The right direction.

Interim Financial Statement

June 30, 2015

Iccrea Banca

Interim financial statements at June 30, 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 control of Iccrea Holding S.p.A.

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Interim Report on operations

AS JUNE 30, 2015

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Interim 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.

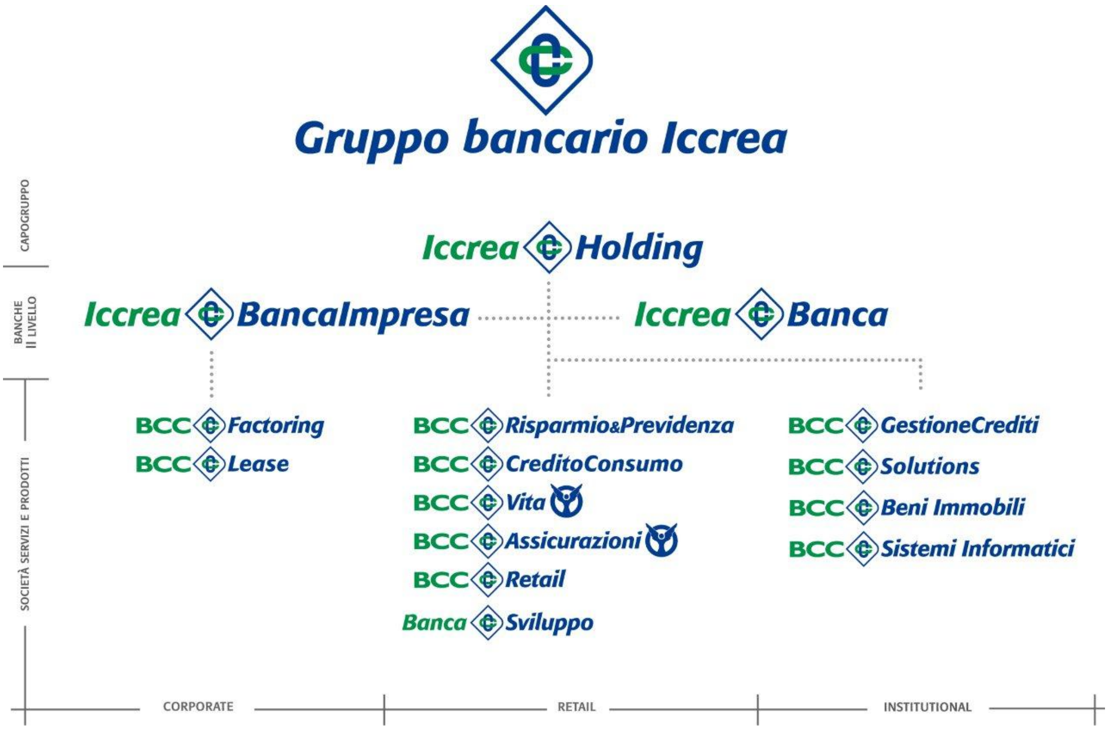
Iccrea Banca is a solid organization, providing services in the areas of finance, electronic money and payment systems, while also providing credit services to support the needs of the mutual banking system.

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	Jun-15	Dec-14	% change
Financial assets held for trading	20. Financial assets held for trading	374,113	471,050	-20.6%
Financial assets designated as at fair value through profit or loss	30. Financial assets designated as at fair value through profit or loss	338,676	321,232	5.4%
Financial assets available for sale	40. Financial assets available for sale	5,899,158	4,145,823	42.3%
Financial assets held to maturity	50. Financial assets held to maturity	2,448,432	3,536,799	-30.8%
Due from banks	60. Due from banks	34,209,537	35,587,200	-3.9%
Loans to customers	70. Loans to customers	2,661,874	1,873,283	42.1%
Value adjustments of financial assets	90 Value adjustments of macro-hedged financial assets	29	171	-83.04%
Equity investments	100. Equity investments	263,610	263,610	0.0%
Property and equipment and intangible assets		16,283	18,107	-10.1%
	110. Property and equipment	8,026	9,402	-14.6%
	120. Intangible assets	8,257	8,705	-5.1%
Tax assets	130. Tax assets	2,769	1,967	40.8%
Other assets		248,028	261,757	-5.2%
	10. Cash and cash equivalents	89,934	104,077	-13.6%
	80. Hedging derivatives	8,518	10,333	-17.6%
	150. Other assets	149,577	147,347	1.5%
	Total assets	**46,462,509**	**46,480,999**	**-0.04%**

Reclassified balance sheet (thousands of euros)	Liabilities and shareholders' equity	Jun-15	Dec-14	% change
Due to banks	10. Due to banks	17,281,696	29,295,429	-41.0%
Due to customers	20. Due to customers	23,186,427	10,940,997	111.9%
Securities issued	30. Securities issued	4,324,057	4,397,339	-1.7%
Financial liabilities held for trading	40. Financial liabilities held for trading	375,296	487,068	-22.9%
Financial liabilities designated as at fair value through profit or loss	50. Financial liabilities designated as at fair value through profit or loss	454,110	462,100	-1.7%
Other liabilities		309,590	330,198	-6.2%
	80. Tax liabilities	7,642	22,474	-66.0%
	60. Hedging derivatives	84,842	77,039	10.1%
	100. Other liabilities	217,105	230,685	-5.9%
Provisions		19,795	20,044	-1.2%
	110. Employee termination benefits	13,370	13,740	-2.7%
	120. Provisions for risks and charges	6,425	6,304	1.9%
Reserves		254,715	283,217	-10.1%
	130. Valuation reserves	60,290	96,292	-37.4%
	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 (+/-)	39,910	47,693	-16.3%
	Total liabilities and shareholders' equity	**46,462,509**	**46,480,999**	**-0.04%**

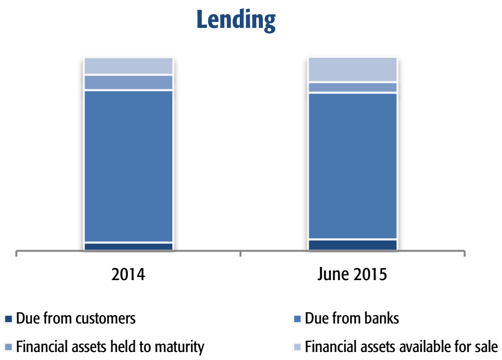
Reclassified income statement (thousands of euros)

	Jun-15	Jun-14	% change	Items pursuant to format in Bank of Italy Circular 262 of 22/12/2005
Net interest income	**47,105**	**33,805**	**39.3%**	**10-20**
Net income (loss) on financial transactions	36,261	23,266	55.9%	80-90-100-110
Dividends	209	517	-59.6%	70
Net fee and commission income	**64,607**	**60,112**	**7.5%**	**40-50**
Other operating expenses/income	9,932	10,012	-0.8%	190
Total revenues	**158,114**	**127,712**	**23.8%**	
Personnel expenses	-30,729	-31,680	-3.0%	150a
Other administrative expenses	-60,049	-56,125	7.0%	150b
Net adjustments of property and equipment and intangible assets	-4,277	-3,333	28.3%	170-180
Total operating expenses	**-95,055**	**-91,138**	**4.3%**	
Gross operating profit	**63,059**	**36,574**	**72.4%**	
Net provisions for risks and charges	-150	-271	-44.4%	160
Net losses for impairment of loans and other financial transactions	-1,762	983	-279.2%	130 a)
Total provisions and adjustments	**-1,912**	**712**	**-368.3%**	
Net operating profit	**61,147**	**37,287**	**64.0%**	
Profit/(loss) before tax	**61,147**	**37,287**	**64.0%**	
Income tax expense from continuing operations	-21,237	-14,243	49.1%	260
Profit (loss) after tax from non-current assets held for sale	39,910	23,044	73.2%	280
Profit/(loss) after tax from disposal groups held for sale	0	200		280
Net profit/(loss) for the period	**39,910**	**23,244**	**71.7%**	

Performance indicators

Lending

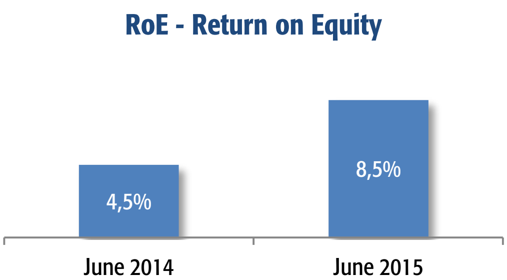
In the first half of 2015, of total loans to customers, loans to banks, financial assets held to maturity and financial assets available for sale, loans to customers accounted for 5.9% of the total, loans to banks 75.7%, financial assets held to maturity 5.4% and financial assets available for sale 13%.



Return on Equity (RoE)

Return on equity for the first half of 2015 came to 8.5%, up from 4.5% for the first half of 2014, due essentially to the increase in profit for the period.

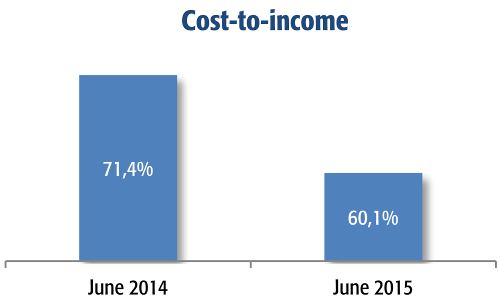
ROE is calculated as the ratio of net profit for the period to equity at the end of the period.



Cost-to-income ratio

The cost-to-income ratio for the first half of 2015 came to 60.1%, an improvement on the ratio for the first half of 2014 due to an increase in revenues.

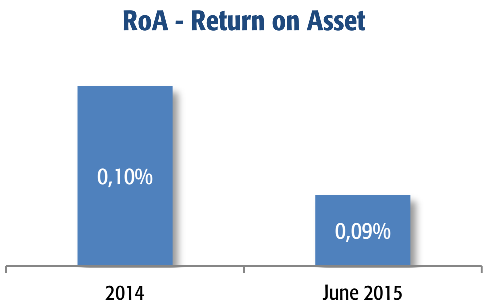
This ratio is calculated as the ratio of operating costs (administrative expenses and depreciation and amortization) to total revenues. It is an indicator of productivity expressed as the percentage of revenues absorbed by operating costs.



Return on Assets (RoA)

Return on assets for the first half of 2015 came to 0.09%, virtually unchanged on the end of 2014 owing to the stability of assets.

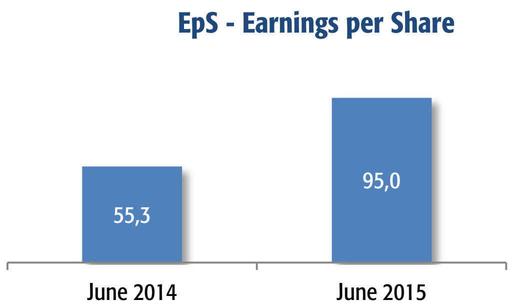
ROA is calculated as the ratio of net profit to total assets and is an indicator of the return on total capital employed.



Earnings per Share (EpS)

Earnings per share for the first half of 2015 came to €95.0, compared with €55.3 for the first half of 2014, and reflects the increase in net profit.

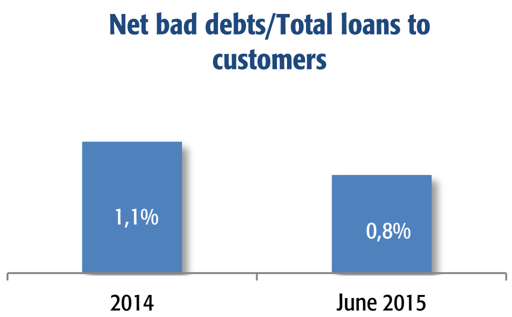
EPS is calculated as net profit divided by the number of shares that make up share capital.



Net bad debts as a proportion of total loans to customers

The ratio of net bad debts to total loans to customers at June 30, 2015 came to 0.80%, 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 global recovery is continuing, although it shows signs of slowing, caused by temporary factors in the advanced countries and more persistent ones in the emerging economies. The leading international organizations expect world trade to expand at a faster pace than last year. The global outlook remains dependent on the tensions that could derive from interest rate rises in the United States, on the possible repercussions of domestic stock market instability on economic activity in China, on the outcome of the Greek crisis, and on oil prices, which are forecast to stay low against a backdrop of lasting excess supply. The market expects the first increase in the federal funds rate towards the end of the year.

According to firms' purchasing managers indices, the second quarter saw economic activity strengthen in the United States, where employment returned to steady growth, and the unemployment rate remained around its pre-crisis level. Positive signs also emerged from retail sales and the housing market, but industrial production was still slack owing to the performance of the energy sector. In the United Kingdom industrial activity continued to expand and labor market conditions remained favorable. In Japan the latest indicators point instead to a slowing of output growth.

The IMF's forecasts published in July point to a slight slowing of world economic activity in the current year, followed by an acceleration in 2016. The projections for the advanced countries have been revised very slightly downwards since April. The adjustment was larger for the United States (to 2.5%), while the forecasts are unchanged for the euro area. Growth is expected to remain strong in India and weaker in China; Brazil can expect a sharper contraction in GDP but in Russia the decline should slow.

After the contraction registered in the first quarter of 2015, world trade appears to suggest a return to growth thanks to a recovery in the emerging economies and continuing growth in the advanced ones. IMF estimates for the current year are still optimistic, predicting world trade will grow by 4.1%. Consumer price inflation remains low, reflecting the trend in commodity prices. In May it rose slightly in the United States, in the euro area (0.3%) and in the United Kingdom, where it turned barely positive (0.1%). In Japan inflation instead fell sharply in April and May, when the effect of the consumption tax hike introduced in April 2014 wore off. In June inflation rose slightly across all the main emerging countries, reaching 1.4% in China and 5.4% in India owing to higher food prices. In Brazil inflation rose to 8.9% as a result of the weakness of the currency and increases in regulated prices. In Russia, on the other hand, it fell to 15.3% from the peak of 16.9% recorded in March, partly owing to the stabilization of the ruble.

The outlook for the global economy continues to depend on the course of monetary policies and in particular on the pace at which official rates are raised in the United States. At the June meeting of the Federal Open Market Committee the Federal Reserve left the target range of 0.0-0.25 per cent for the federal funds rate unchanged. FOMC members' projections continue to point to a rate rise before the end of the year, but a more gradual one than envisaged in March. The markets expect the first rise to take place in the last quarter of 2015. The central banks of Japan and the UK have not altered their policy stance.

The euro area

The tensions engendered by the negotiations on Greece's debt have eased following the mid-July agreement with the country's international creditors, but factors of uncertainty remain. The risk of a prolonged period of very low inflation in the euro area has receded but not yet vanished. The Eurosystem's expanded asset purchase program has produced accommodative financial conditions that continue to support the economic upswing, even after the recovery of yields since mid-April. The Governing Council of the ECB has reaffirmed its intention to continue monetary expansion at least until September 2016 and in any case until it sees a sustained adjustment in the part of euro-area inflation consistent with the objective of price stability. It also reiterated its commitment to use all the instruments at its disposal to counter the possible emergence of tensions.

The data available indicate that economic activity expanded in the second quarter and was relatively uniform from country to country. In June the €-coin indicator, which gives an estimate of the underlying GDP trend in the euro area, increased modestly for the seventh consecutive month, confirming that the economic recovery is consolidating.

Business surveys have found widespread expectations of cyclical improvement. In June the purchasing managers index (PMI) for euro-area firms remained above the threshold consistent with an expansion of activity. In Germany the PMI indicator points to the persistence of a favorable outlook. In France it rose above the critical threshold in industry and registered its largest increase in four years for the service sector.

Fears of a prolonged period of low inflation have abated but not evaporated. The twelve-month rate of consumer price inflation rose to 0.2% in June, after edging above zero in May for the first time since December 2014. The decline in the prices of energy goods remains a factor in the weakness of inflation. Net of the most volatile components, consumer inflation was 0.8%. Producer price inflation remains negative, recording a twelve-month decline of 2.0% in May, owing above all to falling energy prices. Producer prices of non-food final consumption goods were unchanged.

The Eurosystem proceeded with its purchases of public and private sector securities. At the end of June purchases of Italian public securities amounted to about €32 billion, with an average residual maturity of 8.8 years. The Governing Council reaffirmed its intention to continue the program at least until September 2016 and in any case until it sees a sustained adjustment in the path of inflation that is consistent with the definition of price stability. Even after the rise in bond yields, financial conditions remain favorable. The Council is monitoring developments closely to detect any signs of unwarranted tightening.

A new targeted longer-term refinancing operation was conducted. A total of 128 banks participated, bidding for €74 billion. The funds assigned to Bank of Italy counterparties amounted to €17.5 billion, bringing the total since the start of the program to €111 billion. Overall, banks' liquidity deposited with the Eurosystem in excess of reserve requirements rose to €395 billion, from €260 billion in mid-April. The Eonia overnight rate and the three-month unsecured interbank rate (Euribor) declined slightly compared with April to -0.12 and -0.02% respectively.

The extremely expansive monetary conditions have continued to affect both the cost of credit, which has fallen further, and the dispersion of interest rates between countries, which diminished slightly. Lending to firms in the area remained broadly unchanged. The expansion of credit to households strengthened. The growth of the M3 aggregate accelerated to a twelve-month rate of 5.0% in May.

Macroeconomic conditions in Italy

In Italy, economic activity continues to gain momentum. Qualitative surveys indicate that the cyclical recovery that began in the first quarter of this year firmed up in the second. Domestic demand was again the force behind GDP growth.

Italy's GDP grew by 0.3% in the first quarter of 2015 after stabilizing at the close of 2014. Value added expanded in all the main productive sectors except services, where it stagnated. The main support came from the increase in national demand, 0.5 percentage of points of which was the result of a reduction in destocking. While investment picked up sharply, buoyed above all by spending on transport equipment and construction, there was a barely perceptible decline in consumption. The expansion in national demand led to a pronounced rise in imports; goods exports increased further, but total exports stagnated. Economic activity is expected to continue to improve. The signs coming from the indicators of household and business spending are also positive. In June, the Bank of Italy's Ita-coin indicator, which provides an estimate of the quarterly change in Italy's GDP adjusted for short-term fluctuations, rose for the fourth consecutive month.

The twelve-month change in the harmonized index of consumer prices (HICP) edged up to 0.2% in May and June, despite a further drop in the prices of energy products. Core inflation, which had reached 0.3% in April, the lowest level on record, rose to 0.7%, mainly thanks to the service sector.

The industrial cycle has gained strength and business confidence remains strong. Investment picked up in the first quarter, and according to recent surveys the outlook continues to be good. There are some small signs that the cyclical improvement is gradually spreading to the construction sector, interrupting the negative phase already under way before the financial crisis. In May, industrial production increased by 0.9%, more than offsetting April's decrease. According to our estimates, it will grow slightly faster in the second quarter than in the first, when it was equal to 0.5%.

The recovery in consumer expenditure, under way since mid-2013, remains concentrated in purchases of durable goods. Spending is being supported by the return of household confidence, despite persistently cautious assessments of the outlook for the general state of the economy and the labor market, but is still constrained by the weakness of disposable income. During the early part of the year consumption declined slightly but consumer confidence remained high. The improved assessments of the current economic situation and of the state of households' finances contrasted with their persistently cautious assessments of the outlook for the general state of the economy and the labor market.

Against the backdrop of a contraction in world trade, in the first quarter of 2015 Italian exports remained stationary overall but recorded expansion in the goods component. Business surveys indicate favorable prospects for exports in the coming months. Imports increased, driven by an upturn in domestic demand. The current account surplus continued to expand and non-residents' purchases of Italian government securities strengthened.

Exports of goods and services remained unchanged in volume terms compared with the previous period. Nevertheless, despite the global reduction in goods trade, Italian merchandise exports grew again, especially in the non-EU markets, while services exports declined. Imports of goods and services accelerated in volume terms (up 1.4%, from 0.5% in the fourth quarter), especially as regards goods (3.6%).

With the start of the Eurosystem's asset purchase program, foreign investors' interest in Italian portfolio securities has increased; in the first four months of 2015, foreign purchases amounted to €76.1 billion, of which €65.0 billion in public debt securities, for the most part with maturities of more than one year. In the same period in 2014 total inflows had been equal to €71.6 billion, of which €54.0 billion in purchases of public debt securities. Foreign portfolio investment by resident operators also continued, amounting to €74.0 billion in the first four months of the year, of which approximately 60% related to foreign investment funds. In the first ten days of July, the Bank of Italy's debtor position in TARGET2 averaged €196 billion. Compared with the position in June (€171 billion) the widening was partly due to technical factors which, as in the past, determined temporary fluctuations, such as net redemptions of government securities held by non-residents and the repatriation of funds by some foreign banks towards the end of the month. Furthermore, the liquidity provided by the Eurosystem through its fourth targeted refinancing operation and through securities purchases for monetary policy purposes allowed Italian banks to reduce their shorter-term funding on the foreign interbank market.

The number of persons employed returned to growth in April-May after essentially stagnating over the previous six months. The unemployment rate stabilized at the level to which it had declined in the first quarter. Since the start of the year the share of new hires consisting in open-ended contracts has increased. The employment outlook, while still uncertain, is improving.
(Source: Bank of Italy, Economic Bulletin, July 2015)

The Italian banking system

The expansionary monetary conditions are gradually being transmitted to the credit market. The decline in interest rates is continuing. The easing of lending rates is also spreading to small and medium-sized firms, while the contraction in lending to firms is attenuating. Lending to households and to manufacturing firms has increased for the first time in more than three years.

The contraction in credit to the non-financial private sector has ended, while the decline in loans to non-financial corporations has slowed. Lending to households rose modestly for the first time since March 2012. In the first quarter of the year new mortgage loans rose by about 15% on the corresponding period of 2014, in line with the more favorable signals coming from the real estate market and benefitting from the low level of interest rates. The decline in lending to non-financial corporations has slowed for both large firms and smaller enterprises. Developments still differ by industry: lending to manufacturing firms began to grow again (0.7%), while lending to services firms and construction companies continued to contract (-1.5% and -2.6%, respectively), although at a slower pace that at the end of last year (-2.6% and -3.5%). Total funding by Italian banks increased, reflecting the further expansion in deposits by residents, which more than offset the decline in bonds held by households, and the increase in refinancing with the Eurosystem. Deposits held by non-residents and net liabilities in respect of repurchase agreements with central counterparties, which mainly reflect interbank funding abroad, were unchanged overall. In the second quarter of 2015 lending conditions eased even further, both for firms and households. Demand increased for both categories of borrower.

According to their consolidated quarterly financial statements, the earnings of the five largest Italian banking groups increased in the first quarter compared with the first quarter of 2014. Annualized ROE rose by about 3 percentage points to 6.6%. A small decline of 1.3% in net interest income owing to a contraction in lending volume was more than offset by the gain in fee income (9.7%) and trading profits. Gross income rose by 9.6%. Operating profits increased by 22.8%, the result of the broad stability of operating expenses, which continue to benefit from banks' cost-cutting measures. Value adjustments to loans, though still substantial, decreased by 11.8%. In the first quarter the five largest groups' capital ratios, which do not yet reflect earnings during the period, diminished slightly, owing almost entirely to the larger deductions from capital entailed by the transition to the Basel III rules, to be completed in 2018. At the end of March the CET1 ratio stood at 11.0% of risk-weighted assets, compared with 11.4% at the end of 2014.

(Source: Previsione bilanci bancari, Prometeia, July 2015)

Mutual banks

Mutual bank lending to customers at March 2015 amounted to €135.5 billion; their share of the lending market came to 7.3%.

Including loans granted by second-level mutual banks, lending amounted to €149.3 billion. Lending to enterprises came to €86.8 billion, with a market share of 9.7%; including loans granted by second-level banks, the total comes to €97.5 billion and a share of 10.9%.

At March 2015, loans to customers contracted by a modest -0.4% (slightly smaller than the decline registered at December 2014). By borrower segment, lending to financial companies increased substantially (+36.7%, compared with +1.8% for the banking system as a whole). Conversely, lending to producer households contracted (-1.4%), although the decline was smaller than the average for the system as a whole (-2.6%).

The mutual banks' share of the markets in which they specialize remained very high: 17.9% of lending to producer households, 8.7% of lending to consumer households and non-financial corporations. Their share of lending to the non-profit sector was also very high and essentially unchanged on the previous quarter at 13.4%.

At March 2015, the stock of gross bad debts amounted to €14.7 billion (including default interest), an increase of 20.9% year-on-year, slightly smaller than the rise posted in the last quarter of 2014 but still greater than the rise posted by the banking system as a whole (+15.3%) .

As of March, total funding exceeded €200 billion, up 3% on the same period of the previous year: interbank funding rose by 11.9% on the previous year, while funding from customers amounted to €161.8 billion, up 1.1%. Bond issues decreased by 11.4%, registering a decline in all geographical areas.

The performance figures at the end of the first quarter signal a turnaround compared with the end of the previous year. The net interest income of the mutual banks declined (-6.3%, compared with -0.6% for the banking system as a whole), while the increase in the mutual banks' operating expenses (+0.4%) was less than the rise for the banking industry (+1.0%). Personnel expenses rose by 1.1%, while other administrative expenses increased by 2.5%. As a result of these developments, the operating income of the mutual banks amounted to €1.2 billion, up 18.9%, compared with 21.2% for the banking system average).

As at March 2015 there were 382 mutual banks in operation, equal to 56.5% of all banks operating in Italy, with 4,447 branches or 14.5% of the banking system total.

The mutual banks are present in 101 provinces and 2,701 municipalities.

Shareholders of mutual banks number 1,219,109, an increase of 3.2% year-on-year. Customers totaled 6,018,081, including 1.6 million borrowers. The system employs 31,492 people, unchanged on the same period of the previous year. The total number of employees of the mutual banking system came to 37,000 including employees of system companies.

(Source: Circolare statistica trimestrale Federcasse, March 2015)

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

The interim financial statements of Iccrea Banca S.p.A. at June 30, 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 22, 2014 with the third 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 June 30, 2015, total assets and liabilities stood at €46,463 million, compared with €46,481 million at December 31, 2014, essentially unchanged. On the asset side, growth was concentrated mainly in financial assets available for sale, up €1,753 million (+42.3%) and loans to customers, which rose by €789 million (+42.1%). On the liability side, the increase is attributable to amounts due to customers, up €12.245 million (+11.9%), with a corresponding decline in amounts due to banks, which contracted by €12,014 million (-41%).

BALANCE SHEET DATA (millions of euros)				
AGGREGATES	Jun-15	Dec-14	Chg	% change
Due from banks	34,210	35,587	-1,378	-3.9%
Loans to customers	2,662	1,873	789	42.1%
Financial assets held for trading	374	471	-97	-20.6%
Financial assets at fair value through profit or loss	339	321	17	5.4%
Financial assets available for sale	5,899	4,146	1,753	42.3%
Financial assets held to maturity	2,448	3,537	-1,088	-30.8%
Other assets	150	147	2	1.5%
Total interest-bearing assets	**46,081**	**46,083**	**-1**	**0.0%**
Other non-interest-bearing assets	381	398	-17	-4.3%
TOTAL ASSETS	**46,462**	**46,481**	**-18**	**0.0%**

BALANCE SHEET DATA (millions of euros)				
AGGREGATES	Jun-15	Dec-14	Chg	% change
Due to banks	17,282	29,295	-12,014	-41.0%
Due to customers	23,186	10,941	12,245	111.9%
Securities and financial liabilities	5,153	5,347	-193	-3.6%
Other liabilities	217	231	-14	-5.9%
Total interest-bearing liabilities	**45,838**	**45,814**	**25**	**0.1%**
Other non-interest-bearing liabilities	106	113	-7	-6.5%
Shareholders' equity and provisions	478	506	-28	-5.6%
Net profit for the period	40	48	-8	-16.3%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**46,462**	**46,481**	**-18**	**0.0%**

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

Assets

Total interest-bearing assets were essentially unchanged on the end of December 2014. The aggregate amounts due from customers rose by €798 million (+42.1%). Mutual bank operations with Iccrea Banca are mainly in the form of financing backed by pool collateral (refinanceable securities). The total as at June 30, 2015, came to €20,028 million. The collateral securities assigned by the mutual banks totaled €23,724 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 €3,595 million. Within the aggregate of amounts due from banks, amounts due from mutual banks decreased by 1.9% (from €20,637 million at the end of December 2014 to €20,244 at the end of June this year), while amounts due from other banks declined from €14,950 million at the end of 2014 to €13,965 million at the end of June 2015 (-6.59%).

Due from banks	Jun-15	Dec-14	Change	%change
Mutual banks	20,244,492	20,636,707	-392	-1.9%
Other credit institutions	13,965,045	14,950,493	-985	-6.59%
Total	**34,209,537**	**35,587,200**	**-1,377,663**	**-3.87%**

BREAKDOWN OF AMOUNTS DUE FROM BANKS	Jun-15	Dec-14	Change	% change
Claims on central banks	**325,630**	**197,424**	**128,206**	**64.9%**
Reserve requirement	325,630	197,424	128,206	64.9%
Due from banks	**33,883,907**	**35,389,776**	**-1,505,869**	**-4.3%**
Current accounts and demand deposits	511,021	304,824	206,197	67.6%
Fixed-term deposits	192,388	149,071	43,317	29.1%
Other	29,252,107	31,310,503	-2,058,396	-6.6%
Debt securities	3,928,390	3,625,378	303,012	8.4%
Total amounts due from banks	**34,209,537**	**35,587,200**	**-1,377,663**	**-3.9%**

Loans to non-bank customers grew by 42.1% from €1,873 million to €2,662 million, attributable mainly to "repurchase agreements" amounting to €274.0 million. Impaired assets increased by €0.241 million.

BREAKDOWN OF LOANS TO CUSTOMERS	Jun-15	Dec-14	Chg	% change
Current accounts	180,433	163,552	16,881	10.3%
Medium/long-term loans	158,474	144,941	13,533	9.3%
Repurchase agreements	274,010	53,992	220,018	407.5%
Other transactions	2,048,957	1,471,679	577,278	39.2%
Debt securities	0	16,883	-16,883	-100.0%
Impaired assets	22,477	22,236	241	-0.01%
Total loans to customers	**2,661,874**	**1,873,283**	**788,591**	**42.1%**

The portfolio of financial assets held for trading posted a decrease of 20.6% on the end of the previous year (from €471.1 million to €374.1 million).

BREAKDOWN OF FINANCIAL ASSETS HELD FOR TRADING	Jun-15	Dec-14	Chg	% change
Debt securities	19,162	5,771	13,391	232.0%
Equity securities	565	536	29	5.4%
Units in CIUs.	1,023	953	70	7.3%
Total on-balance-sheet assets	**20,750**	**7,260**	**13,490**	**185.8%**
Derivative instruments	353,363	463,790	-110,427	-23.8%
Total derivative instruments	**353,363**	**463,790**	**-110,427**	**-23.8%**
Total financial assets	**374,113**	**471,050**	**-96,937**	**-20.6%**

At the end of June 2015, the portfolio of financial assets available for sale amounted to €5,899 million, compared with the €4,146 million posted at December 31, 2014.

For further details, please see Part B, sections 2 to 4, of the notes to the financial statements.

Liabilities

Interest-bearing funding totaled €45,839 million, an increase of 0.1% from December 2014.

Interbank deposits came to €17,282 million, a decrease of 41% on the end of December 2014 (€29,295 million).

Due to banks	Jun-15	Dec-14	Change	%change
Mutual banks	6,215,313	6,159,956	55,357	0.9%
Other credit institutions	11,066,383	23,135,473	-12,069,090	-52.2%
Total	**17,281,696**	**29,295,429**	**-12,013,733**	**-41.0%**

Within this aggregate, funding from mutual banks increased by 0.9% (from €6,160 million at the end of December 2014 to €6,215 million at the end of June this year), while amounts due to other credit institutions decreased by 52.17% (from €23,135.5 million to €11,066 million). Amounts due to central banks represent funds received from the ECB for advances secured by securities owned by both the Bank and the mutual banks.

BREAKDOWN OF AMOUNTS DUE TO BANKS	Jun-15	Dec-14	Change	%change
Due to central banks	9,713,851	21,731,878	-12,018,027	-55.30%
Current accounts and demand deposits	4,138,500	4,139,959	-1,459	-0.04%
Fixed-term deposits	3,364,262	3,409,506	-45,244	-1..33%
Loans	63,541	11,695	51,846	443.32%
Other payables	1,542	2,391	-849	-35.51%
Total amounts due to banks	**17,281,696**	**29,295,429**	**-12,013,733**	**-41.01%**

Funding from non-bank customers rose compared with December 2014, going from €10,941 million to €23,186 million at the end of June 2015. The rise is due mainly repurchase transactions with the Clearinghouse and Guarantee Fund.

BREAKDOWN OF AMOUNTS DUE TO CUSTOMERS	Jun-15	Dec-14	Change	% change
Current accounts and demand deposits	384,237	379,904	4,333	1.1%
Fixed-term deposits	17,346	15,069	2,277	15.1%
Loans	22,357,181	10,116,090	12,241,091	121.0%
Other payables	427,663	429,934	-2,271	-0.5%
Total amounts due to customers	**23,186,427**	**10,940,997**	**12,245,431**	**111.9%**

Securities issued

Securities funding decreased slightly during the period (from €4,397 million at December 31, 2014 to €4,324 million at June 30, 2015). This 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, as well as unhedged bonds, which are recognized at amortized cost. The fair value of securities issued is determined by discounting the future cash flows, using the swap yield curve at the reporting date.

Shareholders' equity

At June 30, 2015, the strength of the Bank's financials can be seen, in particular, in the level of equity, which totals €471.6 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 €60.3 million, a decrease of €36 million on the end of 2014.

The income statement

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

Reclassified income statement (thousands of euros)	Income statement	Jun-15	Jun-14	% change
Net interest income		47,105	33,805	39.3%
	10. Interest income and similar revenues	151,235	208,902	-27.6%
	20. Interest expense and similar charges	-104,130	-175,097	-40.5%
Net fee and commission income		64,607	60,112	7.5%
	40. Fee and commission income	188,050	181,679	3.5%
	50. Fee and commission expense	-123,444	-121,567	1.5%
Dividends	70. Dividends	209	517	-59.6%
Gains/losses on financial transactions			23,267	55.9%
	80. Net gain (loss) on trading activities	14,502	11,095	30.7%
	90. Net gain (loss) on hedging activities	-503	-537	-6.5%
	100. Net gain (loss) on disposal or repurchase	21,504	14,972	43.6%
	110. Net gain (loss) on financial assets and liabilities at fair value through profit or loss	758	-2,263	-133.5%
Other operating expenses/income	190. Other operating expenses/income	9,932	10,012	-0.8%
	Total revenues	**158,114**	**127,712**	**23.8%**
Administrative expenses	150. Administrative expenses	-90,778	-87,805	3.4%
Depreciation and amortization		-4,277	-3,333	28.3%
	170. Net adjustments of property and equipment	-1,520	-1,289	17.9%
	180. Net adjustments of intangible assets	-2,757	-2,044	34.9%
	Gross operating profit	**63,059**	**36,574**	**72.4%**
Net provisions	160. Net provisions for risks and charges	-150	-270	-44.4%
Net losses/recoveries on impairment	130. Net losses/recoveries on impairment	-1,762	983	-279.2%
Income taxes	260. Income tax expense from continuing operations	-21,237	-14,243	49.1%
Profit (loss) from non-current assets held for sale	270. Profit (loss) after tax on continuing operations	39,910	23,044	73.2%
	280. Profit (loss) from disposal groups held for sale	0	200	
	Net profit (loss) for the period	**39,910**	**23,244**	**71.7%**

Net interest income

Net interest income at June 30, 2015 amounted to €47.1 million, up 39.3% on June 30, 2014 (€33.8 million). The rise is attributable to:

- a larger contribution from the investment book, which was entirely financed with collateralized funding;
- strategies for optimizing capital exposed to interest rate risk on the banking book, which brought the absorption limit specified in the RAS from 10% to 51% year on year.

Net interest income as a proportion of total revenues went from 26.5% to 29.8%.

Fees and commissions

In the first half of 2015, net fees and commissions from services amounted to €64.6 million, an increase of €4.5 million from June 2014 (+7.5%). The rise is mainly attributable to the electronic money segment.

Gains/losses on financial transactions

In the first half of 2015, gains on financial transactions, which includes the net result on trading activities (€14.5 million), the net result on hedging activities (-€0.5 million), the net result on disposal and repurchase (€21.5 million), and the net result on financial assets/liabilities at fair value through profit or loss (€0.8 million), came to €36.3 million, an increase of €13 million (+55.9%) compared with June 2014 (€23.3 million). The increase is due mainly to the gain on trading activities and the gain on disposal and repurchase.

Total revenues

In the first half of 2015, the Bank posted total revenues of €158.1 million, up about €30.4 million or 23.8% on the first half of 2014.

Operating expenses

Operating expenses incurred in the first half of 2015 totaled €95.1 million (€91.1 million in the year-earlier period) 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 about €4 million, reflecting an increase in other administrative expenses of €3 million.

Personnel expenses

Personnel expenses for the Bank came to €30.8 million in the first half of 2015, compared with €31.7 million in the year-earlier period, a decrease of €0.9 million (-3.0%).

Other administrative expenses

At the end of June 2015 other administrative expenses totaled €60.0 million, up 7% over the previous period (€56.1 million). For further details, see the notes to the financial statements (Section 9 – Administrative expenses – Item 150, table 9.5).

Net adjustments of property and equipment and intangible assets

Adjustments totaled about €4.3 million at June 30, 2015, of which €1.5 million for depreciation and €2.8 million for amortization.

Gross operating profit

As a result of the foregoing, the gross profit from ordinary operations came to €63.1 million, up 72.4% compared with June 2015 (€36.6 million).

Net profit for the period

Net profit, consisting of profit from continuing and discontinued operations, net of the change in direct taxes for the period, amounted to €39.9 million, compared with €23.0 million in the first half of 2014, an increase of 73.2%.
The cost-to-income ratio went from 71.4 in the first half of 2014 to 60.1% in the same period this year.

4. BANK OPERATIONS

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

FINANCE

In the first half of 2015, 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 monetary and financial markets, as well as in collateralized markets.

In a period characterized by considerable volatility, which heightened following the Greek crisis, the intensification of collateralized funding at negative rates, together with the dynamic management of the proprietary portfolio, generated significant profit margins, well above those envisaged in the budget.

With regard to the management of the mutual banking system's liquidity, in the first half of 2015 we continued to provide the mutual banks with support in collateralized funding activities, both through transactions with the ECB and with market counterparties.

In February and March, the remaining €9.4 billion from the LTRO auctions were repaid. In March and June, participation in two 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 June 30, 2015.

Within the scope of structured finance activities to support the mutual banks, activity was begun on structuring a multi-originator non-recourse assignment of non-performing mortgage loans and unsecured loans (NPLs), with the participation of more than 40 banks and a gross value of about €500 million. The operation will be completed by October 2015.

With regard to activities in support of the Group companies, work began on structuring, in collaboration with the EIB, a new securitization of lease receivables.

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

Initiatives to ensure the Iccrea Banking Group is adequately capitalized, we issued two Tier 2 subordinated bonds with a maturity of 10 years and an early redemption option at the end of the fifth year, with the placement of a total of €118.6 million.

The mutual banks also served as the channel for the placement of 3 senior bonds totaling €647 million, with an additional senior issue for institutional customers.

With regard to the intermediation of bonds, including government securities, in line with market developments we registered a decline in volumes handled, with direct transactions totaling about €95 billion, compared with €128 billion in the first half of 2014, although this kept Iccrea among the leading sector operators.

The major role that Iccrea Banca has assumed in trading in the wholesale Italian government securities market has increased our market visibility further, a development that has also been recognized by the Ministry for the Economy and Finance, which selected Iccrea Banca as co-dealer in the eight issue of the BTP Italia carried out last April.

Subscriptions through the Bank amounted to €1.1 billion, equal to 11.8% of the total placement, while subscriptions in the placement reserved for institutional customers accounted for 23% of the issue.

The volume of order collection on regulated markets and the MTF exceeded €26 billion, compared with €25 billion in the first half of 2014, consolidating Iccrea Banca's position among the leaders in the ranking by volumes handled prepared by ASSOSIM.

As part of Iccrea Banca's expanding role in the money and financial markets, the Group continued its participation on the commissions and working groups organized by the various trade associations and UNICO, the association of European cooperative banks.

PROPRIETARY FINANCE AND TRADING

The main activities in the first half of the year regarded the Hi-MTF market, where some 430 euro-bonds and 73 Italian government securities are listed. On EuroTLX, 200 euro-denominated bonds and 73 Italian government securities are listed.

The volume of trading in corporate securities amounted to about €8 billion in the first half, an increase of 300% on the first half of 2014, of which just over €7.3 billion regarded OTC trading (main in German, French and Greek government securities), about €250 million on Hi-MTF and the remaining €420 million on EuroTLX. Volumes of Italian government securities amounted to €4.6 billion, down 25% on the €6.2 billion posted in the first half of 2014.

The Bank was again selected to participate as a co-dealer in the placement of the eighth issue of the BTP Italia offered by the Treasury in April. Market making on the MOT for the BTP Italia issue involved total volumes of about €775 million, equal to 10% of total trades on the market, confirming our position among the leading operators in Italy.

Trading in liquid and illiquid securities involved some 1,100 securities, ensuring the mutual banks access to rapid and efficient order execution.

Finally, we were also involved in the placement of about 23 issues on the primary bond market (so-called eurobonds) and €120 million in securities issued by the Bank were repurchased.

In the first half of 2015, Italian government securities amounting to about €82 billion were traded on the MTS and BondVision platforms, a decrease of 32% compared with the same period of 2014.

The decline began in February and gradually grew steeper over the course of the period.

The main factors driving this development are associated with the decline in the prices of government securities, which essentially froze the portfolios of the mutual banks.

The period also saw the roll-out of a new order transmission procedure for the mutual banks, channeled through the Bloomberg platform. This helped strengthen the multi-channel order transmission infrastructure. This function, which flanks the existing order transmission procedures, enables the mutual banks to trade directly at the bid/ask prices posted by the Bank on all Italian government securities listed on the MTS and request best price quotes that the mutual banks may then accept.

Despite the uncertain performance and increased volatility of the European government bond market and the sharp decline in volumes from the mutual banking system, profit for the first half of the year amounted to about €9.7 million, compared with the €13.5 million budgeted for 2015 as a whole, exceeding our targets by 29.3%. This result was achieved by optimizing flows from the mutual banks and an increase in trading operations made possible by an increase in daily VaR from €80 thousand to €300 thousand. The system statistic prepared by MTS, broken down by the various classes of listed government securities, ranked Iccrea 8th out of 35 in the CCT (Treasury credit certificates) segment and 21st out of 44 in the BTP (Italian treasury bonds) segment.

As to transactions in derivatives, it is important to emphasize that market conditions in the first half of the year were significantly impacted by the expansionary and unconventional monetary policy measures, such as the quantitative easing adopted by the central banks in order to provide a boost to growth through the reduction of interest rates.

The start of the Public Sector Purchase Programme by the ECB on March 9 triggered a sharp upwards acceleration in the prices of government securities, with the yields on the paper issued by both the core ad peripheral countries falling substantially. More generally, during the period the market focused on transactions that would benefit from the intervention of the central bank, namely quantitative easing trades: the purchase of government securities, above all long-term issues offering more attractive yields, long positions in equities, with stock indices rising to record levels, and short positions in the euro. These developments led to a significant decline in swap rates, especially at longer maturities, and a substantial rise in volatility, which increased to record levels, with a major impact on the value, and hence profitability, of the rate portfolio under management.

As regards trading volumes, in the first half of the year contracts with a nominal value of about €1.5 billion were traded, of which €414 million transacted with the mutual banks.

On the medium/long-term funding front, the funding and capital requirements of the Group companies, net of expired liabilities, were met through 6 bond issues during the period, totaling €815 million, with an average maturity at issue of 4.06 years, as provided for during our planning activities.

Of the total placements of these liabilities, 96.8% went to institutional customers, mutual banks first and foremost. More specifically, two Tier 2 subordinated bonds were issued in the total amount of €118.6 million, of which €106.6 million reserved for the mutual banks.

Total medium/long-term liabilities issued by the Bank at June 30, 2015 amounted to €4.95 billion, with an average residual life of 2.39 years(compared with €5.6 billion and 2 years a year earlier). That value also reflected own issues repurchased and then extinguished in the amount of €135.5 million during the period.

The Bank's proprietary portfolio expanded during the period. More specifically, holdings of Italian government securities amounted to €8.15 billion, compared with €7.4 billion at December 31, 2014, an increase of 10.2%. The average residual life of those assets was equal to 2.07 years, a slight rise on the 1.7 years registered at December 31, 2014. The duration of the holdings remained below 2 years, as provided for in current authorizations.

TREASURY AND FOREIGN EXCHANGE

In the first half of 2015, the organization of the Treasury and Foreign Exchange unit retained the separation of ordinary operations (for the mutual banks, the Group companies and other customers) from the main developments in regulatory systems, market and the organization of internal processes. The associated planning activities continued in 2015 both for supervening developments in the external environment and for changes in internal planning processes and the rationalization of planning.

Projects

As part of the T2S project, the Liquidity Management initiative completed the roll out of the operational management component for settlement in Target2 and issued a first release of the data storage component for monitoring intraday liquidity as provided for under Basel 3 rules.

At the same time, work was completed on the system certification for the T2S project, whose launch in Italy was postponed by the central banks until August 31.

The ABACO initiated at the end of 2014 required new implementations, specifically the activation of procedures for transferring trade receivables or residential mortgage loans to pools in response to the modifications announced by the ECB for the valuation of receivables. A number of application components were prepared and tested, while the Report component for individual positions transferred to pools in the European Datawarehouse is being defined with the STDs.

Treasury operations

In 2014 the ECB introduced a number of extraordinary monetary policy measures (lowering official rates to record lows, T-LTRO auctions, negative deposit rates, ABS purchase program) that have not had the hoped-for impact on inflation expectations, helping to fuel market uncertainty and volatility, including on the money market, where excess liquidity reached its lowest level since the end of 2011 (the period in which the first 3-year LTRO auction was held).

The ECB therefore decided to undertake a quantitative easing program consisting in the purchase of €60 billion a month in public sector securities through September 2016, for a total of more than €1,000 billion, triggering a marked decline in yields on the government securities of Eurosystem countries until mid-April.

The money market responded with a sharp decline in liquidity premiums on both the secured and unsecured markets, accompanied by a flattening of the yield curve up to the two-year maturity.

In addition, the ECB, in the light of the results of the first two T-LTROs, decided not to apply the 10 bp spread used in the first two auctions to subsequent tenders, in order to make recourse to the auctions more attractive.

In the current macroeconomic environment, the liquidity position remains stable, with changes in the composition of funding due to the maturity structure of funding campaigns undertaken in previous years and to changes in market conditions.

At the same time, we continued to operate in the unsecured interbank market (mainly E-MID/OPTES), trading a total of €50 billion (42 Optes contracts totaling €24.3 billion and 667 MID contracts totaling €24.7 billion).

Funding by the mutual banks/Iccrea Banking Group companies at June 30 amounted to about €5.7 billion, broken down as follows:

- €1.4 billion in fixed-rate deposits
- €170 million in variable-rate deposits
- €890 million in investment accounts
- €3 billion in daily settlement accounts (average balance €3.8 billion)
- €220 million in Iccrea Banking Group fixed-term deposits.

The abundant liquidity available on the market increased funding at negative rates. In order to maximize net interest income, secured funding to cover lending to the mutual banks and the requirements of the Iccrea Banking Group investment portfolio focused on 1-day transactions with average daily volumes of €11 billion.

Beginning in May, in the run up to the close of the first half and the announced launch of T2S (the roll out of which was later postponed to 31 August) and in view of the instability associated with developments in Greece, steps were taken to lengthen the maturity of secured funding with 1-6 month transactions, reducing volumes at 1 day to about €7 billion.

On the MTS platform, 35,736 contracts were traded (about 30,000 in the Special segment) for a total of about €1,202 billion (in the first half of 2014 they had totaled 10,000 contracts in the amount of €253 billion).

On the New-MIC, 62 deals were contracted with a value of €5,168 billion.

Foreign exchange operations

The volume of foreign exchange transactions increased in all segments, in particular trading. According to data released by the leading market provider, Iccrea Banca ranks second in Italy with a market share of 18.5% in forex volumes, 108th in Europe and 308th worldwide.

As regards transactions in precious metals, in the first half of the year we were involved in new loans of 70 ingots and 20 bars, while sales involved 52 ingots and 4 bars.

INSTITUTIONAL SALES

In 2015, the Institutional Sales unit continued to develop its model of investment services based on the continuous evolution in the needs of the mutual banks and their customers, with the goal of implementing a new technological architecture that integrates operations for the creation of strategies for expanding indirect funding for the mutual bank system.

ORDER COLLECTION

As part of order collection in instruments traded on regulated markets and MTFs, the first half of 2015 was also characterized by considerable activity on the part of the mutual banks and their customers in the financial markets. This dynamism was primarily reflected in volumes traded by the owners of the mutual banks through Iccrea Banca of bonds listed on regulated markets and MTFs in Italy (MOT, EuroTLX, HI-MTF).

Favorable market developments and the constant development of operational solutions provided by Iccrea Banca to the mutual banks made it possible to achieve trading volumes of €26.2 billion, surpassing the record levels recorded in the same periods of 2013 and 2014. The increase was attributable in particular to transactions in the first four months of the year, with a sharp slowdown towards the end of the period due to the uncertainty and volatility connected with the Greek crisis.

This performance further strengthened the position of Iccrea Banca and the mutual banks in the rankings compiled by the markets (Borsa Italiana, HI-MTF, EuroTLX) for total volumes traded by participants. More specifically, Iccrea Banca was ranked:

- 3rd among intermediaries belonging to ASSOSIM in the "Domestic MOT" segment of Borsa Italiana, with a market share of 16.47%;
- 2nd in volumes handled for third parties on the HI-MTF market, with a market share of 19.90%;
- 3rd in the "Bonds" category prepared by ASSOSIM by aggregating the volumes traded by intermediaries participating on behalf of third parties on MOT, EuroTLX and HI-MTF, with a market share 11.95%.

As regards order collection for equities listed on Borsa Italiana, the first half of the year recorded a trading volume of €3.5 billion, a slight decrease compared with volumes in the same period of 2014.

The FTSE MIB index of Borsa Italiana, which closed 2014 at 19,000, gained 17.4% during the period to close at 22,460 after peaking at 24,030, a level not seen since October 2009.

Order collection for unlisted eurobonds in the half year posted a sharp increase in volumes transacted by the mutual banks with Iccrea Banca. Total volumes reached €7.5 billion, compared with the €1.2 billion recorded in the first half of 2014.

Appropriate information on the riskiness of securities and the presence of any restrictions on sales for different customer categories in this market segment was delivered by Iccrea Banca to the mutual banks and customer banks through the WebFin application.

PRIMARY MARKET

Primary market operations recorded turnover of €2.6 billion, compared with €4.6 billion in the same period of 2014. Here, too, participation in the placement of the eighth issue of the Italia BTP made a decisive contribution, with Iccrea Banca again being selected as co-dealer by the Ministry for the Economy and Finance, in addition to the usual activities of providing support and assistance to the mutual banks during the placement phase.

This second selection by the Ministry confirmed the greater dynamism and the increasingly significant positioning of the mutual banking system in the Italian financial landscape and the Italian government securities market.

Mutual banks, operating through Iccrea Banca, subscribed €1.1 billion, equal to 11.8% of the total amount placed. More specifically, subscriptions by the shareholders of the mutual banks accounted for 23% of the amount reserved for institutional investors.

The remainder of placement activities was represented by participation in auctions of government securities, public offers to sell and other placements totaling about €800 million in bonds issued by Iccrea Banca distributed to the mutual banks and their customers.

SECURITIZATIONS

The Securitizations unit develops, in cooperation with the Bank's other operating units, securitizations of performing loans for the mutual banks and the Group companies, performing the related upfront and ongoing activities and supporting the mutual banks in developing their markets, with emphasis on structured finance.

Since the end of 2014, we have also begun the structuring of multi-originator non-recourse assignments of bad debts, also ensuring the coordination of legal and drafting activities and the negotiation of the associated contracts.

The main activities carried out in 2015 included:

- the structuring of a multi-originator non-recourse assignment of non-performing loans (mortgage loans and unsecured positions) denominated "Non-Performing Loans" (NPLs), with the collaboration of BCC Gestione Crediti. At present, more than 40 banks are participating, with a total gross value of about €460 million. A number of qualified investors were involved. By July 27, 2015, they will present their bids to acquire the portfolios of mortgage loans and unsecured loans. The transaction is expected to close by the end of October 2015;

- the start of the structuring, in collaboration with the EIB, of a new securitization of leasing receivables for Iccrea BancaImpresa;
- production and monitoring of "loan by loan" reports required by the ECB for outstanding transactions: Credico Finance 8, Credico Finance 9, Credico Finance 10, Credico Finance 11, Credico Finance 12, Credico Finance 14, and Credico Finance 15 and Dominato Leonense ;
- management of the liquidation and closure of Credico Finance 3 Srl in liquidazione;
- replacement of Deutsche Bank AG and Deutsche Bank SpA (respectively in the roles of English Transaction Bank, Principal Paying Agent, Transaction Bank and Italian Paying Agent) with BNP Paribas Securities Services in the following operations: Credico Finance 4, Credico Finance 5, Credico Finance 6, Credico Finance 7, Credico Finance 8, Credico Finance 9 and Credico Finance 10. The replacement was prompted by changes in ratings for Deutsche Bank AG by Moodys (A3) and Standard & Poor's (BBB+), which are below the threshold established in the associated contracts for "Eligible Institutions"(A1/A).
- cooperation with all the units involved in the ABACO project for refinancing bank loans in operations with the ECB, including through the use of pool procedures, represented by trade receivables, residential mortgages and lease receivables. As from June 30, 2015, we provided "loan by loan" reporting to the ECB for the pool of leasing receivables of Iccrea BancaImpresa.

FINANCE AND MIDDLE OFFICE TECHNICAL SECRETARIAT

In the first half of 2015 the Finance and Middle Office Technical Secretariat oversaw the activities necessary for the development of the Finance business as well as middle office and collateral management activities.

As regards providing support to the Finance units aimed at meeting the funding requirements of the Iccrea Banking Group, the unit was involved in:

- obtaining approval from CONSOB for an Italian issue program amounting to a total of €1,500 million that is instrumental to the issuance of senior bonds in euros and foreign currency, intended for the retail customers of the mutual banks, institutional customers and the retail customers of intermediaries other than mutual banks. Iccrea Banca's product range can be broken down on the basis of the 8 issue programs in which the base prospectus is organized: fixed rate, zero coupon, fixed rate with step-ups, variable rate with possible floors and/or ceilings, mixed rate (fixed or fixed with step-ups and variable with possible floors and/or ceilings), including in this category instruments indexed to the performance of a financial asset or a financial index, call options and steepeners with possible floors and/or ceilings;
- the preparation of the base prospectus for the issue of Tier II subordinated bonds in the total amount of €500 million.

Following approval of the offer documentation by Consob, a subordinated fixed-rate bond was issued in June 2015 in the total amount of €12 million. The issue was targeted at the customers of the mutual banks. The 10-year bond pays six-monthly coupons at a gross annual rate of 3.5%, with placement fees of 2% of the amount subscribed. The terms of the security give the issuer the right to repay the entire amount of the loan in advance at the end of the 5th year in a single instalment at par.

Subject to obtaining authorization from the supervisory authorities, the issuer will ensure the repurchase of the bonds in an amount limited to the smaller of 10% of the issue in question and 3% of outstanding subordinated issues eligible for inclusion in own funds.

On 18 June, the offering of a Tier II bond was completed in the total amount of €106.6 million. The issue was targeted at institutional investors, mainly mutual banks. The 10-year bond pays six-monthly coupons at a gross annual variable rate of 6-month Euribor plus 350 basis points. The terms of the security give the issuer the right to repay the entire amount of the loan in advance at the end of the 5th year in a single instalment at par.

Subject to obtaining authorization from the supervisory authorities, the issuer will ensure the repurchase of the bonds in an amount limited to the smaller of 10% of the issue in question and 3% of outstanding subordinated issues eligible for inclusion in own funds.

Both issues will be listed on the Multilateral Trading Facility operated by Hi-MTF Sim SpA, and Iccrea Banca will act as market maker.

In the light of ESMA guidelines and the related CONSOB communication regarding "the marketing of complex financial products to retail customers", appropriate decisions were taken for the management of the risks associated with investing in complex products by retail customers. More specifically, we adopted:

- a specific methodology for assessing the complexity of the financial instruments issued and/or distributed by Iccrea Banca;
- stronger organizational arrangements and "product governance" measures aimed at defining clear commercial and business strategies from the design and development stage through to the offering of such complex products.

The support for the provision of investment services also involved the preparation and constant updating of the interim reporting required by supervisory authorities and an analysis of the various proposals for regulatory change by European technical authorities, with particular reference to the consultations of the European Supervisory Authorities (ESA).

As part of the consultation on the exchange of collateral, a proposal advanced by Iccrea Banca and agreed with Federcasse was transmitted directly to the ESA and is currently being analyzed by the ESMA, EBA and EIOPA technical units.

With regard to the Consultation Paper on the revision of the first-level rules of the EMIR Regulation, a proposal made by Iccrea Banca concerning fulfillment of central clearing obligations has been approved both by ABI and the EACB for subsequent analysis by the European Commission.

As part of its middle office activities, and more specifically collateral management activities, the Finance and Middle Office Technical Secretariat continued its work on the project to optimize risk-weighted assets (RWA). The unit provided Iccrea Banca, and offered the mutual banks/customer banks, a portfolio reconciliation service and a collateralization service for positions exposed to risks associated with operations in OTC derivatives. Some 200 mutual banks/customer banks signed up for the portfolio reconciliation service, and a similar number opted to participate in the collateralization process. The collateralization services is provided on a daily basis and, as reported at June 30, 2015, the Bank acquired security in the amount of €67 million and pledges securities as collateral in the mount of €70 million.

In a further evolution of the optimization process for risk mitigation techniques, we initiated the second phase of the collateralization project with the objective of providing the mutual banks/bank customers the opportunity to pledge collateral in the form of sovereign securities. As of June 30, 2015, this project involved a number of pilot banks and the test results were positive.

As regards financial guarantee contracts governed by English law (ISDA Credit Support

Annexes) associated with OTC derivatives transactions with leading market counterparties (41 ISDA CSAs), as reported at June 30, 2015, the Bank had acquired and granted security amounting to €24 million and €200 million respectively.

In an additional development, with regard to repo lending transactions, the Bank adopted daily cash margining arrangements. These agreements (Global Master Repurchase Agreements - GMRAs), in line with the risk mitigation techniques referred to above, govern repurchase transactions and the related exchange of collateral in response to any changes in the mark-to-market value of the underlying security.

As at June 30, 2015 there were 10 GMRAs outstanding.

Collateral management activities and the valuations produced in this process, together with the exchange of collateral intervened with the different market counterparties, generated continuous feedback on the accuracy of the valuation models used by Iccrea Banca, enabling the relevant company units to start the process of updating the models employed where appropriate.

LENDING

In addition to institutional activities in support of the financial needs of the mutual banks, during the first half of 2015 the Lending area was involved in proposing and developing solutions to address a number of financial issues associated with the revision of the regulations governing the banking system.
The new regulatory framework impacted the operations of Iccrea Banca, with the updating of the Bank Counterparties Lending 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 the first half of 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 and the implementation of the electronic management storage of "trade finance" applications.

During the period, Iccrea Banca continued provide financial and operational assistance to the mutual banks and the banks that rely on the Bank through 222 financing operations in the form of operating loans and facilities and 14 preliminary opinions. The growth in lending seen in previous years was therefore confirmed in 2015. Total lending to mutual banks and other banks at June 30, 2015 amounted €19,947 million (of which €19,688 million to mutual banks and €259 million to ordinary banks.
Uses of loans mainly regarded lines of credit for treasury operations secured by collateral pools (€19,561 million). The remaining portion was represented by bonds subscribed by the Bank to support the medium/long-term funding of the mutual banks (€365 million), the use of financing for gold loans (€16 million), residual mortgage loans (€3 million) and lines of credit for treasury operations (€2 million).
Of total loan transactions authorized, 120 concerned lines of credit granted to the mutual banks and other banks served indirectly, of which 27 regarded new or

increased financing under the "collateral pool mechanism".

Iccrea Banca also supports a number of mutual banks that find themselves in particularly challenging situations, with the implementation of support initiatives, sometimes in partnership with other central institutions of the mutual bank industry. In the first half of 2015, these operations took the form of authorizing the disbursement, through various types of financing excluding lines of credit secured by the collateral pool, of €22 million to mutual banks facing crisis situations or in difficulty. The Bank also sought to meet the needs of the mutual banks by modifying some features of bonds already issued and subscribed by Iccrea Bank, which enabled the mutual banks to overcome technical barriers that had prevented their inclusion in the calculation of own funds (€24 million).

During the first half of 2015, €0.8 million in sureties were issued on behalf of banks, bringing the total at June 30, 2015 to €4.4 million, of which €3.1 million granted to mutual banks and €1.3 million to the ordinary banks.

As regards the bankers' draft service performed for the mutual banks and the banks that use our Bank as an "intermediary bank", the facility limits authorized during the first half of the year for loans and increases amounted to €94 million, with 7 positions authorized.

At June 30, 2015 the number of counterparties that took advantage of this service was 275, for a total stock of €5,250 million.

In the international segment, the Bank continued the development initiatives undertaken over the years, involving documentary credit confirmation transactions, totally guaranteed by Iccrea BancaImpresa. In particular, during the first half of 2015 we completed 25 transactions with banks in various countries in Europe, Asia, Africa and the Americas.

CORRESPONDENT BANKING

During the first half of 2015, the Correspondent Banking unit focused its activities on networking, necessary to ensure the Bank's support for the trade activities of exporters who are customers of the mutual banks, and on the rationalization of existing account relationships, in order to ensure the best service at the lowest possible cost for international payments.

With regard to the trade segment, one especially important development was the agreement of the Trade Facilitation Programme of the Asian Development Bank, which gives Iccrea Banca an additional means of mitigating confirmation risk in 16 Asian countries of particular interest to Italian exporters. This work also included participation in the Annual Meeting of the Asian Development Bank in Azerbaijan. Also in furtherance of supporting trade, we finalized an agreement with Gulf Bank Algeria for direct handling of letters of credit issued by that bank as well as the issuance of guarantees in favor of Algerian firms, including public-sector enterprises, thereby avoiding having to pass through other international banks, with significant cost savings and improved quality of service for customers of the mutual banks.

The effort undertaken in recent years to develop relationships has resulted in operations for confirming documentary credit, fully guaranteed by Iccrea BancaImpresa, and re-financing of letters of credit (operations in which Iccrea Banca has assumed the risk) as well as in an increase in the number of export transactions received directly from the mutual banks. More specifically, in the first half of 2015, some 40 transactions were carried out with banks in various European, Asian and African countries.

As part of trade activities, we also strengthened the assistance provided directly by the Correspondent Banking unit to the mutual banks to find solutions to problems arising with foreign banks and in setting up export transactions with their customers.

Thanks to the rationalization of account relationships with foreign counterparties, we have improved the terms and conditions on outgoing payments and increased the reciprocity of inflows. This has generated a direct benefit for mutual bank customers as payments to them from outside the European Union are now less expensive.

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, Cash and Checks) with developments in national and international market standards.

During the period, 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 E_Billing payments.

We also resumed relationships with creditor entities that had abandoned Iccrea as their collection agent with a view to managing SEDA relationships in the interest of these customers, the banks served and their customers.

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 to liaise 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. The Bank took advantage of the possibility afforded by the EPC to configure the banks it serves as a group, achieving savings of around €200,000 per year in fees for participation in SEPA.

E-Bank

In the first half of 2015, growth continued on both the issuing side, with more than 3 million cards in operation and approximately €8.2 billion in transaction value and on the POS and ATM acquiring side, with more than 140,000 PagoBancomat POSs, around 4,500 active ATMs and about €4.442 billion in transaction value. Regarding the issuing sector, all three segments (debit, prepaid, and credit) recorded substantial increases that can be summarized at June 30, 2015 as follows:

- operational debit cards reached 2.06 million compared with 1.95 million in June 2015, an increase of 5.5%;
- the stock of operational credit cards increased by 7.1%, going from 702,359 cards at June 30, 2014 to 752,299 cards at June 30, 2015;
- active prepaid cards went from 379,494 at June 2014 to 395,802 at June 30, 2015, an increase of 4.3%.

Volume growth was also posted in the acquiring segment, reaching €4.4 billion in total transaction value in first half of 2015 (of which €2.5 billion on the PagoBANCOMAT/BANCOMAT circuit and €1.9 billion on international circuits), compared with €4.3 billion in the first half of 2014, an increase of 2.3%.

During the first six months of 2015, a variety of projects were completed, some of which had already been begun in 2014:

- in April 2015 a pilot project was begun with 29 mutual banks to test

"Direct Issuing" in the production environment. The scheme is intended to internalize the card population on the management and authorization platform of Iccrea Banca: the test, which enabled fine tuning of the new operating procedures and involved the CartaBCC Cash, Classic and Tasca MasterCard products, will conclude on July 31 this year. In the meantime, the progressive roll-out plan has already been announced. By the end of 2015 it will enable all the mutual banks to issue new cards. On June 9, 2015, about 2 million CartaBCC Cash Maestro cards were successfully migrated from SIA to the new Iccrea Banca platform;
- in order to reduce costs for the mutual banks, work began on eliminating the costs associated with MasterCard and Maestro BIN still in use at banks and on completing the (residual) migration of magnetic strip cards;
- the migration to WEB/Multifunzione ATMs continued, which, by upgrading and/or replacing the ATMs owned by the mutual banks with higher performance, more secure hardware and software, will enable customers to execute telephone top-ups and payments;
- a partnership was launched for a "commercial push" on the acquiring side in order to assist the mutual banks in managing pro-active off-premises sale efforts. The proposed model will address the need for discontinuity through incremental volumes/profitability, without, however, diminishing the primary role that the mutual banks play vis-a-vis their customers;
- the transfer of ownership of contracts with Cartasì merchants to the acquirer Iccrea is close to completion. At present, more than 100,000 merchants have been switched over, corresponding to 70% of the total of 144,600. At the same time, all of the banks, technical outsourcers and POS terminal operators were activated and now operate solely through Iccrea's new merchant agreement process, ensuring compliance with applicable regulations (e.g. the new rules introduced with decree no. 51/2014 of the Ministry for the Economy and Finance), which protects customer information, together with introducing a more streamlined operating environment and greater flexibility in the pricing offered merchants (e.g. usage-bracket products).

INSTITUTIONAL SERVICES

Consistent with the process of continuous improvement begun with the reorganization of the area in 2013 and the implementation of the Lean Six Sigma system, work continued on implementing measures to improve the operation of Institutional Services with a view to optimizing the cost-to-delivery of services and raise quality levels. Efforts continued on expanding the range of products, which would also increase the number of external customers thereby providing diversification from the mutual bank network.

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

As regards the projects undertaken, in addition to continuing initiatives to ensure compliance with EMIR requirements concerning derivatives and those concerning compliance with FATCA for US tax purposes, the Institutional Services unit was especially involved in the implementation of initiatives connected with the introduction of the new European securities settlement system, Target2 Securities (T2S).

T2S, the new infrastructure for the settlement of securities transactions currently being launched by the ECB along with the European System of Central Banks, began operations on June 22, 2015 for countries in the first wave. While Italy did not form part of the first group, owing complexity issues and operational importance, roll out in this country was postponed August 31 in order to ensure greater platform reliability. Iccrea Banca has elected to participate in the new T2S system as a direct participant (DCP), placing us among the top 30 banks in Europe and among the top 3 in Italy that have opted for this approach. The purpose of this decision is to strengthen the Bank's central role in the markets and in the mutual bank network and to offer the mutual bank system the highest level of service in the settlement and administration of European financial instruments. The Bank's working group devoted to the project has pursued all of the initiatives necessary for the roll out of the new platform in accordance with the timeline established by the ECB and Montetitoli and in line with the planned project targets. In particular, on the commercial plane, the level of service offered in the new operating environment has also attracted mutual banks that had formerly maintained separate management of their settlement and custodian services, as they have appreciated the features of the global custodian service now offered by Iccrea Banca.

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

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

Ancillary services and finance database management

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 management of administrative activities relating to securities held in custody;
- administrative support for activities connected with the management of the "collateral pool" mechanism, which, by facilitating access to collateralized financing operations, in particular with the European Central Bank through the treasury desk, generated a significant increase in the financial instruments held in custody. This activity allowed the mutual bank system to activate all the emergency measures put in place by government to counter the financial and economic crisis, making a significant contribution to securing the mutual bank system;
- the listing service for mutual bank issues in the "order driven" segment of the HI-MTF market aimed at giving them the liquidity conditions provided for under Consob regulations. At June 30, 2015, there with 75 mutual banks, with a total of 1,415 issues listed;
- the issuers service, which offers administrative support for mutual bank issues;
- There are now over 100,000 financial instruments in the securities database, some 18,000 of which have balances;
- 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 the first half of 2015 confirmed the positive trend seen in recent years, with an increase in volumes of about 40% compared with the end of 2014,

with assets under administration of about €2,500,000,000 between retail customers and institutional customers;

- the management of the pricing service for financial instruments, with focus on issues by the mutual banks;
- the services concerning compliance with transparency and the monitoring of possible market abuse for which, at June 30, 2015, 158 mutual banks had subscribed to the Transaction Reporting service and 135 mutual banks to the MAD service;
- the Group companies and 162 mutual banks are participating in the service for reporting derivatives transactions to Regis-TR European Trade Repository begun last year. The participants have appointed Iccrea Banca to report the trades.

Back Office and Custody

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

During the first half of 2015, about 1,000,000 transactions were settled.

At June 30, 2015, securities in custody and administration amounted to about €122.50 billion.

CENTRAL SERVICES

Human Resources and Organization

Human resource management during the first half of 2015 saw Iccrea Banca actively participate in the entire set of initiatives undertaken at the group level for technical-specialist training, professional and management development and internal communication, with the Bank representing the largest contingent within the Group.

Iccrea Banca personnel were involved in the initiatives undertaken to improve internal communication within the company and the Group and to increase active participation of staff in improvement projects.

On the training side, initiatives involved both developing managerial and aptitude support programs and ensuring appropriate human resource specialization through a major specialized technical training program in line with the evolution of company and Group strategic policies, aligning this action with the urgent need to quickly and comprehensively update technical skills.

Around 5,300 hours (or about 662 days) of training were delivered in the first half of 2015, an average of about 8 hours per employee, with nearly all employees being targeted by these training efforts.

Use of internal mobility remains a key tool for meeting the need for new skilled employees in the various business areas, confirming the desire of the Bank and the Group to develop internal human capital. Internal job rotation affected 23 employees.

As regards developments in the workforce, at June 30, 2015 there were 739 employees, broken down by category as follows:

2% Executives;
15% Senior Managers;
29% Junior Managers;
21% Senior Professionals;
33% Junior Professionals.

With regard to the provisions of Legislative Decree 81/08, multimedia and classroom training continued to be provided to new employees and around 83 medical check-ups were arranged for employees subject to health screening since their jobs involve the use of video terminals. In addition, during the period three Workers' Health and Safety Representatives were trained, providing the training required by applicable regulations.

On the business continuity front, we performed ongoing maintenance for the HRRP business continuity system, including updating of the list of contacts in response to changes in the workforce of the units involved. Testing also began on using the secondary site, even in the absence of a crisis situation.

On the organization front, the first half of 2015 was characterized by the continuation of a number of organizational initiatives prompted on the one hand by the need to implement the guidelines established by the Parent Company and on the other by the continuation of the efficiency enhancement and rationalization process for the main operating and control areas.

The main organizational initiatives implemented during the period regarded:

- the information technology area, consistent with the Group's new IT model. More specifically, in line with the reorganization guidelines of the Parent Company, the applications development units and data processing management unit were reorganized, while an IT Risk unit was created to coordinate information security, business continuity and logic security activities;
- the risk governance area, in line with the guidelines set out in the new prudential supervision regulations for banks. More specifically, an Incident Officer position was created with duties including the monitoring and supervision of overall registration and management of incidents and problems. In addition, the position of supervisor of outsourced activities was created and, in line with the reorganization directives of the Parent Company, the risk governance area was reorganized.

In addition, measures were enacted to continually enhance the efficiency of operational processes and rationalize them in order to implement the guidelines issued by the Parent Company and the organizational changes that have been introduced, as well as to ensure constant compliance with developments in external regulations, with special reference to the new prudential supervision rules for banks. More specifically, the main areas affected included information technology, risk management and governance, outsourcing and additional measures to ensure regulatory compliance in the finance sector.

Finally, towards the close of the period, in line with the group reorganization process, reforms were introduced at the Parent Company, which led to a revision of the organizational arrangement of the Bank, with the centralization with the Parent Company of certain strategic and staff activities, which are performed at the Group level. The reorganization will be rolled out in operations in the second half of the year.

In 2015, Iccrea Banca continued to pursue continuous improvement initiatives with the completion of projects initiated in previous periods and activating an addition four improvement *Kaizen* in which Lean Six Sigma techniques were employed.

All of the activities of the "Continuous Improvement for Excellence" unit and the results achieved are illustrated in a specific section of the Group intranet (GBI Community).

Business intelligence

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

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

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

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

ALM Unit

The ALM and Consulting unit is responsible for supporting Business Intelligence in analyzing the operational balance of the mutual banks and in identifying their needs for financial solutions and products.

In the first half of 2015, the following further actions, beyond those implemented in previous years, were undertaken:

- incorporation in the systems for the analysis of the financial profile of the mutual banks for new liquidity indicators at short term (LCR) and medium term (NSFR) as well as leverage indicators based on the system-wide approach agreed for the transposition of the new supervisory regulations for banks (Basel 3);
- the integration and development of the existing system for the prospective analysis of risks, updating the initial approach developed in the first version of the RAF to reflect the experience gained with the mutual banks;
- the consolidation of risk/return metrics for the securities portfolio through the MRGFI application.

Further development work was conducted with the operations observatory in order to enhance its capacity to promptly capture a view of the main financial and performance indicators of the mutual banks, seeking to provide effective support to the analytical work of the Business Intelligence, Lending and Risk Management units of Iccrea Holding.

At June 2015 those taking advantage of the services of the ALM and Consulting unit were as follows:

- consulting services :
  - o 32 mutual banks with consulting contracts;
  - o 1 ordinary bank with a consulting contract;
  - o 6 federations, corresponding to 89 mutual banks;
- ALM services
  - o 186 mutual banks with ALM contracts.

Financial Information Unit

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

It 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 and the leading precious metal indices.

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

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

Marketing Unit

The Marketing unit is responsible for monitoring and enhancing the product range of Iccrea Banca, analyzing the needs of the local banks and their customers and monitoring the opportunities that may arise in their markets.

The Marketing unit is the key partner of the other units of Iccrea Banca in the development and updating of products and services, from conception to delivery, with the goal of offering a complete lineup of solutions that is consistent with internal and external market conditions. At the same time, Marketing is also a catalyst within Iccrea Banca, suggesting changes and fostering actions to renew the image and substance of the products and services we offer our customers.

The year 2015 has been characterized by the "think digital" approach that is involving all of the activities of Marketing, with the objective of offering advanced, updated services for everyone.

With the mission to strengthen and renew the brand identify, 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 focusing on the share-of-wallet of the target in order to increase value through integrated commercial solutions.
In order to make CartaBCC even more recognizable and modern, our dedicated product communication channels are being restructured:

- reorganization/rationalization of content by customer target on web sites;
- making portals responsive;
- graphical restyling of the user experience and the user interface of portals;
- online issue of prepaid cards (www.cartabcc.it);
- inclusion of cookies in Analytics;
- area news;
- development of customized apps (IOS/ANDROID);
- geolocation services;
- leveraging the relationship between CartaBCC and its customers, whether individuals or merchants, encouraging the use of the network of dedicated discounts and shopping opportunities by rewarding loyalty with an ongoing customer loyalty program;
- renovation of the CartaBCC Club, the window devoted to cardholders to give them access to the opportunities offered by merchants who bank with the mutual banks;
- approval of content and images on the Facebook page and other social media outlets.

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*" organized on the Adriatic coast in the summer, involving 12 mutual banks if offering an extensive program of entertainment and promotional initiatives.

Market analysis saw the automation of reporting on e-money, which is set to local mutual banks to assist them in monitoring the use of credit, debit and prepaid cards and any divergences 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 multi-channel 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 planform 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 service is a 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 are conducting ongoing analysis 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.

Financial Solutions Unit

The main activities performed by the Financial Solutions Unit in the first half of 2015 were as follows:

- consolidation of the support provided both within Iccrea Banca and to the mutual banks within the scope of the activities involved in participating in TLTROs;
- consolidation of the new financial-risk management tool (Summit-MRGFI) used on a daily basis to calculate financial and economic indicators (VaR, P&L, scenario analyses, etc.) for some 450 financial portfolios related to about 200 mutual banks. Within this context, calculation of risk metrics was extended to include securities issued by the Iccrea Banking Group companies held by the mutual banks;
- definition of methodological issues concerning the pricing and quantitative valuation of risk within the project for the management of negative interest rates;
- design and development of the new model for valuing CMS derivatives;
- start of methodological analysis to extend the new multi-curve measurement framework based on OIS discounting in a multi-currency environment;
- modification of pricing policy for bonds issued by Iccrea, differentiated by seniority and the type of customer at which the bonds are targeted;
- providing methodological support for the issue by Iccrea Banca of subordinated bonds with regard to new Consob requirements concerning monitoring of the credit spread of the issuer;
- developing quantitative analyses supporting the mutual banks on fair funding conditions, associated in particular with the issue of subordinated bonds and the issue of AT1 instruments;
- assessment at the request of the mutual banks and the internal units of Iccrea Banca of financial instruments, including complex securities, providing analysis of risk profiles;
- providing specialized support to the mutual bank on the measurement of interest rate risk on the banking book;

- providing assistance upon the request of the mutual banks with regard to capital requirement solutions;
- consolidation of the reporting by mutual banks on the data gathered concerning counterparty risk profiles and on the estimates of the capital required to hedge the risk of default and CVA risk;
- the start – in support of the ALM and Consulting unit – of validation of the methodological framework of the ALM procedure;
- supporting the IT functions of the Bank in implementing the new assessment processes for the mutual banks and the Iccrea Banking Group, as well as the methodologies aimed at meeting the mutual bank's risk measurement and management needs;

Commercial Unit

In the first half of 2015, the Institutional Relations Managers (GRI) performed the following number of activities:

Type	No. of activities
Visit	957
Contact	158
Event	86
Training	134
Promotional activity	2
Specialist activity	92
Other	23
Total	**1452**

Most of these related to the Finance, Electronic Money and Payment Systems areas.

The following promotional campaigns were carried out:

Area	No. of campaigns
Finance	4
E-money	1
Collections & Payments	1
Business Intelligence	0
Institutional services	0
Support services	0
Web area	0
Lending	0
Other	0
Total	**6**

The Customer Relationship Management (CRM) tool was refined further, partly with a view to enable the inputting of the information needed for the upcoming "Apply for your card online" campaign, which will be launched in the second half of 2015. The work performed by our unit is considered preparatory to the implementation of the Group CRM tool, especially in the light of the recent reorganization of the Commercial Development area of Iccrea Holding.

Considerable support was provided by the commercial network for initiatives associated with:

- Push Acquiring
- MyBank
- E-Money Training.

Strategic Planning

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

In the first half of 2015, work continued on consolidating the centralized management database, scalable at the Group level, into which information is entered in a standardized manner into the management control system, the ALM and the CRM, was completed. The system centralizes management, commercial and risk information, with a special emphasis on the management of counterparty data, which can also be used for geomarketing analysis.

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

Information Systems

During the year, the Bank's information system was developed further with a view to supporting the growth of business of the Bank and the Group, seizing opportunities to rationalize application and infrastructure services.

Consistent with this spirit, the IT function continued efforts to expand the role of the Chief Technology Officer (the "CTO") to cover all Group companies, with a sharp increase in the delivery of application and infrastructure services to users outside Iccrea Banca.

In parallel with these developments, in the first half of 2015 the "TrasformAzione" program was implemented with the objective of building a fully integrated ICT organization, with operational arrangements and performance in line with the highest industry standards and modern architectures capable of sustaining the challenges of digital evolution. The program led to the adoption of the ITIL (v3) methodological standard and the definition service delivery processes focused on the various phases of operations in order to guarantee the quality and consistency of ICT services. In addition, the program also involved the construction of the first architectural map with an integrated view of applications architectures and technology architectures at Iccrea Banca, Iccrea BancaImpresa, BCC Sistemi Informatici and BCC Risparmio e Previdenza. This new instrument enabled an initial survey of our requirements for technical modernization and opportunities for consolidation.

With the introduction of the Demand IT function, the period saw the roll out of the Portfolio Management and Stage Gate operating processes, which increased the level of control over company planning, with tangible benefits in terms of the efficiency of ICT investments.

Looking at the contribution of each ICT area in the first half of 2015, we achieved major objectives in our planning and project implementation, with the completion of priority initiatives to support company strategy, such as, for example, the migration of more than 2 million Maestro debit cards to the Iccrea Banca platform and the increase in the level of service and technological infrastructure security.

More specifically:

Web and multi-channel applications

Activities in this area focused on supporting the evolution of existing communication tools, which are an increasingly central part of the strategic vision of Iccrea Banca, and on the creation of collaborative and support platforms for social media interaction, key ingredients in evolving the Bank's strategic vision towards thematic communities (the Iccrea Banking Group community, the e-money community, the finance community, etc.). The key element in this effort is Polaris: an extranet web environment shared by Iccrea Banca and the mutual banks, who provide information on their major initiatives, on products and services, and publish circulars and operating procedures. With 3,000 registered users, Polaris is also a newsletter delivered to its readers via e-mail. Polaris, with 274 mutual banks as regular users, is the site most visited by mutual bank personnel.

The development and maintenance of mutual bank websites has long been a major area of development for the Web and Multi-Channel Applications unit:

- the management of 250 web-based environments;
- 100 mutual bank websites attracting about 20 million visits in 2014
- 25 new mutual bank websites and 3 new Apps launched in 2014.

In the first half of 2015, this area was involved in the continuation of the initiative launched with the Friuli Venezia Giulia Federation to build a new site for the mutual banks on the basis of the most modern design standards and with full integration into the centralized services infrastructure of the Bank itself. This product, which is also available in a mobile version, was officially entered in the Iccrea Banca product catalogue and has experienced an acceleration in requests from other federations and individual mutual banks.

Efforts in the social media area also continued in the first half, with the publication of the Facebook page of Carta BCC, which with more than 41,000 friends in just a few months has been an unexpected success, opening the way to rapid developments in this area.

During the period, the Web and Multi-Channel Applications unit inherited full responsibility for managing the portals of the electronic money segment, making it possible to exploit skills more effectively and achieving immediate results in terms of efficiency and consistency in the evolution of channels on the public web. One initial achievement of this change has been the improvement in the portal access experience (reset password) for mutual bank cardholders, a change that significantly reduced customer calls to the help service. The activity of the Web and Multi-Channel Applications unit also involved the companies of the Iccrea Banking Group with the construction of vertical sites and productivity support tools for operating and commercial units:

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

Electronic Money Applications

The activities of the Electronic Money Applications unit were focused on supporting the ongoing expansion of the segment on both the issuing side, with 3.2 million operational cards and on the POS and ATM acquiring side, with more than 140,000 POS terminals and 4,500 ATMs active. May and June saw especially intensive activity to completion the VisionPLUS platform and prepare for the migration of more than 2 million Maestro debit cards, an initiative that was successfully completed at the start of June.

The segment was strengthened during the first half of the year in order to improve support for the ambitious plans for internalizing issuing and acquiring in 2015 and 2016, key elements of the development of the new customer relations platform (the "e-money relationship hub"). At the start of the period, the Electronic Money Applications unit completed the implementation of the complementary functions for the VisionPLUS platform that were needed to ensure the consistency of the e-money segment architecture:

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

The period also saw the full launch of the E-money High Availability (HA) project, which is intended to increase platform availability and performance levels even more, in line with the insourcing strategy now being implemented.

Payment Systems and International Applications

In October 2014, the Interbank Applications Center was merged into the new Payments Systems and International Applications unit. In 2013, the Payment Systems Strategy Committee of Iccrea Banca approved the exit of Iccrea Banca from the SEPA ACH, hence today the Interbank Applications Center part of the unit is responsible for promoting and development issues concerning the typical activities of an interbank applications center for domestic applications families, while Iccrea Banca is a Direct Participant in the EBA Clearing ACH for SEPA services.

The Italy Payments Committee, chaired by the Bank of Italy, has set a deadline of 2017 for the migration to SEPA of niche products that are still channeled through BI-Comp or through the domestic applications center. The European payments industry is increasingly oriented towards interoperable clearing and settlement, based on the SEPA XML 20022 standard and 24/7 instant payments platforms. In the first half of 2015, Iccrea Banca developed two new solutions: MyBank (e-payments) and Satispay (mobile payments). The Bank was an active participant in the working groups within the leading interbank and international institutions that are working to define the new standards and the new scope of operations.

Finance Applications and Management Applications

As part of settlement services activities and those with the Bank of Italy, the Internal and Finance Applications unit continued its work on the development of new solutions that will enter production during 2015. They will offer the mutual banks more advanced services in line with the current operational and regulatory environment. More specifically, activities included:

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

AS part of the evolution program for the Sintesi systems, 2015 has seen the start of planning for the extension of the SAP platform for expenditure and supply chain management to the other companies of the Iccrea Banking Group. The initiative is part of a broader program that has already involved the introduction of the central purchasing system, a key element of the effort to monitor and govern spending more effectively.

The unit was also involved in leading the Target2 Securities project, the new infrastructure, now being implemented by the ECB and the Eurosystem to settle securities transactions. Iccrea Banca has distinguished itself internationally for the quality of its implementations and the consistency of its management of the project. The initiative will get under way at the end of August 2015. From that date, Iccrea Banca will become a Direct Participant alongside the leading international players in securities settlement and custody.

Data Center

During the year, the Data Center unit began the "System ICT – Phase 2" infrastructure project with the aim of completing work on integrating the operating units of Iccrea Banca, Iccrea BancaImpresa, BCC Sistemi Informatici and all the mutual banks with the technical unit. The project, which has already achieved significant efficiency targets, has substantially increase the performance of the systems available to the mutual banks, laying the foundations for future opportunities in the delivery of hosting services to other Group companies.

Towards the close of the first half, the Data Center unit began work on the reorganization and restructuring of the databases, an important element in ensuring efficiency and security in ICT units, with the establishment of a dedicated unit, the consolidation of the MSSQL databases on the enterprise architecture and extraordinary maintenance of the Bank's DB2. In other initiatives involving basic technology, work continued on updating and adapting infrastructures based on organizational needs, both in terms of capacity and regulatory compliance, the latter of which is of particular importance in the electronic money segment. The upcoming insourcing of issuing and acquiring efforts in this area have required a particularly complex and expensive upgrade to the rules of the Visa-MasterCard (PCI-DSS) circuits. However, this will also help achieve a broader reinforcement of company security levels (Iccrea Banca has already obtained ISO 27001 certification of its information security management system).

The business continuity management system has also been upgraded to the specifications of the new ISO 22301 standard, and compliance has been certified.

The start of the first half of 2015 was also characterized by the project to ensure compliance with the 15th update of Bank of Italy Circular 263, the objective of which was to increase the maturity of the ICT internal control system in the areas of IT Governance, IT Risk, Information Security and Data Governance.

Audit Department

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

The main internal audit activities carried out in the period regarded the following:

- Information Technology: checks were conducted of information security (the auditors found a need to implement improved governance arrangements for the work of the CTO and to ensure the effectiveness of controls on managing changes in IT infrastructure. The Bank has already developed an action plan, with most of the initiatives already completed, remedying the shortcomings) and business continuity (the auditors found that the measures taken to resolve issues raised previously were appropriate on the whole. In addition, during the tests conducted on April 19, 2015, following a simulation of system unavailability at the primary site, a number of critical applications (including ATM services) were reactivated more quickly than the 2 hour limit imposed);
- Transaction Reporting and Post Trade Transparency: compared with previous interventions in this area, progress was found to have been achieved on initiatives to ensure business continuity, the updating of internal rules, and specific contractual agreements with customers. Improvements were also found with regard to: i) updating contract documentation, including with regard to the requirements set out in the 15th update of Bank of Italy Circular 263 concerning outsourcing; and ii) upgrading the Bank's securities registration system for more appropriate management of fields/attributes need to correctly identify financial instruments relevant for transaction reporting and post-trade transparency, thereby avoiding manual intervention;
- Anti-money laundering: audits involved the Finance International and Collections/Payments areas, with a focus on ensuring the accuracy and completeness of data input for the Unified IT Database. While the database was found to be generally adequate and complete, a number of areas of improvement were found with regard to customer information.

Specific remotely-monitored control indicators were also introduced for the Payment Systems and Finance areas. In addition, the department continued to provide structured oversight the outsourcers handling fiduciary deposits, which are responsible for cash management.

The primary initiatives for remedying all audited processes continued to be monitored.

Operational Risks, Compliance and Anti-Money Laundering

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

Finally, the Compliance unit, in line with the guidelines established by top management, carried out the above initiatives while being aware of the central role that the Bank plays in relation to the services that the mutual banks/ordinary banks deliver to their customers.

Risk Management

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 and market environment and changes in the organizational, operational and corporate arrangement of the Group, in the first half of 2015 work was completed on the review of the governance model and the associated organizational structure of the second-level control units (Risk Management, Compliance and Anti-Money Laundering) in compliance with the provisions of the 15th update of Bank of Italy Circular 263/2006.

More specifically, in a continuance and completion of previous initiatives with Group Risk Management, the new organizational effort has centralized functional responsibilities for operational risks, compliance risk and money-laundering risk and risk management of all the Group's banks and financial companies at the Parent Company, with the establishment of the CRO area, as the natural evolution of Group Risk Management itself. In compliance with prudential requirements, at the company level these functions report 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.

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 Bank Risk unit oversees and monitors *credit risk*. In the first half of 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 the first half of 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 trading portfolio and the operation of the Bank on a daily basis. Finally, in response to the constant evolution of the regulatory framework and the increasing complexity of the operational environment, which has made it necessary to finalize activities to revise the methods for calculating market risks with the introduction of a historical simulation approach, work was begun on a gap analysis aimed at revising market risk analysis, monitoring and control processes and methods.

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 the first half of 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 the first half of 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.

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 early 2015, Risk Management was also involved in activities concerning compliance in the SSM, such as impact analyses (the Quantitative Impact Study or QIS) aimed a assessing the quantitative impact (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).

Administration

In addition to providing support and administrative cooperation to the mutual banks, the federations and the Group companies, during the first half of 2015 the Administration unit, as part of the evolution of the Iccrea Banking Group, 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:

- T2S: accounting parameterization and testing of the new operating functions within the overall structure of the project;
- T-LTRO: the new collection procedure was rolled out for the reporting templates prepared by the more than 190 mutual banks participating in the Iccrea T-LTRO Group for purpose of monitoring activates and reporting to the Bank of Italy;
- Supply Chain: an analysis of the Group's entire supply chain was initiated on the SAP platform.

Statistical Reporting

In addition to the normal reporting activities of the bank and a number of Group companies, work began on the Group Central Credit Register. Significant effort also went into the preparation of the reporting for December 31, 2014 (ArPe process, asset encumbrance, credit quality etc.) and the preparation of reporting for the ECB's QIS and the survey of non-performing positions at December 31, 2014. Work is currently under way on the definition of the analyses for the development of the integrated supervision platform, the Bastra procedure and the supervisory indicators for risk management.

Security and Logistics

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

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

5. SUBSEQUENT EVENTS

The Bank participates in the new centralized platform for securities settlement, of Eurosystem Target 2-Securities (T2S), as a directly connected participant (DCP) starting with the first wave, with Monte Titoli acting as central securities depository (CSD). The new platform was developed to offer settlement of all types of transaction in central bank money. The main objective of the new platform is to harmonize operational practices and standardize securities settlement processes, stimulating innovation and competitiveness. In July, testing of the new platform continued. At the moment, the migration of operations to the platform is scheduled for the last week of August.

As part of the process of rationalizing the Group's activities in accordance with the strategic policies set by the Parent Company, the Board of Directors of Iccrea Banca modified the organizational structure in accordance with the new Group model. The new structure provides for the centralization of activities, resources, secondments and "functional reporting" of certain units with the Parent Company.

Developments in the markets, which performed very poorly at the end of the period, showed steady recovery in July, allowing the valuation reserve on our securities holdings to be recouped almost entirely.

6. 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 the first half of 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. During the year under way, there are no positions or transactions resulting from atypical or unusual transactions.

Pursuant to Consob communications DAC/98015375 of February 27, 1998 and DEM/1025564 of April 6, 2001, the term "atypical or unusual" refers to transactions whose scale, counterparties, purpose, method of determining the transfer price or timing might raise concern about the accuracy and completeness of the disclosures in the financial statements, conflicts of interest, preservation of the integrity of the company's financial position and protection of shareholders.

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

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

In addition, in the first half of 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.

7. OUTLOOK FOR THE FULL YEAR

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

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

Overall, the actions undertaken should permit the Bank to achieve satisfactory returns.

These interim financial statements were prepared and approved on August 6, 2015 by the Board of Directors, which authorized their release as no further modification will be possible.

Rome, August 6, 2015

THE BOARD OF DIRECTORS

Financial statements

BALANCE SHEET

	ASSETS		30/06/2015		31/12/2014
10.	Cash and cash equivalents		89,933,523		104,077,427
20.	Financial assets held for trading		374,113,326		471,050,238
30.	Financial assets at fair value through profit or loss		338,676,376		321,232,309
40.	Financial assets available for sale		5,899,157,929		4,145,823,436
50.	Financial assets held to maturity		2,448,431,796		3,536,798,878
60.	Due from banks		34,209,536,773		35,587,199,591
70.	Loans to customers		2,661,873,659		1,873,282,837
80.	Hedging derivatives		8,518,029		10,333,005
90.	Value adjustments of financial assets hedged generically (+/-)		29,483		170,821
100.	Equity investments		263,610,066		263,610,066
110.	Property and equipment		8,025,897		9,402,378
120.	Intangible assets		8,257,064		8,704,742
130.	Tax assets		2,768,826		1,966,852
	b) deferred	2,768,826		1,966,852	
	of which Law 214/2011	*2,768,826*		*1,966,852*	
150.	Other assets		149,576,522		147,346,885
	TOTAL ASSETS		**46,462,509,269**		**46,480,999,465**

	LIABILITIES AND SHAREHOLDERS' EQUITY		30/06/2015		31/12/2014
10.	Due to banks		17,281,695,917		29,295,429,430
20.	Due to customers		23,186,427,319		10,940,996,529
30.	Securities issued		4,324,057,122		4,397,338,880
40.	Financial liabilities held for trading		375,295,726		487,068,349
50.	Financial liabilities at fair value through profit or loss		454,110,508		462,100,203
60.	Hedging derivatives		84,842,513		77,039,326
80.	Tax liabilities		7,642,494		22,473,772
	a) current	3,451,121		267,561	
	b) deferred	4,191,373		22,206,211	
100.	Other liabilities		217,105,083		230,685,427
110.	Employee termination benefits		13,369,955		13,740,307
120.	Provisions for risks and charges::		6,424,876		6,303,841
	b) other provisions	6,424,876		6,303,841	
130.	Valuation reserves		60,289,651		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 (+/-)		39,909,612		47,692,915
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**46,462,509,269**		**46,480,999,465**

INCOME STATEMENT

		30/06/2015		30/06/2014	
10.	Interest and similar income		151,235,359		208,902,045
20.	Interest and similar expense		(104,130,182)		(175,096,664)
30.	**Net interest income**		**47,105,177**		**33,805,381**
40.	Fee and commission income		188,050,094		181,679,275
50.	Fee and commission expense		(123,443,593)		(121,567,217)
60.	**Net fee and commission income (expense)**		**64,606,501**		**60,112,058**
70.	Dividends and similar income		208,582		516,682
80.	Net gain (loss) on trading activities		14,501,640		11,094,646
90.	Net gain (loss) on hedging activities		(502,725)		(537,483)
100.	Net gain (loss) on the disposal or repurchase of:		21,503,786		14,972,278
	a) loans	3,691,806		83,204	
	b) financial assets available for sale	22,282,512		18,174,441	
	d) financial liabilities	(4,470,532)		(3,285,367)	
110.	Net gain (loss) on financial assets and liabilities designated as at fair value		758,480		(2,263,137)
120.	**Gross income**		**148,181,441**		**117,700,425**
130.	Net losses/recoveries on impairment:		(1,761,632)		983,214
	a) loans	856,508		983,214	
	d) other financial transactions	(2,618,140)		-	
140.	**Net income (loss) from financial operations**		**146,419,809**		**118,683,639**
150.	Administrative expenses:		(90,777,991)		(87,805,300)
	a) personnel expenses	(30,728,604)		(31,680,261)	
	b) other administrative expenses	(60,049,387)		(56,125,039)	
160.	Net provisions for risks and charges		(150,337)		(270,527)
170.	Net adjustments of property and equipment		(1,520,224)		(1,289,109)
180.	Net adjustments of intangible assets		(2,756,682)		(2,043,921)
190.	Other operating expenses/income		9,932,336		10,012,016
200.	**Operating expenses**		**(85,272,898)**		**(81,396,841)**
250.	**Profit (loss) before tax on continuing operations**		**61,146,911**		**37,286,798**
260.	Income tax expense from continuing operations		(21,237,298)		(14,242,743)
270.	**Profit (loss) after tax on continuing operations**		**39,909,612**		**23,044,055**
280.	Profit (loss) after tax of disposal groups held for sale		-		200,419
290.	**Net profit (loss) for the period**		**39,909,612**		**23,244,474**

STATEMENT OF COMPREHENSIVE INCOME

		30/06/2015	30/06/2014
10.	**Net profit (loss) for the period**	**39,909,612**	**23,244,474**
	Other comprehensive income net of taxes not recyclable to income statement		
40.	Defined-benefit plans	(187,227)	(459,676)
	Other comprehensive income net of taxes recyclable to income statement		
90.	Cash flow hedges	(182,851)	325,651
100.	Financial assets available for sale	(35,632,264)	23,779,957
130.	**Total other comprehensive income net of taxes**	**(36,002,342)**	**22,994,630**
140.	**Comprehensive income (Item 10+130)**	**3,907,270**	**46,239,104**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS AT JUNE 30, 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	DIVIDENDS AND OTHER ALLOCATIONS	CHANGE IN RESERVES	PURCHASE OF TREASURY SHARES	EXTRAORDINARY DIVIDENDS	CHANGE IN EQUITY INSTRUMENTS	DERIVATIVES ON TREASURY SHARES	STOCK OPTIONS	PURCHASE OF TREASURY SHARES	COMPREHENSIVE INCOME AT 30/06/2015	SHAREHOLDERS' EQUITY AT 30/06/2015
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			-							(36,002,342)	60,289,651
Equity instruments	-		-							-				-
Treasury shares	-		-				-	-						-
Net profit (loss) for the year	**47,692,915**	**-**	**47,692,915**	**(7,500,000)**	**(40,192,915)**								**39,909,612**	**39,909,612**
Total shareholders' equity	**547,823,401**	**-**	**547,823,401**		**(40,192,915)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,907,270**	**511,537,756**

"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. and the transfer of the "branch services" business unit to Banca Sviluppo.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT JUNE 30, 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	PURCHASE OF TREASURY SHARES	EXTRAORDINARY DIVIDENDS	CHANGE IN EQUITY INSTRUMENTS	DERIVATIVES ON TREASURYSHARES	STOCK OPTIONS	PURCHASE OF TREASURY SHARES	COMPREHENSIVE INCOME AT 30/06/2014	SHAREHOLDERS' EQUITY AS AT 30/06/2014
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			-							22,994,630	115,036,510
Equity instruments	-		-							-				-
Treasury shares	-		-				-	-						-
Net profit (loss) for the year	**40,027,802**	**-**	**40,027,802**	**(5,000,000)**	**(35,027,802)**								**23,244,474**	**23,244,474**
Total shareholders' equity	**530,674,347**	**-**	**530,674,347**		**(35,027,802)**	**233,828**	**-**	**-**	**-**	**-**	**-**	**-**	**46,239,104**	**542,119,477**

"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. and the transfer of the "branch services" business unit to Banca Sviluppo..

STATEMENT OF CASHFLOWS (INDIRECT METHOD)

	30/06/2015	31/12/2014	30/06/2014
A. OPERATING ACTIVITIES			
1. Operations	**(115,283,528)**	**172,184,216**	**104,729,700**
- net profit (loss) for the period (+/-)	39,909,612	47,692,915	23,244,474
- gains (losses) on financial assets held for trading and on financial assets/liabilities at fair value through profit or loss(-/+)	(1,245,078)	9,475,713	30,788,458
- gains (losses) on hedging activities (-/+)	502,725	(268,224)	537,483
- net losses/recoveries on impairment (+/-)	2,422,500	3,944,752	(983,214)
- net adjustments of property and equipment and intangible assets(+/-)	4,276,776	7,852,757	3,382,881
- net provisions for risks and charges and other costs/revenues (+/-)	490,538	2,058,517	1,078,208
- taxes, duties and tax credits to be settled (+/-)	22,039,270	23,422,600	12,589,728
- net adjustments of disposal groups held for sale net of tax effects (+/-)	-	-	-
- other adjustments (+/-)	(183,679,871)	78,005,187	34,091,683
2. Net cash flows from/used in financial assets	**(1,116,670,006)**	**(3,527,289,717)**	**(4,147,453,892**
- financial assets held for trading	97,188,675	(32,787,906)	(32,576,570)
- financial assets at fair value through profit or loss	(19,296,549)	(110,509)	4,895,557
- financial assets available for sale	(1,774,168,132)	(666,701,449)	(666,079,575)
- due from banks: repayable on demand	(330,060,102)	291,947,356	(196,368,477)
- due from banks: other	1,699,399,155	(3,079,176,675)	(2,889,215,35
- loans to customers	(789,872,635)	(105,071,495)	(374,401,621)
- other assets	139,583	64,610,961	6,292,151
3. Net cash flows from/used in financial liabilities	**150,086,857**	**3,410,797,137**	**4,079,580,481**
- due to banks: repayable on demand	(91,687,412)	53,666,242	50,510,927
- due to banks: other	(11,768,413,739)	7,844,117,764	2,666,266,023
- due to customers	12,250,420,720	(4,337,584,972)	796,256,977
- securities issued	(85,054,020)	88,086,020	187,582,926
- financial liabilities held for trading	(111,676,416)	95,424,302	23,938,408
- financial liabilities at fair value through profit or loss	(5,151,094)	(306,738,273)	(15,753,168)
- other liabilities	(38,351,182)	(26,173,946)	370,778,389
Net cash flows from/used in operating activities (A)	**(1,081,866,677)**	**55,691,636**	**36,856,289**
B. INVESTING ACTIVITIES			
1. Cash flows from	**1,110,368,437**	**1,900,920,480**	**193,105,173**
- sales of equity investments	-	-	-
- dividends on equity investments	-	-	-
- sales of financial assets held to maturity	1,110,368,307	1,900,386,000	192,581,180
- sales of property and equipment	130	525,480	523,993
- sales of intangible assets	-	-	-
- sales of subsidiaries and business units	-	9,000	-
2. Cash flows used in	**(2,452,748)**	**(1,900,377,697)**	**(201,360,834)**
- purchases of equity investments	-	(200,055,441)	(200,046,441)
- purchases of financial assets held to maturity	-	(1,689,394,733)	-
- purchases of property and equipment	(143,744)	(4,025,966)	(620,689)
- purchases of intangible assets	(2,309,004)	(6,901,557)	(693,704)
- purchases of subsidiaries and business units	-	-	-
Net cash flows from/used in investing activities (B)	**1,107,915,689**	**542,783**	**(8,255,661)**
C. FINANCING ACTIVITIES			
- issues/purchases of own shares	-	-	-
- issues/purchases of equity instruments	7,500,000	233,828	233,828
- dividend distribution and other	(47,692,915)	(35,027,802)	(35,027,802)
Net cash flows from/used in financing activities C(+/-)	**(40,192,915)**	**(34,793,974)**	**(34,793,974)**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (D)=A+/-B+/-C	**(14,143,903)**	**21,440,446**	**(6,193,346)**

RECONCILIATION

	30/06/2015	31/12/2014	30/06/2014
Cash and cash equivalents at beginning of period (E)	104,007,427	82,636,981	82,636,981
Net increase/decrease in cash and cash equivalents (D)	(14,143,904)	21,440,446	(6,193,346)
Cash and cash equivalents: net foreign exchange difference (F)	-	-	-
Cash and cash equivalents at end of period (G)=E+/-D+/-F	89,933,523	104,007,427	76,443,635

Notes to the financial statements

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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 June 30, 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 interim financial statements are compliant with the provisions of IAS 34 and have been prepared using the main tables set out in Circular no. 262 of December 22, 2005 on the format and rules for preparation of bank financial statements – 3rd update of December 22, 2014 – issued by the Bank of Italy in the exercise of the powers established by Article 9 of Legislative Decree 38/2005.

Iccrea Banca has elected the option to prepare its half-year financial report in a condensed version rather than in the full version envisaged for the annual financial statements.

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.
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.

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

ENDORSEMENT REGULATION	IAS/IFRS AND SHORT DESCRIPTION	ENTRY INTO FORCE
To be determined	**IFRS 9 Financial instruments–** The standard will establish criteria for the classification and measurement of financial assets and liabilities, replacing IAS 39, with a view to improving the materiality and utility of the disclosures.. The 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 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.

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. The other standards do not affect the Bank's financial position and performance.

Section 2: General preparation principles

The interim 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, while the income statement reports the comparative figures for the same period of the previous year.

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 June 30, 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 June 30, 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). In accordance with Bank of Italy Circular no. 262 of 22 December 2005 – 3rd update of December 22, 2014 - items without values for the reference period and the previous period are not included. In the income statement and in the relevant sections of the notes to the financial statements, revenues are shown without indicating their sign, while cost figures are shown within parentheses.

STATEMENT OF COMPREHENSIVE INCOME

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

STATEMENT OF CHANGES IN EQUITY

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

STATEMENT OF CASH FLOWS

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

NOTES TO THE FINANCIAL STATEMENTS

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

Section 3: Events subsequent to the reporting date

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

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

Section 4: Other information

CONSOLIDATED TAX MECHANISM OPTION

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

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

OTHER ISSUES

The financial statements have 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.

RECOGNITION

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

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

MEASUREMENT

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

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

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

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

Where impairment is found, the amount of this loss is measured as the difference between the carrying 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, substandard loans, restructured loans or loans past due or overlimit, in accordance with the Bank of Italy's current rules, in line with the provisions of the IAS/IFRS.

Impairment loss is recognized only when, subsequent to initial recognition, events have occurred that give rise to objective evidence of impairment such as to cause a change in the reliably estimated cash flows.

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

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

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

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

DERECOGNITION

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

Where it is not possible to determine whether substantially all the risks and rewards have been transferred, the loan is derecognized if no form of control over it is retained. Conversely, where even a portion of control is retained, the loan continues to be recognized to the extent of the continuing involvement in the asset, measured by the exposure to changes in value of the transferred loans and changes in their cash flows.

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

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

RECOGNITION OF INCOME COMPONENTS

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

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

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

5 – Financial assets at fair value through profit or loss

CLASSIFICATION

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

RECOGNITION

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

MEASUREMENT

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

DERECOGNITION

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

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

RECOGNITION OF INCOME COMPONENTS

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

6 – Hedging

CLASSIFICATION

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

The types hedges used are as follows:

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

stabilize interest flows on variable-rate funding to the degree that the latter finances fixed-rate lending. In some circumstances, analogous transactions are carried out for certain types of variable-rate lending;

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

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

RECOGNITION

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

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

Hedging derivatives are measured at fair value.

More specifically:

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

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

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

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

Effectiveness is measured at every reporting date through:

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

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

DERECOGNITION

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

7 – Equity investments

CLASSIFICATION

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

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

RECOGNITION

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

MEASUREMENT

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

DERECOGNITION

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

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

RECOGNITION OF INCOME COMPONENTS

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

8 – Property and equipment

CLASSIFICATION

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

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

DERECOGNITION

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

RECOGNITION OF INCOME COMPONENTS

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

9 – Intangible assets

CLASSIFICATION

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

RECOGNITION

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

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

MEASUREMENT

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

DERECOGNITION

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

RECOGNITION OF INCOME COMPONENTS

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

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

CLASSIFICATION

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

RECOGNITION

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

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

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

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

DERECOGNITION

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

11 – Current and deferred taxation

CLASSIFICATION

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

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

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

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

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

Recognition and measurement

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

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

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

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

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

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

Recognition of income components

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

12 – Provisions for risks and charges

OTHER PROVISIONS FOR RISKS AND CHARGES

Recognition and classification

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

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

MEASUREMENT AND RECOGNITION OF INCOME COMPONENTS

The amounts recognized are reviewed at every balance sheet date and are adjusted to reflect the best estimate of the expense required to 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..

17 – Other information

EMPLOYEE TERMINATION BENEFITS

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

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

Therefore, starting January 1, 2007, the Bank:

- continues to recognize the obligation accrued at December 31, 2006 in accordance with the rules for defined-benefit plans. It shall measure the obligation for benefits accrued by employees using actuarial techniques and shall calculate the total amount of actuarial gains and losses and the portion of these to be recognized in accordance with IAS 19 Revised;
- recognizes the obligation for portions accrued starting January 1, 2007, payable to a supplementary pension scheme or to the treasury fund managed by INPS, on the basis of the contributions owed in each period, as a defined contribution plan. More specifically, in the case of termination benefits payable to a supplementary pension scheme that treatment begins at the time of the choice or, if the employee does not exercise any option, as from July 1, 2007.

RECOGNITION OF REVENUES

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

Specifically:

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

ACCRUALS AND DEFERRALS

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

COSTS FOR LEASEHOLD IMPROVEMENTS

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

DETERMINATION OF FAIR VALUE

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

FINANCIAL INSTRUMENTS

The fair value of financial instruments is determined on the basis of prices on financial markets in the case of instruments quoted on active markets and through the use of internal valuation techniques for other financial instruments. A financial instrument is considered to be quoted on an active market if the quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, authorized agency, regulatory authority or multilateral trading facility (MTF) and those prices represent actual and regularly occurring market transactions over a normal reference period.

The most appropriate fair value for an asset held or a liability to be issued is the current price offered by the purchaser (bid), while for an asset to be purchased or a liability held it is the current price requested by the seller (ask). In the absence of a quoted price on an active market or a regularly functioning market, i.e. when the market does not have a sufficient and continuous number of transactions, bid-ask spreads and volatility are not sufficiently low, the fair value of financial instruments is mainly determined using valuation techniques that seek to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

Valuation techniques consider:

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

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

- o **Level 1**: when the financial assets and liabilities have unadjusted quoted prices on an active market;
- o **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;
- o **Level 3**: when prices are calculated using valuation techniques whose significant inputs are not observable on the market.

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

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

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

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

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

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

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

valuation models that maximize the use of observable market variables.

The most common valuation techniques used are:

- discounted cash flow models
- option pricing models.

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

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

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

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

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

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

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

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

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

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

- definition of the roles and responsibilities of the company bodies and functions involved;;
- classification of the financial instruments;
- the rules for classification of financial instruments within the fair value hierarchy provided for under IFRS 7 and IFRS 13;
- the valuation techniques and methods used for financial instruments;
- processes for the management and control of the valuation of financial instruments;
- the hedging policy for financial instruments;
- reporting flows.

NON-FINANCIAL INSTRUMENTS

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

DETERMINATION OF IMPAIRMENT

FINANCIAL ASSETS

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

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

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

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

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

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

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

Any writebacks are recognized as follows:

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

The price of impaired financial instruments is determined as follows:

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

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

- Held to Maturity (HTM),
- Loans and Receivables (L&R),
- Available for Sale (AFS).

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

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

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

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

DEBT SECURITIES

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

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

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

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

EQUITY SECURITIES

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

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

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

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

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

OTHER NON-FINANCIAL ASSETS

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

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

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

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

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

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

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

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

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

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

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

FINANCIAL GUARANTEES

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

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

Any losses and value adjustments on such guarantees are reported under "value adjustments". Writedowns for impairment of guarantees are reported under "Other liabilities".

Guarantees are off-balance-sheet transactions and are reported under "Other information" in Part B of the notes to the financial statements.

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

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

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

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

TYPE OF FINANCIAL INSTRUMENT	ORIGINAL CLASSIFICATION	NEW CLASSIFICATION	CARRYING AMOUNT AT 30/06/2015	FAIR VALUE AT 30/06/2015	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	9,316	9,316	55	15	35	35

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

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

A.3.3 TRANSFERS OF FINANCIAL ASSETS HELD FOR TRADING

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

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

ISIN	DESCRIPTION OF SECURITY	INTERNAL RATE OF RETURN AT 31/12/2009	EXPECTED CASH FLOWS AT 31/12/2009
XS0247770224	ITALY 22 March 2018	0.215866%	Lower of (2.25 * European inflation rate) and (6-month Euribor + 0.60)

A.4 – FAIR VALUE DISCLOSURES

Qualitative disclosures

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

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

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

<u>Comparable approach</u>

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.

<u>Mark to model approach</u>

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

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

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

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

1. a yield curve based upon the values indicated by the OIS-Eonia curve, from which is derived (through bootstrapping) the maturity curve of the zero-coupon rates to be used to discount the future cash flows of the derivatives;
2. a differentiated set of yield curves based upon the values indicated by the various curves (e.g. 1-month Euribor, 3-month Euribor, 6-month Euribor, etc.), from which is derived (through individual bootstrapping procedures) the respective maturity curves of the forward rates: these rates are used to value the future cash flows of the derivatives. It stands to reason that the individual bootstrapping procedures must be calibrated so as to be consistent with the structure of the zero-coupon rates derived from the procedure indicated in point 1 and so as to reproduce a result consistent with the values in observable markets.

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

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

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

- bonds are values using a discounted cash flow model adjusted for the credit risk of the issuer. The inputs used are yield curves and credit spreads for the issuer;
- structured bonds are valued using a discounted cash flow model that incorporates valuations from option pricing models, adjusted for the credit risk of the issuer. The inputs used are yield curves and credit spreads for the issuer, and volatility and correlation surfaces for the underlying;
- plain vanilla interest-rate derivatives are mainly valued using a discounted cash flow model. Interest-rate options and financial instruments with convexity adjustments are valued using a Log-normal Forward Model, while exotic options are values using the One Factor Trinomial Hull-White approach. The inputs used are yield curves and credit spreads, and volatility and correlation surfaces;
- plain vanilla inflation derivatives are valued using the CPI Swap valuation model, while structured options use the Inflation Market Model. The inputs used are inflation swap curves and premiums on plain-vanilla options;
- equity and CIU derivatives are 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).

The CVA/DVA is estimated using a simplified building block approach, in which the CVA/DVA is obtained as the product of the estimated exposure at default (EAD), weighted by the expected loss (LGD), and the probability of the default occurring (PD).

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

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

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

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

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

- probability of Default: the parameter is extrapolated either from multi-period transition matrices 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 substandard loans** 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

	30/06/2015			31/12/2014		
	L1	L2	L3	L1	L2	L3
1. Financial assets held for trading	18,679	355,037	397	6,718	463,949	383
2. Financial assets designated as at fair value	-	338,676	-	-	321,232	-
3. Financial assets available for sale	5,794,866	97,352	1,364	4,042,811	97,234	467
4. Hedging derivatives	-	8,518	-	-	10,333	-
5. Property and equipment	-	-	-	-	-	-
6. Intangible assets	-	-	-	-	-	-
TOTAL	**5,813,545**	**799,584**	**1,761**	**4,049,529**	**892,748**	**850**
1. Financial liabilities held for trading	4,814	370,481	-	29,291	457,777	-
2. Financial liabilities designated as at fair value	454,111	-	-	462,100	-	-
3. Hedging derivatives	-	84,843	-	-	77,039	-
TOTAL	**458,925**	**455,324**	**-**	**491,391**	**534,816**	**-**

Key:

L1= Level 1
L2= Level 2
L3= Level

As required by paragraphs 72 through 90 of IFRS 13, in order to make a proper disclosure, the Bank sets forth in the table the financial instruments divided into the three levels of the hierarchy based upon the features and importance of the inputs used in the valuation process. More specifically, the levels are:

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

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

Furthermore, with regard to the quantitative impact on the fair value measurement of derivatives, there was a decrease of around €2,309, while a change of around €55 thousand was made in respect of the Debt Value Adjustment (adjustment for the default risk of the Bank).

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

	30/06/2015				31/12/2014			
	CA	L1	L2	L3	CA	L1	L2	L3
1. Financial assets held to maturity	2,448,432	2,463,935	-	-	3,536,799	3,562,356	-	-
2. Due from banks	34,209,537	-	13,084,123	20,756,592	35,587,200	-	14,202,083	21,395,723
3. Loans to customers	2,661,874	-	1,082,578	1,575,004	1,873,283	-	1,142,212	743,236
4. Investment property	-	-	-	-	-	-	-	-
5. Non-current assets and disposal groups held for sale	-	-	-	-	-	-	-	-
TOTAL	39,319,842	2,463,935	14,166,700	22,331,596	40,997,282	3,562,356	15,344,295	22,138,960
1. Due to banks	17,281,696	-	353,743	16,927,952	29,295,429	-	271,141	29,024,288
2. Due to customers	23,186,427	-	199,542	22,973,949	10,940,997	-	163,967	10,765,911
3. Securities issued	4,324,057	3,636,924	777,435	-	4,397,339	3,406,490	1,135,869	-
4. Liabilities associated with assets held for sale	-	-	-	-	-	-	-	-
TOTAL	44,792,180	3,636,924	1,330,720	39,901,901	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"

Pursuant to paragraph 28 of IFRS 7, 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 IG 28. More specifically, the total net decrease of €52 thousand, recognized entirely through profit or loss, breaks down as follows: for the issue of loans in dollars and the associated hedges €29 thousand; for the purchase of a CCT (Italian government treasury certificate) and the associated asset swap €13 thousand.

Paragraph AG 76, point a) of IAS 39 establishes that an entity shall recognize through profit or loss the difference between the fair value at the date of initial recognition (whether a quoted price in an active market - Level 1 or based on a valuation technique that uses observable data – Level 2) and the transaction price.

Part B

Information on the Balance Sheet

PART B – INFORMATION ON THE BALANCE SHEET

ASSETS

SECTION 1 - CASH AND CASH EQUIVALENTS – ITEM 10

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

1.1 CASH AND CASH EQUIVALENTS: COMPOSITION

	TOTAL 30/06/2015	TOTAL 31/12/2014
a) Cash	89,934	104,077
b) Demand deposits with central banks	-	-
TOTAL	**89,934**	**104,077**

"Cash" includes foreign currency in the amount of €14,978 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

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).

	TOTAL 30/06/2015			TOTAL 31/12/2014		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
A. On-balance-sheet assets						
1. Debt securities	**17,209**	**1,740**	**213**	**5,373**	**189**	**209**
1.1 structured securities	1,554	1,594	213	1,836	-	209
1.2 other debt securities	15,655	146	-	3,537	189	-
2. Equity securities	**348**	**34**	**184**	**340**	**22**	**174**
3. Units in collective investment undertakings	**1,023**	**-**	**-**	**953**	**-**	**-**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
4.1 repurchase agreements	-	-	-	-	-	-
4.2 other	-	-	-	-	-	-
TOTAL A	**18,580**	**1,773**	**397**	**6,666**	**211**	**383**
B. Derivatives						
1. Financial derivatives	**99**	**353,264**	**-**	**52**	**463,738**	**-**
1.1 trading	99	344,172	-	52	450,393	-
1.2 associated with fair value option	-	9,093	-	-	13,345	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**
2.1 trading	-	-	-	-	-	-
2.2 associated with fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
TOTAL B	**99**	**353,264**	**-**	**52**	**463,738**	**-**
TOTAL (A+B)	**18,679**	**355,037**	**397**	**6,718**	**463,949**	**383**

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 30/06/2015			TOTAL 31/12/2014		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Debt securities	**-**	**338,676**	**-**	**-**	**321,232**	**-**
1.1 structured securities	-	15,498	-	-	-	-
1.2 other debt securities	-	323,179	-	-	321,232	-
2. Equity securities	**-**	**-**	**-**	**-**	**-**	**-**
3. Units in collective investment undertakings	**-**	**-**	**-**	**-**	**-**	**-**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
4.1 structured	-	-	-	-	-	-
4.2 other	-	-	-	-	-	-
TOTAL	**-**	**338,676**	**-**	**-**	**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 credit linked note held by the Bank in order to avoid unbundling the embedded derivative (see section 5 of liabilities);
- one structured bond issued by the Bank in order to avoid unbundling the embedded derivative (see section 5 of liabilities);
- a group of financial instruments in order to significantly reduce the overall mismatching in the accounts. The group consists of (see section 5 of liabilities):
  - a bond issued by the Bank containing a separable embedded derivative;
  - 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.

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 30/06/2015			TOTAL 31/12/2014		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Debt securities	**5,789,201**	**97,352**	**-**	**4,037,780**	**97,234**	**-**
1.1 structured securities	-	91,949	-	-	88,147	-
1.2 other debt securities	5,789,201	5,403	-	4,037,780	9,087	-
2. Equity securities	**5,665**	**-**	**5,575**	**5,031**	**-**	**5,311**
2.1 at fair value	5,665	-	-	5,031	-	-
2.2 carried at cost	-	-	5,575	-	-	5,311
3. Units in collective investment undertakings	**-**	**-**	**1,364**	**-**	**-**	**467**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL	**5,794,866**	**97,352**	**6,939**	**4,042,811**	**97,234**	**5,778**

4.3 FINANCIAL ASSETS AVAILABLE FOR SALE: ASSETS HEDGED SPECIFICALLY

	TOTAL 30/06/2015	TOTAL 31/12/2014
1. Financial assets with specific fair value hedges:	**1,183,763**	**826,081**
a) interest rate risk	1,183,763	826,081
b) price risk	-	-
c) exchange rate risk	-	-
d) credit risk	-	-
e) multiple risks	-	-
2. Financial assets with specific cash flow hedges:	**33,950**	**34,076**
a) interest rate risk	33,950	34,076
b) exchange rate risk	-	-
c) other	-	-
TOTAL	**1,217,712**	**860,157**

The amounts regard Italian government securities (BTPs) linked to both European and Italian inflation, fixed rate BTPs, a CTZ zero-coupon Treasury credit certificate and a CCT Treasury credit certificate all 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 30/06/2015				TOTAL 31/12/2014			
	CA	FV			CA	FV		
		LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3
1. Debt securities	**2,448,432**	**2,463,935**	-	-	**3,536,799**	**3,562,356**	-	-
- structured	-	-	-	-	-	-	-	-
- other	2,448,432	2,463,935	-	-	3,536,799	3,562,356	-	-
2. Loans	-	-	-	-	-	-	-	-
TOTAL	**2,448,432**	**2,463,935**	-	-	**3,536,799**	**3,562,356**	-	-

Key:
FV = fair value
CA = carrying amount

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 30/06/2015				TOTAL 31/12/2014			
	CA	FV			CA	FV		
		LEVEL 1	LEVEL 2	LEVEL 3		LEVEL 1	LEVEL 2	LEVEL 3
A. Claims on central banks	**325,630**				**197,424**			
1. Fixed-term deposits	-	X	X	X	-	X	X	X
2. Reserve requirement	325,630	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	**33,883,907**				**35,389,776**			
1. Financing	29,955,517				31,764,398			
1.1. Current accounts and demand deposits	511,021	X	X	X	304,824	X	X	X
1.2. Fixed-term deposits	192,388	X	X	X	149,071	X	X	X
1.3. Other financing:	29,252,107	X	X	X	31,310,503	X	X	X
- Repurchase agreements	5,877,469	X	X	X	7,250,182	X	X	X
- Finance leases		X	X	X		X	X	X
- Other	23,374,638	X	X	X	24,060,321	X	X	X
2. Debt securities	3,928,390				3,625,378			
2.1 Structured securities	66,094	X	X	X	77,171	X	X	X
2.2 Other debt securities	3,862,296	X	X	X	3,548,207	X	X	X
TOTAL	**34,209,537**	**-**	**13,084,123**	**20,756,592**	**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).

Loans granted to the mutual banks associated with operations with the European Central Bank, in particular advances received from the latter secured by securities eligible for use in refinancing transactions (pool collateral) amounted to €20,028 million and are reported under letter "B", "Other financing – Other". The securities pledged as collateral by the mutual banks amount to €23,724 million net of the haircut applied to the various types of security.

In addition, Iccrea BancaImpresa and the mutual banks pledged receivables as collateral in the amount of €408 million, net of a haircut.

Following the introduction of the Group's new organizational model, the Bank, in its capacity as the manager of Group financial resources, is responsible for funding and financing all the companies of the Iccrea Banking Group. Specifically, the following securities issued by Iccrea BancaImpresa were subscribed and classified under "Due from banks – debt securities – Other":

ISIN	NOMINAL VALUE	COUPON AT 30/06/2015	ISSUE DATE	MATURITY
IT0004840556	2,620,000	2.808%	12/07/2012	01/07/2015
IT0004870777	3,700,000	1.101%	21/11/2012	01/07/2015
IT0004628035	245,000,000	0.945%	02/08/2010	02/08/2015
IT0004865611	4,590,000	2.408%	23/10/2012	01/10/2015
IT0004870793	3,030,000	1.540%	21/11/2012	01/10/2015
IT0004870769	2,510,000	1.118%	21/11/2012	01/10/2015
IT0004894546	2,000,000	1.520%	08/02/2013	01/01/2016
IT0004942436	6,340,000	3.393%	15/07/2013	01/01/2016
IT0004894298	9,640,000	1.201%	08/02/2013	04/01/2016
IT0004894454	32,740,000	1.128%	08/02/2013	04/01/2016
IT0004675127	6,762,000	3.600%	01/01/2011	01/05/2016
IT0004955792	5,610,000	3.855%	09/08/2013	01/04/2017
IT0004813033	21,000,000	3.528%	16/04/2012	03/04/2017
IT0004816598	13,000,000	3.528%	10/05/2012	03/04/2017
IT0004840549	16,300,000	3.118%	12/07/2012	03/07/2017
IT0004865595	17,000,000	2.788%	23/10/2012	02/10/2017
IT0005074163	1,000,000,000	0.535%	29/12/2014	28/12/2017
IT0004894660	22,000,000	1.751%	08/02/2013	02/01/2018
IT0004894280	58,000,000	1.668%	08/02/2013	02/01/2018
IT0004960941	6,960,000	2.918%	16/09/2013	02/01/2018
IT0005041246	7,300,000	1.825%	28/07/2014	01/01/2019
IT0004982424	52,710,000	2.778%	12/12/2013	02/01/2019
IT0004987720	16,200,000	3.547%	15/01/2014	01/04/2019
IT0005023202	94,050,000	1.978%	12/05/2014	01/04/2019
IT0004840531	11,500,000	3.538%	12/07/2012	01/07/2019
IT0005055568	12,000,000	1.831%	22/09/2014	01/07/2019
IT0005073207	9,770,000	1.712%	19/12/2014	01/10/2019
IT0004929870	16,990,000	3.418%	24/05/2013	01/10/2019
IT0004936685	15,580,000	2.781%	17/06/2013	01/07/2020
IT0004955800	40,150,000	3.078%	09/08/2013	01/10/2020
IT0004987712	69,260,000	2.578%	15/01/2014	01/04/2022
IT0004966427	48,570,000	2.828%	14/10/2013	01/04/2022
IT0004840523	11,300,000	3.488%	12/07/2012	01/07/2022
IT0004955784	2,990,000	3.101%	09/08/2013	01/07/2022
IT0004987738	68,290,000	2.621%	15/01/2014	01/07/2022
IT0004942428	15,080,000	2.748%	15/07/2013	01/07/2022
IT0004936693	31,870,000	2.748%	17/06/2013	03/07/2023
IT0005025108	10,990,000	1.951%	26/05/2014	02/01/2024
IT0005025082	63,920,000	1.918%	03/06/2014	02/04/2024
IT0005068678	12,660,000	1.666%	19/11/2014	01/07/2024
IT0004982432	12,000,000	2.831%	12/12/2013	02/01/2025
IT0004920614	28,710,000	3.478%	07/05/2013	01/04/2025
IT0004921075	56,390,000	3.358%	07/05/2013	01/07/2025
IT0004975881	52,320,000	3.098%	19/11/2013	01/07/2025
IT0004865603	14,000,000	3.348%	23/10/2012	01/10/2025
IT0004942147	27,390,000	2.878%	15/07/2013	02/01/2026
IT0005043564	10,060,000	1.626%	12/08/2014	04/01/2027
IT0004870785	12,300,000	2.751%	21/11/2012	01/07/2027

IT0004960958	39,560,000	2.981%	16/09/2013	03/01/2028
IT0004920630	36,670,000	2.838%	07/05/2013	03/04/2028
IT0005023210	37,500,000	2.758%	12/05/2014	03/04/2029
IT0005029670	64,493,000	1.958%	23/06/2014	03/04/2029
IT0005041238	69,507,000	1.898%	28/07/2014	02/07/2029
IT0005043556	71,640,000	1.718%	12/08/2014	02/07/2029
IT0005059420	10,080,000	2.035%	21/10/2014	02/07/2029
IT0005055576	71,620,000	1.748%	22/09/2014	02/07/2029
IT0005073231	92,660,000	1.708%	19/12/2014	01/10/2029
IT0005068595	83,050,000	1.698%	19/11/2014	01/10/2029
IT0005059396	59,910,000	1.788%	21/10/2014	01/10/2029
IT0005083701	193,500,000	1.678%	23/01/2015	02/01/2030
IT0005106783	70,000,000	1.436%	17/04/2015	01/04/2030
IT0005104986	15,000,000	1.541%	01/04/2015	01/04/2020
IT0005104978	146,000,000	1.568%	01/04/2015	01/04/2030
IT0005104952	25,000,000	1.478%	01/04/2015	02/01/2030
IT0005114985	105,000,000	1.529%	19/05/2015	01/04/2030
IT0005119638	63,000,000	1.235%	18/06/2015	01/04/2030
IT0005119646	26,000,000	1.488%	18/06/2015	02/01/2030
IT0005119653	12,000,000	1.101%	18/06/2015	01/04/2020
TOTAL	**3,595,342,000**			

The nominal value is reported in euros.

6.2 DUE FROM BANKS: ASSETS HEDGED SPECIFICALLY

	TOTAL 30/06/2015	TOTAL 31/12/2014
1. Loans with specific fair value hedges:	**96,599**	**232,129**
a) interest rate risk	96,599	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	**96,599**	**232,129**

The item consists of fixed-rate treasury deposits hedged with overnight indexed swaps.

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 30/06/2015						TOTAL AT 31/12/2014					
	CARRYING AMOUNT			FAIR VALUE			CARRYING AMOUNT			FAIR VALUE		
		IMPAIRED						IMPAIRED				
	PERFORMING	PURCHASED	OTHER	L 1	L 2	L 3	PERFORMING	PURCHASED	OTHER	L 1	L 2	L 3
Loans	**2,639,397**	**-**	**22,477**				**1,834,164**	**-**	**22,236**			
1. Current accounts	180,241	-	192	X	X	X	163,552	-	183	X	X	X
2. Repurchase agreements	274,010	-		X	X	X	53,992	-		X	X	X
3. Medium/long-term loans	137,125	-	21,350	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	2,048,021	-	935	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	**2,639,397**	**-**	**22,477**	**-**	**1,082,758**	**1,575,004**	**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 €2,956 thousand in respect of the Lehman Brothers Group, entirely written off.

7.3 LOANS TO CUSTOMERS: ASSETS HEDGED SPECIFICALLY

	TOTAL 30/06/2015	TOTAL 31/12/2014
1. Loans with specific fair value hedges:	**34,104**	**38,267**
a) interest rate risk	34,104	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	**34,104**	**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 €22,084 thousand (outstanding debt at June 30, 2015) and the other to BCC CreditoConsumo in the amount of €7,200 thousand (outstanding debt at June 30, 2015) – hedged against interest rate risk (fair value hedge).

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 AL 30/06/2015			NV 30/06/2015	FV AL 31/12/2014			NV 31/12/2014
	L1	L2	L3		L1	L2	L3	
A) Financial derivatives	**-**	**8,518**	**-**	**930,450**	**-**	**10,333**	**-**	**292,944**
1) Fair value	-	4,199	-	694,700	-	8,187	-	249,700
2) Cash flows	-	4,319	-	235,750	-	2,146	-	43,244
3) Investments in foreign operations	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
TOTAL	**-**	**8,518**	**-**	**930,450**	**-**	**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 TYPE OF CONTRACT AND LEVEL OF INPUT

	Fair value						Cash flows		Investments 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	86	-	-	-	-	X	45	X	X
2. Loans	-	-	-	X	-	X	-	X	X
3. Financial assets held to maturity	X	-	-	X	-	X	-	X	X
4. Portfolio	X	X	X	X	X	8	X	-	X
5. Other transactions	-	-	-	-	-	X	-	X	-
TOTAL ASSETS AT 30/06/2015	**86**	**-**	**-**	**-**	**-**	**8**	**45**	**-**	**-**
1. Financial liabilities	4,105	-	-	X	-	X	4,274	X	X
2. Portfolio	X	X	X	X	X	-	X	-	X
TOTAL LIABILITIES AT 30/06/2015	**4,105**	**-**	**-**	**X**	**-**	**-**	**4,274**	**-**	-
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 for a CTZ and cash flow hedges using asset swaps for a CCT.

The amount reported in point 4 "Generic" under fair value hedges regards the macro-hedging of a portfolio of loans (collateralized loans to the mutual banks) using overnight index swaps (OIS).

The item "Financial liabilities" reports fair value hedges of fixed and mixed-rate bonds issued by the Bank and cash flow hedges of bonds in dollars issued by the Bank.

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 30/06/2015	TOTAL AT 31/12/2014
1. Positive adjustments	**29**	**171**
1.1 of specific portfolios:	29	171
a) loans	29	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	**29**	**171**

9.2 MACRO-HEDGED AGAINST INTEREST RATE RISK

	TOTAL AT 30/06/2015	TOTAL AT 31/12/2014
1. Loans	335,000	190,000
2. Assets available for sale	-	-
3. Portfolio	-	-
TOTAL	**335,000**	**190,000**

The macro-hedging was conducted for a portfolio of loans (collateralized loans to the mutual banks) using overnight indexed swaps.

SECTION 10 - EQUITY INVESTMENTS – ITEM 100

10.1 EQUITY INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE: INFORMATION ON INVESTMENTS

	REGISTERED OFFICE	HEADQUARTERS	% HOLDING	% OF VOTES
A. Wholly-owned subsidiaries				
B. Joint ventures				
C. Companies subject to significant influence				
1. BCC Beni Immobiliari s.r.l.	Milan	Milan	47.60	47.60
2. M-Facility S.P.A.	Rome	Rome	37.50	37.50
3. Hi-Mtf S.p.A.	Milano	Milan	25.00	25.00
4. Iccrea BancaImpresa S.p.A.	Rome	Rome	35.41	35.41
5. Accademia BCC SCPA	Rome	Rome	25.00	25.00

10.2 EQUITY INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE: ACCOUNTING DATA

	CARRYING AMOUNT	FAIR VALUE	DIVIDENDS RECEIVED
A. Wholly-owned subsidiaries			
B. Joint ventures			
C. Companies subject to significant influence			
1. BCC Beni Immobiliari 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**	**-**	**-**

The Bank does not prepare consolidated financial statements as the conditions for such requirement do not obtain.

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 30/06/2015	TOTAL At 31/12/2014
1. Owned assets	**8,026**	**9,402**
a) land	-	-
b) buildings	-	-
c) movables	282	291
d) electrical plants	7,082	8,324
e) other	661	787
2 Assets acquired under financial leases	**-**	**-**
a) land	-	-
b) buildings	-	-
c) movables	-	-
d) electrical plants	-	-
e) other	-	-
TOTAL	**8,026**	**9,402**

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 30/06/2015		TOTAL AT 31/12/2014	
	FINITE LIFE	INDEFINITE LIFE	FINITE LIFE	INDEFINITE LIFE
A.1 Goodwill	X	**-**	X	**-**
A.2 Other intangible assets	**8,257**	**-**	**8,705**	**-**
A.2.1 Assets carried at cost:	8,257	-	8,705	-
a) internally generated intangible assets	-	-	-	-
b) other assets	8,257	-	8,705	-
A.2.2 Assets designated at fair value:	-	-	-	-
a) internally generated intangible assets	-	-	-	-
b) other assets	-	-	-	-
TOTAL	**8,257**	**-**	**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.

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 30/06/2015	TOTAL AT 31/12/2014
A. Gross deferred tax assets	**18,370**	**7,603**
A1. Loans (including securitizations)	4,960	4,744
A2. Other financial instruments	11,119	652
A3. Goodwill	-	-
A4. Deferred charges	-	-
A5 Property and equipment	-	-
A6. Provisions for risks and charges	1,551	1,517
A7. Entertainment expenses	-	-
A8. Personnel costs	741	690
A9. Tax losses	-	-
A10. Unused tax credits to deduct	-	-
A11. Other	-	-
B. Offsetting with deferred tax liabilities	**15,602**	**5,636**
C. NET DEFERRED TAX ASSETS (A-B)	**2,768**	**1,967**

13.2 DEFERRED TAX LIABILITIES: COMPOSITION

	TOTAL AT 30/06/2015	TOTAL AT 31/12/2014
A. Gross deferred tax liabilities	**19,793**	**27,842**
A1. Capital gains tax in installments	4,117	4,689
A2. Goodwill	-	-
A3. Property and equipment	-	-
A4. Financial instruments	15,676	23,153
A5. Personnel costs	-	-
A6. Other	-	-
B. Offsetting with deferred tax assets	**15,602**	**5,636**
C. NET DEFERRED TAX LIABILITIES (A-B)	**4,191**	**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 tax assets and liabilities were offset in compliance with the provisions of IAS 12, paragraph 74.

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 €8.0 million.

13.3 CHANGES IN DEFERRED TAX ASSETS (RECOGNIZED IN INCOME STATEMENT)

	TOTAL AT 30/06/2015	TOTAL AT 31/12/2014
1. Opening balance	**6,543**	**8,229**
2. Increases	**775**	**1,310**
2.1 Deferred tax assets recognized during the period	775	1,310
a) in respect of previous period	-	-
b) due to changes in accounting policies	-	-
c) writebacks	-	-
d) other	775	1,310
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**544**	**2,996**
3.1 Deferred tax assets derecognized during the period	544	2,996
a) reversals	544	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	**6,774**	**6,543**

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

The table has not been completed because the conditions for transforming deferred tax assets into tax credit were not met.

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

	TOTAL AT 30/06/2015	TOTAL AT 31/12/2014
1. Opening balance	**4,576**	**-**
2. Increases	**-**	**4,576**
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	**571**	**-**
3.1 Deferred tax liabilities derecognized during the period	571	-
a) reversals	571	-
b) due to changes in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases:	-	-
4. Closing balance	**4,005**	**4,576**

13.5 CHANGES IN DEFERRED TAX ASSETS (RECOGNIZED IN EQUITY)

	TOTAL AT 30/06/2015	TOTAL AT 31/12/2014
1. Opening balance	**1,060**	**1,789**
2. Increases	**10,536**	**227**
2.1 Deferred tax assets recognized during the period	10,536	227
a) in respect of previous periods	-	-
b) due to changes in accounting policies	-	-
c) other	10,536	227
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**-**	**956**
3.1 Deferred tax assets derecognized during the period	-	956
a) reversals	-	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	**11,596**	**1,060**

13.6 CHANGES IN DEFERRED TAX LIABILITIES (RECOGNIZED IN EQUITY)

	TOTAL AT 30/06/2015	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	**7,478**	**330**
3.1 Deferred tax liabilities derecognized during the period	7,478	330
a) reversals	7,478	330
b) due to changes in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**15,788**	**23,266**

13.7 OTHER INFORMATION

As regards its tax position, the Bank reports:

- for the financial years 2010, 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. The Commission ruled for the Revenue Agency on April 24, 2015. The Bank will appeal the ruling.

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

14.3 DISCLOSURES ON EQUITY INVESTMENTS IN COMPANIES UNDER SIGNIFICANT INFLUENCE NOT ACCOUNTED FOR AT EQUITY

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

SECTION 15 - OTHER ASSETS – ITEM 150

This item reports assets that cannot be classified under other balance sheet accounts.

15.1 OTHER ASSETS: COMPOSITION

	TOTAL AT 30/06/2015	TOTAL AT 31/12/2014
Items being processed	28,221	23,012
Receivables for future premiums	20,926	22,527
Commissions	39,647	34,176
Receivables due from Parent Company in respect of consolidated tax mechanism	8,323	21,601
Definitive items not allocable to other accounts	32,366	26,961
Tax receivables due from tax authorities and other entities	20,095	19,070
TOTAL	**149,577**	**147,347**

The items "Items being processed" and "Definitive items not allocable to other accounts" comprise transactions that were settled in the first few days of the second half of 2015.

LIABILITIES

SECTION 1 - DUE TO BANKS – ITEM 10

This item reports amounts due to banks, whatever their technical form other than those reported under items 30, 40 and 50

1.1 DUE TO BANKS: COMPOSITION BY TYPE

	TOTAL AT 30/06/2015	TOTAL AT 31/12/2014
1. Due to central banks	**9,713,851**	**21,731,878**
2. Due to banks	**7,567,845**	**7,563,551**
2.1 Current accounts and demand deposits	4,138,500	4,139,959
2.2 Fixed-term deposits	3,364,262	3,409,506
2.3 Loans	63,541	11,695
2.3.1 Repurchase agreements	51,104	-
2.3.2 Other	12,437	11,695
2.4 Liabilities in respect of commitments to repurchase own equity instruments	-	-
2.5 Other payables	1,542	2,391
TOTAL	**17,281,696**	**29,295,429**
FAIR VALUE LEVEL 1	**-**	**-**
FAIR VALUE LEVEL 2	**353,743**	**271,141**
FAIR VALUE LEVEL 3	**16,927,952**	**29,024,288**
TOTAL FAIR VALUE	**17,281,696**	**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. The financing received is broken down in €3,150,000 thousand in respect of LTRO quarterly financing and €6,559,000 thousand in respect of TLTRO financing maturing in 2018.

The sub-item "fixed-term deposits" also includes deposits received from mutual banks in the amount of about €788,000 thousand used to meet reserve requirements indirectly.

The fair value is obtained using discounted cash flow techniques

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 30/06/2015	TOTAL AT 31/12/2014
1. Current accounts and demand deposits	384,237	379,904
2. Fixed-term deposits	17,346	15,069
3. Loans	22,357,181	10,116,090
3.1 Repurchase agreements	21,627,181	10,008,090
3.2 Other	730,000	108,000
4. Liabilities in respect of commitments to repurchase own equity instruments	-	-
5. Other payables	427,663	429,934
TOTAL	**23,186,427**	**10,940,997**
FAIR VALUE LEVEL 1	**-**	**-**
FAIR VALUE LEVEL 2	**199,542**	**163,967**
FAIR VALUE LEVEL 3	**22,973,949**	**10,765,911**
TOTAL FAIR VALUE	**23,173,490**	**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.

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 30/06/2015				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	4,324,057	3,636,924	777,435	-	4,397,339	3,406,490	1,135,869	-
1.1 structured	574,853	596,515	6,409	-	584,522	614,546	6,882	-
1.2 other	3,749,204	3,040,409	771,026	-	3,812,817	2,791,944	1,128,987	-
2. Other	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	-	-	-	-	-	-	-	-
TOTAL	**4,324,057**	**3,636,924**	**777,435**	**-**	**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 June 30, 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;

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.

3.3 SECURITIES ISSUED: SECURITIES HEDGED SPECIFICALLY

	TOTAL AT 30/06/2015	TOTAL AT 31/12/2014
1. Securities covered by specific fair value hedges	**603,234**	**614,157**
a) interest rate risk	603,234	614,157
b) exchange rate risk	-	-
c) multiple risks	-	-
2. Liabilities covered by specific cash flow hedges	**46,851**	**38,544**
a) interest rate risk	-	-
b) exchange rate risk	46,851	38,544
c) other	-	-

The amounts reported regard 6 bonds issued by the Bank and hedged for interest rate risk using interest rate derivatives and 3 bonds in US dollars hedged for interest rate and exchange rate risk.

SECTION 4 - FINANCIAL LIABILITIES HELD FOR TRADING – ITEM 40

This item reports financial derivatives held for trading.

4.1 FINANCIAL LIABILITIES HELD FOR TRADING: COMPOSITION BY TYPE

	TOTAL AT 30/06/2015					TOTAL AT 31/12/2014				
	NV	FV			FV *	NV	FV			FV *
		L1	L2	L3			L1	L2	L3	
A. On-balance-sheet liabilities										
1. Due to banks	**239**	**268**	**-**	**-**	**268**	**26,001**	**27,536**	**-**	**-**	**27,536**
2. Due to customers	**4,622**	**4,272**	**-**	**-**	**4,272**	**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	**4,861**	**4,541**	**-**	**-**	**4,541**	**27,584**	**29,102**	**-**	**-**	**29,102**
B. Derivatives										
1. Financial derivatives		**274**	**370,481**	**-**			**189**	**457,777**	**-**	
1.1 Trading	X	274	370,481	-	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**	**274**	**370,481**	**-**	**X**	**X**	**189**	**457,777**	**-**	**X**
TOTAL (A+B)	**X**	**4,814**	**370,481**	**-**	**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).

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 30/06/2015					TOTAL AT 31/12/2014				
	NV	FV			FV *	VNVN	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	**437,623**	**454,111**	**-**	**-**	**453,992**	**442,653**	**462,100**	**-**	**-**	**465,730**
3.1 Structured	437,623	454,111	-	-	X	442,653	462,100	-	-	X
3.2 Other	-	-	-	-	X	-	-	-	-	X
TOTAL	**437,623**	**454,111**	**-**	**-**	**453,992**	**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 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 unbundling the embedded derivative.
- 1 credit-linked note held by the Bank in order to avoid unbundling the embedded derivative.

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 30/06/2015			NV 30/06/2015	FAIR VALUE AT 31/12/2014			NV AT 31/12/2014
	L1	L2	L3		L1	L2	L3	
A) Financial derivatives	**-**	**84,843**	**-**	**1,567,505**	**-**	**77,039**	**-**	**1,666,135**
1) Fair value	-	82,093	-	1,521,519	-	74,509	-	1,633,701
2) Cash flows	-	2,749	-	45,986	-	2,530	-	32,434
3) Investments in foreign operations	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
TOTAL	**-**	**84,843**	**-**	**1,567,505**	**-**	**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" 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		NVESTMENTS IN FOREIGN OPERATIONS
	SPECIFICA								
	INTEREST RATE RISK	EXCHANGE RATE RISK	CREDIT RISK	PRICE RISK	MULTIPLE RISKS	GENERIC	SPECIFIC	GENERIC	
1. Financial assets available for sale	63,276	-	-	-	-	X	2,696	X	X
2. Loans	4,953	-	-	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 30/06/2015	**68,228**	**-**	**-**	**-**	**-**	**-**	**2,696**	**-**	**-**
1. Financial liabilities	13,865	-	-	X	-	X	53	X	X
2. Portfolio	X	X	X	X	X	-	X	-	X
TOTAL LIABILITIES AT 30/06/2015	**13,865**	**-**	**-**	**X**	**-**	**-**	**53**	**-**	**-**
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 both fair value and cash flow hedges: in the former case the Bank used asset swap derivatives to sterilize the interest rate risk connected with BTPs linked to European and Italian inflation as well as fixed-rate BTPs; in the latter case, the Bank established a specific cash flow hedge for 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 fixed-rate deposits hedged using overnight indexed swaps. The item “financial liabilities” reports a fair value hedge of a mixed-rate bond issued by the Bank and a cash flow hedge of a bond in dollars 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 30/06/2015	TOTAL 31/12/2014
Amounts due to social security institutions and the state	10,708	7,464
Amounts available to customers	49,119	25,818
Items being processed	25,995	28,864
Securities to be settled	65	3
Definitive items not allocable to other accounts	13,812	32,332
Liabilities for future premiums	12,283	13,499
Payables due to Parent Company in respect of consolidated tax mechanism	17,823	17,689
Tax payables due to tax authorities	6,796	10,383
Payables due to employees	4,802	4,921
Invoices to be paid and to be received	49,340	50,951
Failed purchase transactions	20,996	32,911
Illiquid portfolio items	5,365	5,850
TOTAL	**217,105**	**230,685**

The sub-items “securities to be settled” and “definitive items not allocable to other accounts” include transactions settled in the first few days of the second half of 2015.

SECTION 11 - EMPLOYEE TERMINATION BENEFITS – ITEM 110

This item reports employee termination benefits, estimating the amount due to each employee in relation to the specific time the employment relationship ceases. The amount is calculated on an actuarial basis, considering the future time at which the actual financial outlay will be incurred.

11.1 EMPLOYEE TERMINATION BENEFITS: CHANGE FOR THE PERIOD

	TOTAL 30/06/2015	TOTAL 31/12/2014
A. Opening balance	**13,740**	**13,348**
B. Increases	**329**	**1,021**
B.1 Provisions for the period	71	417
B.2 Other increases	258	604
C. Decreases	**699**	**629**
C.1 Benefit payments	699	595
C.2 Other decreases	-	34
D. Closing balance	**13,370**	**13,740**
TOTAL	**13,370**	**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 €12,994 thousand at June 30, 2015.

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 2.30%;
- **economic parameters**: the rate of inflation was assumed to be 2.00%, 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 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 30/06/2015	TOTAL 31/12/2014
1 Company pension plans	-	-
2. Other provisions for risks and charges	**6,425**	**6,304**
2.1 legal disputes	5,675	5,602
2.2 personnel expenses	552	554
2.3 other	198	148
TOTAL	**6,425**	**6,304**

The sub-item "Legal disputes" includes €2,942 thousand for revocatory actions in bankruptcy and €2,931 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.

12.4 PROVISIONS – OTHER

	OPENING BALANCE	USES	PROVISIONS	TOTAL 30/06/2015	TOTAL 31/12/2014
Revocatory actions	2,937	-	5	2,942	2,937
Litigation and disputes	2,813	209	326	2,931	2,813
Loyalty bonus	554	26	24	552	554
CLOSING BALANCE	**6,304**	**234**	**356**	**6,425**	**6,304**

As regards the exposure for revocatory actions in respect of Giacomelli Sport, the amount currently provisioned amounts to €2,942 thousand, of which €1,859 thousand for the Iccrea pool, €802 thousand for the Efibanca pool, and €281 thousand for legal costs. As regards the position associated with the former Efibanca pool, a ruling of July 4, 2013, by the Court of Rimini upheld the defense offered by the Bank and ordered the company to pay court costs, which were settled in the amount of €23 thousand (plus VAT and social security contributions).

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

	ORDINARIE	ALTRE
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), a reserve (€1,843 thousand) generated 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) generated following the transfer of properties to Immicra S.r.l.; a positive reserve (€234 thousand) generated by the transfer of the "branch services" business unit to Banca Sviluppo, as well as 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.

AVAILABILITY AND FORMATION OF EQUITY RESERVES

Pursuant to Art. 2427, nos. 4 and 7 bis of the Civil Code, the following table reports the composition of the Bank's shareholders' equity, indicating the origin, availability and possible distribution of the various components.

	AMOUNT	POSSIBLE USES (*)	AVAILABLE AMOUNT	SUMMARY OF USES IN LAST THREE YEARS	
				FOR LOSS COVERAGE	OTHER
Share capital	216,913				
Reserves: a) legal reserves	48,201	B	48,201		
b) reserve in articles of association	205	A – B – C	205		
c) extraordinary reserve	48,639	A – B	48,639		
d) other reserves	82,002	A – B – C	82,002		
e) FTA reserve	15,378	A – B – C	15,378		
Valuation reserves: a) financial assets available for sale	14,464		–		
b) cash flow hedges	(358)		–		
c) actuarial gains (losses) on defined-benefit plans	(1,682)				
Valuation reserves: (Law 342 of 22/11/2000)	47,866	A – B – C (**)	47,866		
Net profit for the period	39,910				
TOTAL	**511,538**				

(*) 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 WILL 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.

OTHER INFORMATION

1. GUARANTEES ISSUED AND COMMITMENTS

	TOTAL AT 30/06/2015	TOTAL AT 31/12/2014
1) Financial guarantees issued	**631,695**	**730,275**
a) Banks	625,326	723,386
b) Customers	6,369	6,889
2) Commercial guarantees issued	**39,180**	**34,329**
a) Banks	39,177	34,326
b) Customers	3	3
3) Irrevocable commitments to disburse funds	**2,775,430**	**1,164,308**
a) Banks	2,383,134	859,613
i) certain use	2,212,059	681,903
ii) uncertain use	171,075	177,710
b) Customers	392,296	304,695
i) certain use	192,296	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	**19,542**	**21,330**
6) Other commitments	**16,766**	**184,839**
TOTAL	**3,497,613**	**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 reported under "commitments underlying credit derivatives: sales of protection" refers to the notional value net of amounts disbursed and any impairment losses.

Part C

Information on the Income Statement

PART C – INFORMATION ON THE INCOME STATEMENT

SECTION 1 - INTEREST – ITEMS 10 AND 20

This item reports interest income and expense, similar income and expense in respect, respectively, of cash and cash equivalents, financial assets held for trading, financial assets at fair value, financial assets available for sale, financial assets held to maturity and loans (items 10, 20, 30, 40, 50, 60 and 70 of assets) and debt, securities issued, financial liabilities held for trading and financial liabilities at fair value (items 10, 20, 30, 40, and 50 of liabilities) as well as any other interest accrued during the period

Interest income and expense also include positive or negative differences and margins accrued as at the reporting date and expiring or closed as at the reporting date in respect of hedge derivatives and derivatives associated with the fair value option.

1.1 INTEREST AND SIMILAR INCOME: COMPOSITION

		DEBT SECURITIES	LOANS	OTHER TRANSACTIONS	TOTAL 30/06/2015	TOTAL 30/06/2014
1	Financial assets held for trading	401	-	4,802	5,202	6,538
2	Financial assets available for sale	32,143	-	-	32,143	37,630
3	Financial assets held to maturity	22,242	-	-	22,242	39,132
4	Due from banks	32,465	35,939	-	68,405	107,304
5	Loans to customers	36	14,915		14,950	14,704
6	Financial assets at fair value	2,601	-	-	2,601	2,834
7	Hedging derivatives	X	X	5,692	5,692	760
8	Other assets	X	X	-	-	-
	TOTAL	**89,887**	**50,854**	**10,494**	**151,235**	**208,902**

1.4 INTEREST AND SIMILAR EXPENSE: COMPOSITION

		DEBTS	SECURITIES	OTHER TRANSACTIONS	TOTAL 30/06/2015	TOTAL 30/06/2014
1.	Due to central banks	(4,911)	X	-	(4,911)	(15,434)
2.	Due to banks	(14,638)	X	-	(14,638)	(35,495)
3.	Due to customers	(9,780)	X	-	(9,780)	(32,249)
4.	Securities issued	X	(65,569)	-	(65,569)	(79,267)
5.	Financial liabilities held for trading	(122)	-	-	(122)	(15)
6.	Financial liabilities carried at fair value	-	(9,111)	-	(9,111)	(12,636)
7.	Other liabilities and provisions	X	X	-	-	-
8.	Hedging derivatives	X	X	-	-	-
	TOTAL	**(29,451)**	**(74,680)**	**-**	**(104,130)**	**(175,096)**

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 30/06/2015	TOTAL 30/06/2014
a) guarantees issued	**165**	**334**
b) credit derivatives	**-**	**-**
c) management, intermediation and advisory services:	**14,335**	**16,681**
1. trading in financial instruments	5,507	5,492
2. foreign exchange	97	79
3. asset management	-	116
3.1. individual	-	116
3.2. collective	-	-
4. securities custody and administration	4,367	3,077
5. depository services	-	-
6. securities placement	3,154	6,393
7. order collection and transmission	669	1,038
8. advisory services	541	486
8.1 concerning investments	-	-
8.2 concerning financial structure	541	486
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	**22,478**	**22,483**
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	**121**	**129**
j) other services	**150,951**	**142,052**
TOTAL	**188,050**	**181,679**

2.3 FEE AND COMMISSION EXPENSE: COMPOSITION

	TOTAL 30/06/2015	TOTAL 30/06/2014
a) guarantees received	**-**	**(1,524)**
b) credit derivatives	**-**	**-**
c) management and intermediation services:	**(5,574)**	**(7,682)**
1. trading in financial instruments	(1,608)	(602)
2. foreign exchange	(40)	(164)
3. asset management:	-	-
3.1 own portfolio	-	-
3.2 third-party portfolio	-	-
4. securities custody and administration	(1,553)	(1,747)
5. placement of financial instruments	(2,372)	(5,169)
6. off-premises distribution of securities, products and services	-	-
d) collection and payment services	**(2,931)**	**(2,809)**
e) other services	**(114,940)**	**(109,551)**
TOTAL	**(123,444)**	**(121,567)**

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 30/06/2015		TOTAL 30/06/2014	
		DIVIDENDS	INCOME FROM UNITS IN COLLECTIVE INVESTMENT UNDERTAKINGS	DIVIDENDS	INCOME FROM UNITS IN COLLECTIVE INVESTMENT UNDERTAKINGS
A.	Financial assets held for trading	6	-	6	-
B.	Financial assets available for sale	203	-	511	-
C.	Financial assets at fair value	-	-	-	-
D.	Equity investments	-	X	-	X
	TOTAL	**209**	**-**	**517**	**-**

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 [(A+B) - (C+D)]
1. Financial assets held for trading	**222**	**15,795**	**(253)**	**(1,110)**	**14,654**
1.1 Debt securities	110	15,579	(251)	(1,097)	14,341
1.2 Equity securities	43	216	(3)	(13)	243
1.3 Units in collective investment undertakings	70	-	-	-	70
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	**62**	**-**	**(2)**	**(6)**	54
2.1 Debt securities	-	-	-	-	-
2.2 Payables	62	-	(2)	(6)	54
2.3 Other	-	-	-	-	-
3. Financial assets and liabilities: foreign exchange differences	**X**	**X**	**X**	**X**	**2,168**
4. Derivatives	**83,361**	**92,872**	**(99,263)**	**(78,411)**	**(2,374)**
4.1 Financial derivatives:	83,361	92,872	(99,263)	(78,411)	(2,374)
- on debt securities and interest rates	75,325	83,674	(92,689)	(67,529)	(1,219)
- on equity securities and equity indices	174	212	(64)	(65)	257
- on foreign currencies and gold	X	X	X	X	(932)
- other	7,862	8,985	(6,511)	(10,817)	(480)
4.2 Credit derivatives	-	-	-	-	-
TOTAL	**83,645**	**108,666**	**(99,519)**	**(79,527)**	**14,502**

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 30/06/2015	TOTAL 30/06/2014
A.	**Gain on:**		
A,1	Fair value hedges	964	6,375
A,2	Hedged financial assets (fair value)	10,267	21,303
A,3	Hedged financial liabilities (fair value)	2,553	525
A,4	Cash flow hedges	3,093	-
A,5	Assets and liabilities in foreign currencies	-	64
	TOTAL INCOME ON HEDGING ACTIVITIES (A)	**16,877**	**28,267**
B.	**Loss on:**		
B,1	Fair value hedges	(12,028)	(17,022)
B,2	Hedged financial assets (fair value)	(1,286)	(2,879)
B,3	Hedged financial liabilities (fair value)	(325)	(8,821)
B,4	Cash flow hedges	(189)	(81)
B,5	Assets and liabilities in foreign currencies	(3,550)	-
	TOTAL EXPENSE ON HEDGING ACTIVITIES (B)	**(17,379)**	**(28,804)**
C.	**NET GAIN (LOSS) ON HEDGING ACTIVITIES (A - B)**	**(503)**	**(537)**

The amounts regard the following transactions:

- hedges of Italian government BTPs, both fixed rate and inflation-indexed (European and Italian inflation), using asset swaps;
- hedges of 6 bonds issued by the Bank using interest rate swaps and interest rate options;
- hedges of loans to BCC Solutions and BCC CreditoConsumo using interest rate swaps;
- hedges of fixed-rate deposit using overnight indexed swaps;
- hedges of cash flows on inflation-indexed Italian government BTPs;
- hedges of cash flows on 3 bonds issued in dollars by the Bank using cross currency interest rate swaps (CCIRS)
- macro-hedge of a portfolio of loans (collateralized loans to the mutual banks) 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 30/06/2015			TOTAL 30/06/2014		
	GAINS	LOSSES	NET GAIN (LOSS)	GAINS	LOSSES	NET GAIN (LOSS)
Financial assets						
1. Due from banks	30	(1)	29	98	(15)	83
2. Loans to customers	3,663	-	3,663	-	-	-
3. Financial assets available for sale	28,207	(5,925)	22,283	20,476	(2,302)	18,174
3.1 Debt securities	28,207	(5,925)	22,283	20,474	(2,302)	18,172
3.2 Equity securities	-	-	-	2	-	2
3.3 Units in collective investment undertakings	-	-	-	-	-	-
3.4 Loans	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-
TOTAL ASSETS	**31,900**	**(5,926)**	**25,975**	**20,574**	**(2,317)**	**18,257**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	77	(4,547)	(4,471)	150	(3,435)	(3,285)
TOTAL LIABILITIES	**77**	**(4,547)**	**(4,471)**	**150**	**(3,435)**	**(3,285)**

SECTION 7 - NET ADJUSTMENTS OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE – ITEM 110

This section reports the positive or negative balance between gains and losses on financial assets/liabilities at fair value and the operationally connected instruments for which the fair value option has been exercised, including the impact of the fair value measurement of such instruments (see also sections 3 of assets and 5 of liabilities).

7.1 NET ADJUSTMENTS OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE: COMPOSITION

	CAPITAL GAINS (A)	TRADING PROFITS (B)	CAPITAL LOSSES (C)	TRADING PROFITS (D)	NET GAIN (LOSS) [(A+B) - (C+D)]
1. Financial assets	**2,304**	-	-	-	**2,304**
1.1 Debt securities	2,304	-	-	-	2,304
1.2 Equity securities		-	-	-	-
1.3 Units in collective investment undertakings	-	-	-	-	-
1.4 Loans	-	-	-	-	-
2. Financial liabilities	**2,704**	**47**			**2,751**
2.1 Debt securities	2,704	47			2,751
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	**-**	**-**	**(4,297)**	**-**	**(4,297)**
TOTAL 30/06/2015	**5,008**	**47**	**(4,297)**	**-**	**758**

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 30/06/2015	TOTAL 30/06/2014
	SPECIFIC		PORTFOLIO	SPECIFIC		PORTFOLIO			
	WRITEOFFS	OTHER		A	B	A	B		
A. Due from banks	**-**	**-**	**-**		**117**	**-**	**-**	**117**	**-**
- Loans	-	-	-		117	-	-	117	-
- Debt securities	-	-	-		-	-	-	-	-
B. Loans to customers:	**-**	**(289)**	**(53)**	**70**	**1,010**	**1**	**-**	**739**	**983**
Impaired receivables acquired									
- Loans	-	-	-		-	-	-	-	-
- Debt securities	-	-	-		-	-	-	-	-
Other receivables									
- Loans		(289)	(53)	70	1,010	1	-	739	983
- Debt securities	-	-	-		-	-	-	-	-
C. TOTAL		**(289)**	**(53)**	**70**	**1,127**	**1**		**856**	**983**

Key:
A: Recoveries from interest
B: Other recoveries

"Recoveries from interest" 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.

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 30/06/2015	TOTAL 30/06/2014
	SPECIFIC			SPECIFIC		PORTFOLIO			
	WRITEOFFS	OTHER	PORTFOLIO	A	B	A	B		
A. Guarantees issued	-	-	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to distribute funds	-	-	-	-	-	-	-	-	-
D. Others	-	(2,618)	-	-	-	-	-	(2,618)	-
E. TOTAL	**-**	**(2,618)**	**-**	**-**	**-**	**-**	**-**	**(2,618)**	**-**

"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 30/06/2015	TOTAL 30/06/2014
1) Employees	**(29,905)**	**(30,440)**
a) wages and salaries	(20,573)	(21,396)
b) social security contributions	(5,569)	(5,295)
c) termination benefits	(508)	(1,394)
d) pensions	-	-
e) allocation to employee termination benefit provision	(75)	(112)
f) allocation to provision for retirement and similar liabilities	-	-
- defined contribution	-	-
- defined benefit	-	-
g) payments to external pension funds:	(1,862)	(862)
- defined contribution	(1,862)	(862)
- defined benefit	-	-
h) costs in respect of agreements to make payments in own equity instruments	-	-
i) other employee benefits	(1,317)	(1,382)
2) Other personnel	**(19)**	**(15)**
3) Board of Directors and members of Board of Auditors	**(463)**	**(446)**
4) Retired personnel	-	-
5) Recovery of expenses for employees seconded to other companies	**249**	**129**
6) Reimbursement of expenses for third-party employees seconded to the Company	**(590)**	**(908)**
TOTAL	**(30,729)**	**(31,680)**

9.5 OTHER ADMINISTRATIVE EXPENSES: COMPOSITION

	TOTAL 30/06/2015	TOTAL 30/06/2014
Information technology	**(31,781)**	**(29,276)**
Property and movables	**(3,907)**	**(4,376)**
Rental and fees	(3,642)	(3,990)
Cleaning	(169)	(220)
Security	(96)	(166)
Goods and services	**(7,078)**	**(8,494)**
Telephone and data transmission	(1,769)	(2,039)
Postal	(2,491)	(2,826)
Asset transport and counting	(19)	(157)
Electricity, heating and water	(85)	(577)
Transportation	(576)	(341)
Office supplies and printed materials	(2,014)	(2,396)
Subscriptions, magazines and newspapers	(123)	(158)
Professional services	**(6,277)**	**(5,177)**
Professional fees	(2,878)	(2,104)
Audit fees	(45)	(177)
Legal and notary costs	(818)	(320)
Court costs, information and title searches	(11)	(15)
Insurance	(732)	(433)
Third-party services	(1,793)	(2,128)
Advertising and entertainment	**(505)**	**(618)**
Association dues	**(2,181)**	**(2,126)**
Other	**(2,366)**	**(456)**
Indirect taxes and duties	**(5,954)**	**(5,602)**
Stamp duty	(5,922)	(5,527)
Long-term loan tax - Pres. Decree 601/73	(1)	(34)
Municipal property tax	(31)	(41)
TOTAL	**(60,049)**	**(56,125)**

Other administrative expenses do not include the cost to be incurred in 2015 for the annual contribution to the Single Resolution Fund as provided for under the Single Resolution Mechanism in the new EU regulatory framework. The cost has not been specified as to date the implementing decrees with the associated calculation mechanism have not yet been approved.

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 30/06/2015	TOTAL 30/06/2014
Net provisions for risks and charges	**(150)**	**(271)**

SECTION 11 - NET ADJUSTMENTS OF PROPERTY AND EQUIPMENT – ITEM 170

This section reports the balance of writedowns and writebacks of property and equipment.

11.1 NET ADJUSTMENTS OF PROPERTY AND EQUIPMENT: COMPOSITION

	DEPRECIATION (A)	WRITEDOWNS FOR IMPAIRMENT (B)	WRITEBACKS (C)	NET ADJUSTMENT (A + B - C)
A. Property and equipment				
A.1 owned	(1,520)	-	-	(1,520)
- operating assets	(1,520)	-	-	(1,520)
- investment property	-	-	-	-
A.2 acquired under finance leases	-	-	-	-
- operating assets	-	-	-	-
- investment property	-	-	-	-
TOTAL	**(1,520)**	**-**	**-**	**(1,520)**

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	(2,757)	-	-	(2,757)
A.1 owned	(2,757)	-	-	(2,757)
- generated internally by the Bank	-	-	-	-
- other	-	-	-	-
A.2 acquired under finance leases	-	-	-	-
TOTAL	**(2,757)**	**-**	**-**	**(2,757)**

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 30/06/2015	TOTAL 30/06/2014
Other charges	(77)	(163)
TOTAL	**(77)**	**(163)**

13.2 OTHER OPERATING INCOME: COMPOSITION

	TOTAL 30/06/2015	TOTAL 30/06/2014
Property rental income	18	14
Recoveries:		
- Stamp duty	4,788	4,419
- Tax on loan transactions	16	73
Revenues from Milano Finanza Web services and Swift fees	339	400
Revenues for personnel administration services	328	235
Insourcing revenues	3,398	3,696
Other income	679	759
Other Web and Multichannel income	444	580
TOTAL	**10,009**	**10,176**

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 30/06/2015	TOTAL 30/06/2014
1.	Current taxes (-)	(22,626)	(14,330)
2.	Changes in current taxes from previous periods (+/-)	587	735
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 (+/-)	230	(631)
5.	Change in deferred tax liabilities (+/-)	572	(17)
6.	**INCOME TAXES FOR THE PERIOD (-) (-1+/-2+3+3 bis+/-4+/-5)**	**(21,237)**	**(14,243)**

SUMMARY:	
I.R.E.S.	(17,792)
I.R.A.P.	(4,835)
Recovery of I.R.E.S. in respect of 4% of intercompany interest expense	-
TOTAL CURRENT TAXES	**(22,626)**

SECTION 19: PROFIT (LOSS) AFTER TAXES FROM DISPOSAL GROUPS HELD FOR SALE – ITEM 280

This item reports the positive or negative balance of income (interest, fees and commissions, etc.) and charges (interest expense, etc.) in respect of groups of assets and liabilities (disposal groups)held for sale, net of current and deferred taxation.

19.1 PROFIT (LOSS) AFTER TAXES FROM DISPOSAL GROUPS: COMPOSITION

	TOTAL 30/06/2015	TOTAL 30/06/2014
1. Income	-	2,779
2. Charges	-	(2,431)
3. Net gain (loss) on valuation of the disposal group and associated liabilities	-	-
4. Profit (loss) from realization	-	-
5. Taxes and duties	-	(148)
PROFIT (LOSS)	**-**	**200**

19.2 BREAKDOWN OF INCOME TAXES FOR DISPOSAL GROUPS HELD FOR SALE

	TOTAL 30/06/2015	TOTAL 30/06/2014
1. Current taxes (-)	-	(148)
2. Change in deferred tax assets (+/-)	-	-
3. Change in deferred tax liabilities (-/+)	-	-
4. INCOME TAXES FOR THE PERIOD (-1+/-2+/-3)	**-**	**(148)**

SECTION 20 - OTHER INFORMATION

It was not felt necessary to add further information other than that already provided in the previous table.

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**	**39,909,612**
	Other comprehensive income not recyclable to profit or loss			
20.	**Property and equipment**	**-**	**-**	**-**
30.	**Intangible assets**	**-**	**-**	**-**
40.	**Defined-benefit plans**	**(258,244)**	**71,017**	**(187,227)**
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**	**(273,198)**	**90,346**	**(182,851)**
	a) fair value changes	1,188,669	(393,093)	795,576
	b) reversal to income statement	(1,461,866)	483,439	(978,427)
	c) other changes	-	-	-
100.	**Financial assets available for sale:**	**(53,485,739)**	**17,853,475**	**(35,632,264)**
	a) fair value changes	(40,827,408)	13,667,365	(27,160,043)
	b) reversal to income statement	(12,658,331)	4,186,110	(8,472,221)
	- impairment adjustments	-	-	-
	- gain/loss on realization	(12,658,331)	4,186,110	(8,472,221)
	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**	**(54,017,181)**	**18,014,838**	**(36,002,342)**
140	**Comprehensive income (item 10+130)**	**(54,017,181)**	**18,014,838**	**3,907,270**

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.

ORGANISATION OF RISK MANAGEMENT

ROLES AND RESPONSIBILITIES IN RISK MANAGEMENT

In recent years, the Group has undertaken a gradual process to upgrade its methods and tools for managing credit, market and operational risks, bringing the system into line with external regulations and operational and internal monitoring needs.

In this context, with a view to enhancing the effectiveness of risk management and the efficiency of the overall system of internal controls while responding to developments in the regulatory environment, the market and the organizational, operational and corporate arrangements of the Group, in the first half of 2015 the revision of risk management governance and the associated organizational arrangements of the second-level control units (Risk Management, Compliance and Anti-Money Laundering) was completed in accordance with the 15th amendment of Circular 263/2006 of the Bank of Italy.

More specifically, in a continuance and completion of previous initiatives with Group Risk Management, the new organizational effort has centralized functional responsibilities for operational risks, compliance risk and money-laundering risk and risk management of all the Group's banks and financial companies, with the establishment of the CRO area, as the natural evolution of Group Risk Management itself. In compliance with prudential requirements, at the company level these functions report directly to the board of directors of each subsidiary (with the exception of BCC Gestione Crediti).

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.

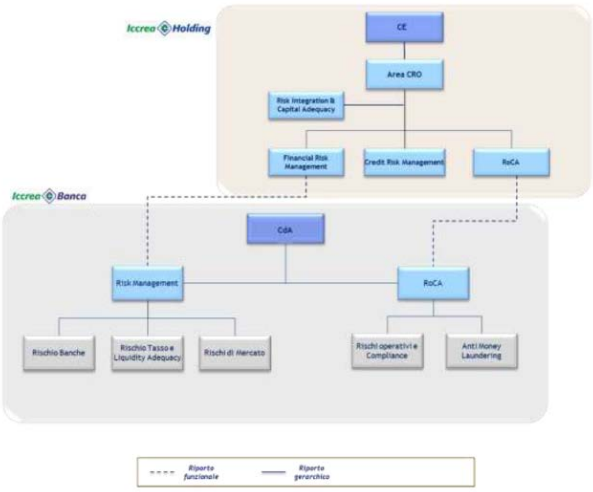
The duties of the CRO area include participating in the definition, development and any corrective maintenance of the framework for risk assumption and management, the development of recommendations for the Risk Appetite Framework and its associated operational implementation (the Risk Appetite Statement), 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.

THE RISK CULTURE

The ICCREA Banking Group devotes special attention to managing risk.
All personnel are asked to identify, assess and manage risk within their area of responsibilities. Each employee is expected to perform their duties seriously and with awareness.

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

- the independence of risk functions from business units;
- the establishment and constant updating of risk handbooks and policies;
- the specification of risk limits;
- the daily/periodic monitoring of exposures (aggregate and others) with verification of compliance of approved limits and implementation of appropriate corrective measures where necessary;
- the presence of other support tools to help develop the culture of risk (training courses, remuneration policies and incentives linked to the quality of risk and the results of the companies of the Iccrea Banking Group in the long term, systematic and independent Internal Auditing units, etc.).

STRESS TESTING

In order to ensure the dynamic monitoring and management of risk, the Group has implemented a stress testing system. Stress testing is an integral part of the risk management system. It is used in two main areas: capital planning and regulatory capital adequacy. It is an instrument considered in the ICAAP. The methods adopted are based on the main risk factors.

Stress testing can be carried out at the level of the Group, business unit or portfolio, and the scenarios used are supervised by Group Risk Management.
Since its creation, the stress testing framework has undergone updating both of the methods deployed and its integration with operations.

SECTION 1 – CREDIT RISK

Qualitative disclosures

1. GENERAL ASPECTS

Credit risk is the possibility that a borrower could default on its obligation. In this case, the economic loss corresponds to the difference between the value of the exposure and any amounts actually recovered.

For an intermediary, credit risk can be:

- direct, in respect of exposures to the customer;
- indirect, in respect of commitments assumed by the customer for guarantees granted to banks in favor of third parties.

In general, the credit risk associated with an exposure is expressed through the components set out in prudential regulations (Bank of Italy Circular no. 263/2006 as updated).

The strategies underpinning the lending activity of the Iccrea Group are based on the following principles:

- pursue balanced growth of loan assets that is consistency with our propensity for risk;
- contain the risk of insolvency through careful analysis of creditworthiness;
- promote the adoption of procedures for assuming, managing and controlling credit risk that are capable of ensuring effective management of those risks.

Iccrea Banca's credit activities were focused on:

- granting loans, credit facilities and operating credit to meet the mutual banks' funding requirements;
- renewing and expanding relationships in the "large corporate" segment while developing the relationship between these entities, the mutual banks and the payment and e-money services offered by the Bank;
- supporting the development of the business of the companies of the Iccrea Banking Group.

In order to increase the effectiveness of the governance of credit risk in respect of bank counterparties and other supervised entities and to strengthen the overall system of internal controls, a **Credit Policy** has been established to govern the roles and responsibilities of the main actors, define the assessment methodologies used to determine creditworthiness used both in assuming and in monitoring and managing risk and the system of limits governing operations, which has been developed in line with the risk appetite framework set out in the new regulations for the internal control system.

2. CREDIT RISK MANAGEMENT POLICIES

2.1 ORGANIZATIONAL ASPECTS

<u>*Organizational units involved*</u>

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 and Retail Credit unit carries out the activities associated with lending to this category of customers within the Iccrea Banking Group and monitors credit positions. It also performs activities regarding the processing of bankers' drafts issued by Iccrea Banca S.p.A. and the granting of operating credit and loans to bank counterparties, as well as managing substandard loans and registering/controlling loan positions in the information system.

In general, the Lending department ensures the regular performance of the various phases of the credit process, approving applications within the scope of its powers and ensuring the adequacy of the line controls in the operations for which it is responsible.

Within the 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).

The credit process

The credit process is organized into the following phases:

- *Start of application processing:* collection of data need to start the lending/loan revision process with a specific counterparty;
- *Processing*: assessment of the creditworthiness of the counterparty and the feasibility of the transaction;
- *Decision proposal*: preparation and formalization of the decision proposal to be submitted to the decision-making body;
- *Authorization*: approval of the decision by the decision-making body and start of authorized operations;
- *Monitoring*: tracking of specific performance indicators (*performance controls*) and structural assessment of the overall risk profile of the borrower (*performance monitoring*).

2.2 MEASUREMENT, MANAGEMENT AND CONTROL SYSTEMS

Assessment framework and monitoring

The ***assessment framework*** is based on the best practices used by the rating agencies and is conducted on the basis of an analysis of the financial soundness of the potential borrower, taking into account quantitative data in the form of financial and operational indicators and qualitative information on management's standing, together with forecasts for medium/long-term transactions. More specifically, the assessment framework is made up of two "**modules**", called **Structural** and **Performance.** The assessment of counterparty creditworthiness begins with an analysis of the information drawn from the financial statements and explanatory notes, developed with forward-looking valuation techniques (the Structural Module). The partial assessment thus obtained is supplemented with quantitative and qualitative information from internal sources (the Performance Module).

The tools used during the loan processing stage differ according to the type of counterparty and the product/service requested, taking into consideration, in the case of existing customers, developments in past and/or present transactions.

The ***monitoring framework***, which is similar to the assessment framework to ensure the uniformity of information being provided to units and the decision-making process, consists of a structure system of **early warning signals** represented by **key risk indicators** (KRI) determined using monitoring indicators (financial indicators and internal corporate indicators) and thresholds, which are specified using statistical analyses that characterize the state of alert.

Risk limits

The credit risk management policy is defined through a system of risk appetite limits specified at the individual counterparty level.

A *Risk Ceiling* is specified for each counterparty. It represents the overall size of the exposure to that counterparty, and includes all transactions with the Bank, governed by a structure of delegated powers for both loans and operating credit, which represent the specific applications. The Risk Ceiling takes account of the credit risk mitigation effects of guarantees and cannot exceed the risk appetite.

The Risk Ceiling is monitored on a daily basis through the risk profile, which is the algebraic sum of the lines of credit granted, with the total being the Risk Ceiling. Two warning thresholds are also specified, which if exceeded trigger the transmission of a report from Risk Management to the Loans department and/or senior management for corrective action and subsequent reporting to the Board of Directors.

Monitoring systems

The systematic monitoring process, which is aimed at assessing problem positions and tracking developments in positions to ensure correct classification and activate any consequent operational responses, makes use of a specific application. More specifically, the control procedure reports performance problems on a monthly basis, assigning the positions to the various impairment categories. The discovery of anomalies triggers a systematic monitoring and assessment process for loans to customers.

The reporting of exposures subject to a ceiling is carried out daily, using a specific automated procedure.

Within the Group, taking account of the specific experience and specializations of the main subsidiaries, work has continued on developing internal assessment systems for bank counterparties and ordinary customers. The system is maintained and updated constantly by the 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 department has taken prompt action to implement the electronic systems for dialoguing with the government office responsible for cancelling encumbrances in respect of repaid loans.

In order to mitigate the credit risk associated with trading in financial derivative instruments with bank counterparties (counterparty risk), Iccrea Banca uses bilateral netting arrangements that in the event of counterparty default enable offsetting of creditor and debtor positions in financial derivatives transactions, as well as for securities financing transactions.

On the operational front, risk mitigation is implemented with the use of ISDA agreements for derivatives transactions and Global Master Repurchase Agreements (GMRAs) for direct repurchase transactions with market counterparties. Both of these protocols are used to manage and mitigate credit risk and, in compliance with the conditions established under supervisory regulations, enable the reduction of capital requirements.

As regards OTC derivatives business, the Bank continued to enter into Credit Support Annex (CSA) arrangements with its main financial counterparties. At June 30, 2015 credit exposures in respect of transactions in derivatives were covered by 210 margin agreements (CSA), of which 46 with market counterparties (about 22%) and 164 with mutual bank industry counterparties (about 78%).

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

2.4 IMPAIRED FINANCIAL ASSETS

Procedures for classifying assets by debtor quality

The Bank is equipped with regulatory/IT structures and procedures for loan management, classification and control.

In line with the provisions of the IASs/IFRSs, at every reporting date the presence of objective evidence of impairment is assessed for every instrument or group of financial instruments.

Objective evidence of the impairment of a financial asset or group of financial assets consists of observable data regarding the following events:

- significant financial difficulties of the debtor;
- breach of contractual agreements, such as default or delinquency in paying interest or principal;
- the lender, for economic or legal reasons associated with the borrower's financial difficulties, grants the debtor concessions that the lender would not otherwise have considered;
- a high probability of the debtor's entering bankruptcy or other financial reorganization;
- the disappearance of an active market for the financial asset as a result of the debtor's financial difficulties (a case not relevant for the current types of loans to banks/customers);
- the existence of evidence indicating a quantifiable decrease in estimated future cash flows for a group of assets, after initial recognition, even if such decrease cannot yet be ascribed to the individual position:
    - a reduction in the debtor's ability to discharge its liability in respect of the group of assets it holds;
    - national or local conditions that could give rise to default in respect of a group of receivables.

The above assessment is conducted with the support of special IT screening procedures on the basis of information from internal and external sources.

Within the scope of testing for the existence of objective evidence of impairment, non-performing loans are classified in the following categories:

- bad debts: loans to borrowers in a state of insolvency (even if bankruptcy has not been declared by a court) or in

substantially equivalent situations, regardless of any expectations of loss formulated by the company;
- substandard loans: loans to borrowers in a temporary situation of objective difficulty, the removal of which is likely to occur within a reasonable period of time;
- restructured positions: loans for which, owing to the deterioration in the financial condition of the debtor, a pool of banks (or a single bank) agrees to a modification of the original contractual terms and conditions that gives rise to a loss;
- for past-due and over-limit positions, the Bank applies the provisions of the applicable supervisory regulations.

Factors enabling reclassification of impaired exposures to performing status

Only the return to full solvency of the debtor permits restoration of performing status. This comprises:

- elimination of the entire exposure or repayment of arrears;
- regularization of the exposure.

Assessment of the adequacy of writedowns

Loans are recognized at estimated realizable value. This value is obtained by deducting specific and general writedowns of principal and interest, net of any repayments, from the total amount disbursed.

Calculation of expected loss is based on analytical and statistical methodologies. The latter are used for personal loans classified as bad debts and for calculating normal risk.

The analytical assessment of non-performing positions is based on standard criteria approved by the Board of Directors that incorporate prudential assessments of any guarantees securing repayment.

In particular, impaired exposures are analytically evaluated on the basis of:

- forecast of future recovery of the credit position – with the exclusion of future losses that have not yet emerged – using different procedures depending on the type of loan:
    - for personal loans classified as bad debts the recovery forecast is determined using a statistical method based on stratification based on the age of the position, considering amounts collected and losses on past cases from which, with appropriate calculations, an estimated loss percentage can be determined for application to the entire existing portfolio;
    - for other loans, general writedowns based on statistical techniques that, using the values calculated for rates of default and non-recoverability, contribute to the calculation of a prudential coverage ratio;
- recovery times;
- expected realization of any guarantees, taking account of estimated collection/liquidation expenses, which must be incorporated into the expected future cash flows.

The writedown is recognized in the income statement as the difference between the initial carrying amount of the asset and the present value of the estimated recoverable cash flows, discounted at the original effective interest rate of the financial asset at the moment of classification as non-performing.

The original value of the receivable is written back in subsequent years if the reasons for the writedown no longer obtain.

Quantitative disclosures

A. CREDIT QUALITY

A.1 IMPAIRED AND PERFORMING CREDIT EXPOSURES: STOCKS, WRITEDOWNS, CHANGES AND DISTRIBUTION BY SECTOR AND GEOGRAPHICAL AREA

A.1.1 DISTRIBUTION OF CREDIT EXPOSURES BY PORTFOLIO AND CREDIT QUALITY (CARRYING AMOUNT)

	BAD DEBTS	SUBSTANDARD LOANS	RESTRUCTURED POSITIONS	IMPAIRED PAST DUE POSITIONS	UNIMPAIRED PAST DUE POSITIONS	OTHER ASSETS	TOTAL
1. Financial assets held for trading	-	-	-	-	-	372,525	372,525
2. Financial assets available for sale	-	-	-	-	-	5,886,554	5,886,554
3. Financial assets held to maturity	-	-	-	-	-	2,448,432	2,448,432
4. Due from banks	-	-	-	-	-	34,209,537	34,209,537
5. Loans to customers	21,403	988	-	86	3,792	2,635,604	2,661,873
6. Financial assets at fair value	-	-	-	-	-	338,676	338,676
7. Financial assets held for sale	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	8,518	8,518
TOTAL 30/06/2015	**21,403**	**988**		**86**	**3,792**	**45,899,846**	**45,926,115**
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			PERFORMING			
	GROSS EXPOSURE	SPECIFIC ADJUSTMENTS	NET EXPOSURE	GROSS EXPOSURE	PORTFOLIO ADJUSTMENTS	NET EXPOSURE	TOTAL (NET EXPOSURE)
1. Financial assets held for trading	-	-	-	X	X	372,525	372,525
2. Financial assets available for sale	-	-	-	5,886,554	-	5,886,554	5,886,554
3. Financial assets held to maturity	-	-	-	2,448,432	-	2,448,432	2,448,432
4. Due from banks	114	114	-	34,209,537	-	34,209,537	34,209,537
5. Loans to customers	62,303	39,826	22,477	2,640,176	780	2,639,396	2,661,873
6. Financial assets at fair value	-	-	-	X	X	338,676	338,676
7. Financial assets held for sale	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	X	X	8,518	8,518
TOTAL AT 30/06/2015	**62,417**	**39,940**	**22,477**	**45,184,699**	**780**	**45,903,638**	**45,926,115**
TOTAL AT 31/12/2014	**63,214**	**40,978**	**22,236**	**45,110,787**	**727**	**45,911,186**	**45,933,422**

A.1.3 ON-BALANCE-SHEET AND OFF-BALANCE-SHEET CREDIT EXPOSURES TO BANKS: GROSS AND NET VALUES

	GROSS EXPOSURE	SPECIFIC WRITEDOWNS	PORTFOLIO WRITEDOWNS	NET EXPOSURE
A. ON-BALANCE-SHEET EXPOSURES				
a) Bad debts	114	114	X	-
b) Substandard loans	-	-	X	-
c) Restructured positions	-	-	X	-
d) Impaired past due positions	-	-	X	-
e) Other assets	34,561,303	X	-	34,561,303
TOTAL A 30/06/2015	**34,561,417**	**114**	**-**	**34,561,303**
B. OFF-BALANCE-SHEET EXPOSURES				
a) Impaired	-	-	X	-
b) Other	2,884,933	X	-	2,884,933
TOTAL B 30/06/2015	**2,884,933**	**-**	**-**	**2,884,933**

A.1.6 ON-BALANCE-SHEET AND OFF-BALANCE-SHEET CREDIT EXPOSURES TO CUSTOMERS: GROSS AND NET VALUES

	GROSS EXPOSURE	SPECIFIC WRITEDOWNS	PORTFOLIO WRITEDOWNS	NET EXPOSURE
A. ON-BALANCE-SHEET EXPOSURES				
a) Bad debts	61,101	39,699	X	21,402
b) Substandard loans	1,116	127	X	989
c) Restructured positions	-	-	X	-
d) Impaired past due positions	86	-	X	86
e) Other assets	10,981,234	X	780	10,980,454
TOTAL A 30/06/2015	**11,043,537**	**39,826**	**780**	**11,002,931**
B. OFF-BALANCE-SHEET EXPOSURES				
a) Impaired	-	-	X	-
b) Other	560,236	X	-	560,236
TOTAL B 30/06/2015	**560,236**	**-**	**-**	**560,236**

C. SECURITIZATIONS AND ASSET DISPOSALS

C.1 SECURITIZATIONS

Qualitative disclosures

There were no outstanding securitizations at the reporting date.

D. 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 from business units.

The control and monitoring of market risks is carried out by the Risk Management 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 Risk Management 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 Risk Management 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 (the so-called financial portfolio), in view of the market conditions that are currently impacting Italian government securities and in order to effectively manage the liquidity generated by expansionary monetary policy measures, investment in Italian government securities, begun in 2013, continued in in the first half of 2015. At June 30, 2015 the portfolio, which was mainly composed of Italian government securities, reached about €8.1 billion, with an average residual life of 2 years. More specifically, operational developments in the overall portfolio involved the following sub-portfolios:

- *tactical portfolio:* nominal value of €2.27 billion and residual life of 1.13 years, 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 €1.65 billion and residual life of 1.81 years, intended to establish and maintain structural liquidity reserves;
- *investment portfolio*: nominal value of €4.17 billion and residual life of 2.70 years (with a duration of 1.74 years).

During the first half of 2015, Risk Management continued its work to strengthen the tools available to manage and monitor those risks. A major activity in that effort was the continuation of ongoing maintenance of the application (the RiskSuite) used in measurement processes and reporting on the risk exposure. That work enabled specific daily monitoring of the trading book and the operation of the Bank.

In addition, the Summit Risk Management project to develop a risk system capable of consolidating – on a daily basis and in an independent calculation environment – the positions in the trading book in order to further improve risk analysis.

With regard to equities, the Bank holds plain vanilla options on highly liquid equity indices (Eurostoxx50, Nikkei225, S&P-MIB) and shares of leading listed companies on the Italian stock exchange, mainly connected with the structuring of indexed bonds of the mutual banks: 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

Group Risk Management conducts backtesting of models on an ongoing basis. The effectiveness of the calculation model must be monitored daily through backtesting, which by comparing the forecast VaR with the corresponding profit or loss shines light on the capacity of the model to accurately capture the variability of the revaluation of the trading positions statistically.

Calculating the capital requirement

To quantify the capital requirement for market risk, Iccrea Banca uses the standardized method (see Bank of Italy Circular 285, 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 daily VaR measured with a parametric method that includes all the risk factors to which the portfolio is exposed.

Daily VaR on Trading Book	Notional	VaR	
	June 30, 2015	Limit	Risk Profile
Iccrea Banca	16,995	2.00	0.62

Figures in millions of euros at June 30, 2015

Over the last 250 business days, the average VaR was €0.50 million, with a minimum of €0.09 million and a maximum of €1.22 million (on March 24, 2015) and was always below the ceiling for these operations.

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 the first half of 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 June 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.

With regard to medium/long-term funding, Since the start of the year, Iccrea Banca has placed bonds totaling €803 million, of which €727 million with mutual bank owners, €26 million mutual bank customers and €50 million through a private placement with an institutional counterparty.

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;
- one credit linked note 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;
  - a debt security issued by Iccrea BancaImpresa held by the Bank;
  - 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 June 30, 2015 the following positions were hedged:

- 1 fixed-rate loan issued to BCC Solutions with a remaining liability of €22.1 million, hedged by means of an interest rate swap (IRS);
- 1 fixed-rate loan issued to BCC CreditoConsumo with a remaining liability of €7.2 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 €61.1 million;
- 3 mixed-rate bonds issued by the Bank and hedged with IRSs and interest rate options (floors) with a nominal value of €561.4 million;
- 3 treasury bonds (BTPs) linked to European inflation hedged with IRSs and options with a nominal value of €620 million;
- 2 treasury bonds (BTPs) linked to Italian inflation hedged with IRSs and options with a nominal value of €125 million;
- 2 fixed-rate treasury bonds (BTPs) hedged with IRSs with a nominal value of €135 million;
- 1 zero-coupon Treasury Credit Certificate (CTZ) hedged with an overnight indexed swap (OIS) with a nominal value of €200 million;
- 4 fixed-rate deposits hedged with overnight indexed swaps (OISs) with a nominal value of €95.8 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) using overnight indexed swaps (OIS) with a nominal value of €335 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 €44.5 million;
- 1 Italian government bond (CCT) hedged using interest rate swaps (IRS) with a nominal value of €200 million.

Quantitative disclosures

1. BANKING BOOK: DISTRIBUTION OF FINANCIAL ASSETS AND LIABILITIES BY RESIDUAL MATURITY (REPRICING DATE)

This table has not been completed since an analysis of interest rate and price risk sensitivity has been provided.

2. BANKING BOOK: INTERNAL MODELS AND OTHER SENSITIVITY ANALYSIS METHODOLOGIES

The following table reports the measurement of interest rate risk on the banking book used for management purposes with regard to the sensitivity indicators for economic value and net interest income. The analysis of the risk exposure is monitored on a monthly basis by the Group Finance Committee.

Figures in millions of euros at June 30, 2015

Scenario	Impact on economic value		Impact on net interest income at 12 months	
	-100 bps	+100 bps	-100 bps	+100 bps
Iccrea Banca	31.1	- 28.6	- 2.9	- 8.6

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.

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, 2010, with which the Bank of Italy transposed into Italian law the changes introduced by Directive 2006/48/EC on the capital adequacy of banks and investment firms concerning the governance and management of liquidity risk for banks and banking groups, the Bank has updated its rules for managing liquidity risk and modified its system of delegated powers to incorporate the specified indicators and limits.

The main changes regard the formalization by the Board of Directors:

- of the liquidity risk tolerance threshold, represented by the maximum exposure considered sustainable in both normal operating conditions and under stress conditions. The tolerance threshold is explicated by way of:
  - two indicators for the short and medium/long term respectively, at the consolidated level for the Group and the individual level solely for Iccrea Banca, which is responsible for operational management of liquidity risk. The indicators adopted are those envisaged under the new Basel 3 rules: LCR and NSFR. For the short-term indicator, the limit is set at 1.2 in the baseline scenario and 1.0 in the stress scenario. For the medium/long-term indicator, there is a single limit of 0.8;
  - the minimum survival period, which is the number of consecutive days in which liquidity reserves must exceed the sum of net negative cash flows. The minimum level for this indicator has been set at 30 days at the consolidated level;
  - an increase in the minimum liquidity buffer from €1 billion to 1.5 billion, specifying first and second line reserves;
- of a new operational indicator for the Finance department, which is measured using a minimum survival period at the individual level;
- of two new systemic risk monitoring indicators as part of the Contingency Funding Plan;
- of criteria for the determination of intercompany transfer rates in order to take account of systemic risk, issuer risk, interest rate risk, the maturity of loans and the direct and indirect costs of funding;
- of the extension of the scope of application of the rules to Banca Sviluppo;
- of methodologies for determining the aggregates and for calculating the indicators included in the technical annexes that are an integral part of the liquidity policy.

A system of limits has been established as the main instrument for mitigating liquidity risk. It is made up of indicators for monitoring sources of vulnerability associated with liquidity risk in line with the tolerance threshold and commensurate with the nature, objectives and operational complexity of the Group and Iccrea Banca.

The overall system of limits is based on the following limit categories:

- *Risk Appetite Limits*, which represent the maximum exposure considered sustainable in both normal operating conditions and under stress conditions; these limits explicate the tolerance threshold, the specification of which is required under supervisory regulations;
- *Management Operational Limits*, which represent the

"operational" implementation of the strategic decisions taken by the Board;
- *Warning Limits*, which represent the value or assessment of an indicator that enables prompt warning that an operational limit is being approached. Breach of this threshold activates a situation of heightened attention but does not necessarily dictate action to return the position below the threshold.

Since October 2008, the liquidity position at the consolidated level has been subject to specific weekly reporting requirements for the Bank of Italy.

Liquidity risk is measured by identifying cash imbalances by maturity band, both in static terms (with a view to identifying actual liquidity strains seen from the characteristics of the account items, through the construction, for each specified time band, of the corresponding gap indicator) and in dynamic terms (using estimation and simulation techniques, aiming to develop the most likely scenarios following changes in the financial variables that can impact the time profile of liquidity).

Measurement and monitoring of the limits and indicators at the individual and overall Group level for short-term and structural liquidity are performed by the Financial Risks unit, which on a daily basis monitors the indicators, the risk appetite limits, the individual management operational limits for Iccrea Banca and the Group level, and the indicators envisaged in the CFP. The analyses and reports are transmitted to management at the Parent Company, Iccrea Banca and Iccrea BancaImpresa. In addition, on a weekly basis it monitors the 1-month liquidity coverage ratio (in both ordinary and stress conditions), the maturity ladder with a time horizon of 12 months and a time horizon of indefinite maturity and the net stable funding ratio.

The Group Risk Management unit participates in the Group Finance Committee and reports to it on developments in the liquidity position and compliance with the limits in place. If the limits are exceeded, Group Risk Management notifies the head of Iccrea Banca's Finance department to agree any corrective actions to restore balance, notifying senior management and the Group Finance Committee.

SECTION 4 – OPERATIONAL RISKS

Qualitative disclosures

A. GENERAL ASPECTS, MANAGEMENT AND MEASUREMENT OF OPERATIONAL RISKS

MEASURING 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 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 their potential financial impact and identifies 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 classification models, analytical methodologies, management processes and support tools.

Quantitative disclosures

With regard to the reporting at December 31, 2014, the capital requirement for operational risk, for banks that apply the Basic Indicator Approach (BIA), is equal to 15% of the average of the last three observations of the relevant indicator defined in Article 316 of EU Regulation no. 575/2013.

In particular, the Bank's capital requirement at the end of the period was €32,404 thousand.

Part F

Information on capital

PART F – INFORMATION ON CAPITAL

SECTION 1 – COMPANY CAPITAL

A. Qualitative disclosures

Shareholders' equity (share capital, share premium reserve, reserves, equity instruments, own shares, valuation reserves, redeemable shares, profit/loss for the period) represents the Bank's capital, i.e. the sum of financial resources used for achieving the corporate purpose and dealing with the risks of business.

Therefore, equity represents the main safeguard against the risks of the banking business and, as such, the amount of capital must be sufficient to ensure an appropriate degree of independence in development and growth and guarantee the soundness and stability of the company on an ongoing basis.

B. Quantitative disclosures

B.1 COMPANY CAPITAL: COMPOSITION

	TOTAL 30/06/2015	TOTAL 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:	**60,290**	**96,292**
- Financial assets available for sale	14,464	50,096
- Property and equipment	-	-
- Intangible assets	-	-
- Hedging of investments in foreign operations	-	-
- Cash flow hedges	(358)	(175)
- Foreign exchange differences	-	-
- Non-current assets held for sale	-	-
- Actuarial gains (losses) on defined benefit plans	(1,682)	(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	**39,910**	**47,693**
TOTAL	**511,538**	**547,823**

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

	TOTAL 30/06/2015		TOTAL 31/12/2014	
	POSITIVE RESERVE	NEGATIVE RESERVE	POSITIVE RESERVE	NEGATIVE RESERVE
1. Debt securities	30,593	22,107	45,848	(1,156)
2. Equity securities	6,016	-	5,426	-
3. Units in collective investment undertakings	-	38	-	(22)
4. Loans	-	-	-	-
TOTAL	**36,609**	**22,145**	**51,274**	**(1,178)**

SECTION 2 – OWN FUNDS AND CAPITAL RATIOS

2.1 OWN FUNDS

A. Qualitative disclosures

Own funds, risk-weighted assets and solvency ratios at June 30, 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 calculable from the capital (over 8 years). The prudential ratios therefore take account of the adjustments required by the transitional provisions.

At June 30, 2015 own funds amounted to €566,782 thousand, as against a total capital requirement of €224,314 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 €471,628 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 €4,068 thousand, CET1 gross of elements to be deducted and the effects of the transitional system comes to €467,560 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 €10,334 thousand, while the negative impact of the transition on CET 1 comes to €10,640 thousand and is represented by the negative actuarial reserves (IAS 19) and the exclusion of unrealized profits on AFS securities. Therefore, CET1 amounts to €446,586 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

Tier 2 (T2) capital, before the application of the filters provided for under the transitional system, amounts to €118,337 thousand and is comprised of a subordinated bond issued by the Bank, net of the redeemable portion. As a result of the transitional provisions, there is a positive filter on 80% of 50% of the unrealized profits on AFS securities amounting to €1,859 thousand, bringing the total Tier 2 capital to €120,196 thousand.

Following are the characteristics of the subordinated lower Tier II bonds:

1. 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;
2. 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.

B. Quantitative disclosures

	TOTAL 30/06/2015	TOTAL 31/12/2014
A. Common Equity Tier 1 (CET1) capital before the application of the prudential filters	**471,628**	**500,130**
of which CET1 instruments subject to the transitional provisions		
B. CET1 prudential filters (+/-)	**(4,068)**	**(7,590)**
C. CET1 gross of elements to be deducted and the effects of the transitional system (A +/- B)	**467,560**	**492,540**
D. Elements to be deducted from CET1	**(10,334)**	**(11,475)**
E. Transitional system - Impact on CET1 (+/-)	**(10,640)**	**(48,601)**
F. Total Common Equity Tier 1 (CET1) capital (C - D +/- E)	**446,586**	**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	**118,337**	**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 (+/-)	**1,859**	**2,315**
P. Total Tier 2 (T2) capital (M - N +/- O)	**120,196**	**197,315**
Q. Total equity capital (F + L + P)	**566,782**	**629,779**

2.2 CAPITAL ADEQUACY

A. Qualitative disclosures

The capital ratios at June 30, 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 30/06/2015	TOTAL AT 31/12/2014	TOTAL AT 30/06/2015	TOTAL AT 31/12/2014
A. EXPOSURES				
A.1 CREDIT AND COUNTERPARTY RISK	**76,059,252**	**63,156,025**	**1,701,465**	**2,949,092**
1. Standardized approach	75,859,252	62,939,245	1,579,545	1,711,717
2. IRB approach	-	-	-	-
2.1 Foundation	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitizations	200,000	216,780	121,920	141,840
B. CAPITAL REQUIREMENTS				
B.1 CREDIT AND COUNTERPARTY RISK			**136,117**	**148,284**
B.2 RISK OF ADJUSTMENT OF CREDIT RATING			**7,010**	**9,802**
B.3 REGULATORY RISK			**-**	**-**
B.4 MARKET RISKS			**48,783**	**64,864**
1. Standardized method			48,783	64,864
2. Internal models			-	-
3. Concentration risk			-	-
B.5 OPERATIONAL RISK			**32,404**	**32,404**
1. Basic indicator approach			32,404	32,404
2. Standardized approach			-	-
3. Advanced measurement approach			-	-
B.6 OTHER COMPONENTS			**-**	**-**
B.7 TOTAL PRUDENTIAL REQUIREMENTS			**224,314**	**255,354**
C. EXPOSURES AND CAPITAL ADEQUACY RATIOS				
C.1 RISK-WEIGHTED ASSETS			**2,803,926**	**3,191,925**
C.2 CET1 CAPITAL RATIO			**15.93%**	**13.55%**
C.3 TIER1 CAPITAL RATIO			**15.93%**	**13.55%**
C.4 TOTAL CAPITAL RATIO			**20.21%**	**19.73%**

Part G

Business combinations

PART G – BUSINESS COMBINATIONS

At the reporting date, the Bank was not involved in any business combinations.

Part H

Transactions with related parties

PART 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 30/06/2015
Compensation and other remuneration (1)	735
Post-employment benefits (2)	21

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

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

	TOTAL 30/06/2015
Compensation of members of Board of Auditors	92

LOANS AND GUARANTEES GRANTED:

	TOTAL 30/06/2015
- Members of Board of Directors	767
- Members of Board of Auditors	-

2. INFORMATION ON TRANSACTIONS WITH RELATED PARTIES

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 31/12/2014
Assets	**1,393,037**
Liabilities	**90,693**
Share capital	1,133.971
Legal reserve	31.928
Treasury share reserve	443
Extraordinary reserve	91.645
Other reserves	3,374
Valuation reserve	922
Issue premiums	3,970
Treasury shares	(443)
Net profit (loss) for the period	36,534
Shareholders' equity	**1,302,345**
INCOME STATEMENT	**TOTAL 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)
Gain (loss) of 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	-	-	-	-	(249)
Iccrea BancaImpresa	(59,014)	(323,179)	(12,047,636)	-	(19,626)
Bcc Gestione Crediti	-	-	-	(2,329)	(166)
Bcc Solutions	-	-	-	(23,006)	(1,469)
Bcc Retail	-	-	-	(780)	(2)
BCC Servizi Informatici	-	-	-	-	(661)
Iccrea Holding	-	-	-	-	(8,780)
Immicra	-	-	-	(4,039)	(12)
Bcc Lease	-	-	-	(227,094)	-
Bcc CreditoConsumo	-	-	-	(519,615)	(63)
Bcc Factoring	-	-	-	(301,136)	(82)
Banca Sviluppo	(124)	-	(1,078,166)	-	(128)
TOTAL	**(59,138)**	**(323,179)**	**(13,125,802)**	**(1,077,999)**	**(31,238)**

LIABILITIES	P10_DUE TO BANKS	P20_DUE TO CUSTOMERS	P30_ SECURITIES ISSUED	P40_FINANCIAL LIABILITIES HELD FOR TRADING	P50_FINANCIAL LIABILITIES AT FAIR VALUE	P100_ OTHER LIABILITIES
Bcc Risparmio e Previdenza	-	5,649	-	-	-	46
Iccrea BancaImpresa	116,446	-	-	5,030	-	161
Bcc Gestione Crediti	-	3,060	-	-	-	101
Bcc Solutions	-	1,844	-	-	-	4,130
Bcc Retail	-	53	-	-	-	-
BCC Servizi Informatici	-	480	-	-	-	6,545
Iccrea Holding	-	187,971	-	-	-	1,928
Immicra	-	-	-	-	-	-
Bcc Lease	-	-	-	-	-	22
Bcc CreditoConsumo	-	-	-	-	-	32
Bcc Factoring	-	485	-	-	-	20
Banca Sviluppo	237,297	-	159,714	-	-	57
TOTAL	**353,743**	**199,542**	**159,714**	**5,030**	**-**	**13,042**

INCOME STATEMENT	E10_INTEREST AND SIMILAR INCOME	E20_INTEREST AND SIMILAR EXPENSE	E40_ FEE AND COMMISSION INCOME	E50_ FEE AND COMMISSION EXPENSE	I80_ NET GAIN (LOSS) ON TRADING ACTIVITIES	I150_ ADMINISTRATIVE EXPENSES	INCOME STATEMENT
Bcc Risparmio e Previdenza	-	-	-	-	-	(7)	241
Iccrea BancaImpresa	53,154	(243)	634	(2)	(7,285)	-	1,961
Bcc Gestione Crediti	42	(3)	5	-	-	(21)	79
Bcc Solutions	522	(4)	1	-	-	(7,252)	510
Bcc Retail	3	-	-	-	-	-	3
Bcc Servizi Informatici	-	-	171	-	-	(5,299)	357
Iccrea Holding	-	(197)	-	-	-	(1,479)	249
Bcc Beni Immobili	9	-	-	-	-	-	12
Bcc Lease	2,524	(3)	61	-	-	(16)	21
Bcc CreditoConsumo	7,599	(1)	54	-	-	-	68
Bcc Factoring	897	-	7	-	-	-	23
Banca Sviluppo	1,825	(3,442)	517	(421)	-	-	103
TOTAL GENERALE	**66,575**	**(3,893)**	**1,450**	**(423)**	**(7,285)**	**(14,074)**	**3,627**

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 Applications. For a discussion of the individual segments, please see the section on the Bank's activities in the report on operations.

Income statement

The following reports the main aggregates of the income statement by business segment. The figures are presented using the reclassified income statement format given in the report on operations.

	FINANCE AND LENDING		PAYMENT SERVICES		CORPORATE CENTER		TOTAL	
(THOUSANDS OF EUROS)	JUN-15	JUN-14	JUN-15	JUN-14	JUN-15	JUN-14	JUN-15	JUN-14
Net interest income	46,584	32,311	285	462	236	1,034	47,105	33,807
Net service income	42,540	30,772	52,836	50,227	5,700	3,686	101,076	84,684
Net fees and commissions	*6,279*	*7,500*	*52,836*	*50,227*	*5,491*	*3,172*	*64,607*	*60,899*
Result Trading Hedging repurchase/dividends	*36,261*	*23,272*	-	-	*209*	*514*	*36,470*	*23,785*
TOTAL REVENUES	**89,125**	**63,081**	**53,121**	**50,688**	**5,936**	**4,720**	**148,181**	**118,490**
Administrative expenses	18,477	19,116	43,639	39,519	28,662	29,170	90,778	87,805
Net adjustments of property and equipment and intangible assets	772	536	1,542	1,286	1,963	1,511	4,277	3,333
Other operating expenses/income	234	60	5,035	4,529	4,663	4,637	9,932	9,226
TOTAL OPERATING EXPENSES	**19,016**	**19,592**	**40,145**	**36,275**	**25,962**	**26,045**	**85,123**	**81,912**
GROSS OPERATING INCOME	**70,109**	**41,344**	**12,975**	**14,413**	**-20,026**	**-18,542**	**63,059**	**37,215**

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.

Net interest income at June 30, 2015, amounted to €47.1 million, up 39.3% on June 30, 2014 (€33.8 million). The increase is mainly attributable to:

- an increase compared with 2014 in the volume of the investment portfolio, which was entirely financed with collateralized funding with a final margin in excess of budget forecasts as a result of the strategy for the optimization of capital exposed to interest rate risk on the banking book
- a change in the mix of sources of funding, with the use of short-maturity instruments and a lower than forecast cost of funding.

Net service income, which came to €101.1 million at June 30, 2015, includes €64.6 million from net fees and commissions and €36.5 million from trading operations and from dividends. The rise in net fees and commissions from €60.1 million in June 2014 to €64.6 million in June 2015 is primarily associated with the rapid growth in the electronic money segment.

The increase in net income from financial operations from €23.8 million in June 2014 to €36.5 million in June 2015 is mainly due to gains on the disposal of financial assets available for sale.

Administrative expenses totaled €90.8 million at June 30, 2015 and include personnel expenses in the amount of €30.7 million (€31.7 million in June 2014) and other administrative expenses in the amount of €60 million (€56.1 million in June 2014).

Total value adjustments amounted to about €4.3 million at June 30, 2015, up about €1 million compared with June 2014 (€3.3 million).

Other operating income, reported under operating expenses, amounted to €9.9 million at June 30, 2015, compared with €10 million a year earlier.

As a result of the foregoing, the gross profit from ordinary operations at June 30, 2015, came to about €63.1 million, an increase of about €26.5 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, as the payment system segment is mainly involved in providing fee-based services.

	FINANCE AND LENDING		PAYMENT SERVICES		CORPORATE CENTER		TOTAL	
(MILLIONS OF EUROS)	JUN-15	JUN-14	JUN-15	JUN-14	JUN-15	JUN-14	JUN-15	JUN-14
Loans to customers	2,662	2,145	-	-	90	76	2,752	2,222
Due from banks	34,210	35,912	-	-	-	-	34,210	35,912
Financial assets and equity investments	9,077	8,554	40	43	384	427	9,501	9,024
TOTAL LENDING	**45,949**	**46,611**	**40**	**43**	**474**	**503**	**46,463**	**47,158**
Due to customers	22,753	15,694	427	393	6	3	23,186	16,090
Due to banks	17,282	24,118	-	-	-	-	17,282	24,118
Other financial liabilities	5,274	6,187	5	5	717	758	5,995	6,950
TOTAL FUNDING	**45,308**	**45,999**	**432**	**398**	**723**	**761**	**46,463**	**47,158**

Secondary reporting basis

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

Certification of the financial statements

Iccrea Banca S.p.A.
Istituto Centrale del Credito Cooperativo

CERTIFICATION OF THE FINANCIAL STATEMENTS AT JUNE 30, 2015

We, the undersigned Francesco Carri, as Chairman of the Board of Directors, and Giuseppino Pezza as Chief Accounting Officer.

We confirm to the best of our knowledge that:

1. the financial statements of the Issuer prepared in accordance with International Financial Reporting Standards (as adopted in the European Union) give a true and fair view of the assets, liabilities, financial position and profit of the Issuer;

2. the management report includes a fair review of the development and performance of the business and position of the Issuer, together with a description of the principal risks and uncertainties that they face.

Rome, 07 august 2015

Giuseppino Pezza

Chief Accounting Officer

Francesco Carri

Chairman of the Board of Directors

Auditor's Report

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Review report on the interim condensed financial statements
(Translation from the original Italian text)

To the Shareholders of
Iccrea Banca S.p.A.

Introduction

We have reviewed the interim condensed financial statements, comprising the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows and the related explanatory notes of Iccrea Banca S.p.A. as of 30 June 2015. The Directors of Iccrea Banca S.p.A. are responsible for the preparation of the interim condensed financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410 *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"*. A review of interim condensed financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim condensed financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed financial statements of Iccrea Banca S.p.A. as of June 30, 2015 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Rome, august 7, 2015

Reconta Ernst & Young S.p.A.
Signed by: Alberto M. Pisani, Partner

This report has been translated into the English language solely for the convenience of international readers

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Iccrea Banca

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