# The right direction.

Annual report and financial statements

2015

Iccrea Banca

*Annual report and financial statements 2015*
*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 the management and coordination
of Iccrea Holding S.p.A.

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## CORPORATE BODIES

2013-2015

### BOARD OF DIRECTORS

| | |
|---|---|
| CARRI Francesco | Presidente |
| COLOMBO Annibale | Vice Presidente |
| FIORELLI Bruno | Vice Presidente |
| BUDA Pierino | |
| CAPOGROSSI Maurizio | |
| DURANTI ENRICO dal 4.03.2016 | |
| MAZZOTTI Roberto fino al 31.01.2016 | |
| MICHIELIN Gianpiero | |
| MOTTA Flavio | |
| PALDINO Nicola | |
| RAVAGLIOLI Domenico | |
| SAPORITO Salvatore | |

### BOARD OF AUDITORS

| | |
|---|---|
| GASPARI Luigi | Presidente |
| CATAROZZO Camillo | Sindaco Effettivo |
| NAPPINI Eros | Sindaco Effettivo |
| GIUDICI Massimo | Sindaco supplente |
| MASCARELLO Santiago | Sindaco supplente |

### GENERAL MANAGER

RUBATTU Leonardo

# Overview of 2015

## SUMMARY OF OPERATIONS 2015

In its role as the finance hub of the mutual banking system, Iccrea Banca provided support to the mutual banks and to the Group companies through a series of initiatives in domestic and foreign money and financial markets, as well as in collateralized markets, through transactions with the European Central Bank (ECB) and with market counterparties.

In March, June, September and December, participation in four targeted longer-term financial operations (TLTRO) in response to the positive trend in lending by the TLTRO Group compared with the aggregate benchmark, raised a total of €2.6 billion, in addition to around €4 billion in the first two auctions in 2014. The total amount of collateralized loans to the mutual banks from Iccrea Banca through the collateral pool mechanism remained at around €20 billion at December 2015.

The intensification of collateralized funding at negative rates, together with the dynamic management of the proprietary portfolio, generated significant profit margins, which served to support the levels of return offered to the mutual banks and their customers.

Within the scope of medium/long-term funding, 12 bond issues were carried out, totaling €1.816 billion, with an average residual maturity at issue of 4.25 years. The shareholders of the mutual banks subscribed 42.8% of the total nominal amount issued, their retail customers 37.2%, institutional customers 3.5%, and Group companies 16.5%. The placement of medium/long-term bonds, registered, inter alia, the placement of three subordinated issues for a total nominal amount of €134.6 million of which 91% with the mutual bank shareholders.

Within the scope of structured finance activities to support the mutual banks, a multi-originator non-recourse assignment of non-performing mortgage loans and unsecured loans (NPLs) was structured with the participation of 28 banks, the mutual bank deposit guarantee fund, and two banks from outside of the mutual bank industry for a gross value of about €300 million.

With regard to activities in support of the Group companies, work began, in collaboration with the European Investment Bank (EIB), on structuring a new securitization of performing lease receivables amounting to around €1.3 billion.

The volume of order collection by the mutual banks in 2015 decreased by around 7% to €50.6 billion compared with a record €54.2 billion in 2014.

Once again, the Ministry for the Economy and Finance assigned Iccrea Banca the role of co-dealer in the placement of a BTP Italia issue (the eighth) along with its regular activity of providing support and assistance to the mutual banks during placement.
Subscriptions by the mutual banks through the Bank amounted to €1.1 billion, or 11.8% of the total placement, while subscriptions by mutual bank shareholders in the placement reserved for institutional customers accounted for 23% of the issue. The mutual banks traded over €126 billion of Italian government securities with the Bank, a 34% decrease compared with the previous year. A new trading procedure on the Bloomberg IBFI platform was introduced In May, with trades amounting to more than €6.5 billion.
With regard to hedging with financial derivatives, significant efforts were made to raise awareness on managing interest rate risk. Numerous macro-hedging transactions with mutual banks were conducted to hedge loan portfolios.

Lending activities in 2015 included providing financial support to mutual banks and identifying solutions to address their needs arising from the revision of the European regulatory framework for banking supervision. The new regulatory framework impacted the operations of Iccrea Banca when it aligned the Bank Counterparties Credit Policy with the risk limit system contained in the Risk Appetite Framework (RAF) and explained in the Risk Appetite Statement (RAS), which defines the risk objectives of Iccrea Banca for 2015.

In quantitative terms, in 2015, Iccrea Banca continued to provide assistance (based on their financial and operational profile) to the mutual banks and the banks that rely on the Bank through 345 financing operations in the form of operating loans and facilities, 27 preliminary opinions, and the re-examination of 459 existing credit ceilings.

As at December 31, 2015, total lending to mutual banks and other banks amounted to €19,074 million, of which, €18,872 million to mutual banks and €202 million to other banks. Uses of loans mainly regarded lines of credit for treasury operations secured by collateral pools (€18,780 million). The remaining portion was mainly represented by bonds subscribed by the Bank to support the medium/long-term funding of the mutual banks (€281 million).

Iccrea Banca also assisted a number of mutual banks in resolving particularly challenging situations through support initiatives, at times in partnership with other central institutions of the mutual bank industry. This was achieved by authorizing the disbursement, through various types of financing, of €152.2 million to mutual banks facing crisis situations or in difficulty, taking into account the transactions regarding the liquidations of

Banca Padovana and Banca Romagna Cooperativa. More specifically, Banca Padovana was purchased by BCC di Roma through a loan of €99.2 million granted by Iccrea Banca as its share of a pool transaction with Cassa Centrale Banca and Cassa Centrale Raiffeisen. This pool transaction amounted to €179.2 million for the purchase of a portion of a vehicle dedicated to bad debts from the liquidation of Banca Padovana.

The Bank also sought to meet the needs of the mutual banks by modifying some features of bonds already issued and subscribed by Iccrea Banca, which enabled the mutual banks to overcome technical barriers that had prevented their inclusion in the calculation of their own funds (€24 million).

Concerning the international segment in 2015, the Bank continued the development initiatives undertaken in previous years. These consisted of 53 transactions, of which 51, documentary credit confirmations (totally guaranteed by Iccrea BancaImpresa) and two refinancing letters of credit, all of which, were completed with banks in various countries in Europe, Asia, Africa and the Americas.

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. In 2015, products such as SEPA Credit Transfers, Direct Debits, and Cash, continued to be refined to ensure full compliance of in-house procedures with the developments in national and international market standards.

The pricing policy was 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 mutual banks and Iccrea Banca;
- leverage the role and nature of the mutual banking circuit 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, initiatives were implemented in the various areas of payment systems in order to comply with the new system rules and develop new products. These initiatives concerned:

- 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 with the 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 so that the Group will be perceived as a single entity;
- the creation of the infrastructure needed to enable the mutual banks to offer innovative products such as C_BILL and EBA My Bank and the consequent payment activities involving both private-sector actors and government entities;
- starting the process for becoming an accredited repository with the Agency for Digital Italy (AgID) to enable the banks served to conduct efficient transactions with government entities.

Regarding the payment card segment, growth continued in card issuing, with 3.2 million active cards and around €16.8 billion in transactions, and in POS and ATM acquiring, with over 166,000 POS terminals, 4,300 active ATMs, and around €19.3 billion in transactions.

Regarding the issuing segment, all three components, i.e. debit, prepaid, and credit cards, recorded increases, which at the end of 2015 can be summarized as follows:

- the number of active debit cards equipped with chip technology increased by 5.0%, to 2.1 million compared with 2.0 million in 2014;
- the stock of active credit cards increased by 6.1%, from 727,000 cards at the end of 2014 to 768,000 cards at the end of December 2015;
- the number of active prepaid cards increased by 2.7%, from 395,000 at the end of 2014 to 406,000 at the end of 2015.

Similarly, in the acquiring segment, volume growth increased by 5.0%, to €19,3 billion in total transaction value in 2015 (of which €13.5 billion on the PagoBANCOMAT/BANCOMAT circuit and €4.9 billion on international circuits), compared with €17.6 billion in 2014.

Various projects were completed during the year towards increasing the efficiency of the operating structure and the volumes handled, and developing new business models through the following:

- internalization of back office/operations activities related to the Acquiring service on international circuits with a significant increase in cost efficiency;
- roll-out of the Push Acquiring project designed to support the mutual banks in placing the Acquiring product through a network of dedicated agents: as

at December 31, 2015, 41 mutual banks were participating in the project, of which 26 are already placing the product and 11 are about to;

- activation of a new assistance channel for the mutual banks through the implementation of a trouble-ticketing platform;

- launch of the new www.cartabcc.it website and of the mobile App MyCartaBCC;

- implementation of the new customer loyalty program, "PremiataTi" for CartaBCC cardholders;

- introduction of the Direct Issuing range of products on the MasterCard circuit, which, in 2016, will enable the mutual banks to move the issuing of the new cards (debit, credit, and prepaid) entirely in-house;

- completion of circuit certification and implementation of the internalization of Acquiring POS processing;

- development of the Sconti Riservati platform (www.ScontiRiservati.it), a virtual marketplace of the mutual banking circuit that connects cardholders with mutual bank merchants.
  The Bank engaged the mutual banks in searching for and selecting "local examples of excellence", i.e. business customers who stand out for the excellence of their products and to whom the mutual banks will provide free access to the new platform;

- repricing of the Issuing products to mutual banks in compliance with regulations that impose significant reductions in interbank commissions and fees;

- roll-out of the Satispay service provided directly by the Bank. Satispay is a mobile app for peer-to-peer money transfers and for payments via smartphones at participating merchants.

In the second half of 2015, in line with the insourcing process that began in the previous year, the internalization of two important areas of operations was completed:

- in June 2015, around two million debit cards, (previously managed in full outsourcing on non-proprietary systems), were migrated to the new internal platform;

- in December 2015, around 400,000 prepaid cards (previously managed in full outsourcing on non-proprietary systems) were migrated to the Bank's proprietary systems.

In addition to generating performance benefits due the termination of outsourcing contracts, the completion of internalizing these operations will enable the Bank to considerably improve the level of operational efficiency, which will be reflected in better quality services provided to the mutual banks. Also, in-house management of processing of debit and prepaid cards will allow the Bank to improve the management of the information assets connected with the transactions carried out using these cards.

With regard to the "Direct Issuing" project launched the previous year in order to introduce a new range of products (credit, debit, and prepaid cards) entirely managed through the management and authorization platform of Iccrea Banca, a pilot project was initiated in April 2015 involving 29 mutual banks. The pilot project, which consisted in issuing new CartaBCC Cash, Classic, and Tasca MasterCard products to customers, was successfully completed in June 2015 and enabled fine tuning of the new operating structure.

In June 2015, the ensuing roll-out plan was implemented by enabling all the mutual banks to issue the MasterCard (CartaBCC Cash) and then, in October it enabled them to issue the Mastercard Classic credit and prepaid cards.

Iccrea Banca also continued to develop its Sconti Riservati e-commerce platform in 2015, in order to implement its new strategy where electronic money serves as a "relationship hub" aimed at creating new sources of earnings by drawing value from its information resources.

Through this initiative, Iccrea Banca provides the mutual banks and its credit card holders a very different service from that provided by its major competitors whose e-commerce platforms are full of promotions exclusively for their cardholders. In contrast, the new mutual banks' e-commerce platform was designed with the clear goal of serving as a relationship hub that would connect the "supply" of the mutual banks' business customers with the "demand" of the consumer cardholders.

The mutual banks are the only players on the domestic market capable of matching their partners' supply with their customers' demand, which is also attractive in terms of scale: the products of the business partners are showcased on a national platform that could be potentially visited by three million cardholders. All players benefit from these transactions: cardholders purchase products and services at favorable prices, business customers of the mutual banks gain access to a large e-commerce platform at no cost and, finally, the mutual banks earn a significant percentage on each transaction made through the platform, ranging between 1% and 3% compared with 0.35% on normal credit card transactions.

One of the largest benefits for business customers is that they can participate in the e-commerce platform for free. The "logistics platform" is one of the services provided to business customers at no charge, which is often the major barrier to entry into the e-commerce market for small craft businesses. Transport and home delivery services are also provided through the Sconti Riservati platform at no cost.

In further developing the service provided to its customers to enhance their loyalty and satisfaction, and to create new business opportunities, Iccrea Banca has also introduced, in partnership with the mutual banks, a number of specific telephone initiatives 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 support in registering on the www.cartabccpos.it portal.
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With regard to the activities of the Contact Center that provides assistance to CartaBCC cardholders, in 2015 Iccrea Banca handled a total of more than 1.6 million calls. In 2015, in order to improve Customer Service, the interactive voice response (IVR) service was improved so as to simplify menu navigation and thus increase the number of calls handled in automated mode and thereby decrease the number of calls requiring the attention of an operator. At the end of 2015, automated calls accounted for 44% of all calls handled, compared with 40% in the previous year.

In addition, to increase the quality of the service provided to the mutual banks, a new "E-Money Help Desk" was set up to improve efficiency in handling operational reports received from the mutual banks by replacing the e-mail channel with an IT tool more suitable for handling reports. Consequently, customer banks can continuously monitor the status of their reports through the real-time tracking of the progress of each request for assistance.

Finally, in an environment of falling fee income due to the introduction of the European Union's new regulation on interchange fees (a 50% decrease in interchange fees from pre-regulation market rates), Iccrea Banca has taken steps to offset the negative impact that this decrease would have had on its income statement as well as on those of the customer mutual banks through a new pricing policy for each product category. The new pricing scheme has been designed to maintain the same percentage allocation between the mutual banks and Iccrea Banca of the net fees generated from the electronic money segment. The actual allocation of the mutual banks/Iccrea Bank fees will largely depend on market dynamics in 2016 regarding Acquiring products (according to in-house estimates, merchant fees will gradually decrease). Consequently, a monitoring phase of the new pricing scheme has been planned for the end of 2016, (including a possible corrective action), in order to ensure that the commission income allocated to the mutual banks and Iccrea Banca will continue to be balanced in future years.

With regard to Institutional Services, the Iccrea Banca product range continues to be an efficient and affordable option for mutual banks compared with in-house process management and direct involvement in central guarantee and settlement systems, particularly within an 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 range includes a single custodian per customer who is capable of delivering the entire value chain of securities administrative and settlement services. In addition, it provides a high degree of flexibility in service delivery so that it can also handle non-standard approaches, customizing products and services based on customer needs.

The most important projects in 2015 concerned areas covered by the European Market Infrastructure Regulation (EMIR) governing derivatives, the introduction of the new European securities settlement system, Target2 Securities, and securities operations carried out by the ECB. The mutual banks have access, through a dedicated portal, to all of the services provided by Iccrea Banca concerning EMIR compliance with respect to derivative contracts, including the service for reporting derivatives trades to the trade repositories and the measurement of capital requirements. In view of the introduction, in 2016, of the obligation to clear OTC derivatives through central counterparties (CCP), phasing in of this obligation has begun indirectly through Banca IMI, which serves as a clearing broker.

With regard to the Target2 Securities project, the new infrastructure that was launched in June 2015 by the ECB and the European System of Central Banks to settle securities transactions, Iccrea Banca has been successfully operating in the new securities settlement system as a Direct Participant alongside the leading international players in securities settlement and custody. It began operations in August 31, 2015, when the Italian securities market migrated to Target2 Securities. Thus, the Bank is among the top 30 banks in Europe and the top three in Italy that have opted for this approach. In addition to strengthening the Bank's central role in the markets and in the mutual bank network, this approach was adopted for its flexibility and independence compared with central custodians. It will also enable the mutual bank system to exploit future opportunities that will arise in the European post trade arena in terms of quality of services and costs, which will also benefit the offer available to its customers.

Efforts to increase efficiency and to rationalize the information providers for the securities database continued in order to improve and enhance the quality of data produced and to optimize the associated costs.

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

With regard to financial information, the daily publication of research on investment called "Market Trends" continued in 2015 to provide support in decision-making to the mutual banks' investment and advisory activities. In addition, the Global Equity Monitor service is now operational and provides insight on technical analyses of over 800 equity securities listed on euro-area and US markets.

In 2015, the consulting relationships with the mutual banks regarding MIFID-compliant financial investments promoted by the ALM and Consulting unit were strengthened in a volatile market environment that saw an increase in the risk profile of the banks' securities portfolio. At the end of 2015, 184 mutual banks subscribed to the ALM service, of which, 119 included financial consulting services, partially as the result of specific agreements signed with seven federations.

In 2015, the Financial Solutions Unit consolidated its specialized support activities within the scope of operations of systemic importance (such as TLTRO refinancing involving 187 banks). Activities involving a large number of users (such as financial consulting services through the consolidation of a risk/return analysis tool for over 400 portfolios held by around 200 mutual banks), as well as operations requested by mutual banks, federations, and Iccrea Banca shareholders specifically regarding the development of the quantitative analysis of financial tools.

In 2015, the Institutional Marketing unit completed the digital positioning of products and services connected with the CartaBCC brand (online technology and usability), developing high-level expertise in project management and digital communications. Reporting and communications tools were included in the strategic planning and editorial policy of CartaBCC, conveyed in the campaign "Quella giusta per te" (The right one for you) based on the brand/product through a synergic combination of and presence on the web and television. Market Analysis saw the production of reports on e-money that were sent to local mutual banks to monitor trends in the use of the credit, debit and prepaid cards, and the statistics on sales made through the Sconti Riservati e-commerce portal. At the same time analyses were carried out, also using big data approaches, to develop a comprehensive picture of purchasing behavior with respect to the products and services used by Iccrea Banca customers.

In 2015, the catalogue of products that can be used in entirely digital format was strengthened. Adopting a co-ordinated interface, it presents well-known products and launches new ones developed from actively listening to customer needs and the opportunities of the internal and external market, such as Satispay, My Bank, STS, CBILL, advertising on the CartaBCC account statement, and Push Acquiring.

In addition to the initiatives that it developed in 2015, the Institutional Marketing unit continues to regularly and diligently perform support activities for the mutual banks and Iccrea Banca's business lines, as well as for senior management and the commercial unit.

In 2015, the ICT unit was significantly changed with a view to building a more integrated ICT organization, in accordance with the highest industry standards, in order to rapidly achieve operating performance in line with those of the best banks. Accordingly, strategic development efforts by the ICT focused on modernizing the basic elements of the technological architecture (networks, servers and storage), strengthening security standards and mechanisms, and testing flexible development methods and innovative technologies in support of mobile banking services.

In 2015, the Web and Multichannel Applications unit continued its efforts towards implementing, managing, and providing assistance and maintenance to web services for the mutual banks. The facility managed around 80 vertical projects, of which 37 for Iccrea Banking Group, 40 for mutual banks, and 8 for federations and other industry entities. The year was marked by new implementations towards digital restructuring the world of CartaBCC with the introduction of the "myCartaBCC" app, the new CartaBcc, CartaBCC Club and PremiaTi portals. In order to mitigate risks, there was a particular focus on security by performing penetration tests, vulnerability assessments, and code verification as well as through continuous improvement processes.

In 2015, the Electronic Money Applications unit saw the first significant results from the internalization work that it carried out in the last three years. Regarding the issuing sector ("Direct Issuing" project), new card products were introduced and the mutual banks were authorized to issue international debit cards and credit and prepaid cards. In addition, around two million Maestro cards and around 400,000 prepaid Mastercard cards were migrated on Iccrea Banca platform, with a significant reduction in SIA service fees for 2016. Regarding the acquiring sector, the upgrading of ATMs began with the installation of the Multivendor WWS platform, which, in addition to providing new client/server multichannel functions (such as paying postal payment slips, ACI vehicle excise duty, and cash deposits) and uniform ATMs, it enables the Bank to successfully offer new products to the mutual banks. At the close of the year, around 1,300 ATMs out of over 4,000 had been migrated.

The Payments Systems and International Applications unit completed the process of stabilizing and optimizing the payments hub platform, thus radically improving the level of services compared with 2014 and contributing to restoring confidence among the mutual banks in the transaction services that it provides. During the year, many specifically developed initiatives were carried out to adapt Swift applications, applications for anti-money laundering and anti-terrorism monitoring, the applications center, and for the corporate interbank banking network.

The integration of the Satispay service into the Bank's technological architecture was successfully completed during the year, while ensuring operational continuity during the implementation stage and supporting the development of the service on the market.

In the course of 2015, the Finance Applications unit completed the first phase of the Target2 Securities project (T2S) on schedule and in compliance with the expected quality parameters. In addition, the first phase of the proprietary new front office project was launched and the ABACO Pool project was also completed, thus allowing for an increase in the services provided to mutual banks and Group companies. The phases that were planned for 2015 in preparation of the entry into force of the MIFID European Commission's directive and the implementation of the European Commission's EMIR directive were also completed.

In 2015, the process of consolidating the analysis systems according to standards established at the Group level continued. The main projects involved the Management Data Warehouse, which was enhanced with information on the products of the Group's companies and operational data of Banca Sviluppo, as well with SAP, which evolved with the introduction of HANA technology, thus simultaneously consolidating the supply chain of the Group's companies.

In 2015, the ICT Operations unit began a major rationalization of the Oracle database, SQL Server and the technical and functional adaptation of the DB2 and MQ aimed at improving the reliability profile of the DB components and reduce management operating costs.

On the compliance front, efforts focused on identifying, assessing, and monitoring risks to the Bank of non-compliance, money laundering and terrorist financing as well as on identifying the Bank's operational risks. Again, in 2015, the main interventions consisted in providing consulting and support services to the business units and senior management regarding new commercial initiatives, the systematization of actions to adapt the control systems designed for managing compliance, operational, and money laundering risks.

With regards to basic technology, work continued on constantly updating and adapting infrastructures to organizational needs, both in terms of capacity and regulatory compliance, the latter of which is of particular importance in the electronic money segment. At the same time the ICT unit continued the internal reorganization process 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.

In summary, in 2015, Iccrea Banca played a leading role once again as partner to mutual banks in providing comprehensive support and in assisting them in consolidating their position on the domestic market and in achieving significant financial and operational results:

- Economic value of €348 million was created for the mutual banks:
  - €120 million in interest recognized;
  - €228 million in commissions and fees passed through.

- Support of liquidity and system profitability:
  - €18.9 billion in collateralized loans in the form of operating loans and facilities (average annual exposure);
  - €307 million in bonds underwritten (average annual exposure);
  - €7.7 billion average balance in active management of liquidity using short-term treasury instruments;
  - an outstanding of €2 billion /3.4[B1] in securitized loan portfolios.

- Support for operations and system stability:
  - €47 billion in direct trading and order collection;
  - €276 million items handled in the collections and payment segment;
  - €36 billion in volumes handled in the electronic money segment;
  - €121 million in financing for interventions in support of the deposit guarantee fund

- €55 million of cash flexibility for interventions in support to the Bank's guarantee fund
- €99.2 million loan for purchasing a portion of a vehicle for the bad debts from the liquidation of Banca Padovana

These efforts will continue in 2016 and the partnership role will be strengthened in an increasingly dynamic and challenging market.

# Report on operations

*January 1 to December 31 2015*

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### Report on Operations

## ABOUT US

Iccrea Banca is the central credit institution for the mutual banking system. Our mission, as enshrined 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 Iccrea Banca.

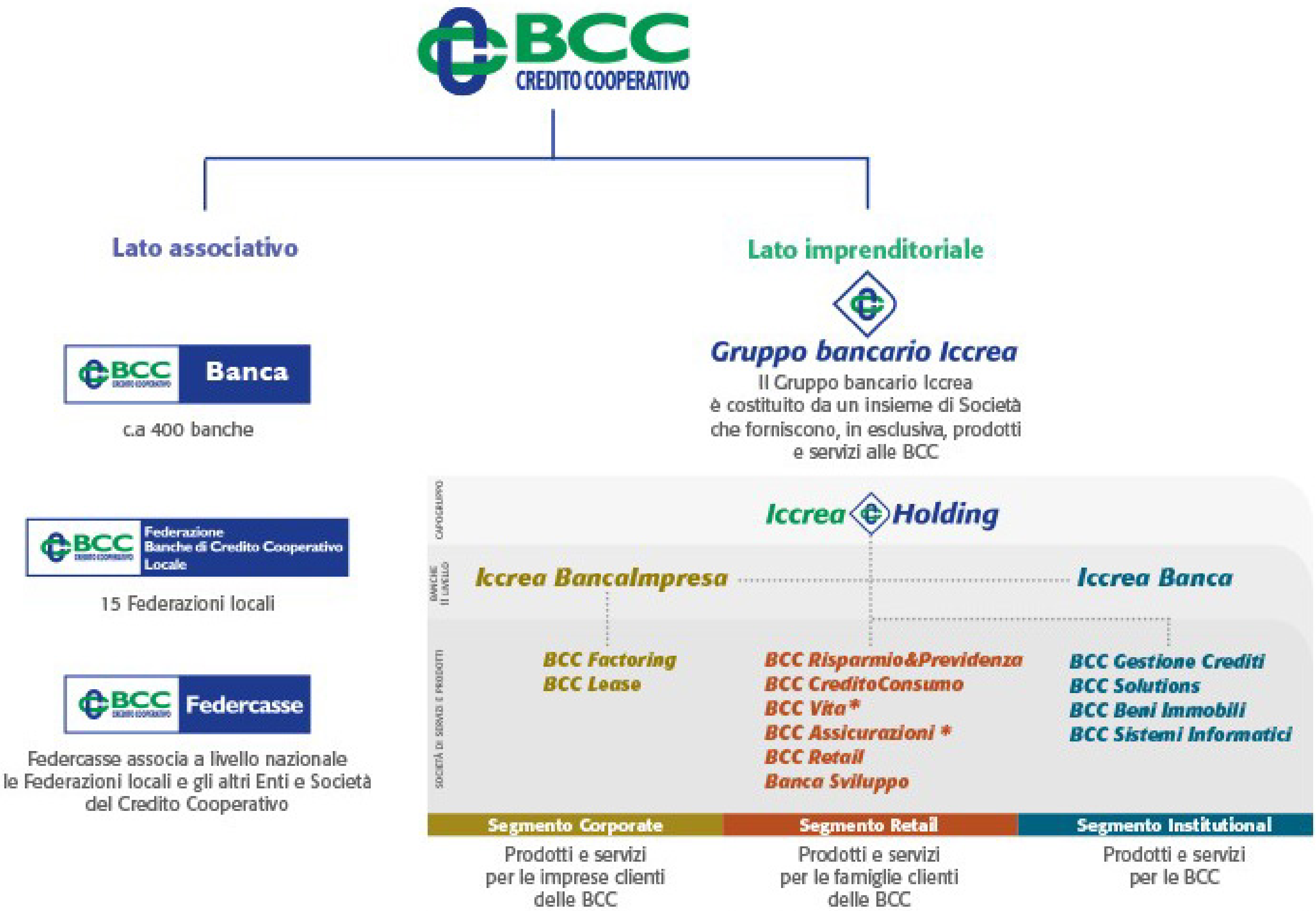
Iccrea Banca is a solid organization, providing services in the areas of finance, electronic money and payment systems, while also providing credit services to support the needs of the mutual banking system.

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 comprises the full line of Italian and international credit, debit and pre-paid payment cards.

## THE ICCREA BANKING GROUP

The Iccrea Banking Group is a group of companies that share a primary objective: to support the operations of mutual banks and meet the needs of their local customers, both corporate (small and medium-sized enterprises) and retail (households). The services and products that the Group offers through its two banks (Iccrea Banca and Iccrea BancaImpresa) and the other subsidiaries of the parent company, Iccrea Holding, as well as major partnerships with outside providers, range from insurance (both life and non-life) to finance and investment, and include business-strategy consulting and training. Thus, the companies of the Iccrea Banking Group do not work directly with the market, but rather offer an integrated system of solutions for all mutual banks in their local markets, enabling them to be local actors in economic and social development.



# 1. MAIN RESULTS OF THE BANK

| Reclassified balance sheet (thousands of euros) | Assets | Dec-15 | Dec-14 | % change |
|---|---|---|---|---|
| Financial assets held for trading | 20. Financial assets held for trading | 402,780 | 471,050 | -14.5% |
| Financial assets designated as at fair value through profit or loss | 30. Financial assets designated as at fair value through profit or loss | 337,911 | 321,232 | 5.2% |
| Financial assets available for sale | 40. Financial assets available for sale | 6,720,078 | 4,145,823 | 62.1% |
| Financial assets held to maturity | 50. Financial assets held to maturity | 1,779,509 | 3,536,799 | -49.7% |
| Due from banks | 60. Due from banks | 31,939,294 | 35,587,200 | -10.3% |
| Loans to customers | 70. Loans to customers | 4,077,715 | 1,873,283 | 117.7% |
| Equity investments | 100. Equity investments | 263,610 | 263,610 | 0.0% |
| Property and equipment and intangible assets | | 16,526 | 18,107 | -8.7% |
| | 110. Property and equipment | 7,794 | 9,402 | -17.1% |
| | 120. Intangible assets | 8,732 | 8,705 | 0.3% |
| Tax assets | 130. Tax assets | 6,273 | 1,967 | 218.9% |
| Other assets | | 245,646 | 261,928 | -6.2% |
| | 10. Cash and cash equivalents | 91,044 | 104,077 | -12.5% |
| | 80. – 90. Hedging derivatives - Value adjustments of macro-hedged financial assets | 11,113 | 10,504 | 5.8% |
| | 150. Other assets | 143,489 | 147,347 | -2.6% |
| | **Total assets** | **45,789,341** | **46,480,999** | **-1.5%** |

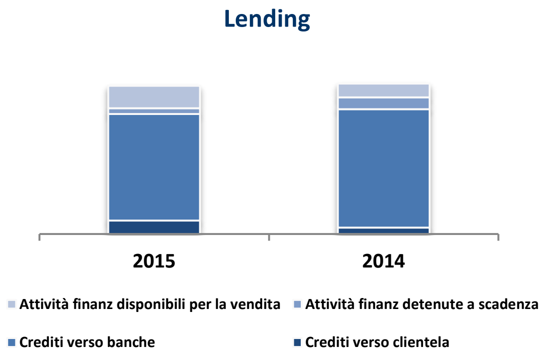
| Reclassified balance sheet (thousands of euros) | Liabilities and shareholders' equity | Dec-15 | Dec-14 | % change |
|---|---|---|---|---|
| Due to banks | 10. Due to banks | 13,670,457 | 29,295,429 | -53.3% |
| Due to customers | 20. Due to customers | 26,029,648 | 10,940,997 | 137.9% |
| Securities issued | 30. Securities issued | 4,368,998 | 4,397,339 | -0.6% |
| Financial liabilities held for trading | 40. Financial liabilities held for trading | 475,615 | 487,068 | -2.4% |
| Financial liabilities designated as at fair value through profit or loss | 50. Financial liabilities designated as at fair value through profit or loss | 437,636 | 462,100 | -5.3% |
| Other liabilities | | 278,194 | 330,199 | -15.7% |
| | 80. Tax liabilities | 17,988 | 22,474 | -20.0% |
| | 60. Hedging derivatives | 88,035 | 77,039 | 14.3% |
| | 90. Liabilities associated with assets held for sale | 0 | 0 | |
| | 100. Other liabilities | 172,171 | 230,685 | -25.4% |
| Provisions | | 19,121 | 20,044 | -4.6% |
| | 110. Employee termination benefits | 12,769 | 13,740 | -7.1% |
| | 120. Provisions for risks and charges | 6,352 | 6,304 | 0.8% |
| Reserves | | 283,513 | 283,217 | 0.1% |
| | 130. Valuation reserves | 89,088 | 96,292 | -7.5% |
| | 160. Reserves | 194,425 | 186,925 | 4.0% |
| Share capital | 180. Share capital | 216,913 | 216,913 | 0.0% |
| Net profit/(loss) for the period | 220. Net profit/(loss) for the period (+/-) | 9,245 | 47,693 | -80.6% |
| | **Total liabilities and shareholders' equity** | **45,789,341** | **46,480,999** | **-1.5%** |

| Reclassified income statement (thousands of euros) | | | | |
|---|---|---|---|---|
| | Dec-15 | Dec-14 | % change | Items pursuant to format in Bank of Italy Circular 262 of 22/12/2005 |
| **Net interest income** | **82,688** | **59,082** | **40.0%** | **10-20** |
| Net income (loss) on financial transactions | 47,374 | 40,453 | 17.1% | 80-90-100-110 |
| Dividends | 231 | 536 | -56.9% | 70 |
| **Net fee and commission income** | **127,367** | **122,825** | **3.7%** | **40-50** |
| Other operating expenses/income | 20,013 | 41,473 | -51.7% | 190 |
| **Total revenues** | **277,672** | **264,370** | **5.0%** | |
| Personnel expenses | -62,330 | -67,813 | -8.1% | 150a |
| Other administrative expenses | -185,114 | -114,714 | 61.4% | 150b |
| Net adjustments of property and equipment and intangible assets | -9,729 | -7,853 | 23.9% | 170-180 |
| **Total operating expenses** | **-257,173** | **-190,380** | **35.1%** | |
| **Gross operating profit** | **20,498** | **73,990** | **-72.3%** | |
| Net provisions for risks and charges | -232 | -1,049,471 | **-99.9%** | 160 |
| Net losses for impairment of loans and other financial transactions | -3,441 | 4,053 | -184.9% | 130 |
| Adjustments of goodwill | | | | 230 |
| **Total provisions and adjustments** | **-3,673** | **3,004** | **-222.3%** | |
| **Net operating profit** | **16,826** | **76,994** | **-78.1%** | |
| **Profit/(loss) before tax** | **16,826** | **76,994** | **-78.1%** | |
| Income tax expense from continuing operations | -7,580 | -29,301 | -74.1% | 260 |
| Profit/(loss) after tax from continuing operations | 9,245 | 47,693 | -80.6% | 280 |
| **Net profit/(loss) for the period** | **9,245** | **47,693** | **-80.6%** | |

# PERFORMANCE INDICATORS

## Lending

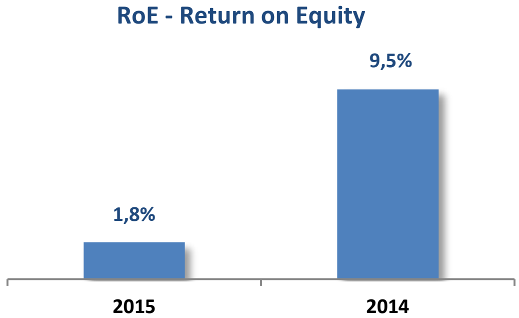
In 2015, total loans to banks and customers accounted for 72% and 9% of the total, respectively. Financial assets held to maturity and financial assets available for sale amounted to 4% and 15% of the total.




## Return on Equity (RoE)

Return on equity for 2015 came to 1.8%, down from 9.5% for 2014, due essentially to the increase in other administrative expenses as a result of the contributions paid to the National Resolution Fund to rescue four banks.

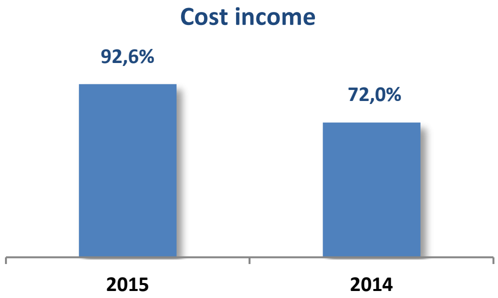
ROE is calculated as the ratio of net profit for the period to equity at the end of the period.




## Cost-to-income ratio

The cost-to-income ratio for 2015 came to 92.6%, an increase on the ratio for 2014 due to the contributions paid to the National Resolution Fund.

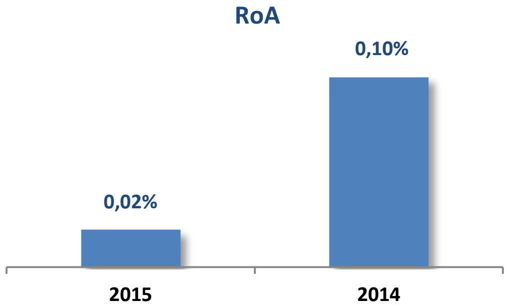
This ratio is calculated as the ratio of operating costs (administrative expenses and depreciation and amortization) to total revenues, including other operating income. It is an indicator of productivity expressed as the percentage of revenues absorbed by operating costs.




## Return on Assets (RoA)

Return on assets for 2015 came to 0.02%, a decrease on the end of 2014.

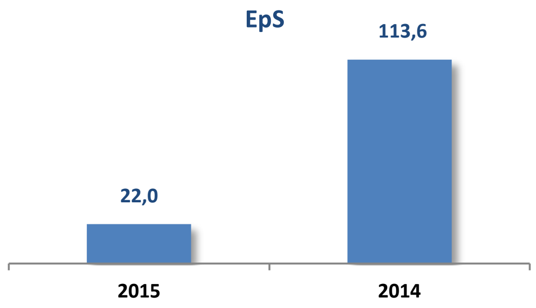
ROA is calculated as the ratio of net profit to total assets and is an indicator of the return on total capital employed.



### Earnings per Share (EpS)

Earnings per share for 2015 came to €22.0, compared with €113.6 for 2014, and reflects the decline in net profit.

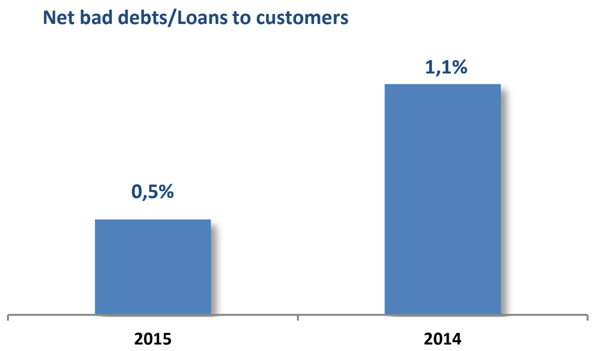
EPS is calculated as net profit divided by the number of shares that make up share capital.




### Net bad debts as a proportion of total loans to customers

The ratio of net bad debts to total loans to customers at the end of 2015 came to 0.5%, compared with 1.1% for 2014.

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




## 2. OPERATING CONDITIONS

### The macroeconomic environment and the international banking system

The prospects of world growth for this year and the next, revised downwards again, are exposed to the risk of a sharper than expected slowdown of the Chinese economy. This is affecting both international trade and commodity prices, which have fallen back to the low levels reached in the 2008-2009 crisis. Faced with an extremely uncertain macroeconomic scenario, the Federal Reserve decided in September to leave its reference rates unchanged.

Economic activity continues to expand in the main advanced economies, albeit at varying rates. In the United States, GDP growth in the second quarter accelerated more strongly than had been expected, to an annualized 3.9%, with all components contributing positively. The most recent data indicate that the economy continued to grow in the third quarter, though at a more moderate rate, driven by household consumption expenditure. In the United Kingdom, GDP continues to increase in line with the projections. In Japan, however, the performance of the economy still seems uneven: GDP unexpectedly declined by 1.2% in the second quarter, reflecting a fall in both exports, especially to emerging economies, and consumption; for the third quarter there are contradictory indications, which are also reflected in the volatile behavior of the purchasing managers' indices.

In emerging Asian economies trade continued to be affected by the weakness of flows in China, while in the advanced economies the performance of trade was boosted by developments in the euro area and the United States.

Oil prices decline, primarily owing to the weakness of demand in the emerging economies.

Consumer price inflation in the advanced economies continues to fluctuate around zero, mainly owing to the weakness of commodity prices; however, even excluding the more volatile components, inflation remains extremely subdued.

#### The euro area[1]

According to the most recent indicators, the euro-area economy continued to grow in line with expectations in the third quarter. However, downside risks arose in connection with weakening world trade and turbulence in currency and financial markets. Inflation once

[1] *Source: Bank of Italy, Economic Bulletin No. 4/2015*

again turned negative. The Governing Council of the European Central Bank is ready to use all instruments available, if necessary.
In the second quarter euro-area GDP grew by 0.4% with respect to the previous quarter.

Economic activity continued to expand in the third quarter at rates similar to those of the previous period, with quite uniform performances among the major countries. Business surveys also point to a moderately favorable outlook, with the September purchasing managers' index (PMI) for the euro area remaining well above the threshold compatible with an economic expansion.

Medium- and long-term inflation expectations, as implied by inflation swap rates, fell across all maturities after rising significantly in the first half of the year. As compared with the start of July, the 2-year swaps rate declined by about 0.4 percentage points to 0.6%. The 5-10 year 5 years ahead rate registered a more modest decrease, falling to 1.6%.
The Governing Council deems that downside risks to the growth and inflation outlook have intensified as a result of developments in global markets. It is prepared, if necessary, to adjust the size, composition and duration of the asset purchase program.

The fifth targeted longer-term refinancing operation (TLTRO) was settled on September 30; 88 banks participated, bidding for €15.6 billion. The funds assigned to Bank of Italy counterparties amounted to €4 billion. The reduced demand seen in this TLTRO was a reflection of the abundant liquidity in the banking system. Including this latest operation, a total of €400 billion has been injected into the euro-area banking system through the TLTROs.

### Macroeconomic conditions in Italy[2]

During the second half of 2015, conditions in Europe improved markedly. The data announced over the period confirmed that Italian GDP was growing and initial releases and forecasts were revised upwards. The climate of confidence among households and businesses reached all-time highs. After stumbling at the start of the year, employment and consumption began to rise again in the spring.

To be sure the picture is not entirely untroubled. After picking up in the first half of the year, partly in response to temporary factors, investment began to contract again in the second half, when much of GDP growth was driven by substantial stock building, which is normal at the start of the business cycle with very low prices for raw materials.

More recent indicators show the consolidation of the moderate growth in household consumption, in line with favorable opinions about the macroeconomic environment and the labor market and the revival of disposable income. In the second half of the year, household consumption increased by 0.4% on the previous period.

Developments in exports were sustained by the recovery of price competitiveness in the first half of the year, partly eroded by the slight appreciation of the euro over the summer, and by the strengthening of economic activity in the European Union.

The recovery in the labor market strengthened in the summer, after moderate growth in the number of persons in employment and the number of hours worked in the second quarter.

Contribution relief for newly-hired personnel on permanent contract and, to a lesser extent, the new rules governing individual layoffs envisaged in the Jobs Act prompted a significant shift in hiring towards permanent jobs, while also fostering growth in labor demand. The unemployment rate began to decline again, while business remain moderately optimistic about employment conditions.

### The Italian banking system

The gradual improvement in the credit market has continued, fostered by the cyclical recovery and the measures adopted by the Eurosystem. After a long period of contraction, lending to the nonfinancial private sector remained broadly unchanged over the summer while the growth in credit to manufacturing firms strengthened. The cost of loans to non-financial corporations recorded a further slight decrease. Credit supply conditions improved moderately; they remain less favorable in the construction sector.

During the summer months, lending to the non-financial private sector remained at the same level as in the preceding period, with practically no change (a seasonally adjusted, annualized decline of just 0.2%) in the three months ending in August. A moderate fall in loans to non-financial corporations (-0.9%) was offset by an increase in loans to households (0.8%). The twelve-month contraction in lending to businesses eased from -1.9% in May to -0.8%, thanks to quickening growth in loans to the manufacturing sector from 0.7% to 1.8% and an attenuation of the decline in loans to construction and service firms (to -1.6% and -0.6%, respectively). In the same period the contraction of lending to large non-financial corporations practically ceased (-0.3%) and the decline in lending to smaller businesses also eased (-2.7%). Credit dynamics continued to be stronger for firms with no repayment irregularities. After the strong increase Italian banks' total funding in the first few months of the year, from May through August

[2] *Source: Previsione dei bilanci bancari, Prometeia, October 2015*

both retail and wholesale funding diminished. This was countered by increased recourse to Eurosystem refinancing, in particular longer-term operations designed to sustain the flow of credit to the private sector.

The ratio of new non-performing to outstanding loans decreased from 4.1 to 3.8% in the second quarter on an annualized, seasonally adjusted basis. This improvement, due wholly to loans to firms, benefited from the improvement in the macroeconomic picture. But bad debts nonetheless increased as a result of the reclassification of loans already displaying repayment anomalies.

The earnings of the five largest Italian banking groups increased compared with the same period of 2014, with annualized ROE rising from 2.9% to 6.3%. While net interest income contracted by 4.0%, gross income gained 4.5% owing in part to an increase in fee income from asset management. Operating profits increased by 7.0%, reflecting broadly stable operating expenses. Value adjustments to loans decreased by 16.5%.

The capitalization of the five largest groups improved. Their high-quality capital endowment benefited not only from the stronger profits but also from capital increases. The reduction in risk-weighted assets helped to strengthen capital ratios. At the end of June, the common tier 1 equity ratio, tier 1 ratio and total capital ratio of the groups averaged 11.8%, 12.4% and 15.4% of risk-weighted assets, respectively.

### The mutual banks[3]

The medium-term economic situation underscores the difficulties that are impacting the operations of the banks.

Mutual bank lending (2015) contracted compared with September 2014. Gross lending to the customers of the mutual banks amounted to €134.3 billion at September 2015, for a market share of 7.2%. Developments in mutual bank lending differed in the Center of the country, where the aggregate expanded significantly.

Lending to firms at September 2015 amounted to €85.2 billion (-2.5%, compared with -2.3% for the banking system as a whole), for a market share of 9.6%.

By sector of lending, the mutual banks increased credit to consumer households by 1.4%, while lending to producer households contracted by -1.5%.

The mutual banks held a market share of 17.7% of lending to producer households, 8.6% of lending to consumer households and 8.6% of credit granted to non-financial companies. The market share for lending to the non-profit sector was high at 13.6%.

By geographical area of lending, the mutual banks registered a significant increase in lending to consumer households in the Center (+4.4%).

An analysis of lending by sector showed a concentration of credit to the "construction and real estate" segment, which accounted for 34.6% of mutual bank lending compared with 30.5% for the system average and a substantial proportion of lending to agriculture (9.6% for the mutual banks, compared with 5% for the overall banking system).

Against a background of an overall reduction in lending to the business sector, lending to the "professional, scientific and technical activities" segment continued to expand (+2.4%, compared with a contraction of 5.7% in the system average). Market shares remain high for the agricultural segment (18.4%), lodging and restaurant services (17.8%), construction and real estate (11[B2],%) and wholesale and retail trade (10%).

Funding from banks and customers by the mutual banks at September 2015 exceeded €198.3 billion, slightly down on the same period of 2014 (-0.7%, compared with an increase of 1.1% for the system as a whole).

In parallel there was a small reduction in the stock of funding from customers: the aggregate (including bonds) of €161.3 billion, a contraction of 0.9% year-on-year (an increase of 2.3% for the banking system).

Bonds issued by the mutual banks contracted in all geographical areas, in line with the banking system average.

Of total mutual bank funding, 81.3% was represented by funding from customers and 18.7% by interbank funding. The composition of funding differs significantly for the banking system as a whole, where funding from banks, despite a contraction in recent months, is substantially higher at 27.4% at September 2015. Within mutual banks' funding from customers, the proportion accounted for by current accounts remains well above the system average (42.8% of the total).

The financial position of the mutual banks (capital and reserves) increased by 1% year-on-year to €20.4 billion. The Tier1 ratio and the total capital ratio also rose slightly to 16.3% and 16.7% respectively.

At the end of the third quarter of the year, the net interest income of the mutual banks showed a decline of 7.9%, compared with one of 1.6% for the banking industry as a whole.

The performance figures at September 2015 show a continuation of the trend that emerged in the first half of the year for banking intermediation: After a gradual recovery in 2014, the net interest income of the mutual banks declined by 7.9%, compared with the contraction of 1.6% for the banking industry as a whole.

The contribution of gains on the disposal/repurchase of leans and financial assets and liabilities decreased (-13.6% for the mutual banks and -19.1% for the entire

*3 Source: Circolare statistica Federcasse, September 2015* system on average). Growth in revenue from services (+3.3%) only partly offset this trend. Consequently, the gross income of the mutual banks contracted significantly (-7.4%, compared with an increase of 8% for the banking industry). The operating expenses of the mutual banks declined moderately (-0.9%), compared with an increase for the banking system as a whole (+1.4%): personnel expenses diminished for the mutual banks (-1.6%), while other administrative expenses edged up slightly (+0.7%).

Reflecting these trends, the mutual banks operating income, equal to €2.4 billion, decreased substantially (-13.9%, compared with an increase of 17.4% for the banking system average).

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

The financial statements of Iccrea Banca S.p.A. at December 31, 2015 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 amended on December 15, 2015 with the fourth update.

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, 2015, total assets and liabilities stood at €45,798 million, compared with €46,481 million at December 31, 2014 (down 1.5%). On the asset side, financial assets held to maturity decreased by 49.7%, while growth was mainly concentrated in loans to customers, which rose by €2,204 million or 117.7%, and in assets available for sale, which expanded by €2,574 million or 62.1%. On the liability side, the reduction is attributable to amounts due to banks, which contracted by €15,625 million (-53.3%), while amounts due to customers rose by €15,089 million.

| BALANCE SHEET DATA (millions of euros) | | | | |
|---|---|---|---|---|
| AGGREGATES | Dec-15 | Dec-14 | Change | % change |
| Due from banks | 31,939 | 35,587 | -3,648 | -10.3% |
| Loans to customers | 4,078 | 1,873 | 2,204 | 117.7% |
| Financial assets held for trading | 403 | 471 | -68 | -14.5% |
| Financial assets at fair value through profit or loss | 338 | 321 | 17 | 5.2% |
| Financial assets available for sale | 6,720 | 4,146 | 2,574 | 62.1% |
| Financial assets held to maturity | 1,780 | 3,537 | -1,757 | -49.7% |
| Other assets | 143 | 147 | -4 | -2.6% |
| **Total interest-bearing assets** | **45,401** | **46,083** | **-682** | **-1.5%** |
| Other non-interest-bearing assets | 389 | 398 | -10 | -2.4% |
| **TOTAL ASSETS** | **45,789** | **46,481** | **-692** | **-1.5%** |

| BALANCE SHEET DATA (millions of euros) | | | | |
|---|---|---|---|---|
| AGGREGATES | Dec-15 | Dec-14 | Change | % change |
| Due to banks | 13,670 | 29,295 | -15,625 | -53.3% |
| Due to customers | 26,030 | 10,941 | 15,089 | 137.9% |
| Securities and financial liabilities | 5,282 | 5,347 | -64 | -1.2% |
| Other liabilities | 172 | 231 | -59 | -25.4% |
| **Total interest-bearing liabilities** | **45,155** | **45,814** | **-659** | **-1.4%** |
| Other non-interest-bearing liabilities | 119 | 113 | 6 | 4.9% |
| Shareholders' equity and provisions | 507 | 506 | 0 | 0.1% |
| Net profit for the period | 9 | 48 | -38 | -80.6% |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **45,789** | **46,481** | **-692** | **-1.5%** |

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

## Assets

Total interest-bearing assets declined from €46,083 million at the end of December 2014 to €45,401 at December 31, 2015 (-1.5%). The reduction involved amounts due from banks in the amount of €3,648 million (-10.3%). 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, 2015, came to €20,721 million. The collateral securities assigned by the mutual banks totaled €22,143 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 decreased by 5.7% (from €20,636.7 million at the end of December 2014 to €19,470.2 million at the end of December this year), while amounts due from other banks declined from €14,950.5 million at the end of 2014 to €12,469.1 million at the end of December 2015 (-16.6%).

| Due from banks (in thousands) | Dec-15 | Dec-14 | Change | % change |
|---|---|---|---|---|
| Mutual banks | 19,470,219 | 20,636,707 | -1,166,488 | -5.7% |
| Other credit institutions | 12,469,075 | 14,950,493 | -2,481,418 | -16.6% |
| **Total** | **31,939,294** | **35,587,200** | **-3,647,906** | **-10.3%** |

| BREAKDOWN OF AMOUNTS DUE FROM BANKS (in thousands) | Dec-15 | Dec-14 | Change | % change |
|---|---|---|---|---|
| **Claims on central banks** | **149,669** | **179,424** | **-29,755** | **-16.6%** |
| Reserve requirement | 149,669 | 197,424 | -29,755 | -16.6% |
| **Due from banks** | **31,789,625** | **35,389,776** | **-3,600,151** | **-10.2%** |
| Current accounts and demand deposits | 548,482 | 304,824 | 243,658 | 79.9% |
| Fixed-term deposits | 172,588 | 149,071 | 23,517 | 15.8% |
| Other | 27,130,645 | 31,310,503 | -4,179,858 | -13.3% |
| Debt securities | 3,937,909 | 3,625,378 | 312,531 | 8.6% |
| **Total amounts due from banks** | **31,939,294** | **35,587,200** | **-3,649,906** | **-10.3%** |

Loans to non-bank customers grew by 117.7%, from €1,873.3 million to €4,077.7 million, attributable mainly to "repurchase agreements", which rose by €1,355 million, and to "other transactions", which increased by €898 thousand[B3].

| BREAKDOWN OF LOANS TO CUSTOMERS (in thousands) | Dec-15 | Dec-14 | Change | % change |
|---|---|---|---|---|
| Current accounts | 153,148 | 163,552 | -10,404 | -6.4% |
| Medium/long-term loans | 126,023 | 144,941 | -18,918 | -13.1% |
| Repurchase agreements | 1,409,005 | 53,992 | 1,355,013 | 2509.7% |
| Other transactions | 2,369,921 | 1,471,679 | 898,242 | 61.0% |
| Debt securities | 0 | 16,883 | -16,883 | -100.0% |
| Impaired assets | 19,618 | 22,236 | -2,618 | -11.8% |
| **Total loans to customers** | **4,077,715** | **1,873,283** | **2,204,432** | **117.7%** |

The portfolio of financial assets held for trading posted a decrease of 14.5% (from €471 million to €403 million).

| BREAKDOWN OF FINANCIAL ASSETS HELD FOR TRADING (in thousands) | Dec-15 | Dec-14 | Change | % change |
|---|---|---|---|---|
| Debt securities | 61,803 | 5,771 | 56,032 | 970.9% |
| Equity securities | 1,178 | 536 | 642 | 119.8% |
| Units in CIUs. | 976 | 953 | 23 | 2.4% |
| **Total on-balance-sheet assets** | **63,957** | **7,260** | **56,697** | **781.0%** |
| Derivative instruments | 338,823 | 463,790 | -124,967 | -26.9% |
| **Total derivative instruments** | **338,823** | **463,790** | **-124,967** | **-26.9%** |
| **Total financial assets** | **402,780** | **471,050** | **-68,270** | **-14.5%** |

At the end of December 2015, the portfolio of financial assets available for sale amounted to €6,720 million, compared with the €4,146 million posted at December 31, 2014.

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

## Liabilities

Interest-bearing funding totaled €45,155 million, a decrease of 1,4% from December 2014 (-€659 million).

Interbank deposits came to €13,670 million, a decrease of 53.3% on the end of December 2014.

| Due to banks (in thousands) | Dec-15 | Dec-14 | Change | % change |
|---|---|---|---|---|
| Mutual banks | 5,832,497 | 6,159,956 | -327,459 | -5.3% |
| Other credit institutions | 7,837,960 | 23,135,473 | -15,297,513 | -66.1% |
| **Total** | **13,670,457** | **29,295,429** | **-15,624,972** | **-53.3%** |

Within this aggregate, funding from mutual banks decreased by 5.3% (from €6,160 million at the end of December 2014 to €5,832 million at the end of December this year), while amounts due to other credit institutions decreased by 66.1% (from €23,135.5 million to €7,838 million). Amounts due to central banks (€6,585 million) represent funds received from the ECB for advances secured by securities owned by both the Bank and the mutual banks. Fixed-term deposits also include deposits received from other banks in the amount of €820 million for indirect compliance with reserve requirements.

| BREAKDOWN OF AMOUNTS DUE TO BANKS (in thousands) | Dec-15 | Dec-14 | Change | % change |
|---|---|---|---|---|
| Due to central banks | 6,584,962 | 21,731,878 | -15,146,916 | -69.7% |
| Current accounts and demand deposits | 4,129,095 | 4,139,959 | -10,864 | -0.3% |
| Fixed-term deposits | 2,890,421 | 3,409,506 | -519,085 | -15.2% |
| Loans | 62,550 | 11,695 | 50,855 | 434.8% |
| Other payables | 3,427 | 2,391 | 1,036 | 43.3% |
| **Total amounts due to banks** | **13,670,457** | **29,295,429** | **-15,624,972** | **-53.3%** |

| BREAKDOWN OF AMOUNTS DUE TO CUSTOMERS (in thousands) | Dec-15 | Dec-14 | Change | % change |
|---|---|---|---|---|
| Current accounts and demand deposits | 466,979 | 379,904 | 87,075 | 22.9% |
| Fixed-term deposits | 11,359 | 15,069 | -3,710 | -24.6% |
| Loans | 25,085,079 | 10,116,090 | 14,968,989 | 148.0% |
| Other payables | 466,232 | 429,934 | 36,298 | 8.4% |
| **Total amounts due to customers** | **26,029,648** | **10,940,997** | **15,088,651** | **137.9%** |

Funding from non-bank customers rose compared with December 2014, going from €10,941 million to €26,030 million at the end of December 2015. The rise is due mainly to loans, which expanded by 148%.

Securities issued

Securities funding decreased slightly during the period (from €4,397 million at December 31, 2014 to €4,369 million at December 31, 2015). The funding was carried out under both the Italian prospectus for retail and institutional customers, and issues under the EMTN program on international markets. The funding 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. It also includes unhedged bonds, which are recognized at amortized cost.

Securities issued includes a lower Tier 2 subordinated bond, issued on March 6, 2014 and maturing on March 14, 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%. As from 2015 that security can no longer be included in own funds. During 2015, a further 3 subordinated issues were carried out with a total nominal value of €134.6 million.

## Shareholders' equity

At December 31, 2015, the strength of the Bank's financials can be seen, in particular, in the level of equity, which totals €500.4 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 €194.4 million, up 4% from the previous €186.9 million.

Valuation reserves were a positive €89.1 million, a decrease of €7.2 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 years are comparable and not affected by changes in scope.

| Reclassified income statement | | | (thousands of euros) | |
|---|---|---|---|---|
| | Dec-15 | Dec-14 | % change | Items pursuant to format in Bank of Italy Circular 262 of 22/12/2005 |
| **Net interest income** | **82,688** | **59,082** | **40.0%** | **10-20** |
| Gains/losses on financial transactions | 47,374 | 40,453 | 17.1% | 80-90-100-110 |
| Dividends | 231 | 536 | -56.9% | 70 |
| **Net fee and commission income** | **127,367** | **122,825** | **3.7%** | **40-50** |
| Other operating expenses/income | 20,013 | 41,473 | -51.7% | 190 |
| **Total revenues** | **277,672** | **264,370** | **5.0%** | |
| Personnel expenses | -62,330 | -67,813 | -8.1% | 150a |
| Other administrative expenses | -185,114 | -114,714 | 61.4% | 150b |
| Net adjustments of property and equipment and intangible assets | -9,729 | -7,853 | 23.9% | 170-180 |
| **Total operating expenses** | **-257,173** | **-190,380** | **35.1%** | |
| **Gross operating profit** | **20,498** | **73,990** | **-72.3%** | |
| Net provisions for risks and charges | -232 | -1049.471 | | 160 |
| Net losses/recoveries on impairment of loans and other financial transactions | -3,441 | 4,053 | -184.9% | 130 |
| Adjustments of goodwill | | | | 230 |
| **Total provisions and adjustments** | **-3,673** | **3,004** | **-222.3%** | |
| **Net operating profit** | **16,826** | **76,994** | **-78.1%** | |
| **Profit (loss) before tax** | **16,826** | **76,994** | **-78.1%** | |
| Income tax expense from continuing operations | -7,580 | -29,301 | -74.1% | 260 |
| Profit (loss) after tax on continuing operations | 9,245 | 47,693 | -80.6% | 280 |
| **Net profit (loss) for the period** | **9,245** | **47,693** | **-80.6%** | |

### Net interest income

Net interest income at December 31, 2015 amounted to €82.7 million, up 40% on December 31, 2014 (€59.1 million). The increase in the aggregate compared with the previous year is mainly attributable to the following developments:

- the restructuring of the forms of funding adopted, with a shift from the Term Treasury product to the Collateral Treasury product, benefitting from a reduction in the cost of collateralized funding. Of the latter, about €19.5 billion went to the mutual banks and about €6.5 million to intercompany transactions, with a positive mismatching in interest rates.
- over-funding through the treasury was invested to finance the increase in the investment book, which compared with 2014 expanded by about €1.9 billion. Overall, the reduction in the cost of funding and the increase in the size of the investment book offset the reduction in interest rates on the financial portfolio.

Net interest income as a proportion of total revenues went from 22.3% in December 2014 to 29.8% in December 2015.

### Fees and commissions

In 2015, net fees and commissions from services amounted to €127.4 million, an increase of €4.5 million from December 2014 (+3.7%).

### Gains/losses on financial transactions

In 2015, gains on financial transactions, which includes the net result on trading activities (€22.4 million), the net result on hedging activities (€0.06 million), the net result on disposal and repurchase (€23 million), and the net result on financial assets/liabilities at fair value through profit or loss (€2 million), came to €47.4 million, an increase of €6.9 million (+17.1%) compared with 2014 (€40.5 million). The increase is due mainly to the net gain on trading activities.

### Total revenues

In 2015, the Bank posted total revenues of €277.7 million, up about 5% on 2014 (€264.4 million). The increase is primarily attributable to the increase in net interest income.

### Operating expenses

Operating expenses incurred in 2015 totaled €257.2 million (€190.4 million in the previous year) 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 €64.9 million, mainly reflecting an increase in other administrative expenses due to the contribution of €57.4 million to the National Resolution Fund.

### Personnel expenses

Personnel expenses for the Bank came to €62.3 million in 2015, compared with €67.8 million in 2014, a decrease of €5.5 million (-8.1%). The change on the previous year reflected the centralization of a number of governance and ICT structures with the Parent Company.

### Other administrative expenses

At the end of December 2015 other administrative expenses totaled €185.1 million, up 61.4% over the previous year (€114.7 million). For further details, please 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 €9.7 million for the year ended December 31, 2015, of which €3 million for depreciation and €6.7 million for amortization.

### Gross operating profit

As a result of the foregoing, the gross profit from ordinary operations came to €20.5 million, down 72.3% compared with 2015 (€74 million).

### Net profit for the period

Net profit, consisting of profit from continuing and discontinued operations, net of direct taxes for the period, amounted to €9.2 million, compared with €47.7 million in 2014, a decrease of 80.6%.
The cost-to-income ratio went from 72% in 2014 to 92.6% in 2015.

## 4. BANK OPERATIONS

The following section contains information on the primary activities carried out by the various company structures in 2015.

## FINANCE

Iccrea Banca, in its role as the mutual banking system's finance hub, provided support to the mutual banks and to the Group companies through a series of initiatives in domestic and foreign money and financial markets, as well as in collateralized markets, through both operations with the ECB and market transactions.
In March, June, September, and December, participation in the four incremental TLTRO operations, in reflection of the positive developments in lending by the TLTRO Group compared with the aggregate benchmark, raised a total of €2.6 billion, in addition to some €4 billion in the first two auctions in 2014. The total amount of collateralized loans to the mutual banks from Iccrea Banca using the collateral pool mechanism remained at around €20 billion at December 31, 2015.
The intensification of collateralized funding at negative interest rates, together with dynamic management of our own portfolio, enabled strong profit margins, which has helped support the levels of return provided to the mutual banks and their customers.
Within the scope of medium and long-term funding activities, 12 bond issues were executed for a total of €1.816 billion and with an average residual maturity at issue of 4.25 years. The shareholders of the mutual banks subscribed 42.8% of the nominal value issued, and retail customers subscribed 37.2%. A further 3.5% was placed with institutional customers, and 16.5% was subscribed by companies of the Group. Medium/long-term bond funding saw the placement of 3 subordinated issues for a total nominal value of €134.6 million, 91% of which with the shareholders of the mutual banks.
Within the scope of structured finance activities to support the mutual banks, steps were taken to structure a multi-originator, non-recourse assignment of non-performing mortgage loans and unsecured loans (NPLs), with the participation of 28 banks, the mutual bank deposit guarantee fund, and two banks from outside the mutual bank industry, for a gross value of about €300 million.
With regard to activities in support of the Group companies, work began on structuring (in collaboration with the EIB) a new securitization of performing lease receivables for a total value of around €1.3 billion.
In terms of volumes of business compared with 2014, the year under review saw a decline of around 7% (from €54.2 billion to €50.6 billion) in orders collection by mutual banks.
Of particular note was the decisive contribution of our involvement in the eight issue of the BTP Italia, which resulted in the Ministry for the Economy and Finance again selecting Iccrea Banca as co-dealer of the operation, alongside our standard placement support and assistance for mutual banks.
Subscriptions through the Bank by mutual banks amounted to €1.1 billion, equal to 11.8% of the total placement. More specifically, subscriptions by mutual bank shareholders accounted for 23% of the issue reserved to institutional investors.

Mutual banks transacted over €126 billion in government securities with Iccrea Banca, a decline of 34% compared with the prior year. In May, a new trading procedure using the Bloomberg IBFI platform was introduced. It registered over €6.5 billion in trades.
With regard to hedging transactions using financial derivatives, a great deal of effort was made to increase awareness of methods for managing interest rate risk, and numerous macro-hedging transactions on loan portfolios were executed with the mutual banks.

### Lending

In addition to activities in support of the financial needs of the mutual banks, in 2015 the Lending area was involved in proposing solutions to address a number of needs associated with the revision of European regulations governing the banking system.

The new regulatory framework impacted the operations of Iccrea Banca, with the application of the Bank Counterparties Credit Policy, which was brought into line with the risk limit system contained in the Risk Appetite Framework (RAF) and explained in Risk Appetite Statement (RAS), which defines the risk objectives of Iccrea Banca for 2015.

Work on enhancing the efficiency of the evaluation process also continued in 2015 following the release of a new version of the electronic loan application processing system (ELAP), with the achievement of a greater level of automation of data processing, with the extension of assessments of bank counterparties to trade finance operations.

In July 2015, we completed the rationalization of the procedures for assessing the credit rating of banking counterparties and other financial intermediaries and assigned Iccrea Banca's lending unit the role of specialization hub.

In 2015, Iccrea Banca continued to provide financial and operational assistance to the mutual banks and the banks that rely on the Bank through 345 financing operations in the form of operating loans and facilities, issuing 27 preliminary opinions, and reassessing 459 existing credit ceilings. Of the financing authorized, 48 transactions involved granting or increasing lines associated with pool collateral operations, and 12 concerned mergers between mutual banks.

At December 31, 2015, the total amount of lending to mutual banks and other banks in the form of lines of credit came to €19,074 million (of which €18,872 million to mutual banks and €202 million to other banks). Including uses related to lines of credit for treasury operations, the amount increases to €19,721 million, €19,009 million of which to mutual banks.

Uses of loans mainly regarded lines of credit for treasury operations secured by collateral pools (€18,780 million). The remaining portion was represented by bonds subscribed by the Bank to support the medium/long-term funding of the mutual banks (€281 million), lines of credit for treasury operations (€10 million), and residual mortgage loans (€3 million).

Iccrea Banca also supports a number of mutual banks that find themselves in particularly challenging situations, with the implementation of targeted support initiatives, sometimes in partnership with other central institutions of the mutual bank industry. These operations took the form of authorizing the disbursement, through various types of financing, excluding lines of credit secured by the collateral pool, to mutual banks facing crisis situations or otherwise in difficulty. Of particular note among the various initiatives was the operation involving Banca Padovana, which concluded with the acquisition of the bank by BCC di Roma. More specifically, €99.2 million in financing was granted as a portion of a pool operation with Cassa Centrale Banca and Cassa Centrale Raiffeisen totaling €179.2 million in order to enable a special-purpose entity to acquire the non-performing loans resulting from the liquidation of Banca Padovana.

The amount authorized for support initiatives totaled €163.9 million, €152.2 million of which was disbursed, taking account of the €20 million in financing for the deposit guarantee fund in the second half of 2015 to support the operation concluded by Banca Sviluppo for the acquisition of the assets and liabilities of Banca Romagna Cooperativa. In order to meet the needs of the mutual banks to alter certain characteristics of previously issued bonds subscribed by Iccrea Banca, the Bank also enabled the mutual banks to overcome the technical obstacles preventing their inclusion in their own funds (in the amount of €24 million).

In 2015, €64.9 million in sureties were issued, €63.2 million of which in the interests of the institutional guarantee fund following the broader initiative related to the liquidation of Banca Padovana as described above. The amount of guarantees issued in the interests of mutual banks and other banks outstanding as at December 31, 2015, totaled €4.3 million, €3.5 million of which for mutual 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 2015 for loans and increases amounted to €362 million, with 20 positions authorized.

At December 31, 2015, the number of bank counterparties that took advantage of this service was 264, for a total of €5,041 million.

In the international segment, the Bank continued the development initiatives undertaken over the years. In particular, in 2015 we completed 53 transactions – of which 51 documentary credit confirmation transactions totally guaranteed by Iccrea BancaImpresa and 2 letter of credit refinancing transactions – with banks in various countries in Europe, Asia, Africa and the Americas.

## 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 and for following the evolution of products related to international trade.

Again in 2015, the unit continued its networking efforts aimed at implementing new relationships and consolidating existing ones of relevance in supporting the trade activities of exporters who are customers of the mutual banks. Of particular note as a part of these support efforts is the signing of the Trade Facilitation Program with the Asian Development Bank (ADB), which, similarly to other agreements with BERS and IFC, also enables us to support these exporters in relation to settling trade transactions with high-risk countries. In order to fully implement this support, we also attended the annual meeting of the ADB in Georgia, which enabled us to enter into relationships with Asian banks and to conclude a variety of transactions. Once again, participation in the BERS Forum in Kiev, within the scope of which Iccrea Banca was asked to share our experience with the Trade Facilitation Program, was of particular importance. In anticipation of the re-establishment of relations with Iran, we have also been involved in the mission of the Government to Teheran, which gave us the opportunity to restore relations with leading banks in the country in order to lay the groundwork for partnerships to support Italian exports to Iran as sanctions are gradually lifted. Thanks to the greater visibility of Iccrea Banca in new emerging markets, we also originated trade operations proposed by foreign banks directly. An increasing number of foreign counterparties are accepting Iccrea Banca as a direct counterparty in trade operations, which is resulting in significant savings and improving the quality of service provided to mutual bank customers.

Direct support of mutual banks in resolving issues arising with foreign banks and in setting up operations with their customers has become a standard part of operations of the Correspondent Banking unit, thereby strengthening Iccrea Banca's role as a partner of the mutual banks in this area as well.

In the area of international payments, the Correspondent Banking unit has continued efforts to rationalize relations with the leading correspondent banks. This concentration of payment flows and the coordination of payments by country has given us greater negotiating power with foreign counterparties and has enabled us to take better advantage of their capabilities in the markets in which they have greater experience. This has enabled us to reduce pricing, improve support, and increase the quality of the payments themselves. It has also strengthened the reciprocity of inflows while reducing costs for the mutual bank customers as beneficiaries in the transactions.

## PAYMENT SYSTEMS

### Collections and payments

The Collections and Payments unit is responsible for managing products and services offered by the Bank to banks through the domestic and international payments systems, with the exception of documentary transactions relating to the import/export of goods, ensuring full consistency of the procedures supporting institutional products (SEPA credit transfers, direct debits, SEDA, Pensions, Cash and Checks) with developments in national and international market standards. The unit's activities are aimed at achieving the following objectives in the interests of the mutual banks served:

- to implement the exchange and governance of payments/collections with banks in Europe and beyond;
- to minimize the costs that the individual mutual banks would incur to conduct these transactions (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.);
- to reduce costs for the banks served and enable them to provide effective commercial services to their customers;
- to minimize costs (increase efficiency) of the activities of both Iccrea Banca and the mutual banks;
- to take advantage of the nature and role of the mutual banking network while expanding the offering with new products.

To this end, the following upgrades were released into production or completed in order to implement:

- debtor-side payments through the My Bank platform, which will also enable implementation of payments to government entities;

- e-billing of government departments by the banks served and their customers;

- document retention for the banks served;

- normalization of relations with INPS in relation to the new requests of the pension institute;

- the launch and signing up of banks for the STS procedure;

- the launch of CBill payments.

With regard to SEDA, we have suspended all efforts to restore relations with customers who had decided to no longer use Iccrea as their collection agent, given the changing strategic outlook related to changes in the regulatory framework concerning mutual banks in Italy and, consequently, the role played by the Group within this new legislative landscape.

Finally, it should be noted that Iccrea Banca, in the context of the January 2015 reorganization of the European Payments Council (an associative body the European banking industry in charge of managing the SEPA payments scheme and liaising with the European authorities):

- became a member of the top decision-making body (the Board) in February 2015 as part of the Italian representation coordinated by ABI with Unicredit, ISP, and IBCPI, thus giving it the opportunity to participate in strategic decisions at the time of their formation;
- is participating in the EPC as a representative of Italy in defining the instant-payment mechanisms;
- has taken advantage of the option granted by the EPC to configure our banks as a group, which has made it possible to save about €200,000 per year on fees for participation in the SEPA.
-

### E-bank

In the area of payment cards, growth continued in both card issuing, with 3.2 million active cards and some €16.8 billion in transactions, and in POS and ATM acquiring, with over 166,000 POS terminals, 4,300 active ATMs, and some €18.5 billion in transactions.

Regarding the issuing sector, all three segments (debit, prepaid, and credit cards) recorded substantial increases that can be summarized, as of the end of 2015, as follows:

- active debit cards with chip technology reached 2.1 million compared with 2.0 million in 2014, an increase of 5.0%;
- the stock of active credit cards increased by 6.1%, going from 727,000 cards at the end of 2014 to 768,000 cards by December 2015;
- active prepaid cards went from 395,000 at the end of 2014 to 406,000 at the end of 2015, an increase of 2.7%.

Volume growth was also posted in the acquiring segment, reaching €18.5 billion in total transaction value in 2015 (of which €13.5 billion on the PagoBANCOMAT/BANCOMAT circuit and €4.9 billion on international circuits), compared with €17.6 billion in 2014, an increase of 5.0%.

During the year, a variety of projects were completed in order to increase the efficiency of operations, increase volumes under management, and develop new business models, including:

- the insourcing of back-office/operations activities related to acquiring on international circuits, which resulted in a significant increase in efficiency of the underlying costs;
- the roll-out of the push-acquiring project aimed at supporting mutual banks in the placement of acquiring products by using a dedicated network of agents. As at December 31, 2015, 41 mutual banks were participating in the project, with 26 mutual banks already active in service placement and 11 in the process of being activated;
- activation of the new mutual bank support channel by implementing a trouble-ticketing platform;
- activation of the new web site at www.cartabcc.it and of the new MyCartaBCC mobile app;
- activation of the new loyalty program "PremiaTi" for CartaBCC cardholders;
- activation of the range of direct-issuing products on the MasterCard circuit, which will enable mutual banks to place new (debit, credit, and prepaid) cards managed entirely in house in 2016;
- completion of circuit certifications and the start of insourcing of the POS acquiring process;
- development of the Sconti Riservati virtual marketplace (www.ScontiRiservati.it) dedicated to mutual banks, which connects retailers with mutual bank account holders;
- Iccrea Banca involved the mutual banks in the search and selection of "local excellence", i.e. business accounts that stand out for the excellence of their products and to which the mutual banks have offered access free of charge to the new marketplace;
- the repricing of issuing products for mutual banks following regulatory changes that have required sharp reductions in interbank commissions and fees;
- the start of direct provision by Iccrea Banca of the Satispay service (the mobile app for peer-to-peer payments and for smartphone payments at participating retailers).

Also in 2015, in line with the insourcing process that began last year, we completed the insourcing of two important areas of business:

- in June 2015, some 1.9 million debit cards (previously fully outsourced to non-proprietary systems) were migrated to the new in-house platform;
- in December 2015, about 400,000 prepaid cards (previously fully outsourced to non-proprietary

systems) were migrated to Iccrea Banca proprietary systems.
The insourcing of these activities has resulted in an increase in profitability related to the closure of the associated outsourcing agreements and will enable Iccrea Banca to significantly improve operating efficiency, which will, in turn, increase the quality of the services provided to the mutual banks. In-house management of debit and prepaid-card processing will also enable Iccrea Banca to improve information management in relation to the transactions generated with these cards.

## INSTITUTIONAL SERVICES

The Institutional Services unit is responsible for the coordination and development of post-trading activities related to operations in the bank's Finance segment, particularly as concerns both management of our own portfolio and activities related to the investment services provided to customers in accordance with the Consolidated Financial Intermediation Act. The unit coordinates activities related to the custody and administration of financial services (in accordance with the Consolidated Financial Intermediation Act) and other back-office activities as the settlement agent for the Bank's customers. More specifically, Iccrea Banca's Securities Services product is focused on offering customers a single custodian, as a partner capable of 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 significant projects executed in 2015 concerned areas affected by the EMIR regarding derivatives and the introduction of the new European Target2 Securities system for the settlement of securities transactions by the ECB. We also began revising procedures to monitor transactions in order to prevent market abuse in accordance with the Market Abuse Directive (MAD).

With regard to the EMIR, in anticipation of the obligation in 2016 to concentrate OTC derivative operations with central counterparty clearing houses (CCPs), we have begun the process of meeting this requirement by way of the indirect approach, i.e. through Banca IMI acting as a clearing broker. We have also adapted the procedures for reporting operations to the trade repository Regis-TR to meet the new standards introduced by the ESMA.

With regard to Target2 Securities (T2S), the new infrastructure for the settlement of securities transactions currently being launched by the ECB along with the European System of Central Banks, which began operations in June 2015, Iccrea Banca has been operating successfully within the new settlement system as a direct participant, in line with the leading international players involved in securities settlement and custody, since August 31, 2015, the date on which Italy migrated to this infrastructure. This move places the Bank among the top 30 banks in Europe and among the top 3 in Italy that have opted for this approach. The solution adopted both strengthens the Bank's central role in the markets and in the mutual bank network and, due to its flexibility and autonomy from central custodians, enables the mutual bank system to take advantage, in the future, of all of the opportunities that should arise in the world of European post-trading in terms of service quality and costs and will have benefits in the offering to our customers. In particular, T2S intends to provide European players with a single infrastructure for the settlement of securities transactions and to bring the cost of cross-border transactions down to the same level as that of domestic transactions. Through Iccrea Banca, mutual banks were able to participate in the new European infrastructure without any impact on their organization or ongoing projects. Once the start-up phase was complete, phase two of the T2S project began. This entailed both following the development of the European platform in connection with the launch of the subsequent waves planned through 2017 in order to bring on board all 24 European nations participating in the initiative and the adaptation of the procedures for interacting with the customers concerned in order to improve the level of service provided and to lay the groundwork for expanding the customer base served, including by diversifying beyond the mutual bank system in order to achieve the critical mass required given the commitment and investment involved in custody and settlement activities.

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 products and to optimize their 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.

### Ancillary services and finance database management

The Ancillary Services and Finance Database Management unit handles the administration of financial instruments in connection with operations of both the Bank and our key customers, while also following the related fiscal aspects.

The Ancillary Services and Finance Database Management unit provides 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 database includes about 85,000 instruments, around 16,500 of which have a balance;
- the management of administrative activities relating to securities held in custody, which included a total of about 31,500 transactions processed in 2015;
- administrative support for activities connected with the management of the "collateral pool" mechanism facilitating access to collateralized financing operations, in particular with the European Central Bank through the treasury desk;
- 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. As of December 2015, there were 70 mutual banks, with a total of 1,406 issues listed;
- the issuers service, which offers administrative support for mutual bank issues;
- the management of activities connected with the distribution of investment funds, particularly regarding 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 2015 confirmed the positive trend seen in recent years, with an increase in participating companies to 19 and a significant increase in volumes in the retail segment, while remaining stable in the institutional segment and achieving assets under administration of about €3,400,000,000 for retail customers. With the transfer of the custodian bank business, there was a reduction of about €300 million in assets under administration for institutional customers for a total balance at year end of around €165 million;
- the management of the pricing service for financial instruments, with a focus on issues by the mutual banks;
- the services concerning compliance with transparency and the monitoring of possible market abuse for which, in 2015, 156 mutual banks had subscribed to the Transaction Reporting service and 132 mutual banks to the MAD service;
- support for mutual banks and their customers in complying with the European Market Infrastructure Regulation (EMIR) for derivatives traded over the counter (OTC). In particular, the companies of the group and 166 mutual banks that have authorized Iccrea Banca to report the transactions are taking advantage of the service of reporting derivatives to the Regis-TR trade repository;
- assistance provided to mutual banks concerning compliance with the obligations of US tax legislation and with FACTA in particular, for which the mutual banks ongoing, specialist support in meeting the obligations 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, thereby providing appropriate solutions to the needs of the mutual banks, of the Iccrea Banca Finance unit, and of the Group. In 2015, the Back Office and Custody unit continued efforts to execute projects connected with the changes required by the EMIR in relation to OTC derivatives. In August, in order to complete the first phase of the project in line with the established timeframe, operations began for the securities settlement platform of the European Central Bank, Target2 Securities, as a direct participant. The goal of this project is to pursue solutions able to strengthen the role of Iccrea Banca as a service hub between the market and the mutual banks, thereby enabling mutual banks to ensure business continuity with minimal impact on their organization and costs.

In the pursuit of service efficiency and cost containment, we will continue interacting with the custodians in order to determine the optimal solutions for taking advantage of opportunities and meeting the operational needs of the market and of the Finance unit, while seeking to reduce the rates we are charged.

As of December 2015, securities in custody and administration amounted to about €105.00 billion.

## 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

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 analyzing financial balance and current and future risks, collaborating with them on issues related to risk assessment and management techniques.

In 2015, the following actions were undertaken:

- consolidation of analyses related to defining the Risk Appetite Framework (RAF) for the mutual banks, with a particular focus on using scenario analysis in order to determine forward-looking equilibrium under normal conditions and under stress scenarios;
- revision of the module for controlling the liquidity risk of mutual banks in the light of the changes brought about with the adoption of the new LCR approach;
- introduction of new risk/return indicators (and related alert thresholds) in the management reporting system in line with the main indications from the EBA dashboard. In this regard, new reports related to the analysis of the cost of funding have been added to the reporting system;
- expansion of the debt instruments subject to market risk measurements (i.e. VaR and sensitivity analysis) with the introduction of estimates of average yield at the carrying prices in the available-for-sale (AFS) portfolio and of the committed portion of securities.

Considerable effort was also directed towards consolidating the mutual bank observatory – i.e. the dashboard for analyzing mutual bank financials – in order better understand developments in the main strengths and weaknesses of the system.
In 2015, efforts also focused on providing advisory services to the mutual banks within a context marked by:

- major changes in the regulatory framework with the entry into force of the Single Supervisory Mechanism;
- extremely complex, volatile financial drivers of the market;
- the needs of various mutual banks to study the effects of potential mergers with other mutual banks.

At the end of 2015, 184 mutual banks were taking advantage of the ALM service, 119 of which were receiving advisory services (in part through specific agreements entered into with seven federations).

### Financial Information

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 Polaris intranet portal in the section *"Club Finanza"*. 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 analyzes 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, foreign exchange and the leading precious metal indices. A fundamental characteristic of all of the indices monitored is that of being directly replicable by investing in physical-replication ETFs listed on the Milan stock exchange. During the fourth quarter, the new Equity Monitor service was activated and now provides technical analysis for over 800 stocks listed on markets within the euro area and in the United States.

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. 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

In 2015, following the internal reorganization that centralized marketing functions within Iccrea Holding, Iccrea Banca's Marketing unit became the Institutional Marketing unit and now encompasses the marketing activities related to BCC Sistemi Informatici and BCC Gestione Crediti, which now report to this unit within the functional hierarchy.

In 2015 the unit continued developing the joint marketing model with the mutual banks, while focusing on fine tuning the processes underlying the planned activities. Also during the year, the unit completed the digital positioning (both technology and online usability) of the products and services related to the CartaBCC brand, while developing expertise in project management and digital communication.

In 2015, the Institutional Marketing unit began developing the revenue model, which has been greatly appreciated by a significant number of mutual banks, which have paid to make use of customized materials prepared for the 2015 CartaBCC campaign.

With the mission to strengthen and renew brand identity, we are leveraging the world of CartaBCC as an ecosystem of products, services, and exclusive benefits that can be accessed via the web. Development is being shaped by a multi-channel approach in order to adapt to the various sues that the brand offers with its product range, from direct issuing to direct acquiring, fostering the matching of supply and demand and increasing value through integrated commercial solutions.
In order to make CartaBCC even more recognizable and modern, our dedicated product communication channels have been restructured:

- new CartaBCC site => (1,176,111 sessions logged since the release date of Sep. 14, 2015, up 37% over the same period of 2014):
    - restyling of the user experience and the user interface of portals;
    - new graphic design;
    - reorganization/rationalization of content by customer target;
    - enhancement and republication of the area for customers => 1,415,783 logins since the release date of Sep. 14, 2015;
    - portals made more responsive;
- creation of custom apps (iOS/Android) => 74,000 downloads;
- online issue of prepaid cards (www.cartabcc.it);
- digital analytics;
- leveraging the relationship between CartaBCC and its customers, rewarding loyalty with an ongoing customer loyalty program, PremiaTI => 33,127 signups;
- renovation of the CartaBCC Club, a showcase devoted to cardholders to give them access to the opportunities offered by merchants who bank with the mutual banks;
- restyling of the CartaBCC newsletter => 7% more newsletter views and 26% improvement in click-through since the release date of September 14, 2015;
- and much more (a news area, geolocation services, etc.).

These marketing and relationship-building tools were made a part of strategic planning and publishing style of CartaBCC and of the *"Quella giusta per te"* campaign, featuring a synergistic blend of web and television advertising and with the same brand/product featured on both media platforms. The ads ran 1,005 times on television from September to December 2015 for a gross audience reached of over 24 million. During the same period, the CartaBCC sponsored-post campaign on Facebook attracted 29,444 more followers, over 3 million views, and nearly 41,000 clicks, bringing the total Facebook follower count to over 55,000. Digital advertising on the Google search engine attracted over 1 million views and 140,893 clicks, which resulted in 96 conversions (requesting cards online). At the same time, Google banner ads displayed on sites viewed by users interested in CartaBCC (real-time bidding) generated 9.8 million views and over 7,000 clicks.

In the fourth quarter of 2015, the contest *"Insieme per un Salto in Filiale"* was held for employees of the mutual banks. Compared with previous editions of the contest, this current edition targeted branch employees directly, who were rewarded both for the number of cards placed and for their ability to convey the benefits of CartaBCC to customers, thereby increasing card use.

Once again in 2015, our partnership with the mutual banks has been confirmed with our active presence in events held to underscore the commitment of the mutual bank sector to developing the local economy and leveraging local traditions, such as: the *"Notte Rosa"* event organized on the Adriatic coast in the summer, involving 12 mutual banks in Emilia Romagna and 6 in the Marche region offering an extensive program of entertainment and promotional initiatives; sponsorship of and involvement in Legambiente events, including a CartaBCC stand at the event Festambiente (in August 2015); and visibility on CartaBCC social-media channels with Club delle Vele (in October 2015).

Market analysis saw the implementation of reporting on e-money, which is sent to local mutual banks to assist them in monitoring the use of credit, debit and prepaid cards and any divergence from their commercial targets. The same development affected reporting for the *Sconti Riservati* discount program, presenting the mutual banks with statistics on sales by their merchants through the e-commerce portal.

In line with the driven management market approach, which places the customer at the center of the process, within the product offering the use of the catalogue of products that can be used in entirely digital format was strengthened. Adopting a coordinated interface, it presents well-known products and launches new ones developed from actively listening to customer needs and the opportunities of the internal and external market, such as:

- Satispay, the innovative system created with the objective of simplifying payments and making transactions between individuals even easier. It is enough to have the IBAN bank code of your counterparty and, using the free app, you can send and receive money from your contacts and pay for purchases through a rapid and secure system;
- My Bank, the new payment solution of the multichannel bank, enabling users to make online purchases easily and safely, debiting payments directly to their current account;
- STS, the financial circuit designed to facilitate transactions between operators in the tourist industry, using a platform conceived, designed and developed for the automated reconciliation of payments;
- CBILL, the e-billing service that enables customers to use their home banking or corporate banking service to view and pay bills issued by creditors such as firms and local and central government entities;
- advertising on the CartaBCC account statement. This gives mutual bank merchants the opportunity to advertise themselves to the vast population of credit card holders. The service can be modulated by size of the advertising page and segmented by geographical area and product target;
- Push Acquiring, the new, turnkey solution designed to support the mutual banks in their contacts with business customers that do not have POS terminals, identified by the mutual banks themselves, and to offer them acquiring services through a direct visit by agents involved in off-premises distribution. The service offers considerable benefits to the bank, such as boosting customer loyalty and the acquisition of prospects, with a consequent increase in income volumes without incurring any cost or additional commitment.

In addition, we conducted specific analyses to develop a comprehensive picture of purchasing behavior with respect to the products and services used by Iccrea Banca customers and to provide an additional support tool for setting commercial targets, tracking developments in the card portfolio by product/mutual bank. At the same time we are verifying potential and the key features of customer churn, using big-data approaches.
Customer-satisfaction surveys were conducted in 2015 as a part of our ongoing efforts to measure satisfaction at the strategic level (by interviewing the general managers of the mutual banks) and by product through detailed surveys regarding e-money and finance products (interviewing those within the mutual banks that work with these two products). These surveys have pointed to solid levels of performance.
In addition to the initiatives described above, the Institutional Marketing unit also continued its ongoing efforts to support the mutual banks, the various business lines of Iccrea Banca, general management, and the Commercial unit, including:

- BI reports: weekly financial reports by mutual bank and by federation based on supervisory reporting;
- deposits outside the network: monthly reports of deposits made by mutual banks with other banks from outside the mutual bank system;
- customer reports: on-demand reporting on the financial performance of a specific mutual bank and its relations with the Bank.

### Financial Solutions

The Financial Solutions unit in responsible for:

1. developing specialist analyses designed to optimize the management of financial risks, interest-rate risk, liquidity risk, credit risk, and counterparty risk by mutual banks;
2. developing pricing models for new financial products offered by mutual banks and/or traded by the bank and supporting the IT function in implementing these models;
3. evaluating complex financial instruments and related risk profiles (upon request of the mutual banks or internal units of the Bank/Iccrea Banking Group).

In 2015, the following actions were undertaken:

- T-LTROs: consolidation of the support provided both within Iccrea Banca and to the mutual banks within the scope of the activities involved in participating in T-LTROs; acting as calculation agent; monthly monitoring of the LTRO profiles of 187 participating banks. Thus far, a total of around €6.5 billion in funds have been raised;
- the Summit & MRGFI tool for financial consulting: consolidation of implementation of this tool used to analyze risk and profitability for over 400 proprietary securities portfolios of some 200 mutual banks, thereby covering 97% of the financial assets managed under the AFS portfolio (which is the most significant to the operations of our associates). This tool is used to manage and monitor the financial profiles of the associates' portfolios and is essential to the provision of financial advisory services;
- project for the management of negative interest rates: activation of a new class of models to measure cap/floor options and standard swaptions; verification of these models by comparing the pricing of leading market counterparties; design and development of new models for measuring other non-standard interest rate derivatives;
- extension of the service of providing the risk indicators used to measure the interest rate risk of the banking book: the service has been expanded to provide these indicators monthly to the STD/mutual banks;
- specialist activities: we have strengthened support to mutual banks, federations, and shareholders with regard to:
    - the structuring of bond issues, particularly as concerns the class-2 instruments;
    - the pricing of financial instruments;
    - the analysis of capital requirements.

### Commercial

In 2015, the organization of the Commercial unit was further strengthened. This has made it possible to establish the proper relationship between central and peripheral areas, in part by taking advantage of the Customer Relationship Management (CRM) tool, which has been progressively updated and customized based on arising needs.

Also of importance were the various forms of support provided to the various units of the Bank and to the entire Iccrea Banking Group, which allowed for optimal interaction with the mutual banks.

In addition to the promotion and commercialization of the products and services that the Bank provides to the mutual banks and other customer banks and the performance of other tasks required under company regulations, members of the unit worked at the Group's stand throughout the Milan Expo.

### Strategic Planning

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

In 2015, work focused on implementing the new cost-management model, which provided the Group with a single metric for estimating and measuring costs. This involved convergence towards a single chart of accounts and the use of a single tool on the SAP platform. Work also continued on consolidating the management database that contains financial and commercial data, extending its scope to the other companies of the Group and particularly to those that operate in the retail segment.

### Information Systems

In 2015, the Information Systems unit ensured the full operational continuity of ICT services and provided support in implementing Group strategies. The year featured the start of a major transformation of the ICT area aimed at creating a more integrated organization in line with the highest industry standards in order to quickly achieve levels of operating performance that match those of industry leaders.

This transformation involved:

- the restructuring of service delivery processes based on the ITIL v3 framework, which is considered to be the most robust standard for IT infrastructures;
- the strengthening of the project-management culture with the introduction of the PMI approach, the training of nearly all ICT staff, and ongoing efforts to increase awareness;
- the mapping of the Bank's application architecture (under the ABI Lab model) and the initial identification of opportunities for optimization;
- the strengthening of the organization of the area with the introduction of the IT Strategy & Architecture function to cover the major trend in infrastructure and ICT applications in relation to the standards set by the Bank.

Nonetheless, organizational strengthening and integration was not considered to be sufficient in facing the challenges of the banking industry in recent years, a context which is requiring banks to be increasingly open, innovative and agile organizations that can adapt quickly to changes in technology, regulations, and the marketplace in order to remain competitive. In this regard, the strategic development of the ICT area in 2015 sought to modernize the basic elements of the technology architecture (i.e. network, servers and storage), to enhance security standards and management, and to experiment with agile approaches to development and with innovative technologies to support mobile banking.

In conjunction with this transformation, the ICT area continued efforts to expand the role of the Technology Officer (the "TO") to cover all companies of the Iccrea Banking Group, thereby providing ongoing support for base services and growing coverage of activities related to project management.

The figures on IT-platform availability this year were particularly strong, reaching an average of 99.7% even in the face of an apparent increase (+120%) in the number of incidents recorded due to increased awareness and more accurate tracking and management of incidents reported. This positive performance led to achieving the all-time high in availability (100%) of the major platforms during the Christmas holidays, even as volumes on the payment platforms grew by an average of 10% compared with 2014 and with peaks of up to 40%.

A similar highlight of 2015 was the skill shown by the ICT unit in meeting system deadlines (e.g. T2S, MiFID, EMIR) and in general project management to support development of the products and services provided by the Bank to mutual banks, with around 100 projects being released on schedule and in line with the specified quality targets.

In 2015, the Finance Applications segment completed the first phase of the Target2 Securities (T2S) project on schedule and surpassing the expected quality levels. Also during the year, the first phase of the new Proprietary Front Office project was released, and the ABACO Pool project, which increased the offering of services for mutual banks and the companies of the banking group, was completed. The phases scheduled for 2015 in application of the MiFID were completed, and the European Market Infrastructure Regulation went into effect.

The process of consolidating the reporting systems in line with the standards set at the group level also continued in 2015. The main projects concerned both data warehousing, which was enhanced to include product data from the companies of the banking group and operational data from Banca Sviluppo, and SAP, which was upgraded with the introduction of HANA technology and the enhancement of supply chain functions for the companies of the group.

In 2015, the E-Money Applications segment saw the first major results of insourcing efforts over the last three years. With regard to the Direct Issuing project, new card products were released, and mutual banks are now able to issue prepaid, credit, and international debit cards. Some 2 million Maestro cards and 400,000 MasterCard prepaid cards were also migrated, which will allow for significant reductions in service charges with SIA for 2016. In terms of acquiring, we have begun updating ATMs with the "WWS" multi-vendor platform, which will provide a series of new client/server multi-channel features (e.g. bill payment, car registration payments, cash deposits, etc.), will provide Iccrea Banca with a uniform network of ATMs, and will enable us to continue providing new products to the mutual banks. At the end of 2015, some 1,300 ATMs had already been migrated out of a total of 4,000.

In 2015, the Payment Systems and International Applications unit completed the process of stabilizing and optimizing the payment hub platform, which radically increased service levels compared with 2014 and promoted a recovery in mutual bank loyalty in relation to the intermediation services provided by the unit. During the year, there were a great many initiatives aimed at updating the Swift applications, anti-money laundering and anti-terrorism applications, the Applications Center, and the CBI system on the impulse of other specific projects.

During the year, the Satispay service was fully integrated with the Bank's architecture, thereby ensuring business continuity during the transition and supporting development of the service on the market.

In 2015, the Web and Multi-channel Applications unit continued efforts to implement, manage, support, and maintain the web services for the mutual bank network. The unit handled around 80 projects, 37 of which for the banking group, 40 for the mutual banks, and 8 for the federations and other members of the industry. The year featured the new implementations in support of the digital restructuring of the CartaBCC realm with the launch of the mobile app myCartaBCC, of the new portal for cardholders, of CartaBCC Club, and of PremiaTi. Particular emphasis was placed on security, including the execution of penetration tests and vulnerability assessments, code verification, and other continuous improvement efforts in order to mitigate risks.

In 2015, the ICT Operations unit began a major process of rationalizing the Oracle and SQL Server databases and upgrading the DB2 and MQ components in order to improve the reliability of the DB components and reduce operating costs.

In the fourth quarter of 2015, the new BMC platform was launched for the integrated monitoring of ICT services. This platform will gradually replace the current HAD platform, with full convergence of incident management and support processes to be completed in 2016.

With regard to essential technologies, work continued on updating and adapting infrastructures based on business needs, both in terms of capacity and regulatory compliance, the latter of which is of particular importance in the e-money area. At the same time, the ICT unit continued the 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.

## Audit

In 2015, the Bank continued to implement the system of internal controls to ensure the existence of a system of adequate, reliable, complete and functional controls.

The main internal auditing efforts concerned:

- efforts to combat money laundering in the e-money segment with reports on the full, accurate and timely recording of transactions/reports and on the know-your-customer process;
- management of other accounts payable and receivable in the area of e-money;
- management of the securities database;
- information technology, within which the logical security and business continuity profiles were audited;
- outsourced functions, particularly those that are considered to be major operational functions for the purpose, in part, of preparing the annual report for the Bank of Italy as required by supervisory regulations;
- reports regarding the remuneration and incentives policies in consideration of related Group policies.

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.

With regard to all processes audited over time with observations that remain unresolved, the process of monitoring the corrective action planned by the Bank has been further enhanced, and reports have been filed with the Board of Directors, including by way of the Internal Control Committee, and with the Board of Statutory Auditors.

## Compliance

The Operational Risk, Compliance and Anti-Money Laundering unit (hereinafter the “Compliance unit” or “ORCAM”) 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 fiduciary relationship.

Again in 2015, 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;
- the 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:

- following developments in the e-money segment in terms of issuing and acquiring, the introduction of new products (Satispay), and the acquisition of interests in businesses that support or are complementary to electronic money (FCM investment – Sconti Riservati portal);
- 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. Of particular importance was the production and distribution of the new questionnaire for customer verification in relation to the e-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) and CRS.

Finally, the Compliance unit, in line with the guidelines established by senior 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);
- anti-money laundering in accordance with 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.

In order to increase the effectiveness of risk governance and the efficiency of the overall internal control system, while responding to developments in the regulatory environment, the CRO (Chief Risk Officer) area was established as the natural evolution of Group Risk Management itself, with units reporting directly to the board of directors of each subsidiary.

The duties of the CRO area include participating in the definition, development and any corrective maintenance of the framework for risk assumption and management, the development of recommendations for the Risk Appetite Framework and its associated operational implementation (the Risk Appetite Statement), monitoring developments in the exposure to the various types of risk and, in its sphere of responsibility, performance of duties with regard to reporting, supervisory inspections and supervisory regulation.

Risk Management activities are performed by the Risk Management unit of Iccrea Banca, reporting directly to the Board of Directors and interacting functionally with the Financial Risk Management unit of the Parent Company. Risk Management liaises with Bank's top management in the areas for which it is responsible.

The Bank Risk unit oversees and monitors credit risk. In 2015, it continued to analyze and report on a monthly basis on the performance of the portfolio with regard to the two main types of counterparty: banks and ordinary customers. It also continued the daily monitoring of bank counterparties continued with the production of early warning indicators. Work was also continued on updating the internal ratings for the bank counterparties with whom the Bank operates (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. Following through with the work begun in 2014, the unit continued to develop the RiskSuite system, with specific regard to the Bank Risk Assessment module (the "BRA"), strengthening its technical, organizational and methodological foundations in order to improve data quality and the underlying analyses.

The Market Risks unit is responsible for managing and monitoring market risks. In 2015, 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 period. This enabled the Bank to accurately monitor the financial portfolio on a daily basis.

In view of the constant evolution of the regulatory framework and the increasing complexity of the operational environment, it was necessary to finalize activities to revise the methods for calculating market risks with the introduction of a historical simulation approach used by the leading financial institutions. The new approach can also be used to estimate additional risk metrics, in line with the new regulatory framework. In this context, a gap analysis was conducted in 2015 of the entire market risk measurement system. The outcome of the analysis laid the foundations for the start of a broader planning effort designated "Market Risk Framework".

Within the context of balance sheet management and liquidity risk activities, management and monitoring is performed by the Interest Rate Risk and Liquidity Adequacy unit, which in 2015 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" operating liquidity positions at the individual and consolidated levels and all the risk indicators provided for in the RAS and the system of delegated powers. In order to comply with regulatory requirements and meet operational needs, 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 growing financial complexity managed by the Iccrea Banking Group, especially by Iccrea Banca in its role as the manager of Group finance activities, has prompted the introduction of significant changes in the technical and methodological infrastructure for managing financial risks and the balance sheet, providing essential support to decision-making processes and risk monitoring and control activities.

Readers should note that the particular context within which financial management for the Iccrea Group has evolved in recent years has required significant development of the technical and methodological infrastructure for risk management as a necessary means for developing the analyses needed in order to optimize funding, hedging and risk-positioning strategies.

During 2015 work continued on the evolution and development of new functions for the analysis, monitoring and reporting of financial risks, in line with the measures called for in planning for the various forms of risk and in order to respond promptly to the requirements and requests  of the supervisory authorities (the ECB).

Work was also begun on further development of the cost-of-funding model, which is needed to estimate the cost of funding used in ECB stress testing, with the introduction of greater segmentation of the various forms of lending and funding.

As part of the balance sheet management and ALM analysis and techniques, in 2015 work continued on analysis to optimize funding, hedging and risk positioning strategies. In this framework, the unit supported the Group Finance Committee, working in synergy with the other units involved in the activities.

In 2015, the first ILAAP report was prepared on a first time adoption (FTA) basis and transmitted to the supervisory authorities. It regards the internal liquidity adequacy assessment processes of the Group. The activities were coordinated by Financial Risk Management and involved all the units affected.

In addition, 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. In this regard, in 2015, Risk Management was further involved in activities concerning compliance in the SSM, such as impact analyses (the Quantitative Impact Study or QIS) aimed a assessing the quantitative effects (in terms of regulatory capital) of proposed changes, and in the analysis of financial, credit and concentration risk as part of the Short Term Exercise within the Supervisory Review and Evaluation Process (SREP).

### General Accounting and Financial Reporting and Sectoral Accounting

In addition to providing support and administrative cooperation to the mutual banks, the federations and the Group companies, during 2015 the "General Accounting and Financial Reporting" and "Sectoral Accounting" units, as part of the evolution of the Iccrea Banking Group, were directly affected by the revision of organizational arrangements. Work continued on the centralization with the Parent Company of the strategic and staff functions performed at the Group level, which include Administration and Tax as well as the functional reporting of all of the back office activities of Iccrea Banca and Iccrea BancaImpresa. In parallel, work also continued on activities associated with the following projects:

- Project Cost Management: in accordance with the "synthesis systems" program, during the year work was completed on the project designed to rationalize the spending of the Banking Group, focusing close attention on the centralized management of expenditure. the new Cost Management process was rolled out at the start of 2016 for Iccrea Banca, Iccrea BancaImpresa and BCC Solutions and over the course of this year will also be extended to the other Group companies;
- Single Chart of Accounts: in order govern expenditure, it was essential to create a new Single Chart of accounts for all Group companies in order to ensure the uniform recognition of spending within the Group. The construction of the Chart of Accounts was based on that currently managed by BCC Sistemi Informatici, which is the most frequently used within the Group (Iccrea Banca, Iccrea BancaImpresa, Banca Sviluppo) and at all the mutual banks that work with BCC Sistemi Informatici;
- T-LTRO: in January 2015, the new web procedure for data collection for the Iccrea TLTRO Group entered

production and monthly monitoring of developments in the reference aggregates began. In September and October, an external audit was conducted on data reported in 2014, as requested by the Bank of Italy and the ECB, the findings of which were transmitted to the supervisory authorities as required. Constant and much appreciated support was provided to the mutual banks/ordinary banks participating in the operation, especially on the occasion of the audit of 2014 data;

- T2S: during the year, testing continued on the new accounting arrangements in the T2S project, which was successfully rolled out on August 31, 2015;
- Effectiveness testing service: during 2015 numerous meetings and/or videoconferences were held with mutual banks that desired to hedge portfolios of loans or securities holdings in collaboration with the Finance unit. The number of effectiveness tests of hedges carried out as at December 31, 2015 for about 90 mutual banks/customer banks increased by about 9% compared with December 31, 2014.

## 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, with reference to IAS 24, in line with legislative and regulatory provisions.

Accordingly, in 2015, transactions with related parties were conducted in a manner and following standards 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.

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 and third parties, including those held by spouses who are not legally separated and minor children.

In addition, in 2015, the Bank engaged in intercompany transactions that were deemed mutually financially beneficial and arrived at 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.

## 6. OTHER OPERATIONAL INFORMATION

Although the macroeconomic environment is expected 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 and the heightened perception of sovereign risks, Iccrea Banca nevertheless plans to continue its 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 2015, the following changes are reported with regard to relations with the rating agencies:

- on January 27, Fitch Ratings confirmed its rating on medium/long-term debt at "BBB", with a "Negative" outlook.
- on December 23, Standard & Poor's confirmed its rating on medium/long-term debt at "BB", with an outlook of "Stable".

Finally, on January 26, 2016 Fitch Ratings lowered the rating on medium/long-term debt from "BBB" to "BBB-" and set the outlook at "Evolving".

## 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 FINANCIAL INTERMEDIATION ACT).*

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 the General Accounting and Financial Reporting 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 audited by Reconta Ernst & Young, which also conducts the accounting review 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 Financial Intermediation Act) has been appointed.

## 8. 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.

## 9. SUBSEQUENT EVENTS

With regard to the broader issued of the reorganization of the mutual banking system, Decree Law 18 of February 14, 2016 was published in *Gazzetta Ufficiale* no. 37 of February 15, 2016. The ratification process is under way.

The decree amends Legislative Decree 385 of September 1, 1993 and establishes the figure of the mutual banking group.

The boards of directors of Iccrea Banca and Iccrea Holding met on February 26, 2016 to approve the reorganization of the Banking Group. More specifically, they approved the merger of Iccrea Holding into Iccrea Banca. The surviving company in the merger will be the new Parent Company authorized to engage in banking.

## 10. 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.

### 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:

<u>Financial indicators:</u>

- 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.

## 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, 2015, accompanied by the report on operations, as audited by Reconta Ernst & Young S.p.A..

We propose the following distribution of net profit for the period, which totals €9,245,328:

- €9,030,000 as dividends in the amount of €21.50 per share;
- €215,328 available to the Board of Directors.

Rome, March 3, 2016

THE BOARD OF DIRECTORS

# *Board of Auditors´ Report*

**Financial year January 1 December 31, 2015**

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, correspond to Iccrea Holding Parent Company's directives relating to its supervision and coordination activity 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 2015, 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 - the process of synthesis systems consolidation, aid by the progressive integration of the Group structure, within a reorganization process and centralization of some specialized activities. In general, some important functions have been centralized by the Parent Company, within an overall reorganization that involves the entire Group.

In the specific case of Iccrea Banca S.p.A., the integration process will culminate with the merger – approved by the respective Boards of Directors met the 26th February 2016 – of Iccrea Holding S.p.A. and Iccrea Banca S.p.A. with the creation of a Parent Company authorized to engage in banking, also in the context designed by the mutual banking system reform.

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. 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. Also in the year then ended, some suggestions for improvement suggested by the Internal Audit and shared with the reviewee structures have been postponed. In the most cases, such delay is due to new projects and tasks. Following the observations made by the Internal Audit, and also as requested by the Directors, some initiatives aimed to solve the delays have been taken.

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 2015 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.

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.

Many of the Group's activities performed by Iccrea Banca, such as e-money, payment systems, institutional finance, ICT systems, are highly complex and subject to an high national and international competition. The sustainability of such investments depends on significant volumes of activity. The plans made by the Company and by the Group show the sustainability of the planned investments.

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.

In 2015, has been started, and partially achieved during the first part of the year 2016, a significant investments program finalized to increase the level of the information security management system. Such program has been prepared also following a cyberattack at the beginning of 2015, and has been examined by the European Central Bank inspectors, within the inspection on the Group related to the cyber security. The program has been coordinated by the competent unit of the Group and approved by the Parent Company's Board of Directors.

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, 2015 and the accompanying report on operations from the directors, approved the 3rd March, 2016.

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 2015, 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 4th of April 2016 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, 2015. 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, 2015. The report also states that the report on operations is consistent with the financial statements at December 31, 2015.

The Report contains an emphasis of matter related to the merger of Iccrea Holding S.p.A. into Iccrea Banca S.p.A. approved by the respective Boards of Directors the 26th February 2016.

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:

- Audit related services Euro 18,000
- Attest services (EMTN Programme) Euro 35,000.

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, 2015, 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.

In conclusion of this Report, the Board of Auditors recall that its mandate and the mandate of the Directors have expired with the approval of the financial statements as at 31 December 2015.

Rome, April 5, 2016
THE BOARD OF STATUTORY AUDITORS

# Financial statements

# BALANCE SHEET

| ASSETS | | 31/12/2015 | 31/12/2014 |
|---|---|---|---|
| 10. Cash and cash equivalents | | 91,044,385 | 104,077,427 |
| 20. Financial assets held for trading | | 402,779,515 | 471,050,238 |
| 30. Financial assets at fair value through profit or loss | | 337,911,423 | 321,232,309 |
| 40. Financial assets available for sale | | 6,720,077,506 | 4,145,823,436 |
| 50. Financial assets held to maturity | | 1,779,509,026 | 3,536,798,878 |
| 60. Due from banks | | 31,939,294,138 | 35,587,199,591 |
| 70. Loans to customers | | 4,077,714,650 | 1,873,282,837 |
| 80. Hedging derivatives | | 10,181,179 | 10,333,005 |
| 90. Value adjustments of financial assets hedged generically (+/-) | | 931,764 | 170,821 |
| 100. Equity investments | | 263,610,066 | 263,610,066 |
| 110. Property and equipment | | 7,794,323 | 9,402,378 |
| 120. Intangible assets | | 8,731,680 | 8,704,742 |
| 130. Tax assets | | 6,272,896 | 1,966,852 |
| a) current | 3,132,565 | - | |
| b) deferred | 3,140,331 | 1,966,852 | |
| of which Law 214/2011 | 3,124,963 | 1,966,852 | |
| 150. Other assets | | 143,488,731 | 147,346,885 |
| **TOTAL ASSETS** | | **45,789,341,282** | **46,480,999,465** |

| LIABILITIES AND SHAREHOLDERS' EQUITY | | 31/12/2015 | 31/12/2014 |
|---|---|---|---|
| 10. Due to banks | | 13,670,456,675 | 29,295,429,430 |
| 20. Due to customers | | 26,029,647,965 | 10,940,996,529 |
| 30. Securities issued | | 4,368,997,749 | 4,397,338,880 |
| 40. Financial liabilities held for trading | | 475,615,372 | 487,068,349 |
| 50. Financial liabilities at fair value through profit or loss | | 437,636,496 | 462,100,203 |
| 60. Hedging derivatives | | 88,034,704 | 77,039,326 |
| 80. Tax liabilities | | 17,988,432 | 22,473,772 |
| a) current | - | 267,561 | |
| b) deferred | 17,988,432 | 22,206,211 | |
| 100. Other liabilities | | 172,170,921 | 230,685,427 |
| 110. Employee termination benefits | | 12,768,900 | 13,740,307 |
| 120. Provisions for risks and charges:: | | 6,352,336 | 6,303,841 |
| b) other provisions | 6,352,336 | 6,303,841 | |
| 130. Valuation reserves | | 89,087,911 | 96,291,993 |
| 160. Reserves | | 194,425,293 | 186,925,293 |
| 180. Share capital | | 216,913,200 | 216,913,200 |
| 200. Net profit (loss) for the period | | 9,245,328 | 47,692,915 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | **45,789,341,282** | **46,480,999,465** |

# INCOME STATEMENT

| | | | 31/12/2015 | | 31/12/2014 |
|---|---|---|---|---|---|
| 10. | Interest and similar income | | 275,542,766 | | 389,489,720 |
| 20. | Interest and similar expense | | (192,855,218) | | (330,407,454) |
| **30.** | **Net interest income** | | **82,687,548** | | **59,082,266** |
| 40. | Fee and commission income | | 383,698,599 | | 372,707,358 |
| 50. | Fee and commission expense | | (256,331,772) | | (249,882,161) |
| **60.** | **Net fee and commission income (expense)** | | **127,366,827** | | **122,825,197** |
| 70. | Dividends and similar income | | 230,821 | | 535,934 |
| 80. | Net gain (loss) on trading activities | | 22,351,184 | | 15,215,745 |
| 90. | Net gain (loss) on hedging activities | | 65,096 | | 268,224 |
| 100. | Net gain (loss) on the disposal or repurchase of: | | 22,962,398 | | 27,910,671 |
| | a) loans | 3,692,881 | | 204,530 | |
| | b) financial assets available for sale | 27,670,760 | | 36,566,152 | |
| | d) financial liabilities | (8,401,243) | | (8,860,011) | |
| 110. | Net gain (loss) on financial assets and liabilities designated as at fair value | | 1,994,915 | | (2,941,352) |
| **120.** | **Gross income** | | **257,658,789** | | **222,896,685** |
| 130. | Net losses/recoveries on impairment: | | (3,440,772) | | 4,053,314 |
| | a) loans | 748,267 | | 6,399,648 | |
| | d) other financial transactions | (4,189,039) | | (2,346,334) | |
| **140.** | **Net income (loss) from financial operations** | | **254,218,017** | | **226,949,999** |
| 150. | Administrative expenses: | | (247,443,998) | | (182,527,149) |
| | a) personnel expenses | (62,329,862) | | (67,813,466) | |
| | b) other administrative expenses | (185,114,136) | | (114,713,683) | |
| 160. | Net provisions for risks and charges | | (231,928) | | (1,049,471) |
| 170. | Net adjustments of property and equipment | | (3,002,768) | | (2,417,860) |
| 180. | Net adjustments of intangible assets | | (6,726,538) | | (5,434,897) |
| 190. | Other operating expenses/income | | 20,012,758 | | 41,472,991 |
| **200.** | **Operating expenses** | | **(237,392,474)** | | **(149,956,386)** |
| **250.** | **Profit (loss) before tax on continuing operations** | | **16,825,543** | | **76,993,613** |
| 260. | Income tax expense from continuing operations | | (7,580,215) | | (29,300,698) |
| **270.** | **Profit (loss) after tax on continuing operations** | | **9,245,328** | | **47,692,915** |
| **290.** | **Net profit (loss) for the period** | | **9,245,328** | | **47,692,915** |

# STATEMENT OF COMPREHENSIVE INCOME

| | | 31/12/2015 | 31/12/2014 |
|---|---|---|---|
| **10.** | **Net profit (loss) for the period** | **9,245,328** | **47,692,915** |
| | **Other comprehensive income net of taxes not recyclable to income statement** | | |
| 40. | Defined-benefit plans | 17,079 | (359,000) |
| | **Other comprehensive income net of taxes recyclable to income statement** | | |
| 90. | Cash flow hedges | (656,051) | (815,205) |
| 100. | Financial assets available for sale | (6,565,110) | 5,424,318 |
| **130.** | **Total other comprehensive income net of taxes** | **(7,204,082)** | **4,250,113** |
| **140.** | **Comprehensive income (Item 10+130)** | **2,041,246** | **51,943,028** |

# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT DECEMBER 31, 2015

| | | | | ALLOCATION OF NET PROFIT OF PREVIOUS PERIOD | | CHANGES IN THE PERIOD | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | EQUITY TRANSACTIONS | | | | | | | |
| | AS AT 31/12/2014 | CHANGE IN OPENING BALANCE | AS AT 1/1/2015 | RESERVES | IVIDENDS AND OTHER ALLOCATIONS | CHANGE IN RESERVES | ISSUES OF NEW SHARES | PURCHASE OF TREASURY SHARES | EXTRAORDINARY DIVIDENDS | CHANGE IN EQUITY INSTRUMENTS | DERIVATIVES ON TREASURYSHARES | STOCK OPTIONS | COMPREHENSIVE INCOME AT 31/12/2015 | SHAREHOLDERS' EQUITY AS AT 31/12/2015 |
| Share capital: | | | | | | | | | | | | | | |
| a) ordinary shares | 216,913,200 | | 216,913,200 | - | | | - | - | | | | | | 216,913,200 |
| b) other shares | - | | - | - | | | - | - | | | | | | - |
| Share premium reserve | - | | - | - | | - | - | | | | | | | - |
| Reserves: | | | | | | | | | | | | | | |
| a) earnings | 104,922,929 | | 104,922,929 | 7,500,000 | | - | - | - | - | | | | | 112,422,929 |
| b) other | 82,002,364 | | 82,002,364 | - | | - | - | | - | | - | - | | 82,002,364 |
| Valuation reserves | 96,291,993 | - | 96,291,993 | | | - | | | | | | | (7,204,082) | 89,087,911 |
| Equity instruments | - | | - | | | | | | | - | | | | - |
| Treasury shares | - | | - | | | | - | - | | | | | | - |
| **Net profit (loss) for the year** | **47,692,915** | **-** | **47,692,915** | **(7,500,000)** | **(40,192,915)** | | | | | | | | **9,245,328** | **9,245,328** |
| **Total shareholders' equity** | **547,823,401** | **-** | **547,823,401** | **-** | **(40,192,915)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **2,041,246** | **509,671,732** |

"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, the transfer of properties to Immicra S.r.l. (new BCC Beni Immobili S.r.l.) and the transfer of the "branch services" business unit to Banca Sviluppo.

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT DECEMBER 31, 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 | CHANGE IN RESERVES | ISSUES OF NEW SHARES | PURCHASE OF TREASURY SHARES | EXTRAORDINARY DIVIDENDS | CHANGE IN EQUITY INSTRUMENTS | DERIVATIVES ON TREASURY SHARES | *STOCK OPTIONS* | COMPREHENSIVE INCOME AT 31/12/2014 | 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, the transfer of properties to Immicra S.r.l. (new BCC Beni Immobili S.r.l.) and the transfer of the "branch services" business unit to Banca Sviluppo.

# STATEMENT OF CASHFLOWS (INDIRECT METHOD)

| | 31/12/2015 | 31/12/2014 |
|---|---|---|
| **A. OPERATING ACTIVITIES** | | |
| **1. Operations** | **(127,289,964)** | **172,184,216** |
| - net profit (loss) for the period (+/-) | 9,245,328 | 47,692,915 |
| - gains (losses) on financial assets held for trading and on financial assets/liabilities at fair value through profit or loss(-/+) | (22,725,493) | 9,475,713 |
| - gains (losses) on hedging activities (-/+) | (65,096) | (268,224) |
| - net losses/recoveries on impairment (+/-) | 4,616,894 | 3,944,752 |
| - net adjustments of property and equipment and intangible assets(+/-) | 9,729,806 | 7,852,757 |
| - net provisions for risks and charges and other costs/revenues (+/-) | 572,413 | 2,058,517 |
| - taxes, duties and tax credits to be settled (+/-) | 6,993,222 | 23,422,600 |
| - net adjustments of disposal groups held for sale net of tax effects (+/-) | - | - |
| - other adjustments (+/-) | (135,657,039) | 78,005,187 |
| **2. Net cash flows from/used in financial assets** | **(1,117,770,194)** | **(3,527,289,717)** |
| - financial assets held for trading | 88,754,897 | (32,787,906) |
| - financial assets at fair value through profit or loss | (23,759,147) | (110,509) |
| - financial assets available for sale | (2,585,360,252) | (666,701,449) |
| - due from banks: repayable on demand | (200,471,017) | 291,947,356 |
| - due from banks: other | 3,825,822,090 | (3,079,176,675) |
| - loans to customers | (2,205,497,687) | (105,071,495) |
| - other assets | (17,259,077) | 64,610,961 |
| **3. Net cash flows from/used in financial liabilities** | **(468,559,908)** | **3,410,797,137** |
| - due to banks: repayable on demand | 252,903,074 | 53,666,242 |
| - due to banks: other | (15,727,873,524) | 7,844,117,764 |
| - due to customers | 15,104,563,297 | (4,337,584,972) |
| - securities issued | (24,735,103) | 88,086,020 |
| - financial liabilities held for trading | (11,063,716) | 95,424,302 |
| - financial liabilities at fair value through profit or loss | (15,579,620) | (306,738,273) |
| - other liabilities | (46,774,316) | (26,173,946) |
| **Net cash flows from/used in operating activities (A)** | **(1,713,620,066)** | **55,691,636** |
| **B. INVESTING ACTIVITIES** | | |
| **1. Cash flows from** | **1,900,386,000** | **1,900,920,480** |
| - sales of equity investments | - | - |
| - dividends on equity investments | - | - |
| - sales of financial assets held to maturity | 1,900,386,000 | 1,900,386,000 |
| - sales of property and equipment | - | 525,480 |
| - sales of intangible assets | - | - |
| - sales of subsidiaries and business units | - | 9,000 |
| **2. Cash flows used in** | **(159,606,061)** | **(1,900,377,697)** |
| - purchases of equity investments | - | (200,055,441) |
| - purchases of financial assets held to maturity | (151,457,372) | (1,689,394,733) |
| - purchases of property and equipment | (1,395,213) | (4,025,966) |
| - purchases of intangible assets | (6,753,476) | (6,901,557) |
| - purchases of subsidiaries and business units | - | - |
| **Net cash flows from/used in investing activities (B)** | **1,740,779,939** | **542,783** |
| **C. FINANCING ACTIVITIES** | | |
| - issues/purchases of own shares | - | - |
| - issues/purchases of equity instruments | - | 233,828 |
| - dividend distribution and other | (40,192,915) | (35,027,802) |
| **Net cash flows from/used in financing activities C(+/-)** | **(40,192,915)** | **(34,793,974)** |
| **NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (D)=A+/-B+/-C** | **(13,033,042)** | **21,440,446** |

## RECONCILIATION

| | 31/12/2015 | 31/12/2014 |
|---|---|---|
| Cash and cash equivalents at beginning of period (E) | 104,077,427 | 82,636,981 |
| Net increase/decrease in cash and cash equivalents (D) | (13,033,042) | 21,440,446 |
| Cash and cash equivalents: net foreign exchange difference (F) | - | - |
| Cash and cash equivalents at end of period (G)=E+/-D+/-F | 91,044,385 | 104,077,427 |

# *Notes to the financial statements*

# PART A

## *Accounting policies*

# PART A – ACCOUNTING POLICIES

## A.1 –GENERAL INFORMATION

This section sets out the accounting policies adopted in preparing the interim financial statements at December 31, 2015. 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 (IAS/IFRS)

In compliance with the provisions of Legislative Decree 38 of February 28, 2005, these interim 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 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, as updated at December 15, 2015 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, 2015 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, 2015:

| ENDORSEMENT REGULATION | IAS/IFRS AND SHORT DESCRIPTION | |
|---|---|---|
| 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. |
| 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 January 1, 2015. |

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

| ENDORSEMENT REGULATION | AS/IFRS AND SHORT DESCRIPTION | ENTRY INTO FORCE |
|---|---|---|
| To be determined | **I 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.<br>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.<br>The standard approved by the IASB will enter force on January 1, 2018, with early adoption possible. | January 1, 2018 |
| 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. |

| | | |
|---|---|---|
| 2113/2015 | **Amendments to IAS 16 Property, plant and equipment and to IAS 41 .** The IASB decided that plants that are used exclusively to bear produce over several periods should receive the same accounting treatment as property, plant and equipment under IAS 16. | Annual reporting periods beginning on or after January 1, 2016 |
| 2173/2015 | **Amendments to IFRS 11 Accounting for acquisitions of interests in joint operations.** The amendments provide guidance on accounting for acquisitions of interests in joint operations in which the activity constitutes a business. | Annual reporting periods beginning on or after January 1, 2016. |
| 2231/2015 | **Amendments to IAS 16 Property, plant and equipment and to IAS 38 Intangible assets** Clarification on acceptable methods of depreciation and amortization. | Annual reporting periods beginning on or after January 1, 2016. |
| 2343/2015 | **Annual improvements to IFRSs 2012-2014 cycle** Part of the ordinary process of rationalizing and clarifying the international financial reporting standards | Annual reporting periods beginning on or after January 1, 2016. |
| 2406/2015 | **Amendments to IAS 1 Presentation of financial statements.** The amendments seek to improve the effectiveness of disclosure and encourage entities to use professional judgement in deciding what disclosures they should make in their financial statements in application of IAS 1. | Annual reporting periods beginning on or after January 1, 2016. |
| 2441/2015 | **Amendments to IAS 27 Separate financial statements: Equity method in separate financial statements.** The amendments are intended to allow entities to use the equity method, described in IAS 28 *Investments in associates and joint ventures*, to account for their investments in subsidiaries, joint ventures and associates in their separate financial statements. | Annual reporting periods beginning on or after January 1, 2016. |
| To be determined | **IFRS 15 Revenue from contracts with customers.** The standard replaces IAS 18, IAS 11 and the associated interpretations concerning revenue recognition IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31. The new standard specifies two approaches to revenue recognition: the first provides for recognition "at a point in time", while the second provides for recognition "over time". The standard introduces a method for analyzing transactions and define both the timing of recognition and the amount to be recognized. IFRS 15 also includes requirements for accounting for certain costs directly connected with a contract. | Annual reporting periods beginning on or after January 1, 2018. |
| To be determined | **IFRS 16 Leases** The new standard, which replaces IAS 17, establishes that lessees shall recognize assets and liabilities for a lease. | Annual reporting periods beginning on or after January 1, 2019. |

In addition, 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. In particular, with regard to classification and measurement, on the basis of the analysis conducted so far, no significant changes are expected with regard to the business. 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 explanatory notes 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 these explanatory notes, 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 explanatory notes set out, for the balance sheet, the figures for the present period as well as comparative figures at December 31, 2014.

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 model forms.

#### *RISKS AND UNCERTAINTIES ASSOCIATED WITH THE USE OF ESTIMATES*

In conformity with the IFRS, management is required 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 interim financial statements at December 31, 2015, 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, 2015. 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). Items without values for the reference period and the previous period are not included. In the income statement, revenues are shown without indicating their sign, while cost figures are shown within parentheses.

*STATEMENT OF COMPREHENSIVE INCOME*

In the items of other comprehensive income net of taxes, the statement of comprehensive income 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 shows the composition and movements of equity accounts during the reference period and the previous period, broken down by share capital, capital reserves, earning reserves, valuation reserves for assets or liabilities and the net profit (loss) for the period. No equity instruments other than ordinary shares have been issued.

*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 explanatory notes to the financial statements, include the information required by Bank of Italy Circular no. 262/2005 – 4th update December15, 2015 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 undergone a limited review 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.

*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 value 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.

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 accrue.

## 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, positions unlikely to be repaid 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 subsection 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. Under IFRS 10, an investor has control when:

- it had the power to direct the relevant activities of the investee;
- is exposed to or has rights to variable returns from its involvement with the investee;
- has the ability to use its power over the investee to affect the amount of the investor's returns (link between power and returns).

Under IFRS 10, an investor has control when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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.

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, although 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.

*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.

*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 fulfil 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 fulfil 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.

*RECOGNITION OF INCOME COMPONENTS*

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.

Exchange rate differences resulting from the settlement of monetary items or from the translation of monetary assets/liabilities at exchange rates other than the initial translation rate, or the translation of previous financial statements, are recognized in the income statement in the period in which they emerge.

When gains or losses relating to a non-monetary item are recognized in equity, the exchange rate difference for the item is also recognized in equity. Likewise, when a gain or less is recognized in the income statement, the corresponding exchange rate difference is also recognized in the income statement.

## 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 - 4th update of December 15, 2015. 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 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. 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 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 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 31/12/2015 | FAIR VALUE AT 31/12/2015 | INCOME COMPONENTS WITHOUT TRANSFER (PRE TAX) | | INCOME COMPONENTS RECOGNIZED IN THE PERIOD (PRE TAX)) | |
|---|---|---|---|---|---|---|---|---|
| | | | | | VALUATION | OTHER | VALUATION | OTHER |
| Debt securities | Assets held for trading | Assets available for sale | 9,422 | 9,422 | 144 | 23 | 97 | 70 |

### 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 balance sheet date as no transfers of financial assets 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 31/12/2015 | EXPECTED CASH FLOWS AT 31/12/2015 |
|---|---|---|---|
| XS0247770224 | ITALY 22 March 2018 | 0.725802 | Lower of (2.25 * European inflation rate) and (6-month Euribor + 0.60) |

## A.4 –FAIR VALUE DISCLOSURE

### Qualitative disclosure

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.

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

- bonds are valued 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 valued 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).

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 or from single-name or sector credit curves. 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 (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 positions unlikely to be repaid** valued 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

| | 31/12/2015 | | | 31/12/2014 | | |
|---|---|---|---|---|---|---|
| | L1 | L2 | L3 | L1 | L2 | L3 |
| 1. Financial assets held for trading | 61,225 | 341,138 | 417 | 6,718 | 463,949 | 383 |
| 2. Financial assets designated as at fair value | - | 337,911 | - | - | 321,232 | - |
| 3. Financial assets available for sale | 6,594,068 | 118,810 | 1,011 | 4,042,811 | 97,234 | 467 |
| 4. Hedging derivatives | - | 10,181 | - | - | 10,333 | - |
| 5. Property and equipment | - | - | - | - | - | - |
| 6. Intangible assets | - | - | - | - | - | - |
| **TOTAL** | **6,655,293** | **808,040** | **1,428** | **4,049,529** | **892,748** | **850** |
| 1. Financial liabilities held for trading | 137,878 | 337,737 | - | 29,291 | 457,777 | - |
| 2. Financial liabilities designated as at fair value | 437,636 | - | - | 462,100 | - | - |
| 3. Hedging derivatives | - | 88,035 | - | - | 77,039 | - |
| **TOTAL** | **575,514** | **425,772** | **-** | **491,391** | **534,816** | **-** |

Key:

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

During the year, there were no transfers of financial instruments between Level 1 and Level 2.

The determination of the Credit Value Adjustment (an adjustment regarding the default risk of counterparties) had a negative impact of about €305 thousand, while the change attributable to the Debt Value Adjustment was about €46 thousand.

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

| | 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** | **383** | **-** | **467** | **-** | **-** | **-** |
| **2. Increases** | **561** | **-** | **567** | **-** | **-** | **-** |
| 2.1 Purchases | 526 | - | - | - | - | - |
| 2.2 Profits recognized in: | 35 | - | 567 | - | - | - |
| 2.2.1 Income statement | 35 | - | - | - | - | - |
| - of which: capital gains | 34 | - | - | - | - | - |
| 2.2.2 Shareholders' equity | X | X | - | - | - | - |
| 2.3 Transfers from other levels | - | - | - | - | - | - |
| 2.4 Other increases | - | - | - | - | - | - |
| **3. Decreases** | **527** | **-** | **23** | **-** | **-** | **-** |
| 3.1 Sales | 526 | - | - | - | - | - |
| 3.2 Redemptions | - | - | - | - | - | - |
| 3.3 Losses recognized in: | 1 | - | 23 | - | - | - |
| 3.3.1 Income statement | 1 | - | - | - | - | - |
| - of which: capital losses | - | - | - | - | - | - |
| 3.3.2 Shareholders' equity | X | X | 23 | - | - | - |
| 3.4 Transfers to other levels | - | - | - | - | - | - |
| 3.5 Other decreases | - | - | - | - | - | - |
| **4. Closing balance** | **417** | **-** | **1,011** | **-** | **-** | **-** |

There were no changes in one or more inputs concerning reasonably possible alternative hypotheses that would have a material impact on fair value.

### A.4.5.3 FINANCIAL LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS (LEVEL3): CHANGE FOR THE PERIOD

The table has not been completed because there were no such positions 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

| | 31/12/2015 | | | | 31/12/2014 | | | |
|---|---|---|---|---|---|---|---|---|
| | CA | L1 | L2 | L3 | CA | L1 | L2 | L3 |
| 1. Financial assets held to maturity | 1,779,509 | 1,794,597 | - | - | 3,536,799 | 3,562,356 | - | - |
| 2. Due from banks | 31,939,294 | - | 12,094,589 | 19,817,952 | 35,587,200 | - | 14,202,083 | 21,395,723 |
| 3. Loans to customers | 4,077,714 | - | 1,245,864 | 2,852,454 | 1,873,283 | - | 1,142,212 | 743,236 |
| 4. Investment property | - | - | - | - | - | - | - | - |
| 5. Non-current assets and disposal groups held for sale | - | - | - | - | - | - | - | - |
| **TOTAL** | **37,796,517** | **1,794,597** | **13,340,453** | **22,670,406** | **40,997,282** | **3,562,356** | **15,344,295** | **22,138,960** |
| 1. Due to banks | 13,670,457 | - | 395,504 | 13,287,374 | 29,295,429 | - | 271,141 | 29,024,288 |
| 2. Due to customers | 26,029,648 | - | 288,821 | 25,739,054 | 10,940,997 | - | 163,967 | 10,765,911 |
| 3. Securities issued | 4,368,998 | 3,703,621 | 738,415 | - | 4,397,339 | 3,406,490 | 1,135,869 | - |
| 4. Liabilities associated with assets held for sale | - | - | - | - | - | - | - | - |
| **TOTAL** | **44,069,103** | **3,703,621** | **1,422,740** | **39,026,428** | **44,633,765** | **3,406,490** | **1,570,977** | **39,790,199** |

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

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

During the period under review 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 28. More specifically, the total net decrease of €29 thousand, recognized entirely through profit or loss, is related to the issue of loans in dollars and the associated hedges. 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.

### CASH AND CASH EQUIVALENTS: COMPOSITION

| | TOTAL 31/12/2015 | TOTAL 31/12/2014 |
|---|---|---|
| a) Cash | 91,044 | 104,077 |
| b) Demand deposits with central banks | - | - |
| **TOTAL** | **91,044** | **104,077** |

"Cash" includes foreign currency in the amount of €17,337 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 31/12/2015 | | | TOTAL 31/12/2014 | | |
|---|---|---|---|---|---|---|
| | LEVEL 1 | LEVEL 2 | LEVEL 3 | LEVEL 1 | LEVEL 2 | LEVEL 3 |
| **A. On-balance-sheet assets** | | | | | | |
| **1. Debt securities** | **59,227** | **2,363** | **213** | **5,373** | **189** | **209** |
| 1,1 structured securities | 3,293 | 704 | 213 | 1,836 | - | 209 |
| 1,2 other debt securities | 55,934 | 1,659 | - | 3,537 | 189 | - |
| **2. Equity securities** | **911** | **63** | **204** | **340** | **22** | **174** |
| **3. Units in collective investment undertakings** | **976** | **-** | **-** | **953** | **-** | **-** |
| **4. Loans** | **-** | **-** | **-** | **-** | **-** | **-** |
| 4.1 repurchase agreements | - | - | - | - | - | - |
| 4.2 other | - | - | - | - | - | - |
| **TOTAL A** | **61,114** | **2,426** | **417** | **6,666** | **211** | **383** |
| **B. Derivatives** | | | | | | |
| **1. Financial derivatives** | **111** | **338,712** | **-** | **52** | **463,738** | **-** |
| 1.1 trading | 111 | 333,976 | - | 52 | 450,393 | - |
| 1.2 associated with fair value option | - | 4,736 | - | - | 13,345 | - |
| 1.3 other | - | - | - | - | - | - |
| **2. Credit derivatives** | - | - | - | **-** | **-** | **-** |
| 2.1 trading | - | - | - | - | - | - |
| 2.2 associated with fair value option | - | - | - | - | - | - |
| 2.3 other | - | - | - | - | - | - |
| **TOTAL B** | **111** | **338,712** | **-** | **52** | **463,738** | **-** |
| **TOTAL (A+B)** | **61,225** | **341,138** | **417** | **6,718** | **463,949** | **383** |

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 31/12/2015 | TOTAL 31/12/2014 |
|---|---|---|
| **A. On-balance-sheet assets** | | |
| **1. Debt securities** | **61,803** | **5,771** |
| a) Governments and central banks | 54,695 | 633 |
| b) Other government agencies | 22 | 44 |
| c) Banks | 5,140 | 3,757 |
| d) Other issuers | 1,946 | 1,337 |
| **2. Equity securities** | **1,178** | **536** |
| a) Banks | 62 | - |
| b) Other issuers: | 1,116 | 536 |
| - insurance undertakings | 68 | - |
| - financial companies | 188 | 94 |
| - non-financial companies | 860 | 442 |
| - other | - | - |
| **3. Units in collective investment undertakings** | **976** | **953** |
| **4. Loans** | **-** | **-** |
| a) Governments and central banks | - | - |
| b) Other government agencies | - | - |
| c) Banks | - | - |
| d) Other | - | - |
| **TOTAL A** | **63,957** | **7,260** |
| **B. Derivatives** | | |
| **a) Banks** | **305,729** | **417,796** |
| **b) Customers** | **33,094** | **45,994** |
| **TOTAL B** | **338,823** | **463,790** |
| **TOTAL (A+B)** | **402,780** | **471,050** |

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.

## 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 31/12/2015 | | | TOTAL 31/12/2014 | | |
|---|---|---|---|---|---|---|
| | LEVEL 1 | LEVEL 2 | LEVEL 3 | LEVEL 1 | LEVEL 2 | LEVEL 3 |
| **1. Debt securities** | **-** | **337,911** | **-** | **-** | **321,232** | **-** |
| 1.1 structured securities | - | 15,121 | - | - | - | - |
| 1.2 other debt securities | - | 322,790 | - | - | 321,232 | - |
| **2. Equity securities** | **-** | **-** | **-** | **-** | **-** | **-** |
| **3. Units in collective investment undertakings** | **-** | **-** | **-** | **-** | **-** | **-** |
| **4. Loans** | **-** | **-** | **-** | **-** | **-** | **-** |
| 4.1 structured | - | - | - | - | - | - |
| 4.2 other | - | - | - | - | - | - |
| **TOTAL** | **-** | **337,911** | **-** | **-** | **321,232** | **-** |
| **COST** | **-** | **334,989** | **-** | **-** | **311,297** | **-** |

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);
- one credit linked note held by the Bank in order to avoid unbundling 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 (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 31/12/2015 | TOTAL 31/12/2014 |
|---|---|---|
| **1. Debt securities** | **337,911** | **321,232** |
| a) Governments and central banks | - | - |
| b) Other government agencies | - | - |
| c) Banks | 337,911 | 321,232 |
| d) Other issuers | - | - |
| **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** | **337,911** | **321,232** |

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.

## 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 31/12/2015 | | | TOTAL AT 31/12/2014 | | |
|---|---|---|---|---|---|---|
| | LEVEL 1 | LEVEL 2 | LEVEL 3 | LEVEL 1 | LEVEL 2 | LEVEL 3 |
| **1. Debt securities** | **6,587,437** | **118,810** | **-** | **4,037,780** | **97,234** | **-** |
| 1.1 structured securities | 51,089 | 103,272 | - | - | 88,147 | - |
| 1.2 other debt securities | 6,536,348 | 15,538 | - | 4,037,780 | 9,087 | - |
| **2. Equity securities** | **6,632** | **-** | **6,188** | **5,031** | **-** | **5,311** |
| 2.1 at fair value | 6,632 | - | - | 5,031 | - | - |
| 2.2 carried at cost | - | - | 6,188 | - | - | 5,311 |
| **3. Units in collective investment undertakings** | **-** | **-** | **1,011** | **-** | **-** | **467** |
| **4. Loans** | **-** | **-** | **-** | **-** | **-** | **-** |
| **TOTAL** | **6,594,069** | **118,810** | **7,199** | **4,042,811** | **97,234** | **5,778** |

### 4.2 FINANCIAL ASSETS AVAILABLE FOR SALE: COMPOSITION BY DEBTOR/ISSUER

| | TOTAL AT 31/12/2015 | TOTAL AT 31/12/2014 |
|---|---|---|
| **1. Debt securities** | **6,706,247** | **4,135,014** |
| a) Governments and central banks | 6,680,848 | 4,114,481 |
| b) Other government agencies | - | - |
| c) Banks | 14,503 | 9,939 |
| d) Other issuers | 10,896 | 10,594 |
| **2. Equity securities** | **12,820** | **10,342** |
| a) Banks | 1 | 1 |
| b) Other issuers: | 12,819 | 10,341 |
| - insurance undertakings | - | - |
| - financial companies | 7,160 | 5,294 |
| - non-financial companies | 5,659 | 5,047 |
| - other | - | - |
| **3. Units in collective investment undertakings** | **1,011** | **467** |
| **4. Loans** | **-** | **-** |
| a) Governments and central banks | - | - |
| b) Other government agencies | - | - |
| c) Banks | - | - |
| d) Other | - | - |
| **TOTAL** | **6,720,078** | **4,145,823** |

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 31/12/2015 | TOTAL AT 31/12/2014 |
|---|---|---|
| **1. Financial assets with specific fair value hedges:** | **1,645,853** | **826,081** |
| a) interest rate risk | 1,645,853 | 826,081 |
| b) price risk | - | - |
| c) exchange rate risk | - | - |
| d) credit risk | - | - |
| e) multiple risks | - | - |
| **2. Financial assets with specific cash flow hedges:** | **34,091** | **34,076** |
| a) interest rate risk | 34,091 | 34,076 |
| b) exchange rate risk | - | - |
| c) other | - | - |
| **TOTAL** | **1,679,944** | **860,157** |

The amounts regard Italian government securities (BTPs and CTZs) hedged with asset swaps against interest rate risk (*fair value hedging)* or to stabilize cash flows (*cash flow hedging*).

# 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 31/12/2015 | | | | TOTAL AT 31/12/2014 | | | |
|---|---|---|---|---|---|---|---|---|
| | CA | FV | | | CA | FV | | |
| | | LEVEL 1 | LEVEL 2 | LEVEL 3 | | LEVEL 1 | LEVEL 2 | LEVEL 3 |
| **1. Debt securities** | **1,779,509** | **1,794,597** | **-** | **-** | **3,536,799** | **3,562,356** | **-** | **-** |
| - structured | - | - | - | - | - | - | - | - |
| - other | 1,779,509 | 1,794,597 | - | - | 3,536,799 | 3,562,356 | - | - |
| **2. Loans** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **TOTAL** | **1,779,509** | **1,794,597** | **-** | **-** | **3,536,799** | **3,562,356** | **-** | **-** |

Key:

FV = fair value
CA = carrying amount

## 5.2 FINANCIAL ASSETS HELD TO MATURITY: COMPOSITION BY DEBTOR/ISSUER

| | TOTAL AT AL 31/12/2015 | TOTAL AT 31/12/2014 |
|---|---|---|
| **1. Debt securities** | **1,779,509** | **3,536,799** |
| a) Governments and central banks | 1,779,509 | 3,536,799 |
| b) Other government agencies | - | - |
| c) Banks | - | - |
| d) Other issuers | - | - |
| **2. Loans** | **-** | **-** |
| a) Governments and central banks | - | - |
| b) Other government agencies | - | - |
| c) Banks | - | - |
| d) Other | - | - |
| **TOTAL** | **1,779,509** | **3,536,799** |
| **TOTAL FAIR VALUE** | **1,794,597** | **3,562,355** |

## 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.

## 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 31/12/2015 | | | | TOTAL AT 31/12/2014 | | | |
|---|---|---|---|---|---|---|---|---|
| | CA | FV | | | CA | FV | | |
| | | LEVEL 1 | LEVEL 2 | LEVEL 3 | | LEVEL 1 | LEVEL 2 | LEVEL 3 |
| **A. Claims on central banks** | **149,669** | | | | **197,424** | | | |
| 1. Fixed-term deposits | - | X | X | X | - | X | X | X |
| 2. Reserve requirement | 149,669 | X | X | X | 197,424 | X | X | X |
| 3. Repurchase agreements | - | X | X | X | - | X | X | X |
| 4. Other | - | X | X | X | - | X | X | X |
| **B. Due from banks** | **31,789,625** | | | | **35,389,776** | | | |
| 1. Financing | 27,851,716 | | | | 31,764,398 | | | |
| 1.1. Current accounts and demand deposits | 548,482 | X | X | X | 304,824 | X | X | X |
| 1.2. Fixed-term deposits | 172,588 | X | X | X | 149,071 | X | X | X |
| 1.3. Other financing: | 27,130,646 | X | X | X | 31,310,503 | X | X | X |
| - Repurchase agreements | 4,410,782 | X | X | X | 7,250,182 | X | X | X |
| - Finance leases | - | X | X | X | - | X | X | X |
| - Other | 22,719,864 | X | X | X | 24,060,321 | X | X | X |
| 2. Debt securities | 3,937,909 | | | | 3,625,378 | | | |
| 2.1 Structured securities | 57,055 | X | X | X | 77,171 | X | X | X |
| 2.2 Other debt securities | 3,880,854 | X | X | X | 3,548,207 | X | X | X |
| **TOTAL** | **31,939,294** | **-** | **12,094,589** | **19,848,564** | **35,587,200** | **-** | **14,202,083** | **21,395,723** |

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 €114 thousand, entirely collected in January 2016 following a repayment of €3,280 thousand.

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 €19,535 million and are reported under letter "B", "Other financing – Other". The loans include €5,643 million in respect of the ECB's T-LTRO (*Targeted Long Term Refinancing Operation*). The loans were made following an additional four auctions in 2015 in the amount of €1,835 million. The securities pledged as collateral by the mutual banks amount to €22,143 million net of the haircut applied to the various types of security.

During the year, financing involving the transfer of loans through the ABACO process also continued. At the end of the year, the loans received from Iccrea BancaImpresa to guarantee the collateral pool came to €1,478 million, which comes to a net of around €545 million after the haircut is applied.

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 value | Coupon at 31/12/2015 | Issue date | Maturity |
|---|---|---|---|---|
| IT0005073207 | 8,170,000 | 1.712% | 19/12/2014 | 01/10/2019 |
| IT0005073231 | 78,650,000 | 1.649% | 19/12/2014 | 01/10/2029 |
| IT0005106783 | 62,910,000 | 1.399% | 17/04/2015 | 01/04/2030 |
| IT0005068595 | 71,960,000 | 1.639% | 19/11/2014 | 01/10/2029 |
| IT0005068678 | 11,860,000 | 1.545% | 19/11/2014 | 01/07/2024 |
| IT0005104986 | 12,800,000 | 1.541% | 01/04/2015 | 01/04/2020 |
| IT0004987712 | 61,290,000 | 2.519% | 15/01/2014 | 01/04/2022 |
| IT0005083701 | 177,110,000 | 1.619% | 23/01/2015 | 02/01/2030 |
| IT0005074163 | 1,000,000,000 | 0.419% | 29/12/2014 | 28/12/2017 |
| IT0005104978 | 125,860,000 | 1.509% | 01/04/2015 | 01/04/2030 |
| IT0005104952 | 24,590,000 | 1.510% | 01/04/2015 | 02/01/2030 |
| IT0005114985 | 96,220,000 | 1.529% | 19/05/2015 | 01/04/2030 |
| IT0004982432 | 11,170,000 | 2.710% | 12/12/2013 | 02/01/2025 |
| IT0004982424 | 43,980,000 | 2.719% | 12/12/2013 | 02/01/2019 |
| IT0005119638 | 58,220,000 | 1.199% | 18/06/2015 | 01/04/2030 |
| IT0005119646 | 26,000,000 | 1.489% | 18/06/2015 | 02/01/2030 |
| IT0005119653 | 10,260,000 | 1.101% | 18/06/2015 | 01/04/2020 |
| IT0004813033 | 17,800,000 | 3.494% | 16/04/2012 | 03/04/2017 |
| IT0004894298 | 6,150,000 | 1.080% | 08/02/2013 | 04/01/2016 |
| IT0004894546 | 1,610,000 | 1.520% | 08/02/2013 | 01/01/2016 |
| IT0004816598 | 11,300,000 | 3.469% | 10/05/2012 | 03/04/2017 |
| IT0004929870 | 16,720,000 | 3.359% | 24/05/2013 | 01/10/2019 |
| IT0004840523 | 11,300,000 | 3.429% | 12/07/2012 | 01/07/2022 |
| IT0004840549 | 14,170,000 | 3.059% | 12/07/2012 | 03/07/2017 |
| IT0004840531 | 11,500,000 | 3.479% | 12/07/2012 | 01/07/2019 |
| IT0004865595 | 17,000,000 | 2.729% | 23/10/2012 | 02/10/2017 |
| IT0004865603 | 14,000,000 | 3.289% | 23/10/2012 | 01/10/2025 |
| IT0004870785 | 12,300,000 | 2.630% | 21/11/2012 | 01/07/2027 |
| IT0004920614 | 25,070,000 | 3.419% | 07/05/2013 | 01/04/2025 |
| IT0004894660 | 22,000,000 | 1.630% | 08/02/2013 | 02/01/2018 |
| IT0004894280 | 58,000,000 | 1.609% | 08/02/2013 | 02/01/2018 |
| IT0004894454 | 11,460,000 | 1.069% | 08/02/2013 | 04/01/2016 |
| IT0004675127 | 6,184,000 | 3.600% | 01/01/2011 | 01/05/2016 |
| IT0004955784 | 2,990,000 | 2.980% | 09/08/2013 | 01/07/2022 |
| IT0004987720 | 14,930,000 | 3.547% | 15/01/2014 | 01/04/2019 |
| IT0004987738 | 58,970,000 | 2.500% | 15/01/2014 | 01/07/2022 |
| IT0005041238 | 61,690,000 | 1.839% | 28/07/2014 | 02/07/2029 |
| IT0004942147 | 19,430,000 | 2.819% | 15/07/2013 | 02/01/2026 |
| IT0004936693 | 29,510,000 | 2.689% | 17/06/2013 | 03/07/2023 |
| IT0004936685 | 15,580,000 | 2.660% | 17/06/2013 | 01/07/2020 |
| IT0004921075 | 54,950,000 | 3.299% | 07/05/2013 | 01/07/2025 |
| IT0004955792 | 5,090,000 | 3.855% | 09/08/2013 | 01/04/2017 |
| IT0004920630 | 30,060,000 | 2.779% | 07/05/2013 | 03/04/2028 |
| IT0004955800 | 32,030,000 | 3.019% | 09/08/2013 | 01/10/2020 |
| IT0004975881 | 46,310,000 | 3.039% | 19/11/2013 | 01/07/2025 |
| IT0004942436 | 5,490,000 | 3.393% | 15/07/2013 | 01/01/2016 |
| IT0004942428 | 15,080,000 | 2.790% | 15/07/2013 | 01/07/2022 |
| IT0005025108 | 9,140,000 | 1.830% | 26/05/2014 | 02/01/2024 |
| IT0004960941 | 6,960,000 | 2.859% | 16/09/2013 | 02/01/2018 |
| IT0004966427 | 35,540,000 | 2.769% | 14/10/2013 | 01/04/2022 |
| IT0005043564 | 7,800,000 | 1.505% | 12/08/2014 | 04/01/2027 |

| | | | | |
|---|---|---|---|---|
| IT0005043556 | 63,680,000 | 1.659% | 12/08/2014 | 02/07/2029 |
| IT0005059420 | 8,810,000 | 1.910% | 21/10/2014 | 02/07/2029 |
| IT0005055576 | 63,650,000 | 1.689% | 22/09/2014 | 02/07/2029 |
| IT0005055568 | 12,000,000 | 1.831% | 22/09/2014 | 01/07/2019 |
| IT0005023210 | 37,500,000 | 2.699% | 12/05/2014 | 03/04/2029 |
| IT0005023202 | 81,960,000 | 1.919% | 12/05/2014 | 01/04/2019 |
| IT0005041246 | 5,710,000 | 1.825% | 28/07/2014 | 01/01/2019 |
| IT0005059396 | 54,860,000 | 1.729% | 21/10/2014 | 01/10/2029 |
| IT0005029670 | 56,410,000 | 1.899% | 23/06/2014 | 03/04/2029 |
| IT0005025082 | 57,510,000 | 1.859% | 03/06/2014 | 02/04/2024 |
| IT0004960958 | 38,930,000 | 2.860% | 16/09/2013 | 03/01/2028 |
| IT0005126013 | 67,400,000 | 1.424% | 12/08/2015 | 01/07/2030 |
| IT0005126021 | 24,000,000 | 1.389% | 12/08/2015 | 01/07/2030 |
| IT0005137481 | 13,000,000 | 1.080% | 01/10/2015 | 01/10/2020 |
| IT0005137473 | 108,000,000 | 1.351% | 01/10/2015 | 01/10/2030 |
| IT0005139446 | 57,000,000 | 1.216% | 21/10/2015 | 01/10/2030 |
| IT0005123457 | 83,340,000 | 1.400% | 16/07/2015 | 01/07/2030 |
| IT0005158446 | 18,000,000 | 1.283% | 23/12/2015 | 01/10/2025 |
| IT0005158438 | 174,000,000 | 1.159% | 23/12/2015 | 01/10/2030 |
| IT0005158420 | 14,000,000 | 1.258% | 23/12/2015 | 01/07/2030 |
| **total 31/12/15** | **3,628,924,000** | | | |

## 6.2 DUE FROM BANKS: ASSETS HEDGED SPECIFICALLY

| | TOTAL AT 31/12/2015 | TOTAL AT 31/12/2014 |
|---|---|---|
| **1. Loans with specific fair value hedges:** | **80,653** | **232,129** |
| a) interest rate risk | 80,653 | 232,129 |
| 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** | **80,653** | **232,129** |

The item consists of fixed-rate treasury deposits 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 31/12/2015 | | | | | | TOTAL AT 31/12/2014 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | CARRYING AMOUNT | | | FAIR VALUE | | | CARRYING AMOUNT | | | FAIR VALUE | | |
| | PERFORMING | IMPAIRED | | L 1 | L 2 | L 3 | PERFORMING | IMPAIRED | | L 1 | L 2 | L 3 |
| | | PURCHASED | OTHER | | | | | PURCHASED | OTHER | | | |
| **Loans** | **4,058,096** | **-** | **19,618** | | | | **1,834,164** | **-** | **22,236** | | | |
| 1. Current accounts | 153,148 | - | 198 | X | X | X | 163,552 | - | 183 | X | X | X |
| 2. Repurchase agreements | 1,409,005 | - | - | X | X | X | 53,992 | - | | X | X | X |
| 3. Medium/long-term loans | 126,023 | - | 19,272 | X | X | X | 144,941 | - | 21,359 | 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 | 2,369,920 | - | 148 | X | X | X | 1,471,679 | - | 694 | X | X | X |
| **Debt securities** | **-** | **-** | **-** | | | | **16,883** | **-** | **-** | | | |
| 8. Structured securities | - | - | - | X | X | X | - | - | - | X | X | X |
| 9. Other debt securities | - | - | - | X | X | X | 16,883 | - | - | X | X | X |
| **TOTAL** | **4,058,096** | **-** | **19,618** | **-** | **1,245,864** | **2,821,842** | **1,851,047** | **-** | **22,236** | **-** | **1,142,212** | **743,236** |

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 €2,716 thousand in respect of the Lehman Brothers Group, entirely written off. During the year, around €576 thousand was collected in two payments, with such amount being written back.

## 7.2 LOANS TO CUSTOMERS: COMPOSITION BY DEBTOR/ISSUER

| | TOTAL AT 31/12/2015 | | | TOTAL AT 31/12/2014 | | |
|---|---|---|---|---|---|---|
| | PERFORMING | IMPAIRED | | PERFORMING | IMPAIRED | |
| | | PURCHASED | OTHER | | PURCHASED | OTHER |
| **1. Debt securities:** | **-** | **-** | **-** | **16,882** | **-** | **-** |
| a) Governments | - | - | - | - | - | - |
| b) Other government agencies | - | - | - | - | - | - |
| c) Other issuers | - | - | - | 16,882 | - | - |
| - non-financial companies | - | - | - | 102 | - | - |
| - financial companies | - | - | - | 16,780 | - | - |
| - insurance undertakings | - | - | - | - | - | - |
| - other | - | - | - | - | - | - |
| **2. Loans to**: | **4,058,096** | **-** | **19,618** | **1,834,165** | **-** | **22,236** |
| a) Governments | - | - | - | - | - | - |
| b) Other government agencies | - | - | - | 1 | - | - |
| c) Other | 4,058,096 | - | 19,618 | 1,834,164 | - | 22,236 |
| - non-financial companies | 76,397 | - | 14,361 | 76,131 | - | 16,849 |
| - financial companies | 3,830,178 | - | - | 1,594,873 | - | - |
| - insurance undertakings | 60,678 | - | - | 61,001 | - | - |
| - other | 90,843 | - | 5,257 | 102,159 | - | 5,387 |
| **TOTAL** | **4,058,096** | **-** | **19,618** | **1,851,047** | **-** | **22,236** |

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 31/12/2015 | TOTAL AT 31/12/2014 |
|---|---|---|
| **1. Loans with specific fair value hedges:** | **30,744** | **38,267** |
| a) interest rate risk | 30,744 | 38,267 |
| 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** | **30,744** | **38,267** |

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 €21,344 thousand (outstanding debt at December 31, 2015) and the other to BCC CreditoConsumo in the amount of €4,920 thousand (outstanding debt including accrued at December 31, 2015) – 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 31/12/2015 | | | NV AT 31/12/2015 | FV AT 31/12/2014 | | | NV AT 31/12/2014 |
|---|---|---|---|---|---|---|---|---|
| | L1 | L2 | L3 | | L1 | L2 | L3 | |
| **A) Financial derivatives** | **-** | **10,181** | **-** | **543,335** | **-** | **10,333** | **-** | **292,944** |
| *1)* Fair value | - | 4,875 | - | 442,700 | - | 8,187 | - | 249,700 |
| 2) Cash flows | - | 5,306 | - | 100,635 | - | 2,146 | - | 43,244 |
| 3) Investments in foreign operations | - | - | - | - | - | - | - | - |
| **B. Credit derivatives** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| *1)* Fair value | - | - | - | - | - | - | - | - |
| 2) Cash flows | - | - | - | - | - | - | - | - |
| **TOTAL** | **-** | **10,181** | **-** | **543,335** | **-** | **10,333** | **-** | **292,944** |

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 | | NVESTMENTS IN FOREIGN OPERATIONS |
|---|---|---|---|---|---|---|---|---|---|
| | SPECIFIC | | | | | GENERIC | SPECIFIC | GENERIC | |
| | INTEREST RATE RISK | EXCHANGE RATE RISK | CREDIT RISK | PRICE RISK | MULTIPLE RISKS | | | | |
| 1. Financial assets available for sale | 31 | - | - | - | - | X | 40 | X | X |
| 2. Loans | 21 | - | - | 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 31/12/2015** | **52** | **-** | **-** | **-** | **-** | **-** | **40** | **-** | **-** |
| 1. Financial liabilities | 4,823 | - | - | X | - | X | 5,266 | X | X |
| 2. Portfolio | X | X | X | X | X | - | X | - | X |
| **TOTAL LIABILITIES AT 31/12/2015** | **4,823** | **-** | **-** | **X** | **-** | **-** | **5,266** | **-** | **-** |
| 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 amounts reported under point 1 “Financial assets available for sale” regard fair value hedges using asset swaps covering fixed-rate BTPs and cash flow hedges covering the forward sale of fixed-rate BTPs.

“Loans " regards hedges of treasury deposits.

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 31/12/2015 | TOTAL AT 31/12/2014 |
|---|---|---|
| **1. Positive adjustments** | **932** | **171** |
| 1.1 of specific portfolios: | 932 | 171 |
| a) loans | 932 | 171 |
| b) financial assets available for sale | - | - |
| 1.2 comprehensive | - | - |
| **2. Negative adjustments** | **-** | **-** |
| 2.1 of specific portfolios: | - | - |
| a) loans | - | - |
| b) financial assets available for sale | - | - |
| 2.2 comprehensive | - | - |
| **TOTAL** | **932** | **171** |

## 9.2 ASSETS MACRO-HEDGED AGAINST INTEREST RATE RISK

| | TOTAL AT 31/12/2015 | TOTAL AT 31/12/2014 |
|---|---|---|
| 1. Loans | 1,678,000 | 190,000 |
| 2. Assets available for sale | - | - |
| 3. Portfolio | - | - |
| **TOTAL** | **1,678,000** | **190,000** |

The macro-hedging was conducted for portfolios of collateralized loans, 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 | Rome | 47.60 | 47.60 |
| 2. M-Facility S.p.A. | Rome | Milan | 37.50 | 37.50 |
| 3. Hi-Mtf S.p.A. | Milan | Rome | 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** | **-** | **-** |

Pursuant to Legislative Decree 87/92 and electing the option envisaged under IFRS 10 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 | 345 | 19,742 | - | 3,242 | 710 | X | X | (246) | (245) | - | (245) | - | (245) |
| 2. M-Facility S.P.A. | X | 605 | 1,140 | - | 42 | - | X | X | (214) | (146) | - | (146) | - | (146) |
| 3. Hi-Mtf S.p.A. | X | 6,342 | 316 | - | 648 | 3,036 | X | X | 608 | 386 | - | 386 | (17) | 370 |
| 4. Iccrea BancaImpresa S.p.A. | X | 16,019,842 | 383,157 | 15,168,461 | 255,417 | 407,897 | X | X | 1,890 | 3,471 | - | 3,471 | 458 | 3,930 |
| 5. Accademia BCC S.c.p.A. | X | 2,505 | 185 | 163 | 2,099 | 3,278 | X | X | (2) | 69 | - | 69 | - | 69 |

The figures are at December 31, 2014

## 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 31/12/2015 | TOTAL AT 31/12/2014 |
|---|---|---|
| **A. Opening balance** | **263,610** | **63,564** |
| **B. Increases** | **-** | **200,055** |
| B.1 Purchases | - | 200,055 |
| 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** | **263,610** |
| **E. Total revaluations** | **-** | **-** |
| **F. Total writedowns** | **-** | **-** |

### 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 31/12/2015 | TOTAL AT 31/12/2014 |
|---|---|---|
| **1. Owned assets** | **7,794** | **9,402** |
| a) land | - | - |
| b) buildings | - | - |
| c) movables | 311 | 291 |
| d) electronic plant | 6,873 | 8,324 |
| e) other | 610 | 787 |
| **2 Assets acquired under financial leases** | **-** | **-** |
| a) land | - | - |
| b) buildings | - | - |
| c) movables | - | - |
| d) electronic plant | - | - |
| e) other | - | - |
| **TOTAL** | **7,794** | **9,402** |

### 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 | ELECTRONIC PLANT | OTHER | TOTAL AT 31/12/2015 |
|---|---|---|---|---|---|---|
| **A. Opening gross balance** | **-** | **-** | **2,677** | **26,061** | **5,832** | **34,570** |
| A.1 Total net writedown | - | - | 2,386 | 17,737 | 5,045 | 25,168 |
| A.2 Opening net balance | **-** | **-** | **291** | **8,324** | **787** | **9,402** |
| **B. Increases:** | **-** | **-** | **54** | **1,266** | **75** | **1,395** |
| B.1 Purchases | - | - | 54 | 1,266 | 75 | 1,395 |
| B.2 Capitalized improvement costs | - | - | - | - | - | - |
| B.3 Writebacks | - | - | - | - | - | - |
| B.4 Fair value gains recognized in | - | - | - | - | - | - |
| a) equity | - | - | - | - | - | - |
| b) income statement | - | - | - | - | - | - |
| B.5 Positive exchange rate differences | - | - | - | - | - | - |
| B.6 Transfers from investment property | - | - | - | - | - | - |
| B.7 Other changes | - | - | - | - | - | - |
| **C. Decreases:** | **-** | **-** | **34** | **2,717** | **252** | **3,003** |
| C.1 Sales | - | - | - | - | - | - |
| C.2 Depreciation | - | - | 34 | 2,717 | 252 | 3,003 |
| C.3 Writedowns for impairment recognized in | - | - | - | - | - | - |
| a) equity | - | - | - | - | - | - |
| b) income statement | - | - | - | - | - | - |
| 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 | - | - | - | - | - | - |
| **D. Closing net balance** | **-** | **-** | **311** | **6,873** | **610** | **7,794** |
| D.1 Total net writedowns | - | - | 2,420 | 20,454 | 5,297 | 28,171 |
| D.2 Closing gross balance | - | - | 2,731 | 27,327 | 5,907 | 35,965 |
| **E. Measurement at cost** | **-** | **-** | **2,731** | **27,327** | **5,907** | **35,965** |

## 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 31/12/2015 | | TOTAL AT 31/12/2014 | |
|---|---|---|---|---|
| | FINITE LIFE | INDEFINITE LIFE | FINITE LIFE | INDEFINITE LIFE |
| **A.1 Goodwill** | X | **-** | X | **-** |
| **A.2 Other intangible assets** | **8,732** | **-** | **8,705** | **-** |
| A.2.1 Assets carried at cost: | 8,732 | - | 8,705 | - |
| a) internally generated intangible assets | - | - | - | - |
| b) other assets | 8,732 | - | 8,705 | - |
| A.2.2 Assets designated at fair value: | - | - | - | - |
| a) internally generated intangible assets | - | - | - | - |
| b) other assets | - | - | - | - |
| **TOTAL** | **8,732** | **-** | **8,705** | **-** |

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 31/12/2015 |
|---|---|---|---|---|---|---|
| | | FINITE LIFE | INDEFINITE LIFE | FINITE LIFE | INDEFINITE LIFE | |
| **A. Opening balance** | - | - | - | **8,705** | - | **8,705** |
| A.1 Total net writedown | - | - | - | - | - | - |
| **A.2 Opening net balance** | - | - | - | **8,705** | - | **8,705** |
| **B. Increases** | - | - | - | **6,754** | - | **6,754** |
| B.1 Purchases | - | - | - | 6,754 | - | 6,754 |
| - 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** | - | - | - | **6,727** | - | **6,727** |
| C.1 Sales | - | - | - | - | - | - |
| C.2 Writedowns | - | - | - | 6,727 | - | 6,727 |
| - Amortization | X | - | - | 6,727 | - | 6,727 |
| - 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** | - | - | - | **8,732** | - | **8,732** |
| D.1 Total net writedown | - | - | - | - | - | - |
| **E. Closing gross balance** | - | - | - | **8,732** | - | **8,732** |
| **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 31/12/2015 | TOTAL AT 31/12/2014 |
|---|---|---|
| **A. Gross deferred tax assets** | **9,186** | **7,603** |
| A1. Loans (including securitizations) | 3,892 | 4,744 |
| A2. Other financial instruments | 2,213 | 652 |
| A3. Goodwill | - | - |
| A4. Deferred charges | - | - |
| A5 Property and equipment | - | - |
| A6. Provisions for risks and charges | 2,351 | 1,517 |
| A7. Entertainment expenses | - | - |
| A8. Personnel costs | 730 | 690 |
| A9. Tax losses | - | - |
| A10. Unused tax credits to deduct | - | - |
| A11. Other | - | - |
| **B. Offsetting with deferred tax liabilities*** | **6,046** | **5,636** |
| **C. NET DEFERRED TAX ASSETS (A-B)** | **3,140** | **1,967** |

## 13.2 DEFERRED TAX LIABILITIES: COMPOSITION

| | TOTAL AT 31/12/2015 | TOTAL AT 31/12/2014 |
|---|---|---|
| **A. Gross deferred tax liabilities** | **24,034** | **27,842** |
| A1. Capital gains tax in installments | 3,513 | 4,689 |
| A2. Goodwill | - | - |
| A3. Property and equipment | - | - |
| A4. Financial instruments | 20,521 | 23,153 |
| A5. Personnel costs | - | - |
| A6. Other | - | - |
| **B. Offsetting with deferred tax assets** | **6,046** | **5,636** |
| **C. NET DEFERRED TAX LIABILITIES (A-B)** | **17,988** | **22,206** |

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 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 31/12/2015 | TOTAL AT 31/12/2014 |
|---|---|---|
| **1. Opening balance** | **6,543** | **8,229** |
| **2. Increases** | **900** | **1,310** |
| 2.1 Deferred tax assets recognized during the period | 900 | 1,310 |
| a) in respect of previous periods | - | - |
| b) due to change in accounting policies | - | - |
| c) writebacks | - | - |
| d) other | 900 | 1,310 |
| 2.2 New taxes or increases in tax rates | - | - |
| 2.3 Other increases | - | - |
| **3. Decreases** | **870** | **2,996** |
| 3.1 Deferred tax assets derecognized during the period | 870 | 2,996 |
| a) reversals | 870 | 2,996 |
| 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: | - | - |
| a) transformation into tax credits pursuant to Law 214/2011 | - | - |
| b) other | - | - |
| **4. Closing balance** | **6,573** | **6,543** |

## 13.3.1 CHANGES IN DEFERRED TAX ASSETS UNDER LAW 214/2011 (RECOGNIZED IN INCOME STATEMENT)

| | TOTALE AL 31/12/2015 | TOTALE AL 31/12/2014 |
|---|---|---|
| **1. Opening balance** | **3,109** | **3,223** |
| **2. Increases** | **16** | **152** |
| **3. Decreases** | **-** | **266** |
| 3.1 Reversals | - | 266 |
| 3.2 Transformation into tax credits | - | - |
| a) from loss for the year | - | - |
| b) from tax losses | - | - |
| 3.3 Other decreases | - | - |
| **4. Closing balance** | **3,125** | **3,109** |

## 13.4 CHANGES IN DEFERRED TAX LIABILITIES (RECOGNIZED IN INCOME STATEMENT)

| | TOTAL AT 31/12/2015 | TOTAL AT 31/12/2014 |
|---|---|---|
| **1. Opening balance** | **4,576** | **-** |
| **2. Increases** | **-** | **4,576** |
| 2.1 Deferred tax liabilities recognized during the period | - | 4,576 |
| a) in respect of previous period | - | - |
| b) due to changes in accounting policies | - | - |
| c) other | - | 4,576 |
| 2.2 New taxes or increases in tax rates | - | - |
| 2.3 Other increases | - | - |
| **3. Decreases** | **1,144** | **-** |
| 3.1 Deferred tax liabilities derecognized during the period | 1,144 | - |
| a) reversals | 1,144 | - |
| b) due to changes in accounting policies | - | - |
| c) other | - | - |
| 3.2 Reduction in tax rates | - | - |
| 3.3 Other decreases: | - | - |
| **4. Closing balance** | **3,432** | **4,576** |

## 13.5 CHANGES IN DEFERRED TAX ASSETS (RECOGNIZED IN EQUITY)

| | TOTAL AT 31/12/2015 | TOTAL AT 31/12/2014 |
|---|---|---|
| **1. Opening balance** | **1,060** | **1,789** |
| **2. Increases** | **1,559** | **227** |
| 2.1 Deferred tax assets recognized during the period | 1,559 | 227 |
| a) in respect of previous periods | - | - |
| b) due to changes in accounting policies | - | - |
| c) other | 1,559 | 227 |
| 2.2 New taxes or increases in tax rates | - | - |
| 2.3 Other increases | - | - |
| **3. Decreases** | **6** | **956** |
| 3.1 Deferred tax assets derecognized during the period | 6 | 956 |
| a) reversals | 6 | 956 |
| 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 | - | - |
| **4. Closing balance** | **2,613** | **1,060** |

## 13.6 CHANGES IN DEFERRED TAX LIABILITIES (RECOGNIZED IN EQUITY)

| | TOTAL AT 31/12/2015 | TOTAL AT 31/12/2014 |
|---|---|---|
| **1. Opening balance** | **23,266** | **22,172** |
| **2. Increases** | **-** | **1,424** |
| 2.1 Deferred tax liabilities recognized during the period | - | 1,424 |
| a) in respect of previous periods | - | - |
| b) due to changes in accounting policies | - | - |
| c) other | - | 1,424 |
| 2.2 New taxes or increases in tax rates | - | - |
| 2.3 Other increases | - | - |
| **3. Decreases** | **2,665** | **330** |
| 3.1 Deferred tax liabilities derecognized during the period | 2,665 | 330 |
| a) reversals | 2,665 | 330 |
| b) due to changes in accounting policies | - | - |
| c) other | - | - |
| 3.2 Reduction in tax rates | - | - |
| 3.3 Other decreases | - | - |
| **4. Closing balance** | **20,601** | **23,266** |

## 13.7 OTHER INFORMATION

As regards its tax position, the Bank reports:

- for the financial years 2011, 2012, 2013 and 2014 (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 March 18, 2015, an agreement was signed with the Directorate to settle the dispute for €11,064.
- 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. As the Commission ruled for the Revenue Agency. the Bank appealed the ruling before the Regional Tax Commission on December 16, 2015.

## SECTION 14 - NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE AND ASSOCIATED LIABILITIES – ITEM 140 OF ASSETS AND ITEM 90 OF LIABILITIES

The section 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 31/12/2015 | TOTAL AT 31/12/2014 |
|---|---|---|
| Items being processed | 29,284 | 23,012 |
| Receivables for future premiums | 20,346 | 22,527 |
| Commissions | 27,908 | 34,176 |
| Receivables due from Parent Company in respect of consolidated tax mechanism | 16,406 | 21,601 |
| Definitive items not allocable to other accounts | 29,372 | 26,961 |
| Tax receivables due from tax authorities and other entities | 20,173 | 19,070 |
| **TOTAL** | **143,489** | **147,347** |

The item "Definitive items not allocable to other accounts" comprises transactions that were settled in the first few days of 2016.

# 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 31/12/2015 | TOTAL AT 31/12/2014 |
|---|---|---|
| **1. Due to central banks** | **6,584,962** | **21,731,878** |
| **2. Due to banks** | **7,085,495** | **7,563,551** |
| 2.1 Current accounts and demand deposits | 4,129,096 | 4,139,959 |
| 2.2 Fixed-term deposits | 2,890,421 | 3,409,506 |
| 2.3 Loans | 62,551 | 11,695 |
| 2.3.1 Repurchase agreements | 51,551 | - |
| 2.3.2 Other | 11,000 | 11,695 |
| 2.4 Liabilities in respect of commitments to repurchase own equity instruments | - | - |
| 2.5 Other payables | 3,427 | 2,391 |
| **TOTAL** | **13,670,457** | **29,295,429** |
| **FAIR VALUE LEVEL 1** | **-** | **-** |
| **FAIR VALUE LEVEL 2** | **395,504** | **271,141** |
| **FAIR VALUE LEVEL 3** | **13,287,374** | **29,024,288** |
| **TOTAL FAIR VALUE** | **13,682,878** | **29,295,429** |

The item “due to central banks” represents financing from the ECB for advances secured by securities owned by the mutual banks and the Bank, which amounted to €6,584,962 thousand. This T-LTRO financing matures in September 2018 but in April 2016 will be audited to ensure compliance with the associated requirements. Any non-compliance will lead to early repayment in September 2016.

The sub-item “fixed-term deposits” also includes deposits received from mutual banks in the amount of about €820,000 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 31/12/2015 | TOTAL AT 31/12/2014 |
|---|---|---|
| 1. Current accounts and demand deposits | 466,979 | 379,904 |
| 2. Fixed-term deposits | 11,359 | 15,069 |
| 3. Loans | 25,085,078 | 10,116,090 |
| 3.1 Repurchase agreements | 24,906,078 | 10,008,090 |
| 3.2 Other | 179,000 | 108,000 |
| 4. Liabilities in respect of commitments to repurchase own equity instruments | - | - |
| 5. Other payables | 466,232 | 429,934 |
| **TOTAL** | **26,029,648** | **10,940,997** |
| **FAIR VALUE LEVEL 1** | **-** | **-** |
| **FAIR VALUE LEVEL 2** | **288,821** | **163,967** |
| **FAIR VALUE LEVEL 3** | **25,739,054** | **10,765,911** |
| **TOTAL FAIR VALUE** | **26,027,875** | **10,929,878** |

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 31/12/2015 | | | | TOTAL AT 31/12/2014 | | | |
|---|---|---|---|---|---|---|---|---|
| | CARRYING AMOUNT | FAIR VALUE | | | CARRYING AMOUNT | FAIR VALUE | | |
| | | LEVEL 1 | LEVEL 2 | LEVEL 3 | | LEVEL 1 | LEVEL 2 | LEVEL 3 |
| **A. Securities** | | | | | | | | |
| 1. Bonds | 4,368,998 | 3,703,621 | 738,415 | - | 4,397,339 | 3,406,490 | 1,135,869 | - |
| 1.1 structured | 453,174 | 471,612 | 5,946 | - | 584,522 | 614,546 | 6,882 | - |
| 1.2 other | 3,915,824 | 3,232,009 | 732,469 | - | 3,812,817 | 2,791,944 | 1,128,987 | - |
| 2. Other | - | - | - | - | - | - | - | - |
| 2.1 structured | - | - | - | - | - | - | - | - |
| 2.2 other | - | - | - | - | - | - | - | - |
| **TOTAL** | **4,368,998** | **3,703,621** | **738,415** | **-** | **4,397,339** | **3,406,490** | **1,135,869** | **-** |

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

At December 31, 2015 the following subordinated securities were in issue:

1. Issue date March 6, 2014, Maturity date March 6, 2021, nominal value of €200 million, 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.

2. Issue date June 18, 2015, Maturity date June 18, 2025, nominal value of €106.600 million, annual interest rate 6-month Euribor + 3.50% gross, interest paid six-monthly in arrears. Repayment of 100% at maturity, except in the event of early redemption (Lower Tier II).

3. Issue date June 29, 2015, Maturity date June 29, 2025, nominal value of €11.737 million, annual interest rate 3.50% fixed gross, interest paid six-monthly in arrears. Repayment of 100% at maturity, except in the event of early redemption (Lower Tier II).

4. Issue date July 30, 2015, Maturity date July 30, 2025, nominal value of €16 million, interest rate 6-month Euribor + 350 basis points, interest paid six-monthly in arrears. Repayment of 100% at maturity, except in the event of early redemption (Lower Tier II).

## 3.3 SECURITIES ISSUED: SECURITIES HEDGED SPECIFICALLY

| | TOTAL AT 31/12/2015 | TOTAL AT 31/12/2014 |
|---|---|---|
| **1. Securities covered by specific fair value hedges** | **519,276** | **614,157** |
| a) interest rate risk | 519,276 | 614,157 |
| b) exchange rate risk | - | - |
| c) multiple risks | - | - |
| **2. Liabilities covered by specific cash flow hedges** | **48,169** | **38,544** |
| a) interest rate risk | - | - |
| b) exchange rate risk | 48,169 | 38,544 |
| c) other | - | - |
| **TOTAL** | **567,445** | **652,701** |

The indexed amount in 1.a) regards 6 bonds issued by the Bank and hedged for interest rate risk using interest rate derivatives.

The indexed amount in 2.b) regards 3 bonds in US dollars issued by the Bank and hedged with cross currency interest rate swaps.

# 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 31/12/2015 | | | | | TOTAL AT 31/12/2014 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | NV | FV | | | FV * | VN | FV | | | FV * |
| | | L1 | L2 | L3 | | | L1 | L2 | L3 | |
| **A. On-balance-sheet liabilities** | | | | | | | | | | |
| **1. Due to banks** | **100** | **116** | **-** | **-** | **116** | **26,001** | **27,536** | **-** | **-** | **27,536** |
| **2. Due to customers** | **135,013** | **137,634** | **-** | **-** | **137,634** | **1,583** | **1,566** | **-** | **-** | **1,566** |
| **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** | **135,113** | **137,750** | **-** | **-** | **137,750** | **27,584** | **29,102** | **-** | **-** | **29,102** |
| **B. Derivatives** | | | | | | | | | | |
| **1. Financial derivatives** | | **128** | **337,737** | **-** | | | **189** | **457,777** | **-** | |
| 1.1 Trading | X | 128 | 337,737 | | X | X | 189 | 457,777 | | 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** | **128** | **337,737** | **-** | **X** | **X** | **189** | **457,777** | **-** | **X** |
| **TOTAL (A+B)** | **X** | **137,878** | **337,737** | **-** | **X** | **X** | **29,291** | **457,777** | **-** | **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) which were closed in the early days of January.

### 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.

# 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 31/12/2015 | | | | | TOTAL At 31/12/2014 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 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** | **427,557** | **437,636** | **-** | **-** | **438,333** | **442,653** | **462,100** | **-** | **-** | **465,730** |
| 3.1 Structured | 427,557 | 437,636 | - | - | X | 442,653 | 462,100 | - | - | X |
| 3.2 Other | - | - | - | - | X | - | - | - | - | X |
| **TOTAL** | **427,557** | **437,636** | **-** | **-** | **438,333** | **442,653** | **462,100** | **-** | **-** | **465,730** |

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.

## 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 31/12/2015 | | | NV AT 31/12/2015 | FAIR VALUE AT 31/12/2014 | | | NV AT 31/12/2014 |
|---|---|---|---|---|---|---|---|---|
| | L1 | L2 | L3 | | L1 | L2 | L3 | |
| **A) Financial derivatives** | **-** | **88,035** | **-** | **3,537,429** | **-** | **77,039** | **-** | **1,666,135** |
| 1) Fair value | - | 84,596 | - | 3,504,987 | - | 74,509 | - | 1,633,701 |
| 2) Cash flows | - | 3,439 | - | 32,442 | - | 2,530 | - | 32,434 |
| 3) Investments in foreign operations | - | - | - | - | - | - | - | - |
| **B. Credit derivatives** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 1) Fair value | - | - | - | - | - | - | - | - |
| 2) Cash flows | - | - | - | - | - | - | - | - |
| **TOTAL** | **-** | **88,035** | **-** | **3,537,429** | **-** | **77,039** | **-** | **1,666,135** |

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" a "portfolio" of deposits 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 | 64,102 | - | - | - | - | X | 3,439 | X | X |
| 2. Loans | 4,770 | - | - | X | - | X | - | X | X |
| 3. Financial assets held to maturity | X | - | - | X | - | X | - | X | X |
| 4. Portfolio | X | X | X | X | X | 3,850 | X | - | X |
| 5. Other transactions | - | - | - | - | - | X | - | X | - |
| **TOTAL ASSETS AT 31/12/2015** | **68,872** | **-** | **-** | **-** | **-** | **3,850** | **3,439** | **-** | **-** |
| 1. Financial liabilities | 11,874 | - | - | X | - | X | - | X | X |
| 2. Portfolio | X | X | X | X | X | - | X | - | X |
| **TOTAL LIABILITIES AT 31/12/2015** | **11,874** | **-** | **-** | **X** | **-** | **-** | **-** | **-** | **-** |
| 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 fair value hedges that the Bank has established using asset swap derivatives to sterilize the interest rate risk connected with listed debt securities, in this case inflation-linked and fixed-rate BTPs. 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.

The amount reported under point 4 regards macro-hedges with overnight indexed swaps of portfolios of deposits managed by the treasury unit.

The item "financial liabilities" reports the negative fair value of interest rate swaps and interest rate options hedging a bond 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 31/12/2015 | TOTAL AT 31/12/2014 |
|---|---|---|
| Amounts due to social security institutions and State | 6,967 | 7,464 |
| Amounts available to customers | 15,559 | 25,818 |
| Items being processed | 23,828 | 28,864 |
| Securities to be settled | 5,026 | 3 |
| Definitive items not allocable to other accounts | 27,123 | 32,332 |
| Liabilities for future premiums | 11,335 | 13,499 |
| Payables due to Parent Company in respect of consolidated tax mechanism | 7,451 | 17,689 |
| Tax payables due to tax authorities | 10,816 | 10,383 |
| Payables due to employees | 5,065 | 4,921 |
| Invoices to be paid and to be received | 40,728 | 50,951 |
| Failed purchase transactions | 9,226 | 32,911 |
| Illiquid portfolio items | 9,047 | 5,850 |
| **TOTAL** | **172,171** | **230,685** |

The sub-item "definitive items not allocable to other accounts" include transactions settled in January 2016.

# 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 31/12/2015 | TOTAL AT 31/12/2014 |
|---|---|---|
| **A. Opening balance** | **13,740** | **13,348** |
| **B. Increases** | **208** | **1,021** |
| B.1 Provisions for the period | 208 | 417 |
| B.2 Other increases | - | 604 |
| **C. Decreases** | **1,179** | **629** |
| C.1 Benefit payments | 1,155 | 595 |
| C.2 Other decreases | 24 | 34 |
| **D. Closing balance** | **12,769** | **13,740** |
| **TOTAL** | **12,769** | **13,740** |

## 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 €12,586 thousand (€13,599 thousand at December 31, 2014).

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, 2015 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 31/12/2015 | TOTAL AT 31/12/2014 |
|---|---|---|
| **1 Company pension plans** | - | - |
| **2. Other provisions for risks and charges** | **6,352** | **6,304** |
| 2.1 legal disputes | 4,802 | 5,602 |
| 2.2 personnel expenses | 688 | 554 |
| 2.3 other | 862 | 148 |
| **TOTAL** | **6,352** | **6,304** |

The sub-item "Legal disputes" includes €2,947 thousand for revocatory actions in bankruptcy and €1,856 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 31/12/2015 |
|---|---|---|---|
| **A. Opening balance** | - | **6,304** | **6,304** |
| **B. Increases** | - | **1,082** | **1,082** |
| B.1 Provisions for the year | - | 968 | 968 |
| B.2 Changes due to passage of time | - | 6 | 6 |
| B.3 Changes due to changes in the discount rate | - | 6 | 6 |
| B.4 Other increases | - | 102 | 102 |
| **C. Decreases** | - | **1,034** | **1,034** |
| C.1 Use during the period | - | 1,034 | 1,034 |
| C.2 Changes due changes in the discount rate | - | - | - |
| C.3 Other decreases | - | - | - |
| **D. Closing balance** | - | **6,352** | **6,352** |

## 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 31/12/2015 | TOTAL AT 31/12/2014 |
|---|---|---|---|---|---|
| Revocatory actions | 2,937 | - | 10 | 2,947 | 2,937 |
| Litigation and disputes | 2,813 | 1,011 | 915 | 2,717 | 2,813 |
| Loyalty bonus | 554 | 22 | 156 | 688 | 554 |
| **CLOSING BALANCE** | **6,304** | **1,033** | **1,081** | **6,352** | **6,304** |

As regards revocatory actions, the dispute concerns payments made by Giacomelli in respect of two pool loans. The liquidator appealed two rulings of the court of first instance in 2013 that essentially upheld the Bank's claims. As regard the two proceedings under way before the Court of Appeals of Bologna, hearings for the final pleadings have been set for November 11, 12016 (Iccrea pool) and April 18, 2017 (Efibanca pool).

# 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 | - | - |
| - partially paid | 420,000 | - |
| 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 | - | - |
| - fully paid | - | - |
| - 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 €112,423 thousand and include: the legal reserve (€48,201 thousand), the reserve established in the articles of association (€205 thousand), the extraordinary reserve (€48,639 thousand) and a reserve in respect of the impact of the transition to international accounting standards (€15,378 thousand). 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. They also include 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 BCC Beni Immobili and a positive reserve (€234 thousand) related to the transfer of the "Branch Services" business unit to Banca Sviluppo.

### 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 | FOR LOSS COVERAGE |
| Share capital | 216,913 | | | | |
| Reserves: | | | | | |
| a) legal reserve | 48,201 | B | 48,201 | | |
| b) reserve in articles of association | 205 | A – B – C | 205 | | |
| c) extraordinary reserve | 48,639 | A – B – C | 48,639 | | |
| d) other reserves | 82,002 | A – B – C | 2,002 | | |
| e) FTA reserve | 15,378 | A – B – C | 15,378 | | |
| Valuation reserves: | | | | | |
| a) financial assets available for sale | 43,531 | | - | | |
| b) cash flow hedges | (831) | | - | | |
| c) actuarial gains (losses) on defined-benefit plans | (1,478) | | | | |
| Valuation reserves: (Law 342 of 22/11/2000) | 47,866 | A – B – C (**) | 47,866 | | |
| Net profit for the period | 9,245 | | | | |
| **TOTAL** | **509,671** | | | | |

(*) 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 31/12/2015 | TOTAL AT 31/12/2014 |
|---|---|---|
| **1) Financial guarantees issued** | **455,781** | **730,275** |
| a) Banks | 385,253 | 723,386 |
| b) Customers | 70,528 | 6,889 |
| **2) Commercial guarantees issued** | **50,187** | **34,329** |
| a) Banks | 50,187 | 34,326 |
| b) Customers | - | 3 |
| **3) Irrevocable commitments to disburse funds** | **2,858,302** | **1,164,308** |
| a) Banks | 2,011,799 | 859,613 |
| i) certain use | 1,723,815 | 681,903 |
| ii) uncertain use | 287,984 | 177,710 |
| b) Customers | 846,503 | 304,695 |
| i) certain use | 646,503 | 104,445 |
| ii) uncertain use | 200,000 | 200,250 |
| **4) Commitments underlying credit derivatives: sales of protection** | **15,000** | **-** |
| **5) Assets pledged as collateral for third-party debts** | **18,057** | **21,330** |
| **6) Other commitments** | **117,193** | **184,839** |
| **TOTAL** | **3,514,520** | **2,135,081** |

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.

The amount under "commitments underlying credit derivatives: sales of protection" regards the notional amount net of amounts disbursed and any value adjustments.

## 2. ASSETS PLEDGED AS COLLATERAL FOR OWN DEBTS AND COMMITMENTS

| | TOTAL AT 31/12/2015 | TOTAL AT 31/12/2014 |
|---|---|---|
| 1. Financial assets held for trading | - | - |
| 2. Financial assets at fair value | - | - |
| 3. Financial assets available for sale | 5,094,568 | 2,268,322 |
| 4. Financial assets held to maturity | 1,676,201 | 3,386,205 |
| 5. Due from banks | 204,493 | - |
| 6. Loans to customers | 795,023 | 351,601 |
| 7. Property and equipment | - | - |

The item includes securities deposited as collateral with the Bank of Italy in the amount of €88,468 thousand, to secure settlement of securities and derivatives in the amount of €152,275 thousand, for repurchase agreements in the amount of €4,929,340 thousand, for operations on the MIC in the amount of €188,496 thousand and for Eurosystem funding operations in the amount of €1,412,190 thousand. The table also reports cash collateral delivered in the amount of €210,633 thousand and cash committed for default funds and margins paid in the amount of €788,883 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 31/12/2015 |
|---|---|
| **1. Order execution on behalf of customers** | **192,671,405** |
| a) Purchases | 97,455,806 |
| 1. Settled | 97,342,567 |
| 2. Not yet settled | 113,239 |
| b) Sales | 95,215,599 |
| 1. Settled | 94,989,702 |
| 2. Not yet settled | 225,897 |
| **2. Asset management** | **-** |
| a) Individual | - |
| b) Collective | - |
| **3. Securities custody and administration** | **286,142,175** |
| a) Third-party securities held as part of depository bank services | |
| (excluding asset management) | 82,502 |
| 1. Securities issued by reporting entity | - |
| 2. Other securities | 82,502 |
| b) Other third-party securities on deposit (excluding asset management): other | 120,819,759 |
| 1. Securities issued by reporting entity | 3,459,041 |
| 2. Other securities | 117,360,718 |
| c) Third-party securities deposited with third parties | 113,729,471 |
| d) Securities owned by bank deposited with third parties | 51,510,443 |
| **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 | FINANCIAL LIABILITIES OFFSET | NET AMOUNT OF FINANCIAL ASSETS REPORTED | RELATED AMOUNTS NOT OFFSET | | NET AMOUNT 31/12/2015 | NET AMOUNT 31/12/2015 |
|---|---|---|---|---|---|---|---|
| | (a) | (b) | (c=a-b) | | | (f=c-d-e) | |
| | | | | FINANCIAL INSTRUMENTS | CASH COLLATERAL RECEIVED | | |
| | | | | (d) | (e) | | |
| 1. Derivatives | 299,311 | - | 299,311 | 110,455 | - | 188,856 | 389,172 |
| 2. Repurchase agreements | - | - | - | - | - | - | - |
| 3. Securities lending | - | - | - | - | - | - | - |
| 4. Other | - | - | - | - | - | - | - |
| **Total 31/12/2015** | **299,311** | **-** | **299,311** | **110,455** | **-** | **188,856** | **389,172** |
| **Total 31/12/2014** | **405,337** | **-** | **405,337** | **16,165** | **-** | **389,172** | **x** |

## 6. FINANCIAL LIABILITIES OFFSET IN THE FINANCIAL STATEMENTS OR GOVERNED BY MASTER NETTING ARRANGEMENTS OR SIMILAR AGREEMENTS

| | GROSS AMOUNT OF FINANCIAL LIABILITIES | FINANCIAL ASSETS OFFSET | NET AMOUNT OF FINANCIAL LIABILITIES REPORTED | RELATED AMOUNTS NOT OFFSET | | NET AMOUNT 31/12/2015 | NET AMOUNT 31/12/2014 |
|---|---|---|---|---|---|---|---|
| | (a) | (b) | (c=a-b) | | | (f=c-d-e) | |
| | | | | FINANCIAL INSTRUMENTS | CASH COLLATERAL RECEIVED | | |
| | | | | (d) | (e) | | |
| 1. Derivatives | 446,459 | - | 446,459 | 121,947 | 141,841 | 182,671 | 227,446 |
| 2. Repurchase agreements | - | - | - | - | - | - | - |
| 3. Securities lending | - | - | - | - | - | - | - |
| 4. Other | - | - | - | - | - | - | - |
| **TOTAL 31/12/2015** | **446,459** | **-** | **446,459** | **121,947** | **141,841** | **182,671** | **x** |
| **TOTAL 31/12/2014** | **570,435** | **-** | **570,435** | **205,467** | **137,522** | **x** | **227,446** |

## 7. SECURITIES LENDING 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*

# 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 31/12/2015 | TOTAL AT 31/12/2014 |
|---|---|---|---|---|---|---|
| 1 | Financial assets held for trading | 906 | - | 9,811 | **10,717** | **13,113** |
| 2 | Financial assets available for sale | 59,271 | - | - | **59,271** | **71,712** |
| 3 | Financial assets held to maturity | 33,184 | - | - | **33,184** | **69,951** |
| 4 | Due from banks | 63,335 | 62,205 | - | **125,540** | **193,454** |
| 5 | Loans to customers | 36 | 29,296 | - | **29,332** | **29,827** |
| 6 | Financial assets at fair value | 5,154 | - | - | **5,154** | **5,424** |
| 7 | Hedging derivatives | X | X | 11,575 | **11,575** | **6,008** |
| 8 | Other assets | X | X | 770 | **770** | **-** |
| | **TOTAL** | **161,886** | **91,501** | **22,156** | **275,543** | **389,490** |

## INTEREST AND SIMILAR INCOME: DIFFERENCES ON HEDGING TRANSACTIONS

| | TOTAL AT 31/12/2015 | TOTAL AT 31/12/2014 |
|---|---|---|
| A. Positive differences on hedging transactions: | 22,896 | 20,158 |
| B. Negative differences on hedging transactions: | (11,321) | (14,150) |
| **C. BALANCE (A-B)** | **11,575** | **6,008** |

## 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 31/12/2015 | TOTAL AT 31/12/2014 |
|---|---|---|
| 1. Debt securities | - | - |
| 2. Due from banks | 385 | 2,035 |
| 3. Loans to mutual banks | 876 | - |
| 4. Loans to customers | 18 | 43 |
| **TOTAL** | **1,279** | **2,078** |

### 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 31/12/2015 | TOTAL AT 31/12/2014 |
|---|---|---|---|---|---|---|
| 1. | Due to central banks | (9,006) | X | - | **(9,006)** | **(22,748)** |
| 2. | Due to banks | (28,339) | X | - | **(28,339)** | **(65,149)** |
| 3. | Due to customers | (5,312) | X | - | **(5,312)** | **(59,282)** |
| 4. | Securities issued | X | (126,818) | - | **(126,818)** | **(158,143)** |
| 5. | Financial liabilities held for trading | (414) | - | - | **(414)** | **(77)** |
| 6. | Financial liabilities carried at fair value | - | (18,282) | - | **(18,282)** | **(25,009)** |
| 7. | Other liabilities and provisions | X | X | (4,684) | **(4,684)** | **-** |
| 8. | Hedging derivatives | X | X | - | **-** | **-** |
| | **TOTAL** | **(43,071)** | **(145,100)** | **(4,684)** | **(192,855)** | **(330,407)** |

### 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 31/12/2015 | TOTAL AT 31/12/2014 |
|---|---|---|---|
| 1. | Due to banks | (714) | (1,414) |
| 2. | Due to mutual banks | (543) | - |
| 3. | Due to customers | - | - |
| | **TOTAL** | **(1,257)** | **(1,414)** |

### 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 31/12/2015 | TOTAL AT 31/12/2014 |
|---|---|---|
| **a) guarantees issued** | **290** | **544** |
| **b) credit derivatives** | **-** | **-** |
| **c) management, intermediation and advisory services:** | **26,458** | **33,938** |
| 1. trading in financial instruments | 9,611 | 9,933 |
| 2. foreign exchange | 206 | 182 |
| 3. asset management | - | - |
| 3.1. individual | - | - |
| 3.2. collective | - | - |
| 4. securities custody and administration | 8,517 | 7,713 |
| 5. depository services | - | 4,255 |
| 6. securities placement | 4,494 | 8,559 |
| 7. order collection and transmission | 1,353 | 1,752 |
| 8. advisory services | 2,277 | 1,545 |
| 8.1 concerning investments | - | - |
| 8.2 concerning financial structure | 2,277 | 1,545 |
| 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** | **45,542** | **45,235** |
| **e) servicing activities for securitizations** | **-** | **-** |
| **f) services for factoring transactions** | **-** | **-** |
| **g) tax collection services** | **-** | **-** |
| **h) management of multilateral trading systems** | **-** | **-** |
| **i) holding and management of current accounts** | **249** | **246** |
| **j) other services** | **311,160** | **292,745** |
| **TOTAL** | **383,699** | **372,707** |

## 2.2 FEE AND COMMISSION INCOME: DISTRIBUTION CHANNELS FOR PRODUCTS AND SERVICES

| | TOTAL AT 31/12/2015 | TOTAL AT 31/12/2014 |
|---|---|---|
| **a) own branches:** | 4,494 | 8,559 |
| 1. asset management | - | - |
| 2. securities placement | 4,494 | 8,559 |
| 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 31/12/2015 | TOTAL AT 31/12/2014 |
|---|---|---|
| **a) guarantees received** | **(2)** | **(2,681)** |
| **b) credit derivatives** | **-** | **-** |
| **c) management and intermediation services:** | **(10,255)** | **(12,502)** |
| 1. trading in financial instruments | (3,123) | (1,267) |
| 2. foreign exchange | (64) | (408) |
| 3. asset management: | - | - |
| 3.1 own portfolio | - | - |
| 3.2 third-party portfolio | - | - |
| 4. securities custody and administration | (3,319) | (3,580) |
| 5. placement of financial instruments | (3,749) | (7,246) |
| 6. off-premises distribution of securities, products and services | - | - |
| **d) collection and payment services** | **(5,671)** | **(5,539)** |
| **e) other services** | **(240,404)** | **(229,160)** |
| **TOTAL** | **(256,332)** | **(249,882)** |

# 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 31/12/2015 | | TOTAL AT 31/12/2014 | |
|---|---|---|---|---|---|
| | | DIVIDENDS | INCOME FROM UNITS IN COLLEC-TIVE INVESTMENT UNDERTAKINGS | DIVIDENDS | INCOME FROM UNITS IN COLLEC-TIVE INVESTMENT UNDERTAKINGS |
| A. | Financial assets held for trading | 8 | - | 7 | - |
| B. | Financial assets available for sale | 223 | - | 529 | - |
| C. | Financial assets at fair value | - | - | - | - |
| D. | Equity investments | - | X | - | X |
| | **TOTAL** | **231** | **-** | **536** | **-** |

# 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** | **134** | **20,437** | **(1,072)** | **(1,033)** | **18,466** |
| 1.1 Debt securities | 41 | 20,059 | (1,026) | (1,004) | 18,070 |
| 1.2 Equity securities | 71 | 378 | (46) | (29) | 374 |
| 1.3 Units in collective investment undertakings | 22 | - | - | - | 22 |
| 1.4 Loans | - | - | - | - | - |
| 1.5 Other | - | - | - | - | - |
| **2. Financial liabilities held for trading** | **522** | **1,795** | **(4)** | **(2)** | **2,311** |
| 2.1 Debt securities | - | - | - | - | - |
| 2.2 Payables | 522 | 1,795 | (4) | (2) | 2,311 |
| 2.3 Other | - | - | - | - | - |
| **3. Financial assets and liabilities: foreign exchange differences** | **X** | **X** | **X** | **X** | **(2,987)** |
| **4. Derivatives** | **113,982** | **154,186** | **(109,093)** | **(159,823)** | **4,561** |
| 4.1 Financial derivatives: | 113,982 | 154,186 | (109,093) | (159,823) | 4,561 |
| - on debt securities and interest rates | 104,620 | 139,781 | (102,329) | (142,504) | (432) |
| - on equity securities and equity indices | 118 | 212 | (321) | (98) | (89) |
| - on foreign currencies and gold | X | X | X | X | 5,309 |
| - other | 9,244 | 14,193 | (6,443) | (17,221) | (227) |
| 4.2 Credit derivatives | - | - | - | - | - |
| **TOTAL** | **114,638** | **176,418** | **(110,169)** | **(160,858)** | **22,351** |

# 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 31/12/2015 | TOTAL AT 31/12/2014 |
|---|---|---|---|
| **A.** | **Gain on:** | | |
| A.1 | Fair value hedges | 20 | 9,264 |
| A.2 | Hedged financial assets (fair value) | 12,405 | 20,247 |
| A.3 | Hedged financial liabilities (fair value) | 903 | 1,238 |
| A.4 | Cash flow hedges | 4,778 | 2,984 |
| A.5 | Assets and liabilities in foreign currencies | - | - |
| **TOTAL INCOME ON HEDGING ACTIVITIES (A)** | | **18,106** | **33,733** |
| **B.** | **Loss on:** | | |
| B.1 | Fair value hedges | (10,407) | (7,691) |
| B.2 | Hedged financial assets (fair value) | (1,900) | (9,253) |
| B.3 | Hedged financial liabilities (fair value) | (610) | (13,792) |
| B.4 | Cash flow hedges | (177) | (35) |
| B.5 | Assets and liabilities in foreign currencies | (4,947) | (2,693) |
| **TOTAL EXPENSE ON HEDGING ACTIVITIES (B)** | | **(18,041)** | **(33,465)** |
| **C.** | **NET GAIN (LOSS) ON HEDGING ACTIVITIES (A - B)** | **65** | **268** |

The amounts regard the following transactions:

- hedges of Italian government BTPs, both fixed rate and inflation-indexed, using asset swaps;
- hedges of Italian government CTZs using overnight indexed swaps;
- hedges of 6 bonds issued by the Bank using interest rate swaps and interest rate options;
- hedges of 3 U.S. dollar bonds issued by the Bank using cross currency interest rate swaps;
- 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;
- macro-hedges of portfolios of deposits 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 31/12/2015 | | | TOTAL AT 31/12/2014 | | |
|---|---|---|---|---|---|---|
| | GAINS | LOSSES | NET GAIN (LOSS) | GAINS | LOSSES | NET GAIN (LOSS) |
| **Financial assets** | | | | | | |
| 1. Due from banks | 32 | (1) | 31 | 220 | (15) | 205 |
| 2. Loans to customers | 3,663 | - | 3,663 | - | - | - |
| 3. Financial assets available for sale | 37,891 | (10,221) | 27,670 | 41,366 | (4,800) | 36,566 |
| 3.1 Debt securities | 37,891 | (10,221) | 27,670 | 41,249 | (4,800) | 36,449 |
| 3.2 Equity securities | - | - | - | 118 | - | 118 |
| 3.3 Units in collective investment undertakings | - | - | - | - | - | - |
| 3.4 Loans | - | - | - | - | - | - |
| 4. Financial assets held to maturity | - | - | - | - | - | - |
| **TOTAL ASSETS** | **41,586** | **(10,222)** | **31,364** | **41,586** | **(4,815)** | **36,771** |
| **Financial liabilities** | | | | | | |
| 1. Due to banks | - | - | - | - | - | - |
| 2. Due to customers | - | - | - | - | - | - |
| 3. Securities issued | 270 | (8,672) | (8,402) | 177 | (9,037) | (8,860) |
| **TOTAL LIABILITIES** | **270** | **(8,672)** | **(8,402)** | **177** | **(9,037)** | **(8,860)** |

# 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) | PROFITS ON REALIZATION (B) | CAPITAL LOSSES (C) | LOSSES ON REALIZATION (D) | NET GAIN (LOSS) [(A+B) - (C+D)] |
|---|---|---|---|---|---|
| **1. Financial assets** | **1,693** | - | **(22)** | - | **1,671** |
| 1.1 Debt securities | 1,693 | - | (22) | - | 1,671 |
| 1.2 Equity securities | - | - | - | - | - |
| 1.3 Units in collective investment undertakings | - | - | - | - | - |
| 1.4 Loans | - | - | - | - | - |
| **2. Financial liabilities** | **8,700** | **366** | **-** | **-** | **9,066** |
| 2.1 Debt securities | 8,700 | 366 | - | - | 9,066 |
| 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** | **-** | **-** | **(8,742)** | **-** | **(8,742)** |
| **TOTAL AT 31/12[B4]/2015** | **10,393** | **366** | **(8,764)** | **-** | **1,995** |

# 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 31/12/2015 | TOTAL AT 31/12/2014 |
|---|---|---|---|---|---|---|---|---|---|
| | SPECIFIC | | PORTFOLIO | SPECIFIC | | PORTFOLIO | | | |
| | WRITEOFFS | OTHER | | A | B | A | B | | |
| **A. Due from banks** | **-** | **-** | **-** | **-** | **114** | **-** | **-** | **114** | **5,822** |
| - Loans | - | - | - | - | 114 | - | - | 114 | 5,822 |
| - Debt securities | - | - | - | - | - | - | - | - | - |
| **B. Loans to customers:** | **-** | **(1,448)** | **(177)** | **1,077** | **1,183** | **-** | **-** | **634** | **577** |
| *Impaired receivables acquired* | | | | | | | | | |
| - Loans | - | - | - | - | - | - | - | - | - |
| - Debt securities | - | - | - | - | - | - | - | - | - |
| *Other receivables* | | | | | | | | | |
| - Loans | | (1,448) | (177) | 1,077 | 1,183 | | - | 634 | 577 |
| - Debt securities | - | - | - | - | - | - | - | - | - |
| **C. TOTAL** | | **(1,448)** | **(177)** | **1,077** | **1,297** | | | **748** | **6,399** |

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 31/12/2015 | TOTAL AT 31/12/2014 |
|---|---|---|---|---|---|---|---|---|---|
| | SPECIFIC | | | SPECIFIC | | PORTFOLIO | | | |
| | WRITEOFFS | OTHER | PORTFOLIO | A | B | A | B | | |
| A. Guarantees issued | - | - | - | - | - | - | - | - | - |
| B. Credit derivatives | - | - | - | - | - | - | - | - | - |
| C. Commitments to distribute funds | - | - | - | - | - | - | - | - | - |
| D. Others | - | (4,189) | - | - | - | - | - | (4,189) | (2,346) |
| **E. TOTAL** | | **(4,189)** | | | | | | **(4,189)** | **(2,346)** |

"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 31/12/2015 | TOTAL AT 31/12/2014 |
|---|---|---|
| **1) Employees** | **(62,956)** | **(65,936)** |
| a) wages and salaries | (43,258) | (45,036) |
| b) social security contributions | (11,691) | (12,401) |
| c) termination benefits | (1,075) | (1,154) |
| d) pensions | - | - |
| e) allocation to employee termination benefit provision | (240) | (430) |
| f) allocation to provision for retirement and similar liabilities | - | - |
| - defined contribution | - | - |
| - defined benefit | - | - |
| g) payments to external pension funds: | (3,628) | (3,737) |
| - defined contribution | (3,628) | (3,737) |
| - defined benefit | - | - |
| h) costs in respect of agreements to make payments in own equity instruments | - | - |
| i) other employee benefits | (3,064) | (3,178) |
| **2) Other personnel** | **(26)** | **(32)** |
| **3) Board of Directors and members of Board of Auditors** | **(700)** | **(732)** |
| **4) Retired personnel** | - | - |
| **5) Recovery of expenses for employees seconded to other companies** | **2,610** | **250** |
| **6) Reimbursement of expenses for third-party employees seconded to the Company** | **(1,258)** | **(1,364)** |
| **TOTAL** | **(62,330)** | **(67,813)** |

## 9.2 AVERAGE NUMBER OF EMPLOYEES BY CATEGORY

| | TOTAL AT 31/12/2015 | TOTAL AT 31/12/2014 |
|---|---|---|
| **Employees:** | **685** | **725** |
| a) senior management | 16 | 17 |
| b) middle management | 306 | 338 |
| c) other employees | 363 | 370 |
| **Other personnel** | **6** | **4** |

## 9 3 DEFINED-BENEFIT COMPANY PENSION PLANS: TOTAL COSTS

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 31/12/2015 | TOTAL AT 31/12/2014 |
|---|---|---|
| **Information technology** | **(63,473)** | **(58,207)** |
| **Property and movables** | **(9,279)** | **(8,680)** |
| Rental and fees | (8,509) | (7,860) |
| Cleaning | (487) | (515) |
| Security | (283) | (304) |
| **Goods and services** | **(16,205)** | **(15,961)** |
| Telephone and data transmission | (4,210) | (4,524) |
| Postal | (5,602) | (5,521) |
| Asset transport and counting | (51) | (67) |
| Electricity, heating and water | (1,475) | (1,462) |
| Transportation | (1,174) | (736) |
| Office supplies and printed materials | (3,430) | (3,343) |
| Subscriptions, magazines and newspapers | (263) | (309) |
| **Professional services** | **(18,231)** | **(13,746)** |
| Professional fees | (9,357) | (6,431) |
| Audit fees | (221) | (268) |
| Legal and notary costs | (1,429) | (939) |
| Court costs, information and title searches | (161) | (41) |
| Insurance | (1,219) | (877) |
| Administrative services | (5,844) | (5,190) |
| **Advertising and entertainment** | **(2,875)** | **(1,911)** |
| **Association dues** | **(3,366)** | **(3,564)** |
| **Other** | **(1,874)** | **(1,048)** |
| **Indirect taxes and duties** | **(69,811)** | **(11,597)** |
| Stamp duty | (12,412) | (11,447) |
| Municipal property tax | (1) | (44) |
| Other indirect taxes and duties* | (57,398) | (105) |
| **TOTAL** | **(185,114)** | **(114,714)** |

- The item includes the ordinary and special contributions to the National Resolution Fund in the amount of €57,353 thousand.

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 €156 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 31/12/2015 | TOTAL AT 31/12/2014 |
|---|---|---|
| **Net provisions for risks and charges** | **(232)** | **(1,049)** |

## 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 ADJUST-MENT (A + B - C) |
|---|---|---|---|---|
| **A. Property and equipment** | | | | |
| A.1 owned | (3,003) | - | - | (3,003) |
| - operating assets | (3,003) | - | - | (3,003) |
| - investment property | - | - | - | - |
| A.2 acquired under finance leases | - | - | - | - |
| - operating assets | - | - | - | - |
| - investment property | - | - | - | - |
| **TOTAL** | **(3,003)** | **-** | **-** | **(3,003)** |

## 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** | (6,726) | - | - | (6,726) |
| A.1 owned | (6,726) | - | - | (6,726) |
| - generated internally by the Bank | - | - | - | |
| - other | (6,726) | - | - | (6,726) |
| A.2 acquired under finance leases | - | - | - | |
| **TOTAL** | **(6,726)** | **-** | **-** | **(6,726)** |

## 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 31/12/2015 | TOTAL AT 31/12/2014 |
|---|---|---|
| Other charges | 293 | 1,800 |
| **Total** | **293** | **1,800** |

### 13.2 OTHER OPERATING INCOME: COMPOSITION

| | TOTAL AT 31/12/2015 | TOTAL AT 31/12/2014 |
|---|---|---|
| Property rental income | 21 | 30 |
| Recoveries: | | |
| - Stamp duty | 9,904 | 9,106 |
| - Tax on loan transactions | 34 | 113 |
| Revenues from Milano Finanza Web services | 629 | 739 |
| Revenues for personnel administration services | 706 | 506 |
| Insourcing revenues | 6,057 | 7,784 |
| Other income | 2,955 | 24,994 |
| **TOTAL** | **20,306** | **43,273** |

## 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 31/12/2015 | TOTAL AT 31/12/2014 |
|---|---|---|---|
| 1. | Current taxes (-) | (9,341) | (23,775) |
| 2. | Changes in current taxes from previous periods (+/-) | 587 | 736 |
| 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 (+/-) | 29 | (1,685) |
| 5. | Change in deferred tax liabilities (+/-) | 1,144 | (4,577) |
| **6.** | **INCOME TAXES FOR THE PERIOD (-) (-1+/-2+3+3 bis+/-4+/-5)** | **(7,581)** | **(29,301)** |

## 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** | **16,826** | | | |
| **Theoretical tax liability (27.5%)** | | **(4,627)** | | |
| **Difference between value of production and production costs** | | | **82,140** | |
| **Theoretical tax liability (5.57%)** | | | | **(4,575)** |
| Temporary differences taxable in subsequent periods | | | - | - |
| Temporary differences deductible in subsequent periods | 3,268 | (899) | - | - |
| *Reversal of temporary differences of previous periods* | | | | |
| Reversal of deductible temporary differences | (3,165) | 870 | | |
| Reversal of taxable temporary differences | 4,161 | (1,144) | - | - |
| *Differences that will not reverse in subsequent years:* | | | | |
| Permanent decreases in taxable income | (7,018) | 1,930 | (55,363) | 3,084 |
| Permanent increases in taxable income | 12,908 | (3,550) | 7,714 | (430) |
| **Taxable income** | **26,980** | | | |
| **Current income taxes** | | **(7,420)** | | |
| **Taxable income for I.R.A.P purposes** | | | **34,491** | |
| **Current I.R.A.P liability** | | | | **(1,921)** |

| **Summary:** | |
|---|---|
| I.R.E.S. | (7,420) |
| I.R.A.P. | (1,921) |
| **Total current taxes** | **(9,341)** |

## 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

The section was not completed as there were no such positions as of the balance sheet date.

### 19.2 BREAKDOWN OF INCOME TAXES FOR DISPOSAL GROUPS HELD FOR SALE

The section was not completed as there were no such positions as of the balance sheet date.

## 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 31/12/2015 | TOTAL AT 31/12/2014 |
|---|---|---|
| Net profit for the year | 9,245,328 | 47,692,915 |
| Distributable income | 9,030,000 | 40,005,000 |
| Average number of ordinary shares in circulation | 420,000 | 420,000 |
| Earnings per share | 22.01 | 113.55 |
| Distributable income per share | 21.50 | 95.25 |

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** | **9,245,328** |
| | **Other comprehensive income not recyclable to profit or loss** | | | **-** |
| **20.** | **Property and equipment** | **-** | **-** | **-** |
| **30.** | **Intangible assets** | **-** | **-** | **-** |
| **40.** | **Defined-benefit plans** | **23,557** | **(6,478)** | **17,079** |
| **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:** | **(980,205)** | **324,154** | **(656,051)** |
| | a) fair value changes | 2,179,736 | (720,838) | 1,458,898 |
| | b) reversal to income statement | (3,159,941) | 1,044,992 | (2,114,949) |
| | c) other changes | - | - | - |
| **100.** | **Financial assets available for sale:** | **(10,433,842)** | **3,868,732** | **(6,565,110)** |
| | a) fair value changes | 9,755,763 | (2,807,970) | 6,947,793 |
| | b) reversal to income statement | (20,189,605) | 6,676,702 | (13,512,903) |
| | - impairment adjustments | - | - | - |
| | - gain/loss on realization | (20,189,605) | 6,676,702 | (13,512,903) |
| | 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** | **(11,390,490)** | **4,186,408** | **(7,204,082)** |
| **140** | **Comprehensive income (item 10+130)** | **(11,390,490)** | **4,186,408** | **2,041,246** |

# 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 order to respond to developments in the regulatory environment and the organizational, operational and corporate arrangements of the Group and to increase the effectiveness and efficiency of the overall internal control system, the CRO area has been created as part of the natural evolution of Group Risk Management.

The CRO area is structured into units that operate within both the Parent Company and at the level of each subsidiary. The organizational implementation of the governance model takes account of the company structure of the Group, the specialization of business segments within the company structure, the executive effectiveness of the centralized governance approach, the complexity and impact on corporate operations of the functional areas included in the CRO area, compliance with prudential regulations the effectiveness of second level controls in relation to management requirements and the applicable regulatory context.

At the Parent Company, the CRO area is organized into four units:

- Risk Integration & Capital Adequacy;
- Financial Risk Management;
- Credit Risk Management;
- Operational Risks, Compliance and Anti-Money Laundering.

The duties of the CRO area include participating in the definition, development and any corrective maintenance of the framework for risk assumption and management, the development of recommendations for the Risk Appetite Framework and its associated operational implementation (the Risk Appetite Statement), monitoring developments in the exposure to the various types of risk and, in its sphere of responsibility, performance of duties with regard to reporting, supervisory inspections and supervisory regulation.

The Compliance function is performed by the Operational Risks, Compliance and Anti-Money Laundering unit, which has been established at Iccrea Banca, reporting directly to the Board of Directors and interacting functionally with the unit of the same name at the Parent Company, which is part of the CRO area.

Similarly, the Risk Management function is performed by the Risk Management unit of Iccrea Banca, reporting directly to the Board of Directors and interacting functionally with the Financial Risk Management unit of the Parent Company. Risk Management liaises with Bank's top management in the areas for which it is responsible.

The primary responsibilities of the Risk Management unit include participating in the definition, development and any corrective maintenance of the framework for risk assumption and management, monitoring developments in the exposure to financial and credit risks and monitoring capital requirements and prudential ratios on a current and prospective basis in relation to the targets defined by the Risk Appetite Statement and the supervisory authorities. It also provides support, within its sphere of responsibility, for Bank planning and management to ensure the sustainability of development strategies/policies, minimizing the volatility of profits and the economic value of the Bank's capital.

With regard to Iccrea Banca itself, the following chart sets out the organization of the new CRO area.

#### *Group Risk Management*

In the Iccrea Banking Group, a Risk Management unit was established within the Financial Risk Management structure to manage the main forms of financial risk. It is based at Iccrea Banca, where Group Finance operations are also managed. The Risk Management unit is structured into the following functions: Market Risks; Interest Rate Risk and Liquidity Adequacy; and Bank Risk.

## 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.

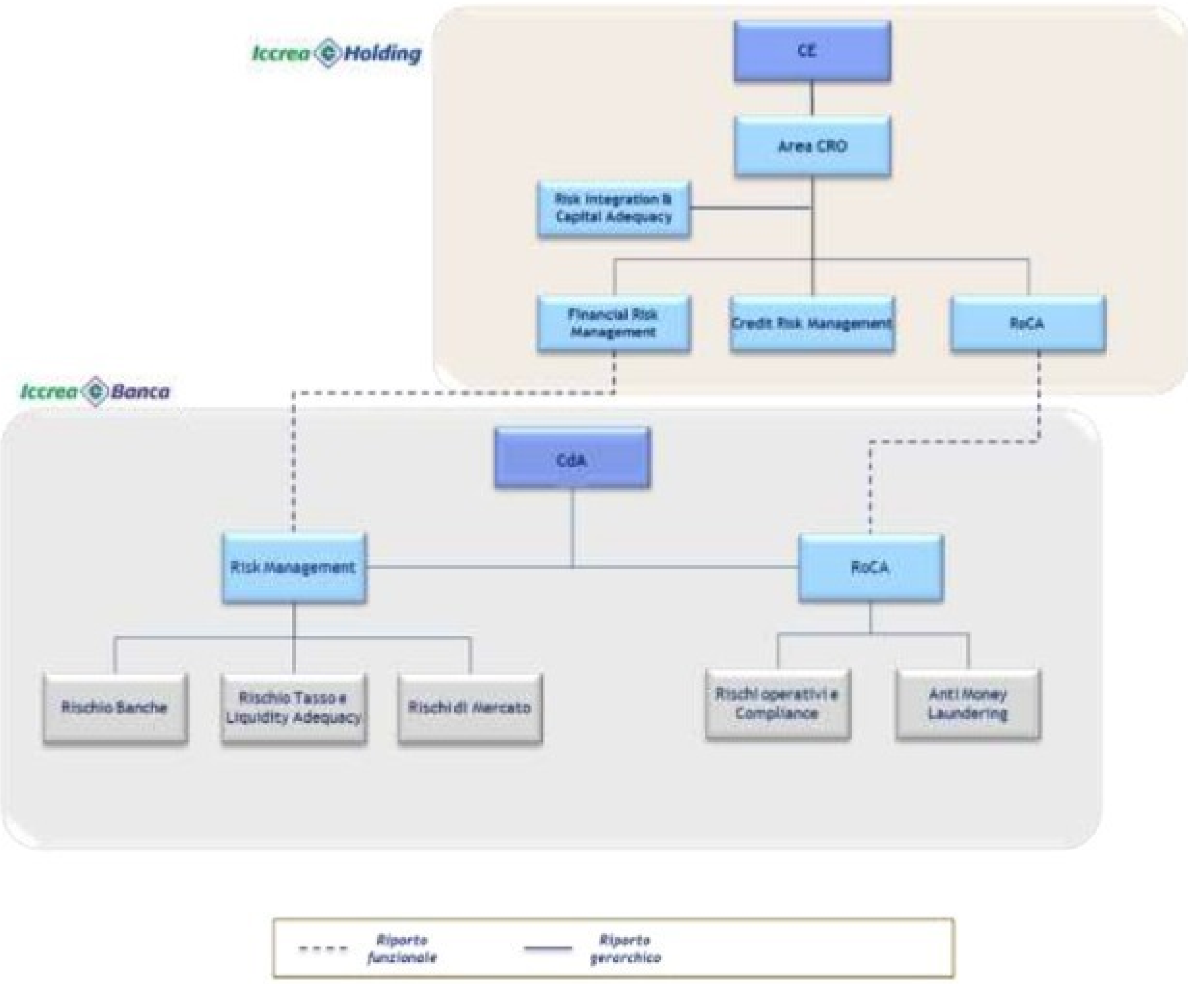
The risk culture is inspired by the principles of the risk management model of the Iccrea Banking Group. It is disseminated to all business units and personnel and is founded on the following pillars:

- 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 disclosure

### 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 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 Risk Management unit, in managing the risks associated with granting loans and operating credit.

Within the Loans department, the Institutional 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 impaired past due/overlimit exposures and positions unlikely to be repaid 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 Risk Management unit, the Bank 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).

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 Risk Management 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 technical secretariat unit uses 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, 2015 credit exposures in respect of transactions in derivatives were covered by 204 margin agreements (CSA), of which 46 with market counterparties (about 23%) and 158 with mutual bank industry counterparties (about 77%).

As for repos, 10 GRMAs were entered into and the business is operational with two counterparties.

## 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;
- positions unlikely to be repaid: credit exposures other than bad debts to borrowers that the Bank believes are unlikely to discharge their credit obligations in full (principal and/or interest) without recourse to actions such as enforcement of guarantees;
- impaired past due/overlimit exposures: exposures other than bad debts or positions likely to be unpaid that as of the reporting date are past due/overlimit by more than 90 days and exceed a specified materiality threshold.

*FORBORNE EXPOSURES*

An additional classification is made for credit exposures that have been granted some form of forbearance, which are divided into:

- non-performing exposures with forbearance measures: depending on the circumstances, these represent a subset of bad debts, positions unlikely to be repaid or impaired past due/overlimit exposures; they do not represent a separate category of impaired assets;
- other exposures with forbearance measures, which correspond to forborne performing exposures and are therefore classified under performing exposures.

*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.

*<u>Assessment of the adequacy of writedowns</u>*

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 UNIMPAIRED 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 | UNLIKELY TO BE REPAID | IMPAIRED PAST DUE EXPOSURES | UNIMPAIRED PAST DUE POSITIONS | UNIMPAIRED POSITIONS | TOTAL |
|---|---|---|---|---|---|---|
| 1. Financial assets available for sale | - | - | - | - | 6,706,247 | 6,706,247 |
| 2. Financial assets held to maturity | - | - | - | - | 1,779,509 | 1,779,509 |
| 3. Due from banks | 114 | - | - | - | 31,939,181 | 31,939,295 |
| 4. Loans to customers | 18,817 | 743 | 58 | 1,792 | 4,056,304 | 4,077,714 |
| 5. Financial assets at fair value | - | - | - | - | 337,911 | 337,911 |
| 6. Financial assets held for sale | - | - | - | - | - | - |
| **TOTAL 31/12/2015** | **18,931** | **743** | **58** | **1,792** | **44,819,152** | **44,840,676** |
| **TOTAL 31/12/2014** | **21,190** | **997** | **49** | **4,728** | **45,906,458** | **45,933,422** |

### A.1.2 DISTRIBUTION OF CREDIT EXPOSURES BY PORTFOLIO AND CREDIT QUALITY (GROSS AND NET VALUES)

| | IMPAIRED ASSETS | | | UNIMPAIRED ASSETS | | | TOTAL (NET EXPOSURE) |
|---|---|---|---|---|---|---|---|
| | GROSS EXPOSURE | SPECIFIC ADJUSTMENTS | NET EXPOSURE | GROSS EXPOSURE | SPECIFIC ADJUSTMENTS | NET EXPOSURE | |
| 1. Financial assets available for sale | - | - | - | 6,706,247 | - | 6,706,247 | 6,706,247 |
| 2. Financial assets held to maturity | - | - | - | 1,779,509 | - | 1,779,509 | 1,779,509 |
| 3. Due from banks | 114 | - | 114 | 31,939,180 | - | 31,939,180 | 31,939,294 |
| 4. Loans to customers | 57,694 | 38,076 | 19,618 | 4,059,002 | 905 | 4,058,097 | 4,077,715 |
| 5. Financial assets at fair value | - | - | - | X | X | 337,911 | 337,911 |
| 6. Financial assets held for sale | - | - | - | - | - | - | - |
| **TOTAL 31/12/2015** | **57,808** | **38,076** | **19,732** | **44,483,938** | **905** | **44,820,944** | **44,840,676** |
| **TOTAL 31/12/2014** | **63,214** | **40,978** | **22,236** | **45,110,787** | **727** | **45,911,186** | **45,933,422** |

| | ASSETS WITH EVIDENTLY POOR CREDIT QUALITY | | OTHER ASSETS |
|---|---|---|---|
| | CUMULATIVE LOSSES | NET EXPOSURE | NET EXPOSURE |
| 1. Financial assets held for trading | - | - | 400,626 |
| 8. Hedging derivatives | - | - | 10,181 |
| **TOTAL AT 31/12/2015** | **-** | **-** | **410,807** |
| **TOTAL AT 31/12/2014** | **-** | **-** | **479,894** |

## A.1.3 ON-BALANCE-SHEET AND OFF-BALANCE-SHEET CREDIT EXPOSURES TO BANKS: GROSS VALUES, NET VALUES AND TIME PAST DUE

| | GROSS EXPOSURE | | | | | SPECIFIC WRITEDOWNS | PORTFOLIO WRITEDOWNS | NET EXPOSURE |
|---|---|---|---|---|---|---|---|---|
| | IMPAIRED ASSETS | | | | UNIMPAIRED ASSETS | | | |
| | UP TO 3 MONTHS | FROM 3 MONTHS TO 6 MONTHS | FROM 6 MONTHS TO 1 YEAR | MORE THAN 1 YEAR | | | | |
| **A. ON-BALANCE-SHEET EXPOSURES** | | | | | | | | |
| a) Bad debts | - | - | - | 114 | X | - | X | 114 |
| - of which: forborne exposures | - | - | - | - | X | - | X | - |
| b) Unlikely to be repaid | - | - | - | - | X | - | X | - |
| - of which: forborne exposures | - | - | - | - | X | - | X | - |
| c) Impaired past due exposures | - | - | - | - | X | - | X | - |
| - of which: forborne exposures | - | - | - | - | X | - | X | - |
| d) Unimpaired past due exposures | X | X | X | X | - | X | - | - |
| - of which: forborne exposures | X | X | X | X | - | X | - | - |
| e) Other unimpaired assets | X | X | X | X | 32,296,734 | X | - | 32,296,734 |
| - of which: forborne exposures | X | X | X | X | - | X | - | - |
| **TOTAL A AT 31/12/2015** | **-** | **-** | **-** | **114** | **32,296,734** | **-** | **-** | **32,296,848** |
| **B. OFF-BALANCE-SHEET EXPOSURES** | | | | | | | | |
| a) Impaired | - | - | - | - | X | - | X | - |
| b) Unimpaired | X | X | X | X | 2,399,766 | X | - | 2,399,766 |
| **TOTAL B AT 31/12/2015** | **-** | **-** | **-** | **-** | **2,399,766** | **-** | **-** | **2,399,766** |
| **TOTAL A+B 31/12/2015** | **-** | **-** | **-** | **114** | **34,696,500** | **-** | **-** | **34,696,614** |

## A.1.4 ON-BALANCE-SHEET CREDIT EXPOSURES TO BANKS: CHANGES IN GROSS IMPAIRED POSITIONS

| | BAD DEBTS | UNLIKELY TO BE REPAID | IMPAIRED PAST DUE EXPOSURES |
|---|---|---|---|
| **A. Opening gross exposure** | **231** | **-** | **-** |
| - 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** | **117** | **-** | **-** |
| C.1 to performing credit exposures | - | - | - |
| C.2 writeoffs | - | - | - |
| C.3 collections | 117 | - | - |
| C.4 gains on disposal | - | - | - |
| C.5 losses on disposal | - | - | - |
| C.6 transfers to other categories of impaired positions | - | - | - |
| C.7 other decreases | - | - | - |
| **D. Closing gross exposure** | **114** | **-** | **-** |
| - of which: exposures assigned but not derecognized | - | - | - |

## A.1.4 BIS ON-BALANCE-SHEET CREDIT EXPOSURES TO BANKS: CHANGES IN GROSS FORBORNE EXPOSURES BY CREDIT QUALITY

There were no such positions as of the balance sheet date.

## A.1.5 ON-BALANCE-SHEET CREDIT EXPOSURES TO BANKS: CHANGES IN TOTAL ADJUSTMENTS OF LOANS

| | AD DEBTS | | TO BE REPAID | | AST DUE EXPOSURES | |
|---|---|---|---|---|---|---|
| | | BORNE EXPO-ES | | ORNE EXPO-S | | ORNE EXPO-S |
| **ljustments** | **231** | **-** | **-** | **-** | **-** | **-** |
| 'es assigned but not derecognized | - | - | - | - | - | - |
| | - | - | - | - | - | - |
| | - | - | - | - | - | - |
| ɔsal | - | - | - | - | - | - |
| other categories of impaired positions | - | - | - | - | - | - |
| ; | - | - | - | - | - | - |
| | **231** | **-** | **-** | **-** | **-** | **-** |
| n valuations | 114 | - | - | - | - | - |
| n collections | 117 | - | - | - | - | - |
| sal | - | - | - | - | - | - |
| | - | - | - | - | - | - |
| ıer categories of impaired positions | - | - | - | - | - | - |
| s | - | - | - | - | - | - |
| **ustments** | **-** | **-** | **-** | **-** | **-** | **-** |
| s 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 |
|---|---|---|---|---|---|---|---|---|
| | IMPAIRED ASSETS | | | | UNIMPAIRED ASSETS | | | |
| | UP TO 3 MONTHS | FROM 3 MONTHS TO 6 MONTHS | FROM 6 MONTHS TO 1 YEAR | MORE THAN 1 YEAR | | | | |
| **A. ON-BALANCE-SHEET EXPOSURES** | | | | | | | | |
| a) Bad debts | - | - | - | 56,756 | X | 37,939 | X | 18,817 |
| - of which: forborne exposures | - | - | - | - | X | - | X | - |
| b) Unlikely to be repaid | 256 | 6 | 108 | 508 | X | 135 | X | 743 |
| - of which: forborne exposures | 254 | - | - | 475 | X | 118 | X | 611 |
| c) Impaired past due exposures | 1 | 1 | 58 | - | X | 2 | X | 58 |
| - of which: forborne exposures | - | - | 57 | - | X | 2 | X | 55 |
| d) Unimpaired past due exposures | X | X | X | X | 1,799 | X | 7 | 1,792 |
| - of which: forborne exposures | X | X | X | X | - | X | - | - |
| e) Other unimpaired exposures | X | X | X | X | 12,585,119 | X | 898 | 12,584,221 |
| - of which: forborne exposures | X | X | X | X | 708 | X | 6 | 702 |
| **TOTAL A AT 31/12/2015** | **257** | **7** | **166** | **57,264** | **12,586,918** | **38,076** | **905** | **12,605,631** |
| **B. OFF-BALANCE-SHEET EXPOSURES** | | | | | | | | |
| a) Impaired | - | - | - | - | X | - | X | - |
| b) Unimpaired | X | X | X | X | 1,343,470 | X | - | 1,343,470 |
| **TOTAL B AT 31/12/2015** | **-** | **-** | **-** | **-** | **1,343,470** | **-** | **-** | **1,343,470** |
| **TOTAL A+B 31/12/2015** | **257** | **7** | **166** | **57,264** | **13,930,388** | **38,076** | **905** | **13,949,101** |

## A.1.7 ON-BALANCE-SHEET CREDIT EXPOSURES TO CUSTOMERS: CHANGES IN GROSS IMPAIRED POSITIONS

| | BAD DEBTS | Unlikely TO BE REPAID | IMPAIRED PAST DUE EXPOSURES |
|---|---|---|---|
| **A. Opening gross exposure** | **61,786** | **1,148** | **49** |
| - of which: exposures assigned but not derecognized | - | - | - |
| **B. Increases** | **770** | **57** | **60** |
| B.1 from performing credit exposures | 617 | 57 | 58 |
| B.2 transfers from other categories of impaired positions | - | - | - |
| B.3 other increases | 153 | - | 2 |
| **C. Decreases** | **5,800** | **327** | **49** |
| C.1 to performing credit exposures | - | 183 | 49 |
| C.2 writeoffs | 1,960 | - | - |
| C.3 collections | 3,840 | 144 | - |
| C.4 assignments | - | - | - |
| C.5 losses on disposal | - | - | - |
| C.6 transfers to other categories of impaired positions | - | - | - |
| C.7 other decreases | - | - | - |
| **D. Closing gross exposure** | **56,756** | **878** | **60** |
| - of which: exposures assigned but not derecognized | - | - | - |

## A.1.7 BIS ON-BALANCE-SHEET CREDIT EXPOSURES TO CUSTOMERS: CHANGES IN GROSS FORBORNE EXPOSURES BY CREDIT QUALITY

| | IMPAIRED FORBORNE EXPOSURES | UNIMPAIRED FORBORNE EXPOSURES |
|---|---|---|
| **A. Opening gross exposure** | **57** | **708** |
| - of which: exposures assigned but not derecognized | - | - |
| **B. Increases** | **748** | **-** |
| B.1 from performing credit exposures without forbearance | 748 | - |
| B.2 from performing credit exposures without forbearance | - | X |
| B.3 from impaired exposures with forbearance | X | - |
| B.4 other increases | - | - |
| **C. Decreases** | **19** | **-** |
| C.1 to performing credit exposures without forbearance | X | - |
| C.2 to performing credit exposures without forbearance | - | X |
| C.3 to impaired exposures with forbearance | X | - |
| C.4 writeoffs | - | - |
| C,5 collections | 19 | - |
| C.6 realization from disposal | - | - |
| C.7 losses on disposal | - | - |
| C.8 other decreases | - | - |
| **D. Closing gross exposure** | **786** | **708** |
| - 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 | | UNLIKELY TO BE REPAID | | IMPAIRED PAST DUE EXPOSURES | |
|---|---|---|---|---|---|---|
| | TOTAL | OF WHICH: FORBORNE EXPOSURES | TOTAL | OF WHICH: FORBORNE EXPOSURES | TOTAL | OF WHICH: FORBORNE EXPOSURES |
| **A. Total opening adjustments** | **40,596** | **-** | **151** | **-** | **1** | **-** |
| - of which: exposures assigned but not derecognized | - | - | - | - | - | - |
| **B. Increases** | **875** | **-** | **4** | **120** | **2** | **2** |
| B.1 writedowns | 779 | - | - | - | - | - |
| B.2 losses on disposal | - | - | - | - | - | - |
| B.3 transfers from other categories of impaired positions | - | - | - | - | - | - |
| B.4 other increases | 96 | - | 4 | 120 | 2 | 2 |
| **C. Decreases** | **3,532** | **-** | **20** | **2** | **1** | **-** |
| C.1 writebacks from valuations | 605 | - | 3 | 2 | - | - |
| C.2 writebacks from collections | 967 | - | 17 | - | 1 | - |
| C.3 gains on disposal | - | - | - | - | - | - |
| C.4 writeoffs | 1,960 | - | - | - | - | - |
| C.5 transfers to other categories of impaired positions | - | - | - | - | - | - |
| C.6 other decreases | - | - | - | - | - | - |
| **D. Total closing adjustments** | **37,939** | **-** | **135** | **118** | **2** | **2** |
| - 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 EXPOSURES BY EXTERNAL RATING GRADES

| | EXTERNAL RATING GRADES | | | | | | NOT RATED | TOTAL AT 31/12/2015 |
|---|---|---|---|---|---|---|---|---|
| | AAA/AA- | A+/A- | BBB+/BBB- | BB+/BB- | B+/B- | BELOW A B- | | |
| **A. On-balance-sheet exposures** | **159,399** | **5,809** | **20,012,082** | **2,601** | **1,299** | **341** | **24,722,180** | **44,903,711** |
| **B. Derivatives** | **25,919** | **-** | **106,028** | **-** | **-** | **46** | **74,044** | **206,037** |
| B.1 Financial derivatives | 25,919 | - | 106,028 | - | - | 46 | 59,044 | 191,037 |
| B.2 Credit derivatives | - | - | - | - | - | - | 15,000 | 15,000 |
| **C. Guarantees issued** | **1,908** | **107** | **66,801** | **25** | **-** | **-** | **437,127** | **505,968** |
| **D. Commitment to disburse** | **2,225** | **-** | **557,001** | **163** | **32** | **2** | **2,553,626** | **3,113,049** |
| **E. Other** | **-** | **-** | **-** | **-** | **-** | **-** | **42,306** | **42,306** |
| **TOTAL** | **189,451** | **5,916** | **20,741,912** | **2,789** | **1,331** | **389** | **27,829,283** | **48,771,071** |

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

| | VALUE OF NET EXPOSURE | COLLATERAL (1) | | | | UNSECURED GUARANTEES (2) | | | | | | | | | TOTAL AT 31/12/2015 (1)+(2) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | CREDIT DERIVATIVES | | | | | GUARANTEES | | | | |
| | | | | | | | OTHER DERIVATIVES | | | | | | | | |
| | | 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 | |
| **1. Secured on-balance-sheet credit exposures:** | | | | | | | | | | | | | | | |
| 1.1 fully secured | 23,963,815 | 1,190 | - | 23,465,964 | 492,390 | - | - | - | - | - | - | - | - | 4,271 | **23,963,815** |
| - of which: impaired | - | - | - | - | - | - | - | - | - | - | - | - | - | - | **-** |
| 1.2 partially secured | 5,786 | 1,500 | - | 973 | - | - | - | - | - | - | - | - | - | - | **2,473** |
| - of which: impaired | - | - | - | - | - | - | - | - | - | - | - | - | - | - | **-** |
| **2. Secured off-balance-sheet credit exposures:** | | | | | | | | | | | | | | | |
| 2.1 fully secured | 1,297,320 | - | - | 1,312,522 | - | - | - | - | - | - | - | - | 2,618 | - | **1,315,140** |
| - of which: impaired | - | - | - | - | - | - | - | - | - | - | - | - | - | - | **-** |
| 2.2 partially secured | 5,000 | - | - | 3,579 | - | - | - | - | - | - | - | - | - | - | **3,579** |
| - of which: impaired | - | - | - | - | - | - | - | - | - | - | - | - | - | - | **-** |

## A.3.2 SECURED CREDIT EXPOSURES TO CUSTOMERS

| | VALUE OF NET EXPOSURE | COLLATERAL (1) | | | | UNSECURED GUARANTEES (2) | | | | | | | | | TOTAL AT 31/12/2015 (1)+(2) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | CREDIT DERIVATIVES | | | | | GUARANTEES | | | | |
| | | | | | | | OTHER DERIVATIVES | | | | | | | | |
| | | 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 | |
| **1. Secured on-balance-sheet credit exposures:** | | | | | | | | | | | | | | | |
| 1.1 fully secured | 1,523,059 | 102,608 | - | 1,419,469 | - | - | - | - | - | - | - | - | 51 | 931 | **1,523,059** |
| - of which: impaired | 17,962 | 17,805 | - | - | - | - | - | - | - | - | - | - | - | 157 | **17,962** |
| 1.2 partially secured | 2,402 | 1,580 | - | - | - | - | - | - | - | - | - | - | 16 | - | **1,596** |
| - of which: impaired | 387 | 371 | - | - | - | - | - | - | - | - | - | - | 16 | - | **387** |
| **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 | - | 2,759 | X | - | - | X | 13,893 | 27,986 | X | 4,924 | 7,194 | X |
| - of which: forborne exposures | - | - | X | - | - | X | - | - | X | - | - | X | - | - | X | - | - | X |
| A.2 Unlikely to be repaid | - | - | X | - | - | X | - | - | X | - | - | X | 466 | 104 | X | 277 | 31 | X |
| - of which: forborne exposures | - | - | X | - | - | X | - | - | X | - | - | X | 466 | 104 | X | 146 | 14 | X |
| A.3 Impaired past due exposures | - | - | X | - | - | X | - | - | X | - | - | X | 2 | - | X | 56 | 2 | X |
| - of which: forborne exposures | - | - | X | - | - | X | - | - | X | - | - | X | - | - | X | 55 | 2 | X |
| A.4 Unimpaired exposures | 8,515,052 | X | - | 22 | X | - | 3,842,217 | X | 353 | 60,905 | X | 101 | 76,974 | X | 85 | 90,843 | X | 366 |
| - of which: forborne exposures | - | X | - | - | X | - | - | X | - | - | X | - | - | X | - | 702 | X | 6 |
| **TOTAL A** | **8,515,052** | **-** | **-** | **22** | **-** | **-** | **3,842,217** | **2,759** | **353** | **60,905** | **-** | **101** | **91,335** | **28,090** | **85** | **96,100** | **7,227** | **366** |
| **B. Off-balance-sheet** | | | | | | | | | | | | | | | | | | |
| B.1 Bad debts | - | - | X | - | - | X | - | - | X | - | - | X | - | - | X | - | - | X |
| B.2 Unlikely to be repaid | - | - | X | - | - | X | - | - | X | - | - | X | - | - | X | - | - | X |
| B.3 Other impaired assets | - | - | X | - | - | X | - | - | X | - | - | X | - | - | X | - | - | X |
| B.4 Unimpaired exposures | 508,340 | X | - | 12 | X | - | 826,750 | X | - | - | X | - | 56 | X | - | 84,534 | X | - |
| **TOTAL B** | **508,340** | **-** | **-** | **12** | **-** | **-** | **826,750** | **-** | **-** | **-** | **-** | **-** | **56** | **-** | **-** | **84,534** | **-** | **-** |
| **TOTAL (A+B) 31/12/2015** | **9,023,392** | **-** | **-** | **34** | **-** | **-** | **4,668,967** | **2,759** | **353** | **60,905** | **-** | **101** | **91,391** | **28,090** | **85** | **180,634** | **7,227** | **366** |
| **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** |

## 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 | 18,817 | 35,223 | - | - | - | 2,716 | - | - | - | - |
| A.2 Unlikely to be repaid | 743 | 135 | - | - | - | - | - | - | - | - |
| A.3 Impaired past due exposures | 58 | 2 | - | - | - | - | - | - | - | - |
| A.4 Unimpaired exposures | 12,524,140 | 905 | 60,605 | - | 1,052 | - | - | - | 216 | - |
| **TOTAL A** | **12,543,758** | **36,265** | **60,605** | **-** | **1,052** | **2,716** | **-** | **-** | **216** | **-** |
| **B. Off-balance-sheet** | | | | | | | | | | |
| B.1 Bad debts | - | - | - | - | - | - | - | - | - | - |
| B.2 Unlikely to be repaid | - | - | - | - | - | - | - | - | - | - |
| B.3 Other impaired assets | - | - | - | - | - | - | - | - | - | - |
| B.4 Unimpaired exposures | 1,400,959 | - | 16,791 | - | 1,939 | - | - | - | 3 | - |
| **TOTAL B** | **1,400,959** | **-** | **16,791** | **-** | **1,939** | **-** | **-** | **-** | **3** | **-** |
| **TOTAL (A+B) 31/12/2015** | **13,944,717** | **36,265** | **77,396** | **-** | **2,991** | **2,716** | **-** | **-** | **219** | **-** |
| **TOTAL (A+B) 31/12/2014** | **10,629,254** | **38,183** | **42,723** | **-** | **2,723** | **3,292** | **7** | **-** | **-** | **-** |

## 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 | TOTAL WRITEDOWNS | NET EXPOSURE | TOTAL WRITEDOWNS | NET EXPOSURE | TOTAL WRITEDOWNS |
| **A. On-balance-sheet** | | | | | | | | | | |
| A.1 Bad debts | - | - | 114 | - | - | - | - | - | - | - |
| A.2 Unlikely to be repaid | - | - | - | - | - | - | - | - | - | - |
| A.3 Impaired past due exposures | - | - | - | - | - | - | - | - | - | - |
| A.4 Unimpaired exposures | 32,065,706 | - | 211,205 | - | 16,362 | - | 2,178 | - | 1,283 | - |
| **TOTAL A** | **32,065,706** | **-** | **211,319** | **-** | **16,362** | **-** | **2,178** | **-** | **1,283** | **-** |
| **B. Off-balance-sheet** | | | | | | | | | | |
| B.1 Bad debts | - | - | - | - | - | - | - | - | - | - |
| B.2 Unlikely to be repaid | - | - | - | - | - | - | - | - | - | - |
| B.3 Other impaired assets | - | - | - | - | - | - | - | - | - | - |
| B.4 Unimpaired exposures | 2,326,058 | - | 70,864 | - | 108 | - | 1,363 | - | 38 | - |
| **TOTAL B** | **2,326,058** | **-** | **70,864** | **-** | **108** | **-** | **1,363** | **-** | **38** | **-** |
| **TOTAL (A+B) 31/12/2015** | **34,391,764** | **-** | **282,183** | **-** | **16,470** | **-** | **3,541** | **-** | **1,321** | **-** |
| **TOTAL (A+B) 31/12/2014** | **37,068,501** | **-** | **253,696** | **231** | **13,187** | **-** | **2,542** | **-** | **2,199** | **-** |

## B.4 LARGE EXPOSURES

| | |
|---|---|
| **a) Carrying amount** | **74,617,595** |
| **b) Risk-weighted amount** | **2,743,174** |
| **c) Number of positions** | **139** |

# C. SECURITIZATIONS

**Qualitative disclosures**
There were no outstanding securitizations at the reporting date.

**Quantitative disclosures**

## C.1 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.2 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 / | CARRYING AMOUNT | WRITEDOWNS / | CARRYING AMOUNT | WRITEDOWNS / | CARRYING AMOUNT | WRITEDOWNS / | CARRYING AMOUNT | WRITEDOWNS / | CARRYING AMOUNT | WRITEDOWNS / | CARRYING AMOUNT | WRITEDOWNS / | CARRYING AMOUNT | WRITEDOWNS / | CARRYING AMOUNT | WRITEDOWNS / |
| 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 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

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.3 INVOLVEMENT IN SPECIAL PURPOSE VEHICLES

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

## C.4 NON-CONSOLIDATED SPECIAL PURPOSE VEHICLES

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

## C.5 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 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | A | B | C | A | B | C | A | B | C | A | B | C | A | B | C | A | B | C | 31/12/2015 | 31/12/2014 |
| **A. On-balance-sheet assets** | - | - | - | - | - | - | 3,253,140 | - | - | 1,676,201 | - | - | - | - | - | - | - | - | **4,929,341** | **2,807,916** |
| 1. Debt securities | - | - | - | - | - | - | 3,253,140 | - | - | 1,676,201 | - | - | - | - | - | - | - | - | 4,929,341 | 2,807,916 |
| 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 at 31/12/2015** | - | - | - | - | - | - | **3,253,140** | - | - | **1,676,201** | - | - | - | - | - | - | - | - | **4,929,341** | **x** |
| *of which: impaired* | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | X |
| **Total at 31/12/2014** | - | - | - | - | - | - | **172,902** | - | - | **2,635,014** | - | - | - | - | - | - | - | - | **x** | **2,807,916** |
| *of which: impaired* | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 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 CUSTOM-ERS | TOTAL |
|---|---|---|---|---|---|---|---|
| **1. Due to customers** | **-** | **-** | **2,946,514** | **1,689,018** | **-** | **-** | **4,635,532** |
| a) in respect of assets fully recognized | - | - | 2,946,514 | 1,689,018 | - | - | 4,635,532 |
| 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 31/12/2015** | **-** | **-** | **2,946,514** | **1,689,018** | **-** | **-** | **4,635,532** |
| **TOTAL 31/12/2014** | **-** | **-** | **-** | **2,650,552** | **-** | **-** | **2,650,552** |

## 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 2015. At December 31, 2015 the portfolio, which was mainly composed of Italian government securities, amounted to about €8.2 billion, with a residual life of 2.2 years. More specifically, operational developments in the overall portfolio involved the following sub-portfolios:

- tactical portfolio: nominal value of €1.63 billion and residual life of 1.0 year, established in order to boost income through a strategy of refinancing designed to minimize the exposure to interest rate risk and changes in net interest income;
- liquidity portfolio: nominal value of €1.56 billion and residual life of 1.89 years, intended to establish and maintain structural liquidity reserves;
- investment portfolio: nominal value of €5.04 billion and residual life of 2.64 years (with a duration of 1.39 years).

In 2015, the Risk Management 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.

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 Risk Management 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

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, Title 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 | 0.86 | 0.98 | 0.58 | 0.66 | 0.13 | 0.14 |

Figures in millions of euros at December 31, 2015

With regard to price risk, the following table reports the results of the sensitivity analysis for 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 | 0.46 | -0.46 | 0.31 | -0.31 | 0.07 | -0.07 |

Figures in millions of euros at December 31, 2015

## 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 Banca Iccrea'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 Risk Management, 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 2015, 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 fourth 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 December 2015, the TLTRO Group had raised around €6.6 billion in funding in relation to the 7% of the so-called eligible assets required to gain access to the first two auctions and the funding in the third and fourth 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.

Iccrea Banca's structural funding in 2015 included a number of bond issues totaling €1.80 billion.

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, Risk Management 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:

- one structured debt security held in portfolio in order to avoid unbundling the embedded derivative (see section 5 in Liabilities);
- one credit linked note issued and held by the Bank in order to avoid unbundling the embedded credit 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 (see section 5 in Liabilities);
  - a debt security issued by Iccrea BancaImpresa held by the Bank (see table above under point 1.2);
  - derivatives connected with the above instruments that establish a natural hedge.

## 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, 2015 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 Credito Consumo 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 € 61.2 million;
- 3 mixed-rate bonds issued by the Bank and hedged with IRSs and interest rate options (floors) with a nominal value of €472.9 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 treasury bonds (BTPs) with a nominal value of €235 million;
- 2 Treasury Credit Certificates (CTZ) hedged with an overnight indexed swap (OIS) with a nominal value of €600 million;
- 2 fixed-rate deposits hedged with overnight indexed swaps (OISs) with a nominal value of €80 million;

In addition, during the period the Bank also undertook the following macro-hedging transaction:

- hedging of a loan portfolio (collateralized loans to the mutual banks with a nominal value of €1,873 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;
- 3 dollar-denominated bonds hedged using cross currency interest rate swaps (CCIRS) with a nominal value of €44.6 million;
- 1 forward transaction involving BTPs in the amount of €50 million, hedged with bond options.

## 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 NET INTEREST 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 | -6.00 | 12.00 | -4.02 | 8.03 | -0.88 | 1.76 |

Figures in millions of euro at December 31, 2015

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 | 61.08 | -61.08 | 40.88 | -40.88 | 8.94 | -8.94 |

Figures in millions of euro at December 31, 2015

## 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.

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.

#### 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

DISTRIBUTION BY CURRENCY OF ASSETS, LIABILITIES AND DERIVATIVES

| | CURRENCY | | | | | |
|---|---|---|---|---|---|---|
| | US DOLLAR | POUND STERLING | YEN | CANADIAN DOLLAR | SWISS FRANC | OTHER |
| **A. Financial assets** | **96,898** | **6,984** | **17,842** | **7,113** | **47,166** | **12,097** |
| A.1 Debt securities | 221 | - | - | - | - | - |
| A.2 Equity securities | 5,003 | 1,631 | - | - | - | - |
| A.3 Loans to banks | 87,824 | 4,106 | 17,842 | 7,113 | 47,166 | 12,097 |
| A.4 Loans to customers | 3,850 | 1,247 | - | - | - | - |
| A.5 Other financial assets | - | - | - | - | - | - |
| **B. Other assets** | **6,931** | **5,081** | **402** | **544** | **3,232** | **1,147** |
| **C. Financial liabilities** | **256,095** | **10,653** | **2,151** | **7,230** | **22,193** | **12,247** |
| C.1 Due to banks | 207,108 | 10,031 | 2,151 | 7,230 | 22,193 | 12,247 |
| C.2 Due to customers | 501 | 622 | - | - | - | - |
| C.3 Debt securities | 48,486 | - | - | - | - | - |
| C.4 Other financial liabilities | - | - | - | - | - | - |
| **D. Other liabilities** | **-** | **-** | **-** | **-** | **-** | **-** |
| **E. Financial derivatives** | | | | | | |
| - Options | | | | | | |
| + long positions | - | - | - | - | - | - |
| + short positions | - | - | - | - | - | - |
| - Other derivatives | | | | | | |
| + long positions | 459,019 | 75,218 | 4,833 | 2,012 | 33,862 | 17,321 |
| + short positions | 296,532 | 75,122 | 20,835 | 2,530 | 61,907 | 17,834 |
| **Total assets** | **562,848** | **87,283** | **23,077** | **9,669** | **84,260** | **30,565** |
| **Total liabilities** | **552,627** | **85,775** | **22,986** | **9,760** | **84,100** | **30,081** |
| **Difference (+/-)** | **10,221** | **1,508** | **91** | **(91)** | **160** | **484** |

#### 2. INTERNAL MODELS AND OTHER SENSITIVITY ANALYSIS METHODS

There is no information other than that already reported above.

## 2.4 FINANCIAL DERIVATIVES

# A. FINANCIAL DERIVATIVES

### A.1 SUPERVISORY TRADING BOOK: END-PERIOD AND AVERAGE NOTIONAL AMOUNTS

| | TOTAL AT 31/12/2015 | | TOTAL AT 31/12/2014 | |
|---|---|---|---|---|
| | OVER THE COUNTER | CENTRAL COUNTERPARTIES | OVER THE COUNTER | CENTRAL COUNTERPARTIES |
| **1. Debt securities and interest rates** | **14,591,434** | **29,400** | **23,626,166** | **13,000** |
| a) Options | 3,251,265 | - | 4,501,495 | - |
| b) Swaps | 11,322,798 | - | 19,124,470 | - |
| c) Forwards | 17,371 | - | 201 | - |
| d) Futures | - | 29,400 | - | 13,000 |
| e) Other | - | - | - | - |
| **2. Equity securities and equity indices** | **7,680** | **100** | **21,503** | **286** |
| a) Options | 7,680 | - | 21,503 | - |
| b) Swap | - | - | - | - |
| c) Forwards | - | 100 | - | - |
| d) Futures | - | - | - | 286 |
| e) Other | - | - | - | - |
| **3. Foreign currencies and gold** | **926,725** | **-** | **842,613** | **-** |
| a) Options | - | - | - | - |
| b) Swaps | - | - | - | - |
| c) Forwards | 926,725 | - | 842,613 | - |
| d) Futures | - | - | - | - |
| e) Other | - | - | - | - |
| **4. Commodities** | **-** | **-** | **-** | **-** |
| **5. Other underlyings** | **-** | **-** | **-** | **-** |
| **TOTAL** | **15,525,839** | **29,500** | **24,490,282** | **13,286** |

# A.2 BANKING BOOK: END-PERIOD AND AVERAGE NOTIONAL AMOUNTS
## A.2.1 HEDGING

| | TOTAL AT 31/12/2015 | | TOTAL AT 31/12/2014 | |
|---|---|---|---|---|
| | OVER THE COUNTER | CENTRAL COUNTERPAR-TIES | OVER THE COUNTER | CENTRAL COUNTERPARTIES |
| **1. Debt securities and interest rates** | **5,736,049** | **-** | **3,737,035** | **-** |
| a) Options | 1,319,420 | - | 1,346,200 | - |
| b) Swaps | 4,416,629 | - | 2,390,835 | - |
| c) Forwards | - | - | - | - |
| d) Futures | - | - | - | - |
| e) Other | - | - | - | - |
| **2. Equity securities and equity indices** | **-** | **-** | **-** | **-** |
| a) Options | - | - | - | - |
| b) Swaps | - | - | - | - |
| c) Forward | - | - | - | - |
| d) Futures | - | - | - | - |
| e) Other | - | - | - | - |
| **3. Foreign currencies and gold** | **50,525** | **-** | **43,244** | **-** |
| a) Options | - | - | - | - |
| b) Swaps | 50,525 | - | 43,244 | - |
| c) Forwards | - | - | - | - |
| d) Futures | - | - | - | - |
| e) Other | - | - | - | - |
| **4. Commodities** | **-** | **-** | **-** | **-** |
| **5. Other underlyings** | **-** | **-** | **-** | **-** |
| **TOTAL** | **5,786,574** | **-** | **3,780,279** | **-** |

## A.2.2 OTHER DERIVATIVES

| | TOTAL AT 31/12/2015 | | TOTAL AT 31/12/2014 | |
|---|---|---|---|---|
| | OVER THE COUNTER | CENTRAL COUNTERPARTIES | OVER THE COUNTER | CENTRAL COUNTERPARTIES |
| **1. Debt securities and interest rates** | **644,000** | **-** | **644,000** | **-** |
| a) Options | 322,000 | - | 322,000 | - |
| b) Swaps | 322,000 | - | 322,000 | - |
| c) Forwards | - | - | - | - |
| d) Futures | - | - | - | - |
| e) Other | - | - | - | - |
| **2. Equity securities and equity indices** | **6,932** | **-** | **7,500** | **-** |
| a) Options | - | - | - | - |
| b) Swaps | - | - | - | - |
| c) Forwards | 6,932 | - | 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** | **650,932** | **-** | **651,500** | **-** |

## A.3 FINANCIAL DERIVATIVES: GROSS POSITIVE FAIR VALUE - BREAKDOWN BY PRODUCT

| | POSITIVE FAIR VALUE | | | |
|---|---|---|---|---|
| | TOTAL AT 31/12/2015 | | TOTAL AT 31/12/2014 | |
| | OVER THE COUNTER | CENTRAL COUNTERPARTIES | OVER THE COUNTER | CENTRAL COUNTERPARTIES |
| **A. Supervisory trading book** | **334,057** | **30** | **450,444** | **1** |
| a) Options | 12,404 | - | 16,800 | - |
| b) Interest rate swaps | 316,923 | - | 418,610 | - |
| c) Cross currency swaps | - | - | - | - |
| d) Equity swaps | - | - | - | - |
| e) Forwards | 4,730 | - | 15,034 | - |
| f) Futures | - | 30 | - | 1 |
| g) Other | - | - | - | - |
| **B. Banking book – hedging** | **10,181** | **-** | **10,333** | **-** |
| a) Options | 40 | - | - | - |
| b) Interest rate swaps | 4,875 | - | 8,187 | - |
| c) Cross currency swaps | 5,266 | - | 2,146 | - |
| d) Equity swaps | - | - | - | - |
| e) Forwards | - | - | - | - |
| f) Futures | - | - | - | - |
| g) Other | - | - | - | - |
| **C. Banking book – Other derivatives** | **4,736** | **-** | **13,345** | **-** |
| a) Options | - | - | - | - |
| b) Interest rate swaps | 4,736 | - | 13,345 | - |
| c) Cross currency swaps | - | - | - | - |
| d) Equity swaps | - | - | - | - |
| e) Forwards | - | - | - | - |
| f) Futures | - | - | - | - |
| g) Other | - | - | - | - |
| **TOTAL** | **348,974** | **30** | **474,122** | **1** |

## A.4 FINANCIAL DERIVATIVES: GROSS NEGATIVE FAIR VALUE– BREAKDOWN BY PRODUCT

| | NEGATIVE FAIR VALUE | | | |
|---|---|---|---|---|
| | TOTAL AT 31/12/2015 | | TOTAL AT 31/12/2014 | |
| | OVER THE COUNTER | CENTRAL COUNTERPARTIES | OVER THE COUNTER | CENTRAL COUNTERPARTIES |
| **A. Supervisory trading book** | **337,772** | **93** | **457,777** | **189** |
| a) Options | 13,142 | - | 16,763 | - |
| b) Interest rate swaps | 318,865 | - | 428,996 | - |
| c) Cross currency swaps | - | - | - | - |
| d) Equity swaps | - | - | - | - |
| e) Forwards | 5,765 | 1 | 12,018 | - |
| f) Futures | - | 92 | - | 189 |
| g) Other | - | - | - | - |
| **B. Banking book – hedging** | **88,035** | **-** | **77,039** | **-** |
| a) Options | - | - | - | - |
| b) Interest rate swaps | 88,035 | - | 77,039 | - |
| c) Cross currency swaps | - | - | - | - |
| d) Equity swaps | - | - | - | - |
| e) Forwards | - | - | - | - |
| f) Futures | - | - | - | - |
| g) Other | - | - | - | - |
| **C. Banking book – Other derivatives** | **-** | **-** | **-** | **-** |
| a) Options | - | - | - | - |
| b) Interest rate swaps | - | - | - | - |
| c) Cross currency swaps | - | - | - | - |
| d) Equity swaps | - | - | - | - |
| e) Forwards | - | - | - | - |
| f) Futures | - | - | - | - |
| g) Other | - | - | - | - |
| **TOTAL** | **425,807** | **93** | **534,816** | **189** |

## 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 COMPA-NIES | INSURANCE UNDER-TAKINGS | NON-FINANCIAL COMPANIES | OTHER |
|---|---|---|---|---|---|---|---|
| **1) Debt securities and interest rates** | | | | | | | |
| - notional value | 450 | 817 | 1,611,156 | 5,077 | - | - | 188,159 |
| - positive fair value | - | 12 | 59,475 | 52 | - | - | 104 |
| - negative fair value | - | - | 6,860 | 1 | - | - | 1,441 |
| - future exposure | - | - | 6,338 | - | - | - | 30 |
| **2) Equity securities and equity indices** | | | | | | | |
| - notional value | 215 | - | - | - | - | - | 863 |
| - positive fair value | 46 | - | - | - | - | - | - |
| - negative fair value | - | - | - | - | - | - | 104 |
| - future exposure | - | - | - | - | - | - | |
| **3) Foreign currencies and gold** | | | | | | | |
| - notional value | - | - | 2,847 | 306,910 | - | - | - |
| - positive fair value | - | - | 18 | 2,394 | - | - | - |
| - negative fair value | - | - | 57 | - | - | - | - |
| - future exposure | - | - | 39 | 3,069 | - | - | - |
| **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 COMPA-NIES | INSURANCE UNDER-TAKINGS | NON-FINANCIAL COMPANIES | OTHER |
|---|---|---|---|---|---|---|---|
| **1) Debt securities and interest rates** | | | | | | | |
| - notional value | - | - | 11,680,662 | 1,105,112 | - | - | - |
| - positive fair value | - | - | 238,963 | 30,485 | - | - | - |
| - negative fair value | - | - | 315,991 | 7,646 | - | - | - |
| **2) Equity securities and equity indices** | | | - | - | | | |
| - notional value | 52 | - | 6,550 | - | - | - | - |
| - positive fair value | - | - | 226 | - | - | - | - |
| - negative fair value | - | - | - | - | - | - | - |
| **3) Foreign currencies and gold** | | | | - | | | |
| - notional value | - | - | 616,968 | - | - | - | - |
| - positive fair value | - | - | 2,282 | - | - | - | - |
| - negative fair value | - | - | 5,673 | - | - | - | - |
| **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 GOVERN-MENT AGENCIES | BANKS | FINANCIAL COMPA-NIES | INSURANCE UNDER-TAKINGS | 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 | - | - | - | 6,932 | - | - | - |
| - 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

| | GOVERNMENTS AND CENTRAL BANKS | OTHER GOVERNMENT AGENCIES | BANKS | FINANCIAL COMPANIES | INSURANCE UNDERTAKINGS | NON-FINANCIAL COMPANIES | OTHER |
|---|---|---|---|---|---|---|---|
| **1) Debt securities and interest rates** | | | | | | | |
| - notional value | - | - | 5,994,019 | 386,030 | - | - | - |
| - positive fair value | - | - | 9,651 | - | - | - | - |
| - negative fair value | - | - | 76,206 | 11,829 | - | - | - |
| **2) Equity securities and equity indices** | | | | | | | |
| - notional value | - | - | - | - | - | - | - |
| - positive fair value | - | - | - | - | - | - | - |
| - negative fair value | - | - | - | - | - | - | - |
| **3) Foreign currencies and gold** | | | | | | | |
| - notional value | - | - | 22,966 | 27,559 | - | - | - |
| - positive fair value | - | - | 1,325 | 3,941 | - | - | - |
| - 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** | **6,506,135** | **5,088,775** | **3,930,929** | **15,525,839** |
| A.1 Financial derivatives on debt securities and interest rates | 5,577,395 | 5,083,377 | 3,930,662 | 14,591,434 |
| A.2 Financial derivatives on equity securities and equity indices | 2,280 | 5,133 | 267 | 7,680 |
| A.3 Financial derivatives on exchange rates and gold | 926,460 | 265 | - | 926,725 |
| A.4 Financial derivatives on other assets | - | - | - | - |
| **B. Banking book** | **2,903,981** | **3,346,321** | **187,204** | **6,437,506** |
| B.1 Financial derivatives on debt securities and interest rates | 2,903,981 | 3,288,864 | 187,204 | 6,380,049 |
| B.2 Financial derivatives on equity securities and equity indices | - | 6,932 | - | 6,932 |
| B.3 Financial derivatives on exchange rates and gold | - | 50,525 | - | 50,525 |
| B.4 Financial derivatives on other assets | - | - | - | - |
| **TOTAL AT 31/12/2015** | **9,410,116** | **8,435,096** | **4,118,133** | **21,963,345** |
| **TOTAL AT 31/12/2014** | **12,393,384** | **12,372,847** | **4,155,830** | **28,922,061** |

### 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

### B.1 CREDIT DERIVATIVES: END-PERIOD NOTIONAL AMOUNTS

| | SUPERVISORY TRADING BOOK | | BANKING BOOK | |
|---|---|---|---|---|
| | SINGLE NAME | BASKET | SINGLE NAME | BASKET |
| **1. Purchases of protection** | | | | |
| a) Credit default products | - | - | - | - |
| b) Credit spread products | - | - | - | - |
| c) Total rate of return swaps | - | - | - | - |
| d) Other | - | - | - | - |
| **TOTAL AT 31/12/2015** | **-** | **-** | **-** | **-** |
| **TOTAL AT 31/12/2014** | **-** | **-** | **-** | **-** |
| **2. Sales of protection** | | | | |
| a) Credit default products | - | - | - | - |
| b) Credit spread products | - | - | - | - |
| c) Total rate of return swaps | - | - | - | - |
| d) Other | - | - | 15,000 | - |
| **TOTAL AT 31/12/2015** | **-** | **-** | **15,000** | **-** |
| **TOTAL AT 31/12/2014** | **-** | **-** | **-** | **-** |

### B.2 OVER-THE-COUNTER CREDIT DERIVATIVES: GROSS POSITIVE FAIR VALUE -BREAKDOWN BY PRODUCT

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

### B.3 OVER-THE-COUNTER CREDIT DERIVATIVES: GROSS NEGATIVE FAIR VALUE – BREAKDOWN BY PRODUCT

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

## B.4 OVER-THE-COUNTER CREDIT DERIVATIVES: GROSS POSITIVE AND NEGATIVE FAIR VALUES BY COUNTERPARTY - CONTRACTS NOT COVERED BY NETTING ARRANGEMENTS

| | GOVERNMENTS AND CENTRAL BANKS | OTHER GOVERNMENT AGENCIES | BANKS | FINANCIAL COMPA-NIES | INSURANCE UNDER-TAKINGS | NON-FINANCIAL COMPANIES | OTHER |
|---|---|---|---|---|---|---|---|
| **Supervisory trading book** | | | | | | | |
| **1) Purchases of protection** | | | | | | | |
| - notional value | - | - | - | - | - | - | - |
| - positive fair value | - | - | - | - | - | - | - |
| - negative fair value | - | - | - | - | - | - | - |
| - future exposure | - | - | - | - | - | - | - |
| **2) Sales of protection** | | | | | | | |
| - notional value | - | - | - | - | - | - | - |
| - positive fair value | - | - | - | - | - | - | - |
| - negative fair value | - | - | - | - | - | - | - |
| - future exposure | - | - | - | - | - | - | - |
| **Banking book** | | | | | | | |
| **1) Purchases of protection** | | | | | | | |
| - notional value | - | - | - | - | - | - | - |
| - positive fair value | - | - | - | - | - | - | - |
| - negative fair value | - | - | - | - | - | - | - |
| **2) Sales of protection** | | | | | | | |
| - notional value | - | - | 15,000 | - | - | - | - |
| - positive fair value | - | - | - | - | - | - | - |
| - negative fair value | - | - | - | - | - | - | - |

## B.5 OVER-THE-COUNTER CREDIT DERIVATIVES: GROSS POSITIVE AND NEGATIVE FAIR VALUES BY COUNTERPARTY - CONTRACTS COVERED BY NETTING ARRANGEMENTS

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

## B.6 RESIDUAL LIFE OF CREDIT 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** | **-** | **-** | **-** | **-** |
| A.1 Credit derivatives with qualifying reference obligation | - | - | - | - |
| A.2 Credit derivatives with non-qualifying reference obligation | - | - | - | - |
| **B. Banking book** | **-** | **-** | **15,000** | **15,000** |
| B.1 Credit derivatives with qualifying reference obligation | - | - | - | - |
| B.2 Credit derivatives with non-qualifying reference obligation | - | - | 15,000 | 15,000 |
| **TOTAL AT 31/12/2015** | **-** | **-** | **15,000** | **15,000** |
| **TOTAL AT 31/12/2014** | **-** | **-** | **-** | **-** |

## B.7 CREDIT DERIVATIVES: COUNTERPARTY RISK/FINANCIAL RISK – INTERNAL MODELS

At the reporting date, internal models were not used to measure counterparty risk/financial risk.

# 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 | - | - | 112,664 | 16,241 | - | - | - |
| - negative fair value | - | - | 269,957 | 6,096 | - | - | - |
| - future exposure | - | - | 60,975 | 3,228 | - | - | - |
| - net counterparty risk | - | - | 31,720 | 4,509 | - | - | - |
| **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 Risk Management 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 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, 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** | **1,910,756** | **3,290,921** | **497,667** | **2,587,686** | **4,642,959** | **4,281,554** | **6,944,240** | **18,916,310** | **1,427,263** | **149,642** |
| A.1 Government securities | 4 | - | 1,156 | - | 17,891 | 481,502 | 2,402,941 | 4,927,109 | 550,029 | - |
| A.2 Other debt securities | 201,954 | 156,767 | 442 | 444 | 18,946 | 509,323 | 323,309 | 2,415,453 | 730,394 | - |
| A.3 Units in collective investment undertakings | 1,987 | - | - | - | - | - | - | - | - | - |
| A.4 Loans | 1,706,811 | 3,134,154 | 496,069 | 2,587,242 | 4,606,122 | 3,290,729 | 4,217,990 | 11,573,748 | 146,840 | 149,642 |
| - banks | 727,649 | 1,848,073 | 267,145 | 2,335,107 | 4,415,245 | 3,220,148 | 3,995,086 | 10,860,849 | 1,375 | 149,642 |
| - customers | 979,162 | 1,286,081 | 228,924 | 252,135 | 190,877 | 70,581 | 222,904 | 712,899 | 145,465 | - |
| **On-balance-sheet liabilities** | **5,833,235** | **10,457,676** | **1,835,324** | **1,791,335** | **4,138,610** | **3,937,907** | **5,499,426** | **10,555,580** | **397,939** | **-** |
| B.1 Deposits | 5,364,171 | 47,472 | 4,015 | 54,477 | 265,914 | 277,262 | 546,984 | 687,453 | - | - |
| - banks | 4,898,312 | 47,472 | 4,015 | 51,420 | 259,800 | 277,262 | 546,984 | 685,273 | - | - |
| - customers | 465,859 | - | - | 3,057 | 6,114 | - | - | 2,180 | - | - |
| B.2 Debt securities | 160 | 3,499 | - | 92,468 | 45,800 | 341,080 | 692,151 | 3,291,075 | 397,831 | - |
| B.3 Other liabilities | 468,904 | 10,406,705 | 1,831,309 | 1,644,390 | 3,826,896 | 3,319,565 | 4,260,291 | 6,577,052 | 108 | - |
| **Off-balance-sheet transactions** | | | | | | | | | | **-** |
| C.1 Financial derivatives with exchange of principal | | | | | | | | | | |
| - long positions | - | 347,627 | 6,881 | 10,616 | 344,296 | 31,548 | 66,780 | 118,433 | 210,720 | - |
| - short positions | - | 366,683 | 119,616 | 13,685 | 345,355 | 31,288 | 67,955 | 120,771 | 183,931 | - |
| C.2 Financial derivatives without exchange of principal | | | | | | | | | | |
| - long positions | 334,814 | - | 2 | 514 | 647 | 12,856 | 3,806 | - | - | - |
| - short positions | 337,124 | 1,260 | - | - | 3,566 | 2,598 | 37,938 | - | - | - |
| C.3 Deposits and loans to receive | | | | | | | | | | |
| -- long positions | - | 10,807,368 | - | - | 1,269,399 | 1,794,225 | 1,323,481 | 435,654 | - | - |
| - short positions | - | 9,665,796 | 705,845 | - | - | 270,346 | 1,375,555 | 3,612,585 | - | - |
| C.4 Irrevocable commitments to disburse funds | | | | | | | | | | |
| - long positions | - | 775,284 | - | - | - | - | 544,467 | 717,734 | - | - |
| - short positions | - | 775,284 | - | 167,731 | - | 376,736 | 534,913 | 182,822 | - | - |
| 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** | **25,547** | **31,244** | **15,367** | **50,945** | **41,622** | **12,251** | **875** | **3,906** | **2** | **-** |
| A.1 Government securities | - | - | - | - | - | 7 | 7 | 232 | 2 | - |
| A.2 Other debt securities | - | - | - | - | - | - | - | - | - | - |
| A.3 Units in collective investment undertakings | - | - | - | - | - | - | - | - | - | - |
| A.4 Loans | 25,547 | 31,244 | 15,367 | 50,945 | 41,622 | 12,244 | 868 | 3,674 | - | - |
| - banks | 25,547 | 31,244 | 15,026 | 50,945 | 37,746 | 11,355 | 868 | 3,674 | - | - |
| - customers | - | - | 341 | - | 3,876 | 889 | - | - | - | - |
| **On-balance-sheet liabilities** | **146,105** | **22,209** | **18,612** | **43,008** | **19,568** | **7,419** | **6,616** | **48,485** | **2** | **-** |
| B.1 Deposits | 145,915 | 22,209 | 18,612 | 32,711 | 18,720 | 7,083 | 5,960 | - | - | - |
| - banks | 144,794 | 22,209 | 18,612 | 32,711 | 18,720 | 7,083 | 5,960 | - | - | - |
| - customers | 1,121 | - | - | - | - | - | - | - | - | - |
| B.2 Debt securities | - | - | - | - | 380 | 273 | 656 | 48,485 | - | - |
| B.3 Other liabilities | 190 | - | - | 10,297 | 468 | 63 | - | - | 2 | - |
| **Off-balance-sheet transactions** | | | | | | | | | | |
| C.1 Financial derivatives with exchange of principal | | | | | | | | | | |
| - long positions | - | 45,578 | 53,846 | 59,901 | 333,062 | 33,738 | 17,569 | 50,816 | 1,621 | - |
| - short positions | - | 27,554 | 7,273 | 57,803 | 333,387 | 33,950 | 16,500 | 535 | 1,619 | - |
| C.2 Financial derivatives without exchange of principal | | | | | | | | | | |
| - long positions | 1,713 | - | - | - | - | - | - | - | - | - |
| - short positions | 2,079 | - | - | - | - | - | - | - | - | - |
| C.3 Deposits and loans to receive | | | | | | | | | | |
| -- long positions | - | 5,173 | - | - | - | - | - | - | - | - |
| - short positions | - | 5,173 | - | - | - | - | - | - | - | - |
| C.4 Irrevocable commitments to disburse funds | | | | | | | | | | |
| - long positions | - | 591 | - | - | - | - | - | - | - | - |
| - short positions | - | 591 | - | - | - | - | - | - | - | - |
| 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 | - | - | - | - | - | - | - | - | - | - |

# 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 €33,288 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 31/12/2015 | TOTAL AT 31/12/2014 |
|---|---|---|
| **1. Share capital** | **216,913** | **216,913** |
| **2. Share premium reserve** | **-** | **-** |
| **3. Reserves** | **194,425** | **186,925** |
| - earnings | 112,423 | 104,923 |
| a) legal | 48,201 | 48,201 |
| b) established in bylaws | 205 | 205 |
| c) treasury shares | - | - |
| d) other | 64,017 | 56,517 |
| - other | 82,002 | 82,002 |
| **4. Equity instruments** | **-** | **-** |
| **5. (Treasury shares)** | **-** | **-** |
| **6. Valuation reserves:** | **89,088** | **96,292** |
| - Financial assets available for sale | 43,531 | 50,096 |
| - Property and equipment | - | - |
| - Intangible assets | - | - |
| - Hedging of investments in foreign operations | - | - |
| - Cash flow hedges | (831) | (175) |
| - Foreign exchange differences | - | - |
| - Non-current assets held for sale | - | - |
| - Actuarial gains (losses) on defined benefit plans | (1,478) | (1,495) |
| - 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** | **9,245** | **47,693** |
| **TOTAL** | **509,671** | **547,823** |

## B.2 VALUATION RESERVES FOR FINANCIAL ASSETS AVAILABLE FOR SALE: COMPOSITION

| | TOTAL AT 31/12/2015 | | TOTAL AT 31/12/2014 | |
|---|---|---|---|---|
| | POSITIVE RESERVE | NEGATIVE RESERVE | POSITIVE RESERVE | NEGATIVE RESERVE |
| 1. Debt securities | 40,262 | (3,609) | 45,848 | (1,156) |
| 2. Equity securities | 6,916 | - | 5,426 | - |
| 3. Units in collective investment undertakings | - | (38) | - | (22) |
| 4. Loans | - | - | - | - |
| **TOTAL** | **47,178** | **(3,647)** | **51,274** | **(1,178)** |

## 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** | **44,692** | **5,426** | **(22)** | **-** |
| **2. Increases** | **20,982** | **1,490** | **-** | **-** |
| 2.1 Fair value gains | 20,753 | 1,490 | - | - |
| 2.2 Reversal to income statement of negative reserves: | 229 | - | - | - |
| - from impairment | - | - | - | - |
| - from realization | 229 | - | - | - |
| 2.3 Other changes | - | - | - | - |
| **3. Decreases** | **29,021** | **-** | **16** | **-** |
| 3.1 Fair value losses | 15,279 | - | 16 | - |
| 3.2 Impairment adjustments | - | - | - | - |
| 3.3 Reversal to income statement of positive reserves: from realization | 13,742 | - | - | - |
| 3.4 Other changes | - | - | - | - |
| **4. Closing balance** | **36,653** | **6,916** | **(38)** | **-** |

## B.4 VALUATION RESERVES DEFINED-BENEFIT PLANS: CHANGE FOR THE PERIOD

| | TOTAL AT 31/12/2015 | |
|---|---|---|
| | POSITIVE RESERVE | NEGATIVE RESERVE |
| 1. Gain (loss) from changes in financial assumptions | - | - |
| 2. Gain (loss) from passage of time | 17 | - |
| **TOTAL** | **17** | **-** |

# SECTION 2 – EQUITY AND CAPITAL RATIOS

## 2.1 EQUITY

### A. Qualitative disclosures

Own funds, risk-weighted assets and solvency ratios at December 31, 2015 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 own funds 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 eligible from own funds (over 8 years). The prudential ratios therefore take account of the adjustments required by the transitional provisions for 2014.

At December 31, 2015, own funds amounted to €582,144 thousand, as against a total capital requirement of €210,201 thousand, mainly attributable to credit and counterparty risks, and to a lesser extent to operational and market risks.

#### 1. COMMON EQUITY TIER 1 (CET1) CAPITAL

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 €500,426 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 €1,149 thousand, CET1 gross of elements to be deducted and the effects of the transitional system comes to €499,277 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 €10,809 thousand, while the negative impact of the transition on CET 1 comes to €39,502 thousand and is represented by the negative actuarial reserves (IAS 19) and the exclusion of unrealized profits on AFS securities. Therefore, CET1 amounts to €448,966 thousand.

#### 2. ADDITIONAL TIER 1 (AT1) CAPITAL

There are no instruments that are included under Additional Tier 1 (AT1) capital in these financial statements.

#### 3. *TIER 2 (T2) CAPITAL*

I Tier 2 (T2) capital, before the application of the filters provided for under the transitional system, amounts to €131,042 thousand and is comprised of three subordinated bonds 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 €2,136 thousand, bringing the total Tier 2 capital to €133,178 thousand.

The following are the characteristics of the subordinated lower Tier II bonds:

1. issue date June 18, 2015, maturity date June 18, 2025, nominal value €106,600 million, annual interest rate 6M Euribor + 3.50% gross, interest paid six-monthly in arrears. Repayment of 100% at maturity except in the event of early redemption.

2. issue date June 29, 2015, maturity date June 29, 2025, nominal value €11,737 million, annual interest rate 3.50% fixed gross, interest paid six-monthly in arrears. Repayment of 100% at maturity except in the event of early redemption.

3. issue date July 30, 2015, maturity date July 30, 2025, nominal value €16 million, annual interest rate 6M Euribor + 350BP, interest paid six-monthly in arrears. Repayment of 100% at maturity except in the event of early redemption.

## B. Quantitative disclosures

| | TOTAL AT 31/12/2015 | TOTAL AT 31/12/2014 |
|---|---|---|
| **A. Common Equity Tier 1 (CET1) capital before the application of the prudential filters** | **500,426** | **500,130** |
| of which CET1 instruments subject to the transitional provisions | - | - |
| **B. CET1 prudential filters (+/-)** | **(1,149)** | **(7,590)** |
| **C. CET1 gross of elements to be deducted and the effects of the transitional system (A +/- B)** | **499,277** | **492,540** |
| **D. Elements to be deducted from CET1** | **(10,809)** | **(11,475)** |
| **E. Transitional system - Impact on CET1 (+/-)** | **(39,502)** | **(48,601)** |
| **F. Total Common Equity Tier 1 (CET1) capital (C - D +/- E)** | **448,966** | **432,464** |
| **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** | **131,042** | **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 (+/-)** | **2,136** | **2,315** |
| **P. Total Tier 2 (T2) capital (M - N +/- O)** | **133,178** | **197,315** |
| **Q. Total own funds (F + L + P)** | **582,144** | **629,779** |

## 2.2 CAPITAL ADEQUACY

### A. Qualitative disclosures

The capital ratios at December 31, 2015, 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 31/12/2015 | TOTAL AT 31/12/2014 | TOTAL AT 31/12/2015 | TOTAL AT 31/12/2014 |
| **A. EXPOSURES** | | | | |
| **A.1 CREDIT AND COUNTERPARTY RISK** | **78,929,207** | **63,156,025** | **1,983,083** | **2,949,092*** |
| 1. Standardized approach | 78,729,207 | 62,939,245 | 1,862,603 | 1,711,717* |
| 2. IRB approach | - | - | - | - |
| 2.1 Foundation | - | - | - | - |
| 2.2 Advanced | - | - | - | - |
| 3. Securitizations | 200,000 | 216,780 | 120,480 | 141,840* |
| **B. CAPITAL REQUIREMENTS** | | | | |
| **B.1 CREDIT AND COUNTERPARTY RISK** | **-** | **-** | **158,647** | **148,284** |
| **B.2 RISK OF ADJUSTMENT OF CREDIT RATING** | **-** | **-** | **4,673** | **9,802** |
| **B.3 REGULATORY RISK** | **-** | **-** | **-** | **-** |
| **B.4 MARKET RISKS** | **-** | **-** | **13,593** | **64,864** |
| 1. Standardized method | - | - | 13,593 | 64,864 |
| 2. Internal models | - | - | - | - |
| 3. Concentration risk | - | - | - | - |
| **B.5 OPERATIONAL RISK** | **-** | **-** | **33,288** | **32,404** |
| 1. Basic indicator approach | - | - | 33,288 | 32,404 |
| 2. Standardized approach | - | - | - | - |
| 3. Advanced measurement approach | - | - | - | - |
| **B.6 OTHER COMPONENTS** | **-** | **-** | **-** | **-** |
| **B.7 TOTAL PRUDENTIAL REQUIREMENTS** | **-** | **-** | **210,201** | **255,354** |
| **C. EXPOSURES AND CAPITAL ADEQUACY RATIOS** | | | | |
| **C.1 RISK-WEIGHTED ASSETS** | **-** | **-** | **2.627.509** | **3,191,925** |
| **C.2 CET1 CAPITAL RATIO** | **-** | **-** | **17.08%** | **13.55%** |
| **C.3 TIER1 CAPITAL RATIO** | **-** | **-** | **17.08%** | **13.55%** |
| **C.4 TOTAL CAPITAL RATIO** | **-** | **-** | **22.14%** | **19.73%** |

* Figures restated following application of the "comprehensive method" for financial collateral within the scope of credit risk mitigation techniques.

# Part G

*Business combinations*

## PART G – BUSINESS COMBINATIONS

At December 31, 2015, the Bank was not involved in any business combinations pursuant to IFRS 3.

# Parte 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 31/12/2015 |
|---|---|
| Compensation and other remuneration (1) | 1,355 |
| Post-employment benefits (2) | 42 |

(1) Includes compensation paid to the General Manager and the Deputy General Manager.

(2) Represents the accrual for the year to the provision for termination benefits calculated in accordance with the applicable regulations.

| | TOTAL AT 31/12/2015 |
|---|---|
| Compensation of members of Board of Auditors | 174 |

### LOANS AND GUARANTEES GRANTED:

| | TOTAL AT 31/12/2015 |
|---|---|
| - Members of Board of Directors | 741 |
| - 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 | 105 |
| Reconta Ernst & Young S.p.A. | Ancillary auditing services | 18 |
| Reconta Ernst & Young S.p.A. | Certification (EMTN programs) | 35 |
| **TOTAL** | | **158** |

* 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, 2014 (THOUSANDS OF EUROS)

| BALANCE SHEET | Total at 31/12/2014 |
|---|---|
| **Assets** | **1,393,037** |
| **Liabilities** | **90,693** |
| Share capital | 1,103,186 |
| Legal reserve | 3,653 |
| Treasury share reserve | 443 |
| Extraordinary reserve | 18,937 |
| Other reserves | 3,374 |
| Valuation reserve | 922 |
| Share premium reserve | 3,970 |
| Treasury shares | (443) |
| Net profit (loss) for the period | 36,534 |
| **Shareholders' equity** | **1,302,345** |
| **INCOME STATEMENT** | **Total at 31/12/2014** |
| Net interest income | 976 |
| Net commission income | 34 |
| Gross income | 49,729 |
| Net income (loss) from financial operations | 49,344 |
| Operating expenses | (20,085) |
| Gains (losses) on equity investments | (164) |
| **Net profit (loss) for the period** | **36,534** |

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 | - | - | - | - | (233) |
| Iccrea BancaImpresa | (59,733) | (322,790) | (10,947,687) | - | (18,784) |
| BCC Gestione Crediti | - | - | - | (1,347) | (116) |
| BCC Solutions | - | - | - | (22,141) | (1,380) |
| BCC Retail | - | - | - | (280) | (19) |
| BCC Servizi informatici | - | - | - | - | (1,059) |
| Iccrea Holding | - | - | - | - | (19,445) |
| BCC Beni Immobili | - | - | - | (6,913) | (15) |
| BCC Lease | - | - | - | (244,244) | (1) |
| BCC CreditoConsumo | - | - | - | (543,798) | (36) |
| BCC Factoring | - | - | - | (398,781) | (48) |
| Banca Sviluppo | (109) | - | (869,557) | - | (193) |
| **TOTAL** | **(59,842)** | **(322,790)** | **(11,817,244)** | **(1,217,504)** | **(41,329)** |

| 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 | - | 19,055 | - | - | - | 18 |
| Iccrea BancaImpresa | 115,035 | - | - | 4,229 | - | 46 |
| BCC Gestione Crediti | - | 2,066 | - | - | - | 176 |
| BCC Solutions | - | 2,856 | - | - | - | 2,156 |
| BCC Retail | - | 14 | - | - | - | - |
| BCC Servizi informatici | - | 2,344 | - | - | - | 2,365 |
| Iccrea Holding | - | 261,261 | - | - | - | 11,508 |
| BCC Beni Immobili | - | - | - | - | - | - |
| BCC Lease | - | - | - | - | - | 3 |
| BCC CreditoConsumo | - | - | - | - | - | 1 |
| BCC Factoring | - | 1,225 | - | - | - | - |
| Banca Sviluppo | 279,499 | - | 452,137 | - | - | 20 |
| **TOTAL** | **394,534** | **288,821** | **452,137** | **4,229** | **-** | **16,293** |

| INCOME STATEMENT | I10_INTEREST AND SIMILAR INCOME | I20_INTEREST AND SIMILAR EXPENSE | I40_ FEE AND COMMISSION INCOME | I50_ FEE AND COMMISSION EXPENSE | I80_ NET GAIN (LOSS) ON TRADING ACTIVITIES | I150_ ADMINISTRATIVE EXPENSES | I190_ OTHER OPERATING EXPENSES/INCOME |
|---|---|---|---|---|---|---|---|
| BCC Risparmio e previdenza | - | (9) | 5 | - | - | (7) | 551 |
| Iccrea BancaImpresa | 99,595 | (473) | 1,240 | (2) | 1,506 | - | 3,501 |
| BCC Gestione Crediti | 70 | (5) | 10 | - | - | (208) | 158 |
| BCC Solutions | 1,026 | (5) | 2 | - | - | (14,420) | 736 |
| BCC Retail | 6 | - | - | - | - | - | 20 |
| BCC Servizi informatici | - | - | 356 | - | - | (10,365) | 767 |
| Iccrea Holding | - | (317) | - | - | - | (1,645) | 385 |
| BCC Beni Immobili | 50 | - | - | - | - | - | 24 |
| BCC Lease | 4,829 | (3) | 121 | - | - | (16) | 42 |
| BCC CreditoConsumo | 15,233 | (1) | 110 | - | - | - | 133 |
| BCC Factoring | 1,549 | - | 15 | - | - | - | 45 |
| Banca Sviluppo | 3,123 | (7,431) | 1,485 | (1,433) | 8 | (18) | 217 |
| **TOTAL** | **125,481** | **(8,244)** | **3,344** | **(1,435)** | **1,514** | **(26,679)** | **6,579** |

The following table reports the additional disclosures required by IAS 24.

## TRANSACTIONS WITH RELATED PARTIES: BALANCE SHEET

| | TOTAL AT 31/12/2015 | | | |
|---|---|---|---|---|
| | GROUP COMPANIES | GROUP ASSOCIATES /OTHER RELATED PARTIES | TOP MANAGEMENT | POST-EMPLOYMENT BENEFIT PLANS - EMPLOYEES |
| Financial assets held for trading | 59,842 | - | - | - |
| Financial assets at fair value | 322,790 | - | - | - |
| Financial assets available for sale | 50 | - | - | - |
| Due from banks | 11,817,244 | - | - | - |
| Loans to customers | 1,217,504 | 1,122 | 741 | - |
| Equity investments | 261,455 | 2,155 | - | - |
| Other assets | 41,329 | - | - | - |
| **TOTAL ASSETS** | **13,720,214** | **3,276** | **741** | **-** |
| Due to banks | 394,534 | - | - | - |
| Due to customers | 288,821 | 17,282 | 4 | 10,246 |
| Financial liabilities held for trading | 4,229 | - | - | - |
| Financial liabilities designated as at fair value | - | - | - | - |
| Securities issued | 452,137 | - | - | - |
| Other liabilities | 16,293 | - | - | - |
| **TOTAL LIABILITIES** | **1,156,014** | **17,282** | **4** | **10,246** |
| **GUARANTEES GRANTED AND COMMITMENTS** | **1,786,472** | **200,000** | **-** | **-** |

## TRANSACTIONS WITH RELATED PARTIES: INCOME STATEMENT

| | TOTAL AT 31/12/2015 | | | |
|---|---|---|---|---|
| | GROUP COMPANIES | GROUP ASSOCIATES /OTHER RELATED PARTIES | TOP MANAGEMENT | POST-EMPLOYMENT BENEFIT PLANS - EMPLOYEES |
| Interest and other income | 125,481 | 43 | 6 | 2 |
| Interest and other expense | (8,244) | (81) | - | (15) |
| Fee and commission income | 3,344 | 347 | - | - |
| Fee and commission expense | (1,435) | (377) | - | - |
| Net gain (loss) on trading activities | 1,514 | - | - | - |
| Operating expenses | (26,679) | - | (514) | - |
| Other operating expenses/income | 6,579 | 5 | - | - |

# 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 Payment Systems and International. 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. 15 | DEC. 14 | DEC. 15 | DEC. 14 | DEC. 15 | DEC. 14 | DEC. 15 | DEC. 14 |
| Net interest income | 83,300 | 54,238 | 437 | 1,078 | (1,049) | 3,767 | 82,688 | 59,083 |
| Net service income | 56,472 | 49,753 | 115,205 | 108,169 | 23,307 | 47,365 | 194,984 | 205,287 |
| **Total revenues** | **139,772** | **103,990** | **115,642** | **109,247** | **22,258** | **51,132** | **277,672** | **264,370** |
| Administrative expenses | 39,486 | 38,332 | 93,065 | 82,953 | 114,894 | 61,243 | 247,444 | 182,527 |
| Net adjustments of property and equipment and intangible assets | 1,667 | 1,264 | 3,546 | 2,890 | 4,516 | 3,699 | 9,729 | 7,853 |
| **Total operating expenses** | **41,153** | **39,596** | **96,611** | **85,843** | **119,410** | **64,942** | **257,173** | **190,380** |
| **Gross operating income** | **98,619** | **64,395** | **19,031** | **23,404** | **(97,152)** | **(13,810)** | **20,499** | **73,990** |

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 increase in net interest income (up €23.6 million compared with December 2014) mainly attributable to a change in the mix of funding sources, with recourse to forms of funding with shorter maturities and a lower cost of funding, and to greater volumes compared with 2014 of the investment book, which was entirely financed with collateralized funding with a larger final margin.

Net service income, which came to about €195 million at December 31, 2015, includes €148 million from net fees and commissions and other income, and €47 million from trading operations and from dividends.

Net fees and commissions and other income decreased from €164 million at December 2014 to €148 million at December 2015. The decline reflects the income from the sale of the custodian bank unit, equal to around €21 million included in the 2014 result.

The increase in net income from financial operations from €40.5 million in 2014 to €47.4 million in 2015 reflects an increase in net income from trading activities of €7.1 million and the fair value gain of €4.9 million.

Administrative expenses totaled €247.4 million at December 31, 2015 and include personnel expenses in the amount of €62.3 million (€67.8 million in 2014) and other administrative expenses in the amount of €185.1 million (€114.7 million in 2014). Other administrative expenses for 2015 include the contribution of €54.7 million to the National Resolution Fund.

Total value adjustments amounted to about €9.7 million at December 31, 2015, of which €3 million in depreciation and €6.7 million in amortization.

As a result of the foregoing, the gross profit from ordinary operations at December 31, 2015 came to about €20.5 million, a decrease of about €53.5 million on the previous year.

## 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 (98%) 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. 15 | DEC. 14 | DEC. 15 | DEC. 14 | DEC. 15 | DEC. 14 | DEC. 15 | DEC. 14 |
| Cash and loans to customers | 4,047 | 2,145 | - | - | 91 | 76 | 4,138 | 2,222 |
| Due from banks | 31,970 | 35,912 | - | - | - | - | 31,970 | 35,912 |
| Other financial assets | 9,258 | 8,554 | 28 | 43 | 395 | 427 | 9,681 | 9,024 |
| **TOTAL LENDING** | **45,275** | **46,611** | **28** | **43** | **487** | **503** | **45,789** | **47,158** |
| Due to customers | 25,545 | 15,694 | 465 | 393 | 19 | 3 | 26,030 | 16,090 |
| Due to banks | 13,670 | 24,118 | - | - | - | - | 13,670 | 24,118 |
| Other financial liabilities | 5,396 | 6,187 | 9 | 5 | 684 | 758 | 6,089 | 6,950 |
| **TOTAL FUNDING** | **44,611** | **45,999** | **475** | **398** | **703** | **761** | **45,789** | **47,158** |

## Secondary reporting basis

As regards the secondary reporting basis, please note that the Bank operates almost exclusively in Italy.

# Attachments

*- Accademia Bcc*
*- Hi-Mtf*
*- M-Facility*
*- BCC Beni Immobili*

## ACCADEMIA BCC - FINANCIAL STATEMENTS

### BALANCE SHEET

| | Assets | 31/12/2014 | 31/12/2013 |
|---|---|---|---|
| **B)** | **NON-CURRENT ASSETS** | | |
| I) | INTANGIBLES | 755 | 1,509 |
| II) | PROPERTY AND EQUIPMENT | 7,856 | 9,711 |
| **TOTAL B)** | | **8,611** | **11,220** |
| **C )** | **CURRENT ASSETS** | | |
| II) | RECEIVABLES | | |
| 1) | Due from customers | 1,728,332 | 1,496,110 |
| 4-bis) | Tax receivables | 68,861 | 106,404 |
| 5) | Other receivables | 204,737 | 245128 |
| IV) | CASH AND CASH EQUIVALENTS | | |
| 1) | Bank and postal deposits | 674,289 | 677,049 |
| 3) | Cash and valuables on hand | 376 | 1002 |
| **TOTAL C)** | | **2,676,593** | **2,525,693** |
| **D)** | **ACCRUED INCOME AND PREPAID EXPENSE** | **5,148** | **40,610** |
| | ACCRUED INCOME AND PREPAID EXPENSE | 5,148 | 40,610 |
| **TOTAL D)** | | **5,148** | **40,610** |
| | **Total assets** | **2,690,353** | **2,577,523** |

| | Liabilities and shareholders' equity | 31/12/2014 | 31/12/2013 |
|---|---|---|---|
| **A)** | **SHAREHOLDERS' EQUITY** | | |
| I) | Share capital | 800,000 | 800,000 |
| IV) | Legal reserve | 936 | 936 |
| VII) | Other reserves | 857 | 857 |
| VIII) | Retained earnings (loss carried forward) | (441,599) | (407,721) |
| IX) | Net profit (loss) for the year | 68,608 | (33,878) |
| **TOTAL A)** | | **428,802** | **360,193** |
| **B)** | **PROVISIONS FOR RISKS AND CHARGES** | **70,570** | **131,600** |
| **C)** | **EMPLOYEE TERMINATION BENEFITS** | **166,681** | **158,875** |
| **D)** | **PAYABLES (falling due within next year)** | | |
| 7) | Due to suppliers | 1,563,551 | 1,708,289 |
| 12) | Due to tax authorities | 246,075 | 112,623 |
| 13) | Due to social security institutions | 51,774 | 81,876 |
| 14a) | Other payables | 140,557 | 24,068 |
| **TOTAL D)** | | **2,001,957** | **1,926,855** |
| **E) ACCRUED EXPENSES AND DEFERRED INCOME** | | **22,342** | **-** |
| | **Total liabilities** | **2,690,352** | **2,577,523** |

## INCOME STATEMENT

| | | 31/12/2014 | 31/12/2013 |
|---|---|---|---|
| **A)** | **VALUE OF PRODUCTION** | **3,278,315** | **2,731,974** |
| 1) | Revenues from sales and services | 2,298,418 | 2,205,436 |
| 5a) | Other revenues and income | 196,897 | 193,538 |
| 5b) | Operating grants | 783,000 | 333,000 |
| **B)** | **PRODUCTION COSTS** | **3,274,201** | **2,705,705** |
| 6) | Raw materials | 12,923 | 13,849 |
| 7) | Services | 1,638,215 | 1,352,078 |
| 8) | Leaseholds | 142,583 | 146,356 |
| 9) | Personnel | 1,446,582 | 1,149,938 |
| 10) | Depreciation, amortization and impairment losses | 2,818 | 5,777 |
| 12) | Provisions for risks and charges | - | - |
| 14) | Other operating expenses | 31,080 | 37,707 |
| **A-B** | **Difference between value and cost of production** | **4,115** | **26,269** |
| **C)** | **FINANCIAL INCOME AND EXPENSE** | **51** | **57** |
| 16) | Other financial income | 51 | 57 |
| **E)** | **NON-RECURRING INCOME AND EXPENSE** | **(6,558)** | **(25,205)** |
| 20) | Income | 2,649 | 1,362 |
| 21) | Expense | 9,207 | 26,567 |
| | **PROFIT (LOSS) BEFORE TAXES** | **(2,392)** | **1,122** |
| **22)** | **INCOME TAX EXPENSE FOR THE YEAR** | **71,000** | **(35,000)** |
| | **NET PROFIT (LOSS) FOR THE YEAR** | **68,607** | **(33,878)** |

## HI-MTF - FINANCIAL STATEMENTS

### BALANCE SHEET

| | Assets | | 31/12/2014 | | 31/12/2013 |
|---|---|---|---|---|---|
| **10.** | Cash and cash equivalents | | 215 | | 333 |
| **60.** | Receivables | | 6,341,628 | | 6,186,318 |
| **100.** | Property and equipment | | 8,790 | | 12,566 |
| **110.** | Intangible assets | | 109,349 | | 33,170 |
| **120** | Tax assets | | 91,106 | | 17,267 |
| | a) current | 91,106 | | 17,267 | |
| | a) deferred | - | | - | |
| **140.** | Other assets | | 106,831 | | 40,050 |
| | **Total assets** | | **6,657,918** | | **6,289,704** |

| | Liabilities and shareholders' equity | | 31/12/2014 | | 31/12/2013 |
|---|---|---|---|---|---|
| **10.** | Payables | | - | | - |
| **70.** | Tax liabilities | | - | | 76,934 |
| | Tax liabilities | - | | 76,934 | |
| | a) deferred | - | | - | |
| **90.** | Other liabilities | | 498,786 | | 475,805 |
| **100.** | Employee termination benefits | | 148,803 | | 96,310 |
| **120.** | Share capital | | 5,000,000 | | 5,000,000 |
| **160.** | Reserves | | 623,831 | | 221,236 |
| **180.** | Net profit (loss) for the period | | 386,499 | | 419,420 |
| | **Total liabilities and shareholders' equity** | | **6,657,918** | | **6,289,704** |

## INCOME STATEMENT

| | | | 31/12/2014 | | 31/12/2013 |
|---|---|---|---|---|---|
| **50.** | Fee and commission income | | 2,913,918 | | 2,894,648 |
| **60.** | Fee and commission expense | | (6,602) | | (5,895) |
| **70.** | Interest and similar income | | 121,834 | | 151,493 |
| **80.** | Interest and similar expense | | (1) | | (2,171) |
| | **Gross income** | | **3,029,149** | | **3,038,076** |
| **110.** | Administrative expenses: | | (2,363,036) | | (2,229,289) |
| | a) personnel expenses | (1,013,174) | | (916,305) | |
| | a) personnel expenses | (1,349,862) | | (1,312,985) | |
| **120.** | Net adjustments of property and equipment | | (10,838) | | (21,040) |
| **130.** | Net adjustments of intangible assets | | (47,552) | | (39,715) |
| **160.** | Other operating expenses/income | | - | | - |
| | **Operating result** | | **607,723** | | **748,031** |
| | **Profit (loss) before tax on continuing operations** | | **607,723** | | **748,031** |
| **190.** | Income tax expense from continuing operations | | (221,224) | | (328,612) |
| | **Profit (loss) after tax on continuing operations** | | **386,499** | | **419,420** |
| | **Net profit (loss) for the period** | | **386,499** | | **419,420** |

## M – FACILITY S.P.A. - FINANCIAL STATEMENTS

### BALANCE SHEET

| | Assets | 31/12/2014 | 31/12/2013 |
|---|---|---|---|
| **B)** | **NON-CURRENT ASSETS** | | |
| I) | INTANGIBLES | 789 | - |
| Ia) | GROSS INTANGIBLES | 1,139,589 | 1,221,182 |
| **TOTAL B)** | | **1,140,378** | **1,221,182** |
| **C )** | **CURRENT ASSETS** | **508,909** | **678,051** |
| II) | RECEIVABLES | **-** | **-** |
| 4-bis) | TAX RECEIVABLES | - | - |
| 4a) | FALLING DUE WITHIN NEXT YEAR | 95,722 | 10,526 |
| IV) | CASH AND CASH EQUIVALENTS | - | - |
| 1) | BANK AND POSTAL DEPOSITS | 508,909 | 678,051 |
| **TOTAL C)** | | **604,631** | **688,577** |
| | **Total assets** | **1,745,009** | **1,909,759** |

| | Liabilities and shareholders' equity | 31/12/2014 | 31/12/2013 |
|---|---|---|---|
| **A)** | **SHAREHOLDERS' EQUITY** | | |
| I) | SHARE CAPITAL | 1,879,000 | 1,879,000 |
| IV) | OTHER RESERVES | 1 | (1) |
| VIII) | RETAINED EARNINGS (LOSS CARRIED FORWARD) | (30,653) | (3,080) |
| IX) | NET PROFIT (LOSS) FOR THE YEAR | (145,740) | (27,572) |
| **TOTAL A)** | | **1,702,608** | **1,848,347** |
| **D)** | **PAYABLES** | | |
| 7) | TO SUPPLIERS | | |
| 7a) | FALLING DUE WITHIN NEXT YEAR | 42,401 | 65,621 |
| 12) | TO TAX AUTHORITIES | 0 | 0 |
| **TOTAL D)** | | **42,401** | **65,621** |
| | **Total liabilities and shareholders' equity** | **1,745,009** | **1,913,968** |

### INCOME STATEMENT

| | | 31/12/2014 | 31/12/2013 |
|---|---|---|---|
| **A)** | **VALUE OF PRODUCTION** | (36) | - |
| **B)** | **PRODUCTION COSTS** | **213,898** | **27,573** |
| 6) | RAW MATERIALS | 40 | 86 |
| 7) | SERVICES | 123,338 | 26,894 |
| 10) | AMMORTAMENTI E SVALUTAZIONI | 89,025 | - |
| 14) | OTHER OPERATING EXPENSES | 1,495 | 593 |
| **C)** | **FINANCIAL INCOME AND EXPENSE** | **(100)** | **-** |
| 17) | INTEREST AND OTHER FINANCIAL CHARGES | 17 | - |
| 17a) | BANK INTEREST EXPENSE | (117) | - |
| **E)** | **NON-RECURRING INCOME AND EXPENSE** | | |
| | **PROFIT (LOSS) BEFORE TAXES (A-B+C+D+E)** | **(214,034)** | **(27,573)** |
| | **INCOME TAX** | **68,294** | **-** |
| | **NET PROFIT (LOSS) FOR THE YEAR** | **(145,740)** | **(27,573)** |

## BCC BENI IMMOBILI - FINANCIAL STATEMENTS

### BALANCE SHEET

| | Assets | 31/12/2014 | 31/12/2013 |
|---|---|---|---|
| **B)** | **NON-CURRENT ASSETS** | **19,360,085** | **15,676,561** |
| I) | INTANGIBLES | - | - |
| II) | PROPERTY AND EQUIPMENT | 19,359,775 | 15,673,074 |
| III) | FINANCIAL | 310 | 3,487 |
| **II)** | **RECEIVABLES** | **726,757** | **660,769** |
| 1) | CUSTOMERS | 267,587 | 59,184 |
| 4 BIS) | TAX RECEIVABLES | 369,429 | 22,097 |
| 4 TER) | DEFERRED TAX ASSETS | 12,632 | 1,091 |
| 5) | OTHER | 77,109 | 578,396 |
| **III)** | **CURRENT FINANCIAL ASSETS** | **-** | **-** |
| 1) | SECURITIES | - | - |
| **IV)** | **CASH AND CASH EQUIVALENTS** | **21** | **1,374,484** |
| 1) | BANK AND POSTAL DEPOSITS | - | 1,374,484 |
| 2) | CASH AND VALUABLES ON HAND | 21 | - |
| | **CURRENT ASSETS** | **726,778** | **2,035,253** |
| **D)** | **ACCRUED INCOME AND PREPAID EXPENSES** | **64** | **4,145** |
| | **Total assets** | **20,086,926** | **17,715,959** |

| | Liabilities and shareholders' equity | 31/12/2014 | 31/12/2013 |
|---|---|---|---|
| **A)** | **SHAREHOLDERS' EQUITY** | **16,844,894** | **17,089,521** |
| I) | SHARE CAPITAL | 12,649,000 | 12,649,000 |
| II) | SHARE PREMIUM RESERVE | 5,581,000 | 5,581,000 |
| IV) | LEGAL RESERVE | 4,759 | 4,759 |
| VIII) | RETAINED EARNINGS (LOSS CARRY FORWARD) | (1,145,238) | (1,120,599) |
| IX) | NET PROFIT (LOSS) FOR THE YEAR | (244,627) | (24,639) |
| **C)** | **TERMINATION BENEFITS** | **6,107** | **4,476** |
| **D)** | **PAYABLES** | **3,235,926** | **607,628** |
| 2) | DUE TO BANKS | 556,468 | - |
| 3) | SUPPLIERS | 2,582,078 | 44,423 |
| 4) | INVOICES TO BE RECEIVED | 80,396 | 543,601 |
| 5) | TAX AUTHORITIES | 5,323 | 16,885 |
| 6) | SOCIAL SECURITY INSTITUTIONS | 1,883 | 1,328 |
| 7) | OTHER | 9,779 | 1,391 |
| **E)** | **ACCRUED EXPENSES AND DEFERRED INCOME** | **-** | **14,333** |
| | **Total liabilities and shareholders' equity** | **20,086,926** | **17,715,959** |

## INCOME STATEMENT

| | | 31/12/2014 | 31/12/2013 |
|---|---|---|---|
| **A)** | **VALUE OF PRODUCTION** | **710,474** | **366,810** |
| **B)** | **PRODUCTION COSTS** | **969,884** | **424,860** |
| **C)** | **FINANCIAL INCOME AND EXPENSE** | **13,777** | **47,960** |
| **E)** | **NON-RECURRING INCOME AND EXPENSE** | **-** | **-** |
| | **PROFIT (LOSS) BEFORE TAXES (A-B+C+E)** | **(245,633)** | **(10,090)** |
| | INCOME TAX EXPENSE FOR THE YEAR | 10,535 | 15,640 |
| | DEFERRED TAX ASSETS | (11,541) | (1,091) |
| **23)** | **NET PROFIT FOR THE YEAR** | **(244,627)** | **(24,639)** |
| | **NET PROFIT (LOSS) FOR THE YEAR** | **(244,627)** | **(24,639)** |

# *Report of the audit firm*

Building a better working world

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**Independent auditor's report**
**in accordance with articles 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.

## Report on the financial statements

We have audited the financial statements of Iccrea Banca S.p.A., which comprise the balance sheet as at 31 December 2015, the income statement, statement of comprehensive income, statement of changes in shareholders' equity, statement of cash flows for the year then ended and the related explanatory notes.

### *Directors' responsibility for the financial statements*

The Directors of Iccrea Banca S.p.A. are responsible for the preparation of these financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued to implement art. 9 of Legislative Decree n. 38, dated 28 February 2005.

### *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) implemented in accordance with article 11, paragraph 3 of Legislative Decree n. 39, dated 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of Iccrea Banca S.p.A. as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with article 9 of Legislative Decree n. 38, dated 28 February 2005.

*Emphasis of matter*

As indicated in the report on operations, the boards of Directors of Iccrea Banca S.p.A. and Iccrea Holding S.p.A. during the meetings held the 26 February 2016 approved the reorganization of the Iccrea Banking Group that provides, among others, the merger by incorporation of Iccrea Holding S.p.A. into Iccrea Banca S.p.A..

Our opinion is not qualified with respect to this matter.

**Report on other legal and regulatory requirements**

*Opinion on the consistency of the Report on Operations and of specific information of the Report on Corporate Governance and the Ownership Structure with the financial statements*

We have performed the procedures required under audit standard SA Italia n. 720B in order to express an opinion, as required by law, on the consistency of the Report on Operations and of specific information of the Report on Corporate Governance and the Ownership Structure as provided for by article 123-bis, paragraph 2), letter b) of Legislative Decree n. 58, dated 24 February 1998, with the financial statements. The Directors of Iccrea Banca S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and the Ownership Structure in accordance with the applicable laws and regulations. In our opinion the Report on Operations and the specific information of the Report on Corporate Governance and the Ownership Structure are consistent with the financial statements of Iccrea Banca S.p.A. as at 31 December 2015.

Rome, 4 April 2016

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.*

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Iccrea Banca

BCC
CREDITO COOPERATIVO