traded on the MOT, which gave Iccrea Banca significantly visibility on markets.

In addition, the trading of liquid and illiquid securities, with over 1,900 bond issues were traded, ensured the mutual banks rapid, efficient execution of orders. In this case, too, volumes traded rose from €1.2 billion in 2013 to €4.8 billion in 2014 (this performance is solely attributable to the trading of German and French government bonds).

Finally, around 50 issues were placed on the primary bond market (Eurobond) and around €250 million in securities issued by the Bank were repurchased.

The year 2014 further confirmed the trend towards growth in volumes traded on the MTS and BondVision compared with the previous year. In this case, the trading of government bonds on regulated markets, multilateral trading systems and/or off-market transactions involved the sale of Italian government bonds on the BondVision platform and on the MOT, in addition to market making on the MTS, along with participation in the primary market for Italian government securities. In addition, various carry trade transactions were performed in 2014 on the proprietary portfolio of Iccrea Banca and of other Iccrea Banking Group companies.

More specifically, volumes traded soared, with €192 billion in government bonds traded for an increase of 83% over the previous year. The flow of orders handled through the Webfin trading platform exceeded €16 billion, an 87% increase in volume compared with 2013.



This activity generated a profit of €16.57 million. MTS's ranking of the various classes of listed and traded government bonds, confirmed the Bank's excellent results and that it is one of the leaders compared with all its major domestic and international competitors in the primary and secondary markets. More specifically, Iccrea ranked 9th out of 38 in the CCT (Treasury credit certificates) segment and 20th out of 49 in the BTP (Italian treasury bonds) segment.

These figures confirm that the visibility of the mutual banks has been raised within the financial community, contributing to reinforcing the direct channel that Iccrea Banca has established with the Ministry of the Treasury in order to establish a systematic and structural dialogue on investment flows in the Italian system.

As to transactions in derivatives, in 2014 volumes traded had a nominal value of about €3 billion, in line with the previous year.

In 2014, the mutual bank system handled around €780 million in trades. While this level is still far below that prior to the sovereign debt crisis, it nevertheless represents an increase over 2013 and, particularly, marks a reversal in the downward trend that began in 2012.

The business of the mutual banks focused on swap products aimed at hedging the interest rate risk on their bond issues, while with regard to assets, a number of customer banks carried out transactions involving asset swap transactions for BTPs indexed to European inflation in order to take advantage of the higher return than on nominal BTPs with the same maturity.

As regards operations in derivatives on the Iccrea Banca banking book, asset swap transactions for BTPs indexed to European inflation were carried out in the nominal amount of €275 million.

On the medium/long-term funding front, 14 bond issues were carried out for a total of €1.030 billion, with an annual residual maturity at issue of 5.6 years, of which €200 million for a 7-year Tier II subordinated bond issue. The nominal value of the overall stock at December 31, 2014 amounted to €4.846 billion. Funding activity involved both the retail and the institutional segments, focusing especially on diversification of funding sources.

Mutual banks subscribed 21.5% of the total nominal amount issued, their retail customers 35.3% and institutional customers 33.5% and Group companies 9.7%. In addition to the excellent results achieved through the placement of medium/long-term bonds with the mutual banks and with retail customers, funding through the placement of such bonds proved successful in November 2014 for a benchmark issue placed under the EMTN Program on international markets was well received by the market compared with other comparable issuers.

The contribution of the banking book to net interest income was in line with that of 2013, with a slight decline in volumes invested from €12.2 billion in 2013 to €11.95 billion in 2014. More specifically:

- the Italian government securities component rose from a nominal €7.03 billion in December 2013 to €7.4 billion in December 2014, an increase of 5.3%. The volatility of the market a certain points during the year made it possible, during both the rollover of existing positions and in new acquisitions, to achieve excellent

results in terms of earnings (around €37.5 million), while maintaining good returns;
- the total nominal value of intercompany medium/long-term assets fell slightly.

Treasury and Foreign Exchange

The Treasury and Foreign Exchange unit handles operations and the management of liquidity, short-term interest rate and exchange rate risks and meets the funding/short-term investment requirements of the Group.

Furthermore, it is responsible for providing the mutual banks, the Group companies and other customers:
- access to foreign exchange and precious metals markets;
- access to money markets (cash and secured);
- settlement in monetary base and access to ECB monetary policy transactions.

The currency operations sector saw a further improvement in the quality of the prices offered the mutual banks and to customers through the FX&MM trading portal on the Webfin portal.

With regard to settlement services and with the Central Bank efforts continued on developing new solutions that will be launched in 2015 to offer the mutual banks the most advanced and up-to-date services for the current operational and regulatory environment. Specifically:
- the completion of the ABACO project for using bank loans in transactions with the in operations with the ECB, including in the new mechanisms, recently introduced by the Bank of Italy, consisting of "pools of homogeneous loans" consisting of commercial and residential mortgage loans;
- the installation of a new, integrated, treasury dashboard that will make it possible to:
  - o manage Target 2 and T2S settlements in accordance with new system standards;
  - o monitor the indicators for the management of the inter-day liquidity as envisaged under the Basel 3 rules;
  - o provide more efficient tools for managing the liquidity for Iccrea Banca treasury operations, coordinating them better with the information from the IT systems and the treasuries of the mutual banks;
- the launch a process for strengthening the functioning of the collateral and the "account pool" operating system.

In 2014, operations in the on collateralized markets to support the financing requirements for the investment portfolios of the Group and of the mutual banks were further consolidated.

The main initiatives undertaken in 2014 were as follows:
- the participation in important ECB initiatives to support lending comprised of targeted longer-term refinancing operations (TLTROs) with the formation of a TLTRO group by Iccrea Banca. The TLTRO Group's membership includes 193 mutual banks. The amount of the two transactions totaled €3.8 billion (amount requested by Iccrea Banca from the ECB was €3.98 billion);
- the offering on demand to the mutual banks of fixed-rate market transactions for periods exceeding 12 months;
- greater use of overnight indexed swaps (OIS) in managing the "Treasury Collateral" portfolio to hedge interest rate risk and overnight transactions on the special securities market.

Collateralized funding disbursed to the mutual banks rose to €20.6 billion at December 31, 2014, broken down as follows:
- €15.4 billion for ECB auctions;
- €5.2 billion for market transactions.

Repo funding operations at December 31, 2014 amounted to €10 billion, broken down as follows:

- €7.7 billion for the financing to maturity of securities in the portfolio of Iccrea Banca and of the Group;
- €0.6 billion to cover term transactions with the mutual banks;
- €1.7 billion in other very short-term funding.

Funding from the ECB at December 31, 2014 amounted to €21.5 billion, in consideration of the recourse to the quarterly auctions (equal to €7.5 billion) as among the last transactions of the year in preparation for the repayment of the 3-year SLTRO (residual amount of €9.4 billion) and due to market conditions at the end of the year, which normally, with the closing of the financial year, tends to report interest rates higher than the ECB main refinancing rate. Repositioning the Bank vis-à-vis the quarterly auctions will allow us to repay the SLTRO slightly ahead of time in 2015.

Institutional Sales

In 2014, the Institutional Sales unit continued to develop its model of investment services based on the continuous evolution in the needs of the mutual banks and their customers, with the goal of laying the groundwork for a new technological architecture that integrates operations, an indispensable condition for the creation of strategies for expanding indirect funding for the mutual bank system.

ORDER COLLECTION

There was an increase in volumes handled by the mutual banks through the Bank during the year just ended as compared with 2013.

More specifically, the strong volatility in the prices of shares listed on the Italian market nevertheless prompted a significant increase in volumes of orders collected, rising from €5 billion in 2013 to more than €6 billion in 2014.

The Borsa Italiana FTSE MIB index ended the year at 19,000, the same level at which is started 2014, but with strong spikes causing it to hit 22,000 in June before then returning to the levels seen at the start of the year.

The bond markets had a record year. The listed price for the ten-year BTP has gained almost 17%, with the yield going from 4% at the start of the year to 1.88% at the end of 2014.

This environment has led to an almost 8% increase in volumes over the record levels reported in 2013. The volumes traded by the mutual banks in bonds listed on Borsa Italiana, HI-MTF and EuroTLX hit €47 billion.

PRIMARY MARKET

The primary market registered a further considerable expansion in volumes compared with 2013, going from €5.5 billion to €6 billion, thanks in part to participation in the placement of two Italian BTP issues, which generated total orders of €3.3 billion.

More specifically, Iccrea Banca took on the role of co-dealer for the first time for the April issue, placing more than €2.6 billion, equal to about 13% of the total.

In 2014, placements of Iccrea bonds totaled around €580 million, of which €220 million for direct investment by the mutual banks and around €360 million on behalf of their customers.

The total commissions passed through to the mutual banks exceeded €7 million.

BCC VITA PRODUCTS

The management of the assets underlying BCC Vita's products was transferred to BCC Risparmio e Previdenza starting from June 1, 2014.

Activity in the first five months of the year focused on achieving better risk/return ratios on investments made with the large volume of new liquidity generated, seeking, at the same time, to not penalize the performance posted in the preceding months despite the significantly lower returns found on the markets.

The securities in which investments were made were largely government bonds (BTP, BTP Italia), corporate bonds (chosen on the basis of returns and creditworthiness) and, marginally, equities. As the same time, a strategy was agreed with the company aimed at steering the returns to levels sustainable for the company, taking into consideration the steady downward trend in market rates.

To briefly demonstrate the above, taking as an example "BCC Vita Garantita", the largest product in terms of assets, we see that the return fell from 3.83% at the end of 2013 to 3.78% at the end of May 2014 on new net funding invested in the amount of around €130 million and compared with a market yield for the 7-year BTP (similar in maturity to the average for the portfolio) which averaged at 2.67% for the period.

The overall separate accounts portfolios of BCC Vita S.p.A. has a market value of around €1.5 billion at May 31, 2014.

Securitizations

The Securitisations unit develops, in cooperation with the Bank's other operating units, securitization initiatives for the mutual banks and the Group companies, performing the related upfront and ongoing activities and supporting the mutual banks in developing their markets, with emphasis on structured finance. It also provides consulting services to the mutual banks regarding the multi-originator, non-recourse assignment of non-performing loans, the selection of portfolios, due diligence and the data room, the identification of final investors and contract-related issues.

The main activities carried out in 2014 were as follows:

- structuring of a new securitization involving residential mortgage loans for BCC Cassapadana for around €180 million, named "Dominato Leonense";
- structuring of a new securitization called "Credico Finance 15", involving secured and unsecured commercial loans, in which 14 mutual banks participated, in the amount of around €298 million. Unlike the other structured operations, this was the first European multi-originator operation involving commercial loans carried out with the European Investment Fund serving as guarantor of the Class A1 securities and the European Investment Bank as subscriber of the Class A2 securities;
- launching of the "Non-Performing Loans" (NPLs) project in partnership with BCC Gestione Crediti, involving the multi-originator, non-recourse transfer of non-performing loans (secured and unsecured) held by the mutual banks to qualified investors. This project offers the participating mutual banks (expressions of interest numbered 95) the opportunity to improve their capital and liquidity ratios using an approach designed to reduce the administrative expenses associated with bad debt management and recovery;
- implementation of activities for the production of the "loan by loan" reports ECB in respect of the Dominato Leonense and Credico Finance 15 operations and quarterly reporting on all the securitization operations starting with and subsequent to Credico Finance 8.

Finance and Middle Office Technical Secretariat

The Finance and Middle Office Technical Secretariat oversaw and handled the development of the Finance business, while also providing middle-office services.
In providing support to the Finance units and, more specifically, with respect to the funding requirements of the Iccrea Banking Group, the unit was involved in:

- the adoption of an Italian issue program amounting to a total of €1,500 million, structured around 8 issue programs for which Iccrea Banca may carry out bond issues in euros and other currencies at fixed rates, zero coupon, fixed rates with step-ups, variable rates with floors and ceilings as appropriate, mixed-rates, including bonds indexed to the performance of a financial asset or a financial index, call option and steepeners with possible floors and ceilings;
- the preparation of the base prospectus for subordinated bond issues for a total amount of €500 million. Following the approval of the base prospectus by CONSOB in February

2014, the first fixed-rate subordinated bond issue by Iccrea Banca amounting to €200 million was placed with the mutual banks' customers;
- the preparation of a special contract to supplement to extending of credit to the mutual banks in the context of the collateral pool (ABACO). This project involves extending the line of credit to the mutual banks by providing a guarantee to the ECB of non-negotiable assets as "third-party guarantor".
- the renewal of a British-law issue program for the equivalent of €3,000 million (Euro Medium Term Notes – EMTN) for the issue of senior bonds on capital markets.

As part of its collateral management activities, the Finance and Middle Office Technical Secretariat implemented a project to optimize risk weighted assets (RWA). For operations involving unlisted financial derivatives, the project involved the adoption of risk mitigation techniques, specifically set-off arrangements in transactions with the mutual banks, which led to an 80% reduction in the associated capital requirement.
In order to support the mutual banks more effectively, including with regard to regulatory and capital matters, a special portal (*Portale Derivati*) was developed, with around 200 participating banks. Users can access the various areas of the portal to comply with the reconciliation and margining requirements.
In respect of this, with regard to margining, 166 collateralization agreements were entered into, initiating daily margining for positions in OTC derivatives. At December 31, 2014, security received amounted to €67 million and security given equaled €95 million.
At December 31, Iccrea Banca acquired security of around €52 million and granted security of about €202 million under margining contracts entered into with international counterparties within the framework of the ISDA Master Agreement and, for bilateral collateralization operations, the General Master Repurchase Agreement (GMRA).

Lending

In 2014 the efforts of the Lending unit focused on providing full and timely support to meet the funding and liquidity needs of the mutual banks. It was able to achieve this objective by extending lines of credit and credit ceilings appropriately scaled for the operations and capabilities of the different mutual banks, in line with their strategic plans.
More specifically, during the year Iccrea Banca provided the mutual banks with financial support through 511 financing transactions in the form of loans and operational credit ceilings. Lending continued to rise, reaching €20,626 million by the end of 2014 (of which €20,375 million to mutual banks and €251 million to other banks.
Of the total financing authorized, 247 concerned lines of credit granted to the mutual banks and other banks served indirectly, 146 of which related to new or increased financing under the "collateral pool" instrument.
Uses of lines of credit largely concerned treasury lines backed by these collateral pools (over €20,059 million). The remainder was in bonds subscribed by the Bank in order to support the medium and long-term funding of the mutual banks (€369 million).
Iccrea Banca also provided financial support to mutual banks facing particular difficulties through targeted measures, sometimes in collaboration with other central institutions of the mutual banking industry. In 2014, these efforts included the disbursement of various forms of financing in the total amount of €33 million to mutual banks facing crisis situations or in difficulty. In these cases, the operations also involved the intervention of the mutual bank deposit guarantee fund. As at December 31, 2014, the amount of funding disbursed directly to the mutual bank deposit guarantee fund or to mutual banks backed by the fund came to €195 million.
During the year, €0.9 million in sureties were issued on behalf of the mutual banks and the ordinary banks, bringing the total at December 31, 2014 to €4.1 million, of which €3.3 million granted to mutual banks and €0.8 million to the ordinary banks.
As regards the bankers' draft service performed for the mutual banks and the banks

that use our Bank as an "intermediary bank", the facility limits authorized during the year for loans and investments amounted to €389 million, with 23 positions authorized. As at December 31, 2014, 279 counterparties had taken advantage of this service for a total stock of €5,245 million.

With regard to international operations, Iccrea Banca continued to provide all the support required to carry out transactions involving documentary credit fully guaranteed by Iccrea BancaImpresa. More specifically, in 2014 credit lines for documentary credit were authorized for banks in Tunisia, Switzerland and Georgia and renewed the positions of banks in Turkey and China for a total of €61 million. The Bank also refinanced letters of credit, directly assuming the risk.

Correspondent Banking

The Correspondent Banking unit is responsible for promoting, managing and monitoring international relations with foreign correspondent banks for the entire Iccrea Banking Group.

In 2014, the Correspondent Banking unit networked to forge new relationships and to strengthen existing relationships with foreign banks in order to support the foreign operations of the mutual bank customers in countries that are particularly attractive for Italian exports (Turkey, Algeria, Morocco, Tunisia, the Persian Gulf States and Russia). Participation in the European Bank for Reconstruction and Development (EBRD) Annual Meeting in Poland and the meeting of the International Finance Company (IFC) in Portugal proved to be particularly useful in this regard. The Bank found participating in EBRD Business Forum in London to be particularly important, offering Iccrea Banca the opportunity to share its experience under the Trade Facilitation Programme. In furtherance of this, the Correspondent Banking unit participated in the opening of and providing support for Iccrea BancaImpresa's representative office in Moscow and participating in missions to Tunisia and Morocco undertaken in cooperation with Iccrea BancaImpresa's representative office in Tunis.

Thanks to Iccrea Banca's higher visibility in new emerging markets, it continued to provide origination activities for trade operations proposed directly by foreign banks. An ever-growing number of foreign counterparties accept the Bank as the direct counterparty in trade operations, resulting in considerable savings and improvements in service quality for the customers of the mutual banks.

The Correspondent Banking unit has acquired considerable experience in providing direct assistance to the mutual banks in finding solutions to problems arising with foreign banks and in setting up transactions with their customers. This has reinforced Iccrea Banca's role as a partner to the mutual banks in this sector. In regard to this, an export manual was prepared in collaboration with Iccrea BancaImpresa and Iccrea Holding.

In the field of international payments, the Correspondent Banking unit focused on rationalizing existing relationships with major correspondent banks. Specifically, thanks to a higher concentration of outgoing payments flows, the costs applied to such flows were reduced, thereby making the mutual banks more competitive in this sector. Furthermore, greater reciprocity in inward flows was achieved, reducing the costs to the beneficiaries, the customers of the mutual banks.

PAYMENT SYSTEMS

Collections and payments

The Collections and Payments unit is responsible for managing products and services offered by the Bank to intermediary banks through the domestic and international payments systems, with the exception of documentary transactions relating to the import/export of goods.

In 2014, the Bank continued work on completing the SEPA Credit Transfer, Direct Debit and Cash products to ensure the full compliance of internal procedures with developments in national and international standards by 2015. Although there were some start-up problems, Iccrea has ensured that the migration to the SEPA SDD and SCT systems will be completed so that the participating banks met the 1 February 2014 end date established in the regulations. Although the end date will remain 1 February 2014, the competent authorities recommended in January 2014 that, due to issues that could arise during migration, banks maintain a dual system until 1 August 2014.

The procedures for major customers enabled a major customer (Eni), to settle its SDD standard SEPA cash flows, ensuring a smooth migration.

All this activity is aimed at achieving the following objectives on behalf of the mutual banks:

- to implement the exchange and settlement of collections/payments from/to EU and non-EU banks;
- to minimize the costs that the individual mutual banks would incur to conduct these transactions at the operational level (connections, technological infrastructure, procedures, etc.), and at the level of regulatory compliance (participation in working groups sponsored by ABI, Bank of Italy CIPA, Target, etc.)

The pricing policy was reviewed with a view to:

- reducing the costs for the participating banks and enabling them to effectively market products with a low cost/income ratio to their customers;
- minimizing the costs (efficiency enhancement) of the activities of the mutual banks and of Iccrea Banca.
- optimizing the nature and the role of the mutual bank industry circuit, both in terms of fees (no fees applied for SCT transactions), to further accelerate transactions and the related settlement.

In this evolving environment, actions were undertaken in the various payment system sectors to comply with the new system rules and to develop new products. These initiatives included:

- electronic invoicing and dematerialization in order to enable the customers of the mutual banks to reduce the costs connected with the handling/storing of hard-copy invoices, sending them to recipients (by various means such as corporate interbank banking, the postal system and certified e-mail) and reconciling payments;
- a project to enable agreements with major customers for collections on secured transactions in respect of customers of the mutual banks, implementing an internal high-value-added circuit within the mutual bank industry that will lead to the Group being viewed as a single entity;
- in the traditional payments sector, the actions of the Collections and Payments unit have been aimed at improving the quality of the services offered to the mutual banks, with the intention of satisfying their needs and helping them achieve greater market penetration.

Payment systems and international applications

The Payment systems and International Applications unit is responsible for assisting the “reference entities” (business lines, Group companies, IST, mutual bank companies or entities, mutual banks, etc.) with regarding to IT issues associated with initiatives directly or indirectly pertaining to its main areas, such as “collections and payments” (settlement applications, “intermediate bank” applications, etc.) and international transactions.

It also promotes, develops and provides services related to interbank application center (CAIS) and automated clearing house (ACH) operations and serves as the Access Point Manager for corporate interbank banking, allowing the associated banks to provide all the services offered by Consorzio CBI within the context of interaction between companies and the banks with which they have current accounts.

The activities carried out during the year included:

- management of the exchange of SEPA flows utilizing the label records of the industry FT system;
- consolidation of SEDA procedures. Management of flows handled without going through the ACH.
- Launch of the SEDA remuneration procedure. Balancing forms for companies for which Iccrea is the alignment bank.
- Use of the Iccrea Swift Alliance Gateway (SAG) to exchange SEDA to exchange SEDA flows with ACH.
- Cancellation of BIC SCT and SDD codes for use with ACH ICBPI and activation of the exchange with EBA.
- internalization of the SAG, which had previously been outsourced to Equens.
- Installation of the PYTHAGORAS application for monitoring current anti-money laundering and anti-terrorism legislation on U2A and A2A SEPA message screening, which will also cover T2S starting in June 2015.
- Channeling of SEPA transactions to just ACH EBA, where previously ACH ICBPI has also been included.
- Management of the Access Point Manager for the corporate interbank banking network to exchange system and information flows between Banks and businesses;
- Creating of a platform for acquiring, diagnosing and sorting corporate interbank banking flows in XML format, sent via File Transfer by companies that use Iccrea Banca as service provider;
- activation of the CBILL service for internet banking for payment of bills issued by participating invoicers;
- launch of the corporate interbank banking platform for loan certification;
- launch of the corporate interbank banking platform for sending invoices to government entities;
- launch of the project for re-internalizing the Access Point Manager platform currently outsourced to ICBPI.
- Launch and completion of measures for improving cash and check management and accounting balancing applications
- implementation of government regulations
- management of the commercial customer portfolio.

With this in mind, the Bank is assessing projects for re-internalizing certain platforms that are presently outsourced, such as the SWIFT Alliance Gateway (SAG), the Standardized Inter-bank Application Center and the Access Point Manager for corporate interbank banking, the CBILL project for internet banking for payment of utility bills and other amounts owed to local and central government entities, for which specific functions through the direct connection with the Agency for a Digital Italy will be developed.

E-Bank

In 2014, growth continued on both the issuing side, with 3.1 million cards in operation and approximately €15.8 billion in transaction value and on the POS and ATM acquiring side, with more than 130,000 PagoBancomat POSs, 4,400 active ATMs and about €17 billion in transaction value.

Regarding the issuing sector, all three segments (debit, prepaid, and credit) recorded substantial increases that can be summarized at the end of 2014 as follows:

- operational debit cards equipped with chip technology exceeded 2 million compared with 1.9 million in 2013, an increase of 7.2%;
- the stock of operational credit cards increased by 6.2%, going from 684,000 cards at the end of 2013 to 727,458 cards at the end of December 2014;
- active prepaid cards went from 345,000 at the end of 2013 to 418,984 at the end of 2014, an increase of 21.8%.

Similarly, volume growth was posted in the acquiring segment, reaching €16.9 billion in total transaction value in 2014 (of which €12.4 billion on the

PagoBANCOMAT/BANCOMAT circuit and €4.5 billion on international circuits), compared with €16.7 billion in 2013, an increase of 1.2%.

Various projects were begun during the year to develop new products that have already been launched, or will be launched, in early 2015:

- the development of new payment card hub platform by internalizing issuing and acquiring resulted, in the issuing side in the completion of the MasterCard certifications, which will allow the mutual banks to move the issuing of new cards (debit, credit, prepaid) entirely in-house in 2015;
- the ACS RSA project to enhance fraud protection regarding the online use of debit, credit and prepaid cards, which involves replacing the current static password system with a dynamic one;
- the ScontiRiservati.it project to creating a virtual marketplace (www.ScontiRiservati.it) "reserved" for the mutual bank system. The first phase, targeted at only holders of the CartaBCC credit and prepaid cards has been completed and the Bank has engaged the mutual banks is searching for and selecting "local representatives of excellence", i.e. business customers who stand out due to the excellence of their products to which the mutual banks will offer increased visibility through the new marketplace;

the "Push Acquiring" project, launched in March 2015 with a number of pilot mutual banks, which is a commercial initiative to acquire new customers in the area using off-premise sale efforts;

the new Carta IBAN CartaBCC Tasca Conto Business card targeted at businesses, that combines all the main functions of a bank account in one prepaid card.

INSTITUTIONAL SERVICES

Continuing the work undertaken in 2013, in 2014 the Institutional Services unit's operations were focused on implementing measures to achieve excellence under the Lean Six Sigma system, with a view to optimizing the cost-to-delivery of services and raise quality levels. Efforts continued on expanding the range of products, which would also increase the number of external customers thereby providing diversification from the mutual bank network.

More specifically, Iccrea Banca's Securities Services product is focused on offering customers, on the one hand, a single custodian, as a partner capable of delivering the entire value chain of securities administrative and settlement services; and on the other, on providing a high degree of flexibility in service delivery so that it can also handle non-standardized models, customizing products and services based upon customer needs.

The most important projects implemented in 2014 concerned the European Market Infrastructure Regulation (EMIR) governing derivatives, the ECB's introduction of the new European system of securities settlement (Target2 Securities), and the Group project to rationalize our custodian bank activities.

Using the portal through which mutual banks have access all of the services provided by Iccrea Banca concerning EMIR compliance connected with derivative contracts, starting in February the service for reporting derivatives trades to Regis-TR European Trade Repository was launched in response to the introduction of related regulatory requirements and the measurement of capital requirements began.

With regard to the Target2 Securities project, the new infrastructure for the settlement of securities transactions currently being launched by the ECB along with the European System of Central Banks will be rolled out in 2015. The Iccrea Bank formally notified the Eurosystem of its desire to participate in the new settlement system as a direct participant in the same manner as the leading international players in securities settlement and custody. This decision places the Bank among the top 30 banks in Europe and among the top 3 in Italy that have opted for this approach. The purpose of this decision is to strengthen the Bank's central role in the markets and in the mutual bank network and to mitigate the impact, in terms of organization and costs, on the mutual banking system as a whole. Therefore, the unit formed the working group responsible for implementing the project with the involvement of the entire company structure, including the communication and marketing unit, through which a system for informing and updating the mutual banks was also set up.

Under the strategic policies established by the Parent Company, once the process of rationalizing the organizational and operational structures of the custodian bank between the Banking Group companies was completed, the process of negotiating the sale of the business to Istituto Centrale delle Banche Popolari Italiane (ICBPI) began. The transaction was completed in September, with the payment of around €21 million by the purchaser.

The process of enhancing the efficiency and rationalizing information providers for the securities database continued in an effort to improve and strengthen the quality of data produced and to optimize the associated costs.

The process of enhancing the dialogue between Iccrea Banca and the mutual banks continued with the implementation of the WebAmmTit platform. This will improve the acquisition and processing of information, resulting in more streamlined operations and greater containment of operational risks with a view to continually upgrading the level of service offered by the Bank.

As regards the support provided to mutual banks in the distribution of collective investment undertakings, the Fund Operation unit took a part in ABI's group pilot program on standardizing messaging, beginning to implement the procedures for adopting the new system standards.

During the second half of the year, measures were undertaken to assist the mutual banks in complying with the United States' Foreign Account Tax Compliance Act (FATCA).

Ancillary services and finance database management

The Ancillary Services and Finance Database Management unit is responsible for the managing the financial instruments used by the Bank and its customers in transactions, as well as the related tax issues.

The Ancillary Services and Finance Database Management unit provided support for the mutual banks' activities with the following services:

- the financial instruments database service (A.T.C.I.) for the accurate recordation of new issues and continuous updating of variable data;
- The Payment Bank service, serving as the party chosen by the issuer mutual banks to make coupon payments and redemptions, ordered by Monte Titoli, with regard to their bond issues;
- the management of administrative activities relating to securities held in custody;
- administrative support for activities connected with the management of the "collateral pool" mechanism, which, by facilitating access to collateralized financing operations, in particular with the European Central Bank through the treasury desk, generated a significant increase in the financial instruments held in custody. This activity allowed the mutual bank system to activate all the emergency measures put in place by government to counter the financial and economic crisis, making a significant contribution to securing the mutual bank system;
- the listing service for mutual bank issues in the "order driven" segment of the HI-MTF market aimed at giving them the liquidity conditions provided for under Consob regulations, which, at December 2014, reported 79 customer mutual banks for a total of 1,461 securities listed;
- the issuers service, which offers administrative support for mutual bank issues;
- the updating of the securities database, with over 100,000 financial instruments listed at the end of 2014, some 18,000 of which have balances;
- the management of activities connected with the distribution of investment funds, particularly the

activities of the payment entity and the Italian offering entity (Bank of Italy regulation of May 8, 2012, the Issuers Regulation, and the Intermediaries Regulation) for foreign funds, the implementation and the management of the FINV platform to support the distribution of units in collective investment undertakings, covered by the BCC Risparmio & Previdenza offering system, the operations of agent banks (S.T. circular 59/2011) and clearing, order routing and custody activities relating to the foreign fund operations of institutional customers. The results achieved in 2014 confirmed the positive trend seen in recent years, with the number of affiliated companies rising to 19, for a 70% increase in volumes in the retail segment, with the institutional customers segment remaining stable and assets under administration reaching around €1,700,000,000 for retail customers. As to institutional customers, the sale of the custodian bank caused the total to fall by around €300 million to approximately €165 million at the end of the year;

- the management of the pricing service for financial instruments, with focus on issues by the mutual banks;
- the ancillary services concerning trading, and, more specifically, support for the mutual banks in compliance with transparency and the monitoring of possible market abuse for which, in 2014, 165 mutual banks had subscribed through the Transaction Reporting service and 135 mutual banks for the MAD service;
- the assistance to the mutual banks and customers in complying with the new European Market Infrastructure Regulation (EMIR) governing the trading of over-the-counter derivatives. More specifically, in February 2014, the service for reporting derivatives transactions to Regis-TR European Trade Repository was launched, for which the Group companies and 166 mutual banks appointed Iccrea Banca to report such trades;
- assistance to the mutual banks concerning compliance with United States tax laws. In 2014, the unit undertook the measures required to comply with the procedures related to the revision of tax rates for financial instruments and the introduction of the United States' Foreign Account Tax Compliance Act (FATCA). With regard to the latter, the unit provided the mutual banks with ongoing expert support in complying with the requirements introduced during the year.

Finance Back Office

The Bank's Post Trading service was designed to be a complete, integrated solution for satisfying the entire range of needs for administrative and securities settlement services, meeting the needs of the mutual banks, and the Finance Unit of Iccrea Banca and of the Group.

During the period the Back Office and Custody unit finished implementing projects to achieve compliance with the EMIR rules for OTC derivatives. Starting in January, we began the analysis and implementation of the procedures that will enable Iccrea Banca to participate in the European Central Bank's securities settlement platform, Target2 Securities, as a participant with direct access. In developing this important project, which envisages the introduction of a single system for settling financial instruments in Europe, managed by the European System of Central Banks, we intend to pursue solutions that can consolidate and strengthen the role of Iccrea Banca as hub for services between the market and the mutual banks, allowing the mutual banks to guarantee business continuity while at the same time limiting the organizational and financial impact of compliance.

At December 31, 2014, around €135.00 billion worth of securities were held in custody and administration.

Custodian Bank

The Bank served as a custodian bank for asset management operations, for both the banking group companies and for other asset management companies, safeguarding the interests of investment fund subscribers and pension fund participants. The Bank provided asset custody, administration and control services in accordance with the law, regulations and instructions of the supervisory bodies of the managed funds, respectively from:

- in the securities investment funds segment: BCC Risparmio & Previdenza and Intermonte BCC Private Equity;
- in the pensions segment: the national pension fund of the mutual banks, BCC Risparmio & Previdenza, and Bancassurance Popolari;
- in the real estate investment segment: Beni Stabili Gestioni, Investire Immobiliare SGR, Numeria SGR and Polis Fondi SGR.

During the year, alongside its normal control activities, the custodian bank was involved in the process of completing the sale of the business unit to Istituto Centrale delle Banche Popolari Italiane (ICBPI). The transaction was completed in September 2014, with the payment of around €21 million to Iccrea Banca by the purchaser.

CENTRAL SERVICES

Human Resources and Organization

In 2014, the Human Resources and Organization area continued, as it long has, to oversee the change management process to stimulate, promote and support the transformation occurring at the Bank in recent years.

As part of this, integration with the rest of the Group concerning the primary actions for supporting change, such as internal communication, training, professional development, organization, processes, etc., has become increasingly important.

With regard to training and development, on the one hand, we continued to make investments designed to ensure that the set of technical skills among staff needed to support the various business sectors and operations of the Bank are kept up-to-date and are the most advanced, and on the other, we have ensured that key employees are taking part in management grooming and development programs adopting a cross-disciplinary approach within the Banking Group.

Internal job rotation have remained a priority with the goals of enhancing the professional development of employees and meeting business needs through technically appropriate and financially sustainable solutions.

Alongside this, the Bank undertook the process of transforming various areas through ongoing revision of the organizational model and processes aimed at continuously optimizing and improving areas.

As in previous years, once again in 2014 we focused on monitoring and optimization of flexible personnel costs, which allowed us to continue to reduce such costs.

BUSINESS INTELLIGENCE

Business Intelligence is responsible for the integrated analysis of qualitative and quantitative information on customers and for proposing financial actions and solutions to optimize the management of risk-return profiles. It monitors the markets and the competition, handling the development and/or updating of products and services to enhance the product line. It also develops innovative financial instruments, in line with the needs of the mutual banks.

The unit is responsible for marketing the products/services offered by the Bank in order to create value for Iccrea Banca, constantly improving its capacity to serve its customers by anticipating their needs and strengthening its market efforts.

It provides advice to the mutual banks and other banks on advanced financial management issues, including the theoretical estimation of the economic value of ordinary and complex financial instruments, in addition to the associated risk profiles, and offers consulting on investments.

The Business Intelligence area is composed of the following units: ALM and Consulting, Financial Information, Marketing and Financial Solutions.

ALM Unit

The ALM and Consulting unit is responsible for supporting:

- Business Intelligence in analyzing the operational balance of the mutual banks and in identifying their needs for financial solutions and products;
- the mutual banks in the current and prospective analysis of the stability of their performance, financial position and risk exposures, also cooperating with them on issues related to the implementation of Basel 3 regulations and, more specifically, on risk measurement and management techniques.

In 2014, activity mainly focused on:

- Development of a unit to monitor changes in the mutual banks' main financial risk indicators using both operational and supervisory data;
- development of new modules for prospective analysis of the stability of the Banks to be used in defining the Risk Appetite Framework;
- development of a simulation tool for estimating the effects of the buying/selling of European government securities on risk indicators (VaR);
- introduction of new instructions relating to Basel 3 in reporting forms;
- strengthening the partnership with BCC Sistemi Informatici;
- strengthening the analysis of the financial situation of the mutual banks with the Lending, Commercial Planning, Marketing and Financial Solutions units;
- holding specific meetings with the mutual banks on ALM and consulting issues.

During 2014, the ALM and Consulting service continued to expand, with 24 new mutual banks signing up for the service. Specifically, 175 mutual banks now take advantage of the ALM service and 102 the consulting service thanks to special agreements signed with 6 Federations that allow all member mutual banks to use the service.

Financial Information Unit

The primary added value generated by the Financial Information unit for the mutual banks is its daily "Market Trends" publication of research on investments, which can be accessed via the Infofin intranet portal. It is directed at finance managers to support their decision making in the Bank's investment activities and at the consultants of the mutual banks to help them in providing advice on building investment portfolios that reflect the risk profile and objectives of their customers.

It analyses the indices representing the various asset classes that can be used to build the investment portfolios, such as government and European and international corporate bonds, global stocks (Euro area, USA, Asia and emerging markets), REITs, which offer indirect exposure to the global real estate market, general commodities indices and the leading precious metal indices. A key characteristic of all the indices monitored is that they can be directly replicated by investing in full replication ETFs listed on the Milan exchange.

The Financial Information unit is also responsible for supporting the GRIs/GRICs and the other Business Intelligence and Finance Units in studying global financial market trends, as well as helping the mutual banks by providing operational guidance upon request.

Every quarter, joint presentations are held with BCC Risparmio e Previdenza at the offices of the Federazione Lombarda concerning trends in the global financial markets and the outlook for the immediate future. The head of the Financial Information unit, a member of AIAF and SIAT, also conducts lectures on issues involving the technical analysis of financial instruments and strategic and tactical asset allocation as part of the professional training courses arranged by Accademia BCC and the individual mutual banks.

Marketing Unit

The Marketing unit is responsible for enhancing the line of products that Iccrea Banca offers its customers by analyzing and anticipating their needs and by constantly monitoring the market through Business Intelligence activity. The Marketing unit supports other Iccrea Banca units in developing and/or upgrading products and services by conducting market analysis and preparing all the related marketing and communications.

The Marketing unit is recognized as a partner of the different units of Iccrea Banca in determining product and service support and promotional activities In light of the market landscape, both internally and externally, the entire planning process, from design to delivery, as organized jointly by Marketing and the other units, is of fundamental importance in enabling Iccrea Banca to optimize time and resources, while also providing the mutual banks with a complete, consistent offering.

Alongside these market (historical and forecast data) and customer (financial data) analysis activities, the unit also developed its Product Offering activity with the goal of making the contents of Iccrea Banca's product and service range both comprehensive and easy to use.

In 2014, we also launched the product catalogue, which has been graphically designed in order to highlight the distinctive features of each product/service that best meet customers' needs, in addition to their technical characteristics.

The Marketing Unit continued to emphasize activities dedicated to all of the products shown in the catalogue in order to highlight their strengths and potential in supporting the efforts of the mutual banks. In particular, we designed and developed various projects and other initiatives during the year regarding CartaBCC, given that this payment card is also a means of interaction with the customer, thereby meeting a particular need of mutual banking. These initiatives included:

- *C'è quella giusta per te* campaign => In October 2014, CartaBCC ran a television advertisement for the first time. This campaign featured the rugby player Andrea Lo Cicero as the spokesperson and reached a gross of over 2 million viewers. During the period in which the campaign ran, all mutual banks were provided with support materials (e.g. ATM and web-site banners, posters, etc.) in order to reinforce the ad's impact throughout the community;
- *CartaBCC* Facebook page => This page features specifically designed posts promoting the particular features of CartaBCC and reaches an audience accustomed to using social media. The page attracted over 2,800,000 users and over 14,000 "likes";
- *Instant WIN* contest => CartaBCC&WIN was the first contest for holders of CartaBCC credit, debit and pre-paid cards. Two editions of the contest were held (i.e. July-August and November-December 2015) with the goal of encouraging the use of electronic payments instead of cash. The contest, which was played using the receipts received obtained after making payment with the card, attracted over 31,000 participants and 227,000 entries across the two editions and resulted in an increase in electronic transactions among the participants of around 20%;
- *Insieme per il Salto Finale* contest => in order to reward mutual banks that, during the period concerned, reached ambitious targets both in card placement and in terms of increasing the use of cards over cash, with 31 mutual banks being awarded 46 prizes;
- *Vengo Anch'io* Project => The goal of this initiative, promoted in collaboration with a mutual bank in the Romagna area, was to increase the market share of the product (CartaBCC POS) and to increase CartaBCC spending by offering CartaBCC cardholders a unique experience in the community featuring special offerings and other privileges;
- *MobilePOS* offering => This system accepts payments everywhere with all types of cards and circuits using the Bluetooth connection of a smartphone

or tablet. In order to launch the product, a specially designed offering featured beneficial conditions for mutual banks, so that they could remain competitive in the marketplace;
- *Sconti Riservati* web site => an e-commerce portal for CartaBCC cardholders and to merchants, presented by mutual banks as promoters of products that represent the excellence of the community.

In 2014, the results of the latest strategic customer satisfaction survey were calculated. This structured means of measuring satisfaction involved interviews with the mutual bank general managers. During the same period, two more specific surveys were conducted for the areas of Payment Cards and Finance, which involved interviews with the people within the mutual banks who are responsible for these products. All of these surveys pointed to the high level of service quality as perceived by the mutual banks. In general, all of the surveys highlighted the perception of improvement in the Iccrea Banca service model in terms of communication and presence, thanks to the introduction of the Institutional Relations Manager (GRI) and a greater focus on initiatives designed for the mutual banks.

Also in 2014, we consolidated joint-planning processes and activities and began close collaboration with the mutual banks regarding initiatives affecting the communities concerned.

Financial Solutions Unit

In 2014, the Financial Solutions unit defined its scope of intervention with respect to the following main activities:

- support provided both within Iccrea Banca and to the mutual banks within the scope of the set of activities involved in participating in TLTROs;
- implementation of the new multi-curve measurement framework based on OIS discounting in order to measure collateralized derivative instruments, which involved both the competent companies of the Iccrea Banking Group and 164 mutual banks;
- support to mutual banks in application of the credit-value/debit-value adjustment (CVA/DVA) to the fair value of non-collateralized derivative products;
- definition, together with the Finance area, and subsequent implementation of the new differentiated pricing policies for bonds issued by Iccrea based on seniority and type of customer for whom the bonds are intended;
- design and development of the mark-to-model framework for the new Iccrea issue in US dollars (USD);
- start of quantitative analyses of models to manage negative interest rates;
- consolidation of the new financial-risk management tool (Summit-MRGFI) used on a daily basis to calculate financial indicators (e.g. VaR, P&L, scenario analyses, etc.) for some 415 financial portfolios related to 190 mutual banks. Within this context, we have also implemented a new simulator for the advance assessment of the impact on VaR of the buying and selling of government securities;
- feasibility study of the trading of collateral bonds;
- feasibility study of security purchases and related hedging of issuer risk by buying credit default swaps (CDSs);
- execution of 95 specialist actions requested by the mutual banks as follows:
  - pricing of financial assets/liabilities = 45 mutual banks;
  - capital requirement analyses = 50 mutual banks;
- execution of 48 actions requested internally by Iccrea Banca regarding the pricing of financial assets/liabilities;
- definition and implementation of a methodological solution – within the scope of the specialist-support activities for the ALM & Consulting unit

– for the handling of demand items within the interest rate risk measurement model used by the mutual banks;

- consolidation of the tools provided to the mutual banks in the Polaris Derivatives Portal to monitor the profiles of both counterparty risk and CVA risk.

Commercial Unit

In 2014, the organization of the Commercial unit was consolidated, which resulted in a closer, more effective collaboration between the peripheral area groups and the central Commercial Planning unit.
This includes the implementation/improvement efforts concerning the customer relationship management (CRM) tool, such as the meetings held at the various offices.
Again in 2014, action at the local level was carried out in order to support other units of the Bank, especially as concerns the assessment/completion of contract documentation governing certain services provided.

Strategic Planning

The Management Control and Planning unit is responsible for supporting top management and the Bank's decision-making bodies in performing their duties with a view to maximizing stakeholder value (shareholders, customers, employees).

In the course of 2014, efforts to create a centralized management database, scalable at the Group level, into which information is entered in a standardized manner into the management control system, the ALM and the CRM, were consolidated. The system centralizes management, commercial and risk information, with a special emphasis on the management of counterparty data, which can also be used for geomarketing analysis.

All the information has also been made accessible (including in mobile format) through the business intelligence platform used by the Iccrea Banking Group, offering considerable potential for possible uses in joint planning with the mutual banks.

Information Systems

During the year, the Bank's information system was further developed, primarily in order to support the growth of business of the Bank and the Group, while taking best advantage of the opportunity to rationalize application and infrastructure services. In this regard, the IT function continued efforts to expand the role of the Technology Officer (the "TO") to cover all Group companies, not just Iccrea Banca.

The architecture of the Company's information system has gradually been aligned with the standards established at the Group level for analysis and reporting systems through a variety of major projects, including those relating to:

- the "management data warehouse", which gathers all the information generated by the various sections (operational and otherwise) into a single database, ensuring high levels of data quality and usability, enabling more effective analysis by management control, ALM/RM and CRM;
- the "SAP supply chain", an ERP system that automates budgeting, fund management, ordering, goods/services receipt, invoicing and periodic reporting within the new central purchasing system established by the Group.

In terms of projects, work in the area of payment cards was particularly intensive, including the completion of preparation of the Direct Issuing platform and launch of the new multi-channel systems of Direct Acquiring for the management of ATMs and interfacing with automated billing systems (e.g. television license fees, car registration fees, etc.).

In the area of payment services, all projects aimed at implementing SEPA standards (i.e. SCT, SDD and SEDA) were completed, and the service and technical platform were enhanced by way of the internationalization of certain components.

In the area of financial services, projects mainly concerned the Target2Security program and the enhancement of the securities order-collection/execution platforms.

The ICT unit began a process of internal reorganization aimed at improving the management of money-laundering and terrorism risks, as well as on improving the speed and efficacy of handling requests for information from law enforcement. During the year, the mainframe component of the company BCC-SI within the infrastructure domain of Iccrea Banca was migrated to the IT infrastructure, which has enhanced the company's IT infrastructure and resulted in significant improvements in terms of capacity and operating efficiency.

With regard to technologies, work continued on updating and adapting infrastructures based on organizational needs, both in terms of capacity and regulatory compliance, the latter of which is of particular importance in the payment-cards area. It is here that the upcoming insourcing of international issuing and acquiring efforts called for particularly complex and costly changes to the rules of the Visa-MasterCard (PCI-DSS) circuits. However, this will also help to achieve a broader reinforcement of company security levels (given that Iccrea Banca has already obtained ISO 27001 certification of its information security management system). The business continuity management system has also been upgraded to the specifications of the new ISO 22301 standard, and compliance has been certified.

Audit Department

In 2014, the Bank continued to implement the system of internal controls to ensure, with increasing effectiveness, the existence of a system of adequate, reliable, complete and functional controls.

Internal Auditing activities were conducted both by the Internal Audit units and through "remote auditing" activities. The following were of particular importance:

- with regard to the first area, audits concerned: i) anti-money laundering regarding the Collections/Payments and Finance segments; ii) the role of the retail payment system manager concerning application of the measure of the Directorate of the Bank of Italy of September 18, 2012, which established provisions concerning the supervision of retail payment systems; iii) services provided by the Institutional Services unit, both to the Bank and to the participating mutual banks and particularly as concerned the activities aimed at preventing market abuse (i.e. the Market Abuse Directive, or "MAD"), the generation of reports in the areas of transaction reporting and post-trade transparency; iv) execution of projects in the payment-cards segment, particularly as concerns the processes that are currently being internationalized; v) demand management of information services; and vi) audits regarding the process of managing and monitoring the various borrower and creditor accounts;
- with regard to the second area: i) periodic audits of the consistency of trading prices and compliance with the obligations of the EMIR legislation concerning OTC derivative transactions between Iccrea Banca and Iccrea BancaImpresa; ii) periodic audits of the consistency of the prices and fees applied on stocks and bonds by Iccrea Banca to the companies of the Group. Also within the area of remote auditing, 16 indicators for the Finance & Treasury process and 42 indicators for the Payment Systems process were created and made operational.

The department also performed an important advisory and support role, including action concerning:

- outsourcing in order to support the competent units to establish appropriate control over the activities outsourced, especially where such activities are considered to be Major Operational Functions (MOFs) and as required by Circular 263/2006;
- revision of the Bank's Functional/Organizational Rules in order to assess the adequacy of the system of internal controls;
- advisory and participation in special company working groups.

In addition, the department continued to provide structured oversight of relationships with the outsourcers handling fiduciary deposits, which are responsible for managing the cash, consistent with the evolving regulatory framework. This was also carried out for the federations and mutual banks.

The primary initiatives for remedying all audited processes that still have outstanding issues will continued to be pursued, with reporting to Board of Directors, including through the Internal Control Committee.

Compliance

The Operational Risk, Compliance and Anti-Money Laundering unit (hereinafter the "Compliance unit") is responsible, in accordance with guidelines established by the corresponding unit of the Parent Company, for identifying, assessing and monitoring the risk to the Bank associated with non-compliance, money laundering and terrorist financing, and for identifying the operational risks of the Bank, with a view to ensuring compliance with the law and the fair conduct of banking activities, which by their very nature are grounded in a relationship of trust.

Again in 2014, the Compliance unit's main actions took the form of providing advice and support to the business units, as well as the head office, regarding new commercial initiatives and systematizing the upgrades to the control systems responsible for managing compliance, money-laundering, and operational risks.

More specifically, activity during the period focused on areas deemed of greatest importance based upon experience gained in previous years, particularly in the following areas:

- the provision of investment services;
- compliance with regard to market-abuse requirements;
- transparency requirements, with a particular focus on the electronic-money segment;
- prevention of usury;
- anti-money laundering and the fight against terrorism;
- monitoring transactions with related parties;
- providing support to Legal Affairs in preparing/updating contracts for services provided to the mutual banks/other banks;
- providing support to the Organization unit in rationalizing and optimizing business processes in line with the service model adopted by the Bank.

With regard to these issues, the following activities were particularly significant:

- tracking the development of projects in the electronic money segment, for both issuing and acquiring;
- continuation of activities for updating company rules concerning the new requirements of Legislative Decree 231/01 regarding the administrative liability of companies;
- updating of the anti-money laundering and fight against terrorism rules, pursuant to Legislative Decree 231/07, as amended. In this area, the Anti-Money Laundering function, under the Compliance unit, has focused on strengthening first-level controls, particularly the system for detecting unexpected operations in the electronic money segment;
- continuation of activities aimed at strengthening measures to protect against market abuse;
- definition and implementation of the operational and control measures required by the U.S. Foreign Account Tax Compliance Act (FATCA);
- support for activities related to the sale of the depositary bank division.

Finally, the Compliance unit, in line with the guidelines established by top management, carried out the above initiatives while being aware of the central role that the Bank plays in relation to the services that the mutual banks/ordinary banks deliver to their customers. This can be seen, in particular, in the determination of controls to ensure compliance with the law in the areas of:

- data protection in accordance with Legislative Decree 196/03 as amended, particularly as concerns the provisions regarding the publication of banking information and the tracking of banking transactions (May 12, 2011);
- money laundering in accordance with Legislative Decree 231/07 as amended, which concerned two specific relevant initiatives conducted in close collaboration with Federcasse:

- efforts to assist the mutual banks in providing support, in relation to operations carried out, in applying the legal framework concerning the restrictive sanctions adopted by the European Community towards banks in the Russian Federation in accordance with Regulations (EU) nos. 959, 960 and 961/2014, which subsequently also resulted in the organization of a training day for mutual banks held in Rome in November. This event featured the participation of speakers from the Italian Ministry for Economic Development and the Ministry for the Economy and Finance;
- the preparation and introduction of a contract addendum to the new conventions for placement by the mutual banks of the services made available by Iccrea in the e-money segment aimed at ensuring the appropriate verifications of the identities customers and any other effective cardholders in accordance with Article 18, letters (a), (b) and (c), of the aforementioned Legislative Decree 231/07 and with related amendments and implementing measures. In particular, a new set of forms were prepared and introduced in order to ensure observance of the customer-monitoring requirements in terms of the appropriate verifications required by Article 15 *et seq.* of Legislative Decree 231/07 as amended.

Risk Management

In recent years, risk management efforts have played an essential role in the governance of risk, a fact that has been reiterated in regulatory measures that continue to place a great deal of importance on the new provisions governing internal control systems.

Within this context, the Risk Management function must deal with the constant demands both of the various areas of business, which the function supports and guides risk prevention efforts and oversees the monitoring process, and of the numerous, ongoing changes in regulations.

In 2014, the Bank continued to adapt its methods and tools for managing credit, market and operational risks, both in response to developments in external regulations and in internal management and monitoring needs.

The *Group Risk Management Model*, introduced in 2012, assigns functional responsibility centrally to the Parent Company, as exercised by the Chief Risk Officer (CRO), who reports on risk management issues to top management and the Board of Directors. To manage the most significant types of financial risks, including in the Bank's capacity as the Group Finance specialist, the Financial Risks unit, which reports to the CRO, is responsible for measuring and controlling financial risks and is organized into the following functions: *Bank Counterparties Risk; Market Risks; ALM and Liquidity Risk.*

The Bank Counterparties Risk unit oversees and monitors credit risk. In 2014, it continued to analyze and report periodically on the performance of the portfolio with regard to the bank counterparties, and the daily monitoring of bank counterparties continued with the production of early warning indicators. Work was also done to update the internal ratings for the bank counterparties (i.e. mutual banks and ordinary banks) through the system that the unit uses. Finally, the estimation of the risk parameters used for determining collective impairment was updated, reporting the results to the Board of Auditors and the Board of Directors. In 2014, following the Bank Counterparties project, other significant activities included:

- establishment of the Credit Policy, which covers the entire process of credit risk governance, and the revision of secondary regulations for the entire lending process;
- strengthening of the creditworthiness assessment process, incorporating the best practices adopted by the major rating agencies, introducing forward-looking measures in the assessment process and expanding the use of electronic loan application processing (ELAP);
- establishment of a process for monitoring the creditworthiness of bank

counterparties consistent with the new assessment framework;

implementation within RiskSuite, the application platform to support the measurement and monitoring system, the Bank Risk Assessment (BRA) application in order to allow for more features and analytics in the measurement and monitoring process.

At its meeting of February 5, 2015, and effective as of December 31, 2014, the Board of Directors approved the new system for the standardized calculation of credit risk, thereby transitioning from the standard to the integral method. The effects of this are detailed in parts E and F of the explanatory notes.

The Market Risks unit is responsible for managing and monitoring market risks. In 2014, it continued to strengthen the support tools for these duties. Ongoing maintenance of the application procedure (RiskSuite) used to measure risk and produce monitoring reports the risk position was a key activity during the year. This enabled the Bank to accurately monitor the trading portfolio and the operation of the Bank on a daily basis. Work also continued on the development of Summit Risk Management platform for the creation of a risk system that can consolidate trading book positions on a daily basis in an independent calculation environment in an effort to further improve risk analysis.

Within the context of ALM and liquidity risk activities, management and monitoring is performed by the ALM and Liquidity Risk unit, which, in 2014, continued to monitor the equilibrium of the Bank's asset and liability structure.

With regard to liquidity risk, the unit performed daily monitoring of the "1-day" and "up to 1 month" liquidity positions at the individual and consolidated levels and all the risk indicators provided for in the system of delegated powers.

In order to comply with regulatory requirements and operational requirements, two Group policies were established, setting out the guidelines and principles for prudent management, the roles and responsibilities of company bodies and operational structures and the control processes for both the interest rate risk on the banking book and liquidity risk.

The particular context within which financial management for the Iccrea Group, and for Iccrea Banca in particular, has evolved in recent years has required significant development of the technical and methodological infrastructure for balance sheet management and ALM, development which continued in 2014 as a necessary means for developing the analyses needed in order to optimize funding, hedging and risk-positioning strategies. In this regard, the unit supports the Group's Finance Committee by working synergistically with the other functions involved, and specifically:

- *the Finance area*, which is active in operational ALM and in the implementation of funding, investment, and banking-book hedging policies;
- *the Planning & Management Control area*, which is active in the development of financial planning models, of fund transfer pricing models, and capital allocation models.

The activities required to prepare the disclosures on the various types of risk to be provided to the ratings agencies for the annual review of the Bank's rating were carried out, as were those associated with preparing the reports to the supervisory authorities for the purposes of Pillar II and Pillar III compliance at the consolidated level.

Administration

In 2014, in addition to providing administrative support and collaboration to the mutual banks, federations and group companies, the Administration unit was engaged in a number of projects and other activities that may be summarized as follows:

- <u>ECB European Comprehensive Assessment:</u> in order to proactively manage this assessment process, the Group, which, as the reader will be aware, now falls under the European supervisory mechanism, has initiated a process involving the companies with credit and financial exposures. In particular, the Administration unit provided specific support to the Parent

Company in preparing the reports for the Asset Quality Review.

- TLTRO: during the second half of 2014, in support of establishing the "Iccrea Group TLTRO", the unit prepared the operating instructions for the participating banks and for the technical units responsible for compiling the reporting templates, which, once collected, were then sent to the Bank of Italy on a quarterly basis. In carrying out this task, the unit was in constant contact with both the Bank of Italy and the participants of the TLTRO Group (which is composed of 193 organizations) to discuss the many differences and other issues encountered in the various templates. During the year, the unit also conducted analyses concerning the preparation of an online process for gathering the data and sending it to the Bank of Italy, including automated balancing of the A1 supervisory reports.
- Disposal of business units: during the year, the unit dialogued with the various counterparties concerned in order to prepare the financial statements, reconciliations, and accounting and administrative rules regarding the sale of two business units. This was done specifically with Banca Sviluppo (a group company) for the "Branch Services" unit and with Istituto Centrale delle Banche Popolari Italiane for the Depositary Bank division.
- New International Accounting Standards: the changes made to a number of existing standards and the revision of other related standards made it necessary to establish a specific working group within the Banking Group. In particular, this working group led the project regarding IFRS 13 and supported the Parent Company in preparing the Group's Fair Value Policy.
- Supply Chain: in line with the Parent Company's goal of migrating all companies of the Group towards a single legacy, the new supply chain process went into effect in 2014. In line with the changes under way within the organization, the unit was particularly focused on this process, and further settling in the process is expected for the coming year.
- Effectiveness Testing: in conjunction with the transition to EONIA discounting to measure derivative contracts, we also implemented the methodology and calculation technique used in the effectiveness testing of derivative hedging, a service which is provided to 83 mutual banks and other banks regarding some 1,350 hedging transactions.
- T2S: during the year, the unit began efforts to analyze and test the new accounting structure within the scope of the Target 2 Securities (T2S) project.
- Daily settlement account: the unit provided constant support to the mutual banks in verifying liquidity, including the daily monitoring of relations with the daily settlement account.

The unit was also constantly involved in working groups concerning activities connected with the Fast Closing projects of the Group and Federcasse as well as with the rationalization of the Group's reporting and support systems.

Coordination of Operations

In 2014, we continued to work towards simplifying operations and better focusing on results, so as to react to changes in the marketplace with greater efficiency and efficacy. Within such context, particular emphasis was placed on the supply chain. The growing challenges related to our increasingly competitive marketplace require that banks continue to increase efficiency and place greater emphasis on controlling costs. Consequently, we must increase the efficiency of our supply chain, simplify our base of applications, reduce costs, and modernize our IT infrastructure.

With the launch of the Supply Chain project, Iccrea Banca intends to establish a system of integrated expense management that will enable management to have early access to information on operations, thereby optimizing the planning and authorizations processes. With this integration of the systems related to Purchasing, Accounting, Planning and Control, the Bank is also laying the groundwork for obtaining the key data needed to rationalize activities within a strategic area. As such, it has been decided, together with the Parent Company, to come up with a new solution, and our focus has been on SAP.

In this manner, the Bank has ensured the conditions needed in order to have complete cost information and traceability through an integrated system of strategic expense governance and supply chain management. Thanks to the robustness and versatility of the SAP modules, the Bank has rationalized the applications that were used previously, thereby optimizing operations and reducing operating costs. Integration of the purchasing process with the Accounting and Planning & Control systems will provide management with a wealth of information that was not previously accessible and will improve the expense planning and authorization process.

By bringing innovation to operations, systems and processes, the Supply Chain project is laying the groundwork for making cost management a source of business competitiveness and for making cost-reduction policies truly effective. Furthermore, the system that Iccrea Banca is creating will enable a whole series of analyses and studies using a wealth of information that was inexistent at the start. In this way, the Bank will be able to better understand how money is being spent, to plan purchases in greater detail, and to monitor trends in spending and investment using specific indicators and comparing actual spending to the budget. In essence, the implementation and completion of this Supply Chain project will result in a true leap forward in the quality of the Banks' knowledge regarding its various spending mechanisms.

A number of the project's objectives have already been achieved during the current year. In particular, we are now able to access spending data right from the moment of the purchase request. Authorization processes are now fully traceable because a specific workflow makes it possible to know, at any given time, who is currently handling the expense request, how long they have been doing so, and if the buyer is currently handling the order. We have also managed to achieve logical separation between the buyer and the person responsible for controlling and authorizing the expense request, while centralizing vendor management and management of purchase orders and contracts within BCC Solutions, the Group company specialized in such activities. In addition, we have achieved the automated, timely allocation of responsibilities.

Another particularly important benefit is the creation of a single information system, as opposed to isolated departments. In this way, the information is always online and available to all of the departments concerned. Finally, we gave designed a new process of authorizations with an automated workflow that speeds up the process and reduces the need for hard-copy support documentation. Although these are real benefits compared to the previous situation, it will still be necessary to continue working on processes and the organization in order to take full advantage of the opportunities provided by these new solutions.

Security and Logistics

The Occupational Safety function and the Operational Areas mainly perform the following activities:

- providing support to the Occupational Health and Safety Management System Officer (OHSMSO) in monitoring relevant activities pursuant to Decree 81 /2008 (occupational health and safety). The General Manager has been assigned this role;
- for logistics, working with the Information Systems unit and the Business Operating Cycle Coordination unit in developing project guidelines that take account of context, specifically for technological support systems for Business Continuity hardware structures;
- defining physical security policies with the Chief Information Security Officer (CISO);
- preparing, updating documentation and conducting testing of the Business Continuity Plan (BCP) for the Office Recovery Plan function (ORP), in collaboration with the Business Continuity Support Manager (BCSM);
- drafting and updating documentation for which it is responsible as part of the process of obtaining of ISO 27000, ISO 22301 and PCI-DSS (electronic money) certification;
- coordinating managers pursuant to Legislative Decree 81/2008, particularly those responsible for local offices;
- storing and managing digital media containing copies of telephone calls recorded in the Finance sector and video images, in collaboration with the Compliance Unit.

The following operational results achieved in 2014 deserve mention:

- 100% production site availability thanks to the absence of power failures or logistical breakdowns;
- contribution to successfully passing annual tests to receive ISO 22301, ISO 27001 and PCI-DSS (electronic money) Business Continuity certification;
- providing technical support to the Information Systems unit in the operational testing of the systems implemented to host the BCC SI hardware at the primary and secondary sites, an activity that also extends to the needs of BCC SI;
- with regard to the activities relating to Legislative Decree 81/2008, in agreement with the various units involved and BCC Solutions: formalization of the duties of the new person responsible for Complex Hardware Systems (Ms. Mastropietro), the executive in charge (Mr. Zattera), and the new worker safety representatives; management of relations with the new consulting firm (IGEAM); formalization of the new risk-assessment document on December 17, 2014; management of relations with the designated managers on using the Security Portal to submit the reports for which they are responsible; management of the Summary Safety Guides for guests and external engineers who enter the Iccrea Banca premises; management of employee injuries; coordination of the worker safety representatives in

submitting the requests handled by BCC Solutions in relations with IGEAM;
- collaboration with BCC Solutions in defining and managing business continuity security and worker safety issues in relation to open construction sites at the Lucrezia Romana complex.

5. TRANSACTIONS WITH RELATED PARTIES

Iccrea Banca has long conducted its operations in compliance with the principles of transparency and of substantive and procedural propriety in its transactions with related parties as defined by CONSOB (on the basis of IAS 24), in line with applicable legislative and regulatory provisions.

Accordingly, in 2014, transactions with related parties were conducted using procedures and criteria in line with those applied in normal banking transactions with bank and corporate customers. Such transactions were undertaken on the basis of their specific financial benefit.

More specifically, the Bank did not engage in any "atypical or unusual" transactions during the period whose significance or scale might have raised concerns about the integrity of the company's financial position.

In the section "Transactions with related parties" of the explanatory notes, a summary table reports related party transactions. During the year, there were no positions or transactions resulting from atypical or unusual transactions. Pursuant to CONSOB communications DAC/98015375 of February 27, 1998 and DEM/1025564 of April 6, 2001, the term "atypical or unusual" refers to transactions whose scale, counterparties, purpose, method of determining the transfer price or timing might raise concern about the accuracy and completeness of the disclosures in the financial statements, conflicts of interest, preservation of the integrity of the company's financial position and protection of shareholders.

Part H – Transactions with related parties in the notes also reports the fees paid to directors, members of the Board of Auditors, the General Manager and key management personnel and any loans or guarantees granted to them, in accordance with Art. 136 of Legislative Decree 385 of September 1, 1993.

In application of Art. 79 of CONSOB Resolution no. 11971 of May 14, 1999, as amended, a specific schedule reports equity interests held in the Bank and its subsidiaries by directors, members of the Board of Auditors, the General Manager and key management personnel, either directly or through subsidiaries, trustee companies or other proxies, including those held by spouses who are not legally separated and minor children.

In addition, in 2014, the Bank engaged in intercompany transactions that were deemed mutually financially beneficial and determined the applicable terms and conditions in accordance with the principles of substantive fairness inherent in the common goal of creating value for the entire Group.

On February 26, 2014, the instrument for the transfer of the "Branch Services" business unit was executed, the effects of which were reflected in Banca Sviluppo's income statement and balance sheet starting from April 5, 2014. The transaction involved the transfer of liabilities amounting to €32,308,293.93 represented by customer current accounts and payables due to employees and the transfer of assets of €30,812,013.12 mainly represented by amounts due from banks and amounts due from customers. As a result of the adjustment made based upon the accounting records at April 5, the transferor (Iccrea Banca) paid to the transferee (Banca Sviluppo) the difference between the value of the assets and liabilities of the business unit (equal to €1,818,801.82) and determined the definitive sale price in the amount of €322,521.01, calculated as 1% of the funding transferred at that date. The effect on Iccrea Banca's 2014 financial statements therefore consists of the allocation of the price received to a reserve (equal to €234 thousand, net of deferred taxes). As provided for under the applicable accounting standards, business combinations undertaken between companies under common control are not treated as the transfer of control of a business and are normally deemed to have no economic significance since they are undertaken not to realize a gain, but merely for the purpose of reorganization within the Group.

6. OTHER OPERATIONAL INFORMATION

Although Iccrea Banca expects the macroeconomic environment to remain challenging for the banking sector and considerably affected by developments in the euro-area crisis due to the uncertainty surrounding the financial and credit markets, we nevertheless plan to continue our support for the mutual banks through the pursuit of the multiple initiatives to strengthen and rationalize operations undertaken in the preceding months.

In addition, work will continue on optimizing processes and leveraging our in-house human capital, which will enable the Bank to consolidate efforts to improve operational effectiveness and efficiency and achieve the excellence targets we have set ourselves.

Overall, the actions undertaken should permit the Bank to achieve satisfactory returns in line with the targets set in the 2015–2017 Business Plan.

In 2014, the following changes are reported with regard to relations with the rating agencies:

- on February 3, Fitch Ratings lowered its medium/long term debt rating to "BBB", with a "Negative" outlook.
- Standard & Poor's downgraded the rating on medium/long term debt from "BB+" to "BB" on December 18, July, changing the outlook from "Negative" to "Stable".

Lastly, on January 27, 2015 Fitch Ratings confirmed the rating on the medium/long term debt at "BBB" and maintained the outlook at "Negative".

7. REPORT ON CORPORATE GOVERNANCE

MAIN CHARACTERISTICS OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS WITH REGARD TO THE FINANCIAL REPORTING PROCESS (ART. 123 – BIS PARAGRAPH 2, LETTER B) OF THE CONSOLIDATED LAW ON FINANCIAL INTERMEDIATION).

The control activities and processes relating to the generation of the information required for the preparation of the financial reports (annual and interim financial statements) are an integral part of the Bank's general control system for managing risks.

While noting that no internal control system can entirely eliminate the risks of error or fraud, but can only measure those risks and lessen the likelihood of occurrence and mitigate the effects, these features seek to provide a reasonable guarantee of the veracity, accuracy, reliability and timeliness of financial reporting.

The control system is based upon two primary guidelines:

- information is entered into the accounting system automatically, semi-automatically and manually by a large number of units within the bank, whose transactions are handled by different subsystems. The line control processes are therefore incorporated either into IT and management procedures for transactions or assigned to specially-formed units. Organizational procedures assign the duties of verifying the accounting records to the heads of the organizational units. Second-level controls are performed by the organizational unit responsible for managing the general accounts and preparing the annual and interim reports. Controls are performed daily, weekly or monthly depending upon the type of data processed and the frequency of transactions;
- the valuation components that have the greatest impact on the financial

statements are delegated to specialized structures. The data relating to the fair value of balance sheet items, in addition to those for hedging relationships and the related effectiveness tests, are supplied by specialized structures equipped with appropriate calculation tools. The data are then re-examined by the Risk Management unit and Administration unit of the Bank. Data concerning the classification and measurement of non-performing loans are provided by highly specialized, appropriately separated structures that operate on the basis of detailed procedures approved by the Board of Directors.

The annual and interim financial statements are reviewed by Reconta Ernst & Young, which also conducts the audit pursuant to Art. 14 of Legislative Decree 39/2010.
Regarding the "Transparency Directive", the Bank has chosen Luxembourg as its home Member State, since most of its securities have been issued on that country's exchange. For this reason, given that the relevant legislation does not require it, no Financial Reporting Officer (as provided for in the Consolidated Law on Financial Intermediation) has been appointed.

8. OUTLOOK

OUTLOOK FOR OPERATIONS

In order to assess the outlook for the operations of Iccrea Banca, reference should be made to the strategic guidelines issued by the Parent Company.

Under the strategic guidelines, the objectives of the Iccrea Banking Group for the period 2015-2017 has been established in order to support the mutual banks through the delivery of:

- specific products and services for the bank (payment systems, payment cards, finance, securities intermediation, etc.);
- specialized loan products (leasing, corporate finance products, international services, factoring, rental, debt collection, securitizations, non-performing loans);
- support financing products (ordinary credit, consumer credit, residential mortgages);
- financial and insurance products;
- administrative services.

The Plan's objectives envisage:

- focus on the mission of supporting the mutual banks in developing their markets by confirming the "reference" market represented by the mutual banks and by their "elective" customers both current and potential (expansion of the customer base in their own territories) and the search for greater penetration with existing customers;
- capital adequacy, monitoring of liquidity in line with the service role played by the Iccrea Banking Group, and joint management of risks;
- containment of costs by seeking out economies of scale, rationalization and simplification of the organizational and corporate structure.

Joint document by the Bank of Italy / Consob / Isvap no. 2 of June 6, 2009 and no. 4 of March 3, 2010

These financial statements have been prepared in accordance with the general principles established by IAS 1 "Presentation of financial statements". They therefore provide information on the assumption that the company is a going concern, allocating costs and revenues on an accruals basis, avoiding the offsetting of assets and liabilities and costs and revenues.

IAS 1, paragraph 24 requires that all factors and circumstances be considered that may be important in assessing compliance with going concern requirements. Certain indicators may be particularly significant in the current economic context.

To this end, we have considered the indicators in relation to the Bank and set out in section 8 of Document 570 "Going concern" issued by the Italian accounting profession, listed below:

Financial indicators:

- the entity is not insolvent or have negative net working capital;
- the entity does not have any fixed-term loans close to maturity with no likelihood of renewal or repayment;
- the entity is not excessively dependent on short-term loans to finance long-term activities;
- there are no indications of termination of financial support from lenders and other creditors;
- the entity has no historical or prospective financial statements showing negative cash flows;
- the main economic-financial indicators are not negative;
- there are no substantial operating losses or significant impairment of assets that generate cash flow;
- there has been no lack or interruption of dividends;
- the entity has the ability to repay debt at maturity;
- the entity has the ability to comply with the contractual clauses of loans;
- the entity has experienced a change in the form of payment demanded by suppliers from "on credit" to "payment on delivery";
- the entity has the ability to obtain financing to develop new products or make any further investments it requires.

Management indicators:

- the entity has not lost directors or key managers who cannot be replaced;
- the entity has not lost any fundamental markets, distribution contracts, concessions or key suppliers;
- the entity has not had any difficulties in maintaining staff levels or in obtaining a normal flow of supplies from important suppliers.

Other indicators

- the entity has not experienced a reduction in equity to below legal limits or non-compliance with other provisions of law;
- the entity has no legal and tax disputes under way which, if lost, could give rise to obligations to pay indemnities that the entity would be unable to discharge;
- there have not been any changes in legislation or government policy that could have an adverse impact on the entity.

The Bank therefore feels that it can reasonably expect to continue operating in the future. The directors have carefully assessed this aspect and therefore believe that they can confirm that the Bank is a going concern on the basis of the reasons given in the report on operations – the targets and policies for the assumption, management and hedging of risks.

9. MAIN RISKS AND UNCERTAINTIES

The risks and uncertainties to which the Bank is exposed are discussed in detail in the report on operations and in the explanatory notes.

More specifically, risks associated with developments in the world economy, the financial markets and the choices that supranational bodies and governments may take to counter the crisis are discussed in the introduction to the Report on Operations: the section on macroeconomic conditions and in the section on the outlook lay out the assumptions on which the assessments and the forecasts are based.

The risks associated with capital stability and business continuity are addressed in the introduction to the report on operations, while a more extensive discussion is found in Part F of the explanatory notes.

Disclosures on financial and operational risks are presented in detail in Part E of the notes.

PROPOSED ALLOCATION OF NET PROFIT

(Chap. 2, Paragraph 7, letter e), Bank of Italy Circular no. 262 of December 22, 2005)

Dear Shareholders,

We invite you to approve the financial statements for the year ended December 31, 2014, accompanied by the report on operations, as audited by Reconta Ernst & Young S.p.A..

Before moving onto the proposed allocation, we would like to specify that, in relation to the restricted reserve pursuant to Art. 6 of Legislative Decree 38/2005 at December 31, 2014, the amount of €2,854,916 was made available following a decrease or realisation of gains on financial assets designated as at fair value through profit or loss, reserved in previous years as unrealized capital gains. This reserve was also fully reversed on that date.

We therefore propose allocating the released restricted reserve to the extraordinary reserve.

We propose the following distribution of net profit for the period, which totals €47,692,915:

- €7,500,000 to the extraordinary reserve;
- €40,005,000 as dividends in the amount of €95.25 per share;
- €187,915 as remuneration of capital in the amount of €95.25 per share.

Rome, March 5, 2015

THE BOARD OF DIRECTORS

Board of Auditors' Report

Financial year January 1

December 31, 2014

Dear Shareholders,

During the year, the Board of Auditors monitored compliance with the law, the articles of association and the principles of sound administration.

The Board of Auditors attended all of the meetings of the Board of Directors, which were carried out in compliance with the provisions of law, the articles of association and all other regulations that govern its operation. On the basis of the information obtained, the resolutions and the transactions consequently implemented were compliant with the law and the company's articles of association and did not give rise to any potential conflicts of interest with the Company. They were not clearly imprudent or reckless, or in conflict with the resolutions taken by the Shareholders' Meeting or such as to jeopardize the financial integrity of the company.

In 2014, the Board of Auditors monitored the suitability of the Company's organizational structure. Direct checks were carried out for this purpose, and information was collected from the heads of the various company departments. With regards to the accounting and administrative system and its suitability to provide an accurate representation of operational events, the Board of Auditors collected the necessary information not only from company units but also from the audit firm, and thereby obtained confirmation of the overall adequacy of the systems in place, bearing in mind that the systems are undergoing constant improvement due to the growing disclosure needs.

More specifically, under the directives of the Parent Company, in pursuing the objective of integrating and standardizing the administrative and accounting information systems of the companies of the Iccrea Banking Group to the greatest extent possible, broad and challenging initiatives are at an advanced stage to develop those systems. The effectiveness of the solutions being implemented requires the achievement of a high level of integration among Group structures and adequate resources devoted to the projects.

The Board monitored the activities of Internal Audit, implemented by the Group Controls Department. Numerous initiatives were carried out, as summarized in the Report on Operations, in application of annual plans coordinated with the Compliance Department. They appear to be based on a careful assessment of the risks underlying the various business areas. The plans developed by the units involved to remedy the issues identified and implement the improvements indicated by the department are being pursued systematically, and any delays or postponements are reported to senior management and the Board of Directors, which are following the work of the Controls Department through a specially formed committee.

For the Compliance Department, The broad scope of the regulatory framework and the diversity of the activities of the Group makes the work of this department especially demanding. The reports provided by the Iccrea Banca Compliance Department on the basis of the activity carried out in 2014 underscore the significance and the incisiveness of the activities carried out during the year. The areas for improvement identified are being addressed by the units involved in the agreed programs. In 2014, major initiatives and investments were in the upgrading of applications and rules were completed, seeking to develop a reliable control environment in a market context characterized by rapid change and the constant evolution of the regulations that govern the activities of Iccrea Banca.

Risk Management activities are coordinated by the Chief Risk Officer, who heads Group Risk Management and reports to the Board of

Directors and the senior management of the Group companies on risk management issues. The reporting on credit, market and liquidity risks, while provided in a context of continuous reassessment and refinement of control models, appears adequate. The report on operations and the notes to the financial statements offer a qualitative and quantitative discussion of the measurement models adopted for the types of risk referred to above.
The department is also involved, on behalf of the entire Group, in the implementation of especially challenging projects to ensure the completion of processes and methods consistent with the new regulatory environment created with the inclusion of the Group among the leading European banking institutions subject to supervision by the European Central Bank.
In implementation of Group instructions, in 2014 the Bank developed a methodology for measuring operational risks integrated within an application that supports and documents risk analyses. The scale and characteristics of the various activities performed by Iccrea Banca require devoting a high degree of attention to operational risks, as underscored by recent regulatory developments.

The funding necessary for the entire Group is raised entirely by Iccrea Banca, acting on the basis of the directives and roles assigned by the Parent Company. In compliance with Group planning, Iccrea Banca is assigned qualitative and quantitative funding objectives that can support its sister companies in the pursuit of their lending targets. Intercompany interest rates are set and monitored by technical form through central offices coordinated by the Parent Company.
In 2014, a major reorganization of the Group's Information Technology operations was undertaken in order to achieve greater integration and rationalization of the organization and processes of the various IT units within the Group. In this context, Iccrea Banca retains its role as the manager of the technology infrastructure for the delivery of services to support the Group's business processes and oversees operational environments devoted to the payment system, e-money, institutional finance and security services, all of which are characterized by considerable complexity and impacted by global dynamics.
The definition of guidelines, policies and methodologies and processes for managing IT risk within the Group is now entrusted to a central department with the Parent Company, which is responsible for coordinating all IT risk activities.
The systematic evolution of risk monitoring and control mechanisms, sustained by the investment necessary and appropriate professional skills, is a necessary condition for the performance of this key function in the interest of the Group and the mutual banks.

The Board of Auditors also acted as the Supervisory Body pursuant to Legislative Decree 231/2001. The work performed in that role allowed us to confirm the overall appropriateness of the compliance model in handling the tasks assigned to it under the special rules governing the administrative liability of entities and the updating of the system to ensure compliance with legislative developments during the year.
The Board of Auditors received the draft financial statements for the year ended December 31, 2014 and the accompanying report on operations from the directors on March 5, 2015.
As the Board of Auditors is not responsible for the analysis of the details and substance of the financial statements, we examined, together with the Administration Department and the independent audit firm, their general layout and the compliance of their preparation and structure with the law and, in particular, with the instructions of the Bank of Italy.
The Board of Auditors verified that the financial statements correspond to the facts and information that we obtained during the

execution of our duties, as provided to us by the Board of Directors and the Company departments involved.
The report on operations, prepared by the Board of Directors, discusses the Bank's situation and developments in operations in 2014, the main results and activities of the various company units and the outlook for operations following the end of the year.
Intercompany transactions and related party transactions appear to have been carried out in the interests of the Bank within the scope of the role it plays within the Iccrea Group. The directors provided explanations and clarifications of the accounting details of those transactions.
The Board of Auditors has monitored the statutory auditing of the accounts through regular meetings with the managers of the firm engaged for this purpose, Reconta Ernst & Young S.p.A., who discussed the checks performed and the related findings, the audit strategy and the main issues that emerged as result of their activities.
The independent audit firm provided the Board of Auditors with the report envisaged under Article 19 of Legislative Decree 39/2010. This report does not indicate any significant deficiencies in the internal control system in relation to the financial reporting process.
The audit firm also issued the report referred to in Articles 14 and 16 of Legislative Decree 39 of January 27, 2010 for the separate financial statements at December 31, 2014. That report, which is unqualified, indicates that the separate financial statements of Iccrea Banca S.p.A. were prepared clearly and provide a true and fair representation of performance, the financial position, changes in shareholders' equity and cash flows for the year ended on December 31, 2014. The report also states that the report on operations is consistent with the financial statements at December 31, 2014.
Reconta Ernst & Young has also issued the certification required by Article 17 of Legislative Decree 39/2010 on the independence of the audit firm. Additional engagements awarded to Reconta Ernst & Young or to entities belonging to its network regarded:

- Support activity for gap analysis under IFRS 13 € 40,000.00
- Translation of the annual and intermediate financial statements € 18,000.00
- the Corep Liquidity project € 45,000.00
- Tax advisory € 7,000.00

In view of the foregoing and the results of the checks performed, the Board of Auditors recommends approval of the financial statements at December 31, 2014, acknowledging that the Board of Directors' proposal for the allocation of net profit does not violate the provisions of law or the Bank's articles of association.

Rome, March 31, 2015
THE BOARD OF STATUTORY AUDITORS

Financial statements

BALANCE SHEET

	ASSETS		31/12/2014		31/12/2013*
10.	Cash and cash equivalents		104,077,427		82,636,981
20.	Financial assets held for trading		471,050,238		440,380,268
30.	Financial assets at fair value through profit or		321,232,309		321,150,028
40.	Financial assets available for sale		4,145,823,436		3,449,427,737
50.	Financial assets held to maturity		3,536,798,878		3,755,290,236
60.	Due from banks		35,587,199,591		32,827,713,231
70.	Loans to customers		1,873,282,837		1,768,380,623
80.	Hedging derivatives		10,333,005		5,561,718
90.	Value adjustments of financial assets hedged generically (+/-)		170,821		(52,526)
100.	Equity investments		263,610,066		63,563,625
110.	Property and equipment		9,402,378		8,319,752
120.	Intangible assets		8,704,742		7,238,083
130.	Tax assets		1,966,852		8,228,870
	b) deferred	1,966,852		8,228,870	
	of which: Law 214/2011	1,966,852		3,222,785	
140.	Non-current assets and disposal groups held for sale		-		30,312,528
150.	Other assets		147,346,885		217,380,807
	TOTAL ASSETS		**46,480,999,465**		**42,985,531,961**

	LIABILITIES AND SHAREHOLDERS' EQUITY		31/12/2014		31/12/2013*
10.	Due to banks		29,295,429,430		21,391,951,590
20.	Due to customers		10,940,996,529		15,259,973,629
30.	Securities issued		4,397,338,880		4,287,398,324
40.	Financial liabilities held for trading		487,068,349		391,236,397
50.	Financial liabilities at fair value through profit or loss		462,100,203		763,418,207
60.	Hedging derivatives		77,039,326		75,166,938
80.	Tax liabilities		22,473,772		25,676,738
	a) current	267,561		5,293,563	
	b) deferred	22,206,211		20,383,175	
90.	Liabilities associated with assets held for sale		-		32,905,226
100.	Other liabilities		230,685,427		207,203,150
110.	Employee termination benefits		13,740,307		13,348,350
120.	Provisions for risks and charges:		6,303,841		6,579,065
	b) other provisions	6,303,841		6,579,065	
130.	Valuation reserves		96,291,993		92,041,880
	of which: in respect of assets held for sale	-		(8,293)	
160.	Reserves		186,925,293		181,691,465
180.	Share capital		216,913,200		216,913,200
200.	Net profit (loss) for the period (+/-)		47,692,915		40,027,802
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**46,480,999,465**		**42,985,531,961**

* Figures restated on a uniform basis to take account of the provisions of IAS 12 concerning the offsetting of deferred and current tax assets and liabilities in the financial statements.

INCOME STATEMENT

		31/12/2014		31/12/2013	
10.	Interest and similar income		389,489,720		467,003,273
20.	Interest and similar expense		(330,407,454)		(395,958,448)
30.	**Net interest income**		**59,082,266**		**71,044,825**
40.	Fee and commission income		372,707,358		348,628,332
50.	Fee and commission expense		(249,882,161)		(228,513,795)
60.	**Net fee and commission income (expense)**		**122,825,197**		**120,114,537**
70.	Dividends and similar income		535,934		160,335
80.	Net gain (loss) on trading activities		15,215,745		20,475,432
90.	Net gain (loss) on hedging activities		268,224		(4,233,580)
100.	Net gain (loss) on the disposal or repurchase		27,910,671		28,063,258
	a) loans	204,530		(148,988)	
	b) financial assets available for sale	36,566,152		31,124,451	
	d) financial liabilities	(8,860,011)		(2,912,205)	
110.	Net gain (loss) on financial assets and liabilities designated as at fair value		(2,941,352)		(17,796,152)
120.	**Gross income**		**222,896,685**		**217,828,655**
130.	Net losses/recoveries on impairment:		4,053,314		12,929,166
	a) loans	6,399,648		12,929,166	
	b) attività finanziarie disponibili per la vendita	**-**		**-**	
	d) other financial transactions	(2,346,334)		-	
140.	**Net income (loss) from financial operations**		**226,949,999**		**230,757,821**
150.	Administrative expenses:		(182,527,149)		(166,885,436)
	a) personnel expenses	(67,813,466)		(63,457,516)	
	b) other administrative expenses	(114,713,683)		(103,427,920)	
160.	Net provisions for risks and charges		(1,049,471)		(1,049)
170.	Net adjustments of property and equipment		(2,417,860)		(3,027,287)
180.	Net adjustments of intangible assets		(5,434,897)		(4,575,931)
190.	Other operating expenses/income		41,472,991		20,925,152
200.	**Operating expenses**		**(149,956,386)**		**(153,564,551)**
250.	**Profit (loss) before tax on continuing operations**		**76,993,613**		**77,193,270**
260.	Income tax expense from continuing		(29,300,698)		(37,142,420)
270.	**Profit (loss) after tax on continuing**		**47,692,915**		**40,050,850**
280.	Profit (loss) after tax of non-current assets held for sale		-		(23,048)
290.	**Net profit (loss) for the period**		**47,692,915**		**40,027,802**

STATEMENT OF COMPREHENSIVE INCOME

		31/12/2014	31/12/2013
10.	**Net profit (loss) for the period**	**47,692,915**	**40,027,802**
	Other comprehensive income net of taxes not recyclable to income statement		
40.	Defined-benefit plans	(359,000)	(148,560)
	Other comprehensive income net of taxes recyclable to income statement		
90.	Cash flow hedges	(815,205)	513,282
100.	Financial assets available for sale	5,424,318	23,608,485
130.	**Total other comprehensive income net of taxes**	**4,250,113**	**23,973,207**
140.	**Comprehensive income (Item 10+130)**	**51,943,028**	**64,001,009**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY 2014

				ALLOCATION OF NET PROFIT OF PREVIOUS PERIOD		CHANGES IN THE PERIOD								
							EQUITY TRANSACTIONS							
	AS AT 31/12/2013	CHANGE IN OPENING BALANCE	AS AT 1/1/2014	RESERVES	DIVIDENDS AND OTHER ALLOCATIONS I	CHANGE IN RESERVES	ISSUE OF NEW SHARES	PURCHASE OF TREASURY SHARES	EXTRAORDINARY DIVIDENDS	CHANGE IN EQUITY INSTRUMENTS	DERIVATIVES ON TREASURY SHARES	STOCK OPTIONS	COMPREHENSIVE INCOME FOR 2014	SHAREHOLDERS' EQUITY AS AT 31/12/2014
Share capital:														
a) ordinary shares	216,913,200		216,913,200	-			-	-						216,913,200
b) other shares	-		-	-			-	-						-
Share premium reserve	-		-	-			-							-
Reserves:														
a) earnings	99,922,929	-	99,922,929	5,000,000		-	-	-	-					104,922,929
b) other	81,768,536	-	81,768,536	-		233,828	-		-		-	-		82,002,364
Valuation reserves	92,041,880	-	92,041,880			-							4,250,113	96,291,993
Equity instruments	-		-							-				-
Treasury shares	-		-				-	-						-
Net profit (loss) for the year	**40,027,802**	**-**	**40,027,802**	**(5,000,000)**	**(35,027,802)**								**47,692,915**	**47,692,915**
Total shareholders' equity	**530,674,347**	**-**	**530,674,347**		**(35,027,802)**	**233,828**	**-**	**-**	**-**	**-**	**-**	**-**	**51,943,028**	**547,823,401**

"Reserves: other" reports the goodwill in the transfer of the Corporate business area (2007), the payment made on capital account by the Parent Company, Iccrea Holding, the merger of BCC Multimedia and the transfer of properties to Immicra s.r.l. (now BCC Beni Immobili s.r.l.) and the transfer of the "Branch Services" business unit to Banca Sviluppo.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY 2013

				ALLOCATION OF NET PROFIT OF PREVIOUS PERIOD		CHANGES IN THE PERIOD								
							EQUITY TRANSACTIONS							
	AS AT 31/12/2012	CHANGE IN OPENING BALANCE	AS AT 1/1/2013	RESERVES	DIVIDENDS AND OTHER ALLOCATIONS	CHANGE IN RESERVES	ISSUE OF NEW SHARES	PURCHASE OF TREASURY SHARES	EXTRAORDINARY DIVIDENDS	CHANGE IN EQUITY INSTRUMENTS	DERIVATIVES ON TREASURY SHARES	STOCK OPTIONS	COMPREHENSIVE INCOME FOR 2013	SHAREHOLDERS' EQUITY AS AT 31/12/2013
Share capital:														
a) ordinary shares	216,913,200		216,913,200	-			-	-						216,913,200
b) other shares	-		-	-			-	-						-
Share premium reserve	-		-	-			-							-
Reserves:														
a) earnings	86,922,929	-	86,922,929	13,000,000		-	-	-	-					99,922,929
b) other	81,606,839	-	81,606,839	-		161,697	-		-		-	-		81,768,536
Valuation reserves	68,068,673	-	68,068,673			-							23,973,207	92,041,880
Equity instruments	-		-							-				-
Treasury shares	-		-				-	-						-
Net profit (loss) for the year	**48,376,340**	**-**	**48,376,340**	**(13,000,000)**	**(35,376,340)**								**40,027,802**	**40,027,802**
Total shareholders' equity	**501,887,981**	**-**	**501,887,981**		**(35,376,340)**	**161,697**	**-**	**-**	**-**	**-**	**-**	**-**	**64,001,009**	**530,674,347**

"Reserves: other" reports the goodwill in the transfer of the Corporate business area (2007), the payment made on capital account by the Parent Company, Iccrea Holding, the merger of BCC Multimedia and the transfer of properties to Immicra s.r.l. (now BCC Beni Immobili s.r.l.).

STATEMENT OF CASHFLOWS (INDIRECT METHOD)

	31/12/2014	31/12/2013
A. OPERATING ACTIVITIES		
1. Operations	**172,184,216**	**178.294.985**
- net profit (loss) for the period (+/-)	47,692,915	40,027,802
- gains (losses) on financial assets held for trading and on financial assets/liabilities at fair value through profit or loss(-/+)	9,475,713	24,980,259
- gains (losses) on hedging activities (-/+)	(268,224)	4,233,580
- net losses/recoveries on impairment (+/-)	3,944,752	1,125,273
- net adjustments of property and equipment and intangible assets(+/-)	7,852,757	7,453,809
- net provisions for risks and charges and other costs/revenues	2,058,517	730,806
- taxes and duties to be settled	23,422,600	(659,769)
- net adjustments of disposal groups held for sale net of tax effects	-	-
- other adjustments	78,005,187	100,403,225
2. Net cash flows from/used in financial assets	**(3,527,289,717)**	**(6,132,686,027)**
- financial assets held for trading	(32,787,906)	285,286,044
- financial assets at fair value through profit or loss	(110,509)	4,518,196
- financial assets available for sale	(666,701,449)	(460,196,070)
- due from banks: repayable on demand	291,947,356	241,416,867
- due from banks: other	(3,079,176,675)	(6,032,207,143)
- loans to customers	(105,071,495)	(105,239,312)
- other assets	64,610,961	(66,264,609)
3. Net cash flows from/used in financial liabilities	**3,410,797,137**	**6,748,837,675**
- due to banks: repayable on demand	53,666,242	(4,743,905,716)
- due to banks: other	7,844,117,764	4,919,950,590
- due to customers	(4,337,584,972)	5,997,953,925
- securities issued	88,086,020	925,696,522
- financial liabilities held for trading	95,424,302	(249,211,099)
- financial liabilities at fair value through profit or loss	(306,738,273)	(4,660,142)
- other liabilities	(26,173,946)	(96,986,405)
Net cash flows from/used in operating activities (A)	**55,691,636**	**794,446,633**
B. INVESTING ACTIVITIES		
1. Cash flow from	**1,900,920,480**	**1,165,324,493**
- sales of equity investments	-	-
- dividends on equity investments	-	-
- sales of financial assets held to maturity	1,900,386,000	1,153,819,400
- sales of property and equipment	525,480	11,505,093
- sales of intangible assets	-	-
- sales of subsidiaries and business units	9,000	-
2. Cash flow used in	**(1,900,377,697)**	**(1,952,573,838)**
- purchases of equity investments	(200,055,441)	(12,300,875)
- purchases of financial assets held to maturity	(1,689,394,733)	(1,931,531,756)
- purchases of property and equipment	(4,025,966)	(2,683,384)
- purchases of intangible assets	(6,901,557)	(6,057,823)
- purchases of subsidiaries and business units	-	-
Net cash flow from/used in investing activities (B)	**542,783**	**(787,249,345)**
C. FINANCING ACTIVITIES		
- issues/purchases of own shares	-	-
- issues/purchases of equity instruments	233,828	161,697
- dividend distribution and other	(35,027,802)	(35,376,340)
Net cash flow from/used in financing activities C(+/-)	**(34,793,974)**	**(35,214,643)**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (D)=A+/-B+/-C	**21.440.446**	**(28,017,355)**

RECONCILIATION

	31/12/2014	31/12/2013
Cash and cash equivalents at beginning of period (E)	82,636,981	110,654,336
Net increase/decrease in cash and cash equivalents (D)	21,440,446	(28,017,355)
Cash and cash equivalents: net foreign exchange difference (F)	-	-
Cash and cash equivalents at end of period (G)=E+/-D+/-F	104,077,427	82,636,981

Notes to the financial statements

CONTENTS

PART - A

Accounting policies

PART A – ACCOUNTING POLICIES

A.1 – GENERAL INFORMATION

This section sets out the accounting policies adopted in preparing the financial statements at December 31, 2014. The presentation of the accounting policies – which are agreed at the Group level - is broken down into the stages of classification, recognition, measurement and derecognition for the various asset and liability items. A description of the impact on profit or loss, where material, is provided for each stage.

Section 1: Declaration of conformity with the International Accounting Standards

In compliance with the provisions of Legislative Decree 38 of February 28, 2005, the financial statements of Iccrea Banca have been prepared in accordance with the accounting standards issued by the International Accounting Standards Board (IASB), and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC), endorsed by the European Commission as established by Regulation (EC) no. 1606 of July 19, 2002, as amended.

The financial statements at December 31, 2014 have been prepared using the main tables set out in Circular no. 262 of December 22, 2005 on the format and rules for preparation of bank financial statements – 3rd update of December 22, 2014 – issued by the Bank of Italy in the exercise of the powers established by Article 9 of Legislative Decree 38/2005.

These instructions contain binding formats for the financial statements and the procedures for completing the schedules, as well as the content of the notes to the financial statements.

The IASs/IFRSs applied in preparing the financial statements were those in force at December 31, 2014 as endorsed by the European Commission (including the interpretations issued by the SIC and the IFRIC).

The following table sets out the new international accounting standards and amendments to existing accounting standards, with the related endorsement regulations of the European Commission, that took effect as from January 1, 2014:

ENDORSEMENT REGULATION	IAS/IFRS AND SHORT DESCRIPTION
1254/2012	**IFRS 10 Consolidated financial statements** - The new standard establishes the criteria for the preparation and presentation of the consolidated financial statements. It defines new concepts of control, replacing those set out in IAS 27 and SIC 12
1254/2012	**IFRS 11 Joint arrangements** - Establishes principles for the accounting treatment of joint arrangements, replacing IAS 31 and SIC 13
1254/2012	**IFRS 12 Disclosure of interests in other entities** - The standard establishes the disclosures that must be provided concerning equity investments and, among others, SPVs ("structured entities"). The objective is to provide disclosures on the nature of the risks associated with interests in other entities and the impact on the financial position, performance and cash flows
1254/2012	**IAS 27 Separate financial statements** - As a consequence of the introduction of IFRS 10 and IFRS 12, the standard limits its scope to defining criteria for the treatment in the separate financial statements of subsidiaries, associates and joint ventures
1254/2012	**IAS 28 Investments in associates and joint ventures** - As a consequence of the introduction of IFRS 11 and IFRS 12 the standard was renamed "Investments in associates and joint ventures", setting out the accounting treatment of such entities
1256/2012	**IAS 32 Financial instruments: Presentation** - Amendments of IAS 32 - Offsetting financial assets and financial liabilities: they establish procedures and criteria for offsetting financial assets and liabilities and their presentation in the financial statements
313/2013	**IFRS 10 Consolidated financial statements - IFRS 11 Joint arrangements - IFRS 12 Disclosures of interests in other entities –** On June 28, 2012, the IASB published amendments to these standards on the basis of the proposals set out in Exposure Draft 2011/7 - Transition Guidance of December 2011. The objective is to clarify the transitional provisions governing the application of IFRS 10 and to limit the requirement for comparative disclosures under IFRS 10, IFRS 11 and IFRS 12 to only the previous comparative year
1174/2013	**IFRS 10 Consolidated financial statements** In October 2012, the IASB approved a number of amendments of IFRS 10, IFRS 12 and IAS 27. For IFRS 10 in particular, the amendments regarded the introduction of a definition of "investment entity" and the establishment of a requirement for investment entities to measure subsidiaries at fair value through profit or loss rather than consolidating them, with a view to better reflecting their business model.
1174/2013	**IFRS 12 Disclosure of interests in other entities.** The amendments regard the obligation to disclose specific information on the subsidiaries of the investment entities referred to above.
1174/2013	**IAS 27 Separate financial statements** The amendments regard the elimination of the option for investment entities to choose between measurement of investments in certain subsidiaries at cost or at fair value in their separate financial statements.
1374/2013	**IAS 36 Impairment of assets** The amendments seek to clarify that the disclosures to be provided concerning the recoverable value of assets when that value is based on fair value less costs of disposal only regard assets whose value is impaired.
1375/2013	**IAS 39 Financial instruments: recognition and measurement** The amendments are intended to govern situations in which a derivative designated as a hedging instrument is involved in novation with a central counterparty as a result of the introduction of a new law or regulation. Hedge accounting may continue despite the novation, a treatment that would not have been permitted without the amendment.

The following table reports new international accounting standards and amendments to existing standards that have not yet entered force:

ENDORSEMENT REGULATION	IAS/IFRS AND SHORT DESCRIPTION	ENTRY INTO FORCE
To be determined	**IFRS 9 Financial instruments–** The standard will establish criteria for the classification and measurement of financial assets and liabilities, replacing IAS 39, with a view to improving the materiality and utility of the disclosures. The IASB completed the revision of IFRS 9 in July 2014. The new standard establishes, first and foremost, an approach for the classification and measurement of financial assets based on the characteristics of the cash flows and the business model under which the assets are held. It also introduces a single, forward-looking model of impairment that requires recognition of expected losses over the entire life of a financial instrument. Finally, hedge accounting was modified. The European Financial Reporting Advisory Group (EFRAG) updated its "EU endorsement status report", inserting IFRS 9 in the agenda, without, however, specifying an expected endorsement date. The standard approved by the IASB will enter force on January 1, 2018, with early adoption possible.	January 1, 2018
634/2014	**IAS 37 Provisions, contingent liabilities and contingent assets -** The regulation adopts IFRIC 21 Levies, which discusses the recognition of a liability in respect of payment of a levy in the case in which that liability is accounted for in accordance with IAS 37, as well as the recognition of a liability whose timing and amount are uncertain.	Annual reporting periods beginning on or after June 17, 2014
28/2015	**Annual improvements to IFRSs 2010-2012 cycle** The amendments of IFRS 8 and IAS 16, 24 and 38 are clarifications or corrections to those standards. The amendments of IFRS 2 and 3 involve changes in current provisions or provide additional guidance.	Annual reporting periods beginning on or after February 1, 2015.
29/2015	**IAS 19 – Defined benefit plans: employee contributions** The amendments seek to simplify and clarify the accounting treatment of contributions by employees or third parties connected with defined benefit plans.	Annual reporting periods beginning on or after February 1, 2015.
1361/2014	**Annual improvements to IFRSs 2011-2013 cycle** The amendments of IFRS 3 and 13 are clarifications or corrections to those standards. The amendments of IAS 40 involve changes in current provisions or provide additional guidance for their application.	Annual reporting periods beginning on or after February 1, 2015.

Analytical work is under way to quantify the impact on information systems and the impact on performance and financial position of the application of IFRS 9. The other standards do not affect the Bank's financial position and performance.

Section 2: General preparation principles

The financial statements consist of the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows, and the explanatory notes to the financial statements, along with the report on operations and the performance and financial position of Iccrea Banca. In compliance with Article 5 of Legislative Decree 38/2005, the financial statements use the euro as the reporting currency.

The financial statements are expressed in euros, while unless otherwise specified the figures in the notes to the financial statements and the report on operations are expressed in thousands of euros.

The financial statements were prepared by applying the general principles set out in IAS 1 and the specific accounting policies endorsed by the European Commission and described in Part A.2 of the notes to the financial statements, as well as the general Framework for the Preparation and Presentation of Financial Statements issued by the IASB. No exceptions have been made in applying the IASs/IFRSs.

The financial statements and the accompanying notes set out the figures for the present period as well as comparative figures at December 31, 2013.

The financial statements and the accompanying notes have been prepared in accordance with Bank of Italy Circular no. 262/2005, as updated to incorporate changes that have been made to the IASs/IFRSs and to improve a number of the tables in the notes in order to better reflect the harmonized European supervisory disclosure schedules.

RISKS AND UNCERTAINTIES ASSOCIATED WITH THE USE OF ESTIMATES

In conformity with the IFRS, management is requires to formulate assessments, estimates and assumptions that impact the application of accounting standards and the values of the assets, liabilities, costs and revenues recognized in the financial statements. The estimates and the associated assumptions are based on prior experience and other factors considered reasonable in the circumstances. They have been adopted in order to estimate the carrying amount of assets and liabilities whose value cannot easily be determined on the basis of other information.

Estimation processes were used to support the value of some of the largest items recognized in the financial statements at December 31, 2014, as provided for by the accounting standards and applicable legislation referred to earlier.

These processes are largely based on the estimation of the future recoverability of the carrying amounts in accordance with the rules established by applicable regulations. They were performed on the basis of consideration of the Bank as a going concern, i.e. excluding the possibility of the forced liquidation of the items being measured.

The estimation process supported the carrying amounts recognized at December 31, 2014. The valuation exercise proved to be especially complex in view of the persistent adverse macroeconomic and market conditions, characterized by volatility in key financial parameters used in the valuation and by the deterioration of credit quality.

The parameters and the other information used in verifying the carrying amounts were therefore substantially impacted by those factors, which could undergo rapid changes that cannot currently been foreseen, making it impossible to rule out consequent effects of the future values of those items.

The estimates and assumptions are reviewed regularly. Any changes made as a result of such reviews are recognized in the period in which the review was conducted where such review involved only that period. Where the review affects both current and future periods, any changes are recognized in the period in which the review was conducted and in the related future periods.

CONTENT OF THE FINANCIAL STATEMENTS

BALANCE SHEET AND INCOME STATEMENT

The balance sheet and the income statement contain items, sub-items and further information (the “of which” for items and sub-items). In accordance with Bank of Italy Circular no. 262 of 22 December 2005 – 3rd update of December 22, 2014 - items without values for the reference period and the previous period are not included. In the income statement and in the relevant sections of the notes to the financial statements, revenues are shown without indicating their sign, while cost figures are shown within parentheses.

STATEMENT OF COMPREHENSIVE INCOME

The statement of comprehensive income is presented in accordance with the format prescribed by Bank of Italy Circular no. 262/2005 – 3rd update of December 22, 2014. In the items of other comprehensive income, the statement reports changes in the value of assets recognized in the valuation reserves. Items which have zero balances for the year and for the previous year are not reported. Negative amounts are presented between parentheses.

STATEMENT OF CHANGES IN EQUITY

The statement of changes in equity is presented in accordance with the format prescribed by Bank of Italy Circular no. 262/2005 – 3rd update of December 22, 2014. The statement of changes in equity shows the composition and movements of equity accounts during the reference period and the previous period, broken down by share capital (ordinary and other shares), capital reserves, earning reserves, valuation reserves for assets or liabilities and the net profit (loss) for the period.

STATEMENT OF CASH FLOWS

The statements of cash flows for the present and the previous period were prepared using the indirect method, under which cash flows from operating activities are represented by the profit (loss) for the period, adjusted for the impact of non-monetary transactions. Cash flows are broken down into cash flows from/used in operating activities, investing activities and financing activities. Cash flows generated during the period are shown without a sign, while those used are shown within parentheses.

NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements, include the information required by Bank of Italy Circular no. 262/2005 – 3rd update of December 22, 2014 - and other information required by international accounting standards. To provide as accurate a picture as possible, the titles of sections pertaining to items for which no figures have been reported for either the present period or the previous period are also included.

Section 3: Events subsequent to the reporting date

As required under IAS 10, we report that no event occurred subsequent to the reporting date that would have materially altered the figures reported in the financial statements.

For information on events that occurred subsequent to the end of the period, please see the report on operations.

Section 4: Other information

CONSOLIDATED TAX MECHANISM OPTION

Starting in 2004, Iccrea Holding and all the Group companies adopted the "consolidated tax mechanism", governed by Articles 117-129 of the Uniform Income Tax Code ("TUIR"), introduced with Legislative Decree 344/2003. It consists of an optional tax regime under which total net income or the tax losses of each subsidiary taking part in the tax consolidation –along with withholdings, deductions and tax credits – are transferred to the parent company. Only one taxable income or tax loss that can be carried forward (the algebraic sum of the parent company's and its participating subsidiaries' income/losses resulting in a single tax payable/receivable) is calculated and attributed to the parent company.

Under this option, the Group companies that participate in the consolidated tax mechanism calculate their tax liabilities and the corresponding taxable income, which is transferred to the parent company. If one or more subsidiaries reports negative taxable income, the tax losses are transferred to the parent company when there is consolidated income for the period or a high probability of future taxable income.

OTHER ISSUES

The financial statements have been audited by Reconta Ernst & Young S.p.A., which was engaged to perform statutory audit functions for the 2010-2018 period in implementation of the resolution of the Shareholders' Meeting of April 22, 2010.

A.2 – THE MAIN ITEMS OF THE FINANCIAL STATEMENTS

This section sets out the accounting policies adopted in preparing the financial statements. The presentation of these accounting policies is broken down into stages – classification, recognition, measurement and derecognition - for the various asset and liability items. A description of the impact on profit or loss, where material, is provided for each stage.

During 2008, as envisaged under Regulation (EC) no. 1004/2008 approved by the European Commission on October 15, 2008 containing amendments to IAS 39 and IFRS 7 on the reclassification of financial assets, Iccrea Banca availed itself of the option to reclassify to the "available-for-sale" category financial instruments initially recognized among "financial assets held for trading". The impact on performance and the financial position for the current period of that previous reclassification are reported in the individual sections of the explanatory notes.

1 – Financial assets held for trading

CLASSIFICATION

This category includes financial assets, regardless of their technical form, held for short-term trading purposes. It includes derivatives with a positive value, including those resulting from the separation of embedded derivatives, that are not deemed to be effective for hedging purposes.

Reclassification to other categories of financial asset is not permitted except in the event of unusual circumstances that are unlikely to recur in the short term.

In these cases, debt and equity securities no longer held for trading may be reclassified to other categories envisaged by IAS 39 where the requirements for such recognition have been met (financial assets held to maturity, financial assets available for sale, loans and receivables). The transfer value is given by the fair value at the time of the reclassification. The presence of any embedded derivatives to be separated is assessed at the time of the reclassification.

RECOGNITION

DEBT AND EQUITY SECURITIES ARE INITIALLY RECOGNIZED AT THE SETTLEMENT DATE, WHILE DERIVATIVE CONTRACTS ARE RECOGNIZED AT THE TRADING DATE. FINANCIAL ASSETS HELD FOR TRADING ARE INITIALLY RECOGNIZED AT FAIR VALUE, WHICH IS USUALLY THE AMOUNT PAID OR RECEIVED. WHERE THE PRICE IS DIFFERENT FROM THE FAIR VALUE, THE FINANCIAL ASSET IS RECOGNIZED AT ITS FAIR VALUE AND THE DIFFERENCE BETWEEN THE TWO AMOUNTS IS RECOGNIZED THROUGH PROFIT OR LOSS.

DERIVATIVE CONTRACTS EMBEDDED IN OTHER FINANCIAL INSTRUMENTS OR CONTRACTS THAT HAVE FINANCIAL AND RISK CHARACTERISTICS THAT ARE NOT CORRELATED WITH THE HOST INSTRUMENT OR WHICH MEET THE REQUIREMENTS TO BE CLASSIFIED INDEPENDENTLY AS DERIVATIVE CONTRACTS ARE RECOGNIZED SEPARATELY AMONG FINANCIAL ASSETS HELD FOR TRADING, EXCEPT IN CASES WHERE THE COMPOUND HOST INSTRUMENT IS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS. AFTER SEPARATING THE EMBEDDED DERIVATIVE, THE HOST CONTRACT IS THEN TREATED IN ACCORDANCE WITH THE ACCOUNTING RULES FOR ITS CATEGORY.

MEASUREMENT

Financial assets held for trading are measured at fair value following initial recognition. The effects of the application of this treatment are recognized through profit or loss. For financial instruments listed on active markets, the fair value of financial assets or liabilities is determined on the basis of the official prices observed at the balance sheet date. For financial instruments, including equity securities, that are not listed on active markets, fair value is determined using valuation techniques and market information, such as the price of listed instruments with similar features, calculation of discounted cash flows, option pricing models and prices registered in recent similar transactions.

For equity securities, units in collective investment undertakings and derivative instruments with equities as underlyings not listed on an active market, if the fair value obtained using such valuation techniques cannot be reliably determined, the financial instruments are measured at cost.

DERECOGNITION

Financial assets held for trading are derecognized when the contractual rights to the cash flows expire, or a disposal transfers all the risks and rewards connected with ownership to a third party. Conversely, when a prevalent share of the risks and rewards associated with ownership of the financial asset are retained, the asset continues to be recognized even if legal title has *been transferred.*

Where it is not possible to ascertain whether substantially all the risks and rewards of ownership have been transferred, financial assets are derecognized when no form of control over the instrument has been retained. Conversely, if the Bank retains even a portion of control, the asset continues to be recognized to the extent of the continuing involvement, measured by exposure to changes in the value of the assets transferred and to changes in the related cash flows.

Finally, financial assets sold are derecognized in the event in which the contractual rights to receive the related cash flows are retained with the simultaneous assumption of an obligation to pay such flows, and only such flows, to third parties.

RECOGNITION OF INCOME COMPONENTS

The results of the measurement of financial assets held for trading are recognized through profit or loss. Dividends from equity instruments held for trading are recognized in the income statement when the right to receive payment accrues.

2 – Financial assets available for sale

CLASSIFICATION

This category includes financial assets, other than derivatives, that are not classified in the balance sheet as “financial assets held for trading”, “financial assets at fair value through profit or loss”, “financial assets held to maturity”, “due from banks” or “loans to customers”.

Specifically, the item includes: shareholdings not held for trading and not qualifying as a subsidiary, associate or joint venture, units in investment funds that are unlisted or listed but traded infrequently, specific bonds, identified on a case-by-case basis with respect to the purpose for which they are purchased/held.

In cases permitted by the applicable accounting standards, financial assets available for sale may only be reclassified to “financial assets held to maturity” except in the event of unusual circumstances that are unlikely to recur in the short term. Debt securities may be reclassified to other categories envisaged by IAS 39 (financial assets held to maturity, loans and receivables) where the requirements for such recognition have been met.

The transfer value is given by the fair value at the time of the reclassification.

RECOGNITION

Available-for-sale financial assets are initially recognized at the settlement date for debt or equity securities and at the disbursement date for loans and receivables. Financial assets are initially recognized at fair value, which is generally the amount paid or received. Where the price is different from the fair value, the financial asset is recognized at its fair value and the difference between the two amounts is recognized through profit or loss. The initial recognition value includes direct transaction costs or revenues determinable at the recognition date, even if settled at a later time.

Where, in the cases permitted by the applicable accounting standards, the assets are recognized following reclassification from financial assets held to maturity or, in the event of unusual circumstances, from financial assets held for trading, the value at which they are recognized shall be their fair value at the time of the transfer.

MEASUREMENT

Following initial recognition, financial assets available for sale are measured at fair value, with the value corresponding to the amortized cost recognized in the income statement. Gains and losses from changes in the fair value are recognized in a special equity reserve until the asset is derecognized or they incur an impairment loss. Upon disposal or the recognition of an impairment loss, the cumulative gain or loss recognized in the equity reserve is reversed to the income statement.

Fair value is determined using the criteria adopted for financial assets held for trading.

Equity securities included in this category, the units of collective investment undertakings and derivatives on equity securities whose fair value cannot be determined reliably (they are not quoted on an active market) are carried at cost.

Available-for-sale financial assets are subject to impairment testing to determine whether there is objective evidence of impairment.

Where impairment is found, the amount of this loss is measured as the difference between the carrying amount and the fair value.

Where the reasons for the impairment should cease to obtain subsequent to the recognition of the impairment loss, writebacks are recognized in the income statement for loans or debt securities and in an equity reserve in the case of equity instruments. The value of the asset after the writeback shall not in any event exceed the amortized cost that the instrument would have had in the absence of the prior writedown.

DERECOGNITION

Available-for-sale financial assets are derecognized when the contractual rights to the cash flows expire or a disposal transfers all the risks and rewards connected with ownership to a third party. Conversely, when a prevalent share of the risks and rewards associated with ownership of the financial asset are retained, the asset continues to be recognized even if legal title has been transferred.

Where it is not possible to ascertain whether substantially all the risks and rewards of ownership have been transferred, financial assets are derecognized when no form of control over the instrument has been retained. Conversely, if the Bank retains even a portion of control, the asset continues to be recognized to the extent of the continuing involvement, measured by exposure to changes in the value of the assets transferred and to changes in the related cash flows.

Finally, financial assets sold are derecognized in the event in which the contractual rights to receive the related cash flows are retained with the simultaneous assumption of an obligation to pay such flows, and only such flows, to other third parties.

RECOGNITION OF INCOME COMPONENTS

Gains and losses from changes in the fair value are recognized in a special equity reserve until the asset is derecognized. The value corresponding to the amortized cost of available-for-sale financial assets is recognized through profit or loss.

Available-for-sale financial assets are subject to impairment testing to determine whether there is objective evidence of impairment. Where impairment is found, the cumulative loss directly recognized in equity is reversed to the income statement. The amount of this loss is measured as the difference between the purchase cost (net of any amortization and repayments of principal) and the fair value, less any impairment loss previously recognized in the income statement. Where the reasons for the impairment should cease to obtain subsequent to the recognition of the impairment loss, writebacks are recognized in the income statement for loans or debt securities and in an equity reserve in the case of equity instruments. The value of the asset after the writeback shall not in any event exceed the amortized cost that the instrument would have had in the absence of the prior writedown.

In addition to the recognition of impairment losses, the cumulative gains or losses in the equity reserve are, as mentioned above, recognized in the income statement (under item 100 "Net gain (loss) on the disposal or repurchase of financial assets available for sale") at the time of the sale of the asset. Dividends in respect of equity instruments available for sale are recognized through profit or loss when the right to receive payment accrues.

3 – Financial assets held to maturity

CLASSIFICATION

This category comprises listed debt instruments with fixed or determinable payments and a fixed maturity for which the Bank has the positive intention and ability to hold until maturity.

In the circumstances permitted by the applicable accounting standards, such assets may only be reclassified as financial assets available for sale. If more than an insignificant amount of such instruments should be sold or reclassified during the year before their maturity, the remaining financial assets held to maturity would be reclassified as financial assets available for sale and it would not be permitted to classify instruments in this category for the subsequent two years, unless the sales or reclassifications:

– are so close to maturity or the financial asset's call date that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;

– occur after the entity has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or

– are attributable to an isolated event that is beyond the entity's control, is non-recurring and could not have been reasonably anticipated by the entity.

RECOGNITION

Financial assets held to maturity are recognized at the settlement date.

Such financial assets are initially recognized at fair value, including any directly attributable costs and income.

If the financial assets are recognized in this category as a result of reclassification from financial assets available for sale or, in the case of unusual events, from financial assets held for trading, the fair value of the assets at the reclassification date is deemed to be the new amortized cost of the assets.

MEASUREMENT

Subsequent to initial recognition, financial assets held to maturity are measured at amortized cost, using the effective interest rate method.

Gains or losses in respect of financial assets held to maturity are recognized through profit or loss at the time the assets are derecognized or impaired and through the amortization of the difference between the carrying amount and the amount repayable at maturity.

Assets held to maturity are evaluated for objective evidence of impairment.

If such evidence is found, the amount of the loss is measured as the difference between the carrying amount of the assets and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the loss is recognized in profit or loss.

If the reasons for the impairment loss should no longer obtain following an event occurring after the impairment was recognized, the impairment loss is reversed through profit or loss. The reversal shall not result in a carrying amount that exceeds what the amortized cost would have been in the absence of the previously recognized impairment losses.

DERECOGNITION

The financial assets are derecognized only when a disposal transfers substantially all the risks and rewards connected with ownership to a third party. Conversely, when a prevalent share of the risks and rewards associated with ownership of the financial asset are retained, the assets continue to be recognized even if legal title has been transferred.

Where it is not possible to ascertain whether substantially all the risks and rewards of ownership have been transferred, financial assets are derecognized when no form of control over the instrument has been retained. Conversely, if the Bank retains even a portion of control, the asset continues to be recognized to the extent of the continuing involvement, measured by exposure to changes in the value of the assets transferred and to changes in the related cash flows.

Finally, financial assets sold are derecognized in the event in which the contractual rights to receive the related cash flows are retained with the simultaneous assumption of an obligation to pay such flows, and only such flows, to other third parties.

RECOGNITION OF INCOME COMPONENTS

Gains or losses in respect of assets held to maturity are recognized through profit or loss at the time the assets are derecognized or they incur an impairment loss, as well as through the process of amortization of the difference between the carrying amount and the amount repayable at maturity.

4 – Loans and receivables

CLASSIFICATION

Amounts "due from banks" and "loans to customers" include loans, whether disbursed directly or acquired from third parties, with fixed or determinable payments, that are not listed on an active market and that are not classified as: "Financial assets held for trading"; "Financial assets at fair value through profit or loss"; or "Financial assets available for sale". This category includes any securities with characteristics similar to loans and receivables. It also includes operating loans and repurchase transactions. Reclassification to the other categories of financial assets envisaged by IAS 39 is not permitted.

RECOGNITION

Loans and receivables are initially recognized in the balance sheet at the disbursement date or, in the case of debt securities, at the settlement date. The initial amount recognized is equal to the amount disbursed or subscription price, including costs and revenues directly attributable to the transaction and determinable from the inception of the transaction, even if settled at a later time. The initially recognized amount does not include costs to be reimbursed by the debtor or that can be characterized as normal administrative overhead costs. The initial recognition amount of loans disbursed at non-market conditions is equal to the fair value of the loans, determined using valuation techniques. The difference between the fair value and the amount disbursed or the subscription price is recognized through profit or loss.

Securities repurchase transactions are recognized as funding or lending transactions. Transactions involving a spot sale and a forward repurchase are recognized as payables in the amount received spot, while those involving a spot purchase and a forward sale are recognized as receivables in the amount paid spot. Transactions with banks through correspondent accounts are recognized at the time of settlement and, therefore, these accounts are adjusted for all non-liquid items regarding bills and documents received or sent registered as 'subject to collection' or after actual collection.

Where, in the event of unusual circumstances, the assets are recognized in this category following reclassification form financial assets available for sale or from financial assets held for trading, the fair value of the assets at the date of reclassification shall be deemed to be the new amortized cost of the assets.

MEASUREMENT

Following initial recognition, loans are measured at amortized cost. The amortized cost equals the amount at which a financial asset is measured at initial recognition decreased by principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount, minus any reduction (directly or through the use of a provision) due to impairment or non-recoverability.

Amortized cost is not used for very-short-term loans, loans without a specified maturity or revocable loans, for which the impact of this method can be considered not material. These positions are measured at cost.

The loan portfolio undergoes testing for impairment periodically and in any event at the close of each reporting period. Impaired positions include bad debts, substandard loans, restructured loans or loans past due or overlimit, in accordance with the Bank of Italy's current rules, in line with the provisions of the IAS/IFRS. Impairment loss is recognized only when, subsequent to initial recognition, events have occurred that give rise to objective evidence of impairment such as to cause a change in the reliably estimated cash flows.

Loans for which there is objective evidence of impairment are measured individually. The amount of the loss is the difference between the asset's carrying amount and the present value of expected future cash flows, calculated by applying the original effective interest rate.

Measurement takes account of the "maximum recoverable" amount, which corresponds to the greatest estimate of expected future cash flows in respect of principal and interest payments. Also taken into consideration is the realizable value of any guarantees excluding recovery costs, recovery times estimated based on contractual maturities, if any, and on reasonable estimates in the absence of contractual provisions, and the discount rate, which is the original effective interest rate. For impaired positions at the transition date, where determining this figure would be excessively burdensome, the Bank has adopted reasonable estimates, such as the average rate of loans for the year in which the loan was first classified as a bad debt, or the restructuring rate.

In measuring loans individually, cash flows from loans for which short-term recovery is expected are not discounted. The original effective interest rate of each loan remains unchanged unless the position undergoes a restructuring that involves a change in the contractual interest rate, including when it becomes an interest-free loan.

Loans for which no objective evidence of impairment has been found undergo collective impairment testing, with the creation of groups of positions with uniform credit risk profiles. The writedown is determined based on historic loss rates for each group. In determining the time series, individually measured positions are removed from the group of loans being measured. Writedowns determined collectively are taken to the income statement. Guarantees also undergo impairment testing in a manner analogous to individual impairment testing. Any writedowns are recognized through profit or loss.

DERECOGNITION

Loans are derecognized when they fall due or are transferred. Loans transferred are derecognized only when substantially all the risks and rewards of ownership of the loans are transferred. If a significant portion of the risks and rewards of ownership of a transferred loan has been retained, the loan continues to be recognized even though legal title to the loan has been transferred.

Where it is not possible to determine whether substantially all the risks and rewards have been transferred, the loan is derecognized if no form of control over it is retained. Conversely, where even a portion of control is retained, the loan continues to be recognized to the extent of the continuing involvement in the asset, measured by the exposure to changes in value of the transferred loans and changes in their cash flows. Transferred loans are derecognized in the event in which the contractual rights to receive the related cash flows are retained with the simultaneous assumption of an obligation to pay such flows, and only such flows, to other third parties.

IFRS 1 established a specific exemption to the application of derecognition rules for transfers of financial assets, including securitization operations, occurring prior to January 1, 2004. By virtue of this exemption, for securitizations carried out before that date, the company may elect to continue to apply the previous accounting rules or to adopt the provisions of IAS 39 retrospectively, starting from a date selected by the entity, provided that the information required to apply IAS 39 to assets previously derecognized was available at the time of initial recognition of the these operations. Therefore, the Bank, in compliance with the accounting policies of the Group, has decided to apply the current accounting rules for securitization operations carried out before January 1, 2004.

RECOGNITION OF INCOME COMPONENTS

Following initial recognition, loans are measured at amortized cost, which equals the amount at which the assets are measured at initial recognition decreased by principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount (usually attributable to costs and revenues directly attributable to the individual position) and plus or minus any writedowns/writebacks. The effective interest rate is the rate that exactly discounts the estimated future cash flows generated by the loan in respect of principal and interest to the amount disbursed including costs and revenues attributable to the loan. This accounting treatment makes it possible to distribute the economic impact of costs and revenues over the expected remaining life of the loan.

The amortized cost method is not used for short-term loans where the impact of discounting can be considered negligible. Short-term loans are valued at cost. The same approach is adopted for loans without a specified maturity or those subject to revocation.

Impairment losses, as defined in the preceding sub-section on measuring loans, are recognized in the income statement. If the reasons for the impairment should cease to obtain subsequent to the recognition of the impairment loss, a writeback is taken to the income statement. The value of the asset after the writeback shall not in any event exceed the amortized cost that the instrument would have had in the absence of the prior writedown. Writebacks connected with the passage of time, corresponding to interest accrued during the period based on the original effective interest rate previously used to calculate impairment losses, are recognized among writebacks for impairment.

5 – Financial assets at fair value through profit or loss

CLASSIFICATION

The item "Financial assets at fair value through profit or loss" includes financial assets that have been designated as at fair value through profit or loss as from their initial recognition, in accordance with the requirements for the classification of that item, regardless of their technical form. No reclassifications to other categories of financial assets are permitted.

RECOGNITION

Financial assets at fair value through profit or loss are initially recognized at the settlement date for debt and equity instruments. Initial recognition of financial assets is at fair value, which normally corresponds to the price paid. If the price is different from the fair value, the financial asset is recognized at its fair value and the difference between the price and the fair value is recognized in the income statement.

MEASUREMENT

After initial recognition, financial assets reported under this item are measured at fair value through profit or loss. In order to determine fair value, the criteria previously noted in the section on financial assets held for trading are applied. For equity securities and associated derivatives, if valuation techniques cannot be used to reliably determine the fair value of the financial instruments, they shall be measured at cost and adjusted for any impairment.

DERECOGNITION

Financial assets at fair value are derecognized when the contractual rights to the cash flows expire or a disposal transfers all the risks and rewards connected with ownership to a third party. Conversely, when a prevalent share of the risks and rewards associated with ownership of the financial asset are retained, the asset continues to be recognized even if legal title has been transferred.

Where it is not possible to ascertain whether substantially all the risks and rewards of ownership have been transferred, financial assets are derecognized when no form of control over the instrument has been retained. Conversely, if the Bank retains even a portion of control, the asset continues to be recognized to the extent of the continuing involvement, measured by exposure to changes in the value of the assets transferred and to changes in the related cash flows. Financial assets sold are derecognized in the event in which the contractual rights to receive the related cash flows are retained with the simultaneous assumption of an obligation to pay such flows, and only such flows, to other third parties.

RECOGNITION OF INCOME COMPONENTS

The result of the measurement is recognized in the income statement. On the basis of the provisions of Article 6 of Legislative Decree 38 of February 28, 2005, the part of the profit for the period, corresponding to the capital gains recognized in the income statement, net of the associated tax expense, originated by the application of the fair value criterion, is allocated to an unavailable reserve that is reduced by an amount corresponding to the capital gains realized. The amount allocated to the unavailable reserve refers to capital gains relating to financial instruments among assets and liabilities not operationally hedged by derivative instruments, and to those on operationally hedged financial instruments for the part exceeding the associated capital losses.

6 – Hedging

CLASSIFICATION

Risk hedging transactions are intended to neutralize the potential losses recognized on a given element or group of elements attributable to a given risk in the event that risk should actually be realized.

The types hedges used are as follows:

- fair value hedges, which are intended to hedge the exposure to changes in the fair value (due to the various types of risk) of assets and liabilities or portions of assets and liabilities, groups of assets and liabilities, irrevocable commitments and portfolios of financial assets and liabilities as permitted under IAS 39 as endorsed by the European Commission;
- cash flow hedges are intended to hedge the exposure to changes in the future cash flows attributable to specific risks associated with items. This type of hedge is essentially used to stabilize interest flows on variable-rate funding to the

degree that the latter finances fixed-rate lending. In some circumstances, analogous transactions are carried out for certain types of variable-rate lending.

Only instruments that involve a non-Group counterparty can be designated as hedging instruments.

The items "hedging derivatives" among assets and liabilities include the positive and negative values of derivatives that are part of effective hedging relationships.

RECOGNITION

Hedging derivatives and the hedged financial assets and liabilities are reported in accordance with hedge accounting rules. Where there is formal documentation of the relationship between the hedged item and the hedging instrument, a hedge is considered effective if, at inception and throughout its life, the changes in the fair value of the hedged item or the related expected cash flows are almost entirely offset by those of the hedging instrument.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

Hedging derivatives are measured at fair value.

More specifically:

- in the case of fair value hedges, the change in the fair value of the hedged item is offset with the change in the fair value of the hedging instrument: this offsetting is effected by recognizing the changes in value through profit or loss, both for the hedged item (as regards changes produced by the underlying risk factor) and for the hedging instrument; any difference between the two changes, which represents the partial ineffectiveness of the hedge, represents the net impact in profit or loss;
- in the case of cash flow hedges, changes in the fair value of the derivative are recognized through equity in the amount of the effective portion of the hedge. They are recognized through profit or loss only when the change in cash flows in respect of the hedge item actually occurs or if the hedge is ineffective.

The derivative is designated as a hedging instrument where there is formal documentation of the relationship between the hedged item and the hedging instrument and if it the hedge is effective at the moment of inception and throughout its life.

The effectiveness of a hedge depends on the extent to which changes in the fair value of the hedged item or the associated cash flows are offset by those of the hedging instrument. Accordingly, effectiveness is determined taking account of those changes, taking account of the intentions of the entity at the time the hedge is established.

A hedge is deemed effective when the changes in fair value (or in cash flows) of the hedging instrument nearly entirely offset (i.e. within a range of 80-125%) changes in the hedged instrument for the risk factor being hedged.

Effectiveness is measured at every reporting date through:

- prospective tests, which justify the use of hedging accounting, as they demonstrate the hedge's expected effectiveness;
- retrospective tests, which indicate the level of effectiveness of the hedge achieved in the period under review, measuring the difference between actual results and theoretical results (perfect hedges).

If the tests do not confirm the effectiveness of the hedge, hedge accounting is discontinued in accordance with the above criteria, the hedging derivative is reclassified as a trading instrument and the hedged financial instrument is measured using the criteria normally adopted for instruments of its category.

DERECOGNITION

If the tests carried out do not confirm the effectiveness of the hedge, hedge accounting is discontinued in accordance with the criteria set out in this section, the accounting policies envisaged for the category to which the derivative belongs are applied, and the derivative is reclassified as a trading instrument. Subsequent changes in fair value are recognized in the income statement. For cash flow hedges, if the hedged transaction is no longer expected to be carried out, the cumulative gain or loss recognized in the equity reserve is reversed to the income statement.

7 – Equity investments

CLASSIFICATION

The item includes equity investments in subsidiaries, associates and joint ventures. Subsidiaries are companies in which the Bank holds, either directly or indirectly, more than half of the voting rights unless it can be shown that possessing these rights does not constitute control. Control also exists where the Bank exercises the power to determine financial and operating policies. The consolidated financial statements are prepared by the parent company.

Joint ventures are companies in which control is shared with other parties by contract. Associates are companies in which the Bank holds, either directly or indirectly, at least 20% of the voting rights or, independently of the proportion of voting rights, companies over which the Bank exercises a significant influence, which is defined as the power to participate in determining financial and operating policies, but without exercising either control or joint control. Control, joint control and significant influence cease in cases in which the power to determine financial and operating policies of the company is removed from the governance bodies of the company and transferred to a governmental body, a court and in similar cases. The equity investment in these cases is subject to the treatment of IAS 39, as provided for financial instruments.

Only factors that exist at the level of the separate financial statements (percentage of ownership, effective and potential voting rights, de facto situations of significant influence) are used in determining whether a holding is classified as an equity investment. Subsidiaries, joint ventures and associates held for sale are reported separately in the financial statements as a disposal group and are measured at the lower of the carrying amount and the fair value excluding disposal costs.

RECOGNITION

Equity investments are initially recognized at cost at the settlement date including costs and revenues that are directly attributable to the transaction.

MEASUREMENT

Investments in subsidiaries, associates and joint ventures are measured at cost. Where there is evidence that the value of an equity investment may be impaired, its recoverable value is determined, taking account of both its market value and the present value of future cash flows. If this value is lower than the carrying amount, the difference is recognized in the income statement as an impairment loss

DERECOGNITION

Control, joint control and significant influence cease in cases in which the power to determine financial and operating policies of the company is removed from the governance bodies of the company and transferred to a governmental body, a court and in similar cases. The equity investment in these cases is subject to the treatment of IAS 39, as provided for financial instruments.

Equity investments are derecognized when the contractual rights to the cash flows from the assets expire or when substantially all the risks and rewards connected with ownership of the equity investment are transferred.

RECOGNITION OF INCOME COMPONENTS

Dividends received from equity investments measured at cost are recognized in the income statement when the right to receive the payment accrues. Impairment losses on subsidiaries, associates and joint ventures valued at cost are recognized in the income statement. If the reasons for the impairment should cease to obtain subsequent to the recognition of the impairment loss, a writeback is taken to the income statement.

8 – Property and equipment

CLASSIFICATION

Property and equipment includes land, buildings used in operations, investment property, technical plant, furniture and equipment. This item includes assets that are used in providing goods and services, rented to third parties, or used for administrative purposes for a period of more than one year. The item also includes assets held under finance leases, even where legal ownership remains with the lessor.

RECOGNITION

Property and equipment is recognized at cost, which in includes all incidental expenses directly attributable to purchasing and placing the asset in service.

Expenses subsequently incurred increase the carrying amount of the asset or are recognized as separate assets if it is likely that the future economic benefits will exceed initial estimates and the costs can be reliability calculated.

All other subsequent expenses (e.g. ordinary maintenance costs) are recognized in the income statement in the year incurred.

This item also includes assets held under finance leases for which substantially all the risks and rewards of ownership have been assumed. These assets are initially recognized at a value equal to the lesser of the fair value and the present value of the minimum payments provided for under finance lease. This amount is subsequently subject to depreciation.

MEASUREMENT

Property and equipment, used in operations is measured at cost less depreciation and impairment. Depreciation is determined systematically over the remaining useful life of the asset.

The depreciable value is represented by the cost of the assets since the residual value at the end of the depreciation process is considered negligible. Buildings are depreciated at a rate of 3% per year, deemed to appropriately represent the deterioration of the assets over time from their use, taking into account extraordinary maintenance costs, which increase the value of the asset. Land, whether purchased individually or incorporated into the value of a building, is not depreciated.

Investment property under IAS 40 refers to real estate (owned or held through finance leasing) for the purposes of receiving rental income and/or for the appreciation of the invested capital. The fair value model is used for such assets.

DERECOGNITION

Property and equipment is derecognized when disposed of or when permanently withdrawn from use and no future benefits are expected from its disposal.

RECOGNITION OF INCOME COMPONENTS

Depreciation is recognized through profit or loss. If there is evidence of possible impairment of the asset, the asset's carrying amount is compared against its recoverable value, which is equal to the greater of the value in use of the asset, meaning the present value of future cash flows originated by the asset and its fair value, net of any disposal costs. Any negative difference between the carrying amount and the recoverable value is recognized in the income statement. If the reasons for the impairment should cease to obtain, a writeback is recognized in the income statement. The carrying amount following the writeback shall not exceed the value that the asset would have had, net of depreciation, in the absence of the prior writedowns.

9 – Intangible assets

CLASSIFICATION

Intangible assets are recognized as such if they are identifiable and are based on legal or contractual rights. They include application software.

RECOGNITION

Intangible assets are recognized at cost, adjusted for any incidental expenses, only if it is probable that the future economic benefits attributable to the asset will be realized and if the cost of the asset can be reliably determined. Otherwise, the cost of the intangible asset is recognized in the income statement in the period in which it is incurred.

Intangible assets may be recognized in respect of goodwill arising from business combinations (purchases of business units). The goodwill recognized in business combinations that have occurred subsequent to January 1, 2004, is recognized in an amount equal to the positive difference between the fair value of the assets and liabilities acquired and the purchase price of the business combination, including ancillary costs, if that positive difference represents future economic benefits. The difference between the purchase price of the business combination and the fair value of the assets and liabilities acquired is recognized through profit or loss if it is negative or if it does not represent future economic benefits. Goodwill in respect of business combinations carried out prior to the date of transition to the IFRS are measured on a cost basis and represent the same value as that given using Italian GAAP.

MEASUREMENT

Intangible assets recognized at cost are amortized on a straight-line basis over the estimated remaining useful life of the asset, which for applications software does not exceed 5 years. Goodwill is not amortized and is tested for impairment at the balance-sheet date.

DERECOGNITION

Intangible assets are derecognized upon disposal or when no future economic benefits are expected to be generated by the use or disposal of the asset.

RECOGNITION OF INCOME COMPONENTS

Amortization is recognized through profit or loss. Where there is evidence of possible impairment of the asset, an impairment test is conducted. Any difference between its carrying amount and recoverable value is recognized in the income statement. If the reasons for the impairment of intangible assets other than goodwill should cease to obtain, a writeback is recognized in the income statement. The value of the asset after the writeback shall not exceed the value that the asset would have had, net of amortization, in the absence of the prior writedowns for impairment.

10 – Non-current assets and liabilities and disposal groups held for sale

CLASSIFICATION

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is met only when the their sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. The Group must be committed to the sale, which must be expected to be completed within one year of classification as held for sale.

RECOGNITION

Non-current assets and disposal groups held for sale are valued at the lower of their carrying amount and their fair value less costs to sell.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

Following initial recognition in this category, the assets are measured at the lower of their carrying amount and their fair value less costs to sell. If the assets held for sale can be depreciated, any such depreciation ceases upon classification to non-current assets held for sale. Non-current assets and disposal groups held for sale, as well as “discontinued operations”, and the associated liabilities are reported under specific items of assets (“Non-current assets and disposal groups held for sale”) and liabilities (“Liabilities associated with disposal groups held for sale”).

The results of the measurement, income, expenses and gains/losses upon disposal (net of any tax effect), of “discontinued operations” are reported in the income statement under “Profit (loss) after tax of disposal groups held for sale”.

DERECOGNITION

Non-current assets and disposal groups held for sale are derecognized upon disposal.

11 – Current and deferred taxation

CLASSIFICATION

Income taxes, which are calculated on the basis of national tax law, are accounted for as a cost on an accruals basis, in line with the recognition of the costs and revenues that gave rise to the tax liability. They therefore represent the balance of current taxes and deferred taxes in respect of income for the year. Current tax assets and liabilities report the net tax positions of the Group companies in respect of Italian and foreign tax authorities. More specifically, they report the net balance between current tax liabilities for the year, calculated on the basis of a prudent estimate of the tax liability for the period, as determined on the basis of applicable tax law, and current tax assets represented by payments on account and other tax receivables for withholding tax incurred or other tax credits for previous years which the Group companies opted to offset against taxes for subsequent years.

Current tax assets also report tax receivables for which the Group companies have requested reimbursement from the competent tax authorities.

Taking account of the adoption of the national consolidated taxation mechanism by the Group, the tax positions of Iccrea Holding SpA and those of other Group companies are managed separately for administrative purposes.

Deferred taxation is determined using the balance sheet liability method, taking account of the tax effect of temporary differences between the carrying amount of assets and liabilities and their value for tax purposes, which will give rise to taxable or deductible amounts in future periods. To that end, “taxable temporary differences” are those that in future periods will give rise to taxable amounts and “deductible temporary differences” are those that in future periods will give rise to deductible amounts.

Deferred tax is calculated by applying the tax rates established in applicable tax law to taxable temporary differences for which it is likely that a tax charge will be incurred and to deductible temporary differences for which it is reasonable certain there were be future taxable income at the time they become deductible (the probability test). Deferred tax assets and liabilities in respect of the same tax and reversing in the same period are offset.

RECOGNITION AND MEASUREMENT

Where the deferred tax assets and liabilities regard items that impact profit or loss, that effect is recognized under income taxes.

In cases where the deferred tax assets and liabilities regard transactions that directly impact equity with no effect on profit or loss (such as adjustments on first-time adoption of the IAS/IFRS, measurement of financial instruments available for sale or cash flow hedge derivatives), they are recognized in equity, under specific reserves where required (i.e. the valuation reserves).

The potential taxation in respect of items on which taxation has been suspended that will be “taxed in the event of any use” is recognized as a reduction in equity. Deferred taxes in respect of revaluations prompted by conversion of amounts to the euro that were directly allocated to a specific reserve under Article 21 of Legislative Decree 213/98 on a tax-suspended basis are recognized as a reduction of that reserve. The potential taxation in respect of items that will be taxed “only in the event of distribution” is not recognized as the amount of available reserves that have already been taxes is sufficient to conclude that no transactions will be carried out that would involve their taxation.

Deferred taxation in respect of companies participating in the consolidated taxation mechanism is recognized in their financial statements on an accruals basis in view of the fact that the consolidated taxation mechanism is limited to settlement of current tax positions.

The potential taxation of components of the equity of the consolidated companies is not recognized where the circumstances that would give rise to their taxation are not considered likely to arise, taking due consideration of the lasting nature of the investment.

The value of deferred tax assets and liabilities is reviewed periodically to take account of any changes in legislation or in tax rates.

RECOGNITION OF INCOME COMPONENTS

Income taxes are recognized in the income statement with the exception of those debited or credited directly to equity. Current income taxes are calculated based on taxable income for the period. Current tax payables and receivables are recognized at the value that payment to or recovery from the tax authorities is expected by applying current tax rates and regulations. Deferred income tax assets and liabilities are calculated, using expected tax rates, on the basis of temporary differences between the value attributed to the assets and liabilities in the financial statements and the corresponding values recognized for tax purposes.

12 – Provisions for risks and charges

OTHER PROVISIONS FOR RISKS AND CHARGES

RECOGNITION AND CLASSIFICATION

Provisions for risks and charges are recognized in the income statement and reported under liabilities on the balance sheet in relation to a present legal or constructive obligation resulting from a past event for which performance of the obligation is likely to be onerous and the loss associated with the liability can be reliably estimated. The amount recognized is the best estimate of the amount required to discharge the obligation or to transfer it to third parties as of the close of the period.

When the financial impact of the passage of time is significant and the dates of payment of the obligation can be estimated reliably, the provision is discounted at market rates as of the reporting date.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

The amounts recognized are reviewed at every balance sheet date and are adjusted to reflect the best estimate of the expense required to fulfill the obligations existing at the close of the period. The impact of the passage of time and that of changes in interest rates are reported in the income statement under net provisions for the period.

DERECOGNITION

Provisions are only used when the charges for which they were originally established are incurred. When the use of resources to fulfill the obligation is no longer deemed to be probable, the provision is reversed through profit or loss.

13 – Debt and securities issued

CLASSIFICATION

Debt and securities issued includes financial liabilities not held for trading in the short term, comprising all technical forms of interbank and customer funding and funding through certificates of deposit and outstanding bond issues, excluding any amounts repurchased.

RECOGNITION

The liabilities are initially recognized at fair value, which is normally equal to the amounts received or the issue price, plus or minus any additional costs or revenues directly attributable to the transaction that are not reimbursed by the creditor. Internal administrative costs are excluded. Financial liabilities issued on non-market terms are recognized at estimated fair value and the difference with respect to the amount paid or the issue price is taken to the income statement.

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

Following initial recognition, these liabilities are measured at amortized cost using the effective interest rate method, excluding short-term liabilities, which are recognized in the amount received in keeping with the general principles of materiality and significance. Refer to the section on loans and receivables for information on the criteria for determining amortized cost.

DERECOGNITION

In addition to cases of extinguishment and expiration, financial liabilities are derecognized when previously issued securities are repurchased. In this case, the difference between the carrying amount of the liability and the amount paid to repurchase it is recognized in the income statement. If the repurchased security is subsequently placed again on the market, this is treated as a new issue and is recognized at the new placement price, with no impact on the income statement.

14 – Financial liabilities held for trading

CLASSIFICATION

The item reports the negative value of trading derivatives that are not part of hedging relationships as well as the negative value of derivatives embedded in compound contracts. Liabilities deriving from short positions in by securities trading activities are recognized under "Financial liabilities held for trading".

RECOGNITION

Debt and equity securities representing financial liabilities are initially recognized at the settlement date, while derivative contracts are recognized at the date they are signed. The financial liabilities are initially recognized at fair value, which generally equals the amount received. In cases in which the amount paid differs from the fair value, the financial liability is recognized at fair value, and the difference between the amount paid and the fair value is recognized through profit or loss.

Derivative contracts embedded in other financial instruments or contracts and which have financial and risk characteristics that are not correlated with the host instrument or which meet the requirements to be classified themselves as derivative contracts, are recognized separately among financial liabilities held for trading if their value is negative. This is not done in cases in which the compound instrument containing the derivative is measured at fair value through profit or loss.

MEASUREMENT

Subsequent to initial recognition, the financial liabilities are recognized at fair value. Refer to the section on measuring financial assets held for trading for information on determining the fair value.

DERECOGNITION

Financial liabilities held for trading are eliminated upon being extinguished or upon maturity.

RECOGNITION OF INCOME COMPONENTS

Gains and losses from the measurement of financial liabilities held for trading are recognized through the income statement.

15 – Financial liabilities designated as at fair value

CLASSIFICATION

The item "Financial liabilities at fair value through profit or loss" includes financial liabilities that have been designated as at fair value through profit or loss as from their initial recognition as long as they meet the requirements for classification in that item, regardless of their technical form.

RECOGNITION

Financial liabilities at fair value through profit or loss are initially recognized at the settlement date for debt and equity instruments. Initial recognition of financial liabilities is at fair value, which normally corresponds to the price paid. If the price is different from the fair value, the financial liability is recognized at its fair value and the difference between the price and the fair value is recognized in the income statement.

MEASUREMENT

After initial recognition, financial liabilities reported under this item are measured at fair value through profit or loss. In order to determine fair value, the criteria previously noted in the section on financial liabilities held for trading are applied. For equity securities and associated derivatives, if valuation techniques cannot be used to reliably determine the fair value of the financial instruments, they shall be measured at cost and adjusted for any impairment.

DERECOGNITION

Financial liabilities at fair value are derecognized when the contractual rights to the cash flows expire or a disposal transfers all the risks and rewards connected with ownership to a third party.

RECOGNITION OF INCOME COMPONENTS

The result of the measurement is recognized in the income statement.

16 – Foreign currency transactions

RECOGNITION

Transactions in a foreign currency are initially recognized in the functional currency by translating the amount in the foreign currency into the functional currency at the exchange rate prevailing on the date of the transaction.

MEASUREMENT

At the reporting date, foreign currency items are measured as follows:

- monetary items are translated at the exchange rate prevailing at the reporting date;
- non-monetary items measured at historic cost are translated at the exchange rate prevailing at the transaction date; non-monetary items measured at fair value are translated using the exchange rate prevailing at the reporting date.

RECOGNIZING GAINS OR LOSSES

Exchange differences relating to monetary and non-monetary items designated as at fair value through profit or loss are recognized in the income statement under item 80 ("Net gain (loss) on trading activities"). If the asset is classified as available for sale, exchange differences are allocated to the valuation reserves.

17 – Other information

EMPLOYEE TERMINATION BENEFITS

Following the reform of supplementary pension schemes introduced by Legislative Decree 252 of December 5, 2005, changes were made to the way in which employee termination benefits are recognized. The portion of termination benefits accrued through December 31, 2006 is treated as a defined-benefit plan, since the company is required under law to pay the employee an amount determined pursuant to Article 2120 of the Italian Civil Code. The change with respect to the situation prior to December 31, 2006 relates to the actuarial assumptions of the model, which must incorporate the rate of salary increases provided for by Article 2120 of the Civil Code (application of a rate equal to 1.5% plus 75% of the change in the ISTAT inflation index) and not that estimated by the company. As a result, the termination benefit provision at December 31, 2006 was measured using the new model, which no longer takes account of a number of variables such as the average annual rate of salary increases, pay grades based on seniority, and the percentage increase in salary due to promotion.

The portion of termination benefits accrued from January 1, 2007 allocated to a supplementary pension scheme or to the treasury fund managed by INPS (Italy's National Social Security Institute) are treated as a defined-contribution plan since the company's obligation towards the employee ceases upon transfer of the portions accrued to the fund.

Therefore, starting January 1, 2007, the Bank:

- continues to recognize the obligation accrued at December 31, 2006 in accordance with the rules for defined-benefit plans. It shall measure the obligation for benefits accrued by employees using actuarial techniques and shall calculate the total amount of actuarial gains and losses and the portion of these to be recognized in accordance with IAS 19 Revised;
- recognizes the obligation for portions accrued starting January 1, 2007, payable to a supplementary pension

scheme or to the treasury fund managed by INPS, on the basis of the contributions owed in each period, as a defined contribution plan. More specifically, in the case of termination benefits payable to a supplementary pension scheme that treatment begins at the time of the choice or, if the employee does not exercise any option, as from July 1, 2007.

RECOGNITION OF REVENUES

Revenues are recognized when realized or, in the case of the sale of goods or products, when it is probable that future benefits will be received and these future benefits can be reliably determined, and in the case of services, when the services are performed. Specifically:

- interest is recognized on an accruals basis using the contractual interest rate or the effective interest rate where the amortized cost method is applied;
- default interest, if any, is recognized in the income statement only upon receipt;
- dividends are recognized in the income statement when their distribution is authorized;
- commissions for revenues from services are recognized in the period in which the service is rendered;
- revenues from the placement of funding instruments, calculated on the basis of the difference between transaction price and the fair value of the financial instrument, are recognized in the income statement when the transaction is recognized if the fair value can be determined with reference to parameters or transactions recently observed in the same market in which the instrument is traded. If these amounts cannot be easily determined or the instrument is not highly liquid, the financial instrument is recognized in an amount equal to the transaction price, excluding the commercial margin. The difference between this amount and the fair value is taken to profit or loss over the duration of the transaction through the gradual reduction in the valuation model of the corrective factor reflecting the reduced liquidity of the instrument.
- revenues from the sale of non-financial assets are recognized upon completion of the sale, unless the Bank has retained most of the risks and rewards connected with the asset.

ACCRUALS AND DEFERRALS

Accruals and deferrals in respect of expense and income accruing in the period on assets and liabilities are recognized in the financial statements as an adjustment of the assets and liabilities to which they refer.

COSTS FOR LEASEHOLD IMPROVEMENTS

The costs of renovating leased buildings lacking autonomous function or use are conventionally classified among other assets, as provided by Bank of Italy Circular no. 262 – 3rd update of December 22, 2014. The related depreciation, taken for a period not to exceed the duration of the lease, is reported under other operating expense.

DETERMINATION OF FAIR VALUE

Fair value is the amount for which an asset (or liability) could be exchanged between knowledgeable, willing parties in an arm's length transaction. In the definition of fair value, a key assumption is that an entity is fully operational (the assumption that an entity is a going concern) and does not have the intention or the need to liquidate, significantly reduce its operations or undertake transactions on unfavorable terms. In other words, fair value is not the amount an entity would receive or would pay in a forced transaction, an involuntary liquidation or a distress sale. Nevertheless, the fair value reflects the credit quality of the instrument as it incorporates counterparty risk.

FINANCIAL INSTRUMENTS

The fair value of financial instruments is determined on the basis of prices on financial markets in the case of instruments quoted on active markets and through the use of internal valuation techniques for other financial instruments. A financial instrument is considered to be quoted on an active market if the quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, authorized agency, regulatory authority or multilateral trading facility (MTF) and those prices represent actual and regularly occurring market transactions over a normal reference period. The most appropriate fair value for an asset held or a liability to be issued is the current price offered by the purchaser (bid), while for an asset to be purchased or a liability held it is the current price requested by the seller (ask). In the absence of a quoted price on an active market or a regularly functioning market, i.e. when the market does not have a sufficient and continuous number of transactions, bid-ask spreads and volatility are not sufficiently low, the fair value of financial instruments is mainly determined using valuation techniques that seek to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

Valuation techniques consider:

- prices in recent market transactions in similar instruments, if available, corrected appropriately to reflect changes in market conditions and technical differences between the instrument being valued and the similar instrument (the 'comparable approach');
- valuation models commonly used by market participants that have been demonstrated to provide reliable estimates over time of prices obtained in current market conditions.

Financial instruments are assigned to one of three levels that reflect the characteristics and significance of the inputs used in determining fair value:

- **Level 1**: when the financial assets and liabilities have unadjusted quoted prices on an active market;
- **Level 2**: when quoted prices on an active market for similar assets and liabilities are available or prices are derived from valuation techniques whose inputs are directly or indirectly observable market parameters;
- **Level 3**: when prices are calculated using valuation techniques whose significant inputs are not observable on the market.

The choice between these methods is not discretionary and the valuation techniques used must maximize the use of observable market parameters, employing subjective parameters as little as possible.

In the absence of active markets (effective market quotes – Level 1), financial assets and liabilities are measured with valuation techniques using inputs that are directly or indirectly observable on the market other than the prices of financial instruments (comparable approach – Level 2) or, in the absence of such inputs or in the presence of inputs that are only partially based on parameters observable on the market, fair value is calculated on the basis of valuation techniques commonly used by market participants and, therefore, are more discretionary in nature (mark-to-model approach – Level 3).

The following are considered to be quoted on an active market (**Level 1**):

- listed shares;
- government securities quoted on a regulated market;
- bonds with significant contributed prices;
- listed funds or funds whose net asset value is calculated on a daily basis;
- derivatives contracts for which prices on an active market are available (listed derivatives).

The price used for financial instruments quoted on active markets is the current price offered for financial assets (bid) and the current price requested (ask) for financial liabilities, on the main trading market, at the close of the reporting period. In the case of financial instruments for which the bid-ask spread is not significant or for financial assets and liabilities whose characteristics give rise to offsetting positions in market risk, a mid-market price is used (once again as at the last day of the reporting period) rather than the bid or ask price.

In the absence of prices observable on active markets, the fair value of financial instruments is determined through two approaches:

- the comparable approach (Level 2), which assumes the presence of quoted market prices on inactive markets for identical or similar instruments in terms of risk-return, maturity and other trading conditions. In particular, when the current market prices of other highly comparable instruments (on the basis of the country or sector to which they belong, the rating, the maturity or the seniority of the securities) are available, the Level 2 value of the instrument corresponds to the quoted price of the similar instrument, adjusted if necessary for factors observable on the market;
- the model valuation approach (Level 2 or Level 3) is based on the use of valuation models that maximize the use of observable market variables.

The most common valuation techniques used are:

- discounted cash flow models
- option pricing models.

For derivatives, in view of their variety and complexity, a systematic reference framework has been developed that represents the common elements (calculation algorithms, valuation models, market data used, underlying assumptions of the model) on which the valuation of each category of derivative is based.

Derivatives on interest rates, exchange rates, equities, inflation and commodities not traded on regulated markets are over-the-counter instruments. In other words, they are negotiated bilaterally with market counterparties and their fair value is determined with specific pricing models that use inputs (such as yield curves, exchange rates and volatility) observed on the market.

For structured credit products and ABSs, if reliable prices are not available, valuation techniques using market-derived parameters are employed.

To determine the fair value of certain types of financial instrument, it is necessary to use valuation techniques that employ inputs that are not directly observable in the market and therefore require estimates and assumptions on the part of the person measuring the instrument (**Level 3**). More specifically, the mark-to-model approach is applied to all financial instruments not quoted on an active market when:

- even if observable inputs are available, it is necessary to make significant adjustments to such inputs that are based on unobservable inputs;
- the estimation is based on assumptions specific to the Bank concerning future cash flows and the adjustment for the discount rate risk.

In any event, the goal is to obtain a value for the instrument that is consistent with the assumptions that market participants would use in forming a price. Such assumptions also regard the risk associated with a given valuation technique and/or the inputs employed. Nevertheless, IFRS 13 requires the Bank to adopt reasonable assumptions without having to undertake exhaustive searches to find such information.

The valuation technique used for a financial instrument is adopted consistently over time and is modified only in response to material changes in market conditions or the condition of the issuer of the financial instrument.

For the purpose of reporting for financial instruments at fair value, the above hierarchy adopted in determining fair value is used consistently for the allocation of the portfolio to the fair value input levels (see section A.3 of Part A).

Additional information on the modeling used by the Bank in determining fair value is provided in section E of these notes.

The entire system of rules and responsibilities for the valuation of the Bank's financial instruments is set out in the Fair Value Policy, which specifies the main components of the entire methodological framework in terms of:

- definition of the roles and responsibilities of the company bodies and functions involved;;
- classification of the financial instruments;
- the rules for classification of financial instruments within the fair value hierarchy provided for under IFRS 7 and IFRS 13;

- the valuation techniques and methods used for financial instruments;
- processes for the management and control of the valuation of financial instruments;
- the hedging policy for financial instruments;
- reporting flows.

NON-FINANCIAL INSTRUMENTS

Investment property is primarily valued using external appraisals, considering transactions at current prices in an active market for similar properties, in the same location and condition and subject to similar conditions for rentals and other contracts.

DETERMINATION OF IMPAIRMENT

FINANCIAL ASSETS

At each reporting date, the Bank determines whether there is objective evidence that a financial asset or group of financial assets has incurred a "prolonged" reduction in value.

In particular, a financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data about the following loss events:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as default or delinquency in interest or principal payments;
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties;
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group.

Impairment is assessed on an individual basis for financial assets that show specific evidence of having incurred an impairment loss and collectively for financial assets for which individual valuation is not required or for which individual valuation did not give rise to recognition of impairment. The collective valuation is based on the specification of uniform risk classes for the financial assets, taking account of the characteristics of the debtor/issuer, the economic sector involved, the geographical area, the presence of any guarantees and other relevant factors.

Accordingly, in the case of a prolonged reduction in value, the following procedures are adopted:

- for financial assets carried at amortized cost (loans & receivables and held-to-maturity investments), if there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in profit or loss.
- when a decline in the fair value of an available-for-sale financial asset has been recognized directly in equity and there is objective evidence that the asset has incurred a "significant or prolonged" loss of value, the cumulative loss that had been recognized directly in equity shall be removed from equity and recognized in profit or loss even though the financial asset has not been derecognized.

Any writebacks are recognized as follows:

- for financial assets classified as held to maturity investments and loans & receivables, in profit or loss;
- for financial assets classified as available for sale, in equity for equity instruments and in profit or loss for debt instruments.

The price of impaired financial instruments is determined as follows:

- for financial assets classified as held to maturity investments and loans & receivables, it is the present value of the expected cash flows (not considering future losses that have not yet occurred) discounted at the original internal rate of return of the instrument;
- for financial assets classified as available for sale, it is the fair value of the instrument.

Financial assets subject to impairment testing are debt securities and equity securities classified in the following IAS categories:

- held to maturity (HTM);
- loans and receivables (L&R);
- available for sale (AFS).

For the purposes of individual impairment testing, it is necessary to take account of the following factors:

- general market conditions;
- the correlation between the impairment loss on the individual financial instrument and a general decline in market indices (comparable analysis);

as well as the following indicators, which can be broken down into two categories:

- indicators drawn from internal, qualitative information concerning the company being valued, such as posting a loss or in any event diverging significantly from budget targets or objectives set out in long-term business plans announced to investors, the announcement or start of bankruptcy proceedings or reorganization plans, a reduction in the rating assigned by a specialized rating company of more than two steps;
- indicators drawn from external quantitative information (for equity securities) on the company, such as a "significant or prolonged" reduction in the fair value below its value at initial recognition.

DEBT SECURITIES

For debt securities, it is essential to assess the relevance of a deterioration in the conditions of the issuer on the basis of a careful and prompt evaluation of market information.

To this end, it is appropriate to consider specialized sources of information (such as, for example, investment advice from specialized financial institutions, rating reports, etc.) or from information providers (Bloomberg, Reuters, etc.).

In order to identify objective evidence of impairment giving rise to an impairment loss on the financial instrument, it is necessary to monitor developments. Indicators of possible impairment include, for example:

- default of the financial asset;
- significant financial difficulty of the issuer;
- default or delinquency in interest or principal payments;
- the possibility that borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for the asset.

EQUITY SECURITIES

IAS 39 calls for impairment testing in the event of the joint presence of two circumstances:

- the occurrence of one or more adverse events after initial recognition of the financial asset;
- the fact that such event has an adverse impact on expected future cash flows.

In addition to these circumstances, objective evidence of impairment of equity securities classified as available for sale includes a "significant" or "prolonged" reduction in fair value below its cost, determined as follows: a decrease of more than 30% in the fair value of equity securities below their carrying amount or a continuous decrease for a period of over 18 months.

The amount of the impairment loss is determined with reference to the fair value of the financial asset.

For more on the methods used to determine fair value, please see the discussion in the associated section of the notes.

OTHER NON-FINANCIAL ASSETS

Property and equipment and intangible assets with a finite useful life undergo impairment testing if there is evidence that the carrying amount of the asset cannot be recovered. The recoverable value is determined on the basis of the fair value of the item of property and equipment or the intangible asset net of costs of disposal or the value in use, if that can be determined and it is greater than the fair value.

As regards real estate, fair value is mainly determined on the basis of an appraisal prepared by an independent external expert.

For other property and equipment and intangible assets (other than those recognized following a business combination) it is assumed that the carrying amount normally corresponds to the value in use, as determined by a normal process of depreciation or amortization estimated on the basis of the actual contribution of the asset to the production process and having determined that the determination of fair value would be highly uncertain. The two values differ, giving rise to an impairment loss, in the case of damage, exit from the production process or other similar non-recurring circumstances.

Intangible assets recognized following acquisitions and in application of IFRS 3 at each balance-sheet date undergo impairment testing to determine whether there is objective evidence that the asset may have incurred an impairment loss.

If there is evidence of impairment, intangible assets with a finite life undergo a new valuation to determine the recoverability of the carrying amount. Recoverable value is determined on the basis of value in use, i.e. present value, as estimated using a rate representing the time value of money, the specific risks of the asset and the margin generated by relationships in place at the valuation date over a time horizon equal to the residual term of those relationships.

Since intangible assets with an indefinite life, represented by goodwill, do not generate autonomous cash flows, they undergo annual testing of their carrying amount for the cash generating unit (CGU) to which the values were allocated in the related business combinations. The amount of any impairment is determined on the basis of the difference between the carrying amount of the CGU and the recoverable value of the unit, represented by the greater of its fair value, net of costs of disposal, and its value in use.

The carrying amount of the CGU must be determined in a manner consistent with the criteria used to determine its recoverable value. From the standpoint of a banking enterprise, it is not possible to determine the cash flows of a CGU without considering the flows generated by financial assets and liabilities, given that the latter represent the core business of the company. In other words, the recoverable value of the CGUs is impacted by those cash flows and, accordingly, the carrying amount of the CGUs must be determined using the same scope of estimation used for the recoverable value and, therefore, must include the financial assets/liabilities. To that end, these assets and liabilities must be allocated to the CGUs.

Following this approach, the carrying amount of the CGUs of Iccrea can be determined in terms of their contribution to consolidated shareholders' equity, including non-controlling interests.

The value in use of a CGU is calculated by estimating the present value of the future cash flows that are expected to be generated by the CGU. Those cash flows are determined using the most recent public business plan or, in the absence of such a plan, an internal forecasting plan developed by management.

Normally, the specific forecasting period covers a maximum time horizon of three years. The flow in the final year of the forecasting period is projected forward in perpetuity, using an appropriate growth rate "g" for the purposes of the terminal value.

In calculating value in use, the cash flows must be discounted using a rate that reflects the current time value of money and the specific risks to which the asset is exposed. More specifically, the discount rates adopted incorporate current market values for the risk-free rate and equity premiums observed over a sufficiently long period of time to reflect different market conditions and business cycles. In addition, in view of the different risks in each CGU's area of operations, different betas are also adopted.

FINANCIAL GUARANTEES

As part of its ordinary banking operations, the Bank grants financial guarantees in the form of letters of credit, acceptances and other guarantees. The value of guarantees at the time of initial recognition is equal to the commission received. Commission income earned on guarantees, net of the portion representing the recovery of costs incurred in issuing the guarantee, are recognized on an accruals basis under “Fee and commission income”, taking account of the term and residual value of the guarantees.

Following initial recognition, the liability in respect of each guarantee is measured as the greater of the initial recognition amount less cumulative amortization recognized in profit or loss and the best estimate of the expense required to settle the financial obligation that arose following the granting of the guarantee.

Any losses and value adjustments on such guarantees are reported under “value adjustments”. Writedowns for impairment of guarantees are reported under “Other liabilities”. Guarantees are off-balance-sheet transactions and are reported under “Other information” in Part B of the notes to the financial statements.

A.3 – DISCLOSURES ON TRANSFERS BETWEEN PORTFOLIOS OF FINANCIAL ASSETS

IFRS 13 has introduced clear guidelines for the measurement of fair value in all circumstances. The new standard does not change the cases in which fair value must be used but rather provides guidance on how to measure the fair value of financial instruments and non-financial assets and liabilities whenever the application of fair value is required or permitted by other international accounting standards.

More specifically, the standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the "exit price").

A.3.1 RECLASSIFIED FINANCIAL ASSETS: CARRYING AMOUNT, FAIR VALUE AND IMPACT ON COMPREHENSIVE INCOME

TYPE OF FINANCIAL INSTRUMENT	ORIGINAL CLASSIFICATION	NEW CLASSIFICATION	CARRYING AMOUNT AT 31/12/2014	*FAIR VALUE AT* 31/12/2014	INCOME COMPONENTS WITHOUT TRANSFER (PRE TAX)		INCOME COMPONENTS RECOGNIZED IN THE PERIOD (PRE TAX)	
					VALUATION	OTHER		
Debt securities	Assets held for trading	Assets available for sale	9,280	9,280	496	88	458	127

A.3.2 RECLASSIFIED FINANCIAL ASSETS: IMPACT ON COMPREHENSIVE INCOME BEFORE TRANSFER

The table has not been completed because there were no such positions as of the balance sheet date as no transfers of financial assets were carried out.

A.3.3 TRANSFERS OF FINANCIAL ASSETS HELD FOR TRADING

The table has not been completed because there were no such positions as of the end of the reporting period as no transfers were carried out.

A.3.4 EFFECTIVE INTEREST RATE AND EXPECTED CASH FLOWS OF RECLASSIFIED ASSETS

ISIN	DESCRIPTION OF SECURITY	INTERNAL RATE OF RETURN AT 31/12/2014	EXPECTED CASH FLOWS AT 31/12/2014
XS0247770224	ITALY 22.3.2018	1.240475	Lower of (2.25 * European inflation rate) and (6-month Euribor + 0.60)

A.4 – FAIR VALUE DISCLOSURES

Qualitative disclosures

This section provides the disclosures on the fair value of financial instruments as requested under the new IFRS 13, in particular paragraphs 91 and 92.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the "exit price") on the principal (or most advantageous) market, regardless of whether that price is directly observable or is estimated using a valuation technique.

Prices on an active market are the best indication of the fair value of financial instruments (Level 1 in the fair value hierarchy). In the absence of an active market or where prices are affected by forced transactions, fair value is determined on the basis of the prices of financial instruments with similar characteristics (Level 2 inputs – the comparable approach) or, in the absence of such prices as well, with the use of valuation techniques that use market inputs to the greatest extent possible (Level 2 inputs – model valuation - mark to model). Where market data is not available, inputs not drawn from the market and estimates and model forecasts may be used (Level 3 inputs – model valuation - mark to model).

For financial instruments measured at fair value, the Iccrea Banking Group has adopted a Group "Fair Value Policy" that assigns maximum priority to prices quoted on active markets and lower priority to the use of unobservable inputs, as the latter are more discretionary, in line with the fair value hierarchy noted above and discussed in greater detail in section A.4.3 below. The policy establishes the order of priority, the criteria and general conditions used to determine the choice of one of the following valuation techniques:

mark to market: a valuation approach using inputs classified as Level 1 in the fair value hierarchy;

the comparable approach: a valuation approach based on the use of the prices of instruments similar to the one undergoing valuation, which are classified as Level 2 in the fair value hierarchy;

mark to model: a valuation approach based on the use of pricing models whose inputs are classified as Level 2 (in the case of the exclusive use of market observable inputs) or Level 3 (in the case of the use of at least one significant unobservable input) in the fair value hierarchy.

__Mark to market approach__

Classification in Level 1 of the fair value hierarchy represents the mark-to-market approach. For an instrument to be classified in Level 1 of the fair value hierarchy, its value must be based solely on quoted prices in an active market to which the Bank has access at the time of valuation (Level 1 inputs).

A quoted price in an active market provides the most reliable evidence of fair value and shall be used without adjustment to measure fair value.

The concept of active market is a key concept in allocating a financial instrument to Level 1. An active market is a market (or dealer, broker, industrial group, pricing service or regulatory agency) in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Thus, the definition implies that the concept of active market is associated with the individual financial instrument and not the market itself, and it is therefore necessary to conduct materiality tests. The Group Fair Value Policy specified the criteria to be used in identifying an active market and the consequent use of the mark-to-market approach.

__Comparable approach__

In the case of the comparable approach, measurement is based on the prices of substantively comparable instruments in terms of risk-return, maturity and other trading conditions. The following Level 2 inputs are necessary for use of the comparable approach:

quoted prices on active markets for similar assets or liabilities;

quoted prices for the instrument involved or for similar instruments on inactive markets, i.e. markets in which transactions are infrequent, prices are not current, change significantly over time or among the various market makers or on which little information is made public.

If there are quoted instruments that meet all of the comparability criteria indicated here, the value of the Level 2 instrument is considered to correspond to the quoted price of the comparable instrument, adjusted if necessary for factors observable on the market.

However, if the conditions for using the comparable approach directly do not apply, the approach may still be used as an input in Level 2 mark-to-model valuations.

Mark to model approach

In the absence of quoted prices for the instrument or for comparable instruments, valuation models are adopted. Valuation models must always maximize the use of market inputs. Accordingly, they must make priority use of observable market inputs (e.g. interest rates and yield curves observable at commonly quoted intervals, volatilities, credit spreads, etc.) and only in their absence or where they are insufficient to determine the fair value of an instrument may inputs that are not observable on the market be used (discretionary estimates and assumptions). The technique does not give rise to a single classification within the fair value hierarchy. Depending on the observability and materiality of the inputs used in the valuation model, an instrument could be assigned to Level 2 or Level 3.

A.4.1 FAIR VALUE LEVELS 2 AND 3: VALUATION TECHNIQUES AND INPUTS USED

The Bank uses mark-to-model approaches in line with methods that are generally accepted and used in the industry. The valuation models comprise techniques based on the discounting of future cash flows and the estimation of volatility. They are reviewed both during their development and periodically thereafter in order to ensure their full consistency with the valuation objectives.

With this in mind, the Bank adopted a new framework for valuing derivatives, so-called OIS Discounting, which basically uses:

1. a yield curve based upon the values indicated by the OIS-Eonia curve, from which is derived (through bootstrapping) the maturity curve of the zero-coupon rates to be used to discount the future cash flows of the derivatives;
2. un differentiated set of yield curves based upon the values indicated by the various Libor curves (e.g. 1-month Euribor, 3-month Euribor, six-month Euribor, etc.), from which is derived (through individual bootstrapping procedures) the respective maturity curves of the forward rates: these rates are used to value the future cash flows of the derivatives. It stands to reason that the individual bootstrapping procedures must be calibrated so as to be consistent with the structure of the zero-coupon rates derived from the procedure indicated in point 1 and so as to reproduce a result consistent with the values in observable markets.

The region for the this new approach to value derivatives lies in the financial crisis that began in the second half of 2007, which led – among various consequences – to a review of the methodologies for pricing derivatives. Indeed, the classic approach which assumes no arbitrage (developed in the 1970s) – and therefore the existence of a single, risk-free yield curve for lending and/or funding – has become inadequate as a result of the significant emergence of counterparty risk necessitating the employment of mitigation techniques. More specifically, the use of collateral-backed derivatives – to mitigate such risk profile – has become the best practice in the market and this technique means that the valuation of the derivatives much take account of the remuneration processes of the collateral itself.

The new valuation framework incorporates the use of collateral in pricing derivatives.

In the absence of quoted prices on active markets, financial instruments are measured as follows:

- bonds are values using a discounted cash flow model adjusted for the credit risk of the issuer. The inputs used are yield curves and credit spreads for the issuer;
- structured bonds are valued using a discounted cash flow model that incorporates valuations from option pricing models, adjusted for the credit risk of the issuer. The inputs used are yield curves and credit spreads for the issuer, and volatility and correlation surfaces for the underlying;
- plain vanilla interest-rate derivatives are mainly valued using a discounted cash flow model. Interest-rate options and financial instruments with convexity adjustments are valued using a Log-normal Forward Model, while exotic options are values using the One Factor Trinomial Hull-White approach. The inputs used are yield curves and credit spreads, and volatility and correlation surfaces;
- plain vanilla inflation derivatives are valued using the CPI Swap valuation model, while structured options use the Inflation Market Model. The inputs used are inflation swap curves and premiums on plain-vanilla options;
- Equity and CIU derivatives are value using the Black&Scholes models (or models based on it, such as the Rubinstein model for forward starts and the Nengju Ju model for Asian options), which includes an estimate of volatility through interpolation by maturity and strike prices on a volatility matric, as well as the inclusion of discrete dividends through the escrowed dividend model. The inputs used are the price of the underlying equity, the volatility surface and the dividend curve;
- derivatives on exchange rates are valued using a discounted cash flow approach for plain-vanilla contracts or a Garman and Kohlhagen model for European options on exchange rates. The inputs are spot exchange rates and the forward points curve and volatility surfaces for plain-vanilla options;
- equity securities are valued on the basis of direct transactions in the same security or similar securities observed over an appropriate span of time with respect to the valuation date, the market multiples approach for comparable companies and, subordinately, financial and income valuation techniques;
- investments in CIUs other than open-end harmonized funds are generally valued on the basis of the NAVs (adjusted if not fully representative of the fair value) made available by the asset management companies. These investments include private equity funds, real estate investment funds and hedge funds.

The Fair Value Policy also provides for the possibility of applying valuation adjustments to the prices of financial instruments when the valuation technique used does not capture factors that market participants would use in estimating fair value.

Valuation adjustments are intended to:

- ensure that the fair value reflects the value of a transaction that could actually be carried out in a market;
- incorporate the future expected costs directly connected with the transaction;
- reduce the risk of distorting fair values, with consequent errors in profit or loss.

The factors impacting the need for an adjustment are:

- the complexity of the financial instrument;

- the credit standing of the counterparty;
- any collateral agreements;
- market liquidity.

The Bank has developed a method for calculating the CVA/DVA (Credit Value Adjustments/Debt Value Adjustments) in order to adjust the calculation of the fair value of uncollateralized derivatives in order to take account of counterparty risk (non-performance risk).

A simplified building-block approach is used to estimate the CVA/DVA, which is obtained as the product of the estimated exposures at default (EAD), weighted for expected loss (LGD), and the probability of default occurring (PD).

The exposure at default (EAD) is based on the mark-to-market approach, reduced by the value of the guarantee, if any, at the date the valuation is made without any add-on. The weighted average life of the portfolio is used for each counterparty to determine the probability of default (PD). No estimate of the wrong-way risk is made.

In order to estimate the PD for LGD for financial counterparties, we have adopted an implied market approach, namely they are derived from the listed prices for credit sensitive instruments, such as single-name or sector credit curves.

For transactions in derivatives, the Bank has also continued to develop its use of Credit Support Annexes (CSA) to mitigate risks.

Significant unobservable inputs used in valuing instruments in Level 3 mainly include:

- estimates and assumptions underlying the models used to measure investments in equity securities and units in CIUs. No quantitative analysis of the sensitivity of the fair value of those investments to changes in unobservable inputs has been performed. The fair value was taken from third-party sources with no adjustments;

- Probability of Default: the parameter is extrapolated either from multi-period transition matrices. The figure is used to value financial instruments for disclosure purposes only;

- Credit spreads: the figure is extrapolated to create sector CDS curves using regression algorithms on the basis of a panel of single-name CDS curves. The figure is used to value financial instruments for disclosure purposes only;

- LGD: the figure is derived from a historical analysis of movements in the portfolio. The figure is used to value financial instruments for disclosure purposes only.

A.4.2 PROCESSES AND SENSITIVITY OF THE VALUATIONS

The sensitivity analysis of unobservable inputs is conducted through a stress test of all significant unobservable inputs for the different types of financial instrument. The tests are used to determine the potential changes in the fair value by category of instrument caused by realistic variations in the unobservable inputs (taking account of correlations between inputs).

The Bank conducted an assessment of the potential sensitivity of the valuations of instruments classified in Level 3 and measured at fair value on a recurring basis to changes in the unobservable market parameters. The assessment found that the effects were not material.

A.4.3 FAIR VALUE HIERARCHY

Under the provisions of IFRS 13, all fair value valuations must be classified within the three levels that delineate the valuation process on the basis of the characteristics and significance of the inputs used:

- **Level 1: unadjusted quoted prices on an active market.** Fair value is drawn directly from quoted prices observed on active markets;

- **Level 2: inputs other than the quoted prices noted above that are observable on the market either directly (prices) or indirectly (derivatives on prices).** Fair value is determined using valuation techniques that provide for: a) the use of market inputs indirectly connected with the instrument being valued and derived from instruments with similar risk characteristics or listed on non-active markets (the comparable approach); or b) that use observable inputs;

- **Level 3: inputs that are not observable on the market.** Fair value is determined using valuation techniques that use significant unobservable inputs.

In general, transfers of financial instruments between Level 1 and Level 2 in the fair value hierarchy only occur in the event of changes in the market in the period considered. For example, if a market previously considered active no longer meets the minimum requirements for being considered active, the instrument will be reclassified to a lower level; in the opposite case, it will be raised to a higher level.

As required under paragraph 97 of IFRS 13 and, previously, under IFRS 7, certain fair value disclosures are required for financial instruments measured at fair value for disclosure purposes only (instruments which are measured at amortized cost in the balance sheet). The Group has specified the following approaches for measuring fair value in these cases:

- **cash and cash equivalents:** book value approximates fair value;
- **loans with a contractually specified maturity (classified under L3):** the discounted cash flow model with adjustments reflecting the cost of credit risk, the cost of funding, the cost of capital and any operating costs;
- **intercompany loans (classified under L2):** the discounted cash flow model;
- **bad debts and substandard loans:** values on an individual basis: book value approximates fair value;
- **securities issued:**
  - classified L1: price in relevant market;
  - classified L2: mark-to-model valuation discounting cash flows using a set of yield curves distinguished by level of seniority, type of customer and currency of issue;
- **financial liabilities:** discounted cash flow model with adjustment based on the issuer risk of the Iccrea Group.

A.4.4 OTHER INFORMATION

The circumstances referred to in paragraphs 51, 93 letter (i) and 96 of IFRS 13 do not apply to the Bank's financial statements.

Quantitative disclosures

A.4.5 *FAIR VALUE HIERARCHY*

A.4.5.1 *FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE* ON A RECURRING BASIS: BREAKDOWN BY *FAIR VALUE INPUT LEVEL*

	31/12/2014			31/12/2013		
	L1	L2	L3	L1	L2	L3
1. Financial assets held for trading	6,718	463,949	383	6,467	433,559	354
2. Financial assets designated as at fair value	-	321,232	-	-	312,665	8,485
3. Financial assets available for sale	4,042,811	97,234	467	3,352,594	93,206	482
4. Hedging derivatives	-	10,333	-	-	5,562	-
5. Property and equipment	-	-	-	-	-	-
6. Intangible assets	-	-	-	-	-	-
TOTAL	**4,049,529**	**892,748**	**850**	**3,359,061**	**844,992**	**9,321**
1. Financial liabilities held for trading	29,291	457,777	-	319	390,917	-
2. Financial liabilities designated as at fair value	462,100	-	-	757,425	5,993	-
3. Hedging derivatives	-	77,039	-	-	75,167	-
TOTAL	**491,391**	**534,816**	**-**	**757,744**	**472,077**	**-**

Key:

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

As required by paragraphs 72 through 90 of IFRS 13, for the purposes of proper disclosure, the Bank reports the financial instruments divided into the three levels of the hierarchy based upon the features and importance of the inputs used in the valuation process. More specifically, the levels are:

- **Level 1:** (unadjusted) quoted prices on an active market for the financial assets and liabilities being valued;
- **Level 2:** inputs other than the quoted prices under Level 1 that are observable on the market either directly or indirectly;
- **Level 3:** inputs that are not observable on the market.

Paragraph 93, letter c) of IFRS 13 requires that, in addition to showing the fair value hierarchy level, we must report information on significant transfers between Level 1 and Level 2 and give the reasons for these transfers. With regard to this, there were no significant transfers between the two levels during the year.

Furthermore, with regard to the quantitative impact on the fair value measurement of derivatives, there was a decrease of around €2,138 thousand with regard to the Credit Value Adjustment (adjustment for the default risk of counterparties), while a change of around €52 thousand was made in respect of the Debt Value Adjustment (adjustment for the default risk of the Bank).

A.4.5.2 CHANGE FOR THE PERIOD IN FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE ON A RECURRING BASIS (LEVEL 3)

	FINANCIAL ASSETS HELD FOR TRADING	FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE	FINANCIAL ASSETS AVAILABLE FOR SALE	HEDGING DERIVATIVES	PROPERTY AND EQUIPMENT	INTANGIBLE ASSETS
1. Opening balance	**354**	**8,485**	**482**	**-**	**-**	**-**
2. Increases	**518**	**273**	**-**	**-**	**-**	**-**
2.1 Purchases	484	-	-	-	-	-
2.2 Profits recognized in:	34	273	-	-	-	-
2.2.1 Income statement	34	273	-	-	-	-
- of which: capital gains	33	-	-	-	-	-
2.2.2 Shareholders' equity	X	X	-	-	-	-
2.3 Transfers from other levels	-	-	-	-	-	-
2.4 Other increases	-	-	-	-	-	-
3. Decreases	**489**	**8,758**	**15**	**-**	**-**	**-**
3.1 Sales	485	8,758	-	-	-	-
3.2 Redemptions	-	-	-	-	-	-
3.3 Losses recognized in:	4	-	15	-	-	-
3.3.1 Income statement	4	-	-	-	-	-
- of which: capital losses	-	-	-	-	-	-
3.3.2 Shareholders' equity	X	X	15	-	-	-
3.4 Transfers to other levels	-	-	-	-	-	-
3.5 Other decreases	-	-	-	-	-	-
4. Closing balance	**383**	**-**	**467**	**-**	**-**	**-**

In accordance with paragraph 93, letter e) of IFRS 13, the table shows the Level 3 fair value measurements, along with the following information for each category of financial instrument:

- Reconciliation of the opening balances with the closing balances, separately indicating the changes during the period and their attribution (purchases, sales, profits/losses, in the latter case indicating whether they are recognized in the income statement or shown in comprehensive income).

Moreover, it shows that during the year there was no change in one or more of the inputs in respect of alternative, reasonably possible assumptions such as to change the fair value to a significant extent.

A.4.5.3 CHANGE FOR THE PERIOD IN FINANCIAL LIABILITIES DESIGNATED AS AT FAIR VALUE ON A RECURRING BASIS (LEVEL 3)

The table has not been completed because there was no such position as of the balance sheet date.

A.4.5.4 FINANCIAL ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE OR MEASURED AT FAIR VALUE A NON-RECURRING BASIS: BREAKDOWN BY FAIR VALUE INPUT LEVEL

	31/12/2014				31/12/2013			
	CA	L1	L2	L3	CA	L1	L2	L3
1. Financial assets held to maturity	3,536,799	3,562,356	-	-	3,755,290	3,796,096	-	-
2. Due from banks	35,587,200	-	14,202,083	21,395,723	32,827,713	-	12,604,806	20,166,449
3. Loans to customers	1,873,283	-	1,142,212	743,236	1,768,381	-	920,064	897,928
4. Investment property	-	-	-	-	-	-	-	-
5. Non-current assets and disposal groups held for sale	-	-	-	-	30,313	29,897	-	416
TOTAL	**40,997,282**	**3,562,356**	**15,344,295**	**22,138,960**	**38,381,697**	**3,825,993**	**13,524,869**	**21,064,793**
1. Due to banks	29,295,429	-	271,141	29,024,288	21,391,952	-	148,922	21,165,195
2. Due to customers	10,940,997	-	163,967	10,765,911	15,259,974	-	190,800	15,069,174
3. Securities issued	4,397,339	3,406,490	1,135,869	-	4,287,398	2,610,222	1,770,485	-
4. Liabilities associated with assets held for sale	-	-	-	-	32,905	-	-	32,905
TOTAL	**44,633,765**	**3,406,490**	**1,570,977**	**39,790,199**	**40,972,229**	**2,610,222**	**2,110,207**	**36,267,274**

Key:

CA=Carrying amount
L1= Level 1
L2= Level 2
L3= Level 3

A.5 – DISCLOSURE ON "DAY ONE PROFIT/LOSS"

Pursuant to paragraph 28 of IFRS 7, during the period under review – mainly with regard to asset swaps in respect of Italian government securities (BTPs) linked to European inflation – differences emerged between the fair values posted at the time of initial recognition and the values recalculated at the same date using valuation techniques in accordance with IAS 39, paragraphs AG 74 - AG 79 and IFRS 7, paragraph IG 28. The net effect associated with the purchase of the government securities and the associated hedges produced a loss of €989 thousand recognized entirely through profit or loss. Paragraph AG 76, point a) of IAS 39 establishes that an entity shall recognize through profit or loss the difference between the fair value at the date of initial recognition (whether a quoted price in an active market - Level 1 or based on a valuation technique that uses observable data – Level 2) and the transaction price.

Part B

Information on the balance sheet

PART B – INFORMATION ON THE BALANCE SHEET

ASSETS

SECTION 1 - CASH AND CASH EQUIVALENTS – ITEM 10

This item comprises legal tender, including foreign currency notes and coin and demand deposits with the Bank of Italy.

1.1 CASH AND CASH EQUIVALENTS: COMPOSITION

	TOTAL AT 31/12/2014	TOTAL AT 31/12/2013
a) Cash	104,077	82,637
b) Demand deposits with central banks	-	-
TOTAL	**104,077**	**82,637**

"Cash" includes foreign currency in the amount of €12,777 thousand.

SECTION 2 - FINANCIAL ASSETS HELD FOR TRADING – ITEM 20

This item reports all financial assets (debt securities, equity securities, derivatives, etc.) classified in the trading book.

2.1 FINANCIAL ASSETS HELD FOR TRADING: COMPOSITION BY TYPE

	TOTAL AT 31/12/2014			TOTAL AT 31/12/2013		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
A. On-balance-sheet assets						
1. Debt securities	**5,373**	**189**	**209**	**5,105**	**214**	**207**
1.1 structured securities	1,836	-	209	4,485	-	207
1.2 other debt securities	3,537	189	-	620	214	-
2. Equity securities	**340**	**22**	**174**	**337**	**5**	**147**
3. Units in collective investment undertakings	**953**	**-**	**-**	**904**	**-**	**-**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
4.1 repurchase agreements	-	-	-	-	-	-
4.2 other	-	-	-	-	-	-
TOTAL A	**6,666**	**211**	**383**	**6,346**	**219**	**354**
B. Derivatives						
1. Financial derivatives	**52**	**463,738**	**-**	**121**	**433,340**	**-**
1.1 trading	52	450,393	-	121	410,998	-
1.2 associated with fair value option	-	13,345	-	-	22,342	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**
2.1 trading	-	-	-	-	-	-
2.2 associated with fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
TOTAL B	**52**	**463,738**	**-**	**121**	**433,340**	**-**
TOTAL (A+B)	**6,718**	**463,949**	**383**	**6,467**	**433,559**	**354**

The amount reported at B (1.2) regards derivatives associated with the election of the fair value option. The associated balance-sheet items are classified under financial assets and financial liabilities at fair value (for more information, please see section 3 of assets).

2.2 FINANCIAL ASSETS HELD FOR TRADING: COMPOSITION BY DEBTOR/ISSUER

	TOTAL AT 31/12/2014	TOTAL AT 31/12/2013
A. On-balance-sheet assets		
1. Debt securities	**5,771**	**5,526**
a) Governments and central banks	633	124
b) Other government agencies	44	131
c) Banks	3,757	4,228
d) Other issuers	1,337	1,043
2. Equity securities	**536**	**489**
a) Banks	-	-
b) Other issuers:	536	489
- insurance undertakings	-	-
- financial companies	94	16
- non-financial companies	442	473
- other	-	-
3. Units in collective investment undertakings	**953**	**904**
4. Loans	**-**	**-**
a) Governments and central banks	-	-
b) Other government agencies	-	-
c) Banks	-	-
d) Other	-	-
TOTAL A	**7,260**	**6,919**
B. Derivatives		
a) Banks	**417,796**	**393,102**
- *fair value*	417,796	393,102
b) Customers	**45,994**	**40,359**
- *fair value*	45,994	40,359
TOTAL B	**463,790**	**433,461**
TOTAL (A+B)	**471,050**	**440,380**

The distribution of financial assets by economic sector of the debtors or the issuers (for securities) was carried out on the basis of the classification criteria provided for by the Bank of Italy.
"Units in collective investment undertakings" at the reporting date consisted of open-end equity funds.

2.3 ON-BALANCE-SHEET FINANCIAL ASSETS HELD FOR TRADING: CHANGE FOR THE PERIOD

	DEBT SECURITIES	EQUITY SECURITIES	UNITS IN COLLECTIVE INVESTMENT UNDERTAKINGS.	LOANS	TOTAL AT 31/12/2014
A. Opening balance	**5,526**	**489**	**904**	**-**	**6,919**
B. Increases	**226,301,167**	**10,323**	**57**	**-**	**226,311,547**
B1. Purchases	226,247,936	9,747	8	-	226,257,691
B2. Fair value gains	191	69	49	-	309
B3. Other changes	53,040	507	-	-	53,547
C. Decreases	**226,300,922**	**10,276**	**8**	**-**	**226,311,206**
C1. Sales	226,298,992	10,248	8	-	226,309,248
C2. Redemption	865	-	-	-	865
C3. Fair value losses	381	21	-	-	402
C4. Transfers to other portfolio	-	-	-	-	-
C5. Other changes	684	7	-	-	691
D. Closing balance	**5,771**	**536**	**953**	**-**	**7,260**

SECTION 3 - FINANCIAL ASSETS AT FAIR VALUE – ITEM 30

This item reports financial assets designated as at fair value through profit or loss under the fair value option provided for in IAS 39. It includes debt securities with embedded derivatives.

3.1 FINANCIAL ASSETS AT FAIR VALUE: COMPOSITION BY TYPE

	TOTAL AT 31/12/2014			TOTAL AT 31/12/2013		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Debt securities	**-**	**321,232**	**-**	**-**	**312,665**	**8,485**
1.1 structured securities	-	-	-	-	-	8,485
1.2 other debt securities	-	321,232	-	-	312,665	-
2. Equity securities	**-**	**-**	**-**	**-**	**-**	**-**
3. Units in collective investment undertakings	**-**	**-**	**-**	**-**	**-**	**-**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
4.1 structured	-	-	-	-	-	-
4.2 other	-	-	-	-	-	-
TOTAL	**-**	**321,232**	**-**	**-**	**312,665**	**8,485**
COST	**-**	**311,297**	**-**	**-**	**296,261**	**8,071**

The amounts reported under "cost" indicate the purchase cost of financial assets held at the reporting date.

Overall, the Bank exercised the fair value option for the following transactions:

- one structured bond issued by the Bank in order to avoid the need to unbundle the embedded derivative (see section 5 of liabilities);
- a group of financial instruments in order to significantly reduce the overall mismatching in the accounts. The group consists of:
  - a bond issued by the Bank containing a separable embedded derivative (see section 5 of liabilities);
  - a debt security issued by Iccrea BancaImpresa held by the Bank (reported in the table above in point 1.2);
  - derivatives connected with the above instruments that establish a natural hedge.

3.2 FINANCIAL ASSETS AT FAIR VALUE: COMPOSITION BY DEBTOR/ISSUER

	TOTAL AT 31/12/2014	TOTAL AT 31/12/2013
1. Debt securities	**321,232**	**321,150**
a) Governments and central banks	-	-
b) Other government agencies	-	-
c) Banks	321,232	312,665
d) Other issuers	-	8,485
2. Equity securities	**-**	**-**
a) Banks	-	-
b) other issuers:	-	-
- insurance undertakings	-	-
- financial companies	-	-
- non-financial companies	-	-
- other	-	-
3. Units in collective investment undertakings	**-**	**-**
4. Loans	-	-
a) Governments and central banks	-	-
b) Other government agencies	-	-
c) Banks	-	-
d) Other	-	-
TOTAL	**321,232**	**321,150**

The distribution of financial assets by economic sector of the debtors or the issuers (for securities) was carried out on the basis of the classification criteria provided for by the Bank of Italy.

3.3 FINANCIAL ASSETS AT FAIR VALUE: CHANGE FOR THE PERIOD

	DEBT SECURITIES	EQUITY SECURITIES	UNITS IN COLLECTIVE INVESTMENT UNDERTAKINGS.	LOANS	TOTAL AT 31/12/2014
A. Opening balance	**321,150**	**-**	**-**	**-**	**321,150**
B. Increases	**8,965**	**-**	**-**	**-**	**8,965**
B1. Purchases	-	-	-	-	-
B2. Fair value gains	8,692	-	-	-	8,692
B3. Other changes	273	-	-	-	273
C. Decreases	**8,883**	**-**	**-**	**-**	**8,883**
C1. Sales	-	-	-	-	-
C2. Redemptions	8,758	-	-	-	8,758
C3. Fair value losses		-	-	-	-
C4. Other changes	125	-	-	-	125
D. Closing balance	**321,232**	**-**	**-**	**-**	**321,232**

SECTION 4 - FINANCIAL ASSETS AVAILABLE FOR SALE – ITEM 40

This item reports all financial assets (debt securities, equity securities, derivatives, etc.) classified as "available for sale". Equity securities essentially regard equity investments that no longer qualify to be classified as such in the international accounting standards.

4.1 FINANCIAL ASSETS AVAILABLE FOR SALE: COMPOSITION BY TYPE

	TOTAL AT 31/12/2014			TOTAL AT 31/12/2013		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Debt securities	**4,037,780**	**97,234**	**-**	**3,349,048**	**93,206**	**-**
1.1 structured securities	-	88,147	-	-	82,013	-
1.2 other debt securities	4,037,780	9,087	-	3,349,048	11,193	-
2. Equity securities	**5,031**	**-**	**5,311**	**3,546**	**-**	**3,146**
2.1 at fair value	5,031	-	-	3,546	-	-
2.2 carried at cost	-	-	5,311	-	-	3,146
3. Units in collective investment undertakings	**-**	**-**	**467**	**-**	**-**	**482**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL	**4,042,811**	**97,234**	**5,778**	**3,352,594**	**93,206**	**3,628**

4.2 FINANCIAL ASSETS AVAILABLE FOR SALE: COMPOSITION BY DEBTOR/ISSUER

	TOTAL AT 31/12/2014	TOTAL AT 31/12/2013
1. Debt securities	**4,135,014**	**3,442,254**
a) Governments and central banks	4,114,481	3,422,772
b) Other government agencies	-	-
c) Banks	9,939	14,307
d) Other issuers	10,594	5,175
2. Equity securities	**10,342**	**6,692**
a) Banks	1	1
b) Other issuers:	10,341	6,691
- insurance undertakings	-	-
- financial companies	5,294	4,144
- non-financial companies	5,047	2,547
- other	-	-
3. Units in collective investment undertakings	**467**	**482**
4. Loans	**-**	**-**
a) Governments and central banks	-	-
b) Other government agencies	-	-
c) Banks	-	-
d) Other	-	-
TOTAL	**4,145,823**	**3,449,428**

The distribution of financial assets by economic sector of the debtors or the issuers (for securities) was carried out on the basis of the classification criteria provided for by the Bank of Italy.

4.3 FINANCIAL ASSETS AVAILABLE FOR SALE: ASSETS HEDGED SPECIFICALLY

	TOTAL AT 31/12/2014	TOTAL AT 31/12/2013
1. Financial assets with specific fair value hedges:	**826,081**	**527,030**
a) interest rate risk	826,081	527,030
b) price risk	-	-
c) exchange rate risk	-	-
d) credit risk	-	-
e) multiple risks	-	-
2. Financial assets with specific cash flow hedges:	**34,076**	**84,247**
a) interest rate risk	34,076	84,247
b) exchange rate risk	-	-
c) other	-	-
TOTAL	**860,157**	**611,277**

The amounts regard Italian government securities (BTPs) linked to both European and Italian inflation, hedged with asset swaps in order to immunize interest rate risk (fair value hedging) or to stabilize cash flows (cash flow hedging).

4.4 FINANCIAL ASSETS AVAILABLE FOR SALE: CHANGE FOR THE PERIOD

	DEBT SECURITIES	EQUITY SECURITIES	UNITS IN COLLECTIVE INVESTMENT UNDERTAKINGS	LOANS	TOTAL AT 31/12/2014
A. Opening balance	**3,442,254**	**6,692**	**482**	**-**	**3,449,428**
B. Increases	**3,189,608**	**7,291**	**-**	**-**	**3,196,899**
B1. Purchases	3,110,014	5,841	-	-	3,115,855
B2. Fair value gains	38756	1,332	-	-	34,797
B3. Writebacks	-	-	-	-	-
- recognized through income statement	-	X	-	-	-
- recognized through equity	-	-	-	-	-
B4. Transfers from other portfolios	-	-	-	-	-
B5. Other changes	41284	118	-	-	-
C. Decreases	**2,496,848**	**3,641**	**15**	**-**	**2,500,504**
C1. Sales	1,482,929	3,641	-	-	1,486,570
C2. Redemptions	944,930	-	-	-	944,930
C3. Fair value losses	8,454	-	15	-	8,024
C4. Writedown for impairment	-	-	-	-	-
- recognized through income statement	-	-	-	-	-
- recognized through equity	-	-	-	-	-
C5. Transfers to other portfolios	-	-	-	-	-
C6. Other changes	60,980	-	-	-	60,980
D. Closing balance	**4,135,014**	**10,342**	**467**	**-**	**4,145,823**

The increases and decreases in “Other changes – Debt securities” report the securities underlying funding repurchase transactions.

During the year, Iccrea Banca acquired a stake equal to about 13.89% of the share capital of Satispay Srl, a start-up in the mobile payments industry, for €2,500 thousand to achieve the following primary benefits and synergies:

- the service proposed by Satispay complements Iccrea Banca’s current e-money products and is, without a doubt, an improvement in and further development of the quality of the commercial offering;

- the target audience (young people between 18 and 35 years of age) represents an opportunity for Iccrea Banca and the mutual banks to significantly expand their customer base;
- by being immediately accessible in the entire SEPA market, Satispay will allow us to generate income from transactions made by customers of banks that do not belong to the Iccrea Banking Group;
- the internationalization of the service through agreements with international e-commerce operations will be achieved through Satispay's commercial structure;
- with the support of PR& Comunicazione, Satispay will launch and advertise the service in a European press campaign and a massive social media push, which should benefit all the partners and investors;
- the investment in Satispay has made it possible for Iccrea Banca to enter a market that it had not been in before, thereby allowing it to benefit from the synergies arising from offering this innovative and dynamic start-up access to Iccrea Banca's distribution capabilities in the mutual banks market and potentially in non-mutual bank markets.

In December, we sold our stake in BCC Gestione Crediti, realizing a gain of €116 thousand.

SECTION 5 - FINANCIAL ASSETS HELD TO MATURITY – ITEM 50

This item comprises listed debt instruments and loans with fixed or determinable payments and a fixed maturity for which the Bank has the positive intention and ability to hold until maturity.

5.1 FINANCIAL ASSETS HELD TO MATURITY: COMPOSITION BY TYPE

	TOTAL AT 31/12/2014				TOTAL AT 31/12/2013			
	CA	FV			CA	FV		
		LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3
1. Debt securities	**3,536,799**	**3,562,356**	**-**	**-**	**3,755,290**	**3,796,096**	**-**	**-**
- structured	-	-	-	-	-	-	-	-
- other	3,536,799	3,562,356	-	-	3,755,290	3,796,096	-	-
2. Loans	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL	**3,536,799**	**3,562,356**	**-**	**-**	**3,755,290**	**3,796,096**	**-**	**-**

Key:
FV = fair value
CA = carrying amount

5.2 FINANCIAL ASSETS HELD TO MATURITY: COMPOSITION BY DEBTOR/ISSUER

	TOTAL AT 31/12/2014	TOTAL AT 31/12/2013
1. Debt securities	**3,536,799**	**3,755,290**
a) Governments and central banks	3,536,799	3,755,290
b) Other government agencies	-	-
c) Banks	-	-
d) Other issuers	-	-
2. Loans	**-**	**-**
a) Governments and central banks	-	-
b) Other government agencies	-	-
c) Banks	-	-
d) Other	-	-
1. Debt securities	**3,536,799**	**3,755,290**

5.3 FINANCIAL ASSETS HELD TO MATURITY: ASSETS HEDGED SPECIFICALLY

The table has not been completed because there were no such positions as of the balance sheet date.

5.4 FINANCIAL ASSETS HELD TO MATURITY: CHANGE FOR THE PERIOD

	DEBT SECURITIES	LOANS	TOTAL AT 31/12/2014
A. Opening balance	**3,755,290**	**-**	**3,755,290**
B. Increases	**1,681,895**	**-**	**1,681,895**
B1. Purchases	1,663,283	-	1,663,283
B2. Fair value gains	-	-	-
B3. Transfers from other portfolios	-	-	-
B4. Other changes	18,612	-	18,612
C. Decreases	**1,900,386**	**-**	**1,900,386**
C1. Sales	-	-	-
C2. Redemptions	1,776,002	-	1,776,002
C3. Writedowns for impairment	-	-	-
C4. Transfers to other portfolios	-	-	-
C5. Other changes	124,384	-	124,384
D. Closing balance	**3,536,799**	**-**	**3,536,799**

SECTION 6 - DUE FROM BANKS – ITEM 60

This item reports unlisted financial assets in respect of banks (current accounts, demand and fixed-term deposits, security deposits, debt securities, etc.) classified as "loans and receivables" pursuant to IAS 39.

6.1 DUE FROM BANKS: COMPOSITION BY TYPE

	TOTAL AT 31/12/2014				TOTAL AT 31/12/2013			
	CA	FV			CA	FV		
		LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3
A. Claims on central banks	**197,424**				**467,426**			
1. Fixed-term deposits	-	X	X	X	-	X	X	X
2. Reserve requirement	197,424	X	X	X	467,426	X	X	X
3. Repurchase agreements	-	X	X	X	-	X	X	X
4. Other	-	X	X	X	-	X	X	X
B. Due from banks	**35,389,776**				**32,360,287**			
1. Financing	31,764,398				28,089,261			
1.1. Current accounts and demand deposits	304,824	X	X	X	526,695	X	X	X
1.2. Fixed-term deposits	149,071	X	X	X	1,152,394	X	X	X
1.3. Other financing:	31,310,503	X	X	X	26,410,172	X	X	X
- Repurchase agreements	7,250,182	X	X	X	6,586,165	X	X	X
- Finance leases		X	X	X		X	X	X
- Other	24,060,321	X	X	X	19,824,007	X	X	X
2. Debt securities	3,625,378				4,271,026			
2.1 Structured securities	77,171	X	X	X	109,871	X	X	X
2.2 Other debt securities	3,548,207	X	X	X	4,161,155	X	X	X
TOTAL	**35,587,200**	**-**	**14,202,083**	**21,395,723**	**32,827,713**	**-**	**12,604,806**	**20,166,449**

Key:
FV = fair value
CA = carrying amount

Amounts due from banks are reported net of impairment adjustments.
The fair value is obtained using discounted cash flow techniques.

The sub-item "reserve requirement" includes the requirements managed on behalf of the mutual banks, with a contra-item under item 10 of liabilities (Due to banks).

The item "Other financing – Other" includes impaired assets classified as bad debts in respect of the Icelandic bank Landsbanki Island hf. loan amounting to €231 thousand, entirely written off. In December, a partial repayment of €5,821 thousand was received.

Loans granted to the mutual banks associated with operations with the European Central Bank, in particular advances received from the latter secured by securities eligible for use in refinancing transactions (pool collateral) amounted to €20,721 million and are reported under letter "B", "Other financing – Other". The securities pledged as collateral by the mutual banks amount to €24,628 million net of the haircut applied to the various types of security.

Loans granted includes €3,808,000 thousand in respect of the new Targeted Long Term Refinancing Operation (TLTRO) launched by the ECB. We were able to participate in this new form of lending through the formation, in July 2014, of a TLTRO Group comprised of Iccrea Banca, Iccrea BancaImpresa, Banca Sviluppo and 190 other mutual and ordinary banks for which Iccrea Banca manages the reserve requirement. The loans were granted through two auctions held in September 2014 for €2,242,000 thousand and in December 2014 for €1,566,000 thousand. Furthermore, the year saw the launch of financing involving the transfer of loans through the ABCAO process. At the end of the year, the loans received from Iccrea BancaImpresa to guarantee the collateral pool came to €660 thousand, which comes to a net of around €189 thousand after the haircut is applied.

Following the introduction of the Group's new organizational model, the Bank, in its capacity as the manager of Group financial resources, is responsible for funding and financing all the companies of the Iccrea Banking Group. Specifically, the following securities issued by Iccrea BancaImpresa were subscribed and classified under "Due from banks – debt securities – Other":

ISIN	NOMINAL VALUEE	COUPON AT	ISSUE DATE	MATURITY
IT0004628035	245,000,000	1.036%	02/08/2010	02/08/2015
IT0004675127	7,799,000	3.600%	01/01/2011	01/05/2016
IT0004813041	5,100,000	3.063%	16/04/2012	01/04/2015
IT0004813033	21,000,000	3.593%	16/04/2012	03/04/2017
IT0004816564	1,070,000	3.063%	10/05/2012	01/04/2015
IT0004816598	13,000,000	3.593%	10/05/2012	03/04/2017
IT0004840556	8,030,000	2.873%	12/07/2012	01/07/2015
IT0004840523	11,300,000	3.553%	12/07/2012	01/07/2022
IT0004840549	16,300,000	3.183%	12/07/2012	03/07/2017
IT0004840531	11,500,000	3.603%	12/07/2012	01/07/2019
IT0004865611	9,490,000	2.473%	23/10/2012	01/10/2015
IT0004865595	17,000,000	2.853%	23/10/2012	02/10/2017
IT0004865603	14,000,000	3.413%	23/10/2012	01/10/2025
IT0004870785	12,300,000	2.883%	21/11/2012	01/07/2027
IT0004870777	5,470,000	1.233%	21/11/2012	01/07/2015
IT0004870793	4,550,000	1.540%	21/11/2012	01/10/2015
IT0004870769	3,530,000	1.183%	21/11/2012	01/10/2015
IT0004894298	14,930,000	1.333%	08/02/2013	04/01/2016
IT0004894546	2,790,000	1.520%	08/02/2013	01/01/2016
IT0004894660	22,000,000	1.883%	08/02/2013	02/01/2018
IT0004894280	58,000,000	1.733%	08/02/2013	02/01/2018
IT0004894454	45,070,000	1.193%	08/02/2013	04/01/2016
IT0004920614	32,340,000	3.543%	07/05/2013	01/04/2025
IT0004921075	74,360,000	3.423%	07/05/2013	01/07/2025
IT0004920630	43,220,000	2.903%	07/05/2013	03/04/2028
IT0004929870	18,560,000	3.483%	24/05/2013	01/10/2019
IT0004936693	36,090,000	2.813%	17/06/2013	03/07/2023
IT0004936685	15,580,000	2.913%	17/06/2013	01/07/2020
IT0004942147	28,430,000	2.943%	15/07/2013	02/01/2026
IT0004942436	8,020,000	3.393%	15/07/2013	01/01/2016
IT0004942428	15,080,000	3.043%	15/07/2013	01/07/2022
IT0004955784	6,110,000	3.233%	09/08/2013	01/07/2022
IT0004955792	6,640,000	3.855%	09/08/2013	01/04/2017
IT0004955800	43,040,000	3.143%	09/08/2013	01/10/2020
IT0004960941	6,960,000	2.983%	16/09/2013	02/01/2018
IT0004960958	40,270,000	3.113%	16/09/2013	03/01/2028
IT0004966427	74,080,000	2.893%	14/10/2013	01/04/2022
IT0004975881	79,870,000	3.163%	19/11/2013	01/07/2025
IT0004982432	12,000,000	2.831%	12/12/2013	02/01/2025
IT0004982424	85,200,000	2.843%	12/12/2013	02/01/2019
IT0004987712	93,350,000	2.643%	15/01/2014	01/04/2022
IT0004987720	20,410,000	3.547%	15/01/2014	01/04/2019
IT0004987738	71,050,000	2.753%	15/01/2014	01/07/2022
IT0005023210	37,500,000	2.823%	12/05/2014	03/04/2029
IT0005023202	107,780,000	2.043%	12/05/2014	01/04/2019
IT0005025108	12,340,000	2.083%	26/05/2014	02/01/2024
IT0005025082	71,370,000	1.983%	03/06/2014	02/04/2024
IT0005029670	70,104,000	2.023%	23/06/2014	03/04/2029
IT0005068595	94,000,000	1.703%	19/11/2014	01/10/2029
IT0005068678	13,000,000	1.519%	19/11/2014	01/07/2024
IT0005073207	11,000,000	1.729%	19/12/2014	01/10/2019
IT0005073231	102,000,000	1.785%	19/12/2014	01/10/2029
IT0005074163	1,000,000,000	0.629%	29/12/2014	28/12/2017
IT0005041238	76,936,000	1.963%	28/07/2014	02/07/2029
IT0005043564	12,000,000	1.713%	12/08/2014	04/01/2027
IT0005043556	79,930,000	1.783%	12/08/2014	02/07/2029

IT0005059420	11,000,000	1.918%	21/10/2014	02/07/2029
IT0005055576	81,000,000	1.825%	22/09/2014	02/07/2029
IT0005055568	12,000,000	1.850%	22/09/2014	01/07/2019
IT0005041246	9,210,000	1.825%	28/07/2014	01/01/2019
IT0005059396	67,000,000	1.828%	21/10/2014	01/10/2029
TOTAL	**3,228,059,000**			

The nominal value is reported in euros.

6.2 DUE FROM BANKS: ASSETS HEDGED SPECIFICALLY

	TOTAL AT 31/12/2014	TOTAL AT 31/12/2013
1. Loans with specific fair value hedges:	**232,129**	**535,422**
a) interest rate risk	232,129	535,422
b) exchange rate risk	-	-
c) credit risk	-	-
d) multiple risks	-	-
2. Loans with specific cash flow hedges:	**-**	**-**
a) interest rate risk	-	-
b) exchange rate risk	-	-
c) other	-	-
TOTAL	**232,129**	**535,422**

The item consists of 2 fixed-rate securities issued by Iccrea BancaImpresa, hedged with interest rate swaps (IRS), fixed-rate treasury deposits hedged with overnight indexed swaps and repurchase agreements with Banca Sviluppo (both one to one and macrohedging) also hedged with overnight indexed swaps.

6.3 FINANCE LEASES

The table has not been completed because there were no such positions as of the balance sheet date.

SECTION 7 – LOANS TO CUSTOMERS – ITEM 70

This item reports unlisted financial instruments, including debt securities, in respect of customers classified pursuant to IAS 39 as “loans and receivables”.

7.1 LOANS TO CUSTOMERS: COMPOSITION BY TYPE

	TOTAL AT 31/12/2014						TOTAL AT 31/12/2013					
	CARRYING AMOUNT			FAIR VALUE			CARRYING AMOUNT			FAIR VALUE		
		IMPAIRED						IMPAIRED				
	PERFORMING	PURCHASED	OTHER	L 1	L 2	L 3	PERFORMING	PURCHASED	OTHER	L 1	L 2	L 3
Loans	**1,834,164**	**-**	**22,236**				**1,721,549**	**-**	**29,949**			
1. Current accounts	163,552	-	183	X	X	X	153,036	-	3,744	X	X	X
2. Repurchase agreements	53,992	-		X	X	X	19,160	-	-	X	X	X
3. Medium/long-term loans	144,941	-	21,359	X	X	X	151,923	-	24,609	X	X	X
4. Credit cards, personal loans and loans repaid by automatic deductions from wages		-	-	X	X	X	-	-	-	X	X	X
5. Finance leases		-	-	X	X	X	-	-	-	X	X	X
6. Factoring		-	-	X	X	X	-	-	-	X	X	X
7. Other	1,471,679	-	694	X	X	X	1,397,430	-	1,596	X	X	X
Debt securities	**16,883**	**-**	**-**				**16,883**	**-**	**-**			
8. Structured securities	-	-	-	X	X	X	-	-	-	X	X	X
9. Other debt securities	16,883	-	-	X	X	X	16,883	-	-	X	X	X
TOTAL	**1,851,047**	**-**	**22,236**	**-**	**1,142,212**	**743,236**	**1,738,432**	**-**	**29,949**	**-**	**920,064**	**897,928**

Loans to customers are reported net of impairment losses.

The fair value is obtained using discounted cash flow techniques.

Impaired assets include bad debts in the amount of €3,306 thousand in respect of the Lehman Brothers Group, entirely written off. During the year, around €1,000 thousand was collected in two payments, with such amount being written back.

7.2 LOANS TO CUSTOMERS: COMPOSITION BY DEBTOR/ISSUER

	TOTAL AT 31/12/2014			TOTAL AT 31/12/2013		
	PERFORMING	IMPAIRED		PERFORMING	IMPAIRED	
		PURCHASED	OTHER		PURCHASED	OTHER
1. Debt securities:	**16,882**	**-**	**-**	**16,883**	**-**	**-**
a) Governments	-	-	-		-	-
b) Other government agencies	-	-	-		-	-
c) Other issuers	16,882	-	-	16,883	-	-
- non-financial companies	102	-	-	102	-	-
- financial companies	16,780	-	-	16,781	-	-
- insurance undertakings	-	-	-		-	-
- other	-	-	-		-	-
2. Loans to:	**1,834,165**	**-**	**22,236**	**1,721,549**	**-**	**29,949**
a) Governments	-	-	-		-	
b) Other government agencies	1	-	-	73	-	
c) Other	1,834,164	-	22,236	1,721,476	-	29,949
- non-financial companies	76,131	-	16,849	65,948	-	18,627
- financial companies	1,594,873	-	-	1,554,302	-	4,279
- insurance undertakings	61,001	-	-	2	-	
- other	102,159	-	5,387	101,224	-	7,043
TOTAL	**1,851,047**	**-**	**22,236**	**1,738,432**	**-**	**29,949**

The distribution of financial assets by economic sector of the debtors or the issuers (for securities) was carried out on the basis of the classification criteria provided for by the Bank of Italy.

7.3 LOANS TO CUSTOMERS: ASSETS HEDGED SPECIFICALLY

	TOTAL AT 31/12/2014	TOTAL AT 31/12/2013
1. Loans with specific fair value hedges:	**38,267**	**43,626**
a) interest rate risk	38,267	43,626
b) exchange rate risk	-	-
c) credit risk	-	-
d) multiple risks	-	-
2. Loans with specific cash flow hedges:	**-**	**-**
a) interest rate risk	-	-
b) exchange rate risk	-	-
c) other	-	-
TOTAL	**38,267**	**43,626**

Loans covered by fair value micro-hedges are reported at cost adjusted by changes in fair value attributable to the hedged risk accrued as of the reporting date. The amount reported regards two fixed-rate loans – one to BCC Solutions in the amount of €22,934 thousand (outstanding debt at December 31, 2014) and the other to BCC CreditoConsumo in the amount of €9,840 thousand (outstanding debt at December 31, 2014) – hedged against interest rate risk (fair value hedge).

7.4 FINANCE LEASING

The table has not been completed because there were no such positions as of the balance sheet date.

SECTION 8 - HEDGING DERIVATIVES – ITEM 80

This item reports hedging derivatives, which at the reporting date had a positive fair value.

8.1 HEDGING DERIVATIVES: COMPOSITION BY TYPE OF CONTRACT AND LEVEL OF INPUT

	FV AT 31/12/2014			NV AT 31/12/2014	FV AT 31/12/2013			NV AT 31/12/2013
	L1	L2	L3		L1	L2	L3	
A) Financial derivatives	**-**	**10,333**	**-**	**292,944**	**-**	**5,562**	**-**	**424,981**
1) Fair value	-	8,187	-	249,700	-	4,451	-	374,700
2) Cash flows	-	2,146	-	43,244	-	1,111	-	50,281
3) Investments in foreign operations	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
TOTAL	**-**	**10,333**	**-**	**292,944**	**-**	**5,562**	**-**	**424,981**

Key
NV = notional value
L1 = Level 1
L2 = Level 2
L3 = Level 3

This account reports financial derivatives (mainly interest rate swaps and overnight indexed swaps) designated as fair value or cash flow hedges of financial assets and financial liabilities, as detailed in the following table.

8.2 HEDGING DERIVATIVES: COMPOSITION BY HEDGED PORTFOLIO AND TYPE OF HEDGE

	FAIR VALUE						CASH FLOWS		INVESTMENTS IN FOREIGN OPERATIONS
	SPECIFIC					GENERIC			
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	Multiple risks		Specific	Generic	
1. Financial assets available for sale	686	-	-	-	-	X	-	X	X
2. Loans	-	-	-	X	-	X	-	X	X
3. Financial assets held to maturity	X	-	-	X	-	X	-	X	X
4. Portfolio	X	X	X	X	X	-	X	-	X
5. Other transactions	-	-	-	-	-	X	-	X	-
TOTAL ASSETS AT 31/12/2013	**686**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	7,501	-	-	X	-	X	2,146	X	X
2. Portfolio	X	X	X	X	X	-	X	-	X
TOTAL LIABILITIES AT 31/12/2013	**7,501**	**-**	**-**	**X**	**-**	**-**	**2,146**	**-**	**-**
1. Forecast transactions	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	-	X	-	-

The amount reported under point 1 "Financial assets available for sale" regards the positive fair values of the asset swap micro-hedging cash flows on a BTP linked to inflation.

The item “Financial liabilities” specifically hedging interest rate risk (fair value hedging), reports the positive fair values of interest rate swaps (IRS) and interest rate options (IRO) hedging fixed-rate and floating-rate bonds issued by the Bank.

The item “Financial liabilities” specifically hedging cash flows (cash flow hedging) reports cross currency interest rate swaps (CCIRS) hedging bonds issued by the Bank in U.S. dollars.

SECTION 9 - VALUE ADJUSTMENTS OF FINANCIAL ASSETS HEDGED GENERICALLY– ITEM 90

This item reports the positive or negative balance of changes in the value of assets macro-hedged against interest rate risk, in application of IAS 39.

9.1 VALUE ADJUSTMENTS OF HEDGED ASSETS: COMPOSITION OF HEDGED PORTFOLIOS

	TOTAL AT 31/12/2014	TOTAL AT 31/12/2013
1. Positive adjustments	**171**	**-**
1.1 of specific portfolios:	171	-
a) loans	171	-
b) financial assets available for sale	-	-
1.2 comprehensive	-	-
2. Negative adjustments	**-**	**(53)**
2.1 of specific portfolios:	-	(53)
a) loans	-	(53)
b) financial assets available for sale	-	-
2.2 comprehensive	-	-
TOTAL	**171**	**(53)**

9.2 MACRO-HEDGED AGAINST INTEREST RATE RISK

	TOTAL AT 31/12/2014	TOTAL AT 31/12/2013
1. Loans	190,000	190,000
2. Assets available for sale	-	-
3. Portfolio	-	-
TOTAL	**190,000**	**190,000**

The macro-hedging was conducted for portfolios of deposits and repurchase agreements, managed by the treasury unit, using overnight indexed swaps.

SECTION 10 – EQUITY INVESTMENTS – ITEM 100

10.1 EQUITY INVESTMENTS: INFORMATION ON INVESTMENTS

	REGISTERED OFFICE	OPERATIONAL HEADQUARTERS	% HOLDING	% OF VOTES
A. Wholly-owned subsidiaries				
B. Joint ventures				
C. Companies subject to significant influence				
1. BCC Beni Immobili s.r.l.	Milan	Milan	47.60	47.60
2. M-Facility S.p.A.	Rome	Rome	37.50	37.50
3. Hi-Mtf S.p.A.	Milan	Milan	25.00	25.00
4. Iccrea BancaImpresa S.p.A.	Rome	Rome	35.41	35.41
5. Accademia BCC S.c.p.A.	Rome	Rome	25.00	25.00

10.2 EQUITY INVESTMENTS SUBJECT TO SIGNIFICANT INFLUENCE: CARRYING AMOUNT, FAIR VALUE AND DIVIDENDS RECEIVED

	CARRYING AMOUNT	FAIR VALUE	DIVIDENDS RECEIVED
A. Wholly-owned subsidiaries			
B. Joint ventures			
C. Companies subject to significant influence			
1. BCC Beni Immobili s.r.l.	11,600	-	-
2. M-Facility S.p.A.	705	-	-
3. Hi-Mtf S.p.A.	1,250	-	-
4. Iccrea BancaImpresa S.p.A.	249,855	-	-
5. Accademia BCC S.c.p.A.	200	-	-
TOTAL	**263,610**	**-**	**-**

At its meeting of March 6, 2014, the Board of Directors of Iccrea Banca S.p.A., in line with the strategic policies of the Parent Company, authorized the subscription of the entire capital increase (€200 million) undertaken by Iccrea BancaImpresa S.p.A.. On March 31, the Bank made a payment in respect of a capital increase for the rights pertaining to the Bank in respect of its share (€16.5 million) and for the share not taken up by Iccrea Holding (€153.5 million). In May, the Bank subscribed and paid in the remainder of the capital increase not taken up by the other shareholders (€29.8 million).

Pursuant to Legislative Decree 87/92 and electing the option envisaged under IAS 27, paragraph 10 d), the Bank does not prepare consolidated financial statements as the Parent Company Iccrea Holding prepares consolidated financial statements for public use in conformity with the International Financial Reporting Standards.

10.3 EQUITY INVESTMENTS SUBJECT TO SIGNIFICANT INFLUENCE: ACCOUNTING DATA

	CASH AND CASH EQUIVALENTS	FINANCIAL ASSETS	NON-FINANCIAL ASSETS	FINANCIAL LIABILITIES	NON-FINANCIAL LIABILITIES	TOTAL REVENUES	NET INTEREST INCOME	NET ADJUSTMENTS OF PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS	PROFIT (LOSS) BEFORE TAX ON CONTINUING OPERATIONS	PROFIT (LOSS) AFTER TAX ON CONTINUING OPERATIONS	PROFIT (LOSS) AFTER TAX OF NON-CURRENT ASSETS HELD FOR SALE	NET PROFIT (LOSS) FOR THE PERIOD (1)	OTHER COMPREHENSIVE INCOME NET OF TAXES (2)	COMPREHENSIVE INCOME (3)=(1) + (2)
A. Wholly-owned subsidiaries														
B. Joint ventures														
C. Companies subject to significant influence														
1. BCC Beni Immobili s.r.l.	X	645	15,696	-	626	367	X	X	(10)	(25)	-	(25)	-	(25)
2. M-Facility S.P.A.	X	11	1,221	-	66	-	X	X	(28)	(28)	-	(28)	-	(28)
3. Hi-Mtf S.p.A.	X	6,226	63	-	649	3,046	X	X	748	419	-	419	12	431
4. Iccrea BancaImpresa S.p.A.	X	14,593,512	346,109	14,096,939	247,208	415,482	X	X	5,145	2,158	-	2,158	(3,450)	(1,292)
5. Accademia BCC S.c.p.A.	X	1,782	118	-	1,927	2,732	X	X	1	(34)	-	(34)	-	(34)

The figures are at December 31, 2013.

10.4 MINOR EQUITY INVESTMENTS: ACCOUNTING INFORMATION

The table has not been completed because there were no such positions as of the balance sheet date.

10.5 EQUITY INVESTMENTS: CHANGE FOR THE PERIOD

	TOTAL AT 31/12/2014	TOTAL AT 31/12/2013
A. Opening balance	**63,564**	**51,263**
B. Increases	**200,055**	**12,301**
B.1 Purchases	200,055	12,301
B.2 Writebacks	-	-
B.3 Revaluations	-	-
B.4 Other changes	-	-
C. Decreases	**9**	**-**
C.1 Sales	-	-
C.2 Writedowns	-	-
C.3 Other changes	9	-
D. Closing balance	**263,610**	**63,564**
E. Total revaluations	**-**	**-**
F. Total writedowns	**-**	**-**

The sub-item “B.1 Purchases” includes: the capital increase approved by associated company Iccrea BancaImpresa S.p.A., described in the comments to Table 10.2, and the acquisition of the stake in Accademia BCC S.c.p.A for €200 thousand.

10.6 COMMITMENTS IN RESPECT OF JOINT VENTURES

The table has not been completed because there were no such positions as of the balance sheet date.

10.7 COMMITMENTS IN RESPECT OF COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE

The table has not been completed because there were no such positions as of the balance sheet date.

10.8 MATERIAL RESTRICTIONS

The table has not been completed because there were no such positions as of the balance sheet date.

10.9 OTHER INFORMATION

The table has not been completed because there were no such positions as of the balance sheet date.

SECTION 11 - PROPERTY AND EQUIPMENT – ITEM 110

This item reports tangible assets (property, movables, plant, machinery, etc.) used in operations governed by IAS 16 and investment property governed by IAS 40.

11.1 OPERATING PROPERTY AND EQUIPMENT: COMPOSITION OF ASSETS CARRIED AT COST

	TOTAL AT 31/12/2014	TOTAL AT 31/12/2013
1. Owned assets	**9,402**	**8,320**
a) land	-	-
b) buildings	-	-
c) movables	291	322
d) electrical plants	8,324	7,305
e) other	787	693
2 Assets acquired under financial leases	**-**	**-**
a) land	-	-
b) buildings	-	-
c) movables	-	-
d) electrical plants	-	-
e) other	-	-
TOTAL	**9,402**	**8,320**

11.2 INVESTMENT PROPERTY: COMPOSITION OF ASSETS CARRIED AT COST

The table has not been completed because there were no such positions as of the balance sheet date.

11.3 OPERATING PROPERTY AND EQUIPMENT: COMPOSITION OF REVALUED ASSETS

The table has not been completed because there were no such positions as of the balance sheet date.

11.4 INVESTMENT PROPERTY: COMPOSITION OF ASSETS AT FAIR VALUE

The table has not been completed because there were no such positions as of the balance sheet date.

11.5 OPERATING PROPERTY AND EQUIPMENT: CHANGE FOR THE PERIOD

	LAND	BUILDINGS	MOVABLES	ELECTRICAL PLANT	OTHER	TOTAL AT 31/12/2014
A. Opening gross balance	**-**	**-**	**2,654**	**22,931**	**5,503**	**31,088**
A.1 Total net writedown	-	-	2,332	15,627	4,809	22,768
A.2 Opening net balance	-	-	322	7,304	694	8,320
B. Increases:	**-**	**-**	**23**	**3,776**	**328**	**4,127**
B.1 Purchases	-	-	18	3,726	328	4,072
B.2 Capitalized improvement costs	-	-	-	-	-	-
B.3 Writebacks	-	-	-	50	-	50
B.4 Fair value gains recognized in recognized in	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive exchange rate differences	-	-	-	-	-	-
B.6 Transfers from investment property	-	-	-	-	-	-
B.7 Other changes	-	-	5	-	-	5
C. Decreases:	**-**	**-**	**54**	**2,756**	**235**	**3,050**
C.1 Sales	-	-	-	571	3	574
C.2 Depreciation	-	-	54	2,180	230	2,464
C.3 Writedowns for impairment recognized in	-	-	-	5	-	5
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	5	-	5
C.4 Fair value losses recognized in	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange rate differences	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) investment property	-	-	-	-	-	-
b) discontinuing operations	-	-	-	-	-	-
C.7 Other changes	-	-	-	-	2	2
D. Closing net balance	**-**	**-**	**291**	**8,324**	**787**	**9,402**
D.1 Total net writedowns	-	-	2,386	17,737	5,045	25,168
D.2 Closing gross balance	-	-	2,677	26,061	5,832	34,570
E. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

11.6 INVESTMENT PROPERTY: CHANGE FOR THE PERIOD

The table has not been completed because there were no such positions as of the balance sheet date.

11.7 COMMITMENTS TO ACQUIRE PROPERTY AND EQUIPMENT (IAS 16/74.C)

The table has not been completed because there were no such positions as of the balance sheet date.

SECTION 12 – INTANGIBLE ASSETS – ITEM 120

This item reports intangible assets governed by IAS 38, all of which are measured at cost.

12.1 INTANGIBLE ASSETS: COMPOSITION BY CATEGORY

	TOTAL AT 31/12/2014		TOTAL AT 31/12/2013	
	FINITE LIFE	INDEFINITE LIFE	FINITE LIFE	INDEFINITE LIFE
A.1 Goodwill	X	**-**	X	**-**
A.2 Other intangible assets	**8,705**	**-**	**7,238**	**-**
A.2.1 Assets carried at cost:	8,705	-	7,238	-
a) internally generated intangible assets	-	-	-	-
b) other assets	8,705	-	7,238	-
A.2.2 Assets designated at fair value:	-	-	-	-
a) internally generated intangible assets	-	-	-	-
b) other assets	-	-	-	-
TOTAL	**8,705**	**-**	**7,238**	**-**

Under the provisions of IAS 38, all software has been classified under intangible assets with a finite life. The assets are amortized over three years on a straight-line basis.

12.2 INTANGIBLE ASSETS: CHANGE FOR THE PERIOD

	GOODWILL	OTHER INTANGIBLE ASSETS: INTERNALLY GENERATED		OTHER INTANGIBLE ASSETS: OTHER		TOTAL AT 31/12/2014
		FINITE LIFE	INDEFINITE LIFE	FINITE LIFE	INDEFINITE LIFE	
A. Opening balance	**-**	**-**	**-**	**7,238**	**-**	**7,238**
A.1 Total net writedown	-	-	-	-	-	-
A.2 Opening net balance	**-**	**-**	**-**	**7,238**	**-**	**7,238**
B. Increases	**-**	**-**	**-**	**6,902**	**-**	**6,902**
B.1 Purchases	-	-	-	6,902	-	6,902
- business combinations	-	-	-	-	-	-
B.2 Increases in internally generated intangible assets	X	-	-	-	-	-
B.3 Writebacks	X	-	-	-	-	-
B.4 Fair value gains recognized in		-	-	-	-	-
- equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
B.5 Positive exchange rate differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**5,435**	**-**	**5,435**
C.1 Sales	-	-	-	-	-	-
C.2 Writedowns	-	-	-	5,435	-	5,435
- Amortization	X	-	-	5,435	-	5,435
- Impairment	-	-	-	-	-	-
+ equity	X	-	-	-	-	-
+ income statement	-	-	-	-	-	-
C.3 Fair value losses recognized in		-	-	-	-	-
- equity	X	-	-	-	-	-
- income statement	X	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	-	-	-
C.5 Negative exchange rate differences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Closing net balance	**-**	**-**	**-**	**8,705**	**-**	**8,705**
D.1 Total net writedown	-	-	-	-	-	-
E. Closing gross balance	**-**	**-**	**-**	**8,705**	**-**	**8,705**
F. Measurement at cost	**-**	**-**	**-**	**-**	**-**	**-**

12.3 OTHER INFORMATION

Under the provisions of IAS 38, paragraphs 122 and 124, we report:

- there are no revalued intangible assets; consequently, there are no impediments to the distribution to shareholders of gains on revalued intangible assets (IAS 38, paragraph 124, letter b);
- there are no intangible assets acquired with government grants (IAS 38, paragraph 122, letter c);
- there are no intangible assets pledged as security for liabilities (IAS 38, paragraph 122, letter d);

- there are no intangible assets involved in lease transactions.

SECTION 13 - TAX ASSETS AND LIABILITIES – ITEM 130 OF ASSETS AND ITEM 80 OF LIABILITIES

This item reports tax assets (current and deferred) and tax liabilities (current and deferred), which are recognized under item 130 of assets and 80 of liabilities, respectively.

13.1 DEFERRED TAX ASSETS: COMPOSITION

	TOTAL AT 31/12/2014	TOTAL AT 31/12/2013
A. Gross deferred tax assets	**7,603**	**10,018**
A1. Loans (including securitizations)	4,744	6,083
A2. Other financial instruments	652	1,357
A3. Goodwill	-	-
A4. Deferred charges	-	-
A5 Property and equipment	-	-
A6. Provisions for risks and charges	1,517	1,589
A7. Entertainment expenses	-	-
A8. Personnel costs	690	989
A9. Tax losses	-	-
A10. Unused tax credits to deduct	-	-
A11. Other	-	-
B. Offsetting with deferred tax liabilities*	**5,636**	**1,789**
C. NET DEFERRED TAX ASSETS (A-B)	**1,967**	**8,229**

* Of which €3,109 thousand under Law 214/2011.

13.2 DEFERRED TAX LIABILITIES: COMPOSITION

	TOTAL AT 31/12/2014	TOTAL AT 31/12/2013
A. Gross deferred tax liabilities	**27,842**	**22,172**
A1. Capital gains tax in installments	4,689	55
A2. Goodwill	-	-
A3. Property and equipment	-	-
A4. Financial instruments	23,153	22,117
A5. Personnel costs	-	-
A6. Other	-	-
B. Offsetting with deferred tax assets	**5,636**	**1,789**
C. NET DEFERRED TAX LIABILITIES (A-B)	**22,206**	**20,383**

Current tax assets and liabilities in respect of corporate income tax (IRES) included in the consolidated tax mechanism have been reclassified from "other assets" and "other liabilities" to the sub-item "Receivables/payables in respect of Parent Company for consolidated tax mechanism". Deferred and current tax assets and liabilities were offset in compliance with the provisions of IAS 12.

DEFERRED TAXES NOT RECOGNIZED

The amount and changes in taxable timing differences (and related components) that do not meet requirements for recognition as deferred tax liabilities as it is unlikely that they will have to be paid include:

- deferred tax liabilities in respect of the revaluation reserve established in 2003 pursuant to Law 342 of 22/11/2000 net of the special capital gains tax already paid (€11,227 thousand). As the reserve is not expected to be distributed to shareholders, no provision had been made for deferred taxes in the amount of about €8.3 million.

13.3 CHANGES IN DEFERRED TAX ASSETS (RECOGNIZED IN INCOME STATEMENT)

	TOTAL AT 31/12/2014	TOTAL AT 31/12/2013
1. Opening balance	**8,229**	**12,333**
2. Increases	**1,310**	**586**
2.1 Deferred tax assets recognized during the period	1,310	586
a) in respect of previous period	-	-
b) due to change in accounting policies	-	-
c) writebacks	-	-
d) other	1,310	586
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**2,996**	**4,690**
3.1 Deferred tax assets derecognized during the period	2,996	4,315
a) reversals	2,996	4,315
b) writedowns for supervening non-recoverability	-	-
c) due to changes in accounting policies	-	-
d) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases:	-	375
a) transformation into tax credits pursuant to Law 214/2011	-	-
b) other	-	375
4. Closing balance	**6,543**	**8,229**

13.3.1 CHANGES IN DEFERRED TAX ASSETS UNDER LAW 214/2011 (RECOGNIZED IN INCOME STATEMENT)

The table has not been completed because as of the balance sheet date the conditions for transforming deferred tax assets into tax credits had not been met.

13.4 CHANGES IN DEFERRED TAX LIABILITIES (RECOGNIZED IN INCOME STATEMENT)

	TOTAL AT 31/12/2014	TOTAL AT 31/12/2013
1. Opening balance	**-**	**-**
2. Increases	**4,576**	**-**
2.1 Deferred tax liabilities recognized during the period	4,576	-
a) in respect of previous period	-	-
b) due to change in accounting policies	-	-
c) other	4,576	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**-**	**-**
3.1 Deferred tax liabilities derecognized during the period	-	-
a) reversals	-	-
b) due to changes in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**4,576**	**-**

13.5 CHANGES IN DEFERRED TAX ASSETS (RECOGNIZED IN EQUITY)

	TOTAL AT 31/12/2014	TOTAL AT 31/12/2013
1. Opening balance	**1,789**	**6,280**
2. Increases	**227**	**432**
2.1 Deferred tax assets recognized during the period	227	432
a) in respect of previous period	-	-
b) due to change in accounting policies	-	-
c) other	227	432
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**956**	**4,923**
3.1 Deferred tax assets derecognized during the period	956	4,923
a) reversals	956	4,923
b) writedowns for supervening non-recoverability	-	-
c) due to changes in accounting policies	-	-
d) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
1. Opening balance	**1,060**	**1,789**

13.6 CHANGES IN DEFERRED TAX LIABILITIES (RECOGNIZED IN EQUITY)

	TOTAL AT 31/12/2014	TOTAL AT 31/12/2013
1. Opening balance	**22,172**	**15,537**
2. Increases	**1,424**	**6,635**
2.1 Deferred tax liabilities recognized during the period	1,424	6,635
a) in respect of previous periods	-	-
b) due to change in accounting policies	-	-
c) other	1,424	6,635
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**330**	**-**
3.1 Deferred tax liabilities derecognized during the period	330	-
a) reversals	330	-
b) due to change in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**23,266**	**22,172**

13.7 OTHER INFORMATION

As regards its tax position, the Bank reports:

- for the financial years 2010, 2011, 2012 and 2013 (for which the tax assessment time limit has not expired), no formal notice of assessment has yet been received;
- the Bank received a notice of liquidation for registration fees on the sale of the "Corporate" business unit to Iccrea BancaImpresa. The payment was made and at the same time an appeal was lodged with the Provincial Tax Commission of Rome as the claims of the tax authorities appear groundless both in law and in administrative practice. On December 15, 2011, with ruling 499/26/11, the Provincial Tax Commission of Rome granted our appeal in full, finding that the Revenue Agency was in clear violation of a

specific provision of the uniform registration fee code. As the time limit provided for under Article 38 of Legislative Decree 546/92 had expired, on January 31, 2014 the ruling was notified to the Revenue Agency in enforceable form in order to obtain restitution of the amounts paid.

- On November 14, 2012, the Bank received a notice of assessment from the Revenue Agency, Regional Directorate of Lazio - Large Taxpayer Office for the 2007 financial year with which the taxable amounts subject to VAT declared on activities performed as depository bank were adjusted. The assessment stems from a formal notice of assessment from the audit activities performed by that Office in respect of Beni Stabili Gestione SGR. The increase in tax comes to €33,520 for VAT plus penalties of €41,900. On January 11, 2013 an appeal was filed against the above assessment in order to challenge the claims of the tax authorities. Following Resolution no. 97 of December 17, 2013 of the Revenue Agency, which set the VAT-liable portion of the commissions received for custodian bank activities at 28.3%, contacts were initiated with the Regional Directorate of Lazio to settle the dispute with the application of that percentage.
- On July 22, 2014, as done for 2008, the Revenue Agency, Regional Directorate of Lazio - Large Taxpayer Office requested documentation concerning revenues received for custodian bank activities in 2009, 2010, 2011 and 2012. Following the submission of the requested documentation, on September 30, 2014, the Regional Directorate of Lazio sent the bank a formal notice of assessment in which it once again raised the issue of applying VAT to the income from activities performed as depository bank received between 2009 and 2012. Again applying the percentage of 28.3% to the total exempt fees received from 2009 to 2012 (equal to a total of €15,784,767), the Regional Directorate of Lazio determined the taxable amount to be €4,467,089, to which the VAT rates in force (20% until September 16, 2011 and 21% for the remaining periods) and calculated the VAT liability at €907,490. The Bank participated in the proceeding, paying the amount owed in November and fully recovering said amount from the customer investment firms;
- On November 4, 2014, the Bank received a notice of liquidation from the Revenue Agency, Provincial Directorate of Brescia for the year 2013 concerning the registration fees of €104,770.00 for an order assigning amounts for seizure by third parties. As the Bank believe that the notice of assessment is groundless both in substance and form, it lodged an appeal with the Provincial Tax Commission of Brescia on December 22, 2014.

SECTION 14 - NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE AND ASSOCIATED LIABILITIES – ITEM 140 OF ASSETS AND ITEM 90 OF LIABILITIES

This item reports the individual assets and groups of assets held for sale, pursuant to IFRS 5.

14.1 NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE: COMPOSITION BY TYPE

	TOTAL AT 31/12/2014	TOTAL AT 31/12/2013
A. Individual assets		
A.1 Financial assets	-	-
A.2 Equity	-	-
A.3 Property and equipment	-	-
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
TOTAL A	**-**	**-**
of which carried at cost	-	-
of which at fair value Level 1	-	-
of which at fair value Level 2	-	-
of which at fair value Level 3	-	-
B. Disposal groups (discontinued operations)		
B.1 Financial assets held for trading	-	-
B.2 Financial assets at fair value	-	-
B.3 Financial assets available for sale	-	29,897
B.4 Financial assets held to maturity	-	-
B.5 Due from banks	-	-
B.6 Loans to customers	-	412
B.7 Equity investments	-	-
B.8 Property and equipment	-	-
B.9 Intangible assets	-	-
B.10 Other assets	-	4
TOTAL B	**-**	**30,313**
of which carried at cost	-	416
of which at fair value Level 1	-	29,897
of which at fair value Level 2	-	-
of which at fair value Level 3	-	416
C. Liabilities associated with non-current assets held for sale		
C.1 Debt	-	-
C.2 Securities	-	-
C.3 Other liabilities	-	-
TOTAL C	**-**	**-**
of which carried at cost	-	-
of which at fair value Level 1	-	-
of which at fair value Level 2	-	-
of which at fair value Level 3	-	-
D. Liabilities associated with disposal groups held for sale		
D.1 Due to banks	-	-
D.2 Due to customers	-	32,764
D.3 Securities issued	-	-
D.4 Financial liabilities held for trading	-	-
D.5 Financial liabilities at fair value	-	-
D.6 Provisions	-	108
D.7 Other liabilities	-	33
TOTAL D	**-**	**32,905**
of which carried at cost	-	32,905
of which at fair value Level 1	-	-
of which at fair value Level 2	-	-
of which at fair value Level 3	-	32,905

14.2 OTHER INFORMATION

As part of the rationalization of the Group structure, the Parent Company has decided to dispose of the "Custodian Bank" business unit. The Board of Directors of Iccrea Banca, responding to that decision, engaged PricewaterhouseCoopers to appraise the unit for sale. On the basis of the valuation received – €20.1 million – negotiations for its sale were begun with Istituto Centrale delle Banche Popolari Italiane. On May 7, 2014, the sale was agreed at the appraised value. On September 24, 2014, before the notary public, Mr. Tedone, the parties signed the documents transferring the custodian bank business unit and exchanged payment of the balance of the purchase price (€Euro 20.1 million) with effect as from September 26, 2014. The transaction involved the transfer of the unit, with the exception of Beni Stabili's listed funds, the effective date of transfer for which was postponed to October 20, 2014, the date on which the changes in the internal regulations for the custodian bank were to take effect.

As provided for in the contract, in January 2015, the balance sheet to be used in adjusting the prices and settling remaining amounts was prepared. Based upon this balance sheet, an adjustment of €705 thousand in the Bank's favor was made, such amount arrived at by calculating the commissions and fees accrued at the effective date of transfer and the differences in interest expense. Furthermore, over the next 12 months, calculated as from the effective date of transfer, the provisional price received will be adjusted based upon the failure to one or more of the asset management firms to sign the new custodian bank agreement. Moreover, in the event of a merger between one or more of the assets management firms or of the pension fund with other asset management firms or other pension funds, the parties agree to assess and negotiate in good faith, the amount by which the provisional price is to be adjusted. In addition, for the next ten years, there will be incentives offered to the Bank or additional payments to be made to ICBPI if the commissions and fees actually received by ICBPI vary by 15%, either positively or negatively, from the expected commissions as set down in the framework agreement signed on May 7, 2014 with ICBPI.

On February 26, 2014, the instrument for the transfer of the Iccrea Banca business unit was executed, the effects of which were reflected in Banca Sviluppo's income statement and balance sheet starting from April 5, 2014. The transaction involved the transfer of liabilities represented by customer current accounts and payables due to employees and the transfer of assets, mainly represented by amounts due from banks and amounts due from customers. As a result of the adjustment made based upon the accounting records at April 5, the transferor (Iccrea Banca) paid to the transferee (Banca Sviluppo) the difference between the value of the assets and liabilities of the business unit and determined the definitive sale price. For more information, please refer to the Report on Operations – Transactions with Related Parties.

14.3 DISCLOSURES ON EQUITY INVESTMENTS IN COMPANIES UNDER SIGNIFICANT INFLUENCE NOT ACCOUNTED FOR AT EQUITY

The table has not been completed because there were no such positions as of the balance sheet date.

SECTION 15 - OTHER ASSETS – ITEM 150

This item reports assets that cannot be classified under other balance sheet accounts.

15.1 OTHER ASSETS: COMPOSITION

	TOTAL AT 31/12/2014	TOTAL AT 31/12/2013
Items being processed	23,012	69,811
Receivables for future premiums	22,527	22,967
Commissions	34,176	52,458
Receivables due from Parent Company in respect of consolidated tax mechanism	21,601	28,580
Definitive items not allocable to other accounts	26,961	25,392
Tax receivables due from tax authorities and other entities	19,070	18,173
TOTAL	**147,347**	**217,381**

The items “Items being processed” and “Definitive items not allocable to other accounts” comprise transactions that were settled in the first few days of 2015.

LIABILITIES

SECTION 1 - DUE TO BANKS – ITEM 10

This item reports amounts due to banks, whatever their technical form other than those reported under items 30, 40 and 50.

1.1 DUE TO BANKS: COMPOSITION BY TYPE

	TOTAL AT 31/12/2014	TOTAL AT 31/12/2013
1. Due to central banks	**21,731,878**	**14,044,974**
2. Due to banks	**7,563,551**	**7,346,978**
2.1 Current accounts and demand deposits	4,139,959	4,516,451
2.2 Fixed-term deposits	3,409,506	2,762,112
2.3 Loans	11,695	66,633
2.3.1 Repurchase agreements	-	53,672
2.3.2 Other	11,695	12,961
2.4 Liabilities in respect of commitments to repurchase own equity instruments	-	-
2.5 Other payables	2,391	1,782
TOTAL	**29,295,429**	**21,391,952**
FAIR VALUE LEVEL 1	**-**	**-**
FAIR VALUE LEVEL 2	**271,141**	**148,922**
FAIR VALUE LEVEL 3	**29,024,288**	**21,165,195**
TOTAL FAIR VALUE	**29,295,429**	**21,314,117**

The item "due to central banks" represents financing from the ECB for advances secured by securities owned by the mutual banks and the Bank. The financial received in broken down as follows (nominal value):

- €9,400,000 thousand in respect of LTRO financing maturing in January and February 2015;
- €7,500,000 thousand in respect of quarterly financing;
- €700,000 thousand in respect of six-month financing;
- €3,985,000 thousand in respect of LTRO financing maturing in September 2018; compliance with the requirements will be verified in April 2016 and if compliance is not found, advance repayment will be made in September 2016.

In November 2014, the secured liabilities issued pursuant to Article 8 of Decree Law 201 of December 6, 2011, ratified with Law 214 of December 24, 2011, in the amount of €290,000 thousand were extinguished.

The sub-item "fixed-term deposits" also includes deposits received from mutual banks in the amount of about €782,000 thousand used to meet reserve requirements indirectly.

The fair value is obtained using discounted cash flow techniques.

1.2 BREAKDOWN OF ITEM 10 "DUE TO BANKS": SUBORDINATED LIABILITIES

The table has not been completed because there were no such positions as of the balance sheet date.

1.3 BREAKDOWN OF ITEM 10 "DUE TO BANKS": STRUCTURED LIABILITIES

The table has not been completed because there were no such positions as of the balance sheet date.

1.4 DUE TO BANKS: LIABILITIES HEDGED SPECIFICALLY

The table has not been completed because there were no such positions as of the balance sheet date.

1.5 LIABILITIES IN RESPECT OF FINANCE LEASES

The table has not been completed because there were no such positions as of the balance sheet date.

SECTION 2 – DUE TO CUSTOMERS – ITEM 20

This item reports amounts due to customers whatever their technical form (deposits, current accounts, loans) other than those reported under items 30, 40 and 50.

2.1 DUE TO CUSTOMERS: COMPOSITION BY TYPE

	TOTAL AT 31/12/2014	TOTAL AT 31/12/2013
1. Current accounts and demand deposits	379,904	705,522
2. Fixed-term deposits	15,069	26,014
3. Loans	10,116,090	14,133,497
3.1 Repurchase agreements	10,008,090	14,113,497
3.2 Other	108,000	20,000
4. Liabilities in respect of commitments to repurchase own equity instruments	-	-
5. Other payables	429,934	394,941
TOTAL	**10,940,997**	**15,259,974**
FAIR VALUE LEVEL 1	**-**	**-**
FAIR VALUE LEVEL 2	**163,967**	**190,800**
FAIR VALUE LEVEL 3	**10,765,911**	**15,069,174**
TOTAL FAIR VALUE	**10,929,878**	**15,259,974**

The sub-item “Repurchase agreements” is composed entirely by transactions with the Clearing and Guarantee Fund.

The sub-item “Other payables” essentially regards bankers’ drafts issued and not yet presented for extinguishment.

The fair value is obtained using discounted cash flow techniques.

2.2 BREAKDOWN OF ITEM 20 “DUE TO CUSTOMERS”: SUBORDINATED LIABILITIES

The table has not been completed because there were no such positions as of the balance sheet date.

2.3 BREAKDOWN OF ITEM 20 “DUE TO CUSTOMERS”: STRUCTURED LIABILITIES

The table has not been completed because there were no such positions as of the balance sheet date.

2.4 DUE TO CUSTOMERS: LIABILITIES HEDGED SPECIFICALLY

The table has not been completed because there were no such positions as of the balance sheet date.

2.5 LIABILITIES IN RESPECT OF FINANCE LEASES

The table has not been completed because there were no such positions as of the balance sheet date.

SECTION 3 – SECURITIES ISSUED – ITEM 30

This item reports securities issued measured at amortized cost. The amount is reported net of repurchases.

3.1 SECURITIES ISSUED: COMPOSITION BY TYPE

	TOTAL AT 31/12/2014				TOTAL AT 31/12/2013			
	CARRYING AMOUNT	FAIR VALUE			CARRYING AMOUNT	FAIR VALUE		
		LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3
A. Securities								
1. Bonds	4,397,339	3,406,490	1,135,869	-	4,287,398	2,610,222	1,770,485	-
1.1 structured	584,522	614,546	6,882	-	563,572	598,571	1,247	-
1.2 other	3,812,817	2,791,944	1,128,987	-	3,723,826	2,011,651	1,769,238	-
2. Other	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	-	-	-	-	-	-	-	-
TOTAL	**4,397,339**	**3,406,490**	**1,135,869**	**-**	**4,287,398**	**2,610,222**	**1,770,485**	**-**

The item comprises bonds issued by the Bank and hedged against interest rate risk using derivatives, the amount of which is adjusted by changes in fair value attributable to the hedged risk accrued as of the reporting date (fair value hedge) as well as unhedged bonds issued measured at amortized cost. The fair value of securities issued is calculated by discounting future cash flows using the swap yield curve as at the reporting date.

3.2 BREAKDOWN OF ITEM 30 "SECURITIES ISSUED": SUBORDINATED SECURITIES

In March we issued a subordinated lower Tier II bond of €200 million with the following characteristics:

- issue date March 6, 2014;
- maturity date March 6, 2021;
- annual interest rate 4.75% fixed gross;
- interest paid annually in arrears;
- repayment through periodic amortization as from the third year (March 6, 2017) in 5 equal annual instalments.

3.3 SECURITIES ISSUED: SECURITIES HEDGED SPECIFICALLY

	TOTAL AT 31/12/2014	TOTAL AT 31/12/2013
1. Securities covered by specific fair value hedges	**614,157**	**575,226**
a) interest rate risk	614,157	575,226
b) exchange rate risk	-	-
c) multiple risks	-	-
2. Liabilities covered by specific cash flow hedges	**38,544**	**-**
a) interest rate risk	-	-
b) exchange rate risk	38,544	-
c) other	-	-
TOTAL	**652,701**	**575,226**

The amounts reported regard 6 bonds issued by the Bank and hedged for interest rate risk using interest rate derivatives and 2 bonds in US dollars hedged for interest rate and exchange rate risk.

SECTION 4 - FINANCIAL LIABILITIES HELD FOR TRADING – ITEM 40

This item reports financial derivatives held for trading.

4.1 FINANCIAL LIABILITIES HELD FOR TRADING: COMPOSITION BY TYPE

	TOTAL AT 31/12/2014					TOTAL AT 31/12/2013				
	NV	FV			FV *	NV	FV			FV *
		L1	L2	L3			L1	L2	L3	
A. On-balance-sheet liabilities										
1. Due to banks	**26,001**	**27,536**	**-**	**-**	**27,536**	**-**	**-**	**-**	**-**	**-**
2. Due to customers	**1,583**	**1,566**	**-**	**-**	**1,566**	**332**	**220**	**-**	**-**	**220**
3. Debt securities	**-**	**-**	**-**	**-**		**-**	**-**	**-**	**-**	
3.1 Bonds	-	-	-	-		-	-	-	-	
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3. Other	-	-	-	-		-	-	-	-	
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total A	**27,584**	**29,102**	**-**	**-**	**29,102**	**332**	**220**	**-**	**-**	**220**
B. Derivatives										
1. Financial derivatives		**189**	**457,777**	**-**			**99**	**390,917**	**-**	
1.1 Trading	X	189	457,777		X	X	99	390,917	-	X
1.2 Associated with fair value option	X				X	X	-	-	-	X
1.3 Other	X				X	X	-	-	-	X
2. Credit derivatives		**-**	**-**	**-**			**-**	**-**	**-**	
2.1 Trading	X				X	X	-	-	-	X
2.2 Associated with fair value option	X				X	X	-	-	-	X
2.3 Other	X				X	X	-	-	-	X
TOTAL B	**X**	**189**	**457,777**	**-**	**X**	**X**	**99**	**390,917**	**-**	**X**
TOTAL (A+B)	**X**	**29,291**	**457,777**	**-**	**X**	**X**	**319**	**390,917**	**-**	**X**

Key:
FV = Fair value
FV*= Fair value calculated excluding changes in the amount attributable to changes in the creditworthiness of the issuer since the issue date
NV = nominal or notional value
L1=Level 1
L2=Level 2
L3=Level 3

Part A of the table reports short positions in respect of debt securities (reported under amounts due to banks or customers depending on the issuer).

4.2 BREAKDOWN OF ITEM 40 "FINANCIAL LIABILITIES HELD FOR TRADING": SUBORDINATED LIABILITIES

The table has not been completed because there were no such positions as of the balance sheet date.

4.3 BREAKDOWN OF ITEM 40 "FINANCIAL LIABILITIES HELD FOR TRADING": STRUCTURED LIABILITIES

The table has not been completed because there were no such positions as of the balance sheet date.

4.4 ON-BALANCE SHEET FINANCIAL LIABILITIES (EXCLUDING SHORT POSITIONS) HELD FOR TRADING: CHANGE FOR THE PERIOD

The table has not been completed because there were no such positions as of the balance sheet date.

SECTION 5 - FINANCIAL LIABILITIES DESIGNATED AS AT FAIR VALUE – ITEM 50

This item reports financial liabilities designated as at fair value through profit or loss under the option available to reporting entities (the fair value option) under IAS 39.

5.1 FINANCIAL LIABILITIES DESIGNATED AS AT FAIR VALUE: COMPOSITION BY TYPE

	TOTAL AT 31/12/2014					TOTAL AT 31/12/2013				
	NV	FV			FV *	NV	FV			FV *
		L1	L2	L3			L1	L2	L3	
1. Due to banks	**-**	**-**	**-**	**-**		**-**	**-**	**-**	**-**	
1.1 Structured	-	-	-	-	X	-	-	-	-	X
1.2 Other	-	-	-	-	X	-	-	-	-	X
2. Due to customers	**-**	**-**	**-**	**-**		**-**	**-**	**-**	**-**	
2.1 Structured	-	-	-	-	X	-	-	-	-	X
2.2 Other	-	-	-	-	X	-	-	-	-	X
3. Debt securities	**442,653**	**462,100**	**-**	**-**	**465,730**	**746,301**	**757,425**	**5,993**	**-**	**779,508**
3.1 Structured	442,653	462,100	-	-	X	746,301	757,425	5,993	-	X
3.2 Other	-	-	-	-	X	-	-	-	-	X
TOTAL	**442,653**	**462,100**	**-**	**-**	**465,730**	**746,301**	**757,425**	**5,993**	**-**	**779,508**

Key:
FV = Fair value
FV*= Fair value calculated excluding changes in the amount attributable to changes in the creditworthiness of the issue since the issue date
NV = nominal or notional value

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

"Financial liabilities at fair value" include:

- 1 bond connected with a group of financial instruments in order to reduce overall mismatching significantly (see Section 3, part B, of assets);
- 1 structured bond issued by the Bank in order to avoid the need to separate the embedded derivative.

5.2 BREAKDOWN OF ITEM 50 "FINANCIAL LIABILITIES DESIGNATED AS AT FAIR VALUE": SUBORDINATED LIABILITIES

The table has not been completed because there were no such positions as of the balance sheet date.

5.3 FINANCIAL LIABILITIES DESIGNATED AS AT FAIR VALUE: CHANGE FOR THE PERIOD

	DUE TO BANKS	DUE TO CUSTOMERS	SECURITIES ISSUED	TOTAL AT 31/12/2014
A. Opening balance	**-**	**-**	**763,418**	**763,418**
B. Increases	**-**	**-**	**19,314**	**19,314**
B1. Issues	-	-	-	-
B2. Sales	-	-	12,964	12,964
B3. Fair value gains	-	-	5,822	5,822
B4. Other increases	-	-	528	528
C. Decreases	**-**	**-**	**320,632**	**320,632**
C1. Purchases	-	-	-	-
C2. Redemptions	-	-	316,942	316,942
C3. Fair value losses	-	-	-	-
C4. Other decreases	-	-	3,690	3,690
D. Closing balance	**-**	**-**	**462,100**	**462,100**

SECTION 6 - HEDGING DERIVATIVES – ITEM 60

This item reports financial derivatives used for hedging that had a negative fair value as at the reporting date.

6.1 HEDGING DERIVATIVES: COMPOSITION BY TYPE OF HEDGE AND LEVEL OF INPUTS

	FAIR VALUE AT 31/12/2014			NV AT 31/12/2014	FAIR VALUE AT 31/12/2013			NV AT 31/12/2013
	L1	L2	L3		L1	L2	L3	
A) Financial derivatives	**-**	**77,039**	**-**	**1,666,135**	**-**	**75,167**	**-**	**1,711,035**
1) Fair value	-	74,509	-	1,633,701	-	72,273	-	1,678,665
2) Cash flows	-	2,530	-	32,434	-	2,894	-	32,370
3) Investments in foreign operations	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
TOTAL	**-**	**77,039**	**-**	**1,666,135**	**-**	**75,167**	**-**	**1,711,035**

Key:
NV = notional value
L1 = Level 1
L2 = Level 2
L3 = Level 3

These are financial derivatives designated as hedges of the risk of changes in the fair value or cash flows of financial instruments classified as "financial assets available for sale", "loans" and "financial liabilities", as reported in the following table.

6.2 HEDGING DERIVATIVES: COMPOSITION BY HEDGED PORTFOLIO AND TYPE OF HEDGE

	FAIR VALUE						CASH FLOWS		FOREIGN OPERATIONS
	SPECIFIC					GENERIC	SPECIFIC	GENERIC	
	INTEREST RATE RISK	EXCHANGE RATE RISK	CREDIT RISK	PRICE RISK	MULTIPLE RISKS				
1. Financial assets available for sale	53,546	-	-	-	-	X	2,530	X	X
2. Loans	6,103	-	-	X	-	X	-	X	X
3. Financial assets held to maturity	X	-	-	X	-	X	-	X	X
4. Portfolio	X	X	X	X	X	-	X	-	X
5. Other transactions	-	-	-	-	-	X	-	X	-
TOTAL ASSETS AT 31/12/2013	**59,649**	**-**	**-**	**-**	**-**	**-**	**2,530**	**-**	**-**
1. Financial liabilities	14,508	-	-	X	-	X	-	X	X
2. Portfolio	X	X	X	X	X	352	X	-	X
TOTAL LIABILITIES AT 31/12/2013	**14,508**	**-**	**-**	**X**	**-**	**352**	**-**	**-**	**-**
1. Forecast transactions	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	X	X	-	-

The amounts reported in respect of "financial assets available for sale" regard hedges that the Bank has established using asset swap derivatives to sterilize the interest rate risk connected with listed debt securities, in this case BTPs linked to European and Italian inflation. This approach makes it possible to synthetically replicate a floating-rate instrument.

The amount reported for specific cash flow hedges of "financial assets available for sale" regards the negative fair value of an asset swap on a BTP linked to European inflation.

"Loans" hedged against interest rate risk refer to 2 fixed-rate loans to BCC Solutions and BCC CreditoConsumo hedged with interest rate swaps and 1 deposit hedged using overnight indexed swaps. Point 4 "Portfolio" regards the negative fair value of overnight indexed swaps used for the macro-hedging of repurchase agreements.

The item "financial liabilities" reports the negative fair value of interest rate swaps and interest rate options hedging bonds issued by the Bank.

SECTION 7 - VALUE ADJUSTMENTS OF GENERICALLY HEDGED LIABILITIES – ITEM 70

There were no such positions as of the balance sheet date.

SECTION 8 – TAX LIABILITIES – ITEM 80

See section 13 under assets.

SECTION 9 - LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE – ITEM 90

See section 14 under assets.

SECTION 10 – OTHER LIABILITIES – ITEM 100

This item reports liabilities that cannot be classified under other balance sheet accounts.

10.1 OTHER LIABILITIES : COMPOSITION

	TOTAL AT 31/12/2014	TOTAL AT 31/12/2013
Amounts due to social security institutions and State	7,464	8,739
Amounts available to customers	25,818	31,099
Items being processed	28,864	31,986
Securities to be settled	3	1,167
Definitive items not allocable to other accounts	32,332	38,616
Liabilities for future premiums	13,499	14,277
Payables due to Parent Company in respect of consolidated tax mechanism	17,689	21,094
Tax payables due to tax authorities	10,383	9,681
Payables due to employees	4,921	4,509
Invoices to be paid and to be received	50,951	27,383
Failed purchase transactions	32,911	18,652
Illiquid portfolio items	5,850	-
TOTAL	**230,685**	**207,203**

The sub-item "definitive items not allocable to other accounts" include transactions settled in January 2015.

SECTION 11 - EMPLOYEE TERMINATION BENEFITS – ITEM 110

This item reports employee termination benefits, estimating the amount due to each employee in relation to the specific time the employment relationship ceases. The amount is calculated on an actuarial basis, considering the future time at which the actual financial outlay will be incurred.

11.1 EMPLOYEE TERMINATION BENEFITS: CHANGE FOR THE PERIOD

	TOTAL AT 31/12/2014	TOTAL AT 31/12/2013
A. Opening balance	**13,348**	**13,632**
B. Increases	**1,021**	**651**
B.1 Provisions for the period	417	447
B.2 Other increases	604	205
C. Decreases	**629**	**936**
C.1 Benefit payments	595	827
C.2 Other decreases	34	108
D. Closing balance	**13,740**	**13,348**
TOTAL	**13,740**	**13,348**

11.2 OTHER INFORMATION

Employee termination benefits cover the entire entitlement accrued as at the reporting date by employees, in conformity with applicable law, the collective bargaining agreement and supplementary company-level contract. The liability calculated pursuant to Art. 2120 of the Civil Code amounted to €13,599 thousand (€14,232 thousand at December 31, 2013).

The actuarial assumptions used by an independent actuary to calculate the liability as at the reporting date are as follows:

- **demographic parameters**: drawn from ISTAT's 2004 mortality tables and the INPS disability tables. As regards the probability of leaving work for reasons other than death, the calculation used turnover rates consistent with past experience, with the annual rate of exit from work set at 2.75%;
- **financial parameters**: the calculations assumed an interest rate of 2.00%;
- **economic parameters**: the rate of inflation was assumed to be 1.50%, while the rate of increase in salaries was 2.38% for all categories of employee and used only for seniority purposes.

The independent actuary determined the discount rate using as a reference basket the Iboxx Obbligazioni Corporate AA index at December 31, 2014 for the euro area, with an average duration comparable to the group being assessed.

SECTION 12 - PROVISIONS FOR RISKS AND CHARGES – ITEM 120

This item reports existing liabilities for which a future outflow of resources is considered likely by the Bank, in accordance with IAS 37.

12.1 PROVISIONS FOR RISKS AND CHARGES: COMPOSITION

	TOTAL AT 31/12/2014	TOTAL AT 31/12/2013
1 Company pension plans	**-**	**-**
2. Other provisions for risks and charges	**6,304**	**6,579**
2.1 legal disputes	5,750	6,014
2.2 personnel expenses	554	565
2.3 other	-	-
TOTAL	**6,304**	**6,579**

The sub-item "Legal disputes" includes €2,936 thousand for revocatory actions in bankruptcy and €2,814 thousand for litigation and disputes. The sub-item "personnel expenses" includes seniority bonuses for employees, for which the comparative figures for the previous year were consequently restated.

12.2 PROVISIONS FOR RISKS AND CHARGES: CHANGE FOR THE PERIOD

	RETIREMENT PROVISIONS	OTHER PROVISIONS	TOTAL AT 31/12/2014
A. Opening balance	**-**	**6,579**	**6,579**
B. Increases	**-**	**1,375**	**1,375**
B.1 Provisions for the year	-	1,223	1,223
B.2 Changes due to passage of time	-	35	35
B.3 Changes due to changes in the discount rate	-	77	77
B.4 Other increases	-	40	40
C. Decreases	**-**	**1,651**	**1,651**
C.1 Use during the period	-	1,651	1,651
C.2 Changes due changes in the discount rate	-	-	-
C.3 Other decreases	-	-	-
D. Closing balance	**-**	**6,304**	**6,304**

12.3 DEFINED-BENEFIT COMPANY PENSION PLANS

The table has not been completed because there were no such positions as of the balance sheet date.

12.4 PROVISIONS - OTHER

	OPENING BALANCE	USES	PROVISIONS	TOTAL AT 31/12/2014	TOTAL AT 31/12/2013
Revocatory actions	3,966	1,137	108	2,937	3,966
Litigation and disputes	2,048	408	1,173	2,813	2,048
Loyalty bonus	565	106	94	554	475
CLOSING BALANCE	**6,579**	**1,651**	**1,375**	**6,304**	**6,489**

As regards the exposure for revocatory actions in respect of Giacomelli Sport, the counterparty has decided to appeal the decision in favor of the Bank. The hearing scheduled for the parties to make an appearance, set for May 20, 2014, was not held and the court has reserved the right to decision on the objections and preliminary motions. With regard to the decision concerning the

“Iccrea pool”, on June 13, 2014 notice was served of the appeal filed by Giacomelli Sport SpA. The hearing scheduled for November 11, 2014 before the Court of Appeal of Bologna was not held. The hearing was rescheduled for April 28, 2015.

As regards the position associated with Finmek, the court of Padua, in a decision dated June 18, 2014 and entered on June 30, 2014:

- declared that the payments amounting to €1,048 thousand (principal) made to Finmek were ineffective, ordering Iccrea to pay said amount, plus interest, to Finmek;
- denied Finmek’s claim for payment of a further €4,679 thousand received from the other pool banks and ordered Iccrea to pay the legal expenses of Finmek and each of the other 8 banks sued. With regard to this, Iccrea, with the assistance of legal counsel, is evaluating whether to appeal the order that it pay the costs incurred by the other pool banks.

In October 2014, the Bank paid Finmek the amount indicated in the decision, comprising the principal, interest and legal expenses, of €1,190 thousand. The Bank is arranging to pay the legal expenses for which Iccrea Banca is liable under the decision to the pool of banks.

SECTION 13 - REDEEMABLE SHARES – ITEM 140

There were no such shares as of the reporting date.

SECTION 14 - SHAREHOLDERS' EQUITY - ITEMS 130, 150, 160, 170, 180, 190 AND 200

14.1 "SHARE CAPITAL” AND “TREASURY SHARES": COMPOSITION

As at the reporting date, share capital was represented by 420,000 ordinary shares with a par value of €516.46 each – held by the Parent Company, Iccrea Holding S.p.A, and the Lombardy mutual bank federation – with a total value of €216,913,200 fully paid up. As at the reporting date, the Bank held no treasury shares.

14.2 SHARE CAPITAL– NUMBER OF SHARES: CHANGE FOR THE PERIOD

	ORDINARY	OTHER
A. Shares at the start of the year	**420,000**	**-**
- fully paid	420,000	-
- partially paid	-	-
A.1 Treasury shares (-)	-	-
A.2 Shares in circulation: opening balance	**420,000**	**-**
B. Increases	**-**	**-**
B.1 new issues	-	-
- for consideration:	-	-
- business combinations	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- other	-	-
- bonus issues:	-	-
- to employees	-	-
- to directors	-	-
- other	-	-
B.2 Sales of own shares	-	-
B.3 Other changes	-	-
C. Decreases	**-**	**-**
C.1 Cancellation	-	-
C.2 Purchase of own shares	-	-
C.3 Disposal of companies	-	-
C.4 Other changes	-	-
D. Shares in circulation: closing balance	**420,000**	**-**
D.1 Treasury shares(+)	-	-
D.2 Shares at the end of the year	420,000	-
- fully paid	420,000	-
- partially paid	-	-

14.3 SHARE CAPITAL: OTHER INFORMATION

On December 30, 2011, the Parent Company, Iccrea Holding, made a payment of €80,000 thousand on capital account. The non-interest-bearing, non-repayable sum was classified in item 160 of liabilities under “other reserves”.

14.4 EARNINGS RESERVES: OTHER INFORMATION

Reserves amount to €106,926 thousand and include: the legal reserve (€48,201 thousand), the reserve established in the articles of association (€205 thousand), the extraordinary reserve (€38,284 thousand), a reserve (€1,843 thousand) created following the transfer of the Corporate business unit to Iccrea BancaImpresa in 2007, a negative reserve (€236 thousand) from the merger of BCC Multimedia, a positive reserve (€162 thousand) related to the transfer of properties to Immicra S.r.l., a positive reserve (€234 thousand) related to the transfer of the “Branch Services” business unit to Banca Sviluppo, a restricted reserve in respect of the unrealized gains on financial instruments measured using the fair value option (€2,855 thousand) in application of Art. 6 of Legislative Decree 38/2005, as well as the impact of the transition to international accounting standards (€15,378 thousand). The restricted reserve was eliminated by the Shareholders’ Meeting called to resolve upon its allocation.

Pursuant to the articles of association, at least three-tenths of net profit for the period is allocated to the legal reserve until such reserve shall be equal to one-fifth of share capital, while the remaining seven-tenths are available for distribution to shareholders and the earmarking of a part of profit that shall be available to the Board of Directors for charity and publicity. The legal reserve has reached one-fifth of share capital.

AVAILABILITY AND FORMATION OF EQUITY RESERVES

Pursuant to Art. 2427, nos. 4 and 7 bis of the Civil Code, the following table reports the composition of the Bank's shareholders' equity, indicating the origin, availability and possible distribution of the various components.

	AMOUNT	POSSIBLE USES (*)	AVAILABLE AMOUNT	SUMMARY OF USES IN LAST THREE YEARS	
				FOR LOSS COVERAGE	OTHER
Share capital	216,913				
Reserves: a) legal reserves	48,201	B	48,201		
b) reserve in articles of association	205	A – B – C	205		
c) extraordinary reserve	38,284	A – B – C	38,284		
d) other reserves	84,858	A – B – C	4,858		
e) FTA reserve	15,378	A – B – C	15,378		
Valuation reserves: a) financial assets available for sale	50,096		–		
b) cash flow hedges	(175)		–		
c) actuarial gains (losses) on defined-benefit plans	(1,495)				
Valuation reserves: (Law 342 of 22/11/2000)	47,866	A – B – C (**)	47,866		
Net profit for the period	47,693				
TOTAL	**547,823**				

(*) A = CAPITAL INCREASE; B = LOSS COVERAGE; C = DISTRIBUTION TO SHAREHOLDERS

(**) IF THE RESERVE IS USED TO COVER LOSSES, PROFITS MAY NOT BE DISTRIBUTED UNTIL THE RESERVE HAS BEEN RESTORED OR REDUCED TO A CORRESPONDING EXTENT. ANY SUCH REDUCTION MUST BE APPROVED BY THE EXTRAORDINARY SHAREHOLDERS' MEETING WITHOUT THE NEED TO COMPLY WITH THE PROVISIONS OF PARAGRAPHS 2 AND 3 OF ARTICLE 2445 OF THE CIVIL CODE.

IF THE RESERVE IS NOT ALLOCATED TO SHARE CAPITAL, IT MAY ONLY BE REDUCED IN COMPLIANCE WITH THE PROVISIONS OF PARAGRAPHS 2 AND 3 OF ARTICLE 2445 OF THE CIVIL CODE. IF IT IS DISTRIBUTED TO SHAREHOLDERS, IT SHALL FORM PART OF THE TAXABLE INCOME OF THE COMPANY AND THE SHAREHOLDERS.

14.5 EQUITY INSTRUMENTS: COMPOSITION AND CHANGE FOR THE PERIOD

There were no such positions as of the balance sheet date.

14.6 OTHER INFORMATION

There is no other information to report.

OTHER INFORMATION

1. GUARANTEES ISSUED AND COMMITMENTS

	TOTAL AT 31/12/2014	TOTAL AT 31/12/2013
1) FINANCIAL GUARANTEES ISSUED	**730,275**	**846,277**
a) Banks	723,386	838,411
b) Customers	6,889	7,866
2) COMMERCIAL GUARANTEES ISSUED	**34,329**	**54,580**
a) Banks	34,326	54,572
b) Customers	3	8
3) IRREVOCABLE COMMITMENTS TO DISBURSE FUNDS	**1,164,308**	**1,924,792**
a) Banks	859,613	1,657,644
i) certain use	681,903	1,427,041
ii) uncertain use	177,710	230,603
b) Customers	304,695	267,148
i) certain use	104,445	67,148
ii) uncertain use	200,250	200,000
4) COMMITMENTS UNDERLYING CREDIT DERIVATIVES: SALES OF PROTECTION	**-**	**-**
5) ASSETS PLEDGED AS COLLATERAL FOR THIRD-PARTY DEBTS	**21,330**	**12,067**
6) OTHER COMMITMENTS	**184,839**	**-**
TOTAL	**2,135,081**	**2,837,716**

The amount of “guarantees issued” by the Bank is reported at nominal value net of uses and any impairment losses. “Irrevocable commitments to disburse funds” are reported on the basis of the commitment net of amount already disbursed and any impairment losses.

“Irrevocable commitments to disburse funds” where use by the applicant is certain and specified include purchases (spot and forward) of securities not yet settled as well as deposits and loans to be disbursed at a future date.

2. ASSETS PLEDGED AS COLLATERAL FOR OWN DEBTS AND COMMITMENTS

	TOTAL AT 31/12/2014	TOTAL AT 31/12/2013
1. Financial assets held for trading	-	-
2. Financial assets at fair value	-	-
3. Financial assets available for sale	2,268,322	1,647,152
4. Financial assets held to maturity	3,386,205	-
5. Due from banks	-	-
6. Loans to customers	351,601	-
7. Property and equipment	-	-

The item includes securities deposited as collateral with the Bank of Italy in the amount of €78,706 thousand, to secure settlement of securities and derivatives in the amount of €710,301 thousand, for repurchase agreements in the amount of €4,993,111 thousand and for operations on the MIC in the amount of €224,010 thousand.

3. INFORMATION ON OPERATING LEASES

There were no such positions as of the balance sheet date.

4. MANAGEMENT AND INTERMEDIATION SERVICES

This section regards transactions carried out by the Bank on behalf of third parties.

	TOTAL AT 31/12/2014
1. Order execution on behalf of customers	**296,834,742**
a) Purchases	140,592,445
1. Settled	140,372,326
2. Not yet settled	220,119
b) Sales	156,242,297
1. Settled	155,852,657
2. Not yet settled	389,640
2. Asset management	**-**
a) Individual	-
b) Collective	-
3. Securities custody and administration	**276,512,069**
a) Third-party securities held as part of depository bank services (excluding asset management)	84,310
1. Securities issued by reporting entity	-
2. Other securities	84,310
b) Other third-party securities on deposit (excluding asset management): other	132,010,229
1. Securities issued by reporting entity	3,538,069
2. Other securities	128,472,160
c) Third-party securities deposited with third parties	123,033,832
d) Securities owned by bank deposited with third parties	21,383,698
4. Other transactions	**-**

5. FINANCIAL ASSETS OFFSET IN THE FINANCIAL STATEMENTS OR GOVERNED BY MASTER NETTING ARRANGEMENTS OR SIMILAR AGREEMENTS

	GROSS AMOUNT OF FINANCIAL ASSETS (A)	FINANCIAL LIABILITIES OFFSET (B)	A NET AMOUNT OF FINANCIAL ASSETS REPORTED (C=A-B)	RELATED AMOUNTS NOT OFFSET		NET AMOUNT 31/12/2014 (F=C-D-E)	NET AMOUNTETTO 31/12/2013
				STRUMENTI FINANZIARI (D)	CASH COLLATERAL RECEIVED (E)		
1. Derivatives	405,337	-	405,337	16,165	-	389,172	170,888
2. Repurchase agreements	-	-	-	-	-	-	5,879
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
TOTAL 31/12/2014	**405,337**	**-**	**405,337**	**16,165**	**-**	**389,172**	**X**
TOTAL 31/12/2013	**281,438**	**-**	**281,438**	**104,671**	**-**	**X**	**176,767**

6. FINANCIAL LIABILITIES OFFSET IN THE FINANCIAL STATEMENTS OR GOVERNED BY MASTER NETTING ARRANGEMENTS OR SIMILAR AGREEMENTS

	GROSS AMOUNT OF FINANCIAL LIABILITIES (A)	FINANCIAL ASSETS OFFSET (B)	NET AMOUNT OF FINANCIAL LIABILITIES REPORTED (C=A-B)	RELATED AMOUNTS NOT OFFSET		NET AMOUNT 31/12/2014 (F=C-D-E)	NET AMOUNT 31/12/2013
				STRUMENTI FINANZIARI (D)	CASH COLLATERAL RECEIVED (E)		
1. Derivatives	570,435	-	570,435	205,467	137,522	227,446	213,738
2. Repurchase agreements	-	-	-	-	-	-	52,297
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
TOTAL 31/12/2014	**570,435**	**-**	**570,435**	**205,467**	**137,522**	**227,446**	**X**
TOTAL 31/12/2013	**406,215**	**-**	**406,215**	**58,385**	**81,795**	**X**	**266,035**

7. BOND TRANSACTIONS

The table has not been completed because there were no such positions as of the balance sheet date.

8. DISCLOSURE ON JOINTLY CONTROLLED ACTIVITIES

The table has not been completed because there were no such positions as of the balance sheet date.

Part C

Information on the income statement

PART C – INFORMATION ON THE INCOME STATEMENT

SECTION 1 - INTEREST – ITEMS 10 AND 20

This item reports interest income and expense, similar income and expense in respect, respectively, of cash and cash equivalents, financial assets held for trading, financial assets at fair value, financial assets available for sale, financial assets held to maturity and loans (items 10, 20, 30, 40, 50, 60 and 70 of assets) and debt, securities issued, financial liabilities held for trading and financial liabilities at fair value (items 10, 20, 30, 40, and 50 of liabilities) as well as any other interest accrued during the period

Interest income and expense also include positive or negative differences and margins accrued as at the reporting date and expiring or closed as at the reporting date in respect of hedge derivatives and derivatives associated with the fair value option.

1.1 INTEREST AND SIMILAR INCOME: COMPOSITION

		DEBT SECURITIES	LOANS	OTHER TRANSACTIONS	TOTAL AT 31/12/2014	TOTAL AT 31/12/2013
1	Financial assets held for trading	427	-	12,687	13,113	12,518
2	Financial assets available for sale	71,712	-	-	71,712	80,610
3	Financial assets held to maturity	69,951	-	-	69,951	94,377
4	Due from banks	72,193	121,261	-	193,454	242,285
5	Loans to customers	833	28,995		29,827	28,839
6	Financial assets at fair value	5,424	-	-	5,424	5,620
7	Hedging derivatives	X	X	6,008	6,008	2,753
8	Other assets	X	X	-	-	-
	TOTAL	**220,540**	**150,256**	**18,694**	**389,490**	**467,003**

1.2 INTEREST AND SIMILAR INCOME: DIFFERENCES ON HEDGING TRANSACTIONS

	TOTAL AT 31/12/2014	TOTAL AT 31/12/2013
A. Positive differences on hedging transactions:	20,158	26,752
B. Negative differences on hedging transactions:	(14,150)	(23,998)
C. BALANCE (A-B)	**6,008**	**2,754**

1.3 INTEREST AND SIMILAR INCOME: OTHER INFORMATION

It was not felt necessary to provide other information in addition to that reported in the previous tables.

1.3.1 INTEREST INCOME ON FOREIGN-CURRENCY FINANCIAL ASSETS

		TOTAL AT 31/12/2014	TOTAL AT 31/12/2013
1.	Debt securities	-	-
2.	Due from banks	2,035	834
3.	Loans to mutual banks	-	2,019
4.	Loans to customers	43	32
	TOTAL	**2,078**	**2,886**

1.3.2 INTEREST INCOME FROM FINANCE LEASES

The table has not been completed because there were no such positions as of the balance sheet date.

1.4 INTEREST AND SIMILAR EXPENSE: COMPOSITION

		DEBTS	SECURITIES	OTHER TRANSACTIONS	TOTAL AT 31/12/2014	TOTAL AT 31/12/2013
1.	Due to central banks	(22,748)	X	-	(22,748)	(63,532)
2.	Due to banks	(65,149)	X	-	(65,149)	(93,360)
3.	Due to customers	(59,282)	X	-	(59,282)	(62,228)
4.	Securities issued	X	(158,143)	-	(158,143)	(151,955)
5.	Financial liabilities held for trading	(77)		-	(77)	(50)
6.	Financial liabilities carried at fair value	-	(25,009)	-	(25,009)	(24,833)
7.	Other liabilities and provisions	X	X	-	-	-
8.	Hedging derivatives	X	X	-	-	-
	TOTAL	(147,256)	(183,151)	-	(330,407)	(395,958)

1.5 INTEREST AND SIMILAR EXPENSE: DIFFERENCES ON HEDGING TRANSACTIONS

The table has not been completed because there were no such positions as of the balance sheet date.

1.6 INTEREST AND SIMILAR EXPENSE: OTHER INFORMATION

It was not felt necessary to provide other information in addition to that reported in the previous tables.

1.6.1 INTEREST EXPENSE ON FOREIGN-CURRENCY LIABILITIES

		TOTAL AT 31/12/2014	TOTAL AT 31/12/2013
1.	Due to banks	(1,414)	(1,545)
2.	Due to mutual banks	-	(846)
	TOTAL	(1,414)	(2,391)

1.6.2 INTEREST EXPENSE ON LIABILITIES IN RESPECT OF FINANCE LEASES

The table has not been completed because there were no such positions as of the balance sheet date.

SECTION 2 - FEES AND COMMISSIONS – ITEMS 40 AND 50

These items report income and expense in respect of services provided and received by the Bank.

2.1 FEE AND COMMISSION INCOME: COMPOSITION

	TOTAL AT 31/12/2014	TOTAL AT 31/12/2013
a) guarantees issued	**544**	**706**
b) credit derivatives	**-**	**-**
c) management, intermediation and advisory services:	**33,938**	**25,439**
1. trading in financial instruments	9,933	8,643
2. foreign exchange	182	185
3. asset management	-	-
3.1. individual	-	-
3.2. collective	-	-
4. securities custody and administration	7,713	5,894
5. depository services	4,255	4,545
6. securities placement	8,559	2,703
7. order collection and transmission	1,752	1,538
8. advisory services	1,545	1,930
8.1 concerning investments	-	-
8.2 concerning financial structure	1,545	1,930
9. distribution of third-party services	-	-
9.1. asset management	-	-
9.1.1. individual	-	-
9.1.2. collective	-	-
9.2. insurance products	-	-
9.3. other	-	-
d) collection and payment services	**45,235**	**48,917**
e) servicing activities for securitizations	**-**	**25**
f) services for factoring transactions	**-**	**-**
g) tax collection services	**-**	**-**
h) management of multilateral trading systems	**-**	**-**
i) holding and management of current accounts	**246**	**276**
j) other services	**292,745**	**273,265**
TOTAL	**372,707**	**348,628**

2.2 FEE AND COMMISSION INCOME: DISTRIBUTION CHANNELS FOR PRODUCTS AND SERVICES

	TOTAL AT 31/12/2014	TOTAL AT 31/12/2013
a) own branches:	**8,559**	**2,703**
1. asset management	-	-
2. securities placement	8,559	2,703
3. third-party services and products	-	-
b) off-premises distribution:	**-**	**-**
1. asset management	-	-
2. securities placement	-	-
3. third-party services and products	-	-
c) other distribution channels:	**-**	**-**
1. asset management	-	-
2. securities placement	-	-
3. third-party services and products	-	-

2.3 FEE AND COMMISSION EXPENSE: COMPOSITION

	TOTAL AT 31/12/2014	TOTAL AT 31/12/2013
a) guarantees received	**(2,681)**	**(3,079)**
b) credit derivatives	**-**	**-**
c) management and intermediation services:	**(12,502)**	**(7,137)**
1. trading in financial instruments	(1,267)	(1,181)
2. foreign exchange	(408)	(95)
3. asset management:	-	-
3.1 own portfolio	-	-
3.2 third-party portfolio	-	-
4. securities custody and administration	(3,580)	(3,575)
5. placement of financial instruments	(7,246)	(2,286)
6. off-premises distribution of securities, products and services	-	-
d) collection and payment services	**(5,539)**	**(7,854)**
e) other services	**(229,160)**	**(210,444)**
TOTAL	**(249,882)**	**(228,514)**

SECTION 3 - DIVIDENDS AND SIMILAR REVENUES – ITEM 70

This item reports dividends on shares or units other than those accounted for using the equity method. It also includes dividends and other income on units in collective investment undertakings.

3.1 DIVIDENDS AND SIMILAR REVENUES: COMPOSITION

		TOTAL AT 31/12/2014		TOTAL AT 31/12/2013	
		DIVIDENDS	INCOME FROM UNITS IN COLLECTIVE INVESTMENT UNDERTAKINGS	DIVIDENDS	INCOME FROM UNITS IN COLLECTIVE INVESTMENT UNDERTAKINGS
A.	Financial assets held for trading	7	-	6	-
B.	Financial assets available for sale	529	-	154	-
C.	Financial assets at fair value	-	-	-	-
D.	Equity investments	-	X	-	X
	TOTAL	**536**	**-**	**160**	**-**

SECTION 4 - NET GAIN (LOSS) ON TRADING ACTIVITIES – ITEM 80

The item reports the overall difference in respect of:

a) the balance of gains and losses on transactions classified under "financial assets held for trading" and "financial liabilities held for trading", including the outcome of the measurement of such transactions. It does not include gains and losses on derivatives associated with the fair value option, which are reported in part under interest in items 10 and 20, and in part under "net gain (loss) on financial assets and liabilities at fair value through profit or loss" (item 110 of the income statement);

b) the balance of gains and losses on financial transactions other than those designated as at fair value and hedge transactions, denominated in foreign currency, including the outcome of the measurement of such transactions.

4.1 NET GAIN (LOSS) ON TRADING ACTIVITIES: COMPOSITION

	CAPITAL GAINS (A)	TRADING PROFITS (B)	CAPITAL LOSSES (C)	TRADING LOSSES (D)	NET GAIN (LOSS) [(A+B) - (C+D)]
1. Financial assets held for trading	**307**	**24,229**	**(53)**	**(177)**	**24,304**
1.1 Debt securities	189	23,669	(32)	(170)	23,655
1.2 Equity securities	-	-	-	-	-
1.3 Units in collective investment undertakings	69	560	(21)	(7)	600
1.4 Loans	-	-	-	-	-
1.5 Other	49	-	-	-	49
2. Financial liabilities held for trading	**2**	**-**	**(349)**	**-**	**(347)**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	2	-	(349)	-	(347)
2.3 Other	-	-	-	-	-
3. Financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**(14,611)**
4. Derivatives	**47,836**	**212,977**	**(80,551)**	**(190,412)**	**5,870**
4.1 Financial derivatives:	47,836	212,977	(80,551)	(190,412)	5,870
- on debt securities and interest rates	40,794	197,569	(76,947)	(173,020)	(11,604)
- on equity securities and equity indices	211	833	(12)	(376)	656
- on foreign currencies and gold	X	X	X	X	16,020
- other	6,832	14,575	(3,592)	(17,017)	797
4.2 Credit derivatives	-	-	-	-	-
TOTAL	**48,145**	**237,205**	**(80,954)**	**(190,590)**	**15,216**

SECTION 5 - NET GAIN (LOSS) ON HEDGING ACTIVITIES – ITEM 90

The item reports the overall difference in respect of:

a) the outcome of the measurement of fair value hedges;

b) the outcome of the measurement of the financial assets and liabilities covered by fair value hedges;

c) the positive or negative differences and margins on hedge derivatives other than those reported under interest.

5.1 NET GAIN (LOSS) ON HEDGING ACTIVITIES: COMPOSITION

		TOTAL AT 31/12/2014	TOTAL AT 31/12/2013
A.	**Gain on:**		
A.1	Fair value hedges	9,264	10,405
A.2	Hedged financial assets (fair value)	20,247	19,913
A.3	Hedged financial liabilities (fair value)	1,238	24,525
A.4	Cash flow hedges	2,984	402
A.5	Assets and liabilities in foreign currencies	-	-
	TOTAL INCOME ON HEDGING ACTIVITIES (A)	**33,733**	**55,245**
B.	**Loss on:**		
B.1	Fair value hedges	(7,691)	(34,678)
B.2	Hedged financial assets (fair value)	(9,253)	(24,053)
B.3	Hedged financial liabilities (fair value)	(13,792)	(747)
B.4	Cash flow hedges	(35)	-
B.5	Assets and liabilities in foreign currencies	(2,693)	-
	AL EXPENSE ON HEDGING ACTIVITIES (B)	**(33,465)**	**(59,478)**
C.	**ET GAIN (LOSS) ON HEDGING ACTIVITIES (A - B)**	**268**	**(4,234)**

The amounts regard the following transactions:

- hedges of Italian government BTPs, both fixed rate and inflation-indexed, using asset swaps;
- hedges of 6 bonds issued by the Bank using interest rate swaps and interest rate options;
- hedges of loans to BCC Solutions and BCC CreditoConsumo using interest rate swaps;
- hedges of treasury deposits and repurchase agreements using overnight indexed swaps;
- hedges of cash flows on inflation-indexed Italian government BTPs;
- hedges of cash flows on 2 U.S. dollar bonds issued by the Bank using cross currency interest rate swaps (CCIRS);
- macro-hedges of portfolios of repurchase agreements using overnight indexed swaps.

SECTION 6 - GAIN (LOSS) ON DISPOSAL OR REPURCHASE – ITEM 100

This reports the positive or negative balances between the gains and losses realized with the sale of financial assets or liabilities other than those held for trading or designated as at fair value.

6.1 GAIN (LOSS) ON DISPOSAL OR REPURCHASE: COMPOSITION

	TOTAL AT 31/12/2014			TOTAL AT 31/12/2013		
	GAINS	LOSSES	NET GAIN (LOSS)	GAINS	LOSSES	NET GAIN (LOSS)
Financial assets						
1. Due from banks	220	(15)	205	2	(151)	(149)
2. Loans to customers	-	-	-	-	(0)	(0)
3. Financial assets available for sale	41,366	(4,800)	36,566	52,925	(21,800)	31,124
3.1 Debt securities	41,249	(4,800)	36,449	52,923	(21,800)	31,123
3.2 Equity securities	118	-	118	1	-	1
3.3 Units in collective investment undertakings	-	-	-	-	-	-
3.4 Loans	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-
TOTAL ASSETS	**41,586**	**(4,815)**	**36,771**	**52,926**	**(21,951)**	**30,975**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	177	(9,037)	(8,860)	156	(3,068)	(2,912)
TOTAL LIABILITIES	**177**	**(9,037)**	**(8,860)**	**156**	**(3,068)**	**(2,912)**

SECTION 7 - NET ADJUSTMENTS OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE – ITEM 110

This section reports the positive or negative balance between gains and losses on financial assets/liabilities at fair value and the operationally connected instruments for which the fair value option has been exercised, including the impact of the fair value measurement of such instruments (see also sections 3 of assets and 5 of liabilities).

7.1 NET ADJUSTMENTS OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE: COMPOSITION

	CAPITAL GAINS (A)	TRADING PROFITS (B)	CAPITAL LOSSES (C)	TRADING PROFITS (D)	NET GAIN (LOSS) [(A+B) - (C+D)]
1. Financial assets	**8,692**	**273**	**-**	**-**	**8,966**
1.1 Debt securities	8,692	273	-	-	8,966
1.2 Equity securities	-	-	-	-	-
1.3 Units in collective investment undertakings	-	-	-	-	-
1.4 Loans	-	-	-	-	-
2. Financial liabilities	**-**	**2,977**	**(5,822)**	**(217)**	**(3,062)**
2.1 Debt securities	-	2,977	(5,822)	(217)	(3,062)
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	-	-	-	-	-
3. Financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**-**
4. Financial and credit derivatives	**-**	**-**	**(8,845)**	**-**	**(8,845)**
TOTAL 31/12/2014	**8,692**	**3,251**	**(14,667)**	**(217)**	**(2,941)**

SECTION 8 - NET LOSSES/RECOVERIES ON IMPAIRMENT – ITEM 130

This item reports the balance of writedowns and writebacks in respect of the impairment of loans to customers and banks, financial assets available for sale, financial assets held to maturity and other financial transactions.

8.1 NET LOSSES/RECOVERIES ON IMPAIRMENT: COMPOSITION

	LOSSES (1)			RECOVERIES (2)				TOTAL AT 31/12/2014	TOTAL AT 31/12/2013
	SPECIFIC								
	WRITEOFFS	OTHER	PORTFOLIO	SPECIFIC		PORTFOLIO			
				A	B	A	B		
A. Due from banks	**-**	**-**	**-**	**-**	**5,822**	**-**	**-**	**5,822**	**12,017**
- Loans	-	-	-	-	5,822	-	-	5,822	12,017
- Debt securities	-	-	-	-	-	-	-	-	-
B. Loans to customers:	**(1)**	**(2,878)**	**(198)**	**211**	**3,416**	**-**	**27**	**577**	**912**
Impaired receivables acquired									
- Loans	-	-	-	-	-	-	-	-	-
- Debt securities	-	-	-	-	-	-	-	-	-
Other receivables									
- Loans	(1)	(2,878)	(198)	211	3,416	-	27	577	912
- Debt securities	-	-	-	-	-	-	-	-	-
C. TOTAL	**(1)**	**(2,878)**	**(198)**	**211**	**9,238**	**-**	**27**	**6,399**	**12,929**

Key:
A: Recoveries from interest
B: Other recoveries

"Recoveries on impairment" report writebacks associated with the passage of time, corresponding to the interest accrued during the period at the original effective interest rate previously used to calculate the writedown.

The writebacks associated with amounts due from banks relate to the collection of the receivable from the Icelandic bank Landsbanki Island hf., which has been fully written off in previous periods.

8.2 NET LOSSES/RECOVERIES ON IMPAIRMENT OF FINANCIAL ASSETS AVAILABLE FOR SALE: COMPOSITION

The table has not been completed because there were no such positions as of the balance sheet date.

8.3 NET LOSSES/RECOVERIES ON IMPAIRMENT OF FINANCIAL ASSETS HELD TO MATURITY: COMPOSITION

The table has not been completed because there were no such positions as of the balance sheet date.

8.4 NET LOSSES/RECOVERIES ON IMPAIRMENT OF OTHER FINANCIAL INSTRUMENTS: COMPOSITION

	LOSSES (1)			RECOVERIES (2)				TOTAL AT 31/12/2014	TOTAL AT 31/12/2013
	SPECIFIC								
	WRITEOFFS	OTHER	PORTFOLIO	SPECIFIC		PORTFOLIO			
				A	B	A	B		
A. Guarantees issued	-	-	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to distribute funds	-	-	-	-	-	-	-	-	-
D. Others	-	-	(2,346)	-	-	-	-	(2,346)	-
E. TOTAL	**-**	**-**	**(2,346)**	**-**	**-**	**-**	**-**	**(2,346)**	**-**

Key*:*

A: Recoveries from interest

B: Other recoveries

"Losses" reports amounts associated with the mutual bank deposit guarantee fund for the division and the commitments relating to the requests for repayment made to the fund and already authorized by the Bank of Italy.

SECTION 9 - ADMINISTRATIVE EXPENSES – ITEM 150

In addition to expenses in respect of employees, personnel expenses include:

- expenses for Bank employees seconded to other companies and the related recovery of costs;
- expenses in respect of persons hired on atypical contracts;
- reimbursements of expenses for employees of other companies seconded to the Bank;
- the compensation of directors and members of the Board of Auditors.

9.1 PERSONNEL EXPENSES: COMPOSITION

	TOTAL AT 31/12/2014	TOTAL AT 31/12/2013
1) Employees	**(65,935)**	**(61,901)**
a) wages and salaries	(45,035)	(42,333)
b) social security contributions	(12,401)	(11,393)
c) termination benefits	(1,154)	(1,164)
d) pensions	-	-
e) allocation to employee termination benefit provision	(430)	(264)
f) allocation to provision for retirement and similar liabilities	-	-
- defined contribution	-	-
- defined benefit	-	-
g) payments to external pension funds:	(3,737)	(1,813)
- defined contribution	(3,737)	(3,597)
- defined benefit	-	-
h) costs in respect of agreements to make payments in own equity instruments	-	-
i) other employee benefits	(3,178)	(3,150)
2) Other personnel	**(32)**	**(15)**
3) Board of Directors and members of Board of Auditors	**(732)**	**(707)**
4) Retired personnel	**-**	**-**
5) Recovery of expenses for employees seconded to other companies	**250**	**259**
6) Reimbursement of expenses for third-party employees seconded to the Company	**(1,364)**	**(1,094)**
TOTAL	**(67,813)**	**(63,458)**

9.2 AVERAGE NUMBER OF EMPLOYEES BY CATEGORY

	TOTAL AT 31/12/2014	TOTAL AT 31/12/2013
Employees:	**725**	**720**
a) senior management	17	16
b) middle management	338	325
a) senior management	370	379
Other personnel	**4**	**8**

9.3 DEFINED-BENEFIT COMPANY PENSION PLANS: COSTS AND REVENUES

The table has not been completed because there were no such positions as of the balance sheet date.

9.4 OTHER EMPLOYEE BENEFITS

The item "other employee benefits" mainly includes benefits such as lunch vouchers, insurance policies and training courses.

9.5 OTHER ADMINISTRATIVE EXPENSES: COMPOSITION

	TOTAL AT 31/12/2014	TOTAL AT 31/12/2013
Information technology	**(58,207)**	**(48,998)**
Property and movables	**(8,680)**	**(9,427)**
Rental and fees	(7,861)	(8,503)
Cleaning	(515)	(518)
Security	(304)	(408)
Goods and services	**(15,962)**	**(15,954)**
Telephone and data transmission	(4,524)	(4,310)
Postal	(5,521)	(5,552)
Asset transport and counting	(67)	(64)
Electricity, heating and water	(1,462)	(1,335)
Transportation	(736)	(753)
Office supplies and printed materials	(3,343)	(3,688)
Subscriptions, magazines and newspapers	(309)	(252)
Professional services	**(13,746)**	**(10,969)**
Professional fees	(6,431)	(4,159)
Audit fees	(268)	(235)
Legal and notary costs	(939)	(1,152)
Court costs, information and title searches	(41)	(51)
Insurance	(877)	(753)
Third-party services	(5,190)	(4,619)
Advertising and entertainment	**(1,911)**	**(1,171)**
Association dues	**(3,564)**	**(3,227)**
Other	**(1,048)**	**(1,817)**
Indirect taxes and duties	**(11,596)**	**(11,865)**
Stamp duty	(11,447)	(10,203)
Long-term loan tax - Pres. Decree 601/73	(44)	(1,363)
Municipal property tax	-	(216)
Other indirect taxes and duties	(105)	(83)
TOTAL	**(114,714)**	**(103,428)**

During the year, the Bank undertook charity work, using the provision established by the Board of Directors for this purpose in the total amount of €199 thousand.

SECTION 10 - NET PROVISIONS FOR RISKS AND CHARGES – ITEM 160

This item reports the positive or negative balance between accruals and any reversals to the income statement of excess provisions in respect of the provisions referred to under sub-item b) ("Other provisions") of item 120 ("Provisions for risks and charges") of liabilities.

10.1 NET PROVISIONS FOR RISKS AND CHARGES: COMPOSITION

	TOTAL AT 31/12/2014	TOTAL AT 31/12/2013
Net provisions for risks and charges	**(1,049)**	**(1)**

SECTION 11 - NET ADJUSTMENTS OF PROPERTY AND EQUIPMENT – ITEM 170

This section reports the balance of writedowns and writebacks of property and equipment.

11.1 NET ADJUSTMENTS OF PROPERTY AND EQUIPMENT: COMPOSITION

	DEPRECIATION (A)	WRITEDOWNS FOR IMPAIRMENT (B)	WRITEBACKS (C)	NET ADJUSTMENT (A + B - C)
A. Property and equipment				
A.1 owned	(2,464)	(4)	50	(2,418)
- operating assets	(2,464)	(4)	50	(2,418)
- investment property	-	-	-	-
A.2 acquired under finance leases	-	-	-	-
- operating assets	-	-	-	-
- investment property	-	-	-	-
TOTAL		**(4)**	**50**	**(2,418)**

SECTION 12 - NET ADJUSTMENTS OF INTANGIBLE ASSETS – ITEM 180

This section reports the balance of writedowns and writebacks of intangible assets.

12.1 NET ADJUSTMENTS OF INTANGIBLE ASSETS: COMPOSITION

	AMORTIZATION (A)	WRITEDOWNS FOR IMPAIRMENT (B)	WRITEBACKS (C)	NET ADJUSTMENTS (A + B - C)
A. Intangible assets				
A.1 owned	(5,435)	-	-	-
- generated internally by the Bank	-	-	-	-
- other	-	-	-	-
A.2 acquired under finance leases	-	-	-	-
TOTAL	**(5,435)**	**-**	**-**	**-**

SECTION 13 – OTHER OPERATING EXPENSES/INCOME – ITEM 190

This item reports expenses and income not allocable to other accounts.

13.1 OTHER OPERATING EXPENSES: COMPOSITION

	TOTAL AT 31/12/2014	TOTAL AT 31/12/2013
Other charges	(1,800)	(521)
TOTAL	**(1,800)**	**(521)**

13.2 OTHER OPERATING INCOME: COMPOSITION

	TOTAL AT 31/12/2014	TOTAL AT 31/12/2013
Property rental income	30	288
Recoveries:		
- Stamp duty	9,106	8,067
- Tax on loan transactions	113	1,414
Revenues from Milano Finanza Web services	739	883
Revenues for personnel administration services	506	915
Insourcing revenues	7,784	6,919
Other income	24,994	2,961
- of which "Custodian Bank" business unit	*20,805*	-
TOTAL	**43,273**	**21,446**

The sub-item "Other income" includes the amount for the sale of the custodian bank unit on September 24, 2014. For more information, refer to Section 14 of the Notes – Part B.

SECTION 14 - PROFIT (LOSS) FROM EQUITY INVESTMENTS – ITEM 210

There were no such positions as of the balance sheet date.

SECTION 15 - NET ADJUSTMENT TO FAIR VALUE OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS – ITEM 220

There were no such positions as of the balance sheet date.

SECTION 16 - VALUE ADJUSTMENTS OF GOODWILL – ITEM 230

There were no such positions as of the balance sheet date.

SECTION 17 - GAINS (LOSSES) ON DISPOSAL OF INVESTMENTS – ITEM 240

There were no such positions as of the balance sheet date.

SECTION 18 - INCOME TAX EXPENSE FROM CONTINUING OPERATIONS – ITEM 260

The item reports the tax liability – equal to the balance of current taxes and deferred taxes – in respect of income for the period.

18.1 INCOME TAX EXPENSE FROM CONTINUING OPERATIONS: COMPOSITION

		TOTAL AT 31/12/2014	TOTAL AT 31/12/2013
1.	Current taxes (-)	(23,775)	(34,072)
2.	Changes in current taxes from previous periods (+/-)	736	660
3.	Reduction of current taxes for the period (+)	-	-
3. bis	Reduction of current taxes for the period for tax credits under Law 214/2011 (+)	-	-
4.	Change in deferred tax assets (+/-)	(1,685)	(3,730)
5.	Change in deferred tax liabilities (+/-)	(4,577)	-
6.	**INCOME TAXES FOR THE PERIOD (-) (-1+/-2+3+3 bis+/-4+/-5)**	**(29,301)**	**(37,142)**

18.2 RECONCILIATION OF THEORETICAL TAX LIABILITY AND ACTUAL TAX LIABILITY RECOGNIZED

	I.R.E.S.		I.R.A.P.	
	TAXABLE INCOME	TAX	TAXABLE INCOME	TAX
Net profit (loss) for the period before tax	**76,994**			
Theoretical tax liability (27.5%)		**(21,173)**		
Difference between value of production and production costs			**112,239**	
Theoretical tax liability (5.57%)				**(6,252)**
Temporary differences taxable in subsequent periods	(16,644)	4,577	-	-
Temporary differences deductible in subsequent periods	4,698	(1,292)	-	-
Reversal of temporary differences of previous periods				
Reversal of deductible temporary differences	(9,471)	2,605	(111)	6
Reversal of taxable temporary differences	-	-	-	-
Differences that will not reverse in subsequent years:				
Permanent decreases in taxable income	(8,619)	2,370	(23,982)	1,336
Permanent increases in taxable income	17,254	(4,745)	21,636	(1,207)
Taxable income	**64,211**			
Current income taxes		**(17,658)**		
Taxable income for I.R.A.P purposes			**109,818**	
Current I.R.A.P liability				**(6,117)**

SUMMARY:	
I.R.E.S.	(17,658)
I.R.A.P.	(6,117)
TOTAL CURRENT TAXES	**(23,775)**

SECTION 19: PROFIT (LOSS) AFTER TAXES FROM DISPOSAL GROUPS – ITEM 280

This item reports the positive or negative balance of income (interest, fees and commissions, etc.) and charges (interest expense, etc.) in respect of groups of assets and liabilities (disposal groups)held for sale, net of current and deferred taxation.

19.1 PROFIT (LOSS) AFTER TAXES FROM DISPOSAL GROUPS: COMPOSITION

	TOTAL AT 31/12/2014	TOTAL AT 31/12/2013
1. Income	-	330
2. Charges	-	(344)
3. Net gain (loss) on valuation of the disposal group and associated liabilities	-	-
4. Profit (loss) from realization	-	-
5. Taxes and duties	-	(9)
PROFIT (LOSS)	**-**	**(23)**

19.2 BREAKDOWN OF INCOME TAXES FOR DISPOSAL GROUPS HELD FOR SALE

	TOTAL AT 31/12/2014	TOTAL AT 31/12/2013
1. Current taxes (-)	-	(9)
2. Change in deferred tax assets (+/-)	-	-
3. Change in deferred tax liabilities (-/+)	-	-
4. INCOME TAXES FOR THE PERIOD (-1+/-2+/-3)	**-**	**(9)**

SECTION 20 – OTHER INFORMATION

It was not felt necessary to add further information other than that already provided in the previous tables.

SECTION 21 – EARNINGS PER SHARE

21.1 AVERAGE NUMBER OF ORDINARY SHARES IN DILUTED SHARE CAPITAL

The section was not completed as there were no such positions as of the balance sheet date.

21.2 OTHER INFORMATION

	TOTAL AT 31/12/2014	TOTAL AT 31/12/2013
Net profit for the year	47,692,915	40,027,802
Distributable income	40,005,000	34,986,000
Average number of ordinary shares in circulation	420,000	420,000
Earnings per share	113.55	95.30
Distributable income per share	95.25	83.30

The above figures are reported in euros.

Part D

Comprehensive income

PART D – COMPREHENSIVE INCOME

DETAILED BREAKDOWN OF COMPREHENSIVE INCOME

		GROSS AMOUNT	INCOME TAXES	NET AMOUNT
10.	**Net profit (loss) for the period**	**X**	**X**	**47,692,915**
	Other comprehensive income not recyclable to profit or loss			
20.	**Property and equipment**	**-**	**-**	**-**
30.	**Intangible assets**	**-**	**-**	**-**
40.	**Defined-benefit plans**	**(1,085,576)**	**726,576**	**(359,000)**
50.	**Non-current assets held for sale**	**-**	**-**	**-**
60.	**Valuation reserves of equity investments accounted for with equity method**	**-**	**-**	**-**
	Other comprehensive income recyclable to profit or loss			
70.	**Hedging of investments in foreign operations:**	**-**	**-**	**-**
	a) fair value changes	-	-	-
	b) reversal to income statement	-	-	-
	c) other changes	-	-	-
80.	**Foreign exchange differences:**	**-**	**-**	**-**
	a) value changes	-	-	-
	b) reversal to income statement	-	-	-
	c) other changes	-	-	-
90.	**Cash flow hedges:**	**(1,217,996)**	**402,791**	**(815,205)**
	a) fair value changes	1,593,976	(527,128)	1,066,848
	b) reversal to income statement	(2,811,972)	929,919	(1,882,053)
	c) other changes	-	-	-
100.	**Financial assets available for sale:**	**7,596,688**	**(2,172,370)**	**5,424,318**
	a) fair value changes	31,619,300	(10,108,439)	21,510,861
	b) reversal to income statement	(24,022,612)	7,936,070	(16,086,542)
	- impairment adjustments	-	-	-
	- gain/loss on realization	(24,022,612)	7,936,070	(16,086,542)
	c) other changes	-	-	-
110.	**Non-current assets held for sale:**	**-**	**-**	**-**
	a) fair value changes	-	-	-
	b) reversal to income statement	-	-	-
	c) other changes	-	-	-
120.	**Valuation reserves of equity investments accounted for with equity method (pro rata):**	**-**	**-**	**-**
	a) fair value changes	-	-	-
	b) reversal to income statement	-	-	-
	- impairment adjustments	-	-	-
	- gain/loss on realization	-	-	-
	c) other changes	-	-	-
130.	**Total other comprehensive income**	**5,293,115**	**(1,043,002)**	**4,250,113**
140	**Comprehensive income (item 10+130)**	**5,293,115**	**(1,043,002)**	**51,943,028**

Part E

Risks and risk management policies

PART E – RISKS AND RISK MANAGEMENT POLICIES

INTRODUCTION

The Iccrea Group attaches great importance to controlling risks and to control systems, which are essential to ensuring the reliable and sustainable generation of value, preserving a sound financial position over time, and enabling effective management of assets and liabilities, including in respect of its core business of supporting and providing services to the mutual banks and their customers.

ORGANIZATION OF RISK MANAGEMENT

ROLES AND RESPONSIBILITIES IN RISK MANAGEMENT

In recent years, the Group has undertaken a gradual process to upgrade its methods and tools for managing credit, market and operational risks, bringing the system into line with external regulations and operational and internal monitoring needs.

In this context, with a view to enhancing the effectiveness of risk management and the efficiency of the overall system of internal controls while responding to developments in the regulatory environment, the market and the organizational, operational and corporate arrangements of the Group, the risk management governance and organizational system was revised in the first half of 2012, providing for the centralization of functional responsibility for risk management operations with the Parent Company and introducing the position of Chief Risk Officer (CRO), who acts as the manager responsible for Group risk management and the liaison for the boards of directors and senior management of Group companies in the field of risk management. This officer develops an integrated and composite vision of the overall set of risks assumed and managed by the companies and by the Group as a whole.

Group Risk Management is responsible for providing recommendations on risk policy, analyzing current and prospective risks, ensuring the quality and effectiveness of monitoring procedures, defining and/or validating risk measurement methods, ensuring the correct assessment of the consequences of new strategies in terms of the risk they generate.

Finally, the ongoing monitoring of risks performed by Risk Management is also intended to ensure that the management controls for each type of risk to which the Group and the individual Group companies are exposed remain effective over time. In this regard, the findings of monitoring activities are systematically reviewed within the decision-making process for identifying consequent risk mitigation and management initiatives.

The risk management organizational model is completed by the organizationally independent risk management activities at Banca Sviluppo, which the CRO coordinates and sets policy.

A decentralized governance model was developed for compliance risk, including money-laundering risk. In the system, the Parent Company unit (the Compliance unit), which is part of the Group Risk Management function, coordinates and sets policy for the independent compliance units at the subsidiaries. The subsidiaries exercise their responsibilities for managing compliance risk, money-laundering risk and operational risks through specific units established at the individual companies. The Operational Risk, Compliance and Anti-Money Laundering Intercompany Committee (the Compliance Committee) was established to support these coordination and policy activities, with the participation of the heads of all the compliance units.

THE GROUP RISK MANAGEMENT UNIT

In the Iccrea Banking Group, a Financial Risks unit was established within the new Group Risk Management structure. It is based at Iccrea Banca, where Group Finance operations are managed. The Financial Risks unit is composed of the following sub-units: Market Risks; ALM and Liquidity Risk; and Bank Counterparties Risk.

THE RISK CULTURE

The Iccrea Banking Group devotes special attention to managing risk.
All personnel are asked to identify, assess and manage risk within their area of responsibilities.

Each employee is expected to perform their duties seriously and with awareness.

The risk culture is inspired by the principles of the risk management model of the Iccrea Banking Group. It is disseminated to all business units and personnel and is founded on the following pillars:

- the independence of risk functions from business units;
- the establishment and constant updating of risk handbooks and policies;
- the specification of risk limits;
- the daily/periodic monitoring of exposures (aggregate and others) with verification of compliance of approved limits and implementation of appropriate corrective measures where necessary;
- the presence of other support tools to help develop the culture of risk (training courses, remuneration policies and incentives linked to the quality of risk and the results of the companies of the Iccrea Banking Group in the long term, systematic and independent Internal Auditing units, etc.).

STRESS TESTING

In order to ensure the dynamic monitoring and management of risk, the Group has implemented a stress testing system. Stress testing is an integral part of the risk management system. It is used in two main areas: capital planning and regulatory capital adequacy. It is an instrument considered in the ICAAP. The methods adopted are based on the main risk factors.

Stress testing can be carried out at the level of the Group, business unit or portfolio, and the scenarios used are supervised by Group Risk Management.

Since its creation, the stress testing framework has undergone updating both of the methods deployed and its integration with operations.

SECTION 1 – CREDIT RISK

Qualitative disclosures

1. GENERAL ASPECTS

Credit risk is the possibility that a borrower could default on its obligation. In this case, the economic loss corresponds to the difference between the value of the exposure and any amounts actually recovered.

For an intermediary, credit risk can be:

- direct, in respect of exposures to the customer;
- indirect, in respect of commitments assumed by the customer for guarantees granted to banks in favor of third parties.

In general, the credit risk associated with an exposure is expressed through the components set out in prudential regulations (Bank of Italy Circular no. 263/2006 as updated).

The strategies underpinning the lending activity of the Iccrea Group are based on the following principles:

- pursue balanced growth of loan assets that is consistency with our propensity for risk;
- contain the risk of insolvency through careful analysis of creditworthiness;
- promote the adoption of procedures for assuming, managing and controlling credit risk that are capable of ensuring effective management of those risks.

Iccrea Banca's credit activities were focused on:

- granting loans, credit facilities and operating credit to meet the mutual banks' funding requirements;
- renewing and expanding relationships in the "large corporate" segment while developing the relationship between these entities, the mutual banks and the payment and e-money services offered by the Bank;
- supporting the development of the business of the companies of the Iccrea Banking Group.

In order to increase the effectiveness of the governance of credit risk in respect of bank counterparties and other supervised entities and to strengthen the overall system of internal controls, a **Credit Policy** has been established to govern the roles and responsibilities of the main actors, define the assessment methodologies used to determine creditworthiness used both in assuming and in monitoring and managing risk and the system of limits governing operations, which has been developed in line with the risk appetite framework set out in the new regulations for the internal control system.

2. CREDIT RISK MANAGEMENT POLICIES

2.1 ORGANIZATIONAL ASPECTS

Organizational units involved

The organizational unit of Iccrea Banca SpA responsible for assuming and managing credit risk is the Loans department, which is responsible for developing – in conformity with the strategic objectives of the Bank – the operational plans for lending activities. In addition, it also manages – within the scope of its operational responsibilities - lending activities for the purpose of granting loans and operating credit in support of the operations of the various business lines as well as relations with correspondents abroad. It also plays a role, in coordination with the Financial Risks unit, in managing the risks associated with granting loans and operating credit.

Within the Loans department, the Institutional and Retail Credit unit carries out the activities associated with lending to this category of customers within the Iccrea Banking Group and monitors credit positions. It also performs activities regarding the processing of bankers' drafts issued by Iccrea Banca S.p.A. and the granting of operating credit and loans to bank counterparties, as well as managing substandard loans and registering/controlling loan positions in the information system.

In general, the Lending department ensures the regular performance of the various phases of the credit process, approving applications within the scope of its powers and ensuring the adequacy of the line controls in the operations for which it is responsible.

Within the Financial Risks unit, the Bank Counterparty Risk Unit manages exposures in respect of banks and other financial intermediaries, managing monitoring systems and models for the assessment of bank creditworthiness and develops policy recommendations with regard to the assumption and management of risk. It is also responsible for second-level control of the risks assigned to it.

More specifically, the unit is responsible for promoting the adoption of procedures for assuming, managing and controlling credit risk designed to guarantee effective management of such risk in line with the principles set out in supervisory regulations and management requirements. The unit also produces independent reporting on such risks, participating in updating and developing rules governing credit risk, with particular regard to delegated powers and operational limits.

Inspections are performed by the Controls unit.

Segmentation of credit exposures

In order to manage credit risk, credit exposure is segmented into portfolios on the basis of the type of loan/credit facility and type of counterparty (mutual banks, other banks, ordinary customers).

Further segmentation is carried out within each customer segment on the basis of the technical form (current account overdrafts, loans, etc.) and maturity (short, medium and long term).

The credit process

The credit process is organized into the following phases:

- *Start of application processing:* collection of data need to start the lending/loan revision process with a specific counterparty;
- *Processing*: assessment of the creditworthiness of the counterparty and the feasibility of the transaction;
- *Decision proposal*: preparation and formalization of the decision proposal to be submitted to the decision-making body;
- *Authorization*: approval of the decision by the decision-making body and start of authorized operations;
- *Monitoring*: tracking of specific performance indicators (*performance controls*) and structural assessment of the overall risk profile of the borrower (*performance monitoring*).

2.2 MEASUREMENT, MANAGEMENT AND CONTROL SYSTEMS

Assessment framework and monitoring

The *assessment framework* is based on the best practices used by the rating agencies and is conducted on the basis of an analysis of the financial soundness of the potential borrower, taking into account quantitative data in the form of financial and operational indicators and qualitative information on management's standing, together with forecasts for medium/long-term transactions. More specifically, the assessment framework is made up of two **"modules"**, called **Structural and Performance**. The assessment of counterparty creditworthiness begins with an analysis of the information drawn from the financial statements and explanatory notes, developed with forward-looking valuation techniques (the Structural Module). The partial assessment thus obtained is supplemented with quantitative and qualitative information from internal sources (the Performance Module).
The tools used during the loan processing stage differ according to the type of counterparty and the product/service requested, taking into consideration, in the case of existing customers, developments in past and/or present transactions.
The ***monitoring framework***, which is similar to the assessment framework to ensure the uniformity of information being provided to units and the decision-making process, consists of a structure system of **early warning signals** represented by **key risk indicators (KRI)** determined using monitoring indicators (financial indicators and internal corporate indicators) and thresholds, which are specified using statistical analyses that characterize the state of alert.

Risk limits

The credit risk management policy is defined through a system of risk appetite limits specified at the individual counterparty level.
A *Risk Ceiling* is specified for each counterparty. It represents the overall size of the exposure to that counterparty, and includes all transactions with the Bank, governed by a structure of delegated powers for both loans and operating credit, which represent the specific applications. The Risk Ceiling takes account of the credit risk mitigation effects of guarantees and cannot exceed the risk appetite.
The Risk Ceiling is monitored on a daily basis through the risk profile, which is the algebraic sum of the lines of credit granted, with the total being the Risk Ceiling. Two warning thresholds are also specified, which if exceeded trigger the transmission of a report from Risk Management to the Loans department and/or senior management for corrective action and subsequent reporting to the Board of Directors.

Monitoring systems

The systematic monitoring process, which is aimed at assessing problem positions and tracking developments in positions to ensure correct classification and activate any consequent operational responses, makes use of a specific application. More specifically, the control procedure reports performance problems on a monthly basis, assigning the positions to the various impairment categories. The discovery of anomalies triggers a systematic monitoring and assessment process for loans to customers.

The reporting of exposures subject to a ceiling is carried out daily, using a specific automated procedure.

Within the Group, taking account of the specific experience and specializations of the main subsidiaries, work has continued on developing internal assessment systems for bank counterparties and ordinary customers. The system is maintained and updated constantly by the Financial Risks unit. The findings of the assessments conducted with the assessment system are made available to the line units.

2.3 RISK MITIGATION TECHNIQUES

A series of measures have been developed to upgrade the Bank's organizational and IT resources in order to create effective structural and process arrangements that ensure full compliance with the organizational, financial and legal requirements under the new regulations and govern the entire process of acquiring, assessing, controlling and realizing instruments used to mitigate credit risk.

Guarantees eligible for mitigation of credit risk are specified in an "analytic guarantee chart", which provides a specific description of all the information necessary for correct use of the security. The types of eligible guarantee must be approved by the Board of Directors.

Iccrea Banca also acquired financial guarantees in respect of "collateral pool" operations backing credit facilities for mutual banks. Pursuant to the provisions of Legislative Decree 170/2004, these guarantees are included, under the rules set out in supervisory instructions, among eligible credit risk mitigation techniques (see Bank of Italy Circular no. 285/2013, Part 2, Chapter 5). In 2014, the Iccrea Banking Group began the process of replacing the use of the "simple approach" in mitigating credit risk when measuring financial collateral with the "comprehensive approach", which is more in line with the Bank's operations. The Bank began applying this approach following the supervisory report of December 2014.

Re-examination has begun of mortgage guarantees already acquired by the Bank covering existing real estate loans, and an electronic database containing their details is being prepared in order to enable for systematic monitoring of their value. A similar effort is being made for all lien security already acquired by the Bank.

Within the context of over-the counter derivative transactions, Iccrea Banca uses a "close-out netting" mechanism with mutual banks providing for the right to terminate pending relationships immediately with the offsetting of reciprocal positions and payment of the net balance in the event of the counterparty's default or bankruptcy. This netting technique is also used for the purposes of calculating capital requirements, in accordance with prudential supervision regulations (see EU Regulation no. 575/2013, Title II, Part 3, Chapter 6, Section 7, Article 296).

In compliance with the provisions of law governing the cancellation of mortgages on extinguished mortgage loans, the Loans department has taken prompt action to implement the electronic systems for dialoguing with the government office responsible for cancelling encumbrances in respect of repaid loans.

In order to mitigate the credit risk associated with trading in financial derivative instruments with bank counterparties (counterparty risk), Iccrea Banca uses bilateral netting arrangements that in the event of counterparty default enable offsetting of creditor and debtor positions in financial derivatives transactions, as well as for securities financing transactions.

On the operational front, risk mitigation is implemented with the use of ISDA agreements for derivatives transactions and Global Master Repurchase Agreements (GMRAs) for direct repurchase transactions with market counterparties. Both of these protocols are used to manage and mitigate credit risk and, in compliance with the conditions established under supervisory regulations, enable the reduction of capital requirements.

As regards OTC derivatives business, the Bank continued to enter into Credit Support Annex (CSA) arrangements with its main financial counterparties. At December 31, 2014, credit exposures in respect of transactions in derivatives were covered by security received under 44 CSA contracts with market counterparties and 163 contracts with mutual banks. As for repos, 10 GRMAs were entered into and the business is operational with one counterparty.

2.4 IMPAIRED FINANCIAL ASSETS

Procedures for classifying assets by debtor quality

The Bank is equipped with regulatory/IT structures and procedures for loan management, classification and control.

In line with the provisions of the IASs/IFRSs, at every reporting date the presence of objective evidence of impairment is assessed for every instrument or group of financial instruments.

Objective evidence of the impairment of a financial asset or group of financial assets consists of observable data regarding the following events:

- significant financial difficulties of the debtor;
- breach of contractual agreements, such as default or delinquency in paying interest or principal;
- the lender, for economic or legal reasons associated with the borrower's financial difficulties, grants the debtor concessions that the lender would not otherwise have considered;
- a high probability of the debtor's entering bankruptcy or other financial reorganization;
- the disappearance of an active market for the financial asset as a result of the debtor's financial difficulties (a case not relevant for the current types of loans to banks/customers);
- the existence of evidence indicating a quantifiable decrease in estimated future cash flows for a group of assets, after initial recognition, even if such decrease cannot yet be ascribed to the individual position:

a reduction in the debtor's ability to discharge its liability in respect of the group of assets it holds;
national or local conditions that could give rise to default in respect of a group of receivables.

The above assessment is conducted with the support of special IT screening procedures on the basis of information from internal and external sources.

Within the scope of testing for the existence of objective evidence of impairment, non-performing loans are classified in the following categories:
bad debts: loans to borrowers in a state of insolvency (even if bankruptcy has not been declared by a court) or in substantially equivalent situations, regardless of any expectations of loss formulated by the company;
substandard loans: loans to borrowers in a temporary situation of objective difficulty, the removal of which is likely to occur within a reasonable period of time;
restructured positions: loans for which, owing to the deterioration in the financial condition of the debtor, a pool of banks (or a single bank) agrees to a modification of the original contractual terms and conditions that gives rise to a loss;
for past-due and over-limit positions, the Bank applies the provisions of the applicable supervisory regulations.

Factors enabling reclassification of impaired exposures to performing status

Only the return to full solvency of the debtor permits restoration of performing status. This comprises:

elimination of the entire exposure or repayment of arrears;
regularization of the exposure.

Assessment of the adequacy of writedowns

Loans are recognized at estimated realizable value. This value is obtained by deducting specific and general writedowns of principal and interest, net of any repayments, from the total amount disbursed.

Calculation of expected loss is based on analytical and statistical methodologies. The latter are used for personal loans classified as bad debts and for calculating normal risk.

The analytical assessment of non-performing positions is based on standard criteria approved by the Board of Directors that incorporate prudential assessments of any guarantees securing repayment.

In particular, impaired exposures are analytically evaluated on the basis of:

- forecast of future recovery of the credit position:
  - with the exclusion of future losses that have not yet emerged
  - using different procedures depending on the type of loan:
    - for personal loans classified as bad debts the recovery forecast is determined using a statistical method based on stratification based on the age of the position, considering amounts collected and losses on past cases from which, with appropriate calculations, an estimated loss percentage can be determined for application to the entire existing portfolio;
    - for other loans, general writedowns based on statistical techniques that, using the values calculated for rates of default and non-recoverability, contribute to the calculation of a prudential coverage ratio;
- recovery times;
- expected realization of any guarantees, taking account of estimated collection/liquidation expenses, which must be incorporated into the expected future cash flows.

The writedown is recognized in the income statement as the difference between the initial carrying amount of the asset and the present value of the estimated recoverable cash flows, discounted at the original effective interest rate of the financial asset at the moment of classification as non-performing.

The original value of the receivable is written back in subsequent years if the reasons for the writedown no longer obtain.

Quantitative disclosures

A. CREDIT QUALITY

A.1 IMPAIRED AND PERFORMING CREDIT EXPOSURES: STOCKS, WRITEDOWNS, CHANGES AND DISTRIBUTION BY SECTOR AND GEOGRAPHICAL AREA

A.1.1 DISTRIBUTION OF CREDIT EXPOSURES BY PORTFOLIO AND CREDIT QUALITY (CARRYING AMOUNT)

	BAD DEBTS	SUBSTANDARD LOANS	RESTRUCTURED POSITIONS	IMPAIRED PAST DUE POSITIONS	UNIMPAIRED PAST DUE POSITIONS	OTHER ASSETS	TOTAL
1. Financial assets held for trading	-	-	-	-	-	469,561	469,561
2. Financial assets available for sale	-	-	-	-	-	4,135,014	4,135,014
3. Financial assets held to maturity	-	-	-	-	-	3,536,799	3,536,799
4. Due from banks	-	-	-	-	-	35,587,200	35,587,200
5. Loans to customers	21,190	997	-	49	4,728	1,846,319	1,873,283
6. Financial assets at fair value	-	-	-	-	-	321,232	321,232
7. Financial assets held for sale	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	10,333	10,333
TOTAL AT 31/12/2014	**21,190**	**997**	**-**	**49**	**4,728**	**45,906,458**	**45,933,422**
TOTAL AT 31/12/2013	**24,385**	**1,763**	**-**	**3,846**	**8,890**	**42,550,766**	**42,589,650**

A.1.2 DISTRIBUTION OF CREDIT EXPOSURES BY PORTFOLIO AND CREDIT QUALITY (GROSS AND NET VALUES)

	IMPAIRED ASSETS			PERFORMING			TOTAL (NET EXPOSURE))
	GROSS EXPOSURE	SPECIFIC ADJUSTMENTS	NET EXPOSURE	GROSS EXPOSURE	PORTFOLIO ADJUSTMENTS	NET EXPOSURE	
1. Financial assets held for trading	-	-	-	X	X	469,561	469,561
2. Financial assets available for sale	-	-	-	4,135,014	-	4,135,014	4,135,014
3. Financial assets held to maturity	-	-	-	3,536,799	-	3,536,799	3,536,799
4. Due from banks	231	231		35,587,200	-	35,587,200	35,587,200
5. Loans to customers	62,983	40,747	22,236	1,851,774	727	1,851,047	1,873,283
6. Financial assets at fair value	-	-	-	X	X	321,232	321,232
7. Financial assets held for sale	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	X	X	10,333	10,333
TOTAL AT 31/12/2014	**63,214**	**40,978**	**22,236**	**45,110,787**	**727**	**45,911,186**	**45,933,422**
TOTAL AT 31/12/2013	**79,491**	**49,497**	**29,994**	**41,794,486**	**529**	**42,559,656**	**42,589,650**

A.1.3 ON-BALANCE-SHEET AND OFF-BALANCE-SHEET CREDIT EXPOSURES TO BANKS: GROSS AND NET VALUES

	GROSS EXPOSURE	SPECIFIC WRITEDOWNS	PORTFOLIO WRITEDOWNS	NET EXPOSURE
A. ON-BALANCE-SHEET EXPOSURES				
a) Bad debts	231	231	X	-
b) Substandard loans	-	-	X	-
c) Restructured positions	-	-	X	-
d) Impaired past due positions	-	-	X	-
e) Other assets	35,922,129	X	-	35,922,129
TOTAL A 31/12/2014	**35,922,360**	**231**	**-**	**35,922,129**
B. OFF-BALANCE-SHEET EXPOSURES				
a) Impaired	-	-	X	-
b) Other	1,417,996	X	-	1,417,996
TOTAL B 31/12/2014	**1,417,996**	**-**	**-**	**1,417,996**

A.1.4 ON-BALANCE-SHEET CREDIT EXPOSURES TO BANKS: CHANGES IN GROSS IMPAIRED POSITIONS

	BAD DEBTS	SUBSTANDARD LOANS	RESTRUCTURED POSITIONS	PAST DUE POSITIONS
A. Opening gross exposure	**6,053**	**-**	**-**	**-**
- of which: exposures assigned but not derecognized	-	-	-	-
B. Increases	**-**	**-**	**-**	**-**
B.1 from performing credit exposures	-	-	-	-
B.2 transfers from other categories of impaired positions	-	-	-	-
B.3 other increases	-	-	-	-
C. Decreases	**5,822**	**-**	**-**	**-**
C.1 to performing credit exposures	-	-	-	-
C.2 writeoffs	-	-	-	-
C.3 collections	5,822	-	-	-
C.4 gains on disposal	-	-	-	-
C.4. *bis* losses on disposal	-	-	-	-
C.5 transfers to other categories of impaired positions	-	-	-	-
C.6 other decreases	-	-	-	-
D. Closing gross exposure	**231**	**-**	**-**	**-**
- of which: exposures assigned but not derecognized	-	-	-	-

A.1.5 ON-BALANCE-SHEET CREDIT EXPOSURES TO BANKS: CHANGES IN TOTAL ADJUSTMENTS OF LOANS

	BAD DEBTS	SUBSTANDARD LOANS	RESTRUCTURED POSITIONS	PAST DUE POSITIONS
A. Total opening adjustments	**6,053**	**-**	**-**	**-**
- of which: exposures assigned but not derecognized	-	-	-	-
B. Increases	**-**	**-**	**-**	**-**
B.1 writedowns	-	-	-	-
B.1 bis losses on disposal	-	-	-	-
B.2 transfers from other categories of impaired positions	-	-	-	-
B.3 other increases	-	-	-	-
C. Decreases	**5,822**	**-**	**-**	**-**
C.1 writebacks from valuations	-	-	-	-
C.2 writebacks from collections	5,822	-	-	-
C.2 bis gains on disposal	-	-	-	-
C.3 writeoffs	-	-	-	-
C.4 transfers to other categories of impaired positions	-	-	-	-
C.5 other decreases	-	-	-	-
D. Total closing adjustments	**231**	**-**	**-**	**-**
- of which: exposures assigned but not derecognized	-	-	-	-

A.1.6 ON-BALANCE-SHEET AND OFF-BALANCE-SHEET CREDIT EXPOSURES TO CUSTOMERS: GROSS AND NET VALUES

	GROSS EXPOSURE	SPECIFIC WRITEDOWNS	PORTFOLIO WRITEDOWNS	NET EXPOSURE
A. ON-BALANCE-SHEET EXPOSURES				
a) Bad debts	61,786	40,596	X	21,190
b) Substandard loans	1,148	151	X	997
c) Restructured positions	-	-	X	-
d) Impaired past due positions	49	1	X	48
e) Other assets	9,515,662	X	727	9,514,935
TOTAL A AT 31/12/2014	**9,578,645**	**40,748**	**727**	**9,537,170**
B. OFF-BALANCE-SHEET EXPOSURES				
a) Impaired	-	-	X	-
b) Other	1,053,143	X	-	1,053,143
TOTAL B AT 31/12/2014	**1,053,143**	**-**	**-**	**1,053,143**

A.1.7 ON-BALANCE-SHEET CREDIT EXPOSURES TO CUSTOMERS: CHANGES IN GROSS IMPAIRED POSITIONS

	BAD DEBTS	SUBSTANDARD LOANS	RESTRUCTURED POSITIONS	PAST DUE POSITIONS
A. Opening gross exposure	**67,559**	**2,006**	**-**	**3,873**
- of which: exposures assigned but not derecognized	-	-	-	-
B. Increases	**835**	**687**	**-**	**61**
B.1 from performing credit exposures	-	370	-	55
B.2 transfers from other categories of impaired positions	656	1	-	
B.3 other increases	179	316	-	6
C. Decreases	**6,608**	**1,545**	**-**	**3,885**
C.1 to performing credit exposures	-	366	-	1,052
C.2 writeoffs	-	-	-	-
C.3 collections	6,608	524	-	2,832
C.4 assignments	-	-	-	-
C.5 transfers to other categories of impaired positions	-	-	-	-
C.6 other decreases	-	655	-	1
C.1 to performing credit exposures	-	-	-	-
D. Closing gross exposure	**61,786**	**1,148**	**-**	**49**
- of which: exposures assigned but not derecognized	-	-	-	-

A.1.8 ON-BALANCE-SHEET CREDIT EXPOSURES TO CUSTOMERS: CHANGES IN TOTAL ADJUSTMENTS OF LOANS

	BAD DEBTS	SUBSTANDARD LOANS	RESTRUCTURED POSITIONS	PAST DUE POSITIONS
A. Total opening adjustments	**43,174**	**243**	**-**	**27**
- of which: exposures assigned but not derecognized	-	-	-	-
B. Increases	**2,435**	**97**	**-**	**1**
B.1 writedowns	2,377	92	-	-
B.1 bis losses on disposal	-	-	-	-
B.2 transfers from other categories of impaired positions	33	-	-	-
B.3 other increases	25	5	-	1
C. Decreases	**5,013**	**189**	**-**	**27**
C.1 writebacks from valuations	2,180	103	-	-
C.2 writebacks from collections	2,833	5	-	20
C.2 bis gains on disposal	-	-	-	-
C.3 writeoffs	-	-	-	-
C.4 transfers to other categories of impaired positions	-	33	-	-
C.5 other decreases	-	48	-	7
D. Total closing adjustments	**40,596**	**151**	**-**	**1**
- of which: exposures assigned but not derecognized	-	-	-	-

A.2 CLASSIFICATION OF EXPOSURES ON THE BASIS OF EXTERNAL AND INTERNAL RATINGS

A.2.1 DISTRIBUTION OF ON-BALANCE-SHEET CREDIT EXPOSURES AND OFF-BALANCE-SHEET EXPOSURE BY EXTERNAL RATING GRADES

	EXTERNAL RATING GRADES						NOT RATED	TOTAL AT 31/12/2014
	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	BELOW B-		
A. On-balance-sheet exposures	**84,213**	**2,973**	**13,604,442**	**4,481**	**39**	**157**	**31,762,979**	**45,459,284**
B. Derivatives	**46,354**	**1,595**	**121,068**	**-**	**-**	**51**	**71,302**	**240,370**
B.1 Financial derivatives	46,354	1,595	121,068	-	-	51	71,302	**240,370**
B.2 Credit derivatives	-	-	-	-	-	-	-	**-**
C. Guarantees issued	**31**	**-**	**4,486**	**-**	**-**	**-**	**760,088**	**764,605**
D. Commitment to disburse	**1,848**	**79**	**932,406**	**112**	**-**	**112**	**623,500**	**1,558,057**
E. Other	**-**	**-**	**-**	**-**	**-**	**-**	**100,445**	**100,445**
TOTAL	**132,446**	**4,647**	**14,662,402**	**4,593**	**39**	**320**	**33,318,314**	**48,122,761**

The distribution of the exposures in the table shows the breakdown by rating grade of the borrowers referred to in the prudential regulations of the Bank of Italy. The information has been provided by the Fitch rating agency as the External Credit Assessment Institution (ECAI).

A.2.2 DISTRIBUTION OF ON-BALANCE-SHEET EXPOSURES AND OFF-BALANCE-SHEET EXPOSURE BY INTERNAL RATING GRADES

The table has not been completed because at the reporting date use was made of external ratings.

A.3 DISTRIBUTION OF SECURED EXPOSURES BY TYPE OF GUARANTEE

A.3.1 SECURED CREDIT EXPOSURES TO BANKS

		COLLATERAL (1)				UNSECURED GUARANTEES (2)									
						CREDIT DERIVATIVES					GUARANTEES				
							OTHER DERIVATIVES								
	VALUE OF NET EXPOSURE	PROPERTIES - MORTGAGES	PROPERTIES - FINANCE LEASES	SECURITIES	OTHER ASSETS	CLN	GOVERNMENTS AND CENTRAL BANKS	OTHER GOVERNMENT AGENCIES	BANKS	OTHER	GOVERNMENTS AND CENTRAL BANKS	OTHER GOVERNMENT AGENCIES	BANKS	OTHER	TOTAL AT 31/12/2014 (1)+(2)
1. Secured on-balance-sheet credit exposures:															
1.1 fully secured	27,956,302	3,368	-	32,151,357	188,861	-	-	-	-	-	-	-	1,049	-	**32,344,635**
- of which: impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
1.2 partially secured	2,551	1,500	-	505	-	-	-	-	-	-	-	-	-	-	**2,005**
- of which: impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
2. Secured off-balance-sheet credit exposures:															
2.1 fully secured	216,028	-	-	220,068	-	-	-	-	-	-	-	-	2,170	-	**222,238**
- of which: impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
2.2 partially secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
- of which: impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**

A.3.2 SECURED CREDIT EXPOSURES TO CUSTOMERS

		COLLATERAL (1)				UNSECURED GUARANTEES (2)									
						CREDIT DERIVATIVES					GUARANTEES				
							OTHER DERIVATIVES								
	VALUE OF NET EXPOSURE	PROPERTIES MORTGAGES	PROPERTIES FINANCE LEASES	SECURITIES	OTHER ASSETS	CLN	GOVERNMENTS AND CENTRAL BANKS	OTHER GOVERNMENT AGENCIES	BANKS	OTHER	GOVERNMENTS AND CENTRAL BANKS	OTHER GOVERNMENT AGENCIES	BANKS	OTHER	TOTAL AT 31/12/2014 (1)+(2)
1. Secured on-balance-sheet credit exposures:															
1.1 fully secured	185,933	228,303	-	68,076	-	-	-	-	-	-	-	-	114	2,957	**299,450**
- of which: impaired	20,761	24,175	-	-	-	-	-	-	-	-	-	-	-	667	**24,842**
1.2 partially secured	2,081	1,260	-	-	-	-	-	-	-	-	-	-	30	-	**1,290**
- of which: impaired	41	11	-	-	-	-	-	-	-	-	-	-	30	-	**41**
2. Secured off-balance-sheet credit exposures:															
2.1 fully secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
- of which: impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
2.2 partially secured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
- of which: impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**

B. DISTRIBUTION AND CONCENTRATION OF CREDIT EXPOSURES

B.1 ON-BALANCE-SHEET AND OFF-BALANCE-SHEET CREDIT EXPOSURES TO CUSTOMERS BY SECTOR (CARRYING AMOUNT)

	GOVERNMENTS			OTHER GOVERNMENT AGENCIES			FINANCIAL COMPANIES			INSURANCE UNDERTAKINGS			NON-FINANCIAL COMPANIES			OTHER		
	NET EXPOSURE	SPECIFIC WRITEDOWNS	PORTFOLIO WRITEDOWNS	NET EXPOSURE	SPECIFIC WRITEDOWNS	PORTFOLIO WRITEDOWNS	NET EXPOSURE	SPECIFIC WRITEDOWNS	PORTFOLIO WRITEDOWNS	NET EXPOSURE	SPECIFIC WRITEDOWNS	PORTFOLIO WRITEDOWNS	NET EXPOSURE	SPECIFIC WRITEDOWNS	PORTFOLIO WRITEDOWNS	NET EXPOSURE	SPECIFIC WRITEDOWNS	PORTFOLIO WRITEDOWNS
A. On-balance-sheet																		
A.1 Bad debts	-	-	X	-	-	X	-	3,334	X	-	-	X	16,374	29,597	X	4,816	7,665	-
A.2 Substandard loans	-	-	X	-	-	X	-	-	X	-	-	X	475	106	X	522	45	X
A.3 Restructured positions	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X
A.4 Past due positions	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X	48	1	X
A.5 Other	7,651,914	X	-	45	X	-	1,623,198	X	181	61,021	X	-	76,598	X	126	102,159	X	420
TOTAL A	**7,651,914**	**-**	**-**	**45**	**-**	**-**	**1,623,198**	**3,334**	**181**	**61,021**	**-**	**-**	**93,447**	**29,703**	**126**	**107,545**	**7,711**	**420**
B. Off-balance-sheet																		
B.1 Bad debts	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X
B.2 Substandard loans	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X
B.3 Other impaired assets	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X
B.4 Other	877,445	X	-	26	X	-	235,672	X	-	17	X	-	121	X	-	24,256	X	-
TOTAL B	**877,445**	**-**	**-**	**26**	**-**	**-**	**235,672**	**-**	**-**	**17**	**-**	**-**	**121**	**-**	**-**	**24,256**	**-**	**-**
TOTAL (A+B) 31/12/2014	**8,529,359**	**-**	**-**	**71**	**-**	**-**	**1,858,870**	**3,334**	**181**	**61,038**	**-**	**-**	**93,568**	**29,703**	**126**	**131,801**	**7,711**	**420**
TOTAL (A+B) 31/12/2013	**7,602,902**	**-**	**-**	**243**	**-**	**-**	**1,823,746**	**4,422**	**40**	**130**	**-**	**-**	**85,159**	**31,630**	**30**	**123,599**	**7,392**	**459**

B.2 ON-BALANCE-SHEET AND OFF-BALANCE-SHEET CREDIT EXPOSURES TO CUSTOMERS BY GEOGRAPHICAL AREA (CARRYING AMOUNT)

	ITALY		OTHER EUROPEAN COUNTRIES		AMERICAS		ASIA		REST OF THE WORLD	
	NET EXPOSURE	TOTAL WRITEDOWNS	NET EXPOSURE	TOTAL WRITEDOWNS	NET EXPOSURE	TOTAL WRITEDOWNS	NET EXPOSURE	TOTAL WRITEDOWNS	NET EXPOSURE	TOTAL WRITEDOWNS
A. On-balance-sheet										
A.1 Bad debts	21,190	37,304	-	-	-	3,292	-	-	-	-
A.2 Substandard loans	997	151	-	-	-	-	-	-	-	-
A.3 Restructured positions	-	-	-	-	-	-	-	-	-	-
A.4 Past due positions	48	1	-	-	-	-	-	-	-	-
A.5 Other	9,494,518	727	19,406	-	1,011	-	-	-	-	-
TOTAL A	**9,516,753**	**38,183**	**19,406**	**-**	**1,011**	**3,292**	**-**	**-**	**-**	**-**
B. Off-balance-sheet										
B.1 Bad debts	-	-	-	-	-	-	-	-	-	-
B.2 Substandard loans	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other	1,112,501	-	23,317	-	1,712	-	7	-	-	-
TOTAL B	**1,112,501**	**-**	**23,317**	**-**	**1,712**	**-**	**7**	**-**	**-**	**-**
TOTAL (A+B) AT 31/12/2014	**10,629,254**	**38,183**	**42,723**	**-**	**2,723**	**3,292**	**7**	**-**	**-**	**-**
TOTAL (A+B) AT 31/12/2013	**9,581,494**	**39,702**	**52,630**	**-**	**1,655**	**4,271**	**-**	**-**	**-**	**-**

B.3 ON-BALANCE-SHEET AND OFF-BALANCE-SHEET CREDIT EXPOSURES TO BANKS BY GEOGRAPHICAL AREA (CARRYING AMOUNT)

	ITALY		OTHER EUROPEAN COUNTRIES		AMERICAS		ASIA		REST OF THE WORLD	
	NET EXPOSURE	TOTAL WRITEDOWNS	NET EXPOSURE	TOTAL WRITEDOWNS	NET EXPOSURE	NET EXPOSURE	TOTAL WRITEDOWNS	NET EXPOSURE	TOTAL WRITEDOWNS	NET EXPOSURE
A. On-balance-sheet										
A.1 Bad debts	-	-	-	231	-	-	-	-	-	-
A.2 Substandard loans	-	-	-	-	-	-	-	-	-	-
A.3 Restructured positions	-	-	-	-	-	-	-	-	-	-
A.4 Past due positions	-	-	-	-	-	-	-	-	-	-
A.5 Other	35,713,552	-	194,864	-	9,692	-	2,152	-	1,869	-
Total A	**35,713,552**	**-**	**194,864**	**231**	**9,692**	**-**	**2,152**	**-**	**1,869**	**-**
B. Off-balance-sheet										
B.1 Bad debts	-	-	-	-	-	-	-	-	-	-
B.2 Substandard loans	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other	1,354,949	-	58,832	-	3,495	-	390	-	330	-
Total B	**1,354,949**	**-**	**58,832**	**-**	**3,495**	**-**	**390**	**-**	**330**	**-**
TOTAL (A+B) AT 31/12/2014	**37,068,501**	**-**	**253,696**	**231**	**13,187**	**-**	**2,542**	**-**	**2,199**	**-**
TOTAL (A+B) AT 31/12/2013	**35,228,175**	**-**	**120,947**	**6,053**	**19,879**	**-**	**4,759**	**-**	**3,808**	**-**

B.4 LARGE EXPOSURES

a) Carrying amount	**57,939,090**
b) Risk-weighted amount	**2,718,678**
c) Number of positions	**142**

C. SECURITIZATIONS

Qualitative disclosures

There were no outstanding securitizations at the reporting date.

Quantitative disclosures

C.1 EXPOSURES IN RESPECT OF SECURITIZATIONS BY QUALITY OF SECURITIZED ASSETS

	ON-BALANCE-SHEET EXPOSURES						GUARANTEES ISSUED						CREDIT LINES					
	SENIOR		MEZZANINE		JUNIOR		SENIOR		MEZZANINE		JUNIOR		SENIOR		MEZZANINE		JUNIOR	
	GROSS EXPOSURE	NET EXPOSURE	GROSS EXPOSURE	NET EXPOSURE	GROSS EXPOSURE	NET EXPOSURE	GROSS EXPOSURE	NET EXPOSURE	GROSS EXPOSURE	NET EXPOSURE	GROSS EXPOSURE	NET EXPOSURE	GROSS EXPOSURE	NET EXPOSURE	GROSS EXPOSURE	NET EXPOSURE	GROSS EXPOSURE	NET EXPOSURE.
A. With own underlying assets:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. With third-party underlying assets:	**16,780**	**16,780**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**200,000**	**200,000**
a) impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) other	16,780	16,780	-	-	-	-	-	-	-	-	-	-	-	-	-	-	200,000	200,000

C.2 EXPOSURES IN RESPECT OF MAIN OWN SECURITIZATIONS BY TYPE OF SECURITIZED ASSETS AND TYPE OF EXPOSURE

The table has not been completed because there were no such positions as of the balance sheet date.

C.3 EXPOSURES IN RESPECT OF MAIN THIRD-PARTY SECURITIZATIONS BY TYPE OF SECURITIZED ASSETS AND TYPE OF EXPOSURE

	ON-BALANCE-SHEET EXPOSURES						GUARANTEES ISSUED						CREDIT LINES					
	SENIOR		MEZZANINE		JUNIOR		SENIOR		MEZZANINE		JUNIOR		SENIOR		MEZZANINE		JUNIOR	
	CARRYING AMOUNT	WRITEDOWNS / WRITEBACKS	CARRYING AMOUNT	WRITEDOWNS / WRITEBACKS	CARRYING AMOUNT	WRITEDOWNS / WRITEBACKS	NET EXPOSURE	WRITEDOWNS / WRITEBACKS	NET EXPOSURE	WRITEDOWNS / WRITEBACKS	NET EXPOSURE	WRITEDOWNS / WRITEBACKS	NET EXPOSURE	WRITEDOWNS / WRITEBACKS	NET EXPOSURE	WRITEDOWNS / WRITEBACKS	NET EXPOSURE	WRITEDOWNS / WRITEBACKS
A.1 Agricart 4 Finance 2009																		
- lease receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100.000	-
A.2 Iccrea SME Cart																		
- lease receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100.000	-
A.3 ELM B.V.																		
- Italian government securities	16,780	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

The amounts reported above regard subordinated credit lines granted to Iccrea BancaImpresa as part of the “Agricart 4 Finance 2009” and Iccrea SME cart” securitizations for the exclusive benefit of the Class A notes in the event the funds available to the special purpose vehicle were insufficient to pay expenses, interest and principal on the securities.

C.4 EXPOSURES IN RESPECT OF SECURITIZATIONS BY PORTFOLIO AND TYPE

	FINANCIAL ASSETS HELD FOR TRADING	FINANCIAL ASSETS AT FAIR VALUE	FINANCIAL ASSETS AVAILABLE FOR SALE	FINANCIAL ASSETS HELD TO MATURITY	LOANS & RECEIVABLES	TOTAL 31/12/2014	TOTAL 31/12/2013
1. On-balance-sheet exposures	**-**	**-**	**-**	**-**	**16,780**	**16,780**	**16,781**
- "senior"	-	-	-	-	16,780	16,780	16,781
- "mezzanine"	-	-	-	-	-	-	-
- "junior"	-	-	-	-	-	-	-
2. Off-balance-sheet exposures	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- "senior"	-	-	-	-	-	-	-
- "mezzanine"	-	-	-	-	-	-	-
- "junior"	-	-	-	-	-	-	-

C.5 TOTAL AMOUNT OF SECURITIZED ASSETS UNDERLYING JUNIOR SECURITIES OR OTHER FORMS OF CREDIT SUPPORT

The table has not been completed because there were no such positions as of the balance sheet date.

C.6 INVOLVEMENT IN SPECIAL PURPOSE VEHICLES

The table has not been completed because there were no such positions as of the balance sheet date.

C.7 NON-CONSOLIDATED SPECIAL PURPOSE VEHICLES

The table has not been completed because there were no such positions as of the balance sheet date.

C.8 SERVICER ACTIVITIES - COLLECTIONS ON SECURITIZED ASSETS AND REDEMPTION OF SECURITIES ISSUED BY VEHICLE

The table has not been completed because there were no such positions as of the balance sheet date.

D. DISCLOSURE ON NON-CONSOLIDATED STRUCTURED ENTITIES (OTHER THAN SPECIAL PURPOSE VEHICLES FOR SECURITIZATIONS)

The section has not been completed because there were no such positions as of the balance sheet date.

E. DISPOSALS

A. FINANCIAL ASSETS ASSIGNED BUT NOT DERECOGNIZED

Qualitative disclosures

Quantitative disclosures

E.1 FINANCIAL ASSETS ASSIGNED BUT NOT DERECOGNIZED: CARRYING AMOUNTS AND FULL VALUES

	FINANCIAL ASSETS HELD FOR TRADING			FINANCIAL ASSETS AT FAIR VALUE			FINANCIAL ASSETS AVAILABLE FOR SALE			FINANCIAL ASSETS HELD TO MATURITY			LOANS TO BANKS			LOANS TO CUSTOMERS			TOTAL AT	
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	31/12/2014	31/12/201
A. On-balance-sheet assets	-	-	-	-	-	-	172,902	-	-	2,635,014	-	-	-	-	-	-	-	-	2,807,916	3,546,291
1. Debt securities	-	-	-	-	-	-	172,902	-	-	2,635,014	-	-	-	-	-	-	-	-	2,807,916	3,546,291
2. Equity securities	-	-	-	-	-	-	-	-	-	X	X	X	X	X	X	X	X	X	-	-
3. Units in collective investment undertakings	-	-	-	-	-	-	-	-	-	X	X	X	X	X	X	X	X	X	-	-
4. Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Derivatives	-	-	-	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	-	-
TOTAL 31/12/2014	-	-	-	-	-	-	172,902	-	-	2,635,014	-	-	-	-	-	-	-	-	2,807,916	x
of which: impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	x
TOTAL 31/12/2013	-	-	-	-	-	-	123,237	-	-	3,423,054	-	-	-	-	-	-	-	-	X	3,546,291
of which: impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	X	X

Key:
A= Assigned financial assets fully recognized (carrying amount)
B= Assigned financial assets partially recognized (carrying amount)
C=Assigned financial assets partially recognized (full value)

E.2 FINANCIAL LIABILITIES IN RESPECT OF FINANCIAL ASSETS ASSIGNED BUT NOT DERECOGNIZED: CARRYING AMOUNTS

	FINANCIAL ASSETS HELD FOR TRADING	FINANCIAL ASSETS AT FAIR VALUE	FINANCIAL ASSETS AVAILABLE FOR SALE	FINANCIAL ASSETS HELD TO MATURITY	LOANS TO BANKS	LOANS TO CUSTOMERS	TOTAL AT 31/12/2014
1. Due to customers	**-**	**-**	**-**	**2,650,552**	**-**	**-**	**2,650,552**
a) in respect of assets fully recognized	-	-	-	2,650,552	-	-	2,650,552
b) in respect of assets partially recognized	-	-	-	-	-	-	-
2. Due to banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) in respect of assets fully recognized	-	-	-	-	-	-	-
b) in respect of assets partially recognized	-	-	-	-	-	-	-
TOTAL 31/12/2014	**-**	**-**	**-**	**2,650,552**	**-**	**-**	**2,650,552**
TOTAL 31/12/2013	**-**	**-**	**150,220**	**3,215,684**	**-**	**-**	**3,365,904**

E.3 DISPOSALS INVOLVING LIABILITIES WITH RECOURSE ONLY ON DIVESTED ASSETS: FAIR VALUE

The table has not been completed because there were no such positions as of the balance sheet date.

B. FINANCIAL ASSETS ASSIGNED AND DERECOGNIZED WITH RECOGNITION OF ONGOING INVOLVEMENT

The section has not been completed because there were no such positions as of the balance sheet date.

E.4 COVERED BONDS

The section has not been completed because there were no such positions as of the balance sheet date.

F. MODELS FOR MEASURING CREDIT RISK

At the date of the financial statements, no internal models were used for measuring credit risk.

SECTION 2 - MARKET RISKS

Market risk is defined as the risk of incurring losses generated by operations in markets for financial instruments, foreign exchange and commodities (see Bank of Italy Circular 263/2006, Title II, Chapter 4, Part One).

Intermediation for the mutual banks is the main strategic objective of Iccrea Banca. This is pursued by seeking to ensure that the breadth and content of the financial portfolios are consistent with the needs of the mutual banks and in line with the evolution of the markets. Position activities are carried out using standard financial instruments as well as derivative contracts. In all cases, the management of maturity transformation both at medium/long-term and within the context of treasury operations is carried out in compliance with a financial risk containment policy.

At the Iccrea Banking Group level, operational management of finance activities is centralized with Iccrea Banca, which is responsible for funding and the assumption and management at the individual and consolidated levels of interest rate, exchange rate and liquidity risk in order to ensure the essential sterilization and optimization of overall funding and hedging costs for Group companies.

The assumption and management of market risks is the responsibility of the Finance unit, which manages assets in accordance with the strategic objectives of the Bank in cooperation with the coordination bodies established at the Group level.

In this system, the Finance unit is the competence center and liaison with the money and financial markets of the Iccrea Banking Group and the mutual banking system in general.

The main activities performed are:

funding and lending on the interbank market;
trading as a primary dealer on the MTS exchange;
acting as a market maker and direct participant (for transmission of orders from mutual banks) on the Hi-MTF and EuroTLX multilateral trading systems;
participating in the primary market for share and bond placements and in tenders and subscriptions of government securities;
negotiating repurchase agreements on both OTC and regulated markets, and derivatives on regulated markets;
structuring, executing and managing financial derivatives traded on unregulated markets, mainly to satisfy the specific needs of the Bank's customers;
providing the mutual banks with investment services, trading on own account, order execution for customers, order reception and transmission, trading on behalf of third parties and the placement of financial instruments issued by the Bank and by third parties;
providing the mutual banks with access to standing facilities with the ECB;
management of liquidity and the short-term interest rate profile in respect of transactions on the interbank, foreign exchange and precious metals markets;
structuring of medium/long-term funding operations on domestic and international markets.

2.1 INTEREST RATE RISK AND PRICE RISK – SUPERVISORY TRADING BOOK

Qualitative disclosures

A. GENERAL ASPECTS

Within the Iccrea Group, trading activities are carried out by Iccrea Banca, whose interest rate risk position is mainly generated by transactions on interbank markets, trading in derivatives on regulated and OTC markets, and securities trading on the MTS, BondVision, HiMTF and EuroTLX markets.

Within the context of operating powers, specific operational limits on trading positions that generate exposures to market risks have been established. These risks are assumed in respect of domestic government securities and futures contracts, traded on official markets with netting and guarantee mechanisms, as well as mainly plain vanilla interest rate derivatives to support the mutual banks' hedging requirements.

Transactions in interest rate derivatives also include interest rate swaps with institutional counterparties to support the special purpose vehicle in transforming interest flows generated by securitizations of receivables of the mutual banks and the companies of the Iccrea Banking Group. Overall exposure to interest rate risk is concentrated in transactions in euros. As a result, the impact of correlation between developments in the yield curves for other currencies is minimal.

B. MANAGEMENT AND MEASUREMENT OF INTEREST RATE RISK AND PRICE RISK

Organization

GOVERNANCE

The market risk management system is designed to analyze and monitor market risks, ensuring that control functions are separate form business units.

The control and monitoring of market risks is carried out by the Financial Risks unit.

Market risks are managed by the Finance department, which manages the Bank's assets in conformity with the strategic objectives of the Bank in cooperation with the coordination bodies established at the Group level.

Within the Finance department, exposures are assumed and managed by the following units:

Proprietary Finance and Trading, which is tasked with managing activities connected with the trading book and identifying funding needs at the individual and consolidated level, monitoring the interest-rate, exchange-rate and liquidity risks of the banking book. The unit also manages interest-rate and liquidity risks at medium and long term. It acts as a market maker on multilateral trading systems, and as a specialist and primary dealer, as well as handling the structuring and own-account trading of OTC financial derivatives. It operates in accordance with the policies defined and the guidelines set for the management of the portfolios within the established risk limits and seeking to achieve profit targets;
Money Markets, which uses derivatives on interest rates and exchange rates in order to manage the short-term interest rate and exchange rate risk profile in respect of trading on the interbank money market and intercompany transactions.

Compliance with limits is verified by the Financial Risks unit.

CONTROL AND MONITORING

The monitoring and control of market risks is performed through a comprehensive system of operating limits and risk appetite limits.

The monitoring of risk exposures on trading book positions is carried out by the Financial Risks unit, using metrics in line with market best practice: sensitivity analyses, estimates of Value at Risk and stress tests. The process of monitoring limits entails the measurement and systematic control of exposures assumed in the various portfolios and verification of compliance with VaR limits and other operating limits established under the current system of delegated powers.

Current operating limits are structured in line with the organizational/operational structure of the Finance department and consist of:

portfolio size limits;
VaR limits on the trading book;
limits on the average duration of the trading and operational book;
position limits by counterparty/group of counterparties and concentration limits (by rating class, sector, country, geographical area);
size limits by type of financial instrument;
VaR limits for trading in derivative contracts and the associated securities and on the MTS;
VaR limits for treasury and foreign exchange operations;
maximum loss limits for trading in securities and derivatives, treasury operations and foreign exchange;
warning thresholds for losses on trading in securities and derivatives, treasury operations and foreign exchange.

The overall risk appetite limits are set by the Finance department for trading operations. They are measured using probabilistic metrics such as Value at Risk (parametric VaR with a holding period of 1 day and a confidence level of 99%).

With regard to the Bank's own portfolio, in view of the market conditions that are currently impacting Italian government securities and in order to effectively manage the liquidity resulting from expansive monetary policy decisions, investment in Italian government securities, begun in 2013, continued in 2014. Volumes were in line with those reported at the end of 2013, complying with the limit of 2.5 years on the average life of the portfolio, minimizing the exposure to interest rate risk and volatility in net interest income. In addition, in order to ensure the structural, ongoing management of liquidity reserves, liquidity holdings were kept at a level of no more than €1.8 billion.

In 2014, the Financial Risks unit continued its work to strengthen the tools available to manage and monitor those risks.

A major activity in that effort was the ongoing maintenance of the application (the RiskSuite) used in measurement processes and reporting on the risk exposure. That work enabled specific daily monitoring of the trading book and the operation of the Bank.

In addition, the Summit Risk Management project to develop a risk system capable of consolidating – on a daily basis and in an independent calculation environment – the positions in the trading book in order to further improve risk analysis.

With regard to equities, the Bank holds plain vanilla options on highly liquid equity indices (Eurostoxx50, Nikkei225, S&P-MIB) and shares of leading listed companies on the Italian stock exchange, mainly connected with the structuring of indexed bonds of the mutual banks and the BCC Vita life insurance company. The options written were hedged partly with market counterparties and partly with delta hedging. Sensitivity techniques are used for scenarios of instantaneous price changes of up to 24% (in steps of 8%) together with instantaneous volatility changes of up to 25% (in steps of 8%).

Other support offered to the mutual banks in hedging their structured bond issues involved transactions in options on investment funds and units of cash funds for delta hedging purposes. The profiles of these operations are monitored on a daily basis by verifying compliance with the net position limits for each underlying instrument.

REPORTING

The Financial Risks unit prepares the periodic reports for the different risk factors, providing appropriate disclosure to the operating units, senior management and the Board of Directors.

Measuring risk

Market risk is analyzed by measuring the sensitivity of the portfolio to risk factors in order to obtain aggregate exposures and determine how they compare with the corresponding limits.

Since no risk metric can reflect all aspects of market risk, a variety of statistical and other methods are used, in line with market best practice.

The algorithms, methods and sets of indicators used are reviewed and updated periodically to take account of the growing complexity of the market and the sophistication of financial instruments.

METHODS

At the operational level, the risk metrics used can be broken down into the following main types:

- **Value at Risk** (VaR), which represents the main metric owing to its uniformity, consistency and transparency in relation to finance operations;
- **Sensitivity and Greeks**, which are an essential complement to VaR indicators owing to their capacity to capture sensitivity and the direction of financial trading positions in response to changes in the identified risk factors;
- **Level metrics** (such as, for example, notional amounts and mark to market values), which provide helpful support to the above indicators as an immediately applicable solution;
- **Stress testing and scenario analysis**, which complete the analysis of the overall risk profile, capturing changes due to specified developments in the underlying risk factors (worst case scenarios).

VALUE AT RISK (VAR)

VaR estimates the maximum potential loss that could be incurred, with a specified level of confidence, in normal conditions and within a specified holding period, on the basis of observed market developments over that period.

To calculate VaR, the Iccrea Banking Group uses the so-called Delta Gamma parametric approach (confidence level of 99% and holding period of 1 day), in which the risk factors and the financial instruments in the portfolio have a normal distribution. Measuring VaR therefore involves calculating (i) the sensitivity of the individual positions to changes in market parameters, summarized in the so-called VaRMap; and (ii) the variance/covariance matric of the market parameters.

The model currently covers the following risk factors:

interest rates;
exchange rates;
interest rate volatility;
equity.

The current model can calculate VaR both for more detailed portfolios and for larger aggregates, permitting considerable granularity in the analysis, control and management of risk profiles and the effects of diversification. The possibility for calculating VaR at multiple levels of synthesis (consistent with the operating strategies of the portfolios and the organizational hierarchy of Finance) and the ability of the model to decompose VaR into different risk determinants make it possible to create an effective system of comparable cross-risk and cross-business limits.

SENSITIVITY AND GREEKS OF OPTIONS

Sensitivity measures the risk associated with changes in the theoretical value of a financial position in response to changes in a defined amount of the associated risk factors. It captures the breadth and direction of the change in the form of multiples or monetary changes in the theoretical value without explicit assumptions about the holding period or correlations between risk factors.

The main sensitivity indicators currently used are:

- PV01: the change in market value in response to a change of 1 basis point in the zero coupon yield curve;
- Vega01: a change of 1 percentage point in implied volatilities.

NOMINAL POSITION

The nominal position (or equivalent) is a risk indicator based on the assumption that there is a direct relationship between the size of a financial position and the risk profile. The nominal position (or equivalent) is determined through the identification of:

the notional value;
the market value;
the conversion of the position in one or more instruments into a benchmark position (the equivalent position);

In determining the equivalent position, risk is defined as the value of the different assets converted into an aggregate position that is "equivalent" in terms of its sensitivity to changes in the risk factors under examination.

At Iccrea Banca, the approach is characterized by extensive use of ceilings in terms of notional/mark-to-market amounts as they represent the value of the assets recognized in the financial statements.

These metrics are used to monitor exposures to issuer/sector/country risk for the purposes of analyzing the concentration of exposures.

STRESS TESTING AND SCENARIOS

Stress tests measure the change in the value of instruments or portfolios in response to unexpected (i.e. extreme) changes in the intensity or correlation of risk factors. Scenario analyses measure the change in the value of instruments or portfolios in response to changes in risk factors in circumstances that reflect actual past situations or expectations of future developments in market variables.

Stress tests and scenario analysis are carried out by measuring the change in the theoretical value of positions in response to changes in the risk factors. The change can be calculated both through the use of linear sensitivity relationships (e.g. deltas) and through the revaluation of positions by applying the specified variations to the risk factors.

BACKTESTING

Group Risk Management conducts backtesting of models on an ongoing basis. The effectiveness of the calculation model must be monitored daily through backtesting, which by comparing the forecast VaR with the corresponding profit or loss shines light on the capacity of the model to accurately capture the variability of the revaluation of the trading positions statistically.

CALCULATING THE CAPITAL REQUIREMENT

To quantify the capital requirement for market risk, Iccrea Banca uses the standardized method (see Bank of Italy Circular 285, Part II, Chapter 9, Section 1).

Quantitative disclosures

1. SUPERVISORY TRADING BOOK: DISTRIBUTION BY RESIDUAL MATURITY (REPRICING DATE) OF ON-BALANCE-SHEET FINANCIAL ASSETS AND LIABILITIES AND FINANCIAL DERIVATIVES

This table has not been completed since an analysis of interest rate risk sensitivity has been provided.

2. SUPERVISORY TRADING BOOK: DISTRIBUTION OF EXPOSURES IN EQUITY SECURITIES AND EQUITY INDICES BY MAIN COUNTRIES OF LISTING

This table has not been completed since an analysis of interest rate risk sensitivity has been provided.

3. SUPERVISORY TRADING BOOK: INTERNAL MODELS AND OTHER SENSITIVITY ANALYSIS METHODOLOGIES

With regard to interest rate risk, the following table reports the results of the sensitivity analysis on value following a shift of +/- 100 bp in the yield curves for the currencies held in the positions.

	ESTIMATED IMPACT ON GROSS INCOME		ESTIMATED IMPACT ON NET PROFIT		ESTIMATED IMPACT ON SHAREHOLDERS' EQUITY	
	+ 100 bp	- 100 bp	+ 100 bp	- 100 bp	+ 100 bp	- 100 bp
Iccrea Banca	60.96	-61.63	40.80	-41.25	7.22	-7.30

Figures in millions of euros at December, 31 2014

As regards price risk, the following table reports the results of the sensitivity analysis for scenarios of instantaneous price changes of up to 24% (in steps of 8%).

	ESTIMATED IMPACT ON GROSS INCOME		ESTIMATED IMPACT ON NET PROFIT		ESTIMATED IMPACT ON SHAREHOLDERS' EQUITY	
	+24%	-24%	+24%	-24%	+24%	-24%
Iccrea Banca	0.42	-0.47	0.28	-0.31	0.05	-0.06

Figures in millions of euros at December, 31 2014

2.2 INTEREST RATE RISK AND PRICE RISK – BANKING BOOK

Qualitative disclosures

A. GENERAL ASPECTS, MANAGEMENT AND MEASUREMENT OF INTEREST RATE RISK AND PRICE RISK

Financial operations with the mutual banks are characterized by a marked predominance of short-term flows, in line with Iccrea Banca's mission, which consists of making the operations of the mutual banks more effective, supporting them and expanding their business through the performance of functions of lending, technical intermediation and financial assistance.

In implementation of the new Group finance model, in 2009 Iccrea Banca was made responsible for funding activities for the companies in the banking group.

Iccrea Banca represents the interface between the individual mutual banks and Group companies and the domestic and international monetary and financial markets. Specifically, the Bank:

- performs treasury activities, managing the liquidity of the mutual banks;
- operates on Italian and foreign securities markets, including as a primary dealer on the MTS, the electronic market for government securities;
- ensures that the financial needs of the Group companies are met through funding activities within the mutual bank system and on the financial markets;
- with the support of the Financial Risks unit, monitors and manages interest rate risk at the individual and consolidated level and verifies compliance with the limits set at the strategic planning stage.

Management of interest rate risk on the banking book is the responsibility of the Finance department, which is directly responsible for achieving financial and commercial targets for financial and credit intermediation and which identifies and develops financial services and instruments to support the needs of the mutual banks and manages the Bank's own assets, in compliance with the guidelines set by senior management.

In the context of treasury operations, a quantitative limit is adopted for each currency, which combines the imbalance between loans and funding with the related interest rate maturities.

In 2014, in view of the current challenging economic conditions, funding and lending operations were mainly conducted on the collateralized market.

The pooling service launched in June 2011 for the mutual banks continued. It gives them access to the standing facilities of the ECB. During the third quarter of 2014, Iccrea Banca formed a TLTRO Group, through which around 185 mutual banks have access to the new monetary policy instruments called targeted longer-term financial operations (TLTRO). At the end of 2014, the TLTRO Group raised around €4 billion in funding in relation to the 7% of the so-called eligible assets required to gain access to the first two auctions.

Short-term funding through the mutual banks (daily settlement account, fixed-term deposits and investment accounts) was mainly used to lend on the interbank market or to finance the Group companies.

With regard to medium/long-term funding, in 2014, Iccrea Banca placed bonds totaling €893 million, of which about €500 million associated with the placement of a bond through the EMTN program and €200 million in respect of a subordinated bond.

As regards support for the funding operations of the mutual banks, the amount of bonds issued by them and held by the Bank fell, in part in connection with the ECB's monetary policy.

Within the scope of ALM activities, in order to comply both with regulatory requirements and management needs, the Group has a specific policy setting out guidelines, principles for prudent management, the roles and responsibilities of corporate bodies and operating units and control processes for interest rate risk on the banking book. On a monthly basis, the Financial Risks Unit estimates the exposure to interest rate risk using a current earnings approach, with a short-term time horizon, and a medium/long-term economic value approach for shareholders' equity, adopting a scenario of a +/- 100 basis point shift in interest rates. More specifically, as regards sensitivity analyses concerning the impact of a change in market rates, limits are defined on the change in the prospective net interest income at 12 months and the market value of shareholders' equity. Additionally, stress tests are conducted to identify events or factors that could severely impact the Bank's financial balance. In order to capture the specific features of its portfolio, the Bank has identified a number of highly unfavorable stress situations: more specifically, the Bank uses a combination of the stress tests specified by the Bank of Italy and tests developed internally on the basis of its own risk characteristics.

In accordance with the new IFRS 13, Iccrea Banca conducted a sensitivity analysis to determine the potential impact on the measurement of Level 3 instruments of any changes in the corresponding non-observable market parameters. The analysis found no material impact on the reported situation.

The fair value option was elected for the following transactions:

- one structured bond issued by the Bank in order to avoid the need to unbundle the embedded derivative;
- a group of financial instruments in order to significantly reduce the overall mismatching in the accounts. The group consists of:
    - a bond issued by the Bank containing a separable embedded derivative;
    - a debt security issued by Iccrea BancaImpresa held by the Bank;
    - derivatives connected with the above instruments that establish a natural hedge.

As regards price risk, at December 31, 2014 the Bank held €0.5 million in units of real estate investment funds as well as a total of about €10.3 million in shares and other equity investments.

The strategic nature of the investment in real estate investment fund units has not yet made it necessary to select specific price risk hedging policies. In any case, the impact of a prudential assumption of an instantaneous change of 8% in the fair value of the holding is monitored periodically by the Financial Risks Unit.

B. FAIR VALUE HEDGING

Positions exposed to interest rate risk are hedged in accordance with the IAS rules for fair value hedges.

More specifically, at December 31, 2014 the following positions were hedged:

- 1 fixed-rate loan issued to BCC Solutions with a remaining liability of €22.9 million, hedged by means of an interest rate swap (IRS);
- 1 fixed-rate loan issued to BCC CreditoConsumo with a remaining liability of €9.6 million, hedged by means of an IRS;
- 3 fixed-rate bonds issued by the Bank and hedged by means of an IRS with a nominal value of €61.4 million;
- 3 mixed-rate bonds issued by the Bank and hedged with IRSs and interest rate options (floors) with a nominal value of €571.4 million;
- 3 treasury bonds (BTPs) linked to European inflation hedged with IRSs and options with a nominal value of €620 million;
- 2 treasury bonds (BTPs) linked to Italian inflation hedged with IRSs and options with a nominal value of €125 million;
- 3 fixed-rate deposits hedged with overnight indexed swaps (OISs) with a nominal value of €145 million;
- 1 repurchase transaction hedged with OISs with a nominal value of €87 million.

In addition, during the period the Bank also undertook the following macro-hedging transaction:

- the hedging of a portfolio of repurchase agreements using OISs with a nominal value of €190 million.

Effectiveness tests were carried out using the dollar offset method for the retrospective profile and the scenario method for the prospective profile.

C. CASH FLOW HEDGING

The Bank has cash flow hedges in place for the following transactions:

- 1 Italian government bond (BTP) linked to European inflation using asset swaps with a nominal value of €28 million;
- 2 dollar-denominated bonds issued hedged using cross currency swaps (CCIRS) with a nominal value of €36 million.

Quantitative disclosures

1. BANKING BOOK: DISTRIBUTION OF FINANCIAL ASSETS AND LIABILITIES BY RESIDUAL MATURITY (REPRICING DATE)

This table has not been completed since an analysis of interest rate and price risk sensitivity has been provided.

2. BANKING BOOK: INTERNAL MODELS AND OTHER SENSITIVITY ANALYSIS METHODOLOGIES

With regard to interest rate risk, the following table reports the results of the sensitivity analysis on value following a shift of +/- 100 bp in the yield curves for the currencies held in the positions.

	ESTIMATED IMPACT ON GROSS INCOME		ESTIMATED IMPACT ON NET PROFIT		ESTIMATED IMPACT ON SHAREHOLDERS' EQUITY	
	+ 100 bp	- 100 bp	+ 100 bp	- 100 bp	+ 100 bp	- 100 bp
Iccrea Banca	-43.02	24.67	-28.79	16.51	-5.10	2.92

Figures in millions of euros at December, 31 2014

As regards price risk, the following table reports the results of the sensitivity analysis for scenarios of instantaneous price changes of up to 24% (in steps of 8%).

	ESTIMATED IMPACT ON GROSS INCOME		ESTIMATED IMPACT ON NET PROFIT		ESTIMATED IMPACT ON SHAREHOLDERS' EQUITY	
	+24%	-24%	+24%	-24%	+24%	-24%
Iccrea Banca	60.36	-60.36	40.40	-40.40	7.15	-7.15

Figures in millions of euros at December, 31 2014

2.3 EXCHANGE RATE RISK

Qualitative disclosures

A. GENERAL ASPECTS, MANAGEMENT AND MEASUREMENT OF EXCHANGE RATE RISK

Exchange rate risk is managed in a centralized manner by the Treasury and Foreign Exchange Unit. The Bank constantly scales the positions it assumes in the various currencies in relation to the support it provides to the foreign exchange requirements of the mutual banks and other Group companies

B. HEDGING OF EXCHANGE RATE RISK

Operations are mainly concentrated in major currencies. The Bank adopts a system of daily operating limits on the overall foreign exchange exposure, as well as the net foreign exchange positions in respect of individual currencies. The overall limit is segmented into partial ceilings on the basis of the importance of the various currencies.

Quantitative disclosures

1. DISTRIBUTION BY CURRENCY OF ASSETS, LIABILITIES AND DERIVATIVES

	CURRENCY					
	US DOLLAR	POUND STERLING	YEN	CANADIAN DOLLAR	SWISS FRANC	OTHER
A. Financial assets	**109,156**	**6,763**	**19,260**	**6,243**	**79,871**	**15,466**
A.1 Debt securities	23	-	-	-	-	188
A.2 Equity securities	3,803	1,240	-	-	-	-
A.3 Loans to banks	101,273	5,523	19,240	6,243	79,871	15,278
A.4 Loans to customers	4,057	-	20	-	-	-
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**4,604**	**3,727**	**250**	**676**	**2,356**	**1,163**
C. Financial liabilities	**371,856**	**9,474**	**18,384**	**6,777**	**42,015**	**15,807**
C.1 Due to banks	330,365	9,474	18,371	6,777	41,965	15,807
C.2 Due to customers	2,947	-	13	-	50	-
C.3 Debt securities	38,544	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**-**	**-**	**-**	**-**	**-**	**-**
E. Financial derivatives						
- Options						
+ long positions	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-
- Other derivatives						
+ long positions	507,703	62,116	6,693	3,344	11,660	38,982
+ short positions	247,287	61,954	7,843	1,969	51,793	39,838
TOTAL ASSETS	**621,463**	**72,606**	**26,203**	**10,263**	**93,887**	**55,611**
TOTAL LIABILITIES	**619,143**	**71,428**	**26,227**	**8,746**	**93,808**	**55,645**
DIFFERENCE (+/-)	**2,320**	**1,178**	**(24)**	**1,517**	**79**	**(34)**

2. INTERNAL MODELS AND OTHER SENSITIVITY ANALYSIS METHODS

There is no information other than that already reported.

2.4 DERIVATIVES

A. FINANCIAL DERIVATIVES

A.1 SUPERVISORY TRADING BOOK: END-PERIOD AND AVERAGE NOTIONAL AMOUNTS

	TOTAL AT 31/12/2014		TOTAL AT 31/12/2013	
	OVER THE COUNTER	CENTRAL COUNTERPARTIES	OVER THE COUNTER	CENTRAL COUNTERPARTIES
1. Debt securities and interest rates	**23,626,166**	**13,000**	**28,010,551**	**47,417**
a) Options	4,501,495	-	3,740,343	-
b) Swaps	19,124,470	-	24,223,584	-
c) Forwards	201	-	46,624	16,117
d) Futures	-	13,000	-	31,300
e) Other	-	-	-	-
2. Equity securities and equity indices	**21,503**	**286**	**37,176**	**439**
a) Options	21,503	-	37,117	-
b) Swap	-	-	-	-
c) Forward	-	-	59	59
d) Futures	-	286	-	380
e) Other	-	-	-	-
3. Foreign currencies and gold	**842,613**	**-**	**1,657,084**	**-**
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	842,613	-	1,657,084	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**
5. Other underlyings	**-**	**-**	**-**	**-**
TOTAL	**24,490,282**	**13,286**	**29,704,811**	**47,856**
AVERAGE VALUES	**27,097,547**	**30,571**	**31,341,574**	**58,054**

A.2 BANKING BOOK: END-PERIOD AND AVERAGE NOTIONAL AMOUNTS

A.2.1 HEDGING

	TOTAL AT 31/12/2014		TOTAL AT 31/12/2013	
	OVER THE COUNTER	CENTRAL COUNTERPARTIES	OVER THE COUNTER	CENTRAL COUNTERPARTIES
1. Debt securities and interest rates	**3,737,035**	**-**	**3,785,216**	**-**
a) Options	1,346,200	-	1,149,200	-
b) Swaps	2,390,835	-	2,636,016	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equity securities and equity indices	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Foreign currencies and gold	***43,244***	**-**	**-**	**-**
a) Options	-	-	-	-
b) Swaps	43,244	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**
5. Other underlyings	**-**	**-**	**-**	**-**
TOTAL	**3,780,279**	**-**	**3,785,216**	**-**
AVERAGE VALUES	**3,782,748**	**-**	**3,521,889**	**-**

A.2.2 OTHER DERIVATIVES

	TOTAL AT 31/12/2014		TOTAL AT 31/12/2013	
	OVER THE COUNTER	CENTRAL COUNTERPARTIES	OVER THE COUNTER	CENTRAL COUNTERPARTIES
1. Debt securities and interest rates	**644,000**	**-**	**1,236,076**	**-**
a) Options	322,000	-	618,038	-
b) Swaps	322,000	-	618,038	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equity securities and equity indices	**7,500**	**-**	**20,000**	**-**
a) Options	-	-	20,000	-
b) Swap	-	-	-	-
c) Forward	*7,500*	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Foreign currencies and gold	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**
5. Other underlyings	**-**	**-**	**-**	**-**
TOTAL	**651,500**	**-**	**1,256,076**	**-**
AVERAGE VALUES	**953,788**	**-**	**1,260,076**	**-**

A.3 FINANCIAL DERIVATIVES: GROSS POSITIVE FAIR VALUE - BREAKDOWN BY PRODUCT

	POSITIVE FAIR VALUE			
	TOTAL AT 31/12/2014		TOTAL AT 31/12/2013	
	OVER THE COUNTER	CENTRAL COUNTERPARTIES	OVER THE COUNTER	CENTRAL COUNTERPARTIES
A. Supervisory trading book	**450,444**	**1**	**411,021**	**98**
a) Options	16,800	-	14,625	-
b) Interest rate swaps	418,610	-	390,368	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	15,034	-	6,028	25
f) Futures	-	1	-	73
g) Other	-	-	-	-
B. Banking book – hedging	**10,333**	**-**	**5,562**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	8,187	-	5,562	-
c) Cross currency swaps	2,146	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking book – Other derivatives	**13,345**	**-**	**22,342**	**-**
a) Options	-	-	41	-
b) Interest rate swaps	13,345	-	22,301	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
TOTAL	**474,122**	**1**	**438,925**	**98**

A.4 FINANCIAL DERIVATIVES: GROSS NEGATIVE FAIR VALUE– BREAKDOWN BY PRODUCT

	NEGATIVE FAIR VALUE			
	TOTAL AT 31/12/2014		TOTAL AT 31/12/2013	
	OVER THE COUNTER	CENTRAL COUNTERPARTIES	OVER THE COUNTER	CENTRAL COUNTERPARTIES
A. Supervisory trading book	**457,777**	**189**	**390,968**	**48**
a) Options	16,763	-	15,803	-
b) Interest rate swaps	428,996	-	367,242	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	12,018	-	7,923	22
f) Futures	-	189	-	26
g) Other	-	-	-	-
B. Banking book – hedging	**77,039**	**-**	**75,167**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	77,039	-	75,167	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking book – Other derivatives	**-**	**-**	**1,515**	**-**
a) Options	-	-	1,515	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
TOTAL	**534,816**	**189**	**467,650**	**48**

A.5 OVER-THE-COUNTER FINANCIAL DERIVATIVES – SUPERVISORY TRADING BOOK: NOTIONAL VALUES, GROSS POSITIVE AND NEGATIVE FAIR VALUES BY COUNTERPARTY - CONTRACTS NOT COVERED BY NETTING ARRANGEMENTS

	GOVERNMENTS AND CENTRAL BANKS	OTHER GOVERNMENT AGENCIES	BANKS	FINANCIAL COMPANIES	INSURANCE UNDERTAKINGS	NON-FINANCIAL COMPANIES	OTHER
1) Debt securities and interest rates							
- notional value	-	3,018	1,883,315	20,066	-	-	221,154
- positive fair value	-	26	98,066	136	-	-	121
- negative fair value	-	-	9,545	1	-	-	1,770
- future exposure	-	6	7,419	25	-	-	30
2) Equity securities and equity indices			-	-			-
- notional value	199	-	52	-	-	-	893
- positive fair value	51	-	1	-	-	-	-
- negative fair value	-	-	-	-	-	-	76
- future exposure	-	-	8	-	-	-	-
3) Foreign currencies and gold							
- notional value	-	-	8,280	268,315	-	-	-
- positive fair value	-	-	50	5,816	-	-	-
- negative fair value	-	-	509	556	-	-	-
- future exposure	-	-	119	2,683	-	-	-
4) Other assets							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

A.6 OVER-THE-COUNTER FINANCIAL DERIVATIVES – SUPERVISORY TRADING BOOK: NOTIONAL VALUES, GROSS POSITIVE AND NEGATIVE FAIR VALUES BY COUNTERPARTY - CONTRACTS COVERED BY NETTING ARRANGEMENTS

	GOVERNMENTS AND CENTRAL BANKS	OTHER GOVERNMENT AGENCIES	BANKS	FINANCIAL COMPANIES	INSURANCE UNDERTAKINGS	NON-FINANCIAL COMPANIES	OTHER
1) Debt securities and interest rates							
- notional value	-	-	19,372,694	2,125,919	-	-	-
- positive fair value	-	-	296,650	39,844	-	-	-
- negative fair value	-	-	422,723	11,646	-	-	-
2) Equity securities and equity indices			-	-			
- notional value	-	-	20,359	-	-	-	-
- positive fair value	-	-	518	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
3) Foreign currencies and gold				-			
- notional value	-	-	566,017	-	-	-	-
- positive fair value	-	-	9,167	-	-	-	-
- negative fair value	-	-	10,951	-	-	-	-
4) Other assets			-				
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

A.7 OVER-THE-COUNTER FINANCIAL DERIVATIVES – BANKING BOOK: NOTIONAL VALUES, GROSS POSITIVE AND NEGATIVE FAIR VALUES BY COUNTERPARTY - CONTRACTS NOT COVERED BY NETTING ARRANGEMENTS

	GOVERNMENTS AND CENTRAL BANKS	OTHER GOVERNMENT AGENCIES	BANKS	FINANCIAL COMPANIES	INSURANCE UNDERTAKINGS	NON-FINANCIAL COMPANIES	OTHER
1) Debt securities and interest rates							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
2) Equity securities and equity indices							
- notional value	-	-	-	7,500	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3) Foreign currencies and gold							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
4) Other assets							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

A.8 OVER-THE-COUNTER FINANCIAL DERIVATIVES – BANKING BOOK: NOTIONAL VALUES, GROSS POSITIVE AND NEGATIVE FAIR VALUES BY COUNTERPARTY - CONTRACTS COVERED BY NETTING ARRANGEMENTS

1) Debt securities and interest rates							
- notional value	-	-	4,020,041	360,994	-	-	-
- positive fair value	-	-	21,282	250	-	-	-
- negative fair value	-	-	68,986	8,053	-	-	-
2) Equity securities and equity indices							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
3) Foreign currencies and gold							
- notional value	-	-	18,533	24,711	-	-	-
- positive fair value	-	-	802	1,344	-	-	-
- negative fair value	-	-	-	-	-	-	-
4) Other assets							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

A.9 RESIDUAL LIFE OF OVER-THE-COUNTER FINANCIAL DERIVATIVES: NOTIONAL VALUES

	UP TO 1 YEAR	MORE THAN 1 YEAR AND UP TO 5 YEARS	MORE THAN 5 YEARS	TOTAL
A. Supervisory trading book	**10,813,566**	**9,842,572**	**3,834,144**	**24,490,282**
A.1 Financial derivatives on debt securities and interest rates	9,957,446	9,834,827	3,833,893	23,626,166
A.2 Financial derivatives on equity securities and equity indices	13,589	7,663	251	21,503
A.3 Financial derivatives on exchange rates and gold	842,531	82	-	842,613
A.4 Financial derivatives on other assets	-	-	-	-
B. Banking book	**1,579,818**	**2,530,275**	**321,686**	**4,431,779**
B.1 Financial derivatives on debt securities and interest rates	1,579,818	2,487,031	314,186	4,381,035
B.2 Financial derivatives on equity securities and equity indices	-	-	7,500	7,500
B.3 Financial derivatives on exchange rates and gold	-	43,244	-	43,244
B.4 Financial derivatives on other assets	-	-	-	-
TOTAL 31/12/2014	**12,393,384**	**12,372,847**	**4,155,830**	**28,922,061**
TOTAL 31/12/2013	**18,761,021**	**12,289,427**	**3,695,655**	**34,746,103**

A.10 OVER-THE-COUNTER FINANCIAL DERIVATIVES: COUNTERPARTY RISK/FINANCIAL RISK – INTERNAL MODELS

At the reporting date, internal models were not used to measure counterparty risk/financial risk.

B. CREDIT DERIVATIVES

This section has not been completed because there were no such positions as of the balance sheet date.

C. FINANCIAL AND CREDIT DERIVATIVES

C.1 OVER-THE-COUNTER FINANCIAL AND CREDIT DERIVATIVES: NET FAIR VALUE AND FUTURE EXPOSURE BY COUNTERPARTY

	GOVERNMENTS AND CENTRAL BANKS	OTHER GOVERNMENT AGENCIES	BANKS	FINANCIAL COMPANIES	INSURANCE UNDERTAKINGS	NON-FINANCIAL COMPANIES	OTHER
1) Bilateral agreements – financial derivatives							
- positive fair value	-	-	113,642	22,462	-	-	-
- negative fair value	-	-	299,523	1,679	-	-	-
- future exposure	-	-	98,930	20,614	-	-	-
- net counterparty risk	-	-	54,821	20,309	-	-	-
2) Bilateral agreements – credit derivatives				-			
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
- net counterparty risk	-	-	-	-	-	-	-
3) Cross-product agreements							
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
- net counterparty risk	-	-	-	-	-	-	-

SECTION 3 – LIQUIDITY RISK

Qualitative disclosures

A. GENERAL ASPECTS, MANAGEMENT AND MEASUREMENT OF LIQUIDITY RISK

Liquidity risk is managed by the Finance department, which primarily invests liquidity on the interbank market in term deposits. As a result of its role as an intermediary with the settlement system on behalf of the mutual banks, the liquidity of the mutual bank system is concentrated with Iccrea Banca.

In compliance with the provisions of the 4th update of Circular no. 263/2006 of December 13, 2010, with which the Bank of Italy transposed into Italian law the changes introduced by Directive 2006/48/EC on the capital adequacy of banks and investment firms concerning the governance and management of liquidity risk for banks and banking groups, the Bank has updated its rules for managing liquidity risk and modified its system of delegated powers to incorporate the specified indicators and limits.

The main changes regard the formalization by the Board of Directors:

of the liquidity risk tolerance threshold, represented by the maximum exposure considered sustainable in both normal operating conditions and under stress conditions. The tolerance threshold is explicated by way of:

- two indicators for the short and medium/long term respectively, at the consolidated level for the Group and the individual level solely for Iccrea Banca, which is responsible for operational management of liquidity risk. The indicators adopted are those envisaged under the new Basel 3 rules: LCR and NSFR. For the short-term indicator, the limit is set at 1.2 in the baseline scenario and 1.0 in the stress scenario. For the medium/long-term indicator, there is a single limit of 0.8;
- the minimum survival period, which is the number of consecutive days in which liquidity reserves must exceed the sum of net negative cash flows. The minimum level for this indicator has been set at 30 days at the consolidated level;
- an increase in the minimum liquidity buffer from €1 billion to 1.5 billion, specifying first and second line reserves;

of a new operational indicator for the Finance department, which is measured using a minimum survival period at the individual level;

of two new systemic risk monitoring indicators as part of the Contingency Funding Plan;

of criteria for the determination of intercompany transfer rates in order to take account of systemic risk, issuer risk, interest rate risk, the maturity of loans and the direct and indirect costs of funding;

of the extension of the scope of application of the rules to Banca Sviluppo;

- of methodologies for determining the aggregates and for calculating the indicators included in the technical annexes that are an integral part of the liquidity policy.

A system of limits has been established as the main instrument for mitigating liquidity risk. It is made up of indicators for monitoring sources of vulnerability associated with liquidity risk in line with the tolerance threshold and commensurate with the nature, objectives and operational complexity of the Group and Iccrea Banca.

The overall system of limits is based on the following limit categories:

- *Risk Appetite Limits*, which represent the maximum exposure considered sustainable in both normal operating conditions and under stress conditions; these limits explicate the tolerance threshold, the specification of which is required under supervisory regulations;
- *Management Operational Limits*, which represent the "operational" implementation of the strategic decisions taken by the Board;
- *Warning Limits*, which represent the value or assessment of an indicator that enables prompt warning that an operational limit is being approached. Breach of this threshold

activates a situation of heightened attention but does not necessarily dictate action to return the position below the threshold.

Since October 2008, the liquidity position at the consolidated level has been subject to specific weekly reporting requirements for the Bank of Italy.

Liquidity risk is measured by identifying cash imbalances by maturity band, both in static terms (with a view to identifying actual liquidity strains seen from the characteristics of the account items, through the construction, for each specified time band, of the corresponding gap indicator) and in dynamic terms (using estimation and simulation techniques, aiming to develop the most likely scenarios following changes in the financial variables that can impact the time profile of liquidity).

Measurement and monitoring of the limits and indicators at the individual and overall Group level for short-term and structural liquidity are performed by the Financial Risks unit, which on a daily basis monitors the indicators, the risk appetite limits, the individual management operational limits for Iccrea Banca and the Group level, and the indicators envisaged in the CFP. The analyses and reports are transmitted to management at the Parent Company, Iccrea Banca and Iccrea BancaImpresa. In addition, on a weekly basis it monitors the 1-month liquidity coverage ratio (in both ordinary and stress conditions), the maturity ladder with a time horizon of 12 months and a time horizon of indefinite maturity and the net stable funding ratio.

The Group Risk Management unit participates in the Group Finance Committee and reports to it on developments in the liquidity position and compliance with the limits in place. If the limits are exceeded, Group Risk Management notifies the head of Iccrea Banca's Finance department to agree any corrective actions to restore balance, notifying senior management and the Group Finance Committee.

QUANTITATIVE DISCLOSURES

1. DISTRIBUTION OF FINANCIAL ASSETS AND LIABILITIES BY RESIDUAL MATURITY

CURRENCY: EURO

	ON DEMAND	MORE THAN 1 DAY TO 7 DAYS	MORE THAN 7 DAYS TO 15 DAYS	MORE THAN 15 DAYS TO 1 MONTH	MORE THAN 1 MONTH TO 3 MONTHS	MORE THAN 3 MONTHS TO 6 MONTHS	MORE THAN 6 MONTHS TO 1 YEAR	MORE THAN 1 YEAR TO 5 YEARS	MORE THAN 5 YEARS	UNSPECIFIED MATURITY
On-balance-sheet assets	**2,333,620**	**9,097,765**	**482,093**	**5,219,906**	**9,246,482**	**12,233,259**	**20,559,533**	**41,428,821**	**56,454,887**	**197,392**
A.1 Government securities	3	-	14,259	-	115,066	1,454,656	1,536,756	4,123,375	297,206	-
A.2 Other debt securities	1,276,340	6,901,451	1,760	124,688	434,576	8,788,018	16,588,691	25,957,594	56,027,854	-
A.3 Units in collective investment undertakings	1,420	-	-	-	-	-	-	-	-	-
A.4 Loans	1,055,857	2,196,314	466,074	5,095,218	8,696,840	1,990,585	2,434,086	11,347,852	129,827	197,392
- banks	527,058	1,937,256	462,752	5,090,873	8,590,406	1,914,457	2,321,042	10,701,126	1,614	197,392
- customers	528,799	259,058	3,322	4,345	106,434	76,128	113,044	646,726	128,213	
On-balance-sheet liabilities	**6,462,244**	**3,048,912**	**189,469**	**8,924,965**	**11,678,434**	**2,667,883**	**4,283,671**	**7,296,029**	**251,554**	**-**
B.1 Deposits	6,031,356	16,415	30,305	619,618	218,876	109,732	289,974	219,723	-	-
- banks	5,652,897	16,415	30,305	619,618	218,876	109,732	283,913	210,723	-	-
- customers	378,459	-	-	-	-	-	6,061	9,000	-	-
B.2 Debt securities	-	6,043	-	170,773	661,572	25,361	928,860	2,894,397	251,554	-
B.3 Other liabilities	430,888	3,026,454	159,164	8,134,574	10,797,986	2,532,790	3,064,837	4,181,909	-	-
Off-balance-sheet transactions	**(10,522)**	**381,763**	**51,810**	**(87,099)**	**599,817**	**461,922**	**796,282**	**(2,439,225)**	**12,759**	**-**
C.1 Financial derivatives with exchange of principal	-	(76,137)	(1,914)	(105,801)	14,983	249	(23,197)	(42,914)	12,759	-
- long positions	85	704,059	4,028	272,156	60,633	20,802	14,006	126,823	428,198	-
- short positions	85	780,196	5,942	377,957	45,650	20,553	37,203	169,737	415,439	-
C.2 Financial derivatives without exchange of principal	(10,522)	-	-	-	-	-	-	-	-	-
- long	447,046	-	-	-	-	-	-	-	-	-

positions										
- short positions	457,568	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to receive	-	457,900	53,724	18,702	584,834	675,531	605,621	(2,396,311)	-	-
-- long positions	-	2,849,255	53,724	72,426	584,834	1,133,431	703,610	1,553,249	-	-
- short positions	-	2,391,355		53,724		457,900	97,989	3,949,560	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	(213,858)	213,858	-	-	-
- long positions	-	-	-	-	-		213,858	-	-	-
- short positions	-	-	-	-	-	213,858		-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

CURRENCY: US DOLLAR

	ON DEMAND	MORE THAN 1 DAY TO 7 DAYS	MORE THAN 7 DAYS TO 15 DAYS	MORE THAN 15 DAYS TO 1 MONTH	MORE THAN 1 MONTH TO 3 MONTHS	MORE THAN 3 MONTHS TO 6 MONTHS	MORE THAN 6 MONTHS TO 1 YEAR	MORE THAN 1 YEAR TO 5 YEARS	MORE THAN 5 YEARS	UNSPECIFIED MATURITY
On-balance-sheet assets	**22,599**	**14,154**	**9,780**	**27,172**	**21,151**	**9,326**	**704**	**537**	**14**	**-**
A.1 Government securities	-	-	1	-	-	-	1	2	14	
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Units in collective investment undertakings	-	-	-	-	-	-	-	-	-	-
A.4 Loans	22,599	14,154	9,779	27,172	21,151	9,326	703	535	-	-
- banks	22,053	14,154	8,912	27,172	19,621	8,405	505	535	-	-
- customers	546	-	867	-	1,530	921	198	-	-	-
On-balance-sheet liabilities	**167,992**	**30,628**	**11,129**	**34,214**	**76,005**	**7,326**	**5,703**	**39,413**	**789**	**-**
B.1 Deposits	167,895	30,628	11,129	22,750	75,586	7,044	5,160	-	-	-
- banks	166,514	30,628	11,129	22,750	75,586	7,044	5,160	-	-	-
- customers	1,381	-	-	-	-	-	-	-		
B.2 Debt securities	-	-	-	-	261	282	543	38,646	-	-
B.3 Other liabilities	97	-	-	11,464	158	-	-	767	789	-
Off-balance-sheet transactions	**-**	**69,826**	**1,308**	**148,371**	**(1,239)**	**483**	**(1,590)**	**43,293**	**(27)**	**-**
C.1 Financial derivatives with exchange of principal	-	69,826	1,308	148,371	(1,239)	483	(1,590)	43,293	(27)	-
- long positions	-	89,015	6,414	319,852	26,652	15,489	7,782	43,359	567	8
- short positions	-	19,189	5,106	171,481	27,891	15,006	9,372	66	594	8
C.2 Financial derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	1,919	-	-	-	-	-	-	-	-	-
- short positions	1,919	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to receive	-	-	-	-	-	-	-	-	-	-
- long positions	-	1,781	-	-	-	-	-	-	-	-
- short positions	-	1,781	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- long positions	-	2,547	-	-	-	-	-	-	-	-
- short positions	-	2,547	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

CURRENCY: POUND STERLING

	ON DEMAND	MORE THAN 1 DAY TO 7 DAYS	MORE THAN 7 DAYS TO 15 DAYS	MORE THAN 15 DAYS TO 1 MONTH	MORE THAN 1 MONTH TO 3 MONTHS	MORE THAN 3 MONTHS TO 6 MONTHS	MORE THAN 6 MONTHS TO 1 YEAR	MORE THAN 1 YEAR TO 5 YEARS	MORE THAN 5 YEARS	UNSPECIFIED MATURITY
On-balance-sheet assets	**2,833**	**196**	**893**	**344**	**1,194**	**66**	**-**	**-**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Units in collective investment undertakings	-	-	-	-	-	-	-	-	-	-
A.4 Loans	2,833	196	893	344	1,194	66	-	-	-	-
- banks	2,833	196	893	344	1,194	66	-	-	-	-
- customers	-	-	-	-	-	-	-	-	-	-
On-balance-sheet liabilities	**4,378**	**1,745**	**856**	**1,823**	**330**	**74**	**271**	**-**	**-**	**-**
B.1 Deposits	4,378	1,745	856	1,823	330	74	271	-	-	-
- banks	4,378	1,745	856	1,823	330	74	271	-	-	-
- customers	-	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance-sheet transactions	**(278)**	**12**	**16**	**183**	**(48)**	**-**	**-**	**-**	**-**	**-**
C.1 Financial derivatives with exchange of principal	-	12	16	183	(48)	-	-	-	-	-
- long positions	-	392	16	61,680	29	-	-	-	-	-
- short positions	-	380	-	61,497	77	-	-	-	-	-
C.2 Financial derivatives without exchange of principal	(278)	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	278		-	-	-	-	-	-	-	-
C.3 Deposits and loans to receive	-	-	-	-	-	-	-	-	-	-
- long positions	-	205	-	-	-	-	-	-	-	-
- short positions	-	205	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- long positions	-	364	-	-	-	-	-	-	-	-
- short positions	-	364	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

CURRENCY: SWISS FRANC

	ON DEMAND	MORE THAN 1 DAY TO 7 DAYS	MORE THAN 7 DAYS TO 15 DAYS	MORE THAN 15 DAYS TO 1 MONTH	MORE THAN 1 MONTH TO 3 MONTHS	MORE THAN 3 MONTHS TO 6 MONTHS	MORE THAN 6 MONTHS TO 1 YEAR	MORE THAN 1 YEAR TO 5 YEARS	MORE THAN 5 YEARS	UNSPECIFIED MATURITY
On-balance-sheet assets	**2,962**	**6,234**	**10,226**	**25,976**	**21,348**	**12,765**	**410**	**-**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Units in collective investment undertakings	-	-	-	-	-	-	-	-	-	-
A.4 Loans	2,962	6,234	10,226	25,976	21,348	12,765	410	-	-	-
- banks	2,962	6,234	10,226	25,976	21,348	12,765	410	-	-	-
- customers	-	-	-	-	-	-	-	-	-	-
On-balance-sheet liabilities	**17,653**	**20,794**	**-**	**294**	**3,047**	**227**	**-**	**-**	**-**	**-**
B.1 Deposits	17,653	20,794	-	294	3,047	227	-	-	-	-
- banks	17,603	20,794	-	294	3,047	227	-	-	-	-
- customers	50	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance-sheet transactions	**-**	**(783)**	**-**	**(39,933)**	**83**	**499**	**-**	**-**	**-**	**-**
C.1 Financial derivatives with exchange of principal	-	(783)	-	(39,933)	83	499	-	-	-	-
- long positions	-	4,354	-	6,225	83	998	-	-	-	-
- short positions	-	5,137	-	46,158	-	499	-	-	-	-
C.2 Financial derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to receive	-	-	-	-	-	-	-	-	-	-
- long positions	-	333	-	-	-	-	-	-	-	-
- short positions	-	333	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- long positions	-	2,240	-	-	-	-	-	-	-	-
- short positions	-	2,240	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

OTHER CURRENCIES

	ON DEMAND	MORE THAN 1 DAY TO 7 DAYS	MORE THAN 7 DAYS TO 15 DAYS	MORE THAN 15 DAYS TO 1 MONTH	MORE THAN 1 MONTH TO 3 MONTHS	MORE THAN 3 MONTHS TO 6 MONTHS	MORE THAN 6 MONTHS TO 1 YEAR	MORE THAN 1 YEAR TO 5 YEARS	MORE THAN 5 YEARS	UNSPECIFIED MATURITY
On-balance-sheet assets	**13,127**	**7,724**	**3,955**	**10,049**	**5,095**	**804**	**49**	**206**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	14		206	-	-
A.3 Units in collective investment undertakings	-	-	-	-	-	-	-	-	-	-
A.4 Loans	13,127	7,724	3,955	10,049	5,095	790	49	-	-	-
- banks	13,107	7,724	3,955	10,049	5,095	790	49	-	-	-
- customers	20	-	-	-	-	-	-	-	-	-
On-balance-sheet liabilities	**12,524**	**2,832**	**16,436**	**5,005**	**3,006**	**880**	**305**	**-**	**-**	**-**
B.1 Deposits	12,524	2,832	16,436	5,005	3,006	880	305	-	-	-
- banks	12,511	2,832	16,436	5,005	3,006	880	305	-	-	-
- customers	13	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance-sheet transactions	**-**	**644**	**682**	**591**	**(846)**	**(1,356)**	**(345)**	**-**	**-**	**-**
C.1 Financial derivatives with exchange of principal	-	644	682	591	(846)	(1,356)	(345)	-	-	-
- long positions	-	5,741	956	39,447	1,045	3,320	168	873	747	-
- short positions	-	5,097	274	38,856	1,891	4,676	513	873	747	-
C.2 Financial derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to receive	-	-	-	-	-	-	-	-	-	-
- long positions	-	162	-	-	-	-	-	-	-	-
- short positions	-	162	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- long positions	-	434	-	-	-	-	-	-	-	-
- short positions	-	434	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

2. DISCLOSURES ON ENCUMBERED ASSETS RECOGNIZED IN BALANCE SHEET

	ENCUMBERED		UNENCUMBERED		TOTAL AT 31/12/2014	TOTAL AT 31/12/2013
	CA	FV	CA	FV		
1. Cash and cash equivalents	-	X	104,077	X	104,077	82,637
2. Debt securities	5,654,527	5,674,513	5,986,550	6,012,318	11,641,077	5,618,963
3. Equity securities	-	-	10,878	2,225	10,878	-
4. Loans	559,706	X	33,258,517	X	33,818,223	30,308,596
5. Other financial assets	-	X	740,450	X	740,450	543,131
6. Non-financial assets	-	X	166,892	X	166,892	195,421
TOTAL 31/12/2014	**6,214,233**	**5,674,513**	**40,267,364**	**6,014,543**	**46,481,597**	**x**
TOTAL 31/12/2013	**6,192,206**	**5,554,051**	**30,556,542**	**102,329**	**x**	**36,748,748**

Key:
CA = carrying amount
FV = fair value

These were provided to guarantee the refinancing transactions carried out with the ECB in respect of 2.3 billion government securities.

3. DISCLOSURES ON ENCUMBERED ASSETS NOT RECOGNIZED IN BALANCE SHEET

	ENCUMBERED	UNENCUMBERED	TOTAL AT 31/12/2014	TOTAL AT 31/12/2013
1. Financial assets	27,539,155	4,653,336	32,192,491	-
- Securities	27,539,155	4,653,336	32,192,491	-
- Other	-	-	-	-
2. Non-financial assets	-	-	-	-
TOTAL 31/12/2014	**27,539,155**	**4,653,336**	**32,192,491**	**X**
TOTAL 31/12/2013	**6,355,136**	**532,122**	**x**	**6,887,258**

These were provided to guarantee the refinancing transactions carried out with the ECB in respect of 2.1 billion government securities relating to repurchase agreements and in respect of 17.7 billion securities received as collateral.

SECTION 4 – OPERATIONAL RISKS

Qualitative disclosures

A. GENERAL ASPECTS, MANAGEMENT AND MEASUREMENT OF OPERATIONAL RISKS

Within the framework of the initiatives defined at the Group level in the Risk Management area, the Bank has a control system consisting of all the company procedures governing and regulation the ongoing development and coordinated use of the factors of production utilized in front, middle and back office operating processes.

Built around the consolidated three-level prudential structure, the operational risk control system includes so-called second-level controls (Risk Management and Compliance) on system design and ongoing verification of its effectiveness, and third-level controls for assessing the overall adequacy and efficiency of the control system, as well as observing its regular performance.

The approach adopted also makes it possible to pursue the following additional specific objectives:

- providing risk owners with greater awareness of the risks associated with their operations;
- assessing the Bank's positioning with respect to operational risk factors in corporate processes;
- providing top management with an overall view of the Bank's operational issues by period and area of observation;
- providing information to improve the internal control system;
- optimizing operational risk mitigation actions through a process that identifies risks, assesses them qualitatively to identify the internal problems underlying those risks, thereby enabling cost/benefit analysis of the initiatives to be taken in response.

The operational risk analysis system created through these initiatives is composed of:

- an overall framework for managing operational risks, setting out the prospective self-assessment model for determining exposure to operational risks (risk assessment).

Quantitative disclosures

With regard to the reporting at December 31, 2014, the capital requirement for operational risk, for banks that apply the Basic Indicator Approach (BIA), is equal to 15% of the average of the last three observations of the relevant indicator defined in Article 316 of EU Regulation no. 575/2013.

In particular, the Bank's capital requirement at the end of the period was €32,404 thousand.

Part F

Information on capital

PART F – INFORMATION ON CAPITAL

SECTION 1 - COMPANY CAPITAL

A. Qualitative disclosures

Shareholders' equity (share capital, share premium reserve, reserves, equity instruments, own shares, valuation reserves, redeemable shares, profit/loss for the period) represents the Bank's capital, i.e. the sum of financial resources used for achieving the corporate purpose and dealing with the risks of business.

Therefore, equity represents the main safeguard against the risks of the banking business and, as such, the amount of capital must be sufficient to ensure an appropriate degree of independence in development and growth and guarantee the soundness and stability of the company on an ongoing basis.

B. Quantitative disclosures

B.1 Company capital: composition

	TOTAL AT 31/12/2014	TOTAL AT 31/12/2013
1. Share capital	**216,913**	**216,913**
2. Share premium reserve	**-**	**-**
3. Reserves	**186,925**	**181,691**
- earnings	104,923	99,922
a) legal	48,201	48,201
b) established in bylaws	205	205
c) treasury shares	-	-
d) other	56,517	51,516
- other	82,002	81,769
4. Equity instruments	**-**	**-**
5. (Treasury shares)	**-**	**-**
6. Valuation reserves:	**96,292**	**92,042**
- Financial assets available for sale	50,096	44,680
- Property and equipment	-	-
- Intangible assets	-	-
- Hedging of investments in foreign operations	-	-
- Cash flow hedges	(175)	640
- Foreign exchange differences	-	-
- Non-current assets held for sale	-	(8)
- Actuarial gains (losses) on defined benefit plans	(1,495)	(1,136)
- Share of valuation reserves of equity investments accounted for using equity method	-	-
- Special revaluation laws	47,866	47,866
7. Net profit (loss) for the period	**47,693**	**40,028**
TOTAL	**547,823**	**530,674**

B.2 VALUATION RESERVES FOR FINANCIAL ASSETS AVAILABLE FOR SALE: COMPOSITION

	TOTAL AT 31/12/2014		TOTAL AT 31/12/2013	
	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE
1. Debt securities	45,848	(1,156)	43,465	(2,967)
2. Equity securities	5,426	-	4,186	-
3. Units in collective investment undertakings	-	(22)	-	(12)
4. Loans	-	-	-	-
TOTAL	**51,274**	**(1,178)**	**47,651**	**(2,979)**

B.3 VALUATION RESERVES FOR FINANCIAL ASSETS AVAILABLE FOR SALE: CHANGE FOR THE PERIOD

	DEBT SECURITIES	EQUITY SECURITIES	UNITS IN COLLECTIVE INVESTMENT UNDERTAKINGS	LOANS
1. Opening balance	**40,498**	**4,186**	**(12)**	**-**
2. Increases	**25,959**	**1,240**	**-**	**-**
2.1 Fair value gains	25,939	1,240	-	-
2.2 Reversal to income statement of negative reserves:	20	-	-	-
- from impairment	-	-	-	-
- from realization	20	-	-	-
2.3 Other changes	-	-	-	-
3. Decreases	**21,765**	**-**	**10**	**-**
3.1 Fair value losses	5,658	-	10	-
3.2 Impairment adjustments	-	-	-	-
3.3 Reversal to income statement of positive reserves: from realization	16,107	-	-	-
3.4 Other changes	-	-	-	-
4. Closing balance	**44,692**	**5,426**	**(22)**	**-**

B.4 VALUATION RESERVES DEFINED-BENEFIT PLANS: CHANGE FOR THE PERIOD

	TOTAL AT 31/12/2014	
	POSITIVE RESERVE	NEGATIVE RESERVE
1. Gain (loss) from changes in financial assumptions	-	(518)
2. Gain (loss) from passage of time	159	-
TOTAL	**159**	**(518)**

SECTION 2 – EQUITY AND CAPITAL RATIOS

2.1 EQUITY

A. Qualitative disclosures

Equity, risk-weighted assets and solvency ratios at December 31, 2014 have been calculated on the basis of the new harmonized rules for banks and investment firms set out in Directive 2013/36/EU (CRD IV) and in Regulation (EU) 575/2013 (CRR) of June 26, 2013, transposing the standards established by the Basel Committee on Banking Supervision ("Basel 3") within the European Union, and on the basis of Bank of Italy Circulars nos. 285 and 286 (issued in 2013) and the update to Circular no. 154.

The provisions concerning equity capital call for the new regulatory framework to be introduced gradually, over a transitional period that will generally end in 2017, during which certain components that, once completely implemented will be fully calculated in or deductible from common equity, at present only partially impact Common Equity Tier 1 capital. The remaining percentage is normally calculated in/deducted from Additional Tier 1 (AT1) capital and Tier 2 (T2) capital or is included among risk-weighted assets. There are also transitional provisions regarding subordinated instruments that do not meet the requirements of the new regulations that aim to gradually remove instruments that are no longer calculable from the capital (over 8 years). The prudential ratios at December 31, 2014 therefore take account of the adjustments required by the transitional provisions for 2014.

At December 31, 2014, equity capital amounted to €629,779 thousand, as against a total capital requirement of €255,354 thousand, mainly attributable to credit and counterparty risks, and to a lesser extent to operational and market risks.

1. COMMON EQUITY TIER 1 (CET1)

Common Equity Tier 1 (CET1) capital is composed of positive elements (which increase its amount) and negative elements (which reduce it). Overall CET1, before the application of the prudential filters, amounts to €500,130 thousand. Applying prudential filters, represented by negative changes in the credit rating, the positive change in the cash flow hedge reserve for financial instruments and the filter for supplementary adjustments to regulatory capital in the amount of €7,590 thousand, CET1 gross of elements to be deducted and the effects of the transitional system comes to €492,540 thousand. The elements to be deducted consist of intangible assets and the excess of components to be deducted from Additional Tier 1 capital over Additional Tier 1 capital and amount to €11,475 thousand, while the negative impact of the transition on CET 1 comes to €48,601 thousand and is represented by the negative actuarial reserves (IAS 19) and the exclusion of unrealized profits on AFS securities. Therefore, CET1 amounts to €432,464 thousand.

2. ADDITIONAL TIER 1 (AT1)

There are no instruments that are included under Additional Tier 1 (AT1) capital in these financial statements.

3. *TIER 2 (T2)*

Tier 2 (T2) capital, before the application of the filters provided for under the transitional system, amounts to €195,000 thousand and is comprised of a subordinated bond issued by the Bank, net of the redeemable portion. As a result of the transitional provisions, there is a positive filter on 80% of 50% of the unrealized profits on AFS securities amounting to €2,315 thousand, bringing the total Tier 2 capital to €197,315 thousand.

The following are the characteristics of the subordinated lower Tier II bond of €200 million:

- issue date March 6, 2014;
- maturity date March 6, 2021;
- annual interest rate 4.75% fixed gross;
- interest paid annually in arrears;
- repayment through periodic amortization as from the third year (March 6, 2017) in 5 equal annual instalments.

This bond was calculated for the entirety of 2014 based upon analyses of the Capital Requirements Regulation (CRR) in effect up until now. In expectation of more information and further clarification from the ECB on the European Banking System, such bond contributed 6.11 percentage points to the Total Capital Ratio (19.73% - 13.62%).

B. Quantitative disclosures*

	TOTAL AT 31/12/2014	TOTAL AT 31/03/2014
A. Common Equity Tier 1 (CET1) capital before the application of the prudential filters	**500,130**	**509,630**
of which CET1 instruments subject to the transitional provisions	-	-
B. CET1 prudential filters (+/-)	**(7,590)**	**(12,802)**
C. CET1 gross of elements to be deducted and the effects of the transitional system (A +/- B)	**492,540**	**496,828**
D. Elements to be deducted from CET1	**(11,475)**	**(8,936)**
E. Transitional system - Impact on CET1 (+/-)	**(48,601)**	**(57,437)**
F. Total Common Equity Tier 1 (CET1) capital (C - D +/- E)	**432,464**	**430,455**
G. Additional Tier 1 (AT1) capital gross of elements to be deducted and the effects of the transitional system	**-**	**-**
of which AT1 instruments subject to the transitional provisions	-	-
H. Elements to be deducted from AT1	**-**	**-**
I. Transitional system - Impact on AT1 (+/-)	**-**	**-**
L. Total Additional Tier 1 (AT1) capital (G - H +/- I)	**-**	**-**
M. Tier 2 (T2) capital gross of elements to be deducted and the effects of the transitional system	**195,000**	**195,000**
of which Tier 2 instruments subject to the transitional provisions	-	-
N. Elements to be deducted from T2	**-**	**-**
O. Transitional system - Impact on T2 (+/-)	**2,315**	**1,828**
P. Total Tier 2 (T2) capital (M - N +/- O)	**197,315**	**196,828**
Q. Total equity capital (F + L + P)	**629,779**	**627,283**

* For reasons of consistency and to enable comparison of the information as a result of the introduction of the new Basel 3 regulatory framework starting from January 1, 2014, the table showing the Bank's equity capital uses the figures at March 31, 2014 for comparison, rather than those at December 31, 2013.

2.2 CAPITAL ADEQUACY

A. Qualitative disclosures

The capital ratios at December 31, 2014 were determined in accordance with the provisions of the Basel 3 Capital Accord, adopting the Standardized Approach for the calculation of capital requirements for credit and counterparty risk and the Basic Indicator Approach for operational risk. With regard to the reporting at December 31, 2014, the capital requirement for operational risk, for banks that apply the Basic Indicator Approach (BIA), is equal to 15% of the average of the last three observations of the relevant indicator defined in Article 316 of EU Regulation no. 575/2013.

B. Quantitative disclosures

	UNWEIGHTED AMOUNTS		WEIGHTED AMOUNTS/REQUIREMENTS	
	TOTAL AT 31/12/2014	TOTAL AT 31/12/2013*	TOTAL AT 31/12/2014	TOTAL AT 31/12/2013*
A. EXPOSURES				
A.1 CREDIT AND COUNTERPARTY RISK	**63,156,025**	**52,268,452**	**2,949,092**	**2,526,395**
1. Standardized approach	62,939,245	51,666,823	2,559,069	2,163,600
2. IRB approach	-	-	-	-
2.1 Foundation	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitizations	216,780	601,629	390,023	362,795
B. CAPITAL REQUIREMENTS				
B.1 CREDIT AND COUNTERPARTY RISK			**148,284**	**151,584**
B.2 RISK OF ADJUSTMENT OF CREDIT RATING			**9,802**	**-**
B.3 REGULATORY RISK			**-**	**-**
B.4 MARKET RISKS			**64,864**	**20,261**
1. Standardized method			64,864	20,261
2. Internal models			-	-
3. Concentration risk			-	-
B.5 OPERATIONAL RISK			**32,404**	**24,828**
1. Basic indicator approach			32,404	24,828
2. Standardized approach			-	-
3. Advanced measurement approach			-	-
B.6 OTHER COMPONENTS			**-**	**-**
B.7 TOTAL PRUDENTIAL REQUIREMENTS			**255,354**	**196,673**
C. EXPOSURES AND CAPITAL ADEQUACY RATIOS				
C.1 RISK-WEIGHTED ASSETS			**3,191,925**	**2,458,413**
C.2 CET1 CAPITAL RATIO			**13.55%**	**-**
C.3 TIER1 CAPITAL RATIO			**13.55%**	**15.52%**
C.4 TOTAL CAPITAL RATIO			**19.73%**	**17.53%**

* The figures at December 31, 2013 were calculated consistent with the regulations in effect at that date.

Following the instructions of the Parent Company, on February 5, 2015, the Board of Directors approved, with effect as from December 31, 2014, the new system for calculating credit risk in a standardized environment. More specifically, the Company switched from using the Standardized Approach to the Comprehensive Approach. This change led to a reduction in credit risk by about €39,000 thousand and an improvement in the relative CET1 Capital Ratio and Total Capital Ratio, by 1.81% and 2.63% respectively.

Part G
Business combinations

PART G – BUSINESS COMBINATIONS

At December 31, 2014, the Bank was not involved in any business combinations pursuant to IFRS 3.

SECTION 1 – TRANSACTIONS CARRIED OUT DURING THE PERIOD

Among the business combinations under common control carried out during the period was the signing of the instrument for the transfer of the "Branch Services" business unit from Iccrea Banca to Banca Sviluppo effective as from April 5, 2014. For more information, please refer to the Report on Operations.

SECTION 2 – TRANSACTIONS CARRIED OUT AFTER THE CLOSE OF THE PERIOD

No business combinations were carried out after December 31, 2014.

Part H

Transactions with related parties

PARTE H – TRANSACTIONS WITH RELATED PARTIES

1. INFORMATION ON THE REMUNERATION OF KEY MANAGEMENT PERSONNEL

The following tables report the information required under IAS 24 concerning the remuneration of directors and 2 top managers, as well as the members of the Board of Auditors.

	TOTAL AT 31/12/2014
Compensation and other remuneration (1)	1,769
Post-employment benefits (2)	41

(1) Includes compensation paid to the General Manager and the Deputy General Managers.

(2) Represents the accrual for the year to the provision for termination benefits calculated in accordance with the applicable regulations.

	TOTAL AT 31/12/2014
Compensation of members of Board of Auditors	189

LOANS AND GUARANTEES GRANTED:

	TOTAL AT 31/12/2014
- Members of Board of Directors	793
- Members of Board of Auditors	0

2. INFORMATION ON TRANSACTIONS WITH RELATED PARTIES

FEES OF AUDIT FIRM

Pursuant to Article 149 – *duodecies* of the Consob Issuers Regulation no. 11971,
the following table reports the fees paid to the audit firm, Reconta Ernst & Young S.p.A., and entities belonging to its network.

SERVICE PROVIDER	TYPE OF SERVICE	FEES (€/000)*
Reconta Ernst & Young S.p.A.	Auditing	103
Reconta Ernst & Young S.p.A.	Ancillary auditing services	103
Reconta Ernst & Young S.p.A.	Certification (EMTN programs)	65
Ernst & Young - Studio Legale e Tributario	Tax advisory	7
TOTAL		**278**

* net of VAT and reimbursement of costs

NAME OF PARENT COMPANY
ICCREA HOLDING S.P.A.

REGISTERED OFFICE
VIA LUCREZIA ROMANA, 41/47
00178 ROME

PARENT COMPANY - KEY FIGURES AT DECEMBER 31, 2013 (THOUSANDS OF EUROS)

BALANCE SHEET	TOTAL AT 31/12/2013
Assets	**1,328,771**
Liabilities	**88,485**
Share capital	1,103,186
Legal reserve	28,927
Treasury share reserve	319
Extraordinary reserve	64,763
Other reserves	3,374
Valuation reserve	7,459
Share premium reserve	2,569
Treasury shares	(319)
Net profit (loss) for the period	30,008

Shareholders' equity	**1,240,286**
INCOME STATEMENT	**TOTAL AT 31/12/2013**
Net interest income	1,573
Net commission income	26
Gross income	60,138
Net income (loss) from financial operations	59,634
Operating expenses	(17,668)
Gains (losses) on equity investments	(15,190)
Net profit (loss) for the period	**30,008**

The Parent Company performs management and coordination activities.

THE FOLLOWING TABLES REPORT THE BALANCE SHEET AND INCOME STATEMENT ITEMS INVOLVED IN INTERCOMPANY TRANSACTIONS:

ASSETS	A20_FINANCIAL ASSETS HELD FOR TRADING	A30_FINANCIAL ASSETS AT FAIR VALUE	A60_DUE FROM BANKS	A70_LOANS TO CUSTOMERS	A150_ OTHER ASSETS
Bcc Risparmio e previdenza	-	-	-	-	(517)
Iccrea BancaImpresa	(71,823)	(321,232)	(13,687,057)	-	(19,378)
Bcc Gestione Crediti	-	-	-	(3,048)	(187)
Bcc Solutions	-	-	-	(23,853)	(3,014)
Bcc Retail	-	-	-	(781)	-
Bcc Servizi informatici	-	-	-	-	(1,113)
Iccrea Holding	-	-	-	-	(22,719)
Bcc Beni Immobili	-	-	-	(556)	(23)
Bcc Lease	-	-	-	(207,654)	(10)
Bcc CreditoConsumo	-	-	-	(464,024)	(109)
Bcc Factoring	-	-	-	(395,816)	(62)
Banca Sviluppo	(149)	-	(512,548)	-	(178)
GENERAL TOTAL	**(71,972)**	**(321,232)**	**(14,199,605)**	**(1,095,732)**	**(47,310)**

LIABILITIES	L10_DUE TO BANKS	L20_DUE TO CUSTOMERS	L30_ SECURITIES ISSUED	L40_FINANCIAL LIABILITIES HELD FOR TRADING	L50_FINANCIAL LIABILITIES AT FAIR VALUE	L100_ OTHER LIABILITIES
Bcc Risparmio e previdenza	-	4,310	-	-	-	11
Iccrea BancaImpresa	127,809	-	-	4,209	-	229
Bcc Gestione Crediti	-	909	-	-	-	62
Bcc Solutions	-	3,670	-	-	-	5,994
Bcc Retail	-	9	-	-	-	-
Bcc Servizi informatici	-	714	-	-	-	6,356
Iccrea Holding	-	152,056	-	-	-	20,261
Bcc Beni Immobili	-	-	-	-	-	5
Bcc Lease	-	-	-	-	-	30
Bcc CreditoConsumo	-	1,464	-	-	-	1
Bcc Factoring	-	835	-	-	-	-
Banca Sviluppo	143,331	-	190,537	-	-	-
GENERAL TOTAL	**271,140**	**163,967**	**190,537**	**4,209**	**-**	**32,949**

INCOME STATEMENT	10_INTEREST AND SIMILAR INCOME	20_INTEREST AND SIMILAR EXPENSE	40_ FEE AND COMMISSION INCOME	50_ FEE AND COMMISSION EXPENSE	80_ NET GAIN (LOSS) ON TRADING ACTIVITIES	150_ ADMINISTRATIVE EXPENSES	190_ OTHER OPERATING EXPENSES/INCO
Bcc Risparmio e previdenza	-	(5)	168	-	-	(11)	648
Iccrea BancaImpresa	131,390	(676)	1,495	(1)	44,180	(45)	4,432
Bcc Gestione Crediti	97	(10)	9	-	-	(64)	153
Bcc Solutions	1,100	(20)	1	-	-	(13,905)	993
Bcc Retail	13	-	-	-	-	-	-
Bcc Servizi informatici	-	-	351	-	-	(10,086)	618
Iccrea Holding	-	(976)	1	-	-	(3,130)	743
Bcc Beni Immobili	1	(2)	-	-	-	-	36
Bcc Lease	5,565	(5)	71	-	-	(252)	39
Bcc CreditoConsumo	14,990	(22)	84	-	-	-	150
Bcc Factoring	2,797	(2)	13	-	-	-	29
Banca Sviluppo	3,488	(4,834)	792	(629)	53	-	121
GENERAL TOTAL	**159,441**	**(6,552)**	**2,985**	**(630)**	**44,233**	**(27,493)**	**7,962**

The following table reports the assets, liabilities, guarantees and commitments at December 31, 2014, broken down by type of counterparty as required by IAS 24.

TRANSACTIONS WITH RELATED PARTIES: BALANCE SHEET

	TOTAL AT 31/12/2014			
	GROUP COMPANIES	GROUP ASSOCIATES /OTHER RELATED PARTIES	TOP MANAGEMENT	POST-EMPLOYMENT BENEFIT PLANS - EMPLOYEES
Financial assets held for trading	71,972	-	-	-
Financial assets at fair value	321,232	-	-	-
Financial assets available for sale	50	-	-	-
Due from banks	14,199,605	-	-	-
Loans to customers	1,095,732	2	793	2
Equity investments	261,455	2,155	-	-
Other assets	47,310	-	-	-
TOTAL ASSETS	**15,997,357**	**2,157**	**793**	**2**
Due to banks	271,140	-	-	-
Due to customers	163,967	53,186	5	4,804
Financial liabilities held for trading	4,209	-	-	-
Financial liabilities designated as at fair value	-	-	-	-
Securities issued	190,537	-	-	-
Other liabilities	32,949	-	-	-
TOTAL LIABILITIES	**662,802**	**53,186**	**5**	**4,804**
GUARANTEES GRANTED AND COMMITMENTS	**845,877**	**-**	**-**	**-**

The impact of such transactions on the income statement is reported below, broken down by type of counterparty.

TRANSACTIONS WITH RELATED PARTIES: INCOME STATEMENT

	TOTAL AT 31/12/2014			
	GROUP COMPANIES	GROUP ASSOCIATES /OTHER RELATED PARTIES	TOP MANAGEMENT	POST-EMPLOYMENT BENEFIT PLANS - EMPLOYEES
Interest and other income	159,441	-	8	-
Interest and other expense	(6,552)	(270)	-	(598)
Fee and commission income	2,985	680	-	-
Fee and commission expense	(630)	(431)	-	(87)
Net gain (loss) on trading activities	44,233	-	-	-
Operating expenses	(27,493)	-	-	-
Other operating expenses/income	7,962	-	-	-

Part I

Share-based payments

PART I – SHARE-BASED PAYMENTS

As at the reporting date, the Bank had no payment agreements based on its own equity instruments in place.

Part L

Operating segments

PART L – OPERATING SEGMENTS

In line with the provisions of IFRS 8, operating segment disclosures have been based on elements that management uses in taking its own operational and strategic decisions. The Bank's main income statement and balance sheet aggregates are reported below.

Primary reporting basis

Iccrea Banca systematically prepares management reports on the results achieved by the individual business segments into which its operations and organization are structured. These segments are:

- finance and lending;
- payment systems;

in addition to central governance and support functions, as well as the institutional services functions grouped under the "Corporate Center".

The business segments are formed from the aggregation of similar business units and lines in terms of the types of products and service they provide. This representation reflects the operational responsibilities set out in the Bank's organizational arrangements, with periodic reporting to top management.

More specifically, the finance and lending business segment includes the units Proprietary Finance and Trading, Treasury and Foreign Exchange, Institutional Sales, Securitizations and Institutional and Retail Lending, while the payment systems segment comprises Collections and Payments, E-Bank and CAIS Applications. For a discussion of the individual segments, please see the section on the Bank's activities in the report on operations".

Income statement

The following reports the main aggregates of the income statement by business segment. The figures are presented using the reclassified income statement format given in the report on operations.

	FINANCE AND LENDING		PAYMENT SERVICES		CORPORATE CENTER		TOTAL	
(THOUSANDS OF EUROS)	DEC. 14	DEC. 13	DEC. 14	DEC. 13	DEC. 14	DEC. 13	DEC. 14	DEC. 13
Net interest income	54,238	69,501	1,078	344	3,767	1,200	59,082	71,045
Net service income	49,753	36,978	108,169	108,181	47,365	22,550	205,287	167,709
TOTAL REVENUES	**103,990**	**106,479**	**109,247**	**108,526**	**51,132**	**23,749**	**264,370**	**238,754**
Administrative expenses	38,331	34,707	82,953	74,977	61,243	57,201	182,527	166,885
Net adjustments of property and equipment and intangible assets	1,264	1,283	2,890	3,125	3,698	3,196	7,853	7,603
TOTAL OPERATING EXPENSES	**39,596**	**35,990**	**85,843**	**78,102**	**64,942**	**60,397**	**190,380**	**174,489**
GROSS OPERATING INCOME	**64,395**	**70,488**	**23,405**	**30,424**	**(13,810)**	**(36,647)**	**73,990**	**64,265**

As regards the procedures for the determination of performance:

- net interest income is calculated by segment as the difference between actual interest and imputed interest on the treasury pool;
- net service income is calculated by way of direct allocation of income and expense components;
- operating expenses are allocated using a "full costing" approach that allocates all operating costs.

The decrease in net interest income (down €12 million compared with December 2013) is mainly attributable to the decline in the portfolio of financial assets resulting from the renewal of government securities with lower yields than the previous year.

Net service income, which came to €205.3 million at December 31, 2014, includes €164 million from net fees and commissions and other income, and €41 million from trading operations and from dividends.

Net fees and commissions and other income rose from €141 million in 2013 to €164 million in 2014. The increase includes the proceeds income from the sale of the custodian bank unit, equal to around €21 million.

The increase in net income from financial operations from €26.5 million in 2013 to €40.5 million in 2014 is attributable to the net increase in hedging of €4.5 million and the fair value gain of €14.8 million.

Administrative expenses totaled €182.5 million in 2014 and include personnel expenses in the amount of €67.8 million (€63.5 million the previous year) and other administrative expenses in the amount of €114.7 million (€103.4 million the previous year).

Total value adjustments amounted to about €7.8 million for 2014, of which €2.4 million in depreciation and €5.4 million in amortization.

As a result of the foregoing, the gross profit from ordinary operations at December 31, 2014, came to about €74 million, an increase of about €9.7 million on the previous year.

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Balance sheet

The following table reports the main balance sheet aggregates for lending to and funding from customers and banks. The amounts are end-period figures. Liabilities include share capital, reserves and net profit for the period.

The main balance sheet aggregates for lending to and funding from customers and banks are primarily attributable to the finance and lending segment (94%) as the payment system segment is mainly involved in providing fee-based services.

	FINANCE AND LENDING		PAYMENT SERVICES		CORPORATE CENTER		TOTAL	
(FIGURES IN MILLIONS OF EUROS)	DEC. 14	DEC. 13	DEC. 14	DEC. 13	DEC. 14	DEC. 13	DEC. 14	DEC. 13
Loans to customers	2,145	1,769	-	1,769	76	83	2,222	1,852
Due from banks	35,912	32,828	-	32,828	-	-	35,912	32,828
Financial assets and equity investments	8,554	8,017	43	8,017	427	245	9,024	8,314
TOTAL LENDING	**46,611**	**42,614**	**43**	**42,614**	**503**	**328**	**47,158**	**42,994**
Due to customers	15,694	14,895	393	14,895	3	4	16,090	15,292
Due to banks	24,118	21,393	-	21,393	-	-	24,118	21,393
Other financial liabilities	6,187	5,551	5	5,551	758	758	6,950	6,309
TOTAL FUNDING	**45,999**	**41,839**	**398**	**41,839**	**761**	**762**	**47,158**	**42,994**

Secondary reporting basis

As regards the secondary reporting basis, please note that the Bank operates almost exclusively in Italy.

Annexes

- Accademia BCC
- Hi-Mtf
- M-Facility
- Immicra

ACCADEMIA BCC – Financial statements

BALANCE SHEET

	ASSETS	31/12/2013	31/12/2012
B)	**NON-CURRENT ASSETS**		
I)	INTANGIBLES	1,510	1,000
II)	GROSS INTANGIBLES	9,711	22,750
TOTAL B)		**11,220**	**23,750**
C)	**CURRENT ASSETS**		
II)	RECEIVABLES		
1)	Due from customers	1,496,110	1,405,814
4-bis)	Tax receivables	106,404	75,317
5)	Other receivables	245,128	-
IV)	CASH AND CASH EQUIVALENTS		
1)	Bank and postal deposits	677,049	630,309
3)	Cash and valuables on hand	1,002	77
TOTAL C)		**2,525,693**	**2,111,517**
D)	**ACCRUED INCOME AND PREPAID EXPENSE**		
	ACCRUED INCOME AND PREPAID EXPENSE	40,610	35,601
TOTAL D)		**40,610**	**35,601**
	TOTAL ASSETS	**2,577,523**	**2,170,868**

	LIABILITIES AND SHAREHOLDERS' EQUITY	31/12/2013	31/12/2012
A)	**SHAREHOLDERS' EQUITY**		
I)	Share capital	800,000	200,000
IV)	Legal reserve	936	936
VII)	Other reserves	857	857
VIII)	Retained earnings (loss carried forward)	(407,721)	-
IX)	Net profit (loss) for the year	(33,878)	(407,720)
TOTAL A)		**360,193**	**(205,928)**
B)	**PROVISIONS FOR RISKS AND CHARGES**	**131,600**	**300,000**
C)	**EMPLOYEE TERMINATION BENEFITS**	**158,875**	**180,030**
D)	**PAYABLES** (falling due within next year)		
7)	Due to suppliers	1,708,289	1,158,609
12)	Due to tax authorities	112,623	126,954
13)	Due to social security institutions	81,876	65,646
14a)	Other payables	24,068	172,956
TOTAL D)		**1,926,855**	**1,884,165**
E) ACCRUED INCOME AND PREPAID EXPENSES		**-**	**(12,600)**
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,577,523**	**2,170,867**

INCOME STATEMENT

		31/12/2013	31/12/2012
A)	**VALUE OF PRODUCTION**	**2,731,974**	**2,749,979**
1)	Revenues from sales and services	2,205,436	2,562,527
5a)	Other revenues and income	193,538	187,452
5b)	Operating grants	333,000	-
B)	**PRODUCTION COSTS**	**2,705,705**	**4,031,065**
6)	Raw materials	13,849	13,581
7)	Services	1,352,078	1,531,930
8)	Leaseholds	146,356	251,161
9)	Personnel	1,149,938	1,823,283
10)	Depreciation, amortization and impairment losses	5,777	58,986
12)	Provisions for risks and charges	-	300,000
14)	Other operating expenses	37,707	52,124
A-B	**Difference between value and cost of production**	**26,269**	**(1,281,086)**
C)	**FINANCIAL INCOME AND EXPENSE**	**57**	**23**
16)	Other financial income	57	23
E)	**NON-RECURRING INCOME AND EXPENSE**	**(25,205)**	**(40,552)**
20)	Income	1,362	10,473
21)	Expense	26,567	51,025
	PROFIT (LOSS) BEFORE TAXES	**1,122**	**(1,321,615)**
22)	**INCOME TAX EXPENSE FOR THE YEAR**	**35,000**	**21,000**
	NET PROFIT (LOSS) FOR THE YEAR	**(33,878)**	**(1,342615)**

Hi-MTF - Financial statements

BALANCE SHEET

	ASSETS		31/12/2013		31/12/2012
10.	Cash and cash equivalents		333		1,019
60.	Receivables		6,186,318		5,594,779
100.	Property and equipment		12,566		25,025
110.	Intangible assets		33,170		70,694
120	Tax assets		17,267		-
	a) current	17,267		-	
	a) deferred	-		-	
140.	Other assets		40,050		184,315
	Total assets		**6,289,704**		**5,875,833**

	LIABILITIES AND SHAREHOLDERS' EQUITY		31/12/2013		31/12/2012
10.	Payables		-		43
70.	Tax liabilities		76,934		140,921
	Tax liabilities	76,934		140,921	
	a) deferred	-		-	
90.	Other liabilities		475,805		430,813
100.	Employee termination benefits		96,310		94,749
120.	Share capital		5,000,000		5,000,000
160.	Reserves		221,236		(241,431)
180.	Net profit (loss) for the period		419,420		450,738
	Total liabilities and shareholders' equity		**6,289,704**		**5,875,833**

INCOME STATEMENT

			31/12/2013		31/12/2012
50.	Fee and commission income		2,894,648		2,706,388
60.	Fee and commission expense		(5,895)		(64,007)
70.	Interest and similar income		151,493		172,464
80.	Interest and similar expense		(2,171)		(2,113)
	Gross income		3,038,076		2,812,732
110.	Administrative expenses:		(2,229,289)		(2,081,819)
	a) personnel expenses	(916,305)		(870,210)	
	a) personnel expenses	(1,312,985)		(1,211,609)	
120.	Net adjustments of property and equipment		(21,040)		(17,038)
130.	Net adjustments of intangible assets		(39,715)		(48,925)
160.	Other operating expenses/income		-		(22)
	Operating result		**748,031**		**664,928**
	Profit (loss) before tax on continuing operations		**748,031**		**664,928**
190.	Income tax expense from continuing operations		(328,612)		(219,166)
	Profit (loss) after tax on continuing operations		**419,420**		**445,761**
	Net profit (loss) for the period		**419,420**		**445,761**

STATEMENT OF COMPREHENSIVE INCOME

		31/12/2013	31/12/2012
10.	Net profit (loss) for the period	419,420	445,761
110.	Total other comprehensive income net of taxes	11,929	4,977
120.	Comprehensive income (item 10+110)	431,349	450,738

M – FACILITY S.p.A. – Financial statements

BALANCE SHEET

	ASSETS	31/12/2013	31/12/2012
B)	**NON-CURRENT ASSETS**		
I)	INTANGIBLES	-	-
Ia)	GROSS INTANGIBLES	1,221,182	6,281
TOTAL B)		**1,221,182**	**6,281**
C)	**CURRENT ASSETS**		
II)	RECEIVABLES	-	-
4-bis)	TAX RECEIVABLES	-	-
4a)	FALLING DUE WITHIN NEXT YEAR	10,526	1,634
IV)	CASH AND CASH EQUIVALENTS	-	-
1)	BANK AND POSTAL DEPOSITS	682,260	2,451
TOTAL C)		**692,786**	**4,085**
	TOTAL ASSETS	**1,913,968**	**10,366**

	LIABILITIES AND SHAREHOLDERS' EQUITY	31/12/2013	31/12/2012
A)	**SHAREHOLDERS' EQUITY**		
I)	SHARE CAPITAL	1,879,000	10,000
VIII)	NET PROFIT (LOSS) FOR THE YEAR	(3,080)	
IX)	NET PROFIT (LOSS) FOR THE YEAR	(27,573)	(3,080)
TOTAL A)		**1,848,347**	**6,920**
D)	**PAYABLES**		
7)	TO SUPPLIERS	-	-
7a)	FALLING DUE WITHIN NEXT YEAR	65, 191	2,366
12)	TO TAX AUTHORITIES	-	-
12a)	FALLING DUE WITHIN NEXT YEAR	325	879
14)	OTHER PAYABLES	-	-
14a)	FALLING DUE WITHIN NEXT YEAR	105	201
TOTAL D)		**65,621**	**3,446**
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,913,968**	**10,366**

INCOME STATEMENT

		31/12/2013	31/12/2012
A)	**VALUE OF PRODUCTION**	-	-
B)	**PRODUCTION COSTS**	**(327,573)**	**(3,068)**
6)	RAW MATERIALS	(86)	-
7)	SERVICES	(26,894)	(2,558)
14)	OTHER OPERATING EXPENSES	(593)	(510)
C)	**FINANCIAL INCOME AND EXPENSE**	**-**	**(12)**
17)	INTEREST AND OTHER FINANCIAL CHARGES	-	-
17a)	BANK INTEREST EXPENSE	-	(12)
D)	**VALUE ADJUSTMENTS OF FINANCIAL ASSETS**	**-**	**-**
E)	**NON-RECURRING INCOME AND EXPENSEE**	**-**	**-**
	PROFIT (LOSS) BEFORE TAXES (A-B+C+D+E)	**(27,573)**	**(3,080)**
	NET PROFIT (LOSS) FOR THE YEAR	**(27,573)**	**(3,080)**

IMMICRA s.r.l. – Financial statements

BALANCE SHEET

	ASSETS	31/12/2013	31/12/2012
B)	**NON-CURRENT ASSETS**	**15,676,561**	**3,635,721**
I)	INTANGIBLES	-	9,476
II)	PROPERTY AND EQUIPMENT	15,673,074	3,624,312
III)	FINANCIAL	3,487	1,933
C)	**CURRENT ASSETS**	**2,035,253**	**1,956,659**
II)	**RECEIVABLES**	**660,769**	**171,963**
1)	CUSTOMERS	59,184	19,548
4 BIS)	TAX RECEIVABLES	22,096	78,111
4 TER)	DEFERRED TAX ASSETS	1,091	-
5)	OTHER	578,397	74,305
III)	**CURRENT FINANCIAL ASSETS**	**-**	**1,000,000**
1)	SECURITIES	-	1,000,000
IV)	**CASH AND CASH EQUIVALENTS**	**1,374,484**	**784,696**
1)	BANK AND POSTAL DEPOSITS	1,374,484	784,671
2)	CASH AND VALUABLES ON HAND	-	25
D)	**ACCRUED INCOME AND PREPAID EXPENSES**	**4,145**	**14,380**
	TOTAL ASSETS	**17,715,959**	**5,606,760**

	LIABILITIES AND SHAREHOLDERS' EQUITY	31/12/2013	31/12/2012
A)	**SHAREHOLDERS' EQUITY**	**17,089,521**	**5,514,160**
I)	SHARE CAPITAL	12,649,000	6,630,000
II)	SHARE PREMIUM RESERVE	5,581,000	-
IV)	LEGAL RESERVE	4,759	4,759
VIII)	RETAINED EARNINGS (LOSS CARRY FORWARD)	(1,120,599)	(1,049,561)
IX)	NET PROFIT (LOSS) FOR THE YEAR	(24,639)	(71,038)
C)	**TERMINATION BENEFITS**	**4,476**	**2,821**
D)	**PAYABLES**	**607,628**	**89,779**
3)	SUPPLIERS	44,423	43,807
4)	INVOICES TO BE RECEIVED	543,601	41,854
5)	TAX AUTHORITIES	16,885	1,221
6)	SOCIAL SECURITY INSTITUTIONS	1,328	1,386
7)	OTHER	1,391	1,511
E)	**ACCRUED EXPENSES AND DEFERRED INCOME**	**14,333**	**-**
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**17,715,959**	**5,606,760**

INCOME STATEMENT

		31/12/2013	31/12/2012
A)	**VALUE OF PRODUCTION**	**366,810**	**444,013**
B)	**PRODUCTION COSTS**	**(424,860)**	**(576,458)**
C)	**FINANCIAL INCOME AND EXPENSE**	**47,960**	**38,904**
E)	**NON-RECURRING INCOME AND EXPENSE**	**-**	**19,094**
	PROFIT (LOSS) BEFORE TAXES (A-B+C+E)	**(10,090)**	**(74,447)**
	INCOME TAX EXPENSE FOR THE YEAR	(15,640)	3,822
	DEFERRED TAX ASSETS	1,091	(413)
23)	**NET PROFIT FOR THE YEAR**	**(24,639)**	**(71,038)**
	NET PROFIT (LOSS) FOR THE YEAR	**(24,639)**	**(71,038)**

Certification of the financial statements

Gruppo bancario Iccrea

Iccrea Banca S.p.A.
Istituto Centrale del Credito Cooperativo

CERTIFICATION OF THE FINANCIAL STATEMENTS 2014

We, the undersigned Francesco Carri, as Chairman of the Board of Directors, and Giuseppino Pezza as Chief Accounting Officer.

"We confirm to the best of our knowledge that:

1. the financial statements of the Issuer prepared in accordance with International Financial Reporting Standards (as adopted in the European Union) give a true and fair view of the assets, liabilities, financial position and profit of the Issuer;

2. the management report includes a fair review of the development and performance of the business and position of the Issuer, together with a description of the principal risks and uncertainties that they face.

Rome, 23 march 2015

Giuseppino Pezza
Chief Accounting Officer

Francesco Carri
Chairman of the Board of Directors

Auditor's Report

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Reconta Ernst & Young S.p.A.
Via Po, 32
00198 Roma

Tel: +39 06 324751
Fax: +39 06 32475504
ey.com

Independent auditors' report
pursuant to art. 14 and 16 of Legislative Decree n. 39 dated 27 January 2010
(Translation from the original Italian text)

To the Shareholders
of Iccrea Banca S.p.A.

1. We have audited the financial statements of Iccrea Banca S.p.A. as of 31 December 2014 and for the year then ended, comprising the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005 is the responsibility of Iccrea Banca S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by Directors. We believe that our audit provides a reasonable basis for our opinion.

   The financial statements of the prior year are presented for comparative purposes. As described in the explanatory notes, Directors have restated certain comparative data related to the prior year with respect to the data previously presented, on which we issued our auditor's report dated April 1, 2014. We have examined the method used to restate the comparative financial data and the information presented in the explanatory notes in this respect, for the purpose of expressing our opinion on the financial statements as of 31 December 2014 and for the year then ended.
3. In our opinion, the financial statements of Iccrea Banca S.p.A. at 31 December 2014 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of Iccrea Banca S.p.A. for the year then ended.
4. The management of Iccrea Banca S.p.A. are responsible for the preparation of the Report on Operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency with the financial statements of the Report on Operations and the specific section on Corporate Governance and the Company's Ownership Structure regarding the information included therein in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 2, letter b), as required by the law.

Reconta Ernst & Young S.p.A.
Sede Legale: 00198 Roma - Via Po, 32
Capitale Sociale € 1.402.500,00 i.v.
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For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations and the information included therein in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 2), letter b) included in the specific section on Corporate Governance and the Company's Ownership Structure, are consistent with the financial statements of Iccrea Banca S.p.A. at December 31, 2014.

Rome, March 18, 2015

Reconta Ernst & Young S.p.A.
Signed by: Alberto M. Pisani, Partner

This report has been translated into the English language solely for the convenience of international readers.

Iccrea Banca

BCC
CREDITO COOPERATIVO