Annual report

2015

BANCO POPOLARE

ANNUAL REPORT 2015

Banco Popolare Società Cooperativa

Registered office and General headquarters: Piazza Nogara, 2 - 37121 Verona
Fully paid up share capital as at 31 December 2015: euro 6,092,996,076.83
Tax Code, VAT No. and Verona Companies' Register Enrolment No. 03700430238
Member of the Interbank Deposit Guarantee Fund and the National Guarantee Fund
Parent Company of the Banco Popolare Banking Group
Enrolled in the register of Banking Groups

OFFICERS, DIRECTORS AND INDEPENDENT AUDITORS AS AT 31 DECEMBER 2015

Board of Directors

Chairman	Carlo Fratta Pasini (*)
Deputy Chairman	Guido Castellotti (*)
Deputy Chairman	Maurizio Comoli (*)
Managing Director	Pier Francesco Saviotti (*)
Directors	Patrizia Codecasa
	Luigi Corsi
	Domenico De Angelis (*)
	Maurizio Faroni (*)
	Gianni Filippa
	Cristina Galeotti
	Andrea Guidi
	Valter Lazzari
	Maurizio Marino
	Daniela Montemerlo
	Giulio Pedrollo
	Enrico Perotti
	Claudio Rangoni Machiavelli
	Fabio Ravanelli
	Cecilia Rossignoli
	Sandro Veronesi
	Franco Zanetta
	Tommaso Zanini
	Cesare Zonca (*)
	Cristina Zucchetti

(*) members of the Executive Committee

Board of Statutory Auditors

Chairman	Pietro Manzonetto
Standing Auditors	Maurizio Calderini
	Gabriele Camillo Erba
	Claudia Rossi
	Alfonso Sonato
Alternate Auditors	Marco Bronzato
	Paola Pesci

General Management

General Manager	Maurizio Faroni
Joint General Manager	Domenico De Angelis

Ethics and Disciplinary Committee

Standing Members	Aldo Bulgarelli
	Luciano Codini
	Giuseppe Germani
Alternate Members	Matteo Bonetti
	Donato Vestita

Manager responsible for preparing the Company's financial reports

Gianpietro Val

Independent Auditors

Reconta Ernst & Young S.p.A.

LETTER TO SHAREHOLDERS

Dear Shareholders,

also thanks to several extraordinary positive components, 2015 closed with a good profit, giving a consolidated result of euro 430 million and enabling us to propose the distribution of a dividend.
Over the year, we continued with the demanding de-risking exercise for Banco Popolare; we finally saw an inversion of the trend of bad loans, which fell in gross terms from euro 10,527 million to euro 10,471 million. At the end of the year, the Bank's capital profile saw a CET1 (Common Equity Tier 1) ratio of 13.2% compared to the threshold set by the ECB of 9.55%; by contrast the CET1 fully phased (namely when the EU regulation will be fully applied) was 12.4%; liquidity indicators were continually maintained over the thresholds and the recommendations of the Supervisory Authorities; the first signs of an albeit limited recovery of the economy and of the demand for credit were recorded.
On the other hand, this year opened with the continual fall of the share prices of European banks, including Italian ones; the main driver of this downtrend, beyond the weak prospects of profitability in this sector and specifically the decline in the interest margin, was the amount of NPL (Non Performing Loans) and the potential impact resulting from the possible drastic and immediate reduction of the same, with sales of the same at "liquidation" prices, rather than pursue the management of the same, which in the medium term, would lead to the adequate and full valuation of their real estate collateral.
Despite the clarifications and the reassurances made in this regard by the European Authorities, although the downtrend has slowed down somewhat, it continues to be recorded for the entire sector, also with regard to the share price of Banco Popolare, which holds a significant stock of NPL characterised by real estate collateral.
The Bank is therefore highly committed to a process of gradual and ordinary reduction of this "stock"; its sound capital position will enable it to increase the downtrend which is already underway; the recognition of any possible gains could be further accelerated.
In the meantime, the Bank is preparing for its transformation into a Joint Stock Company (S.p.A.). At the time of this letter, we do not know whether market conditions will enable this transformation to be performed through a significant "merger" with another large people's bank; we hope to create a new entity, which in terms of robustness and competitive positioning would be outside of and above the current turbulences and difficulties. However, the external situation is making it particularly difficult to direct and realise our efforts, even though we are increasingly convinced that the present difficulties should be tackled rather than avoided, and we are increasingly determined to pursue this objective.
In any event, the Bank has been prepared for some time to handle any eventuality, even in a stand-alone situation, in order to be able to enter the next phase of our transformation into a Joint Stock Company (S.p.A.), in conditions that are highly suitable for the continuation of our mission, and to be able to choose the opportunities that the end of this everlasting crisis may offer intermediaries who have overcome it.

Verona, 23 February 2016

The Board of Directors

CONTENTS

BANCO POPOLARE

Mutual company – Registered Office in Verona, Piazza Nogara, 2 – Share Capital Euro 6,092,996,076.83 fully paid in
Tax code, VAT no. and registration number in the Verona Enterprise Registry 03700430238
Registered in the Banks Registry as no. 5668 – Member of the Interbank Deposit Guarantee Fund and the National Guarantee Fund
Parent company of the Banco Popolare Banking Group – Registered in the Banking Groups Registry

ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING
NOTICE OF CALL

Pursuant to art. 22 of the Articles of Association, the Ordinary Shareholders' meeting shall be convened on first call on Friday, 18 March 2016 at 9 o'clock in Lodi, at the administrative office of Banco Popolare in Via Polenghi Lombardo, 13, to discuss the following

AGENDA

1) Report on Financial Year 2015 of the Board of Directors, of the Board of Statutory Auditors and of the Auditing Firm; approval of the annual report as at 31 December 2015; presentation of the consolidated financial statements and of the CSR report
2) Resolution on profit allocation and distribution
3) Calculation of the total amount to be allocated to social solidarity, charity and public interest initiatives, in compliance with art. 5 of the Articles of Association
4) Appointment of the auditing firm. Relevant and consequential resolutions
5) Extension of the expiring mandate to the members of the Board of Arbitrators
6) 2016 share award plan in keeping with 2015 compensation policies, directed to executives of the Board of Directors, managers and non-employed staff of Gruppo Banco Popolare qualified as "key personnel"; authorization to buy back own shares to increase the so called "share reserve" set aside to cover share award plans
7) Resolutions on compensation and incentive policies; approval of the report in compliance with current applicable regulations

Should the meeting fail to reach the legal number, in compliance with art. 22 of the Articles of Association, it shall be held on second call on **Saturday 19 March 2016 at 8,30 o'clock in Lodi, at Centro Servizi "Lodinnova", Via dell'Industria, 2 – Frazione San Grato (Lodi),** to resolve on the above agenda in compliance with articles 24 and 25 of the Articles of Association.

Pursuant to art. 23 of the Articles of Association, the Board of Directors decided to set up remote conferencing facilities in the premises specified below, which are going to be equipped with all the necessary controls to guarantee the identification of the shareholders with voting rights and communication security:
- Quartiere Fieristico dell'Ente Autonomo Fiere di Verona, Viale dell'Industria - Verona;
- Quartiere Fieristico di Lucca, Via della Chiesa XXXII, Traversa I, 237 - Lucca.

These remote links, under the above mentioned bylaw article, shall enable the Shareholders – who do not wish to travel to Lodi, venue of the General Meeting, and who therefore do not intend taking the floor and participating in the discussion – to follow the proceedings and cast their vote during the Shareholders' Meeting, at voting time.

Illustrated below is the required information pursuant to art.125-*bis* of Lgs.D. no. 58 of 24/02/1998 (T.U.F.).

ATTENDANCE AT SHAREHOLDERS' MEETINGS AND REPRESENTATION
Pursuant to art. 23 of the Articles of association, Shareholders who were entered in the Shareholders' record at least 90 (ninety) days before and who at least 2 (two) working days before the meeting's first call, namely **by 16 April 2016**, have given "notice" to Banco Popolare through their authorized intermediaries as provided for by art 83-*sexies*, paragraph 4, of T.U.F. and art. 27 of the joint Order by the Bank of Italy and Consob of 22/02/2008 and following amendments/supplements ("Joint Order"), have the right to participate in the Shareholders' meeting.
Shareholders - whose shares are already deposited in a custody and administration account with Banco Popolare or with another bank of the Group, and as such have already been dematerialized - must in any case, under art. 22 of the Joint Order, give specific instructions that the "notice" be issued, and obtain an immediate copy thereof, to be used as admission ticket to the Shareholder's meeting.

For Shareholders whose shares are deposited with other authorized intermediaries, note that, pursuant to the above mentioned art. 22 of the Joint Order, the "notice" instructions must be submitted **by 14 March 2016**, unless the intermediary fixed a different deadline, that must not be prior to the above date, and in any case in compliance with the

provision under art. 23 of the Articles of Association, making sure to obtain a copy of the notice. The right to take the floor and to vote at the meeting shall still be valid in the event that the notices have reached Banco Popolare after the above deadline of 16 April 2016, provided they are received before the opening of the proceedings.
Shareholders in possession of shares that have not been dematerialized yet, must turn them in to Banco Popolare or to another Bank of the Group, or to other authorized intermediary for their dematerialization, and give instructions for the issuance of the necessary "notice" to participate in the Shareholders' meeting.

Under the Articles of Association, each Shareholder is entitled to one single vote, irrespective of the number of shares in his/her possession.

Shareholders are entitled to be represented by another Shareholder at the meeting, provided the latter is not a member of the Board of Directors or of the Board of Statutory Auditors, or employee of Banco Popolare, or member of the managing or auditing boards, or employee of the companies directly or indirectly controlled by Banco Popolare, or the auditing firm hired or in charge of the legal auditing of Banco Popolare's accounts, or does not fall under one of the incompatibility cases envisaged by law, and who is in possession of a written proxy valid under the law, duly filled out and whose signature has been authenticated by a public officer or by an employee of Banco Popolare or of one of the banks of the Group. The form at the foot of the "notice" issued to the Shareholder by one of the Group banks or by another authorized
intermediary can be used for this purpose, as well as the proxy form made available on Banco Popolare's website (www.bancopopolare.it, "*Corporate Governance – Shareholders' Meetings*" section").

Pursuant to art. 23 of the Articles of Association, **each Shareholder may represent no more than ten other Shareholders**, with the exception of legal representation.

Pursuant to art. 26 of the Articles of Association, the Chairman of the Board of Directors, in his capacity as Chairman of the Shareholders' Meeting, has full powers – under the Shareholders' Meeting Regulation - to verify the validity of the proxies, and in general the shareholders' actual entitlement to attend the Shareholders' Meeting, so as to verify whether the meeting has been duly formed, and if the legal number necessary to pass resolutions has been reached. To this purpose, all Shareholders concerned may deliver their proxies at Banco Popolare's branches **by 16 March 2016**. Proxies submitted after the above deadline or at the Shareholders' meeting must in any case be filled out and authenticated along the same modalities described above.

SHARE CAPITAL INFORMATION
The share capital subscribed and paid in by the Company at the date of this notice totals Euro 6,092,996,076.83 subdivided into no. 362,179,606 shares with no indication of the nominal value. No shares or other securities have been issued, that limit the voting rights. At the date of this notice, Banco holds no. 95,175 own shares, primarily for the implementation of prior shareholders' resolutions.

ADDITIONS TO THE AGENDA AND PRESENTATION OF NEW RESOLUTION PROPOSALS
Shareholders, representing no less than 1/80 of total Shareholders with voting rights, may ask in writing, within ten days of publication of this notice calling the shareholders' meeting, for additions to the list of items on the Meeting's agenda (with the exception of matters to be resolved by the General Meeting, under the law, proposed by the board of directors or based on a project or report submitted by the latter, other than those specified in art. 125-*ter*, paragraph 1, T.U.F.), specifying in the request the additional subject-matters they propose, pursuant to art. 22, paragraph 3, of the Articles of Association, or proposing new resolutions on items already on the agenda, in compliance with art. 126-*bis* T.U.F. Shareholders with voting rights may individually present proposed resolutions in the shareholders' meeting. The written request must be either (i) delivered or sent by registered mail to Banco Popolare's Corporate Secretary Office in Piazza Nogara, 2 – 37121 Verona, or (ii) by e-mail at the certified e-mail address segreteria@pec.bancopopolare.it.
Shareholders requesting the addition to the agenda or proposing new resolutions on subject-matters already on the agenda shall prepare a report explaining the reasons for the proposed resolutions on new subject-matters they are submitting to the discussion or the reason for the additional resolution proposals on matters already on the agenda. The report shall be sent to the board of directors within the deadline for the presentation of the request for additions, as described above. The board of directors shall make the report available to the public, together with any own additional assessment, upon publishing the notice of the additions to the agenda or the presentation of new proposed resolutions, along the procedures prescribed by current regulations.
Shareholders' subscriptions must be certified by a notary public or by duly authorized employees of Banco Popolare or of the banks of the Group. The legitimacy to exercise the right is attested by filing a copy of the notice or of the certification issued by the intermediary under current legal and regulatory provisions.
Any additions to the agenda or the proposal of additional resolutions on items already on the agenda are disclosed along the same procedure prescribed for the publication of the notice calling the meeting, at least ten days prior to the date scheduled for the shareholders' meeting. Additional proposed resolutions on items already on the agenda are made available to the public along the procedures prescribed by current regulations, upon publishing the notice of the presentation.

<u>DOCUMENTATION</u>

The executive reports on each of the matters on the agenda, as well as any other document, including the proposed resolutions, to be published before the General Meeting, shall be made available to the public at Banco Popolare's head office and at Borsa Italiana, and shall be published on the website (www.bancopopolare.it, "*Corporate Governance – Shareholders' Meetings"* section), as well as on the website of the authorized central storage mechanism www.emarketstorage.com, in compliance with the terms and procedures under the law. Shareholders are entitled to receive a copy of the documents once they have been regularly filed.

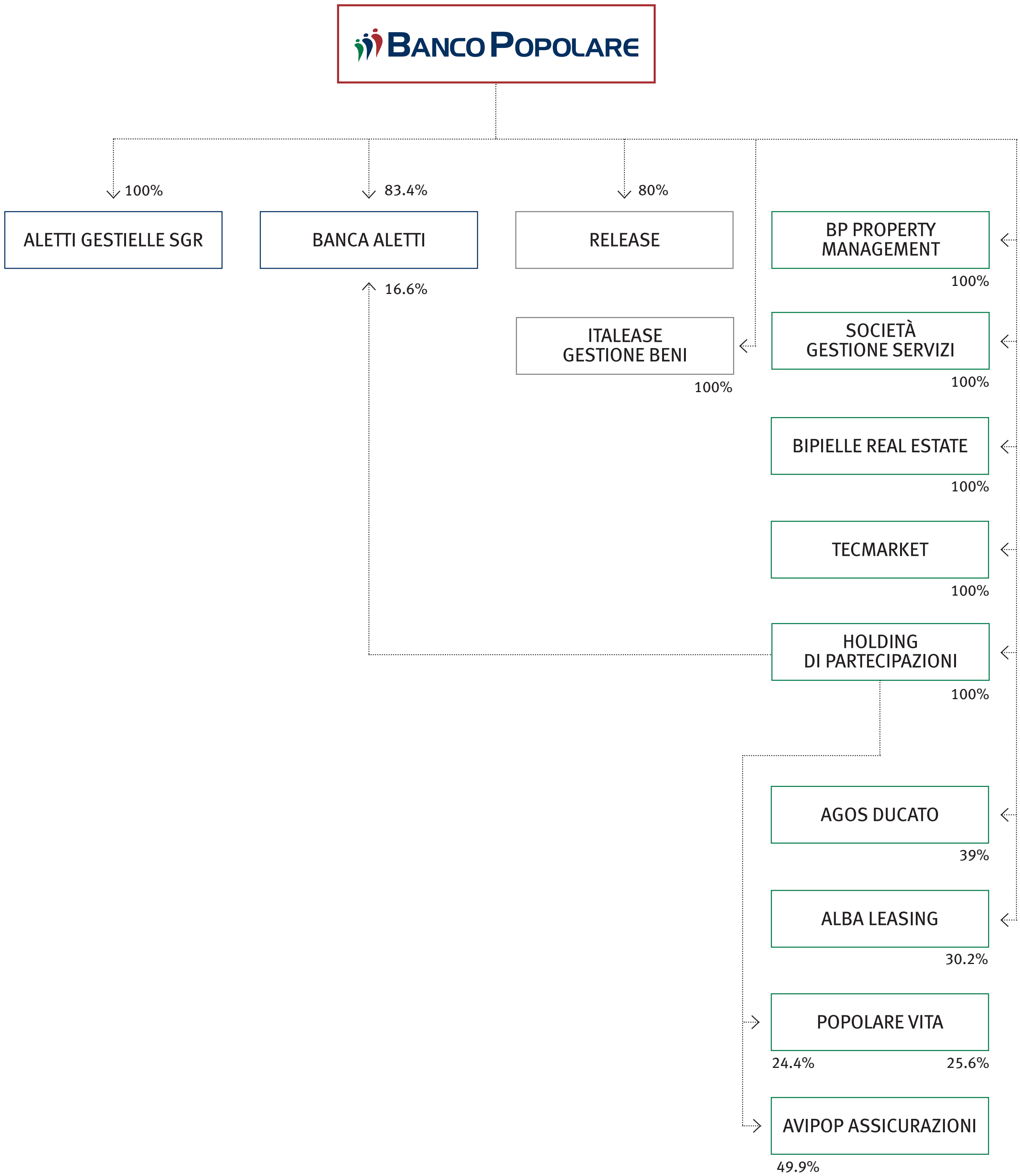
In compliance with art. 125-*bis* T.U.F. and art. 22 of the Articles of Association, in addition to the modalities described above, this notice to convene is published on the daily newspapers "Il Sole 24 Ore" and "MF".

Verona, 9 February 2016

On behalf of the BOARD OF DIRECTORS
The Chairman
(Avv. Carlo Fratta Pasini)

REPORT ON OPERATIONS AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR

GROUP STRUCTURE: MAIN COMPANIES



GROUP STRUCTURE: BUSINESS LINES

COMMERCIAL NETWORK

BANCO POPOLARE

BPV division (North East)
BPL division (North and Centre)
BPN division (North West, Centre and South)
CB division (Bergamo)

INVESTMENT & PRIVATE BANKING ASSET MANAGEMENT

BANCA ALETTI

ALETTI GESTIELLE SGR

LEASING

BANCO POPOLARE

Ex-Italease porfolio

RELEASE

ITALEASE GESTIONE BENI

CORPORATE CENTRE AND OTHER

BANCO POPOLARE

GROUP FUNCTIONS
- Group Finance
- Securities portfolio
- Institutional funding
- Custodian bank

FOREIGN BANKS

PRODUCT AND REAL ESTATE COMPANIES
- Società Gestione Servizi
- Bipielle Real Estate

ASSOCIATED COMPANIES
- Agos Ducato
- Alba Leasing
- Popolare Vita
- Avipop Assicurazioni

The BPV division works with the trademarks: Banca Popolare di Verona, Banco S. Geminiano e S. Prospero, Banco S. Marco, Banca Popolare del Trentino and Cassa di Risparmio di Imola.

The BPL division works with the trademarks: Banca Popolare di Lodi, Cassa di Risparmio di Lucca Pisa e Livorno, Banco di Chiavari e della Riviera Ligure, Banca Popolare di Cremona and Banca Popolare di Crema.

The BPN division works with the trademarks: Banca Popolare di Novara and Banco Popolare Siciliano.

The CB division works with the trademark Credito Bergamasco.

GROUP TERRITORIAL NETWORK

Figures as at 31 12 2015

Banca Popolare di Verona
Banco S.Geminiano e S.Prospero
Banco San Marco
Banca Popolare del Trentino
Cassa di Risparmio di Imola

TERRITORIAL DEPARTMENT
BANCO S.GEMINIANO E S.PROSPERO

Banca Popolare di Novara
Banco Popolare Siciliano

TERRITORIAL DEPARTMENT
CENTRE SOUTH (ROME)

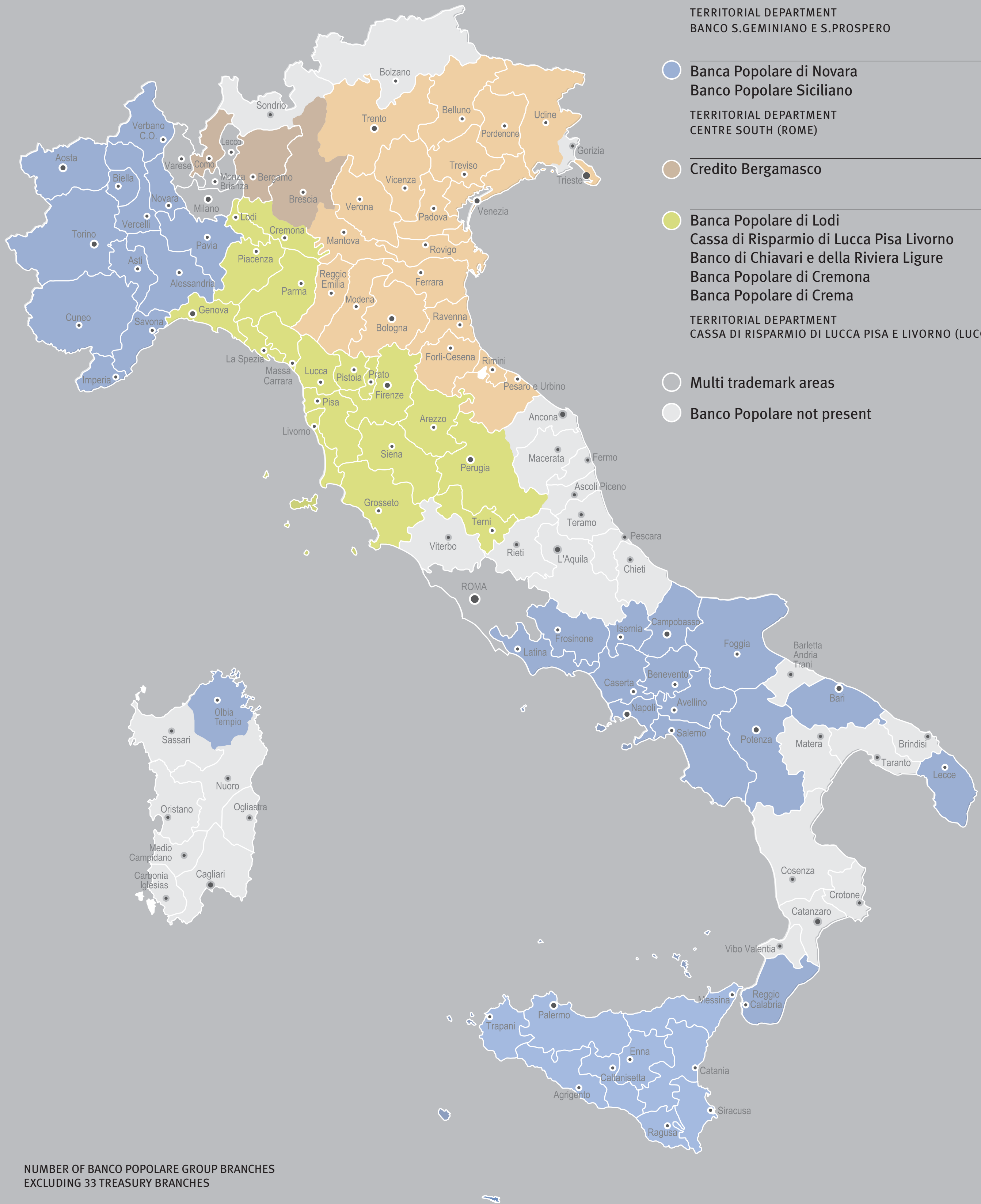
Credito Bergamasco

Banca Popolare di Lodi
Cassa di Risparmio di Lucca Pisa Livorno
Banco di Chiavari e della Riviera Ligure
Banca Popolare di Cremona
Banca Popolare di Crema

TERRITORIAL DEPARTMENT
CASSA DI RISPARMIO DI LUCCA PISA E LIVORNO (LUCCA)

Multi trademark areas

Banco Popolare not present



NUMBER OF BANCO POPOLARE GROUP BRANCHES
EXCLUDING 33 TREASURY BRANCHES

Banco Popolare	1,780
Banca Aletti	33
Total	*1,813*

Banco Popolare Group Branches (*)	Number
Banco Popolare	1,780
Banca Aletti	33
Total	**1,813**

(*) Excluding 34 treasury branches

Presence abroad

The Group's foreign operations include a subsidiary company Banca Aletti Suisse and Representative Offices in China (Hong King and Shanghai), India (Mumbai) and Russia (Moscow).

GROUP FINANCIAL HIGHLIGHTS AND ECONOMIC RATIOS

Highlights

The highlights and main ratios of the Group, calculated on the basis of the reclassified financial statements, are presented below.

In previous years, the Banco Popolare Group exercised the option of designating financial liabilities issued by the bank at fair value ("fair value option") as an alternative to hedge accounting, also for issues classified as institutional. Measuring the financial liabilities placed on the institutional market at fair value also entails measuring the impact of the change in its own creditworthiness following the date of issue of the liability. Due to said previous option, the Group's profit (loss) is influenced to a significant extent by its creditworthiness measured on the basis of market quotations of the specific credit default swap. Given the fact that the economic impact of the fair value option has no value in terms of analysing the Group's effective profitability, in the tables below, it was considered appropriate to show the impact of the afore-mentioned fair value option in a separate item, also showing the profit (loss) of previous periods compared net of said impact [1].

(in millions of euro)	31/12/2015	31/12/2014 (*)	Change
Income statement figures			
Financial margin	1,686.9	1,642.0	2.7%
Net fee and commission income	1,425.4	1,379.7	3.3%
Operating income	3,663.0	3,376.6	8.5%
Operating expenses	(2,404.8)	(2,263.2)	6.3%
Income (loss) from operations	1,258.2	1,113.4	13.0%
Income (loss) before tax from continuing operations	344.9	(2,763.8)	
Net income (loss) without FVO	426.8	(1,919.9)	
FVO Impact	3.3	(26.0)	
Net income (loss)	430.1	(1,945.9)	

(*) The figures have been restated in compliance with IFRS 5. The attachments contain a statement of reconciliation between the reclassified income statement schedule published in the annual financial report as at 31 December 2014 and that restated in this schedule.

(in millions of euro)	31/12/2015	31/12/2014	Change
Statement of financial position figures			
Total assets	120,509.6	123,081.7	(2.1%)
Loans to customers (gross)	85,337.7	87,661.2	(2.7%)
Financial assets and hedging derivatives	27,531.0	26,190.6	5.1%
Shareholders' equity	8,493.6	8,064.2	5.3%
Customers' financial assets			
Direct funding	82,141.4	86,513.5	(5.1%)
Indirect funding	71,094.8	66,476.0	6.9%
- Asset management	35,371.9	32,552.6	8.7%
- Mutual funds and SICAVs	20,297.3	15,539.4	30.6%
- Securities and fund management	4,828.7	6,716.1	(28.1%)
- Insurance policies	10,245.8	10,297.1	(0.5%)
- Administered assets	35,722.9	33,923.4	5.3%
Information on the organisation			
Average number of employees and other staff (*)	16,972	17,543	
Number of bank branches (**)	1,848	1,858	

(*) Weighted average calculated on a monthly basis. This does not include the Directors and Statutory Auditors of Group companies. The figure for the year has been restated to enable a like-for-like comparison.
(**) Including treasury and foreign branches.

[1] It should also be noted that on 24 July 2014, the International Accounting Standard Board ("IASB") issued the final version of the new accounting standard "IFRS 9 – Financial Instruments". One of the changes introduced by the new standard is the elimination of income statement volatility resulting from changes in creditworthiness. The latter changes will now be recognised directly as changes in shareholders' equity, without passing through the income statement. Companies may apply this new approach for recognition of the same even before implementing the other changes introduced by the new accounting standard. The standard must be applied from 1 January 2018, however early application will be permitted as soon as the same has become part of Community regulations. The proposed presentation of income statement figures therefore anticipates the expected change in the accounting recognition of this particular phenomenon, immediately providing an income statement result that is free of the impact of changes in creditworthiness.

Financial and economic ratios and other Group figures

	31/12/2015 (*)	31/12/2014 (*)
Profitability ratios (%)		
Annualized ROE	5.33%	not significant
Annualized Return On Assets (ROA)	0.36%	not significant
Financial margin / Operating income	46.05%	48.63%
Net fee and commission income / Operating income	38.91%	40.86%
Operating expenses / Operating income	65.65%	67.03%
Operational productivity figures (000s of euro)		
Loans to customers (gross) per employee (**)	5,028.1	4,996.9
Annualized operating income per employee (**)	215.8	192.5
Annualized operating expenses per employee (**)	141.7	129.0
Credit risk ratios (%)		
Net bad loans / Loans to customers (net)	8.24%	7.52%
Unlikely to pay / Loans to customers (net)	9.42%	8.34%
Net bad loans / Shareholders' equity	76.04%	74.40%
Capitalisation and liquidity ratios		
Common equity tier 1 ratio (CET1 capital ratio)	13.15%	11.87%
Tier 1 capital ratio	13.15%	12.26%
Total capital ratio	15.91%	14.62%
Tier 1 capital ratio / Tangible assets	4.97%	4.86%
Liquidity Coverage Ratio (LCR)	180.95%	169.73%
Leverage ratio	4.98%	4.93%
Other ratios		
Financial assets / Total assets	22.85%	21.28%
Derivative assets / Total assets	2.36%	2.94%
- trading derivatives / total assets	1.95%	2.42%
- hedging derivatives / total assets	0.41%	0.52%
Net trading derivatives / Total assets	4.22%	2.50%
Gross loans / Direct funding	103.89%	101.33%
Banco Popolare stock		
Number of outstanding shares	362,179,606	362,179,606
Official closing prices of the stock		
- Maximum	16.33	15.78
- Minimum	8.91	8.97
- Average	13.89	12.05
Annualized basic EPS	1.187	not significant
Annualized diluted EPS	1.187	not significant

(*) The ratios were calculated excluding the economic effect of the FVO. The figures relating to the previous year have been restated to provide a like-for-like comparison

(**) Arithmetic average calculated on a monthly basis which does not include the Directors and Statutory Auditors of Group companies.

GROUP REPORT ON OPERATIONS

ECONOMIC SCENARIO

The international scenario

During the year, the macroeconomic scenario was characterised by a number of elements that weakened prospects of global growth. The greatest negative impact came from the gradual slowdown of the Chinese economy, receding from the high levels of investment and indebtedness reached. The importance of this slowdown became clearer during the summer when, with the release of particularly negative macroeconomic data, the Beijing authorities suddenly decided to significantly devaluate the Yuan. This decision destabilised the global financial markets, generating negative repercussions on the trend of world trade, down to 2.0% in 2015 according to IMF estimates (+3.3% in 2014), and pushed down commodities prices. The relentless fall of crude oil prices, favoured by the failure to reach agreement within OPEC due to the reduction of production levels, represented another factor in the slowdown of growth and a further element of instability. After reaching USD 45.9 per barrel in November 2015, corresponding to a collapse of 43% yoy, oil prices (WTI quality) continued to fall at the beginning of 2016, descending below the USD 30 threshold. Despite representing a benefit for importing countries such as Italy, this decline caused serious difficulties to exporting countries, particularly Russia, and brought several important US energy sector operators close to default. The last element of fragility originated from several signs of a cooldown in US growth, where a lively growth trend in the first half of the year had significantly placated the fears caused by the slowdown in China.
More specifically, in the third quarter, the US GDP recorded a 1.5% increase yoy for the quarter, a significant slowdown compared to 3.9% recorded for the second quarter. Private consumption made a positive, albeit modest contribution of 0.1%, in line with the figures for the previous quarter, symptomatic of the trend towards saving, even though income was in line with forecasts. In actual fact, the latter rose 0.4% in October, showing a slight uptrend with respect to the figure for September (+0.2%), while the savings rate rose to 5.6% in October from 5.4% recorded in January 2015.
Based on November figures, the rate of unemployment did not show any significant changes, stabilising at 5%, while the employment rate improved marginally to 59.3%. Figures for October showed the level of consumer prices in the USA slightly up by +0.1%, +0.2% yoy. Based on the most recent shared estimates, the increase of the US GDP for the whole of 2015 should be in the order of 2.4%, the same growth rate as 2014.
In Japan, despite ambitious incentive policies, the GDP trend continues to be disappointing: in the third quarter it fell by -0.8% yoy (-0.7% in the previous quarter), pushing it once again into a technical recession. For the whole of 2015, OECD estimates indicate a growth of 0.6% for the Japanese economy. The greatest contributory factor is the international scenario and in particular the weakness of the Chinese economy, which is strictly intertwined and which is the major reason for the 1.3% fall in capital investments and the decrease in stock. The slight recovery of retail customer consumption (+0.5%), which had previously suffered in the increase in VAT implemented in 2014, served to improve the overall scenario.
As mentioned above, China recorded a considerable downtrend in growth: despite significant tax incentive and monetary measures, according to the latest estimates, the Chinese GDP rose by 6.9% in 2015 (7.3% in 2014), the lowest level in 25 years, accompanied by an annual inflation rate of 1.4% (the lowest since 2009). More specially, investments in durable goods in urban areas rose by 10% yoy, against a rise of 15.7% at the end of 2014, while investments in real estate recorded a significant slowdown (+1% over the year against +10.5% in 2015). In Russia, in the third quarter of 2015, the economy showed a modest improvement, although it still has some way to go to the end of the recession linked to the low level of oil prices: GDP fell by -4.1% (-4.6% in the previous period). Consumer prices on the other hand continued to grow: in November inflation had reached +15% in 12 months, with a slight slowdown with respect to October (+15.6%).

The situation in Europe and Italy

The pace of economic activity in the Eurozone continued to pick up during the year, sustained by a discrete trend in domestic demand in many Member States, also a reflection of the significant improvements recorded in the labour market, and of the extraordinary monetary policy measures implemented by the ECB, not to mention, from the summer onwards, the relaxation of tensions in Greece. Despite the renewal of heavy trade sanctions against Russia, the weakness of the euro provided a boost to exports, while the recovery of domestic demand corresponded, on average, to a fall in imports. In the third quarter of 2015, the GDP of the Eurozone therefore recorded a rise of 1.2% yoy; this figure, although positive and in acceleration with respect to the figures for 2014 (+0.9%), however indicates a slowdown compared to the previous quarter (+1.6%) and reflects the risks linked to the weakness of global trade and to the turbulence suffered in the currency and financial markets. The negative repercussions of the terrorist attacks in Paris should be limited and short-lived, with French GDP falling 0.1% in 2015, which should be recovered during the course of 2016.
The most recent economic indicators highlight several conflicting signs. In November, industrial production in the Eurozone as a whole recorded a fall of -0.7% compared to October (+0.6%) and, although rising 1.1% yoy, is decidedly down compared to the October figure (+2.0% yoy). In September, new production orders recorded a fall both in the Eurozone and in Germany, corresponding to -0.6% (+3.4% and +2% in the previous month). In October 2015, retail sales in the Eurozone were practically unchanged compared to the previous period (-0.1%), while increasing 2.4% yoy.

In Germany and France sales recorded an increase yoy of +2.2% and +3.6% respectively (-0.4% and -0.3% compared to September 2015).
In the latter part of the year, there was some concern as to the return to levels of inflation in the Eurozone that would make the reabsorption of significant public and private debt more difficult, hindering the pace of the recovery: after having fluctuated around zero in September, consumer prices returned to a downtrend, recording -0.1% for the year. This discourages the growth potential of the Member States, while monetary policy measures are finding it hard to reach the inflation target of 2%, due to the downwards pressure exercised by the downtrend in commodities, in particular energy. The ECB therefore stated it was ready to increase the size and the term of the quantitative easing programme if the above-mentioned risks to economic activity in the Eurozone due to development in the international markets, continue.
Estimates for the Eurozone indicate a growth of 1.5% over the course of 2015 at a slightly faster pace than 2014 (+0.9%) due to the solidity of the German economy (GDP +1.5% in 2015, in line with the figure for 2014) and the recovery of Spain (+3.1%) and Italy.

In Italy, the economic recession ended in 2015, laying the foundations for a gradual recovery of lending activities in the private sector. Italy's GDP in the third quarter of 2015 rose by 0.2% qoq (+0.3% in the second quarter) and by 0.8% compared to September 2014 (0.7% yoy in the second quarter). The result for the period is due to the positive contributions of domestic demand (+0.2%), sustained by a 0.4% growth in end consumer spending, which offset the slowdown in exports (-0.8%) and in gross fixed investment (-0.4%).
For the year as a whole, Italy's GDP, according to the most recent estimates, is expected to rise by 0.7% compared to 2014. The key factor that has contributed to this positive result is the regained vivacity of all components of domestic demand, alongside a positive performance for exports, which maintained a lively trend despite the slowdown in international trade and the continuing sanctions on trade with Russia. In actual fact, all retail customer spending components improved - in particular the durable goods component - which in 2015 is estimated to have risen by 0.9%, a slight uptrend on the figure for 2014 (+0.4%), and which benefitted from improved labour market conditions and higher income, which in turn had a positive impact on retail customer confidence levels, which improved over the year. In October 2015, the rate of unemployment, in particular, fell to 11.5% from 11.6% in September (13% in October 2014) due, amongst other things, to tax breaks on new employees hired on permanent contracts and, to a lesser extent, to new individual dismissal rules envisaged by the "Jobs Act". Unemployment in young people also improved, although the figure for October was slightly worse (39.8% against 39.4% previously), the figure showed a net improvement with respect to 12 months earlier (42.6%). Lastly the employment rate also improved, reaching 56.3% from 55.9% in October 2014. Higher wages and low interest rates also improved retail customer finances: the employee hourly contractual pay index rose by 0.2% in November 2015 compared to the previous month, and by 1.3% yoy. Overall, in November average hourly pay rose by 1.2% over the course of one year.
As regards public finances, in November 2015, an improvement in the requirement of the public sector of around euro 62,440 million was recorded, falling by around euro 19,800 million compared to the corresponding period of 2014, in line with the programme to contain net indebtedness between 2014 and 2015 indicated in the updated note of the EFD. Tax income rose by over euro 1,800 million compared to November 2014. Also in November 2015, the level of national public debt was stable at euro 2,211.9 billion (euro 2,161 billion in November 2014).
Despite this positive scenario, in the second half of the year, several risks linked to the fragile international situation became clearer, and which impacts domestic trading performance, not to mention the negative impact on wealth linked to the potential aftermath of the financial turbulence that took shape towards the end of the year following the previously mentioned difficulties in China. These concerns materialised in the cited weakness of industrial production, production orders, the fall in confidence of enterprise and the decrease in investment, particularly in the building sector, from June onwards.

Monetary and economy policy interventions

On a global scale, 2015 was characterised by highly expansive monetary policies, and it was only towards the end of the year that FED and ECB strategies started to diverge: on 16 December 2015, the Federal Reserve, after lengthy internal debate regarding how to interrupt the 8-year cycle of expansive policy, decided to raise the cost of borrowing by 0.25%, decreeing the end of an era of zero interest rates in the United States. Instead, the ECB launched, and then strengthened, its Quantitative Easing policy.
More specifically, when announcing the decision, the Chair, Janet Yellen pointed out that any further interest rate increases will be gradual and that monetary policy will continue to be accommodating, with a view to support the recovery underway. The strategy adopted meant that the FED's manoeuvre had a limited impact on international financial and currency markets. In Europe, on 9 March 2015 the ECB launched the Public Sector Purchase Programme (PSPP), which is the Quantitative Easing for the Eurozone. This expansion measure entails the purchase, on the secondary market, of approximately euro 1,140 billion in securities, including sovereign bonds, for euro 60 billion per month up to the end of September 2016 or beyond, until such time as a lasting adjustment in inflation in the area occurs that is consistent with the goal of price stability (an inflation rate close to 2%). The programme aims to combat the risks of an extended period of low inflation. During the year, the ECB confirmed this monetary policy; the impact on the financial conditions and the real economy of the Eurozone and Italy was substantial and essentially in line with initial valuations. Nevertheless, over the course of 2015, new obstacles arose that indicated the need for an extension of the programme, to mitigate the risk that persistent downward pressure on prices - also triggered by the previously

mentioned fall in commodity prices - could impact longer-term inflation forecasts, emphasising the risk of a deflationary spiral. To this end, in December, Governor Mario Draghi announced a further cut of the interest rate on deposits of 10 basis points, from -0.2% to -0.3%, announcing that the current securities purchase programme would be extended to the end of March 2017 “or longer if necessary”, and that it would be extended to include securities issued by local entities. Lastly, Draghi reiterated the ECB’s firm intention to be ready to adopt any tool available within his mandate. Finally, in September the fifth targeted longer-term refinancing operation (TLTRO) was finalised. The limited demand recorded for this operation reflected the conditions of abundant liquidity. Including the latest operation, the funds disbursed to the banking system through TLTRO amount to euro 400 billion (115 to Italian banks).
The central banks of Japan and the United Kingdom did not change the direction of their monetary policy, which continue to be highly expansive.

Financial market performance

2015 was characterised by wide fluctuations of stock prices on the international financial markets and by countless repeated episodes of price volatility for the main asset classes. At the beginning of the year, following the QE programme announced by the ECB, share prices in the Eurozone in particular rose significantly, pushing the DAX index to new record highs, while government securities recorded further and consistent price increases, bringing the yields of a large share of the curve of government securities to negative territory. The ten-year bund briefly touched a new record low, with a yield of 0.07% and the spreads between the bund and Eurozone securities fell to levels that had not been seen since the beginning of the euro crisis. Also in the United States, albeit with modest and oscillating growth patterns, share prices continued to be positive in the first part of the year, with the S&P500 and Dow Jones Industrial indices recording new record highs that were only slightly higher than previous ones. The spreads of corporate bonds in the Eurozone continued to be relatively more stable, with a downward tendency in any event.

However, from mid-April the situation changed. Initially, the improvement in growth and inflation forecasts led to significant reorganisations of portfolios by market operators, provoking a rapid rise of the record lows recorded for the yields of long-term Government securities in the major advanced economies, without, however, provoking extensive increases of spreads in peripheral European nations. Share market prices stopped rising, alternating between rapid and fairly substantial downward fluctuations. At the same time, however, negotiations between Greece and international creditors became more tense, leading to increased volatility of the financial markets and of both sovereign risk premiums, for countries with weak public finances, and of private risk premiums, especially in Eurozone countries. The edginess of the markets was exacerbated after the Greek authorities suddenly interrupted negotiations for an extension of the rescue programme, as well as following the surprise referendum on the terms of the rescue plan, and its negative result. This episode was then followed by a short period of tranquillity in July, after Greece and European leaders reached an agreement on the rescue programme (implemented through the ESM), which led to a recovery of share prices and a narrowing of the spread of Government securities in peripheral European countries, which, with the exception of Greece, had lived through this difficult period with a limited amount of damage.
However, at the beginning of August the financial markets experienced new tensions. As mentioned before, the Chinese authorities unexpectedly decided to change the mechanism to calculate the exchange rate of the Chinese currency against the US dollar, with a view to its possible inclusion as a reserve currency of the IMF, which actually took place in December, and the Yuan Renminbi rapidly depreciated, a trend that continued into the following months. This decision was interpreted as the Government Authority’s growing concern as to the state of health of the Chinese economy, leading again to fears of a hard landing, something that the markets had been worried about for some time, also given the increasingly alarming statistics on the level of public indebtedness (in local administrations) and private debt recorded in the Asian giant. These concerns, added to the impact of the violent crash of share prices in Shanghai, which had cancelled out the significant increases recorded for the first half of the year, triggered significant losses in the stock markets of both advanced and emerging economies. These fears also resulted in the depreciation of the exchange rates in countries where commodities are produced, with repercussions on the relative exporting economies, which were particularly affected by the weakness of Chinese demand, leading to further downward pressure on the prices of the major energy and other commodities, after the considerable losses already suffered during the year.
Nevertheless, after the summer, the stock markets worked towards a substantial recovery, furthering fuelling volatility. The uncertainty of the international macroeconomic scenario influenced the decision of the Federal Reserve not to launch its interest rate hike in September. This contributed to lessening tensions relating to this historic change of direction of US monetary policy. The situation was further relaxed when, given increasingly weak levels of inflation in the Eurozone, expectations emerged as to the extension of QE by the ECB. At the beginning of December, the major stock markets had therefore recovered a fair share of the losses recorded over the summer. However, from that moment on, and until the date of preparation of this report, share prices fell significantly, reflecting the continuing tensions on the global financial markets, also linked to the relentless collapse of oil prices, which in January 2016, as mentioned, fell below 30 US dollars, a figure that hadn’t been seen since the end of 2003. Furthermore, at the beginning of December, the announcements made by the ECB of a further cut in the interest rate on deposits and the temporary extension of Quantitative Easing to March 2017, disappointed the markets, as seen as still too weak.

Due to these significant downward fluctuations, the overall changes recorded for the main indices for 2015 do not give a clear picture of the volatility that was actually experienced: in particular in the United States, the Standard&Poor’s 500 closed the year with a modest fall of 0.7%, while the DJ Industrial fell by 2.2%. Figures in the Eurozone were more

positive. Following the achievement made in the first quarter (+17.5%), the Eurostoxx 50 index recorded an annual increase of 3.9%. The DAX performed even better: +9.4%. Italy recorded one of the best results for the advanced economies: the FTSE MIB index recorded an increases of 12.7% in 2015, downsizing the exceptional result of the first quarter, when it recorded a peak in prices of 21.8%.
During the second half of the year, Government securities did not experience the violent repercussions experienced by share prices, exploiting their status of relative safe haven. Instead, the risk relating to corporate bonds rose considerably, especially with regard to the higher-risk issuers. Overall for the year, the risk premium on investment grade bonds (in both dollars and euro) of non-financial companies rose by around 40 basis points, while the increase of high yield bonds was more marked, in the order of 150-200 basis points, especially in the USA, where the continual fall in commodity energy prices had a greater impact on some types of issuer.

In November, the monthly average Euribor rate reached a record low of -0.09%, against an average in October of -0.05% (-17 basis points compared with November 2014). The 10-year swap interest rate was 0.90% in November 2015 (0.93% in October). On average, in the first few days of December 2015, the rate was 0.91%.
The expansive measures of the ECB and the expected interest rate hike in the United States also impacted the currency markets. From the end of 2014, the Euro had suffered a significant and rapid depreciation, which led it to a position of near parity with the US Dollar in the first few months of the year, around 1.05, a level that had not been seen since 2003, then remaining around this level for the rest of the year, closing at a rate of 1.09%.

Domestic banking scenario

In 2015, the positive development of the national economy resulted in a modest increase - yoy - of gross loans: in December 2015, based on the estimates of the ABI, the total amount of loans to resident customers (private sector plus Public Administrations) was euro 1,830 billion, recording a rise of +0.1% over a year (+0.8% in November), while loans to retail customers and non-financial companies recorded an annual change of +0.5%. Over the year, we witnessed a continual process of reorganisation between short-term loans (-4.8% yoy) and medium-term loans (+2.2%), in favour of the latter.
Loans to non-financial companies in November improved marginally against October with an increase of 0.2% yoy (-1.2% compared to the previous month), while the contribution of retail customers was consolidated at 0.8% yoy, in line with the +0.6% recorded for the previous month, due to the extremely dynamic trend of new disbursements of mortgages to purchase residential property. The latter recorded a very lively trend, with a leap of +97.4% in terms of accumulated value in the first 11 months of 2015. In the same period, new corporate loans also rose, despite the less convincing performance of assets, which recorded a rise of 13% yoy. Overall, all of the aggregates reported improved against the negative peak of 2013.
As regards credit quality, due to the improvement of the national macroeconomic scenario, the first half of 2015 saw a fall in the flow of new non performing loans (to 3.8% from 4.1%), resulting from the lower risk level of those disbursed to enterprise. However, bad loans increased, reaching euro 201 billion in November 2015, with an overall increase of around euro 19.8 billion compared to the figure recorded for the same period of 2014, due to the continuing crisis and the reclassification of loans that already showed irregularities in repayments. The figure for the end of November therefore does not reflect the improvement recorded in October resulting from the reduction, against the previous month of euro 1.43 billion in the stock of bad loans. The ratio of bad loans to total loans was 10.4% in November 2015, the same level as the previous month.
Bad loans net of write-downs in November 2015 amounted to euro 88.8 billion, up compared to the euro 87.2 billion recorded in the previous month and show an increase of 4.7% yoy, down compared to +12.2% recorded in the same period of 2014. The ratio of the same to total loans was 4.89%, only slightly worse that 4.67% recorded twelve months earlier.

Bank funding from residential customers, after the recovery recorded between March and May, and total direct funding (deposits and bonds) of national banks fell, both in retail and wholesale segments. This performance was offset by the more extensive use of refinancing from the Eurosystem, particularly as regards long term operations, which seek to encourage an increase in the disbursement of loans to the private sector.
More specifically, in terms of loan categories, in 2015, the divergent trend between the two main components. deposits and bonds purchased by customers, gradually grew. As at December 2015, residential customer deposits amounted to euro 1,311 billion according to ABI estimates, with an annual increase of +3.7% and an increase in absolute value of euro 47.3 billion. Instead, the bond component fell by -13.0% (-13.2% in November 2015), corresponding to an absolute value yoy of euro 57.5 billion. This therefore led, also in 2015, to a reorganisation between deposits and bonds, in favour of the former, pushing the cost of funding down; the interest rate on deposits in euro applied to retail customers and non-financial companies fell slightly, settling at 0.53% (0.73% in December 2014).
Italian retail customers also gradually reorganised their portfolios in favour of asset management; managed bank portfolios in the third quarter recorded a very positive upward trend corresponding to +9.5% yoy, reaching around euro 112.5 billion. The overall assets of individual managed portfolios of banks, SIM and UCITS in Italy recorded a similar performance (+9.5%) in Italy, and at the end of the third quarter of 2015 corresponded to around euro 757 billion.
Over the year, credit supply conditions gradually improved: the average weighted interest rate on total loans to retail customers and non-financial companies was 3.26% in December 2015, compared to 3.62% in December 2014 and 3.77% in December 2013, marking a record low for the five-year period. This downtrend was especially reflected on the

cost of loans for more than one million euro. The interest rate on loans in euro to retail customers for the purchase of a home also fell to 2.51% (2.83% in December 2014). The average rate on bank deposits of retail customers and non-financial companies was 1.19%, while the average interest rate on interest-bearing assets was 3.03%.
The spread between the average interest rate on loans and that on deposits to retail customers and non-financial companies therefore settled at a stable level for the last six months of 2015, after a short growth spurt at the beginning of 2015, recording 207 basis points in December (208 in November), slightly down against 212 basis points recorded in December 2014 and a long way from pre financial crisis levels when it had surpassed 300 basis points. The mark-up, calculated as the difference between the average interest rate on loans to retail customers and non-financial companies and the 3-month Euribor, was stable at 339 points compared to the previous month, reflecting a downtrend for the year as a whole (354 in December 2014). The mark-down, calculated as the difference between the average interest rate on deposits in euro of retail customers and non-financial customers and the 3-month Euribor fell by 10 basis points: -132 points in December 2015 (-131 points in November) against -142 basis points recorded in December 2014.

SIGNIFICANT EVENTS DURING THE YEAR

The main events which occurred during the year ending 31 December 2015 are described below.

The process to redefine and simplify the company's corporate and organisational structure

Merger of Banca Italease into Banco Popolare

Banca Italease S.p.A and Banco Popolare, in execution of the resolutions of the Extraordinary Shareholders' Meeting of Banca Italease S.p.A. and of the Board of Directors of Banco Popolare, signed the deed of merger by incorporation of the subsidiary Banca Italease S.p.A. into the Parent Company Banco Popolare on 9 March.
The merger, which did not result in any share exchange or issues of new shares by Banco Popolare, took effect as of 16 March 2015 in statutory terms, through the registration of the deed on the relevant company registers; while in accounting and fiscal terms, the effect of the merger was set to 1 January 2015.

At the same time, the relative organisational and IT integration activities were completed, and the Leasing Division, reporting directly to the Managing Director, was established within the Parent Company.
In particular, the following responsibilities were assigned to the Leasing Division:

- overseeing the credit risk underlying the portfolio of loan transactions originated by Banca Italease;
- implementing organised governance, policy-making and control activities for the same portfolio;
- coordinating the Companies formerly controlled by Banca Italease (Release S.p.A. and Italease Gestione Beni S.p.A.);
- providing the outsourced services previously provided by Banca Italease to Release S.p.A. and Alba Leasing S.p.A.

Evolution of the network distribution model

Continuing with the distribution network streamlining and optimisation efforts started in previous years, in 2015 network-related activities were carried out to implement the Project to develop the distribution model.

These included the closure of the London Branch on 31 December 2015.
The commercial activities of this branch had been gradually reduced in recent years. The United Kingdom's entry into the SEPA has made it easier for Italian companies to make payments directly from Italy. In addition, it is now less or no longer necessary to identify counterparties on the London market to meet liquidity requirements. These factors were at the basis of the decision to close the Branch.

Again with a view to optimising the Commercial network, the closure of around 130 branches was approved, identified both in terms of profitability criteria and on the basis of the distance of the same from the nearest Branch or Hub to which it belongs, in the event that the branch identified for closure is a "Spoke".

Furthermore, effective 18 January 2016, the 12 Business Areas belonging to the different Divisions of Banco have been grouped together. This means that the Business Areas of the Commercial Network have fallen from 75 to 63, reducing the number of the same in line with the reduction of Branches throughout the country. The estimated costs resulting from the mentioned restructuring project have already been charged to the 2015 income statement in the item "Net provisions for risks and charges".

Sale of the foreign subsidiary Banco Popolare Luxembourg

Banco Popolare and Banque Havilland have signed an agreement for the sale of 100% of the share capital of Banco Popolare Luxembourg SA to Banque Havilland SA.
The scope of the operation does not include the sale of the equity investment in Aletti Suisse held by Banco Popolare Luxembourg, which on 4 January 2016 was sold to Banca Aletti by means of the transfer of the whole share capital (150,000 shares) at a counter value of euro 17.8 million Swiss Francs (corresponding to euro 16.4 million). The entire loans portfolio of BP Luxembourg was also not included in the scope of the assets sold. The preliminary price for the sale was agreed as euro 30.9 million, plus any net profit recorded from 1 January 2015 up until the closing date and assumes the prior extraordinary distribution of the reserves of Banco Popolare Luxembourg to Banco Popolare for a minimum amount established by contract as euro 50 million.
The operation is expected to be finalised in the first quarter of 2016, although it is conditional to obtaining the necessary authorisations from the competent supervisory authorities. It will not have a significant impact on Banco Popolare in terms of its economic profile or its capital profile with respect to the Group situation reported on 31 December 2015.
In accordance with the Group's strategic guidelines, this operation allows Banco Popolare to continue to focus on its

core domestic banking business and at the same time will enable BP Luxembourg private and institutional customers to maintain their investment and custody arrangements, providing them with service continuity.

Events relating to the management of investments in subsidiaries, associates and joint ventures

Partial disposal of the shareholding in Istituto Centrale delle Banche Popolari Italiane

On 19 June, Banco Popolare, Credito Valtellinese, Banca Popolare di Vicenza, Veneto Banca, Banca Popolare dell'Emilia Romagna, Iccrea Holding, Banca Popolare di Cividale, UBI Banca, Banca Popolare di Milano, Banca Sella Holding and Banca Carige entered into an agreement which envisaged the sale to Mercury Italy S.r.l. (SPE indirectly invested in by Bain Capital, Advent International and Clessidra SGR funds) of 85.29% of the share capital held in Istituto Centrale delle Banche Popolari Italiane S.p.A. (ICBPI).
According to the agreement, Banco Popolare undertook to transfer 13.876% of the share capital of ICBPI maintaining an equity investment of 1.5%; overall, the selling banks maintained an equity investment of 8.40% of the share capital of ICBPI, with the exception of Banca Popolare di Vicenza, Veneto Banca and Banca Carige. Following the authorisation received from the competent supervisory authorities, the operation was finalised on 18 December 2015. The price paid by the buyer corresponded to a valuation of 100% of the share capital of ICBPI of euro 2,150 million. More specifically, the sale of the equity investment held directly and indirectly in ICBPI by Banco Popolare, corresponding to 13.876% of the share capital and recorded in the financial statements under financial assets available for sale, entailed the collection of a total consideration of euro 299.9 million, and the recognition of a net gain of euro 159.8 million.
The sale agreement envisages the possible later payment of an additional consideration, conditional to the effective recognition of net income that could result from the sale made by CartaSi S.p.A. to Visa Inc. of the equity investment held by the former in Visa Europe.
The sale agreement also envisaged entering into a shareholders' agreement with Mercury Italy containing the governance rules and regulations of the ICBPI share circulation regime. The agreement in question also grants the banks that have maintained an investment in the share capital of ICBPI a put option that may be exercised individually from the fifth year. The price of any exercise of said option will be the fair market value.
From a commercial perspective, the duration of the relative agreements currently in place between the selling shareholders and ICBPI has been extended to December 2020, with the right to withdrawal agreed from the third anniversary of the closing.

Disposal of the equity investment in Arca SGR

On 4 August 2015, Banco Popolare exercised the right to withdraw with reference to the investment held directly and indirectly in Arca SGR, equal to 19.90% of the share capital and recognised in the financial statements as part of the financial assets available for sale portfolio. The right to withdraw was exercised following a resolutions of the Extraordinary shareholders' meeting of Arca SGR on 23 July 2015. The Shareholders' meeting of the associated company resolved on said date to launch an important corporate and industrial restructuring, amending the corporate purpose and eliminating the share possession limit.
On 22 December, after having obtained the necessary authorisations from the competent supervisory authorities, Banco Popolare sold the entire equity investment held directly and indirectly in Arca SGR; more specifically, it sold 12.332% of the share capital of Arca SGR to Banca Popolare dell'Emilia Romagna Soc. Coop. and 7.568% to Banca Popolare di Sondrio S.C.p.A. on payment of a total consideration of euro 95.5 million. As a result of the above transaction, the Group recorded a net gain of euro 63.8 million.

Other events in the year

Agreement reached with Crédit Agricole to support Agos Ducato

On 21 December 2015, Banco Popolare and Crédit Agricole Consumer Finance, a subsidiary of the Crédit Agricole Group, which specialises in consumer credit, signed a double agreement for refinancing and distribution regarding Agos.
The three-year refinancing agreement, which replaces that signed in 2013, will diversify Agos' sources of financing on the financial markets, increase its self-financing capability and reduce refinancing costs.
Furthermore, a five-year agreement was signed for the exclusive distribution of Agos consumer credit products to Banco Popolare customers.
Both agreements demonstrate the firm intention of Agos' two shareholders - CA Consumer Finance with 61% and Banco Popolare with 39% - to sustain the management and development of this company, making Agos increasingly profitable.

Strategic agreement finalised for real estate assets

In May 2015, Banco Popolare entered into a strategic partnership agreement with Coima and Hines Italia SGR (from September 2015 merged into Coima SGR) for the valuation of the Group's non-core real estate assets associated with capital markets activities and for the possible establishment of SPEs to be involved in the valuation process.
This agreement, which represents an innovative pilot project within the banking sector, regards around 60 high-value property units of significant size.

Following an initial analysis phase, in the last quarter of 2015, a strategic plan for the valuation of the most important properties was drawn up.
In the future, Coima and Coima SGR plan to identify, along with Banco Popolare, domestic and international investors to whom the assumptions underlying the valuation plan will be submitted.

Agreements relating to employees

In a situation in which company management seeks to strictly contain labour costs, negotiations were able to reach numerous agreements that combine operational and production efficiency with social sustainability vis-à-vis employees. The main agreements reached, which impact the group's entire workforce, are briefly illustrated below.

Recovering production efficiency and Managing surplus personnel
With a view to the company's competitive development, the Parties launched complex negotiations, the primary objective of which was to relieve the structural and production surplus that had emerged for Middle Management, in terms of cost, number and average age.
With regard to said purpose, in the first stage of complex negotiations, agreement was reached on professional categories, part-time work and mobility, envisaging the introduction for Middle Managers, on a trial and temporary basis, of specific flexibility criteria regarding their work assignment, the option of highly flexible weekly working hours, and more lenient conditions of consent for transfers by the company to a different location.
At this stage of the negotiations, agreement was also reached on the 2015 Company Bonus (which will be paid in 2016 to all group employees), with a view to an economic alignment with the rest of the industry, enabling the amount envisaged for this purpose to be further rationalised, and linking the criteria applied to establish the same to variable elements as a function of the profitability and productivity of the business.
The framework of the above-illustrated agreements was finalised at a later stage with an agreement to manage the process of voluntary retirement for a minimum number of 200 resources, by activating a specific incentive plan for all workers that meet pension requirements and the requirements for accessing the extraordinary Solidarity Fund. This agreement was characterised by specific conditions envisaged to encourage the retirement of mostly middle management personnel (by means of an adequate level of incentives and a minimum number of employees of no less than 140), as well as by the provision of a significant plan for the employment of young people, with a view to generational renewal, according to a ratio of approximately 1 person hired for each 2 retiring.
The above-illustrated incentive plan was extended with the addition of a further 200 resources following agreements signed at the beginning of 2016, as illustrated in more detail in the section dedicated to events occurring after the date of the financial statements in Part A of the Notes to the consolidated financial statements, to which the reader should refer.

Development of supplementary welfare, rationalisation of Group supplementary pension arrangements
In this regard, in line with the above-mentioned rationalisation of the Company Bonus, an extension of the "figurative" amount that may be credited in 2016 and may be used by employees as part of the Welfare services already operational in the Group, with more favourable tax and social security contributions ex lege than those applicable to "monetary" disbursements.
Similarly, the secondary benefits for invalidity and death for employees that had already signed up for supplementary pension arrangements, were confirmed also for 2016 and improved upon overall.
Lastly, it is worth mentioning that agreement was reached as regards Group supplementary pension arrangements, with guidelines drawn up and immediately effective for the establishment of a Single Group Fund and the concentration in the same of all forms of current supplementary pension arrangements. More specifically, this agreement paved the way for the enhancement of supplementary company pension arrangements, with a view to more efficiently and effectively managing the economic resources available for this purpose for all subscribers, also in compliance with the latest recommendations of the legislator.

Funded training
Again in 2015, negotiations continued with a view to funding training courses that are essential to the development of human capital and addressed to a very high number of workers, through a specific industry fund, called the "Bank and Insurance Company Fund". In this regard, please refer to the section on supervisory, control and support activities, Human Resources, in this Report.

Assignment without recourse of bad loans

In June and October, Banco Popolare formalised two assignments without recourse of unsecured bad loans: the first assignment included around 17 thousand positions for a total nominal value of approximately euro 210 million, while the second involved around 9 thousand positions for a total nominal value of approximately euro 950 million.
The transaction had no negative impact on the income statement for the period because the coverage of the assigned portfolios was higher than the buyer's estimates. On the contrary, recoveries from repayment have been recorded.

The assignments was completed en bloc pursuant to Law 130/1999 and for the Banco Popolare Group it entails the real and definitive transfer of credit risk associated with the transferred items.
The portfolio was acquired by Marte SPV, an SPE owned by Hoist Finance, one of the most important pan-European financial institutions in the non performing loans market, which is listed on the NASDAQ Stockholm.

Launch of the project to transform into a joint-stock company

On 15 September 2015, the Board of Directors of Banco Popolare approved the mandatory amendments to the articles of association in accordance with the provisions of Decree Law no. 3 of 24 January 2015, converted into Law no. 33 of 24 March 2015 (“reform of people’s banks”) and Circular no. 285 of 17 December 2013 of the Bank of Italy “Provisions for bank supervision” amended on 9 June 2015 - 9th update - with the introduction of the new Chapter 4 “Cooperative banks”.
Following said amendments to the articles of association, the Bank of Italy issued the relative assessment provision pursuant to art. 56 of Legislative Decree 385/93 and subsequently, on 15 December 2015, recorded the amended Articles of Association in the relevant Company Register.
After consultation with the Board of Statutory Auditors, the Board of Directors also approved the launch of the project to transform the legal status of Banco Popolare from a limited liability joint-stock cooperative company into a joint-stock company and the plan containing the initiatives necessary for this purpose as well as the timing for their implementation, in line with legal deadlines.

RESULTS

Introduction

The statement of financial position and income statement schedules shown below have been reclassified, according to operating criteria, in order to provide clear indications on the trend of the Group's general performance based on the economic-financial data that can be determined rapidly and easily.
The reclassification criteria are unchanged with respect to those applied as at 31 December 2014; however, several restatements of data relating to previous periods were necessary in order to guarantee a like-for-like comparison.

In particular, as at 31 December 2015, some assets and liabilities referring to the subsidiary Banco Popolare Luxembourg S.A. should be considered held for sale, since they are expected to be sold. In line with the provisions of IFRS 5, the afore-mentioned assets and liabilities were classified under the items of the reclassified statement of financial position "Non-current assets held for sale and discontinued operations" and "Liabilities associated with non-current assets held for sale and discontinued operations", with the exception of credit exposures to customers associated with the investee, which continue to be included in "Loans to customers", as the Group plans to retain all of the associated risks and benefits. This presentation approach must be taken into consideration in order to correctly understand the evolution of the Group's statement of financial position balances compared to those from the end of the previous year.
As regards the reclassified income statement, expenses and income associated with assets and liabilities classified as held for sale, net of taxes, have been recognised in the separate item "Income (loss) after tax from discontinued operations", both for 2015 and for the previous year, in line with the retrospective presentation of discontinued operations required by IFRS 5. In this regard, please note that as at 31 December 2015, the item "Income (loss) after tax from discontinued operations" also includes the effects of the application of the new approach for measuring assets and liabilities relating to disposals, equal to the lower of their book value and the relative fair value, net of selling costs, as described in the subsequent paragraphs regarding the results. For consistency with what has been presented previously, the income statement components correlated with the portfolio of loans to customers continue to be classified line by line in the income statement.

The attachments to this report contain a statement of reconciliation between the reclassified income statement published in the Annual financial report as at 31 December 2014 and the reclassified income statement restated for comparative purposes, contained in this document.

Disclosures on the business combinations and the reclassifications made to the financial statements envisaged by Circular no. 262/05, in compliance with the requirements of Consob as per communication no. 6064293 dated 28 July 2006 are shown below:

The main reclassifications made with respect to the balances present in the items of the official income statement schedule in order to prepare the reclassified schedule are illustrated below:

- dividends on shares classified under financial assets available for sale and assets held for trading (item 70) have been reclassified under the net financial result;
- the profits and losses on the disposal of loans, not represented by debt securities, (included in item 100) have been grouped, together with net losses/recoveries on impairment of loans, under item "Net adjustments on loans to customers";
- the profits and losses on the disposal of financial assets available for sale, receivables represented by debt securities and financial liabilities (recognised under item 100) have been stated under the net financial result. This last aggregate also includes adjustments due to impairment on debt securities classified in the loans portfolio, which in the financial statements are shown under item 130;
- recoveries on taxes and other costs (included in item 220) have been booked directly against administrative expenses, where the relative cost has been recognised, rather than being indicated in the reclassified aggregate "other net operating income";
- the amortisation of leasehold improvement costs (recorded in item 220) has been stated together with value adjustments on property and equipment and intangible assets, rather than stated together with other net operating income;
- the portion of the economic results pertaining to investee companies carried at equity (included in item 240) has been stated in a specific item which represents, together with the interest margin, the aggregate defined as the financial margin;
- the aggregate "Losses/recoveries on investments in associates and companies subject to joint control, goodwill, and other intangible assets" includes all adjustments relating to goodwill, to other intangible assets, and to investments in associates and companies subject to joint control made following annual impairment testing;

- the impact of the change in creditworthiness on financial liabilities issued by the Bank, designated at fair value (FVO), recorded under item 110, is shown as a separate item in the reclassified income statement, together with the relative tax (recognised in item 290 of the income statement).
- the allocations to provisions for risks and charges of disputes, which regard interest accrued during the year or in previous years, recorded under item 160 of the income statement, contribute to the direct adjustment of the interest margin.

A reconciliation between the reclassified income statement and that drawn up on the basis of Circular no. 262 is provided in the attachments and includes comments explaining the reclassifications made.

Consolidated income statement figures

Reclassified income statement items *(in thousands of euro)*	**2015**	**2014 (*)**	**Change**
Interest margin	1,545,386	1,551,913	(0.4%)
Profits (losses) on investments in associates and companies subject to joint control carried at equity	141,479	90,066	57.1%
Financial margin	**1,686,865**	**1,641,979**	**2.7%**
Net fee and commission income	1,425,410	1,379,724	3.3%
Other net operating income	109,644	138,816	(21.0%)
Net financial result (without FVO)	441,081	216,058	104.1%
Other operating income	**1,976,135**	**1,734,598**	**13.9%**
Operating income	**3,663,000**	**3,376,577**	**8.5%**
Personnel expenses	(1,433,610)	(1,428,364)	0.4%
Other administrative expenses	(804,860)	(643,133)	25.1%
Net value adjustments on property and equipment and intangible assets	(166,362)	(191,697)	(13.2%)
Operating expenses	**(2,404,832)**	**(2,263,194)**	**6.3%**
Income (loss) from operations	**1,258,168**	**1,113,383**	**13.0%**
Net adjustments on loans to customers	(803,933)	(3,561,431)	(77.4%)
Net adjustments on receivables due from banks and other assets	(54,181)	(39,828)	36.0%
Net provisions for risks and charges	(50,791)	(39,305)	29.2%
Recoveries (Losses) on investments in associates and companies subject to joint control, goodwill and other intangible assets	-	(239,000)	
Profits (Losses) on disposal of investments in associates and companies subject to joint control and other investments	(4,400)	2,345	
Income (loss) before tax from continuing operations	**344,863**	**(2,763,836)**	
Taxes on income from continuing operations	70,518	803,075	(91.2%)
Income (loss) after tax from discontinued operations	(7,280)	2,144	
Income (loss) attributable to minority interests	18,684	38,714	(51.7%)
Net income (loss) without FVO	**426,785**	**(1,919,903)**	
Change in the Bank's creditworthiness (FVO)	4,912	(38,828)	
Taxes on the change in creditworthiness (FVO)	(1,624)	12,840	
FVO Impact	**3,288**	**(25,988)**	
Parent Company's net income (loss)	**430,073**	**(1,945,891)**	

(*) The figures relating to the previous year have been restated to provide a like-for-like comparison.

Reclassified consolidated income statement – Quarterly changes

Reclassified income statement items *(in thousands of euro)*	FY 2015				FY 2014 (*)			
	Q4	Q3	Q2	Q1 (*)	Q4	Q3	Q2	Q1
Interest margin	368,860	387,465	401,969	387,092	387,500	395,996	397,068	371,349
Profits (losses) on investments in associates and companies subject to joint control carried at equity	40,958	39,203	36,672	24,646	24,964	24,900	20,844	19,358
Financial margin	**409,818**	**426,668**	**438,641**	**411,738**	**412,464**	**420,896**	**417,912**	**390,707**
Net fee and commission income	340,184	314,141	350,204	420,881	308,996	354,441	346,218	370,069
Other net operating income	37,323	23,497	20,267	28,557	26,302	38,654	32,912	40,948
Net financial result (without FVO)	267,785	29,967	50,315	93,014	(1,873)	23,873	105,629	88,429
Other operating income	**645,292**	**367,605**	**420,786**	**542,452**	**333,425**	**416,968**	**484,759**	**499,446**
Operating income	**1,055,110**	**794,273**	**859,427**	**954,190**	**745,889**	**837,864**	**902,671**	**890,153**
Personnel expenses	(423,317)	(327,702)	(342,176)	(340,415)	(375,117)	(380,994)	(329,002)	(343,251)
Other administrative expenses	(316,253)	(161,021)	(162,573)	(165,013)	(135,071)	(170,356)	(176,435)	(161,271)
Net value adjustments on property and equipment and intangible assets	(73,851)	(33,696)	(26,321)	(32,494)	(86,790)	(30,992)	(25,201)	(48,714)
Operating expenses	**(813,421)**	**(522,419)**	**(531,070)**	**(537,922)**	**(596,978)**	**(582,342)**	**(530,638)**	**(553,236)**
Income (loss) from operations	**241,689**	**271,854**	**328,357**	**416,268**	**148,911**	**255,522**	**372,033**	**336,917**
Net adjustments on loans to customers	(229,143)	(199,483)	(193,920)	(181,387)	(2,496,072)	(445,323)	(292,049)	(327,987)
Net adjustments on receivables due from banks and other assets	(23,171)	(5,150)	(22,286)	(3,574)	(19,328)	(8,413)	(8,606)	(3,481)
Net provisions for risks and charges	14,603	(15,768)	(6,428)	(43,198)	(50,878)	2,729	10,337	(1,493)
Recoveries (Losses) on investments in associates and companies subject to joint control, goodwill and other intangible assets	-	-	-	-	(239,000)	-	-	-
Profits (Losses) on disposal of investments in associates and companies subject to joint control and other investments	(108)	(246)	(3,959)	(87)	207	965	206	967
Income (loss) before tax from continuing operations	**3,870**	**51,207**	**101,764**	**188,022**	**(2,656,160)**	**(194,520)**	**81,921**	**4,923**
Taxes on income from continuing operations	72,593	(5,285)	(23,328)	26,538	804,788	59,461	(56,116)	(5,058)
Income (loss) after tax from discontinued operations	307	200	(6,523)	(1,264)	778	358	386	622
Income (loss) attributable to minority interests	7,684	5,869	1,199	3,932	30,028	4,632	3,382	672
Net income (loss) without FVO	**84,454**	**51,991**	**73,112**	**217,228**	**(1,820,566)**	**(130,069)**	**29,573**	**1,159**
Change in the Bank's creditworthiness (FVO)	(6,295)	7,057	16,771	(12,621)	(5,108)	3,427	(7,096)	(30,051)
Taxes on the change in creditworthiness (FVO)	2,082	(2,334)	(5,546)	4,174	1,529	(1,118)	2,491	9,938
FVO Impact	**(4,213)**	**4,723**	**11,225**	**(8,447)**	**(3,579)**	**2,309**	**(4,605)**	**(20,113)**
Parent Company's net income (loss)	**80,241**	**56,714**	**84,337**	**208,781**	**(1,824,145)**	**(127,760)**	**24,968**	**(18,954)**

(*) The figures relating to previous periods have been restated to provide a like-for-like comparison.

Note that, in accordance with that envisaged by the reference international accounting standard (IFRS 3), the Banco Popolare Group's income statement includes the economic impacts deriving from the allocation of the difference from the merger with the Banca Popolare Italiana Group and of the price paid for the acquisition of Banca Italease (so-called Purchase Price Allocation – PPA) with reference to the current year 2015 and the previous one compared. In this regard, note that the economic impacts in question were gradually reduced and some of them are no longer significant. We refer to the residual impact on the interest margin resulting from the higher value allocated to the loans purchased as part of the business combination of the Banca Popolare Italiana Group and from the lower value attributed to the financial liabilities issued by Banca Italease. The only residual economic impacts of any note relate to the amortisation charges for intangible assets with a definite useful life recorded after the acquisition of the Banca Popolare Italiana Group and recognised under "Other net operating income". The impact on income (loss) before tax from continuing operations recorded in the income statement for 2015 amounted to euro -28.7 million (euro -75.3 million in 2014).
The overall effect on the net consolidated result was therefore euro -15.4 million as at 31 December 2015 (euro -50.6 million in 2014).

In compliance with the instructions contained in Consob Communication no. DEM/6064293 of 28 July 2006, the following paragraphs provide information on the effects that non-recurrent events or transactions had on the consolidated economic result of the years compared.

For the purposes of identifying the non-recurrent components, the following approaches are used on the whole:

- the results of disposal transactions relating to all fixed assets (investments in associates and companies subject to joint control, property and equipment) are considered to be non-recurrent;
- gains and losses on non-current assets held for sale and discontinued operations are considered to be non-recurrent;

- the income statement components associated with improvements, reorganisations, etc. (e.g. expenses for use of the redundancy fund, leaving incentives) are considered to be non-recurrent;
- income statement components for a significant amount which are not destined to reoccur frequently (e.g. fines, impairments of fixed assets, effects associated with legislative changes, exceptional results, etc.) are considered to be non-recurrent;
- impacts on the income statement, as long as significant, resulting from valuation aspects and/or changes in parameters in the application of the valuation methods applied on an on-going basis are instead considered to be recurrent.

In the light of the above criteria and in addition to the amounts already included in items that are per se non-recurrent (e.g. profit (loss) on assets held for sale), the main components that influenced the Group's net result as at 31 December 2015 are as follows:

- the benefit resulting from the decrease in the book value of own financial liabilities issued at fair value as a consequence of the decrease in creditworthiness with respect to the previous year (euro 4.9 million before tax). In 2014, the income statement had recorded a negative impact of euro 38.8 million before tax;
- as regards the net financial result (without FVO), the recognition of the gains resulting from the sale of the share held in ICBPI and Arca SGR, classified as financial assets available for sale, corresponding respectively to euro 172.6 and euro 68.6 million before the relative tax;
- the recognition under "personnel expenses" of non-recurring expenses relating to the solidarity fund (linked to the departure of 400 resources), leaving incentives and the closure of the London branch for a total amount of euro 94.6 million (euro 138.2 million of extraordinary expenses recognised as at 31 December 2014, relating to the departure of 578 resources, plus the cost of leaving incentives of around euro 6.2 million);
- in relation to other administrative expenses, the recognition of extraordinary charges paid to the National Resolution Fund for the intervention of the same in the rescue of four banks in difficulty for a total amount of euro 113.9 million (last year out-of-period income generated by the non-existence of several debts amounting to euro 7 million before the relative tax was recognised);
- the recognition of losses on the sale of some investment property the book value of which was already adjusted by euro 3.8 million, gross, in the first quarter in order to bring the book value into line with the recoverable value estimated on the basis of the most recent appraisals. Following the sale of the afore-mentioned properties, those value adjustments were replaced with the recognition of a loss in the same amount in the reclassified income statement item named "losses on disposal of investments in associates and companies subject to joint control and other investments". During the annual assessment, value adjustments of a further euro 41.4 million were recorded for several properties classified as investments in order to bring their book value in line with the recoverable value estimated on the basis of the most recent appraisals. Instead, as at 31 December 2014, value adjustments of euro 68 million were recognised; furthermore, the income statement for the previous year had also benefited, also with regard to value adjustments on property and equipment and intangible assets, from lower amortisation of around euro 6.7 million relating to the longer useful life of applications software to align the same more closely to the actual period for which the assets are used;
- the recognition of allocations to the provisions for risks and charges amounting to euro 40.8 million relating to disputes underway with the Tax Authority and to cover the future expenses to be incurred for the closure of Group branches, in line with the approved plan, amounting to euro 4.3 million;
- the recognition, under taxes on income from continuing operations, the tax assets deriving from the prior tax losses of the subsidiary Banca Italease, merged by incorporation in the first quarter of 2015, for a total of euro 85.1 million. In the income statement for 2014, this item had been negatively impacted by the adjustment of the taxes recognised on the capital gain earned by the Group in the previous year following the change in the stakes held in the capital of the Bank of Italy (by euro 14.5 million).

Lastly, note that the 2014 income statement had been impacted, in addition to the effects already mentioned, by a significant amount of value adjustments to loans (euro 3,561.4 million), which certainly included a relevant non-recurring component, which could not be objectively calculated due to the intrinsic nature of the loan assessment procedure. Lastly, in the result for the previous year, value adjustments on investments in associates and companies subject to joint control, goodwill and other intangible assets included the amount totalling euro 239 million, due both to impairment on goodwill for the Cash Generating Unit "Private & Investment Banking" of euro 200 million and impairment on intangible assets with definite useful life for the remaining euro 39 million.

The main income statement items as at 31 December 2015 are illustrated below, compared with the figures for the previous year.

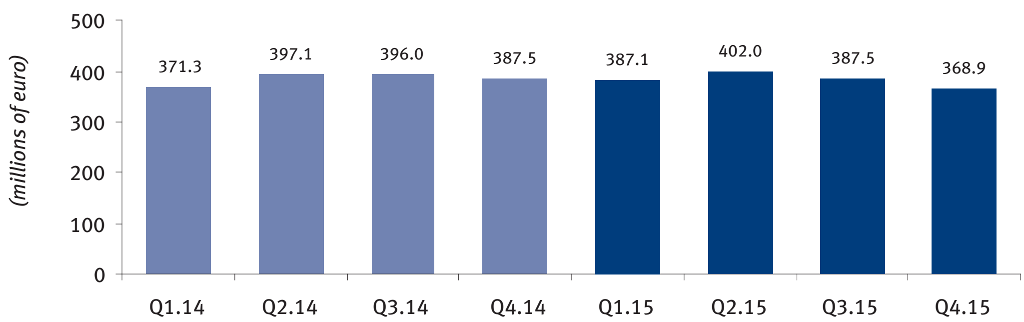
Operating income

Interest margin

(in thousands of euro)	2015	2014 (*)	Absolute change	% change
Financial assets held for trading	167,651	205,331	(37,680)	(18.4%)
Financial assets designated at fair value through profit and loss	717	-	717	
Financial assets available for sale	347,998	371,031	(23,033)	(6.2%)
Investments held to maturity	148,159	128,917	19,242	14.9%
Net interest due to banks	(49,134)	(74,298)	(25,164)	(33.9%)
Net interest due to customers	1,822,228	2,158,835	(336,607)	(15.6%)
Hedging derivatives (net balance)	30,030	75,964	(45,934)	(60.5%)
Net interest on other assets/liabilities	12,775	2,852	9,923	347.9%
Debt securities issued	(529,682)	(704,653)	(174,971)	(24.8%)
Financial liabilities held for trading	(219)	-	(219)	
Financial liabilities designated at fair value through profit and loss	(405,137)	(612,066)	(206,929)	(33.8%)
Total	**1,545,386**	**1,551,913**	**(6,527)**	**(0.4%)**

(*) The figures relating to the previous year have been restated to provide a like-for-like comparison.

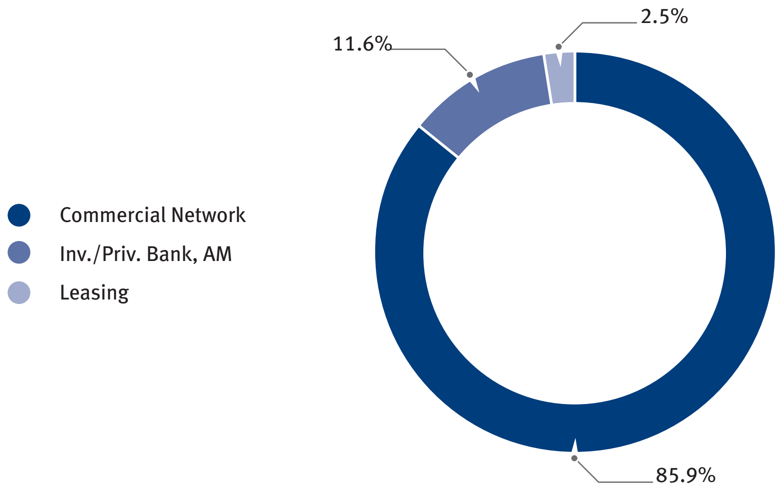
Interest margin



The **interest margin** amounted to euro 1,545.4 million, down 0.4% on the previous year (euro 1,551.9 million), with a contribution from the fourth quarter of euro 368.9 million, down by 4.8% compared both to that of the third quarter of 2015 and that of the fourth quarter of 2014. The fall in terms of quarters is due to significant competitive pressure on the pricing of loans to customers and the more significant fall in the reference interest rates (the Euribor rate fell by a further 6 basis points in the last quarter). The downwards pressure on the margin was contained on annual basis, due to the policy for the reduction of the cost of institutional funding and retail funding, pursued by focusing on less costly forms of funding, as well as a reduction in the bond component.

(in thousands of euro)	2015	2014 (*)	Absolute change	% change
Commercial Network	1,379,676	1,540,415	(160,739)	(10.4%)
Investment Banking, Private Banking, Asset Management	186,036	161,799	24,237	15.0%
Leasing	39,980	38,715	1,265	3.3%
Total business areas	**1,605,692**	**1,740,929**	**(135,237)**	**(7.8%)**
Corporate Centre and Other	(60,306)	(186,122)	125,816	67.6%
PPA	-	(2,894)	2,894	100.0%
Total interest margin	**1,545,386**	**1,551,913**	**(6,527)**	**(0.4%)**

(*) The figures relating to the previous year have been restated to provide a like-for-like comparison.



The Commercial Network, which represents around 86% of the item's results, reported net interest down by 10.4% on an annual basis. The Commercial Network made a lower contribution to the interest margin in 2015 than the previous year by virtue of the fall in the average volume of loans and the decrease of the average annual customer spread from 187 bps in 2014 to 178 bps in 2015 (170 bps in the fourth quarter of 2015 against 181 bps in the last quarter of the previous year).
The interest margin of Investment Banking and Asset Management rose against the previous year, due to the higher contribution (euro +27 million) of interest resulting from the larger securities portfolio held by the subsidiary Banca Aletti, where the liquidity received by the company for the issue of certificates is invested (placements in 2015 recorded a nominal amount of euro 1.6 billion). The contribution of the Leasing Division continues to be almost the same against a decrease in loans due to lump sum contributions related to the closure of securitisation transactions.
Lastly, the sharp reduction in the cost of funding (in terms of quantity and price) and the additional expansion in the contribution from the flow of interest from the lending securities portfolio of Banco Popolare resulted in an improvement in the performance of the Corporate Centre and, therefore, provided the Group with a stable interest margin as at 31 December 2015 compared to that of the previous year.

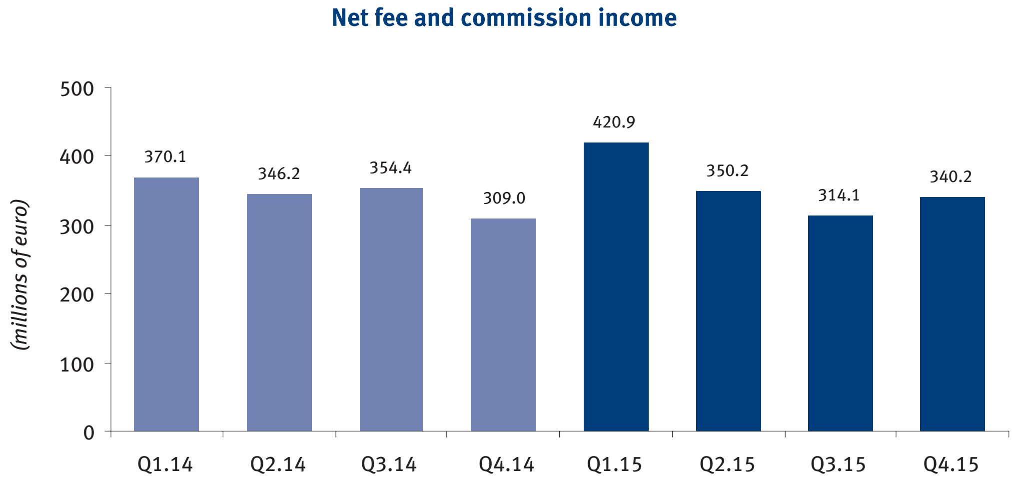
Profits (losses) on investments in associates and companies subject to joint control carried at equity

Profits (losses) on investments in associates and companies subject to joint control carried at equity recorded a profit of euro 141.5 million, compared to euro 90.1 million recorded in the previous year, with a contribution of euro 41.0 million in the fourth quarter. The positive contribution to the result for 2015 is mainly due to the equity investments held in Agos Ducato (euro 105.3 million compared to euro 39.7 million in 2014), in Popolare Vita (euro 25.0 million compared to euro 36.9 million as at 31 December 2014), in Avipop Assicurazioni (euro 8.0 million compared to euro 12.1 million in the previous year) and in Energreen (euro 2.5 million compared to euro 1 million recorded in 2014). Alba Leasing's contribution in the period was substantially zero. The entire contribution of this item is attributable to the Corporate Centre.

Net fee and commission income

(in thousands of euro)	2015	2014 (*)	Absolute change	% change
Management, brokerage and advisory services	709,116	658,629	50,487	7.7%
Distribution of savings products	543,274	501,876	41,398	8.2%
- Placement of securities	3,822	3,741	81	2.2%
- Asset management	406,880	355,637	51,243	14.4%
- Bancassurance	132,572	142,498	(9,926)	(7.0%)
Consumer credit	35,636	31,072	4,564	14.7%
Credit cards	31,764	32,783	(1,019)	(3.1%)
Custodian bank	17,299	13,933	3,366	24.2%
Trading securities, currencies and acceptance of orders	56,150	62,442	(6,292)	(10.1%)
Other	24,993	16,523	8,470	51.3%
Current account management and loans to customers	496,899	516,243	(19,344)	(3.7%)
Collection and payment services	120,173	122,524	(2,351)	(1.9%)
Guarantees given	50,397	29,891	20,506	68.6%
Other services	48,825	52,437	(3,612)	(6.9%)
Total	1,425,410	1,379,724	45,686	3.3%

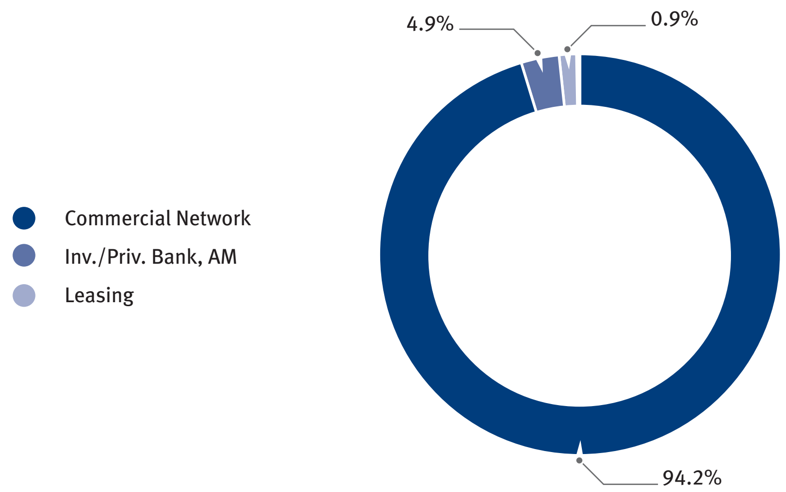
(*) The figures relating to the previous year have been restated to provide a like-for-like comparison.



Net fee and commission income amounted to euro 1,425.4 million, up by 3.3% compared to the euro 1,379.7 million recorded in 2014, with a contribution of euro 340.2 million in the fourth quarter of 2014, up on the figure for the third quarter (euro 314.1 million) and on that of the fourth quarter of 2014 (euro 309.0 million). The average quarterly contribution guaranteed by the inflow of fee and commission income was euro 356.4 million in 2015 compared to euro 349.9 million last year. The increase in annual terms was achieved due to growth in fee and commission income from management, brokerage and advisory services, equivalent to euro 709.1 million, up 7.7% compared to euro 658.6 million in 2014. The segment was driven by the distribution of investment products and, specifically, by the high levels of placements of mutual investment fund units to meet the growing demand from customers. Fee and commission income related to the Group's traditional brokerage business were euro 716.3 million, down 0.7% compared to euro 721.1 million last year, with a higher contribution provided by consumer credit and custodian bank activities.

(in thousands of euro)	2015	2014 (*)	Absolute change	% change
Commercial Network	1,344,214	1,361,504	(17,290)	(1.3%)
Investment Banking, Private Banking, Asset Management	69,263	22,733	46,530	204.7%
Corporate Centre and Other	12,443	(3,662)	16,105	
Total business areas	**1,425,920**	**1,380,575**	**45,345**	**3.3%**
Leasing	(510)	(851)	(341)	(40.1%)
Total net fee and commission income	**1,425,410**	**1,379,724**	**45,686**	**3.3%**

(*) The figures relating to the previous year have been restated to provide a like-for-like comparison.



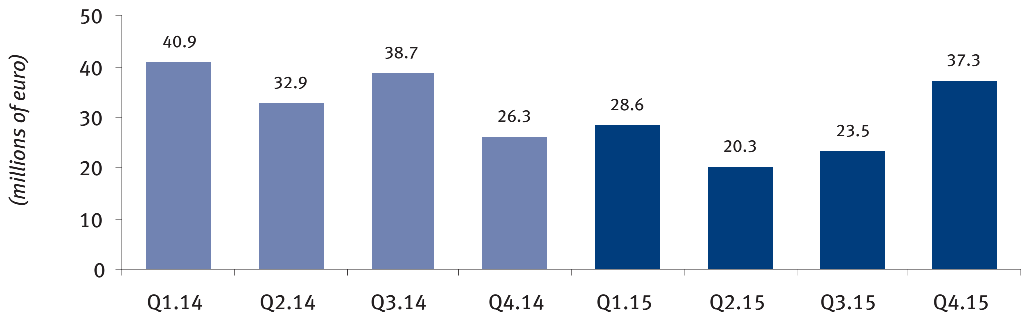
As with the interest margin, the Commercial Network represents by far the largest source of fee and commission income, down by 1.3% compared to the previous year. The Investment Banking & Asset Management service recorded a sharp increase due to the increase in 2015 in up-front income on funds placed by Aletti Gestielle SGR, whose volumes recorded a net increase against those of the previous year. The Corporate Centre posted positive net fees and commissions unlike last year, as no commissions were paid on the LTRO loans in 2015 since they have been repaid in full.

Other net operating income

(in thousands of euro)	2015	2014 (*)	Absolute change	% change
Income on current accounts and loans	51,773	99,050	(47,277)	(47.7%)
Rents receivable	55,905	52,411	3,494	6.7%
Maintenance on property and leased assets	(15,483)	(10,279)	5,204	50.6%
Other income and charges	41,280	27,390	13,890	50.7%
Subtotal	**133,475**	**168,572**	**(35,097)**	**(20.8%)**
Client relationship (PPA)	(23,831)	(29,756)	(5,925)	(19.9%)
Total	**109,644**	**138,816**	**(29,172)**	**(21.0%)**

(*) The figures relating to the previous year have been restated to provide a like-for-like comparison.

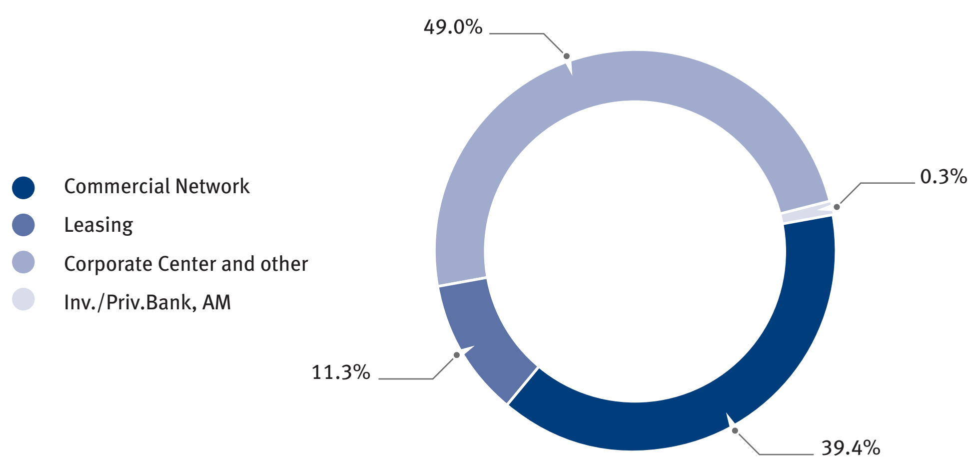
Other net operating income



Other net operating income was euro 109.6 million, and recorded a decrease of 21.0% compared to the euro 138.8 million recorded as at 31 December 2014, with a contribution recorded for the last quarter of euro 37.3 million (euro 26.2 million in the fourth quarter of the previous year) up due to the collection of income from settlements of euro 27.8 million, which more than offset non-recurring expenses for the revision of a property rental contract of euro 9.9 million.

(in thousands of euro)	2015	2014 (*)	Absolute change	% change
Commercial Network	52,627	99,141	(46,514)	(46.9%)
Leasing	15,037	22,334	(7,297)	(32.7%)
Corporate Centre and Other	65,352	48,025	17,327	36.1%
Investment Banking, Private Banking, Asset Management	459	(928)	1,387	
Total business areas	**133,475**	**168,572**	(35,097)	(20.8%)
PPA	(23,831)	(29,756)	(5,925)	(19.9%)
Total other net operating income	**109,644**	**138,816**	**(29,172)**	**(21.0%)**

(*) The figures relating to the previous year have been restated to provide a like-for-like comparison.



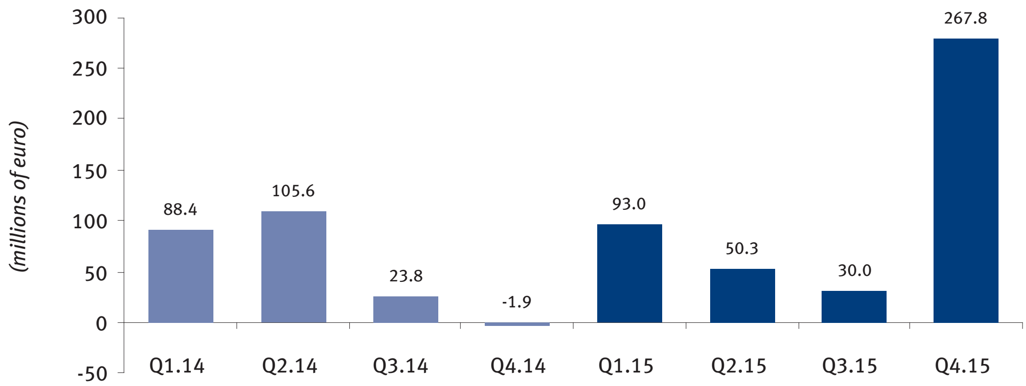
As regards the Commercial Network, the result for 2015 is mainly linked to "commissioni di istruttoria veloce" (fast-track fees), which were down compared to the figure recorded in the previous year of around euro 46.5 million. The contribution of Leasing to the consolidated result, related to income from the rental of properties resulting from credit collection, net of charges relating to the maintenance of the same, was down following expenses (around euro 9.9 million) incurred to renegotiate an important rental contract. Instead, the result of the Corporate Centre is due to amounts received from renting the properties of other Group real estate companies to third parties, as well as income from Tecmarket, the latter recording additional growth compared to the previous year. The figure for this sector benefits from the higher income generated by the finalisation of legal settlements compared to last year of euro 27.8 million. The negative contribution of the PPA decreased during the year due to the lower amortisation charge relating to client relationships, by virtue of the partial impairment of the item recognised at the end of last year.

Net financial result

(in thousands of euro)	2015	2014 (*)	Absolute change	% change
Dividends and similar income on financial assets	14,721	15,557	(836)	(5.4%)
Fair value adjustments in hedge accounting	1,427	(6,797)	8,224	
Banca Aletti	90,682	116,240	(25,558)	(22.0%)
Securities portfolio and Parent Company derivatives	334,251	91,058	243,193	267.1%
Total net of FVO	**441,081**	**216,058**	**225,023**	**104.1%**
Change in creditworthiness (FVO)	4,912	(38,828)	43,740	
Total	**445,993**	**177,230**	**268,763**	**151.6%**

(*) The figures relating to the previous year have been restated to provide a like-for-like comparison.

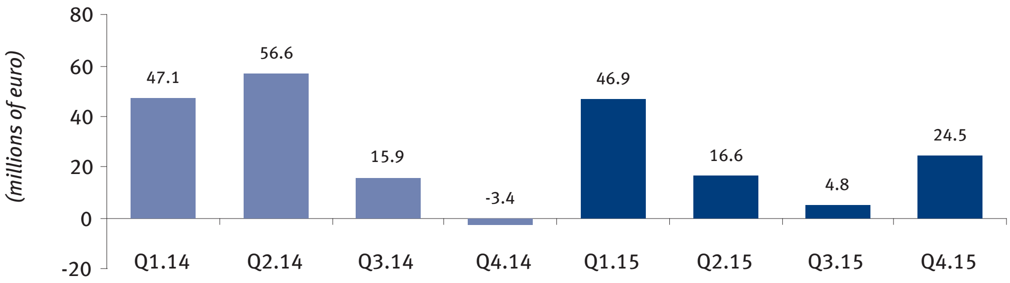
Net Financial Result (without FVO)



The **net financial result without FVO** was a profit of euro 441.1 million, compared with euro 216.1 million recorded as at 31 December 2014, with a contribution of euro 267.8 million in the fourth quarter, compared to euro -1.9 million recorded in the fourth quarter of last year. The subsidiary Banca Aletti contributed euro 90.7 million to the result for the period. Management of the securities portfolio and treasury of the Parent Company achieved a positive result as at 31 December 2015 of euro 350.4 million, significantly up compared to euro 99.8 million recorded last year due to the gains generated by the disposal of financial assets available for sale, which include, in particular, those obtained from the sale of the stakes held in ICBPI and Arca SGR of euro 172.6 and 68.6 million respectively. These profits more than offset the lower contribution made by the trading portfolio and in particular Italian government securities (euro 3.7 million in 2015 against 16.5 million as at 31 December 2014). The turbulent political events which took place in the Middle East, as well as fears of a slowdown of China's economic growth and more generally global growth, had a negative influence on the contribution in both the third and fourth quarters, the latter without the above-mentioned gains, which were in any event positive and amounted to euro 30.0 and 26.5 million respectively.

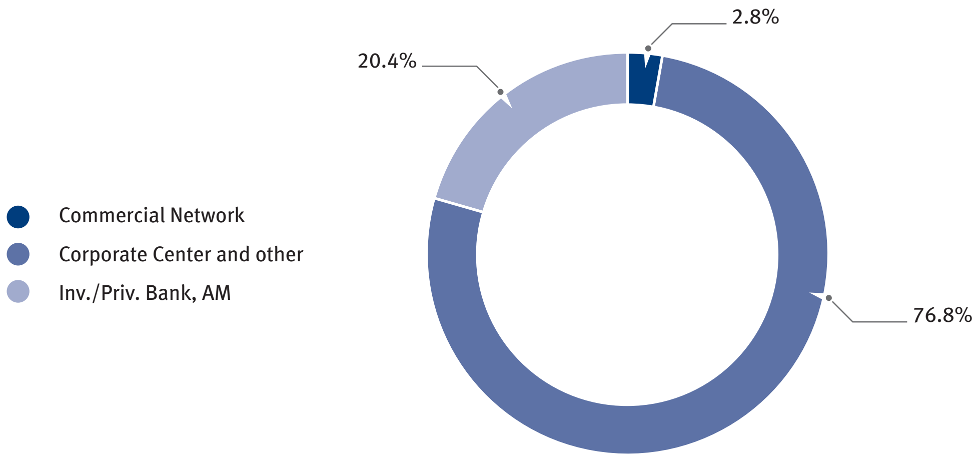
Due to the downgrade in Banco Popolare's creditworthiness, the impact of the **change in creditworthiness on financial liabilities issued designated at fair value (FVO)** as at 31 December 2015 was a positive amount of euro 4.9 million (euro +3.3 million after taxes). Performance varied in the different quarters, with the negative contribution of the first quarter of euro -12.6 million offset by the positive contribution of the second quarter of euro 16.8 million and of the third quarter, of euro 7.1 million before taxes, closing the year with a negative contribution of the last quarter of euro -6.3 million. The contribution of 2014 was negative for euro -38.8 million (euro -26.0 million after tax).

Net financial result Banca Aletti



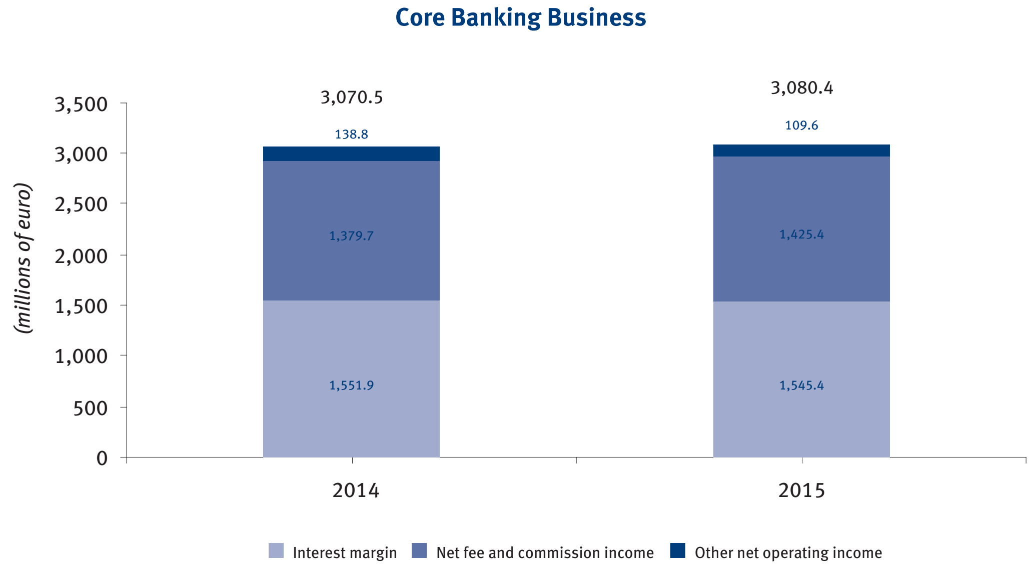
(in thousands of euro)	2015	2014 (*)	Absolute change	% change
Commercial Network	12,361	5,922	6,439	108.7%
Investment Banking, Private Banking, Asset Management	90,075	115,817	(25,742)	(22.2%)
Corporate Centre and Other	338,635	94,312	244,323	259.1%
Leasing	10	7	3	42.9%
Total business areas	**441,081**	**216,058**	**225,023**	**104.1%**
PPA & FVO	4,912	(38,828)	43,740	
Total net financial result	**445,993**	**177,230**	**268,763**	**151.6%**

(*) The figures relating to the previous year have been restated to provide a like-for-like comparison.



The contribution of the Investment Banking segment to the consolidated net financial result, net of the change in creditworthiness of its own liabilities issued, is mostly due to the result of the subsidiary Banca Aletti, which was euro 90.7 million (euro 116.2 as at 31 December 2014). The decreased contribution was impacted by the lower sales volumes of structured products and trading derivatives that were down slightly compared to the previous year.

The contribution of Corporate Centre to the net financial result rose compared to the figure for the previous year, due to the higher contribution made by sales of the portfolio of assets available for sale, which included the disposal of the equity investments in ICBPI and Arca SGR, which alone generated a total gain of euro 241.2 million, which more than offset the fall in the securities trading portfolio (of Italian government securities as well as corporate bonds), due to the turbulence that arose in the financial markets.

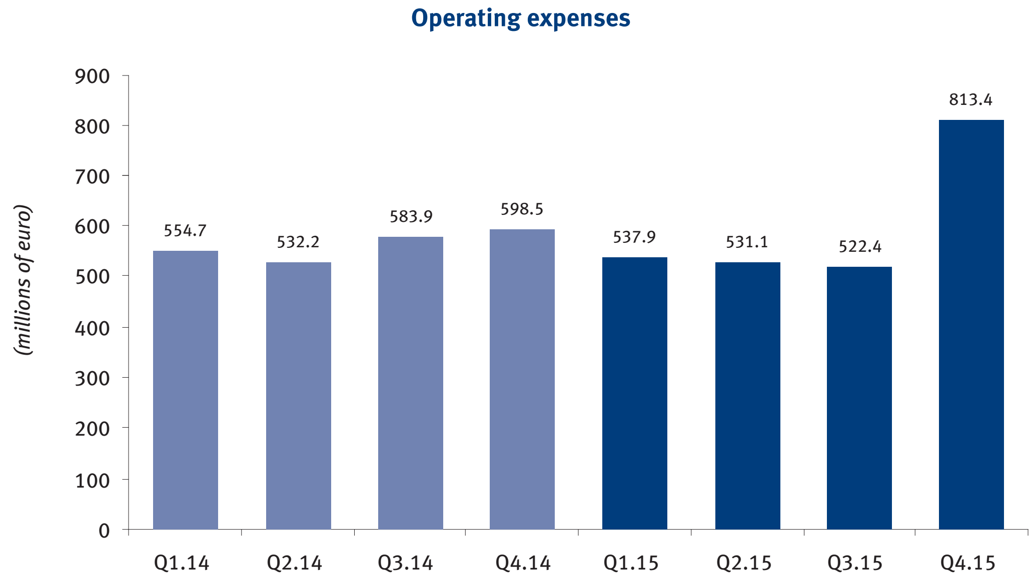


Total income from operations was euro 3,663.0 million, against euro 3,376.6 million recorded as at 31 December 2014 (+8.5%). Taking only the revenues of the "core banking business" into account, represented by the sum of the aggregates relating to the interest margin, net fee and commission income and other net income, 2015 recorded income of euro 3,080.4 million, up by 0.3% compared to euro 3,070.5 million recorded last year.

Operating expenses

(in thousands of euro)	2015	2014 (*)	Absolute change	% change
Personnel expenses	**1,433,610**	**1,428,364**	**5,246**	**0.4%**
- Leaving incentives and solidarity funds	94,563	138,242	(43,679)	(31.6%)
- Other personnel expenses	1,339,047	1,290,122	48,925	3.8%
Other administrative expenses	**804,860**	**643,133**	**161,727**	**25.1%**
- Taxes and duties	251,798	245,351	6,447	2.6%
- Services and advisory services	231,041	220,274	10,767	4.9%
- Properties	184,667	196,867	(12,200)	(6.2%)
- Postal, telephone and stationery	31,106	38,841	(7,735)	(19.9%)
- Maintenance and rentals for furniture, machines and equipment	27,871	27,165	706	2.6%
- Advertising and representation	23,510	22,923	587	2.6%
- Other administrative expenses	264,353	88,865	175,488	197.5%
- Recovery of expenses	(209,486)	(197,153)	12,333	6.3%
Value adjustments on property and equipment	**166,362**	**191,697**	**(25,335)**	**(13.2%)**
- Value adjustments on property and equipment	74,608	76,022	(1,414)	(1.9%)
- Value adjustments on intangible assets	41,547	39,239	2,308	5.9%
- Value adjustments on improvements to third party assets	8,809	8,874	(65)	(0.7%)
- Net losses on impairment	41,398	67,562	(26,164)	(38.7%)
Total	**2,404,832**	**2,263,194**	**141,638**	**6.3%**

(*) The figures relating to the previous year have been restated to provide a like-for-like comparison.



Personnel expenses totalled euro 1,433.6 million, up by 0.4% with respect to euro 1,428.4 million as at 31 December 2014. The contribution of the fourth quarter of 2015 was euro 423.3 million, up compared to euro 327.7 recorded in the third quarter, as it included non-recurring expenses of euro 82.9 million relating to new commitments undertaken with the Trade Union Organisations to ensure the protected passage to retirement of around a further 400 employees (a further 200 resources were added to the originally envisaged 200 in the fourth quarter 2015 following a supplement to the agreement signed in January 2016) and to the closure of the London branch. Excluding the non-recurring components from both of the periods being compared (the figure as at 31 December 2014 included extraordinary expenses of euro 138.2 million, against euro 94.6 million in 2015), personnel expenses for 2015 would have increased by 3.8%, mainly due to the higher levels of pay resulting from the application of the previous National Collective Labour Agreement and from the envisaged disbursement of the variable pay component given the Group's return to profitability. As at 31 December 2015, the total number of employees was 16,731 "full time equivalents" against 17,147 resources employed on 31 December 2014 and 16,922 as at 30 September 2015 (figures restated for a like-to-like comparison). On an annual basis, a reduction of 416 full time equivalents was recorded.

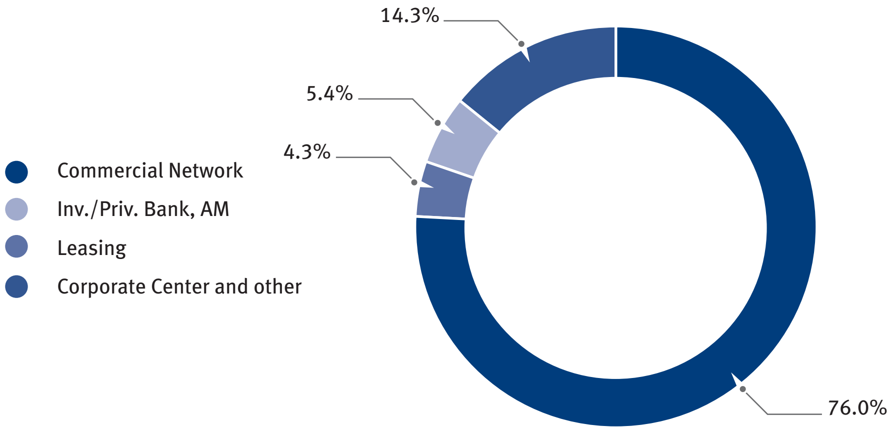
As at 31 December 2015, **other administrative expenses** amounted to euro 804.9 million, significantly higher than euro 643.1 million recorded last year, solely due to the ordinary and extraordinary contributions paid for the financing of the National Resolution Fund and the Deposit Guarantee Fund, in compliance with that envisaged by European directives Banking Resolution and Recovery (BRRD) and Deposit Guarantee Scheme (DGSD). The contributions made totalled euro 162.2 million, euro 113.9 million of which are extraordinary insofar as requested against the well-known resolutions of four banks, while euro 48.3 million are recurrent. Net of the above-cited expenses, this item amounts to euro 642.5 million, down against the figure for last year, which incidentally benefited from an extraordinary component of euro 7 million. On a like-for-like basis, this expense component decreased by 1.2%.

Value adjustments on property and equipment and intangible assets for the period amounted to euro 166.4 million, compared to euro 191.7 million recorded as at 31 December 2014, with a contribution in the fourth quarter of euro 73.9 million, compared to euro 33.7 million in the third quarter. Both of the aggregates compared included extraordinary value adjustments recorded in order to bring the book value of several properties classified as investments in line with the recoverable value estimated on the basis of the most recent appraisals (euro 41.4 million in 2015 compared to euro 67.6 million recorded last year). Net of the extraordinary components, the value adjustments in question (of euro 125.0 million) were in line with those of 2014 (euro 124.1 million).

Total **operating expenses** therefore amounted to euro 2,404.8 million, up by 6.3% compared to euro 2,263.2 million recorded as at 31 December 2014. Excluding the extraordinary components illustrated above from the two periods being compared, as well as the total contributions to the National Resolution Fund and to the Deposit Guarantee Fund, the aggregate shows a rise of 2.4% due to the previously-illustrated trend in personnel expenses. The cost/income ratio for the period, calculated as the ratio of total operating expenses, net of the impact of the PPA and of extraordinary components (non-recurring personnel expenses of euro 94.6 million, extraordinary portion of the contribution to the National Resolution Fund of euro 113.9 million and value adjustments due to the impairment of properties of euro 41.4 million), to total income, net of the impact of the change in creditworthiness and gains from the disposal of ICBPI and Arca SGR, was 61.5%.

(in thousands of euro)	2015	2014 (*)	Absolute change	% change
Commercial Network	1,825,256	1,843,470	(18,214)	(1.0%)
Investment Banking, Private Banking, Asset Management	128,531	101,883	26,648	26.2%
Leasing	104,002	129,264	(25,262)	(19.5%)
Corporate Centre and Other	343,430	184,895	158,535	85.7%
Total business areas	**2,401,219**	**2,259,512**	**141,707**	**6.3%**
PPA	3,613	3,682	(69)	(1.9%)
Total operating expenses	**2,404,832**	**2,263,194**	**141,638**	**6.3%**

(*) The figures relating to the previous year have been restated to provide a like-for-like comparison.



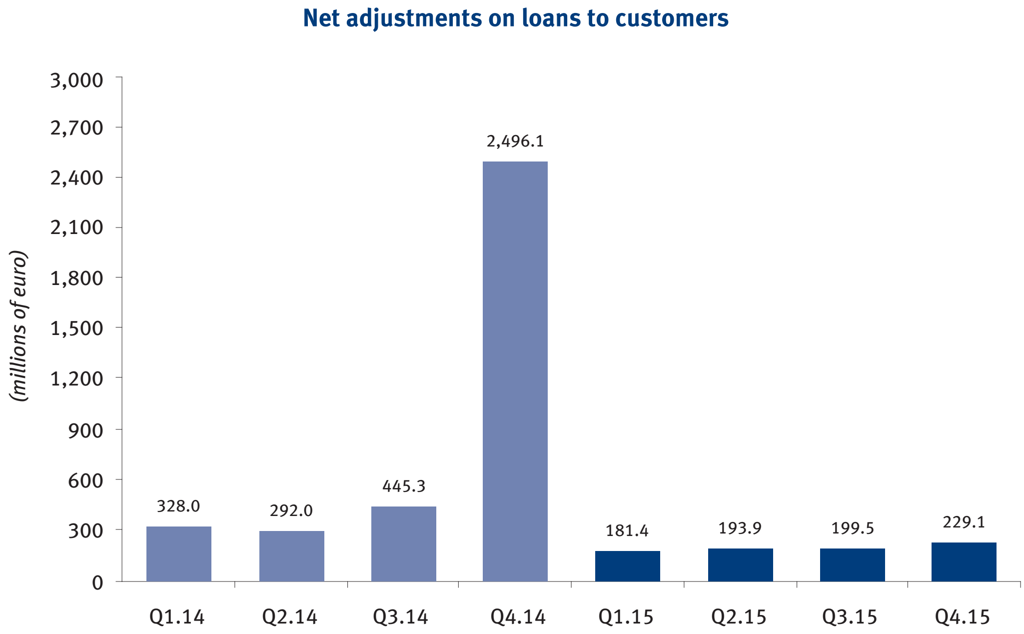
As there are no non-recurring components, the commercial network recorded a fall in operating expenses in line with Group performance (-1.0%). The fall in operating costs for Leasing is solely attributable to the value adjustments for impairment on certain properties obtained as *datio in solutum* (transfer in lieu of payment), carried out to adjust the book value to the updated appraisal values. In the Corporate Centre, expenses relating to the National Resolution Fund and the Deposit Guarantee Fund were transferred to the Parent Company Banco Popolare.

Income (loss) from operations

Income (loss) from operations therefore amounted to euro 1,258.2 million, up 13.0% compared to euro 1,113.4 million recorded in 2014, with an increase in absolute value of around euro 145 million. This better performance positively reflects the gains generated by the disposal of the investments held in ICBPI and Arca SGR, the lower operating expenses relating to personnel solidarity funds and adjustments for impairment to properties, and negatively reflects the contribution made to the National Resolution Fund and to the Interbank Deposit Guarantee Fund.

Adjustments and provisions

(in thousands of euro)	2015	2014	Absolute change	% change
Non performing loans	**899,905**	**3,407,055**	(2,507,150)	(73.6%)
Bad loans	499,654	1,766,470	(1,266,816)	(71.7%)
Unlikely to pay	367,404	1,575,855	(1,208,451)	(76.7%)
Past due	32,847	64,730	(31,883)	(49.3%)
Performing loans	**(95,972)**	**154,376**	(250,348)	
Total	**803,933**	**3,561,431**	**(2,757,498)**	**(77.4%)**



Net adjustments on impairment of loans to customers were euro 803.9 million compared to euro 3,561.4 million in 2014, due also to the significant reduction in net inflows of new non performing loans. Net adjustments relating to the "Leasing" sector alone (represented by the Leasing Division of Banco Popolare and the subsidiary Release) amounted to euro 143.9 million. The cost of credit, measured by the ratio of net value adjustments on loans to gross loans, was 94 basis points yoy, compared with 406 basis points recorded last year.

In addition, the income statement for the period included **net adjustments on impairment of receivables due from banks and other assets** of euro 54.2 million, against euro 39.8 million last year, with a contribution of euro 23.2 million in the fourth quarter. The item includes adjustments on receivables due from banks of euro 20.2 million, on financial assets available for sale of euro 27.2 million (euro 17.6 million last year) and on other transactions of euro 6.8 million.

Net provisions for risks and charges totalled euro 50.8 million against euro 39.3 million in 2014. These mainly include allocations to cover disputes underway with the Tax Authority of euro 40.8 million, euro 17.7 million of which refers to liabilities arising from the unexpected unfavourable ruling of the Court of Cassation which overturned the favourable rulings in the previous instances with regard to a tax dispute of a subsidiary dating back to 2006 (allocations for which were made in the first quarter of the year) as well as expenses relating to the imminent closure of several Group branches, in line with the approved plan, of euro 4.3 million. The positive contribution of the fourth quarter, amounting to euro 14.6 million, is mostly the result of the reclassification of provisions of euro 23 million relating to the third quarter for commitments made to the National Resolution Fund. As already illustrated, the total contributions paid were recorded from the fourth quarter under administrative expenses.

During the year, losses **on disposal of investments in associates and companies subject to joint control and other investments** of euro 4.4 million were recorded, resulting from the disposal of owned property (compared to gains of euro 2.3 million recorded as at 31 December 2014).

Income (loss) before tax from continuing operations was therefore a profit of euro 344.9 million, compared to a loss of euro 2,763.8 million recorded in the previous year.

Other revenue and cost items

Taxes on income from continuing operations as at 31 December 2015 were a positive euro 70.5 million (compared to euro 803.1 million in 2014), as they included the positive effect resulting from the recognition of deferred tax assets attributable to prior tax losses of the merged company Banca Italease, which could be carried forward with no time limits (euro 85.1 million). The recognition in the first quarter is motivated by the Banco Popolare's different capacity to generate taxable income as compared to the subsidiary.

The **loss after tax from discontinued operations** of euro 7.3 million mainly refers to the assets and liabilities of the subsidiary BP Luxembourg, the disposal of which is being finalised. In the previous year, the same assets and liabilities of the Luxembourg subsidiary had instead made a positive contribution, restated under this item with respect to the income statement published last year, to provide a like-for-like comparison.

Considering the share of losses pertaining to minority interests of euro 18.7 million, relating primarily to the subsidiary Release, and the FVO impact already illustrated (euro +3.3 million after taxes), 2015 closed with **net income for the year** of euro 430.1 million, compared to a loss of euro 1,945.9 million recorded in 2014.

Consolidated statement of financial position figures

The reclassified statement of financial position represents a simple aggregation of the items envisaged in the statement of financial position layout as per the Bank of Italy Circular No. 262 dated 22 December 2005.
The main aggregations regarding the statement of financial position are as follows:

- the asset item "Financial assets and hedging derivatives" encompasses the financial instruments shown in the portfolios relating to "Financial assets held for trading", "Financial assets designated at fair value through profit and loss", "Financial assets available for sale", "Investments held to maturity" and "Hedging derivatives" shown under assets items 20, 30, 40, 50 and 80 in the Bank of Italy schedule;
- the residual asset item "Other assets" aggregates the "Fair value change of financial assets in macro fair value hedge portfolios", "Tax assets" and "Other assets" (respectively asset items 90, 140 and 160);
- the grouping of the amount due to customers (item 20) and securities issued (classified under items 30 and 50, as a function of the application or otherwise of the fair value option) into a single item;
- the inclusion of the financial instruments recognised in the financial statements in portfolios relating to "Financial liabilities held for trading" and "Hedging derivatives" (respectively liability items 40 and 60) as a single aggregate;
- the grouping of the "Liability provisions" for "Employee termination indemnities" (item 110) and "Provisions for risks and charges" (item 120) into a single item;
- the residual liability item "Other liabilities" includes the "Fair value change of financial liabilities in macro fair value hedge portfolios", "Tax liabilities" and "Other liabilities" (respectively liability items 70, 80 and 100);
- the indication of "capital and reserves" as an aggregate, net of any treasury shares held (financial statement items 140, 160, 170, 180, 190 and 200).

Reclassified asset items *(in thousands of euro)*	**31/12/2015**	**31/12/2014**	**Changes**	
Cash and cash equivalents	587,383	619,529	(32,146)	(5.2%)
Financial assets and hedging derivatives	27,531,012	26,190,599	1,340,413	5.1%
Due from banks	2,817,832	5,058,816	(2,240,984)	(44.3%)
Loans to customers	78,421,634	79,823,603	(1,401,969)	(1.8%)
Investments in associates and companies subject to joint control	1,166,324	1,061,412	104,912	9.9%
Property and equipment	2,132,633	2,139,962	(7,329)	(0.3%)
Intangible assets	2,042,120	2,049,912	(7,792)	(0.4%)
Non-current assets held for sale and discontinued operations	109,983	94,308	15,675	16.6%
Other assets	5,700,674	6,043,545	(342,871)	(5.7%)
Total	**120,509,595**	**123,081,686**	**(2,572,091)**	**(2.1%)**

Reclassified liabilities and shareholders' equity *(in thousands of euro)*	**31/12/2015**	**31/12/2014**	**Changes**	
Due to banks	16,334,739	17,383,317	(1,048,578)	(6.0%)
Due to customers, debt securities issued and financial liabilities designated at fair value through profit and loss	82,141,444	86,513,468	(4,372,024)	(5.1%)
Financial liabilities and hedging derivatives	8,564,543	6,650,235	1,914,308	28.8%
Liability provisions	1,333,077	1,281,459	51,618	4.0%
Liabilities associated with non-current assets held for sale and discontinued operations	342,265	-	342,265	
Other liabilities	3,246,793	3,176,858	69,935	2.2%
Minority interests	53,169	12,130	41,039	338.3%
Shareholders' equity	8,493,565	8,064,219	429,346	5.3%
- Capital and reserves	8,063,492	10,010,110	(1,946,618)	(19.4%)
- Net income (loss)	430,073	(1,945,891)	2,375,964	
Total	**120,509,595**	**123,081,686**	**(2,572,091)**	**(2.1%)**

Reclassified consolidated statement of financial position - Quarterly changes

Reclassified asset items *(in thousands of euro)*	31/12/2015	30/09/2015	30/06/2015	31/03/2015	31/12/2014	30/09/2014 (*)	30/06/2014 (*)	31/03/2014 (*)
Cash and cash equivalents	587,383	584,260	548,788	524,126	619,529	540,157	532,165	514,595
Financial assets and hedging derivatives	27,531,012	28,316,683	28,370,603	29,120,427	26,190,599	25,474,858	25,001,748	24,966,087
Due from banks	2,817,832	4,336,811	4,393,079	3,852,918	5,058,816	4,593,684	4,379,141	4,029,174
Loans to customers	78,421,634	78,929,501	80,272,267	80,834,608	79,823,603	84,042,428	84,611,341	85,517,861
Investments in associates and companies subject to joint control	1,166,324	1,124,003	1,084,621	1,086,237	1,061,412	1,036,910	1,012,660	1,042,598
Property and equipment	2,132,633	2,114,830	2,129,839	2,116,485	2,139,962	2,020,249	2,026,545	2,026,028
Intangible assets	2,042,120	2,046,443	2,049,099	2,049,414	2,049,912	2,295,977	2,299,414	2,299,276
Non-current assets held for sale and discontinued operations	109,983	135,938	134,747	104,036	94,308	94,518	107,910	390,860
Other assets	5,700,674	5,764,096	6,038,058	6,057,392	6,043,545	5,314,501	5,564,703	5,472,536
Total	**120,509,595**	**123,352,565**	**125,021,101**	**125,745,643**	**123,081,686**	**125,413,282**	**125,535,627**	**126,259,015**

Reclassified liabilities and shareholders' equity *(in thousands of euro)*	31/12/2015	30/09/2015	30/06/2015	31/03/2015	31/12/2014	30/09/2014 (*)	30/06/2014 (*)	31/03/2014 (*)
Due to banks	16,334,739	16,247,527	17,726,413	18,536,295	17,383,317	17,501,578	16,425,720	17,595,170
Due to customers, debt securities issued and								
financial liabilities designated at fair value through profit and loss	82,141,444	83,480,620	83,762,304	85,701,335	86,513,468	85,508,719	87,060,516	89,022,246
Financial liabilities and hedging derivatives	8,564,543	8,124,065	7,686,745	7,749,725	6,650,235	6,556,131	5,772,995	4,910,841
Liability provisions	1,333,077	1,273,123	1,244,890	1,294,114	1,281,459	1,179,754	1,189,179	1,230,870
Liabilities associated with non-current assets held for sale and discontinued operations	342,265	1,355,054	1,828,271	-	-	-	-	275,422
Other liabilities	3,246,793	4,224,576	4,286,607	3,977,523	3,176,858	4,751,662	5,083,677	4,691,771
Minority interests	53,169	60,875	66,744	67,936	12,130	42,170	46,802	340,448
Shareholders' equity	8,493,565	8,586,725	8,419,127	8,418,715	8,064,219	9,873,268	9,956,738	8,192,247
- Capital and reserves	8,063,492	8,236,893	8,126,009	8,209,934	10,010,110	9,995,014	9,950,724	8,211,201
- Net income (loss)	430,073	349,832	293,118	208,781	(1,945,891)	(121,746)	6,014	(18,954)
	120,509,595	**123,352,565**	**125,021,101**	**125,745,643**	**123,081,686**	**125,413,282**	**125,535,627**	**126,259,015**

(*) The figures have been reclassified to provide a like-for-like comparison.

Loan brokering activities

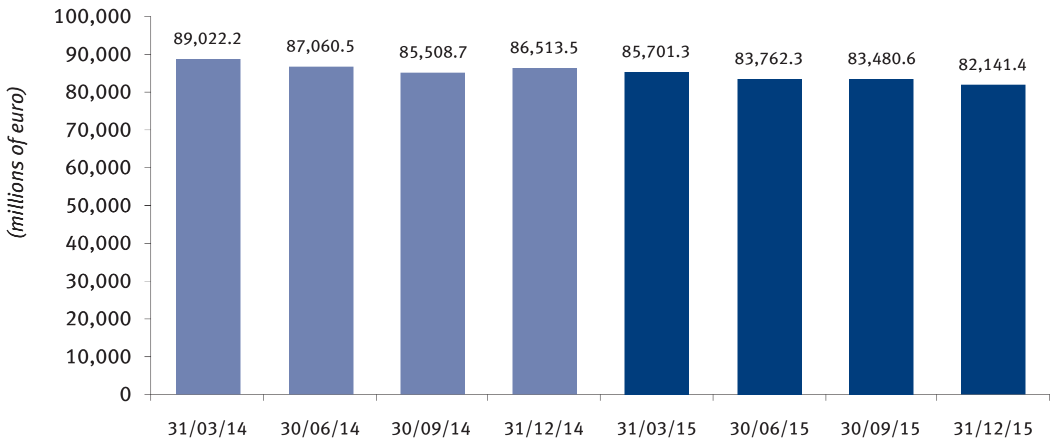
The trends in the main statement of financial position items as at 31 December 2015 are illustrated below, compared with the figures as at 31 December of the previous year.

Note that, in order to understand the contribution of the former Banca Italease, incorporated into the Parent Company on 1 January 2015, and its subsidiaries, the analysis of the loans component as at 31 December 2015 is also shown in a version that separates the contribution of the "Leasing" Division from that of the rest of the Banco Popolare Group.

Direct funding

(in thousands of euro)	31/12/2015	% impact	31/12/2014	% impact	Absolute change	% change
Due to customers	**53,470,382**	**65.1%**	**54,778,714**	**63.3%**	**(1,308,332)**	**(2.4%)**
Deposits and current accounts	43,600,987	53.1%	44,537,835	51.5%	(936,848)	(2.1%)
current accounts and demand deposits	40,551,672	49.4%	40,806,181	47.2%	(254,509)	(0.6%)
time deposits	3,049,315	3.7%	3,731,654	4.3%	(682,339)	(18.3%)
Repurchase agreements	7,743,323	9.4%	8,672,112	10.0%	(928,789)	(10.7%)
Loans and other payables	2,126,072	2.6%	1,568,767	1.8%	557,305	35.5%
Securities	**28,671,062**	**34.9%**	**31,734,754**	**36.7%**	**(3,063,692)**	**(9.7%)**
Bonds and other securities	27,785,972	33.8%	29,669,773	34.3%	(1,883,801)	(6.3%)
Certificates of deposit	885,090	1.1%	2,064,981	2.4%	(1,179,891)	(57.1%)
Total direct funding	**82,141,444**	**100.0%**	**86,513,468**	**100.0%**	**(4,372,024)**	**(5.1%)**

Direct funding

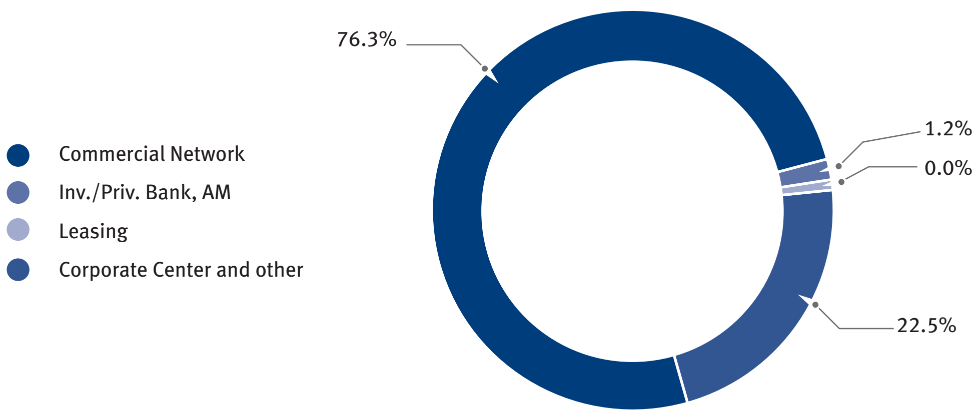


As at 31 December 2015, direct funding totalled euro 82.1 billion, a decrease of 5.1% compared to euro 86.5 billion as at 31 December 2014, and of 1.6% compared to euro 83.5 billion recorded as at 30 September 2015. This decrease was also due to the elimination of the contribution of the foreign subsidiary Banco Popolare Luxembourg, classified as discontinued operations as from 30 June 2015. On a like-for-like basis, direct funding fell by 3.6% against the beginning of the year and by 1.6% compared to 30 September 2015. The fall in the aggregate yoy was due to the drop both in the bond component (-6.3%), and in certificates of deposit (-57.1%), not to mention repurchase agreements (-10.7%) and time deposits (-18.3%). The decrease recorded by these components consequent to the strategy addressed to containing overall funding costs (and particularly time deposits) as well as the customer preferences for other types of investment product, was partly offset by the increase in current accounts and demand deposits and other payables. Including the liquidity generated by the placement of certificates, the stock of which increased, in nominal terms, by euro 1.6 billion yoy, total funding was stable compared to the end of 2014.

On a quarterly basis, total direct funding recorded a reduction due exclusively to the fall in repurchase agreements, which more than offset the increase in funding in the strict sense, represented by deposits and current accounts. Net of the above-mentioned transactions, direct funding would have increased by 3.1%.

(in thousands of euro)	31/12/2015	% impact	31/12/2014(*)	% impact	% change
Commercial Network	62,659,338	76.3%	63,926,405	73.9%	(2.0%)
Investment Banking, Private Banking, Asset Management	1,005,458	1.2%	897,717	1.0%	12.0%
Leasing	26,954	0.0%	21,352	0.0%	26.2%
Corporate Centre and Other	18,449,694	22.5%	21,674,445	25.1%	(14.9%)
Total business areas	**82,141,444**	**100.0%**	**86,519,919**	**100.0%**	**(5.1%)**
PPA			(6,451)		
Total direct funding	**82,141,444**		**86,513,468**		**(5.1%)**

(*) The figures relating to the previous year have been restated to provide a like-for-like comparison.



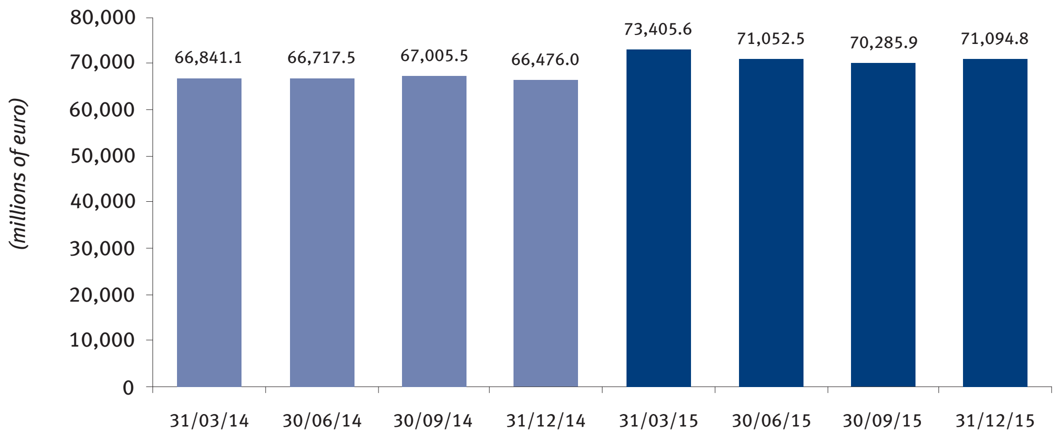
The reduction in funding related to the Commercial Network is linked on one hand to the fall in time deposits and certificates of deposit and on the other to the early repayment of costly retail bond issues, only partially offset by rather significant growth in direct funding in the strictest sense (current accounts and deposits) in both the corporate and retail segment. As regards the Investment Banking & Asset Management sector, the increase was due to growth in securities lending transactions by the subsidiary Banca Aletti. The funding attributed to the Corporate Centre recorded a sharp decrease due to the decrease in both bonds held by institutional customers, with a view to reducing the cost of funding, and in repurchase agreements with the Clearing and Guarantee House.

Indirect funding

(in thousands of euro)	31/12/2015	% impact	31/12/2014 (*)	% impact	Absolute change	% change
Managed assets	**35,371,884**	**49.8%**	**34,153,477**	**51.4%**	**1,218,407**	**3.6%**
mutual funds and SICAVs	20,297,341	28.5%	17,140,262	25.8%	3,157,079	18.4%
securities and fund management	4,828,702	6.8%	6,716,079	10.1%	(1,887,377)	(28.1%)
insurance policies	10,245,841	14.4%	10,297,136	15.5%	(51,295)	(0.5%)
of which: Lawrence Life policies	*2,303,750*	*3.2%*	*3,070,044*	*4.6%*	*(766,294)*	*(25.0%)*
Administered assets	**35,722,893**	**50.2%**	**32,322,526**	**48.6%**	**3,400,367**	**10.5%**
Total indirect funding	**71,094,777**	**100.0%**	**66,476,003**	**100.0%**	**4,618,774**	**6.9%**

(*) The figures relating to the previous year have been restated to provide a more precise breakdown amongst the technical forms of indirect funding.

Indirect funding

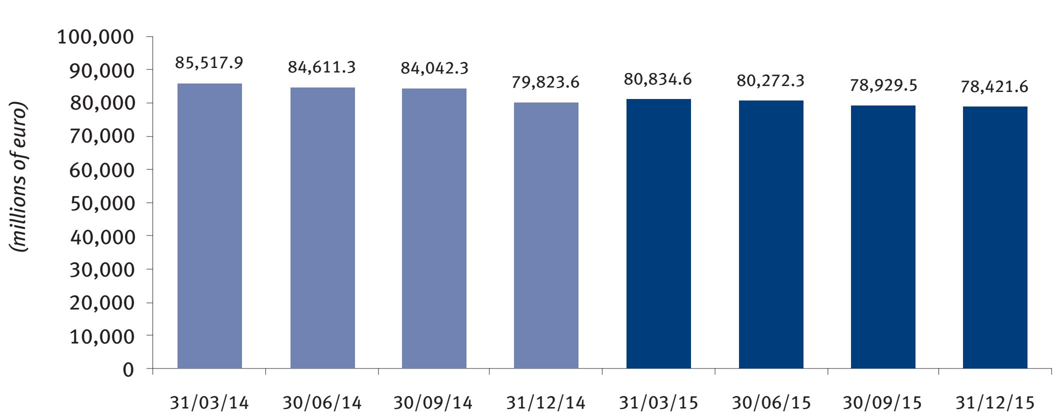


In line with the commercial policy followed during the period, indirect funding, amounting to euro 71.1 billion, increased by 6.9% compared to euro 66.5 billion at the beginning of the year (+8.3% increase calculated excluding the contribution of the subsidiary Banco Popolare Luxembourg from the previous year's figure, classified as discontinued operations as of 30 June 2015).
The increase is attributable to both managed assets, amounting to euro 35.4 billion as at 31 December 2015 (+3.6%) and administered assets, amounting to euro 35.7 billion (+10.5%). The increase in managed assets is substantially due to significant growth in funds and SICAVs (+18.4%), which more than offset the fall in portfolio management (-28.1%). Insurance policies also recorded a slight decrease (-0.5%).

Loans to customers

(in thousands of euro)	31/12/2015	% impact	31/12/2014	% impact	Absolute change	% change
Current accounts	10,534,914	13.4%	11,580,020	14.5%	(1,045,106)	(9.0%)
Repurchase agreements	6,518,837	8.3%	7,203,588	9.0%	(684,751)	(9.5%)
Mortgage loans	39,127,839	49.9%	38,353,328	48.0%	774,511	2.0%
Credit cards, personal loans and salary-backed loans	311,381	0.4%	272,321	0.3%	39,060	14.3%
Financial leases	3,417,984	4.4%	3,868,955	4.8%	(450,971)	(11.7%)
Factoring	7,976	-	12,529	-	(4,553)	(36.3%)
Other loans	18,011,993	23.0%	17,980,188	22.5%	31,805	0.2%
Debt securities	490,710	0.6%	552,674	0.7%	(61,964)	(11.2%)
Total net loans to customers	**78,421,634**	**100.0%**	**79,823,603**	**100.0%**	**(1,401,969)**	**(1.8%)**

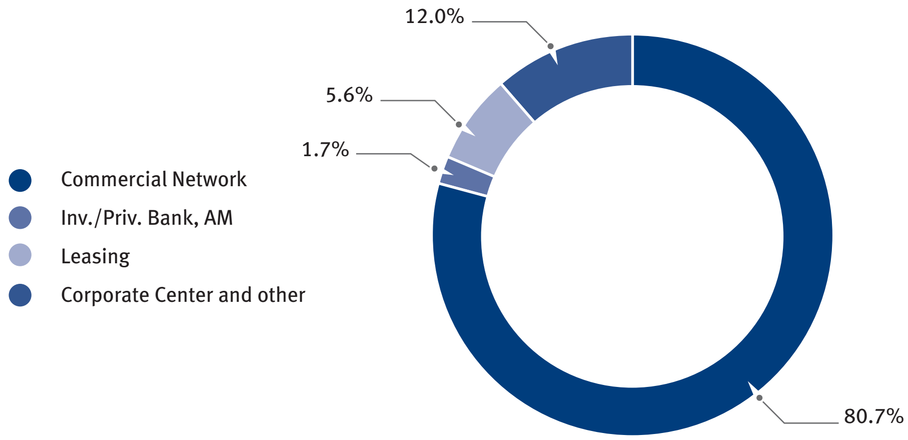
Net loans to customers



As at 31 December 2015, total net loans had reached the figure of euro 78.4 billion, down compared to the figure of euro 79.8 billion recorded as at 31 December 2014 (-1.8%), corresponding to a difference in absolute terms of around euro 1.4 billion, euro 0.2 billion of which on non performing loans and euro 1.2 billion on performing loans.
Before value adjustments, Group loans amounted to euro 85.3 billion as at 31 December 2015, compared to euro 87.7 billion as at 31 December 2014 (-2.7%).
Compared to the figure as at 30 September 2015, which was euro 86.6 billion, the fall was 1.4% (-0.6% on exposures net of value adjustments). Excluding the portfolio of the leasing division from the aggregate, which is gradually reaching zero and repurchase agreements, the reduction recorded yoy is wholly attributable to disposals of unsecured bad loans finalised during the year. More specifically, note that current account exposures fell over the year by euro 1.0 billion, compared to an increase in the stock of mortgage loans of around euro 0.7 billion. In fact, disbursements of new medium/long term loans in 2015 amounted to euro 8.9 billion, showing a sharp increase yoy (+57%). This increase regards all of the core segments (private customers +50%, small businesses +49% and mid corporate customers +52%). The component regarding gross loans of the Leasing[1] segment amounted to euro 6.0 billion as at 31 December 2015, down compared to euro 6.7 billion at the end of 2014 and to euro 6.3 billion as at 30 September 2015.

(in thousands of euro)	31/12/2015	% impact	31/12/2014 (*)	% impact	% change
Commercial Network	63,268,800	80.7%	63,241,403	79.2%	-
Investment Banking, Private Banking, Asset Management	1,363,933	1.7%	1,561,799	2.0%	(12.7%)
Leasing	4,418,065	5.6%	5,048,732	6.3%	(12.5%)
Corporate Centre and Other	9,370,836	12.0%	9,971,669	12.5%	(6.0%)
Total business areas	**78,421,634**	**100.0%**	**79,823,603**	**100.0%**	**(1.8%)**

(*) The figures relating to the previous year have been restated to provide a like-for-like comparison.



The gross loans of the Commercial Network were substantially stable, with an internal reorganisation which entailed an increase of the medium/long term component with respect to the short-term one.
Leasing is represented by the loans of the former Banca Italease and Release, which will gradually decrease on the basis of the envisaged amortisation plans, insofar as no new disbursements are being made. As regards Investment, Private Banking & Asset Management, loans are almost exclusively represented by securities lending and repurchase agreement transactions of the subsidiary Banca Aletti, down with respect to last year. Loans of the Corporate Centre fell due to the reduction of repurchase agreement exposures with the Clearing and Guarantee House.

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[1] Meaning the sum of exposures referring to the scope of the former Banca Italease, which was merged by incorporation into Banco Popolare, and of the subsidiaries Release and Italease Gestione Beni.

Credit quality

Banco Popolare Group

(in thousands of euro)	31/12/2015		31/12/2014 (*)		Absolute change	% change
	Net exposure	% impact	Net exposure	% impact		
Bad loans	6,458,285	8.2%	5,999,977	7.5%	458,308	7.6%
Unlikely to pay	7,389,842	9.4%	7,905,884	9.9%	(516,042)	(6.5%)
Past due	208,934	0.3%	344,365	0.4%	(135,431)	(39.3%)
Non performing loans	**14,057,061**	17.9%	**14,250,226**	17.9%	(193,165)	(1.4%)
Performing loans	**64,364,573**	82.1%	**65,573,377**	82.1%	(1,208,804)	(1.8%)
Total loans to customers	**78,421,634**	**100.0%**	**79,823,603**	**100.0%**	**(1,401,969)**	**(1.8%)**

(*) Adjusted figures to enable a like-for-like comparison, as described in the paragraph "Credit quality – new definitions and restatement of figures as at 31 December 2014".

(in thousands of euro)	31/12/2015				31/12/2014 (*)				Change in gross exposure	Change in gross exposure %	Change in total value adjustments
	Gross exposure	Total value adjustments	Net exposure	Coverage	Gross exposure	Total value adjustments	Net exposure	Coverage			
a) Bad loans before derecognition of receivables relating to insolvency proceedings	14,785,936	(8,327,651)	6,458,285	56.32%	14,574,974	(8,574,997)	5,999,977	58.83%	210,962	1.4%	(247,346)
b) Bad loans relating to insolvency proceedings derecognised	4,315,322	(4,315,322)	-		4,048,215	(4,048,215)	-				
Bad loans after derecognition of receivables relating to insolvency proceedings (a-b)	10,470,614	(4,012,329)	6,458,285	38.32%	10,526,759	(4,526,782)	5,999,977	43.00%	(56,145)	(0.5%)	(514,453)
Unlikely to pay	9,911,135	(2,521,293)	7,389,842	25.44%	10,723,104	(2,817,220)	7,905,884	26.27%	(811,969)	(7.6%)	(295,927)
Past due	263,423	(54,489)	208,934	20.68%	414,834	(70,469)	344,365	16.99%	(151,411)	(36.5%)	(15,980)
Non performing loans	**20,645,172**	**(6,588,111)**	**14,057,061**	**31.91%**	**21,664,697**	**(7,414,471)**	**14,250,226**	**34.22%**	**(1,019,525)**	**(4.7%)**	**(826,360)**
Performing loans	**64,692,481**	**(327,908)**	**64,364,573**	**0.51%**	**65,996,500**	**(423,123)**	**65,573,377**	**0.64%**	**(1,304,019)**	**(2.0%)**	**(95,215)**
Total loans to customers	**85,337,653**	**(6,916,019)**	**78,421,634**	**8.10%**	**87,661,197**	**(7,837,594)**	**79,823,603**	**8.94%**	**(2,323,544)**	**(2.7%)**	**(921,575)**

(*) Adjusted figures to enable a like-for-like comparison, as described in the paragraph "Credit quality – new definitions and restatement of figures as at 31 December 2014".

Bad loans relating to debtors subject to insolvency proceedings

The Bank of Italy Circular no. 272 dated 30 July 2008 as updated envisages the option to derecognise the portion of bad loans deemed unrecoverable from the accounts. The cited regulation includes the decision made by competent corporate bodies which, by means of a specific resolution, have acknowledged the non-recoverability of all or part of the loan or have ceased collection proceedings for economic reasons, as a circumstance for derecognition. The Group exercised this option in the current year and in previous years. The derecognition regarded the part deemed non-recoverable of all receivables due from debtors, who, during the year, were subject to insolvency proceedings (bankruptcy, administrative compulsory liquidation, arrangement with creditors, extraordinary receivership of large companies in difficulty), even though the banks were regularly admitted as creditors in the insolvency proceedings for the entire amount of the receivable in question.
More specifically, in 2015, bad loans (to the extent of the part deemed non-recoverable) amounting to euro 705.3 million were derecognised. At the time of derecognition, specific adjusting entries were in place for around euro 557.3 million, following value adjustments on loans already charged to the income statement. Therefore, the derecognition resulted in charges to the income statement of around euro 148.0 million.
In 2015, insolvency proceedings involving receivables totalling euro 438.2 million that had already been derecognised in previous years were finalised.
As a result of the above changes, as at 31 December 2015, the bad loans derecognised relating to insolvency proceedings that were still under way amounted to euro 4,315.3 million (euro 4,048.2 million as at 31 December 2014).
In order to calculate the effective level of coverage of bad loans, the amount of the above-mentioned derecognised receivables must also be taken into account.

Non performing loans (bad loans, unlikely to pay and past due), net of value adjustments, amounted to euro 14,057.1 million as at 31 December 2015 down with respect to euro 14,250.2 million recorded at the beginning of the year. Net non performing loans represented 17.9% of total net loans to customers, in line with the figure recorded as at 31 December 2014, but lower compared with the 18.0% recorded as at 30 September 2015; a different trend was recorded for the percentage represented by the same before value adjustments, corresponding to 24.2% against 24.7% at the end of 2014. Including the receivables to be derecognised, the rate of coverage of non performing loans was 43.7%, down from 44.6% recorded as at 31 December 2014 (and from 45.1% recorded as at 30 September 2015). The fall in the level of coverage is due to the impact of the disposal of around 9,000 unsecured bad loans for a nominal value of euro 950 million, recognised in the financial statements, after derecognition and before value adjustments, as euro 732 million, realised on 1 October 2015. This transaction led to an increase in the percentage weight of the portion of bad loans covered by real guarantees and, consequently, a fall in the level of coverage of the aggregate as a whole.

More specifically, bad loans before and after value adjustments amounted to euro 10,470.6 million and euro 6,458.3 million respectively (-0.5% and +7.6% respectively compared to 31 December 2014), while the percentage represented by the same of total loans to customers before and after value adjustments, was 12.3% and 8.2% respectively (against 12.0% and 7.5% respectively as at 31 December 2014). Taking into account receivables for bad loans relating to debtors undergoing legal proceedings, which as at 31 December were still in progress, but had already been derecognised from the accounts, the rate of coverage was 56.3%, against 58.8% as at 31 December 2014.

Unlikely to pay before and after value adjustments amounted to euro 9,911.1 million and euro 7,389.8 million respectively (-7.6% and -6.5% respectively compared to 31 December 2014), while the percentage represented by the same of total loans to customers before and after value adjustments, was 11.6% and 9.4% respectively (against 12.2% and 9.9% respectively at the end of last year). The rate of coverage was 25.4%, against 26.3% recorded at the end of last year (26.1% as at 30 September 2015).

Past due loans before and after value adjustments amounted to euro 263.4 million and 208.9 million respectively, and were down 36.5% and 39.3%, respectively, compared to the end of 2014. The rate of coverage was 20.7% (17.0% at the end of 2014 and 15.8% as at 30 September 2015).

The rate of coverage of performing loans was 0.51%, down from 0.64% as at 31 December 2014. Excluding exposures to repurchase agreements and securities lending that are essentially risk free from the calculation, the rate of coverage is 0.56% (0.58% if exposures to related parties are also excluded) compared to 0.72% as at 31 December 2014.

Leasing Division

(in thousands of euro)	31/12/2015		31/12/2014 (*)		Absolute change	% change
	Net exposure	% impact	Net exposure	% impact		
Bad loans	1,148,066	24.7%	1,179,621	21.9%	(31,555)	(2.7%)
Unlikely to pay	1,285,150	27.7%	1,426,333	26.5%	(141,183)	(9.9%)
Past due	21,361	0.5%	20,103	0.4%	1,258	6.3%
Non performing loans	**2,454,577**	52.8%	**2,626,057**	48.8%	(171,480)	(6.5%)
Performing loans	**2,192,688**	47.2%	**2,752,408**	51.2%	(559,720)	(20.3%)
Total loans to customers	**4,647,265**	**100.0%**	**5,378,465**	**100.0%**	**(731,200)**	**(13.6%)**

(*) Adjusted figures to enable a like-for-like comparison, as described in the paragraph "Credit quality – new definitions and restatement of figures as at 31 December 2014".

(in thousands of euro)	31/12/2015				31/12/2014 (*)				Change in gross exposure	Change in gross exposure %	Change in total value adjustments
	Gross exposure	Total value adjustments	Net exposure	Coverage	Gross exposure	Total value adjustments	Net exposure	Coverage			
Bad loans	2,056,037	(907,971)	1,148,066	44.16%	2,073,578	(893,957)	1,179,621	43.11%	(17,541)	(0.8%)	14,014
Unlikely to pay	1,699,344	(414,194)	1,285,150	24.37%	1,850,533	(424,200)	1,426,333	22.92%	(151,189)	(8.2%)	(10,006)
Past due	22,830	(1,469)	21,361	6.43%	21,386	(1,283)	20,103	6.00%	1,444	6.8%	186
Non performing loans	**3,778,211**	**(1,323,634)**	**2,454,577**	35.03%	**3,945,497**	**(1,319,440)**	**2,626,057**	33.44%	(167,286)	(4.2%)	4,194
Performing loans	**2,236,623**	**(43,935)**	**2,192,688**	1.96%	**2,802,992**	**(50,584)**	**2,752,408**	1.80%	(566,369)	(20.2%)	(6,649)
Total loans to customers	**6,014,834**	**(1,367,569)**	**4,647,265**	**22.74%**	**6,748,489**	**(1,370,024)**	**5,378,465**	**20.30%**	**(733,655)**	**(10.9%)**	**(2,455)**

(*) Adjusted figures to enable a like-for-like comparison, as described in the paragraph "Credit quality – new definitions and restatement of figures as at 31 December 2014".

As regards the Leasing Division, gross non performing loans (comprised of bad loans, unlikely to pay and past due), net of value adjustments, amounted to euro 2,454.6 million as at 31 December 2015, decreasing against euro 2,626.1 million recorded at the beginning of the year (-6.5%). Considering that the performing loans portfolio is gradually reaching zero, the percentage represented by non performing loans net of adjustments out of total net loans to customers rose from 48.8% at year end to 52.8% as at 31 December 2015 (a similar increase was recorded for the percentage represented by the same before value adjustments, rising to 62.8% from the previous 58.5%). The rate of coverage of non performing loans was 35.0%, compared to 33.4% at the end of 2014.

More specifically, bad loans before and after value adjustments amounted to euro 2,056.0 million and euro 1,148.1 million respectively (-0.8% and -2.7% respectively compared to 31 December 2014), while the percentage represented by the same of total loans to customers before and after value adjustments was 34.2% and 24.7% respectively (against 30.7% and 21.9% respectively at the end of the previous year). The rate of coverage was 44.2%, slightly up with respect to the previous year, when it was 43.1%. If properties used as collateral are taken into consideration, the rate of coverage of bad loans exceeds 100% of gross exposures.

Unlikely to pay before and after value adjustments amounted to euro 1,699.3 million and euro 1,285.2 million respectively (down by 8.2% and 9.9% respectively compared to 31 December 2014), while the percentage represented by the same of total loans to customers before and after value adjustments, was 28.3% and 27.7% respectively (27.4% and 26.5% respectively for the previous year). The rate of coverage was 24.4%, compared to 22.9% last year. If properties used as collateral are taken into consideration, the rate of coverage of unlikely to pay is over 100%.

Past due loans before and after value adjustments amounted to euro 22.8 million and euro 21.4 million respectively. The rate of coverage was 6.4%, compared to 6% last year.

The rate of coverage of performing loans was 2.0%, slightly up compared to 1.80% as at 31 December 2014.

Financial assets

(in thousands of euro)	31/12/2015	% impact	31/12/2014	% impact	Absolute change	% change
Financial assets held for trading	3,981,740	14.5%	4,094,962	15.6%	(113,222)	(2.8%)
Financial assets designated at fair value through profit and loss	18,600	0.1%	5,653	0.0%	12,947	229.0%
Financial assets available for sale	12,910,696	46.9%	13,518,168	51.6%	(607,472)	(4.5%)
Investments held to maturity	7,779,168	28.3%	4,948,433	18.9%	2,830,735	57.2%
Total securities portfolio	**24,690,204**	**89.7%**	**22,567,216**	**86.2%**	**2,122,988**	**9.4%**
Derivative trading and hedging instruments	2,840,808	10.3%	3,623,383	13.8%	(782,575)	(21.6%)
Total financial assets	**27,531,012**	**100.0%**	**26,190,599**	**100.0%**	**1,340,413**	**5.1%**

The breakdown by type of assets is as follows:

(in thousands of euro)	31/12/2015	% impact	31/12/2014	% impact	Absolute change	% change
Debt securities	22,989,507	83.5%	20,685,517	79.0%	2,303,990	11.1%
Equity instruments	788,638	2.9%	1,051,037	4.0%	(262,399)	(25.0%)
UCIT units	912,059	3.3%	830,662	3.2%	81,397	9.8%
Total securities portfolio	**24,690,204**	**89.7%**	**22,567,216**	**86.2%**	**2,122,988**	**9.4%**
Derivative trading and hedging instruments	2,840,808	10.3%	3,623,383	13.8%	(782,575)	(21.6%)
Total financial assets	**27,531,012**	**100.0%**	**26,190,599**	**100.0%**	**1,340,413**	**5.1%**

The Group's financial assets as at 31 December 2015 amounted to euro 27,531 million, up compared to euro 26,190.6 million as at 31 December 2014 (+5.1%); this rise is even more substantial if it relates to the securities portfolio alone, which in the period rose in absolute terms by euro 2.1 billion (+9.4%). This increase can be seen mainly in investments held to maturity, which recorded a change of euro 2,830.7 million (+57.2%), while a decrease was recorded for financial assets held for trading (-2.8%), and above all for financial assets available for sale, which recorded a fall of euro 607.5 million. An analysis by type of security indicates that this increase regards almost exclusively debt securities, which as at 31 December 2015, represented 83.5% of the portfolio (against 79% as at 31 December 2014).

Financial assets held for trading

(in thousands of euro)	31/12/2015	% impact	31/12/2014	% impact	Absolute change	% change
Debt securities	3,381,931	53.4%	3,378,725	47.7%	3,206	0.1%
Equity instruments	354,652	5.6%	445,064	6.3%	(90,412)	(20.3%)
UCIT units	245,157	3.9%	271,173	3.8%	(26,016)	(9.6%)
Total securities portfolio	**3,981,740**	**62.9%**	**4,094,962**	**57.9%**	**(113,222)**	**(2.8%)**
Financial and lending derivatives	2,345,647	37.1%	2,983,024	42.1%	(637,377)	(21.4%)
Total	**6,327,387**	**100.0%**	**7,077,986**	**100.0%**	**(750,599)**	**(10.6%)**

As illustrated in the following section on sovereign risk, in the debt securities component of financial assets held for trading, euro 1,856.9 million is represented by Italian Government securities, while the remainder, corresponding to euro 1,525.0 million is comprised by corporate securities issued mainly by Italian and foreign banks. The component represented by subordinated securities issued by banks totalled euro 537.7 million.

The equity trading portfolio instead mainly regards securities relating to leading Italian and foreign companies, the larger share of euro 334 million relating to Banca Aletti S.p.A., while the remainder relates to the Parent Company.

Financial assets designated at fair value through profit and loss

(in thousands of euro)	31/12/2015	% impact	31/12/2014	% impact	Absolute change	% change
Debt securities	13,393	72.0%	-	0.0%	13,393	
Equity instruments	1,276	6.9%	1,092	19.3%	184	16.8%
UCIT units	3,931	21.1%	4,561	80.7%	(630)	(13.8%)
Total	**18,600**	**100.0%**	**5,653**	**100.0%**	**12,947**	**229.0%**

Financial assets designated at fair value through profit and loss include investments in UCIT units (Undertakings for collective investment in transferable securities), mostly comprised by shares of hedge funds managed by the subsidiary company Aletti Gestielle SGR.

Debt securities include the 2015-2024 4% convertible bond issued by Sorgenia following the financial restructuring agreement for the same company, through the conversion of a part of its medium-long term loans. The nominal value is euro 23.1 million, but the bond issue was recorded at the fair value of euro 12.9 million. The book value also includes the tranche currently maturing of euro 0.5 million.

Equity instruments exclusively relate to the value of the insurance policy subscribed by Banco Popolare to cover the liabilities of the S.I.PRE. paid to some executives.

Financial assets available for sale

(in thousands of euro)	31/12/2015	% impact	31/12/2014	% impact	Absolute change	% change
Debt securities	11,815,015	91.5%	12,358,359	91.4%	(543,344)	(4.4%)
Equity instruments	432,710	3.4%	604,881	4.5%	(172,171)	(28.5%)
UCIT units	662,971	5.1%	554,928	4.1%	108,043	19.5%
Total	**12,910,696**	**100.0%**	**13,518,168**	**100.0%**	**(607,472)**	**(4.5%)**

As at 31 December 2015, the portfolio of debt securities was comprised of Italian Government securities with a total book value of euro 9,603.9 million; the decrease recorded in the period also mostly refers to Government securities, following resolutions passed by the Board of Directors to balance the securities portfolio.
The remainder of the debt securities portfolio, corresponding to euro 2.2 billion, is comprised of securities issued by banks with a book value of euro 1.7 billion (euro 0.2 billion of which represented by subordinated bonds), while the remainder includes issues of Italian and foreign non-financial companies and insurance companies.

UCIT units mainly include real estate funds of euro 26.8 million, share funds of euro 181.9 million, bond funds of euro 131.6 million and flexible funds of euro 310.8 million.

The portfolio of equity instruments is represented by investments whose value is less than 20% of the share capital of said companies, which is not considered a strategic investment by the Banco Popolare Group. The main investments in shareholdings of this nature refer to equity investments in banks totalling euro 185.7 million (including the Bank of

Italy for euro 91.7 million, Dexia Crediop for euro 55.4 million, the Istituto Centrale delle Banche Popolari Italiane for euro 32.4 million and Banca Nuova Terra for euro 5.1 million), in non-financial companies totalling euro 151.6 million (including S.A.C.B.O. for euro 30.9 million, Autostrade del Brennero for euro 19.8 million, A4 Holding for euro 19.1 million, SIA for euro 14.7 million, Earchimede for euro 11.2 million and Ente Autonomo Fiere di Verona for euro 4.2 million) and lastly in financial companies totalling euro 87.8 million (including Palladio Finanziaria for 32.8 million, Factorit for euro 18.9 million, Seief for euro 11.6 million and Veneto Sviluppo for euro 6.9 million). The decrease recorded in the period for this category of securities is related to the sale of equity investments held in ICBPI and Arca SGR.

Investments held to maturity

(in thousands of euro)	31/12/2015	% impact	31/12/2014	% impact	Absolute change	% change
Debt securities	7,779,168	100.0%	4,948,433	100.0%	2,830,735	57.2%
Total	**7,779,168**	**100.0%**	**4,948,433**	**100.0%**	**2,830,735**	**57.2%**

This item is almost entirely represented by Italian Government debt securities (recognised for a purchase counter value of euro 7,639 million against a nominal value of euro 7,485 million and recognised in the financial statements at euro 7,693.2 million, including a tranche currently maturing of around euro 58 million), for which, with regard to the prices as at 31 December 2015, latent gains were around euro 275 million.
The increase recorded in the period mainly refers to the investments made during the year by the Parent Company in Italian Government securities with medium to long term maturities, in accordance with the resolutions passed by the Board of Directors to increase the nominal value of the ceiling of the “investments held to maturity” category from euro 6 to 8 billion.

Exposure to sovereign risk

The overall growth of the economy in the Eurozone which continued, as previously mentioned, over the year, albeit at a less lively pace with respect to original expectations, represented an element of relative stabilisation of sovereign risk in peripheral countries. However, on the other hand, the instability of the situation in Greece, which was triggered again following the political elections on 25 January, was a source of turbulence, at least until the summer. The arrival of an anti-austerity Government coalition led to debate on the agreements with the European Union to realise the macroeconomic adjustment programme to rebalance public finances. Therefore, a period of instability for sovereign securities in the Eurozone began, ending only in mid-July when, after lengthy negotiations and various events (including the referendum seeking the public’s approval of the plan of reforms proposed by international creditors, with a victory of no votes), an agreement was finally reached by the Greek Government and the European authorities, based on a package of particularly rigorous and complex measures as a condition for launching a third programme of economic-financial support. A few days later, following the partial approval of the package of reforms by the Greek Parliament, an initial bridging loan of euro 7.2 billion was approved, which enabled Greece to pay back its outstanding debts, the majority of which to the IMF and ECB, thus avoiding defaulting on the same. On 19 August, after the reforms had been approved, the third programme of financial support for Greece was finally launched, entailing a loan of euro 86 billion disbursed over three years by the ESM and conditioned by the implementation, as mentioned, of a series of reforms, accompanies by a privatisation programme. The following day, the Greek Government re-proposed its mandate and political elections was called for 20 September 2015. On the same date, the first tranche of euro 13 billion of the above-mentioned loan was disbursed, which euro 10 billion was allocated by the ESM with a view to rescue measures relating to the Greek banking system. The new coalition of the departing Premier, who approached the elections to obtain a “strong mandate” with a view to continuing with the reforms, won the election and was therefore able to start out along the road to implementing the reforms agreed with the European Authorities to being the third Greek bail-out to its conclusion.
Sovereign debt in the Eurozone, after the above-mentioned agreement was reached, then continued to be substantially immune to the significant volatility that characterised the markets following the Chinese situation illustrated previously. In actual fact, the securities of European nations, including those of peripheral countries, benefitted to a certain extent, as there were seen to be relatively safer that other financial assets. From the beginning of the fourth quarter, when expectations of an extension of the ECB’s public securities purchase plan has started to consolidate, the yield spreads on 10-year Government bonds, against Germany, actually started to record further drops in Italy, Spain and Ireland, while they were stable elsewhere. At the beginning of December, at the ECB meeting on the third, the strengthening of the public securities purchase plan triggered the expected favourable impact on sovereign spreads in the Eurozone. Consequently, the launch of higher interest rates by the Federal Reserve, decided at a meeting on 15 and 16 December, had an overall contained impact on long-term returns in the Eurozone. In fact, due to the gradual nature of the manoeuvres and the prior communication of the same, the contagion feared by several observers did not take place.
More specifically, spreads with the ten-year German Bund, on average and with the exception of Greek bonds, after having narrowed further with respect to 2014 in the first two months of the year, started to rise, reaching a 12 month

record high at the beginning of July. After the Greek and European authorities had reached agreement, the spreads started to rapidly narrow towards more balanced levels and fell to a record low in the second half of the year: BTP reached 92 bps at the beginning of December (after an absolute minimum of 90 bps in mid-March), in the same period, Spanish Bonos recorded 102 bps (after an absolute minimum of 88 bps at the beginning of March), while Portuguese bonds reached 170 bps (after an absolute minimum of 109 bps in mid-March).
The lengthy fall of spreads with respect to the German Bund, temporarily interrupted only by tensions related to negative news relating to the Chinese economy (which only initially triggered a rise in interest rate spreads) lasted until the end of the year; the period closed with spreads of 97 bps for BTP, 115 bps for the Bonos, 190 bps for ten-year Portuguese bonds and 33 bps for the Irish bonds, while the spread of Greek bonds continued to record very high levels at 770 bps, confirming the continuing situation of grave crisis in the economy of this country.

The Group's total exposure in sovereign debt securities as at 31 December 2015 was euro 19,376.2 million, and is provided below, broken down by country (in thousands of euro):

Countries	Debt securities	of which Parent Company	Loans	of which Parent Company	Total
Italy	19,154,075	17,478,770	210,836	210,836	19,364,911
Austria	1,601	-	-	-	1,601
Other EU countries	1,898	-	-	-	1,898
Total EU Countries	**19,157,574**	**17,478,770**	**210,836**	**210,836**	**19,368,410**
USA	7,737	-	-	-	7,737
Argentina	16	16	-	-	16
Total other countries	**7,753**	**16**	**-**	**-**	**7,753**
Total	**19,165,327**	**17,478,786**	**210,836**	**210,836**	**19,376,163**

More specifically, the exposure is represented by:

- loans granted to the Italian State of euro 210.8 million;
- debt securities issued by central and local governments of euro 19,165.3 million, euro 19,157.6 million of which was issued by EU Member States. This position is held mostly by the Parent Company Banco Popolare which, as at 31 December, held a total of euro 17,478.8 million, relating only to Italian government securities.

The tables below provide more detailed information on the breakdown of the exposure in debt securities to EU countries, which represented nearly the entire exposure, by accounting portfolio, residual life brackets and fair value hierarchy.

Financial assets held for trading

Country	Maturity by 2016	Maturity between 2016 and 2021	Maturity between 2021 and 2026	Maturity beyond 2026	Total fair value as at 31/12/15	Total fair value by hierarchy		
						LEVEL 1	LEVEL 2	LEVEL 3
Italy	1,654,400	187,077	15,453	4	1,856,934	1,856,932		2
Total	1,654,400	187,077	15,453	4	1,856,934	1,856,932	-	2
of which Parent Company		166,549	15,080	3	181,632	181,630		2

Financial assets available for sale

Country	Maturity by 2016	Matures between 2016 and 2021	Matures between 2021 and 2026	Maturity beyond 2026	Total fair value as at 31/12/15	Net AFS Reserve	Value adjustments	Total fair value by hierarchy		
								LEVEL 1	LEVEL 2	LEVEL 3
Italy	2,267,475	4,267,839	3,068,552	-	9,603,866	142,266	-	9,564,287	39,579	-
Total	2,267,475	4,267,839	3,068,552	-	9,603,866	142,266	-	9,564,287	39,579	-
of which Parent Company	2,267,475	4,267,839	3,068,552	-	9,603,866	142,266		9,564,287	39,579	

Investments held to maturity

Country	Maturity by 2016	Matures between 2016 and 2021	Matures between 2021 and 2026	Matures beyond 2026	Total book value as at 31/12/15	Total fair value	Total fair value by hierarchy		
							LEVEL 1	LEVEL 2	LEVEL 3
Italy	1,157,296	3,482,651	3,053,325	2	7,693,274	7,968,572	7,968,572		
Other EU countries	-	3,499	-	-	3,499	3,499	3,499		
Total	1,157,296	3,486,150	3,053,325	2	7,696,773	7,972,071	7,972,071	-	-
of which Parent Company	1,157,296	3,482,650	3,053,325	-	7,693,272	7,968,569	7,968,569	-	-

Investments in sovereign debt securities of EU Member States, in terms of book value, represent 80.3% of the Group's total portfolio invested in debt securities, almost all of which regards investments in securities issued by the Italian Government. Around 9.7% of said investments have been allocated to the trading portfolio and 50.1% to the financial assets available for sale portfolio, while 40.2% has been classified as investments held to maturity.

Around 68% of total exposure is represented by debt securities that mature before 2020.

Net Interbank Position

Due from banks

(in thousands of euro)	31/12/2015	% impact	31/12/2014	% impact	Absolute change	% change
Due from central banks	**376,946**	**13.4%**	**689,123**	**13.6%**	**(312,177)**	**(45.3%)**
Due from other banks	**2,440,886**	86.6%	**4,369,693**	86.4%	(1,928,807)	(44.1%)
Current accounts and demand deposits	613,381	21.8%	1,175,160	23.2%	(561,779)	(47.8%)
Time deposits	181,012	6.4%	1,520,630	30.1%	(1,339,618)	(88.1%)
Repurchase agreements	692,546	24.6%	1,329,019	26.3%	(636,473)	(47.9%)
Debt securities	104,755	3.7%	123,209	2.4%	(18,454)	(15.0%)
Other loans	849,192	30.1%	221,675	4.4%	627,517	283.1%
Total loans (A)	**2,817,832**	**100%**	**5,058,816**	**100%**	**(2,240,984)**	**(44.3%)**

Due to banks

(in thousands of euro)	31/12/2015	% impact	31/12/2014	% impact	Absolute change	% change
Due to central banks	**11,958,009**	**73.2%**	**12,870,424**	**74.0%**	**(912,415)**	**(7.1%)**
LTRO and TLTRO	11,958,009	73.2%	12,029,844	69.2%	(71,835)	(0.6%)
Other payables (overnight deposits)	-	-	840,580	4.8%	(840,580)	
Due to other banks	**4,376,730**	**26.8%**	**4,512,893**	**26.0%**	**(136,163)**	**(3.0%)**
Current accounts and demand deposits	666,187	4.1%	1,105,356	6.4%	(439,169)	(39.7%)
Time deposits	258,663	1.6%	1,154,834	6.6%	(896,171)	(77.6%)
Repurchase agreements	1,550,218	9.5%	723,733	4.2%	826,485	114.2%
Other payables	1,901,662	11.6%	1,528,970	8.8%	372,692	24.4%
Total payables (B)	**16,334,739**	**100%**	**17,383,317**	**100%**	**(1,048,578)**	**(6.0%)**
Mismatch loans/payables (A) - (B)	**(13,516,907)**		**(12,324,501)**		**1,192,406**	**9.7%**
Due to central banks: LTRO and TLTRO	**(11,958,009)**		**(12,029,844)**		**(71,835)**	**(0.6%)**
Interbank balance (excl. LTRO and TLTRO)	**(1,558,898)**		**(294,657)**		**1,264,241**	**429.1%**
Mismatch towards central banks (excl. LTRO and TLTRO)	**376,946**		**(151,457)**		**528,403**	
Interbank balance towards other banks	**(1,935,844)**		**(143,200)**		**1,792,644**	**not significant**

Net interbank exposure as at 31 December 2015 amounted to 13,516.9 million, compared to the balance of 12,324.5 million at the end of last year. The exposure to the ECB amounted to euro 11,958.0 million (euro 12,029.8 million as at 31 December 2014) and was entirely represented by TLTRO.
If net exposures towards central banks are not considered (in reality linked to the mandatory reserve), the net interbank balance towards other banks is negative, and amounts to euro -1,935.8 million (euro -143.2 million as at 31 December of last year).

As at 31 December 2015, the Group has an excellent liquidity profile and holds eligible assets with the ECB, to date unused, which after haircuts amount to euro 16.1 billion (euro 13.3 billion as at 30 September 2015 and euro 14.1 billion as at 31 December 2014), represented almost exclusively by a risk-free portfolio of Italian Government bonds.

Investments in associates and companies subject to joint control

Investments in associates and companies subject to joint control as at 31 December 2015 amounted to euro 1,166.3 million, compared with euro 1,061.4 million as at 31 December 2014.

The increase recorded in the year of euro 104.9 million includes the impact resulting from the valuation of investments in associated companies using the equity approach, relating to the share of the results recorded by associated companies in the year (euro +141.5 million), the reduction of capital of Popolare Vita (euro -28.1 million) and of Avipop Assicurazioni (euro -6.1 million) due to the distribution of dividends and to the decrease in reserves of said companies attributable to the Group (euro -3.0 million), as well as to acquisitions of euro 0.7 million.

Property and equipment

(in thousands of euro)	31/12/2015	31/12/2014	Absolute change	% change
Property and equipment used in operations	651,864	681,009	(29,145)	(4.3%)
Property and equipment held for investment purposes	1,480,769	1,458,953	21,816	1.5%
- held by Release	791,483	779,726	11,757	1.5%
- held by other Group companies	689,286	679,227	10,059	1.5%
Total property and equipment (item 120)	2,132,633	2,139,962	(7,329)	(0.3%)
Property and equipment held for sale (item 150)	80,200	94,308	(14,108)	(15.0%)
Total property and equipment	2,212,833	2,234,270	(21,437)	(1.0%)

The breakdown of property and equipment used in operations is shown in the table below:

Property and equipment used in operations *(in thousands of euro)*	31/12/2015 Book value	31/12/2014 Book value
1. Owned assets	651,564	680,681
- land	215,898	219,814
- buildings	363,577	383,033
- other	72,089	77,834
2. Assets acquired under financial lease	300	328
- land	-	-
- buildings	294	308
- other	6	20
Total	651,864	681,009

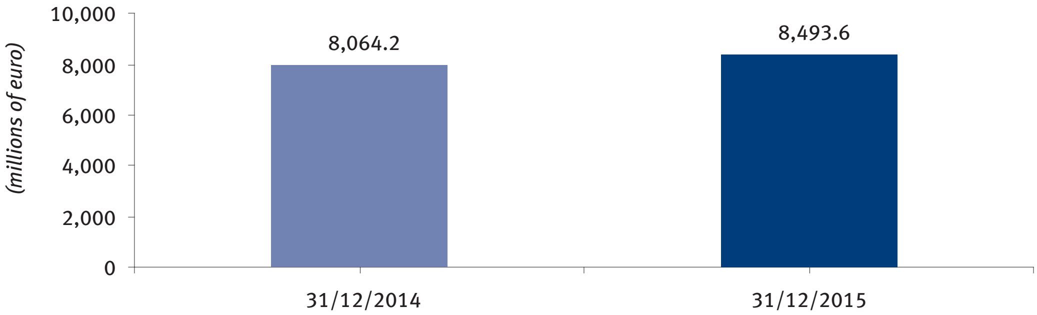
The breakdown of property and equipment held for investment purposes is shown in the table below:

Property and equipment held for investment purposes *(in thousands of euro)*	31/12/2015		31/12/2014	
	Book value	Fair Value	Book value	Fair Value
1. Owned assets	1,465,615	1,673,786	1,443,662	1,642,636
- land	711,749	743,299	679,340	708,142
- buildings	753,866	930,487	764,322	934,494
2. Assets acquired under financial lease	15,154	17,191	15,291	15,291
- land	11,324	13,224	11,324	11,324
- buildings	3,830	3,967	3,967	3,967
Total	1,480,769	1,690,977	1,458,953	1,657,927

As at 31 December 2015, the total property and equipment held by the Group amounted to euro 2,212.8 million, down by euro 21.4 million compared to the end of the previous year. With regards to property and equipment used in operations, the decrease of around euro 29.1 million is due to the normal process of depreciation, which more than offset purchases during the period. As regards property and equipment held for investment purposes, an increase of euro 21.8 million breaks down as follows: euro 76.2 million relating to purchases of properties by the subsidiary company Release, a decrease for the same amount related to the process of depreciation and on the other hand to value adjustments due to impairment made on several properties to align their book values with the recovery value estimated on the basis of the most recent appraisals received. Lastly, following the non-fulfilment of requirements for its sale, a property worth euro 18 million belonging to the subsidiary company Sviluppo Comparto 8, previously classified as discontinued operations, was reclassified under investment property and equipment.
As regards property and equipment held for sale, as at 31 December 2015 this item included euro 80.2 million of property and equipment (euro 94.3 million as at 31 December 2014), most of which regards properties resulting from credit collection activities of the former Italease group.

Shareholders' equity and solvency coefficients

Consolidated shareholders' equity



The Group's consolidated shareholders' equity as at 31 December 2015, including valuation reserves and net income (loss) for the year, amounted to euro 8,493.6 million, compared to the figure at the end of 2014, of euro 8,064.2 million.
The change of euro 429.4 million recorded for the year is almost entirely due to the positive economic result recorded for the year of euro 430.1 million.

The valuation reserve fell by euro 7.4 million over the year. The following table shows the breakdown of valuation reserves and the changes over the year:

(in thousands of euro)	Financial assets available for sale	Property and Equipment	Cash flow hedges	Special revaluation laws	Actuarial gains/(losses) on defined benefit pension plans	Investments in associates and companies subject to joint control carried at equity	Total
Initial balance	275,500	217	(3,858)	2,314	(75,089)	(14,456)	184,628
Increases	238,536	-	3,619	-	24,293	3,580	270,028
Decreases	(256,920)	-	(1,373)	-	(12,694)	(6,405)	(277,392)
Final balance	**257,116**	**217**	**(1,612)**	**2,314**	**(63,490)**	**(17,281)**	**177,264**

As regards in particular the valuation reserve for financial assets available for sale, the following table shows the breakdown as at 31 December 2015 compared with the figures for the previous year.

Categories	Positive reserve 2015	Negative reserve 2015	Total reserve 2015	Positive reserve 2014	Negative reserve 2014	Total reserve 2014
Debt securities	169,347	(7,513)	161,834	174,839	(19,111)	155,728
of which government securities:						
- Italian	142,266	-	142,266	119,356	(13,851)	105,505
- foreign	0	(661)	(661)	61	(307)	(246)
Equity instruments	92,534	(631)	91,903	104,789	(625)	104,164
UCIT units	12,318	(8,939)	3,379	19,194	(3,586)	15,608
Total	**274,199**	**(17,083)**	**257,116**	**298,822**	**(23,322)**	**275,500**

The valuation reserves of financial assets available for sale attributable to the Group totalled euro 257.1 million after tax (euro 275.5 million as at 31 December 2014) and derived from the imbalance of positive net reserves of euro 274.2 million and net negative reserves of euro 17.1 million. The larger share of overall reserves is represented by reserves relating to the valuation of debt securities of euro 161.8 million (euro 142.3 of which relate to Italian government securities). Reserves relating to the valuation of capital instruments total euro 91.9 million and are mainly regard equity investments held in Bologna Airport (S.A.C.B.O. S.p.A.) for euro 21.4 million, Autostrada del Brennero S.p.A. for euro 18.4 million and I.C.B.P.I. S.p.A. for 17.5 million. Total reserves relating to the valuation of funds were limited to around euro 3.4 million.

Reconciliation between the Parent Company's shareholders' equity and net income and consolidated shareholders' equity and net income

(in thousands of euro)	Shareholders' equity	Net income (loss)
Balance as at 31/12/2015 as per the Parent Company's financial statements	**6,689,182**	**186,903**
Impact of the consolidation of subsidiaries	1,472,958	254,927
Impact of the valuation at net equity of associated companies	191,217	141,339
Cancellation of the dividends received during the year from subsidiaries and associates	-	(150,721)
Other consolidation adjustments	140,208	(2,375)
Balance as at 31/12/2015 as per the consolidated financial statements	**8,493,565**	**430,073**

Capital ratios

From 1 January 2014, the new harmonised regulations for banks and investment companies contained in (EU) Regulation no. 575/2013 ("CRR") and in directive no. 2013/36/EU ("CRD IV") dated 26 June 2013 came into force. These transpose the standards defined by the Basel Committee for banking supervision (so-called Basel 3 framework) to the European Union.

During the transition period, several items will be calculated or deducted at different percentages for each year. Generally, a share is attributed to Common Equity Tier 1 (CET1), while the remainder of the aggregate is split between Additional Tier 1 (AT1) and Tier 2 (T2) capital, or attributed to Risk-Weighted Assets (RWA).
A gradual process of elimination (phase-out over a period of time extended to 2021 under the "grandfathering" system) is also envisaged for equity instruments that do not fully meet the calculation requirements of the new regulations.

The minimum capital requirements for 2015 are as follows:

- a minimum common equity tier 1 ratio (Common Equity Tier 1 capital ratio: "CET1 ratio") of: 4.5% + 2.5% Capital Conservation Buffer: "CCB";
- a minimum Tier 1 capital ratio of: 6.0% + 2.5% of CCB;
- a minimum total capital ratio of: 8% + 2.5% of CCB.

The capital conservation buffer must, in any event, consist of high quality funds.

On 20 November 2015 the European Central Bank (ECB) notified Banco Popolare of the minimum consolidated capital ratios to be complied with by the bank on an ongoing basis. The decision is based on Article 16 of EU Regulation no. 1024 of 15 October 2013, which confers on the ECB the power to require any supervised bank to hold own funds in excess of the minimum capital requirements laid down by current regulations.
The minimum ratio required by the Regulator is a Common Equity Tier 1 ratio (CET1 ratio) of 9.55%.

In order to maintain a solid asset base, in 2015, the Banco Popolare Group performed the following strategic operations to strengthen capital:

- the merger by incorporation of Banca Italease Spa into the parent company Banco Popolare with a view to simplifying and rationalising the group's corporate structure;
- the sale of its equity investment in Banco Popolare Luxembourg SA to Banque Havilland SA;
- the sale of an equity investment corresponding to 13.88% of the share capital of Istituto Centrale Banche Popolari Italiane (ICBPI) and the disposal of the equity investment held in Arca SGR corresponding to 19.90% of share capital.

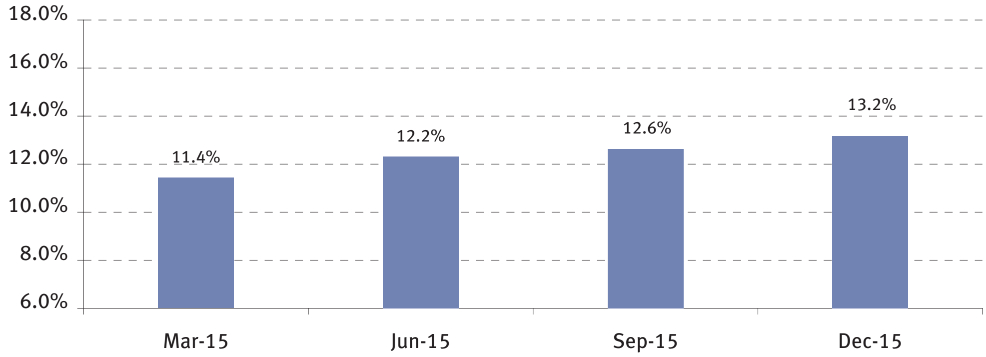
The above-illustrated operations, the positive economic result for the year and the overall decrease of risk weighted assets led to a significant improvement in the Group's capital ratios. Applying the transition rules in force as at 31 December 2015, the capital ratios, including the profit for the year[1] *and net of the share that will be proposed to the Shareholders' Meeting for distribution as a dividend and/or allocation to assistance, charity and public interest purposes, are as follows:*

- Common Equity Tier1 (CET1) Ratio of 13.2%, up against the end of December 2014 (11.9%);
- Tier 1 Capital Ratio of 13.2%;
- Total Capital Ratio was 15.9%, up against the end of December 2014, amounting to 14.6%.

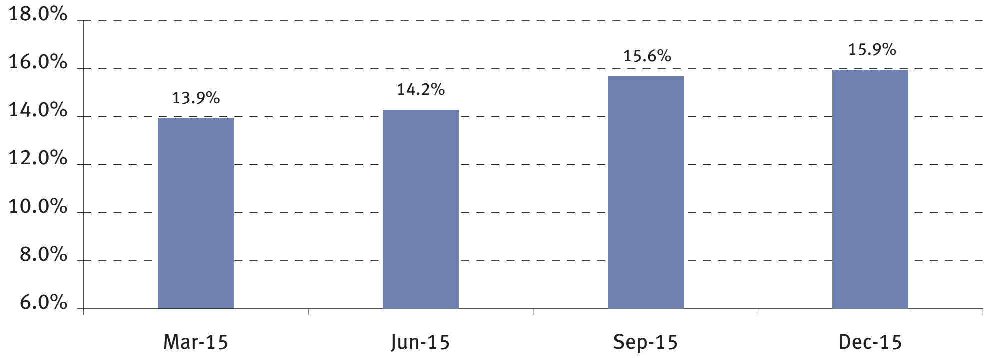
The increase recorded for the Total Capital ratio also benefited from the placement in the third quarter of the year of a new Tier 2 capital instrument of euro 500 million.

The tables below illustrate the changes in Common Equity Tier 1 ratio and the Total Capital ratio during the year.

Common Equity Tier 1 Ratio



Total Capital Ratio



The current level of own funds enables Banco Popolare to fully comply with the Regulators' requirements, both with respect to the calculation rules currently applicable in the transition period, as well as when the new capital requirements shall apply in full.

The pro-forma CET1 ratio calculated on the basis of rules that will take effect at the end of the transitional period (so-called CET1 ratio fully phased) is estimated to be around 12.4%, also significantly up on the beginning of the year (11.3 as at 31 December 2014).

[1] Based on the provisions of Article 26, paragraph 2 of EU Regulation no. 575/2013 of 26 June 2013 (CRR), the inclusion of year-end profits in Common Equity Tier 1 Capital (CET1) is subject to the prior permission of the competent authorities, which may be granted only where the profits have been verified by the independent auditors.
On the date of preparation of this Report, the European Central Bank has formally authorised Banco Popolare to include the net income for the current year at the end of the first half, in its calculation of Common equity Tier 1 capital. On today's date, Banco Popolare will send a specific notice to the European Central Bank in which it will request to be able to include the entire net income for the year, minus the share that will be proposed for distribution, in the calculation of CET1.

Liquidity position

The Delegated Regulation (EU) no. 61/2015 came into force on 1 October 2015, and requires banks to maintain a certain level of liquidity measured with reference to a short-term horizon (Liquidity Coverage Ratio or LCR for short). The regulation envisages a gradual phase-in.[2] As at 31 December 2015, Banco Popolare's LCR was 180% higher.

In the near future, the introduction of a further liquidity requirement is envisaged, measured on a longer time horizon called the Net Stable Funding Ratio or NSFR for short. The above ratio, calculated in accordance with the most recent rules set by the Quantitative Impact Study, amounts to approximately 97%.

Finally, note that the Leverage Ratio was 5.0% as at 31 December 2015, while the level at full implementation is estimated at 4.7%.
Note that this ratio is currently not mandatory. The Basel Committee proposed a minimum level of 3%.

[2] 60% from 1 October 2015; 70% from 1 January 2016; 80% from 1 January 2017; 100% from 1 January 2018.

RESULTS BY BUSINESS SEGMENT

Introduction

As at 31 December 2015 the segments are as follows:

- Commercial Network;
- Investment & Private Banking, Asset Management;
- Leasing;
- Corporate Centre and Other.

A brief illustration of the breakdown of the various segments is provided below.

The **"Commercial Network"** segment represents the cornerstone of the development of the Group's commercial activities throughout Italy and is the backbone of the Group's organisational structure. This organisational model, centred on the Network Divisions, which ensures a balanced coverage at national level, is instrumental to the development of a product and service offer in step with the customer needs characterising the different market territories of the banks.
The business of this segment is represented by traditional loan brokerage activities in Italy and the provision of related financial services targeting both retail (private individuals and small businesses) and corporate customers.

The **"Investment & Private Banking, Asset Management"** segment includes the companies that carry out investment banking and asset management activities. The subsidiaries included in this segment are:

- Aletti & C. Banca di Investimento Mobiliare S.p.A.
- Aletti Gestielle SGR S.p.A.

The **"Leasing"** segment includes data relating to activities connected to the Group's Leasing business, the scope of which encompasses:

- activities relating to the lease contracts of the former Banca Italease, which was merged into Banco Popolare in March;
- Release S.p.A.
- Italease Gestione Beni S.p.A.

The **"Corporate Centre and Other"** includes, amongst other activities, also direction and support functions, the portfolio of owned securities, the treasury and the Group's Asset and Liability Management, the stock of bond issues placed on institutional markets, equity investments (in particular insurance Joint Ventures and the equity investment in the consumer credit company Agos Ducato), service companies and companies operating in the real estate sector, as well as the foreign banks (Banco Popolare Luxembourg S.A., Banca Aletti Suisse).
Lastly, all the consolidation entries not specifically attributable to the previous business segments have been included in this residual segment.

Note that for the purpose of reconciling segment results with consolidated results the effect of the purchase price allocation of business combinations referring to the acquisition of the former Banca Popolare Italiana Group and of Banca Italease are shown separately in a specific column called "PPA – Purchase Price Allocation".

For a like-for-like comparison, note that the figures relating to previous periods have been recalculated on the basis of the same criteria used as at 31 December 2015, established in coherence with the characteristics of internal reporting.

	Group	Commercial Network	Investment & Private Banking, Asset Management	Leasing	PPA & FVO	Corporate Centre
Operating income						
2015	3,663,000	2,788,879	345,833	54,517	(23,831)	497,602
2014 (*)	3,376,577	3,006,982	299,421	60,205	(32,650)	42,619
Operating expenses						
2015	(2,404,832)	(1,825,256)	(128,531)	(104,002)	(3,613)	(343,430)
2014 (*)	(2,263,194)	(1,843,470)	(101,883)	(129,264)	(3,682)	(184,895)
Income (loss) from operations						
2015	1,258,168	963,623	217,302	(49,485)	(27,444)	154,172
2014 (*)	1,113,383	1,163,512	197,538	(69,059)	(36,332)	(142,276)
Net income (loss) without FVO						
2015	426,785	216,934	144,279	(127,288)	(15,430)	208,290
2014 (*)	(1,919,903)	(1,443,643)	120,191	(183,173)	(50,696)	(362,582)
Net income (loss)						
2015	430,073	216,934	144,279	(127,288)	(12,142)	208,290
2014 (*)	(1,945,891)	(1,443,643)	120,191	(183,173)	(76,684)	(362,582)
Net loans						
2015	78,421,634	63,268,800	1,363,933	4,418,065	-	9,370,836
2014 (*)	79,823,603	63,241,403	1,561,799	5,048,732	-	9,971,669
Direct funding						
2015	82,141,444	62,659,338	1,005,458	26,954	-	18,449,694
2014 (*)	86,513,468	63,926,405	897,717	21,352	(6,451)	21,674,445

(*) The figures have been restated to provide a like-for-like comparison.

The following paragraphs provide details on the individual segments focusing first on the performance of the income statement, then providing a more detailed analysis of the main commercial and other activities performed, providing a breakdown that is consistent with the internal organisation of the segment in question.

Commercial Network

	2015	2014(*)	absolute change	% change
Interest margin	**1,379,676**	**1,540,415**	**(160,739)**	**(10.4%)**
Financial margin	**1,379,676**	**1,540,415**	**(160,739)**	**(10.4%)**
Net fee and commission income	1,344,214	1,361,504	(17,290)	(1.3%)
Other net operating income	52,628	99,141	(46,513)	(46.9%)
Net financial result (without FVO)	12,361	5,922	6,439	108.7%
Other operating income	**1,409,203**	**1,466,567**	**(57,364)**	**(3.9%)**
Operating income	**2,788,879**	**3,006,982**	**(218,103)**	**(7.3%)**
Personnel expenses	(1,025,049)	(1,047,667)	(22,618)	(2.2%)
Other administrative expenses	(779,069)	(772,836)	6,233	0.8%
Net value adjustments on property and equipment and intangible assets	(21,138)	(22,967)	(1,829)	(8.0%)
Operating expenses	**(1,825,256)**	**(1,843,470)**	**(18,214)**	**(1.0%)**
Income (loss) from operations	**963,623**	**1,163,512**	**(199,889)**	**(17.2%)**
Net adjustments on loans to customers	(637,222)	(3,234,896)	(2,597,674)	(80.3%)
Income (loss) before tax from continuing operations	**326,401**	**(2,071,384)**	**2,397,785**	
Taxes on income from continuing operations	(109,467)	627,741	(737,208)	
Parent Company's net income (loss)	**216,934**	**(1,443,643)**	**1,660,577**	

(*) The figures have been restated to provide a like-for-like comparison.

Economic performance

Total operating income for the Commercial Network, compared to last year, was down 7.3%, corresponding in absolute terms to euro 218.1 million. The interest margin made a significant contribution to this drop, with a partial contribution of other operating income, which is ideally represented by the non-interest margin.

The downtrend of the interest margin is due to the fall in the average volume of loans and to the reduction of the average customer spread.
The rationalisation of loan volumes combined with the reduction in the mark-up is the result of the repositioning of loans with counterparties characterised by a lower risk profile, with a view to benefiting the income statement overall, albeit with a reduction of the interest margin, given by the lower cost of net adjustments on loans.
Another element that impacted the interest margin was the trend of short-term interest rates on the market, which, by entering negative territory, zeroed returns on deposits, and which was not offset on the assets side by the repositioning with less risky counterparties as mentioned previously.
A further component that led to a fall of the mark-up on loans was commercial efforts focused on obtaining market share, which over the first three quarters of 2015, led to a slight increase in the market share relating to the SME segment, even in the face of aggressive competition (characterised by a decrease in absolute volumes) and the repositioning of credit risk.

The trend of performing loans showed a downturn of 1.5% in terms of volume compared to the end of 2014, despite a considerable rise in disbursements of mortgage loans to customers (Retail and Corporate).
Commercial strategies were addressed to the main segments of reference: Households, where medium-long term mortgage loans were granted at competitive rates, and local SMEs, also as a result of the ceiling made available by the European Central Bank through "TLTRO" (Targeted Longer-Term Refinancing Operations).
The main component that had a positive impact on the performance of the Private Customers segment continued to be mortgage loans for the purchase of residential property, also due to the sharp recovery of subrogations and replacements, by virtue of low interest rates, which made it beneficial to change the old contracts signed years ago, bringing disbursements related to revisions of medium-long term loans, to represent around one quarter of new transactions.

Direct funding recorded a drop of 2.0% compared to the end of 2014. This downtrend reflects the changed funding requirements due to the above-mentioned fall in loans and is related to the action taken by the Group to balance its cost of funding profile (mainly through the use of bond issues).
Funding in the form of current accounts and demand deposits recorded an increase of 3.1% compared to the end of 2014. This situation is due to the lower interest rates and to the absence of aggressive offer policies on other funding instruments given the high availability of low cost funds disbursed by the European Central Bank.
Furthermore, the climate of uncertainty in the financial markets could have driven a share of households to postpone their investment decisions, leaving time deposits and matured bonds temporarily in their current accounts.
As regards other operating income, a 3.9% fall was recorded. Net fee and commission income continued, in any event, to record good levels, mainly due to the placement of investment products (certificates, mutual funds and insurance products), which offset the sharp reduction in the amount of "commissioni di istruttoria veloce" charged to customers was also recorded, due to the fall in the average volume of loans, from the settlement of positions and from the update of pricelists and application of criteria, which sought to meet the customers' need for flexibility. This reduction is also the explanation for the fall in the "other net operating income/expenses" and also mainly of the yoy drop in other operating income. Although 2015 was characterised by the gradual reduction of market rates of return, several contingent opportunities were exploited to offer customers potential higher returns.
The Commercial Network placed investment products totalling euro 15.2 billion, against euro 14.2 billion in 2014, on a comparable basis (+7%), generating revenues of euro 390 million.
With a view to diversifying their investments, customers favoured flexible asset management products, able to combine the exposure on the financial markets with varying degrees of protection. In this regard, the Bank's product policy concentrated mainly on proposing asset management instruments, supplementing the Group's traditional offer with mutual funds and SICAVs of important market Asset Managers, multi-segment insurance policies and certificates with different levels of protection (mutual funds placed for euro 4.7 billion, SICAV for euro 1.7 billion, Segment I policies for euro 0.6 billion and Segment III for euro 2.2 billion). The renewed vivacity of the MLT loans market saw a rise in commission related to this segment, both as regards disbursements made directly by the Bank and brokered loans. A rise in commission income of 14.5% was recorded for the latter, while in terms of direct disbursements, commission income recorded an increase of 18%, insurance protection 38%, while interest rate and foreign exchange hedges more than doubled their contribution. The specialist corporate finance segment also recorded an increase of 9.6%.
In the sphere of more traditional business services, foreign commission income recorded a slight increase compared to 2014, although with a quarterly trend that reflected the recovery of the business. The segment of transactional banking services instead recorded a slight fall, with the rebalancing of the commercial component between businesses and the inflows from innovative collection and payments or those relating to e-money.

In terms of operating expenses, an increase in “other administrative expenses” was recorded, which, however, without the share represented by the contribution of system guarantee funds (DGS and SFR), corresponding to euro 19.7 million, would have recorded a fall of 1.7% due to the impact of constant focus on operating efficiency.
“Personnel expenses” were down, even though their performance reflected the leaving incentive policies undertaken by the company both this year and in 2014; excluding extraordinary impacts from the analysis, personnel costs for the year would have been substantially in line with the previous year.

By virtue of the above trends, income from operations, corresponding to euro 963.6 million, fell by euro 199.9 million compared to 2014, corresponding to a percentage reduction of -17.2%.

The fall in income from operations was more than offset by the impact of policies to reduce credit risk and to manage non performing positions, which led to a net improvement in the cost of credit (of around euro 2.6 billion), also by virtue of the fact that in 2014, the final figure had been influenced by the assimilation of the results of the AQR.

Commercial business activities - Private Customers

Banco Popolare’s Private Customers Department oversees and coordinates, at Group level, the business areas relating to Private Customers, represented by “Private Individuals” and “SBO” - Small Business Operators.
“Private customers” means all private parties whose personal assets are below one million euro[1]. A further classification separates the “Affluent” segment from the “Universal” one: the former, the “Affluent” segment includes customers with assets (deposits) of between euro 50 thousand and 1 million; the latter, the “Universal” segment, encompasses customers with personal assets of less than euro 50 thousand. Within the above-described segmentation, different quality-based targets are also identified: shareholders, students, young people, the more senior customers etc.
The scope of the Private Customers Department also includes enterprises represented by SBO (Small Business Operators) with a turnover of up to euro 250 thousand, whose financial and operational requirements are very similar to those of private individuals.
Overall, the Private Customers Department encompasses around 2.6 million customers (natural persons and companies) who are current account holders (including card accounts), distributed equally between the network divisions.
In December 2015, the customer breakdown was as follows:

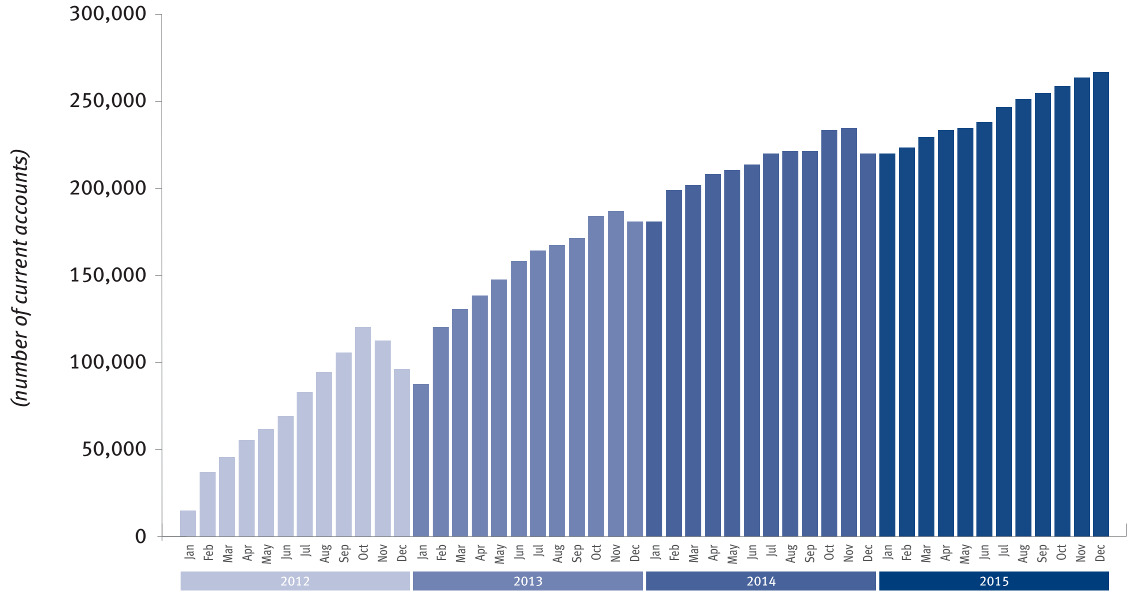
Segment	% of customers with current account
Universal	73%
Affluent	19%
SBO (Small business operators)	5%
Other Retail segments	3%
Total Private Customers with a current account (including card accounts)	**2.6 million**

Products, services and loans for retail customers

The customer base and accounts continued to grow in 2015 as well, confirming the positive trend of previous years, due to joint acquisition and retention efforts. As regards the first, acquisition, the Conto You continues to be the most successful account, also due to the commercial features of the same, which are particularly advantageous for specific customer targets. As regards the latter, retention, significant efforts to contain the number of customers closing accounts continued, with strategies focused on strengthening and stabilising customer relations. These include the customer care project called “ThankYou”, dedicated to customers about to leave the bank, and loyalty programmes made a considerable contribution to preserving relating with a customer bracket that was potentially at risk.
As a result, the Private Customers Department boasts a total of around 200 thousand new accounts, with an increase at year end (balance net of closed accounts) of around 42,000 accounts.
Between 2012 and the end of 2015, on the other hand, the net balance of accounts rose by around 250 thousand, as shown by the graph below.

[1] A specific type of offer and a service coordinated by the Group and Banca Aletti is envisaged for “Private Customers” with assets exceeding one million euro.

Net balancenumber of current accounts



Traditional current accounts and loyalty schemes for private customers

Conto You

Again in 2015, Conto You was confirmed as the most successful account, with around 72,000 new accounts opened. Conto You is an effective product, which is able to attract new customers, thanks, among other things, to "no account fees", stamp duty paid by the bank until June 2016 on the current account and on the securities portfolio, and the YouCard included.

Accounts for young people

For years, Banco has offered successful products to customers aged "0-11" with Brucoconto and "12-30" with Let's Bank. The products and the services addressed to this very special target are revised each year, both in terms of the non-banking offer (specific rewards catalogue) and more traditional banking needs.

Programmes for shareholders

Shareholders have always been Banco Popolare's centre of attention; it designs specific initiatives for local areas and offers dedicated products and services. In the latter regard, it is worth recalling the "YouShop Premium", created from a synergy between the previous "Value Programme" and the "YouShop" platform. Customers can use the points they accumulate to purchase products included in the platform.

ThankYou

Once again in 2015, the Bank focused on customer retention, paying special attention to specific customer targets, in order to avoid the same leaving the bank.

Two programmes "ThankYou per Te" and "ThankYou Premium", which have a totally new and multichannel approach, seek to strengthen relations with the Bank. All customers involved in the ThankYou programmes receive a welcome reward and, based on their level of loyalty and on the increase of the amount of capital they hold with the Bank, are then eligible to receive further rewards.

The use of various communication channels to promote this initiative proved to be a winning strategy, as customers are contacted at different instances and in different ways. In parallel to the role of branch, the "YouWeb" service allows customers to independently follow their progress in the programme and to make the most of all of the benefits.

The perception of proximity to the bank generates virtuous behaviour in customers: they make more transactions, they are more willing to sign up for new products and services, which leads to better cross-selling and capital ratios.

Passa da noi

Continuing with our focus on the customer, the "Passa da Noi" service was also updated; this service simplifies the transfer of accounts held by customers at other banks to our Bank, also in compliance with Law no. 33 of 24 March 2015 regarding the entire banking system. The process envisaged by Banco Popolare is in line with regulations and proposes further additional services, assisting the customer and relieving the same of a lot of "bureaucratic" procedures. At the same time, it facilitates branch operations due to a specific procedure, which optimises the time needed. The procedure is guided by a dedicated back office, which handles the activities required. The opportunity of changing bank easily, without all of the related bureaucratic inconveniences, contributes to creating a climate of trust between customers and the Bank, and, at the same time, enables the branches to manage these transfers in a rational and organised way.

Multichannels for private customers

Banco Popolare's multichannel business grew considerably also in 2015. The greater diffusion of technological instruments and of Internet connections, combined with the ever-increasing computer literacy of the population are the factors that contributed the most to the use of online channels. In the banking sector, multichannel services are becoming increasingly important alongside the traditional role of the branch in handling relations with customers.
The table below illustrates the main figures for multichannel services.

Product/Service	End of 2015 figures	End of 2014 figures	% Change
No. of Home Banking - YouWeb/YouApp Customers	1,137,270	995,828	14.34
No. of YouCall - Telephone Banking Customers	1,048,335	893,883	17.36
No. of On Line Trading Customers	51,414	47,940	7.33

You Services

In 2015, You Services, the multichannel platform of the Banco Popolare Group, represented first and foremost by YouWeb, underwent some important changes, which regarded both extending the range of products and services that may be purchased online, and an increase in the number of functions available to the customer.
The most important changes regard:

- simpler and more intuitive graphics, easy to use for all types of user
- a home page with areas that can be personalised by the customer based on his requirements
- the e-commerce YouShop portal - exclusive to Banco customers - integrated with the You Service portal
- a new section entirely dedicated to online security
- the option of automatically activating prepaid cards through auto answer
- the option of trading in binds on the ExtraMOT market
- the new bank transfer function for building renovation and energy saving

In 2015, a new advisory service was launched for Private customers called Web Advisory. This service, which can be activated through YouWeb, is available to all Private customers and enables them to:

- receive remote Advice for all of the main transactions
- acquire a single digital signature (OTP) for all transactions set in place
- have pre-orders, orders and subscription forms always signed and always available
- receive complete and traceable information, alongside their customer relationship managers.

YouApp

YouApp is the application which enables the customer to manage his accounts while on the move on his smartphone or tablet. Again this year our efforts were focused mainly on promoting this online channel. The application has received excellent feedback from our customer base both in qualitative and quantitative terms.
Over the year, YouApp was accessed over 10,000,000 times.
We are seeing a situation in which YouApp is being increasingly used alongside the traditional service: thanks to the extremely complete nature of the application, customers can now choose which channel they wish to use on any given occasion.
Over the year, the following were added:

- a function to receive feedback from customers and to invite them to leave a review on the store
- visibility of a summary asset statement
- inclusion of the new virtual card "Chat&cash" in the cards section;
- the option of opening a YouBanking current account directly from a tablet or smartphone.

Non-banking You Services: YouWin and YouShop

YouWin

You Services guarantee direct and constant contact with the customer and, for this reason, are the ideal way to promote non-banking products and services for the customer's benefit, therefore enhancing loyalty. More specifically, customers can access YouWin directly from both YouWeb and YouApp. YouWin is a games and contests portal, which over time has gained recognition. Over the year, instant-win contests were offered, which encourage frequent accesses, creating useful opportunities for commercial contact. YouWin also confirmed its role as the point of reference for customers subscribed to the various loyalty schemes (ThankYou Premium, ThankYou PerTe, Let's Bank) who find dedicated content, including the option of requesting the rewards reserved to them.

YouShop

YouShop is one of the most important elements in the non-banking range of You Services. It is an e-commerce function - which has been developed in parallel with the YouShop Premium loyalty programme dedicated exclusively to Banco Popolare Shareholders - offered alongside traditional banking, whose primary objective is to acquire new customers, enhance the loyalty of existing ones and increase the non-interest margin. YouShop was launched in May 2014 and, following a series of changes, in August 2015 it boasted a catalogue of around one hundred products.

The YouShop offer works in synergy with the remote channels and the physical branch network: customers can choose to purchase the products selected online through You Services or by going to their branch where they will be assisted by their customer relationship manager. Furthermore, the platform envisages immediate payment by bank transfer or, alternatively, an interest-free loan (annual nominal interest rate and annual percentage rate 0%). The development of YouShop will enable payment by credit card. The objective is to create a real sales portal able to generate profit in a sector, e-commerce, that has never been approached by the banking industry.
To conclude, it is also important to emphasise that YouShop is actually perceived by customers as a non-banking service, which adds significantly to the range of services available. This was the main reason why, in December, MF in collaboration with Accenture Strategy awarded the Bank the first prize in the "2015 Non-financial Digital Services" category.

YouBanking

YouBanking is the brand name of a product reserved for new customers. In 2015, it once again produced excellent results in terms of growth.
The table below illustrates the main figures.

Total YouBanking accounts	31/12/2015	31/12/2014	31/12/2013	31/12/2012	31/12/2011
YouBanking current accounts	70,505	47,404	27,877	10,256	1,129
YouBanking savings accounts (including RendiConto)	49,716	46,160	30,105	11,590	2,055
Other online accounts	4,411	2,224	1,264	492	121
Total	**124,632**	**95,788**	**59,246**	**22,338**	**3,305**

These results are also due to the competitiveness of the YouBanking offer in the Italian scenario, demonstrated, for example by the fact that there is no stamp duty on the current account and portfolio which, for new accounts, has been extended to 31 December 2016.

YouBanking
The first online banking site with your branch inside.

In addition to the offer component, considerable efforts were also focused on optimising the sale process for the products sold on www.youbanking.it. This project envisages introducing significant functional and browsing changes with a view to aligning this interface with the most recent technological developments. The main new features regard:

- uploading personal documents: if the customer wishes, he can now upload his personal documents (identity card, healthcare card and signature) directly when applying to open an account. These documents may be selected from those already scanned or by using the camera on a smartphone;
- a new more streamlined interface: the new process has been optimised both in terms of the steps needed to open online accounts and the manner in which the information is requested of the customer. This implementation has made browsing more pleasant and intuitive;
- an "intelligent" website (web responsive): the new technology introduced enables the website to change layout depending on the device it is accessed from, adapting to the size of the screen, its orientation and resolution.

This innovation means that it is now possible to submit a request to open an account directly from YouApp.

ATM
The increasing number of ATMs equipped with QuiMultibanca Plus software made it possible to launch several projects in 2015, which will be completed in 2016. More specifically, it is worth noting three projects which have strengthened the multichannel aspect of You Services through ATMs:
- making documents paperless through the Personal Mail service available to all You Services customers;
- the option of accessing the YouWeb address book to top up mobile phone numbers from an ATM;
- the option of changing your mobile phone number used for the You Services.

The first project had positive repercussions in terms of cutting costs, the second provides a high level of integration between the channels available to the customer and the third allows the customer to do something that previously he could only do in a branch.

Contact Centre
Contact Centres provide private and business customers with active support by telephone, IVR (Interactive Voice Response), e-mail and new technologies, especially social media. The main activities in 2015 regarded:
- providing before- and after- sales support to customers with regard to YouBanking products, including finalising accounts opened online;
- the governance of some social media. This entails constant monitoring with specific regard to:
  - AppStore and Google Play, the dedicated stores where YouApp can be downloaded and where customers can write reviews which, where possible, are promptly replied to;
  - finanzaonline.com, the main Italian forum on finance, where YouBanking is present in an official capacity, with the objective of providing information and promptly answering users' questions in a clear way;
- customer assistance to support the launch of new schemes during the year;
- making "Welcome calls", after-sales assistance regarding the main packages offered to new private customers ("Premiaconto", "Conto Come Noi", "Conto Libretto", "YouBanking", "Let's Bank" and "Insieme Soci") with the objective of gauging customer satisfaction with the new account opened and, more generally, of their relationship with the bank;
- checking the level of satisfaction of customers (private and business) as regards the service received in the Branch, using the "instant feedback" approach.

The Contact Centre also provides the following:
- support in the placement of Ducato Personal Loans during branch events called "Ducato Family Week";
- support for anti-fraud services on payment cards or direct channels;
- the management of reports and complaints received through the websites.

From 2015, a team of operators has been created dedicated to managing Succession procedures, following the entry into effect of a new service model, which envisages the Branch re-focusing its attention on the relationship with the heirs and assigns the administrative activities to a central commercial office, which liaises with the back office and legal and tax entities.

Payment instruments

Traditional E-money (Cards)
In 2015, Banco Popolare mainly focused on consolidating the products currently offered in the catalogue and on fine-tuning existing ones.
The positive trend recorded in previous years was confirmed in 2015, with an overall increase in the stock of payment cards of over 6% compared to last year. Interest is growing in the products directly issued by the bank (debit cards, YouCard and YouCard Business), demonstrated by the fact that their placement has risen by over 15% against 2014.
In general, the use of e-money has increased, both in terms of the number of transactions and in the amount spent, a sign of the upward trend to use them not only for "important" purchases, but also for daily expenditure.

However, although the economic crisis seen in recent years appears to be easing up, the world of credit cards has experienced a slight fall in terms of stock with respect to the figures recorded in previous years, confirming the customer's tendency to rationalise his payment instruments, combined with the stricter approach adopted by the bank when granting the required credit facility.

Mobile payments
With regard to private customers, continuing in the same direction as last year, in 2015 Banco Popolare focused in particular on developing more innovative payment systems, based on the use of smartphones (mobile payments), also considered the most promising channel for the increased use of e-money as a replacement for cash.
In particular:
- the approach of YouPay Mobile was completely revised; this application enables all holders, regardless of whether they are Banco Popolare customers or not, to pay bills or to purchase services (for example ATB services, Bergamo's transport company);

- the new Chat&Cash application was launched, a service featuring the instantaneous exchange of money between private customers.

Chat&Cash
In the mobile payment sphere, Banco Popolare has once again succeeded in being a bank that is “close” to its customers, able to offer then innovative and useful services.
Chat&Cash is Banco Popolare’s innovative app for the exchange of money between private customers which, just a few months from its official launch date, was downloaded onto the smartphones of thousands of users.
The features of Chat&Cash make it unique in the Italian panorama:
- it is available to all smartphone users, even if they are not Banco Popolare customers;
- it enables money to be exchanged within a chat: more specifically, the user has the option of sending or requesting money from other contacts. In this way, “payments” are simpler and faster;
- it enables the money accumulated in Chat&Cash to be used with a Mastercard, which is free of charge and sent directly to a home address.

Over 40% of the current Chat&Cash users are prospective customers: in the future, the bank will be able to offer them services that will be created as the Chat&Cash application is developed, as well as launching parallel initiatives, with a view to acquiring them as customers of Banco Popolare.

Private mortgage loans

In 2015, the real estate market consolidated the inversion of the trend that was seen in 2014. In actual fact, disbursements to Banco Popolare private customers recorded a 50% increase compared to the previous year.
A considerable boost came from the subrogation market, for which Banco Popolare recorded a figure of euro 360 million in 2015, against euro 20 million in 2014.
In 2015, total disbursements were euro 1.5 billion, with a 45% increase in the number of mortgage agreements.
The percentage of mortgage loans relating to new customers was again significant in 2015: 33% of total disbursements.
In terms of stock on the other hand, again as regards Banco Popolare, total mortgages loans amounted to around euro 17.3 billion (residual debt).
Banco Popolare essentially sought to adapt existing products to the conditions of the new economic scenario. As in previous years, efforts continued to provide support to customers that have suffered considerably from the current economic crisis or that have been affected by natural disasters, by renegotiating loans or suspending instalments.

Last Minute Mortgage
The continual growth in the disbursement volumes of mortgage loans to private customers in 2015 is no doubt due, to a considerable extent, to the “Last Minute” campaign, which continues to be appreciated by our customers. With a view to keeping what we offer competitive, from 1 July 2015, the features of the “last Minute Mortgage” product were revised. The new offer envisages spreads correlated to LTV and to the duration of the mortgage loan, as is structured as follows:
- LTV up to 50%: spread of +1.45%;
- LTV from 51% to 65%: spread of +1.65%;
- LTV from 66% to 80%:
  - duration of up to 15 years: spread of +1.70%
  - duration beyond 15 years and up to 30 years: spread of +1.85%

Consumer credit

2015 saw a recovery of the consumer credit market with respect to previous years. Banco Popolare also saw an inversion of the negative trend recorded in previous years, with an increase in excess of 20% with respect to 2014.
Almost all of the personal loans granted to private customers were disbursed by the product company Agos Ducato, which has stated its intention to further simplify the internal application/management/disbursement process and to improve the sales and after-sales model.
In 2015, over 45,000 consumer loans were disbursed, amounting to a total of euro 800 million.

Savings/investment products and services

2015 was characterised by considerable volatility in the financial markets. Investors had to tackle complex scenarios and situations such as, for example, the Greek crisis, the attempted economic recovery in the United States and the Quantitative Easing launched by the ECB to support liquidity. This was exacerbated by the fairly contradictory nature of European and international stock market trends. However, all of the above did not prevent the Italian stock market closing with a positive sign.

With a view to diversifying their investments, customers favoured flexible asset management products, able to combine the exposure on the financial markets with varying degrees of protection.

In this regard, the Bank's product policy concentrated mainly on proposing asset management instruments; in particular mutual funds and SICAVs of important market Asset Managers, multi-segment insurance policies and certificates with different levels of protection. Unlike previous years, instead, customers subscribed to Banco Popolare bonds and certificates of deposit to a marginal extent.

Asset management
The funding volumes for asset management products recorded during the year confirm our customers' interest in and preference for flexible forms of investment, able to grasp the opportunities of increasing complex financial market trends and delegating their investment choices and the diversification of the financial assets in their portfolios to experienced professionals.

Given the above, subscriptions to mutual funds and multiasset and multimanager SICAVs reached around euro 6,285 million in 2015.

With regard to the mutual funds segment, Aletti Gestielle Sgr placement-window funds enabled our customers to grasp the opportunities offered by the markets through diverse investment strategies. Over the year the following placement-window funds were offered to customers:

- Gestielle Cedola Forex Opportunity USD in January
- Gestielle Cedola Italy Opportunity and Gestielle Cedola Emerging Markets Opportunity in April
- Gestielle Cedola Best Selection in June
- Gestielle Cedola Target High Dividend and Gestielle Profilo Cedola in December.

This funds have a time horizon of 5 years and offer the opportunity of a periodic distribution of fixed or variable income, high asset diversification, as well as the opportunity of participating in diversified underlying markets and different management styles.

Gestielle Sgr's range of funds is offered alongside a range of Banco Popolare asset management products, which has been extended to include the most important and prestigious third party investment houses, by focusing on the following SICAV segments:

- Morgan Stanley Diversified Alpha Plus in February
- Schroder Global Dynamic Balanced, JPMorgan Global Income and Invesco Pan European High Income in October.

The above-indicated products integrated the offer of funds on the catalogue available to operators, who, in September, proposed the flexible fund called Gestielle Absolute Return in particular.

It should also be noted that placement and offer activities for customers were supported by training meetings for Network Managers with the participation of the various investment houses and Aletti Gestielle Sgr. The purpose of the meetings was to illustrate the new products and to update operators on market scenarios.

Certificates
The range of Aletti Certificates was again popular with customers in 2015. In actual fact, these products offer the opportunity to invest in different underlying share instruments (indices or single securities), while at the same time enabling the investor to benefit from different levels of protection and from the opportunity to receive conditioned coupon income.

The main structures placed during the year were as follows:

- "Target Cedola" certificates with protection of capital on maturity (100% or 95%) and the opportunity to benefit from a fixed coupon (on condition that the underlying instrument was periodically higher than the initial fixed value);
- "Autocallable Step" certificates with stepped coupons and an early redemption option (on condition that the underlying instrument is higher than the initial value on the interim dates) and protection conditioned in the event of a marked fall in the price of the underlying securities;
- "Coupon Premium" certificates, with pre-established coupons and redemption of capital subject to the underlying instrument maintaining a threshold level on maturity.

More specifically, in order to offer a wide diversification of underlying instruments consistent with market scenarios, the structures were index-linked to the main European share indices (e.g. FTSE/MIB, Eurostoxx50, CAC40, S&P500), to single Italian shares and, to a greater extent, also to international securities (e.g. BNP Paribas, Apple, Telefonica, General Motors, etc.). The placement of all issues corresponded to around euro 2,999 million.

Group bond issues
In 2015, the bonds issued were addressed to Retail customers and amounted to a total of around euro 1,606 million, of which around euro 482 million in structured products, with an average maturity of between 3 and 5 years.

The most popular type envisaged stepped coupons, with the option for the Bank to redeem the same before their natural maturity (Step Up callable). New issues, in many cases, replaced previous issues, which incorporated the early call up option for the Bank.
In addition to the traditional fixed rate instruments, mixed rate bonds were also placed, for which the first coupons are at a fixed rate and subsequent coupons are index-linked to the Euribor plus an additional spread, with preset minimums/maximums (cap/floor). In July, following the redemption of a similar security, a 7-year subordinated bonds at a floating rate was issued.

In line with Banco Popolare's objective to increase deposits, again in 2015, Certificates of Deposit with maturities of between 6 and 13 months were subscribed to use liquidity, for total volume of around euro 583 million.

Other investment instruments and initiatives to benefit customers
In 2015, Equity Crowdfunding was further developed, namely the collection of venture capital, regulated by Consob, for innovative start-up companies through on-line portal Operators.
Banco Popolare is one of the few banks in Italy to offer this innovative service for start-ups and investors. Over the year, Banco Popolare entered into around ten agreements and managed around 21 funding operations, some of which are still in progress in 2016.

As part of the project on Investment Services, the Bank defined the guidelines and the criteria that regard the distribution of the so-called "complex products", bringing its operations in line with Consob regulations. Substantially, several procedures were implemented with a view to managing the various types of products: a prohibition to place some instruments (on the blacklist, e.g. covered warrants, ABS, etc.) was envisaged, while concentration thresholds were set for others (on the grey list, e.g. certificates without capital guarantees etc.), in order to avoid excessive potential risks in customer portfolios.

Bancassurance Life
In 2015, the Group continued to distribute insurance products through Popolare Vita, a joint-venture with the Unipol Group, and through the Irish company The Lawrence Life Assurance.

Total premiums collected amounted to around euro 2,813 million, of which euro 2,295 million related to premiums issued by Popolare Vita and around euro 518 million to those issued by Lawrence Life.

Despite the relentless fall in market yields, for the customer bracket that is less keen on taking risks, traditional segment I, full life policies continued to be placed, with a consolidation of the results and guaranteed capital.

In order to exploit the greater potential offered by the financial markets, the Bank's commercial policy focused more on the multi-segment policy "Popolare Vita Opportunità", which invests 50% in a separate portfolio and 50% in an internal, unit-linked balanced and highly-diversified fund. This enables the need for safety, represented by the share invested in the Separate Portfolio to be combined with the other share which, with a higher level of risk, could obtain an increase in the capital invested in the medium term. The multi-segment policy was the most popular with customers, and recorded an annual placement of around euro 1,690 million in premiums.

A Unit-Linked policy called "Obiettivo Performance" was placed through the Irish company Lawrence Life, which invests the premium in a flexible fund and envisages the distribution of capital in the first two years. This product was later restyled, which resulted in the current version of the same, a full life policy called "Smart Brand 2.0". This policy offers the opportunity to invest in the financial markets, benefitting from the advantages relating to the EFT of BlackRock and the SICAVs of prestigious international houses, such as Schroder, JPMorgan, Invesco and Aletti Gestielle.

From a pension perspective, to facilitate the collection of premiums and to benefit from the tax advantages offered by this product, significant efforts were made to place a product called PIP Pensione Sicura (Safe Pension).

Bancassurance Protection
The most important aspects regarding the Non-Life segment in 2015 were as follows:
- Bancassurance Specialists were given a role that focused more on development and advisory services, extending their scope to all branches of the relevant Business Area;
- a new healthcare policy called Salute Advance was launched, which offers an extensive and complete package of insurance cover, to safeguard the health of the holder and his family.

Lastly, it is important to note the significant increase in the sale of stand-alone policies.

Products, services and loans for SBO - Small Business Operators

With the economic scenario in 2015 still impacted by the effects of the crisis, the Banco Popolare Group continued to provide support to Small Business Operators through dedicated products, services and sales initiatives, with a view to better meet the needs of these customers.

Current accounts
In order to promptly respond to market needs, Banco Popolare continued to offer “You Business” accounts to all Small Business Operator customers. The exclusive economic conditions and the services included in the current account package offered enable all subscribers to benefit immediately from all services.
This offer was added to the “Idea” range of current accounts, which envisages a personalised account based on the business activity in question and on the different requirements and approaches when conducting bank transactions, and which also includes a “Sviluppo” version, featuring very interesting conditions, and the opportunity for the customer to judge the real quality of the service on a trial basis, before making a final decision and therefore keeping the accounts open.

Loans and lending
As regards loans and lending, in 2015, efforts continued to fine-tune the range of Short and Medium-Long term products addressed to SBO customers, both in terms of reducing the current prices and minimum loan amounts, as well as adding new solutions to the range. New important products were also added, such as the “Mutuo Imprese Flessibile” (Flexible Business Mortgage Loan), created to better meet the repayment needs of customers based on their business activity and on the seasonal nature of the same. For details of the main changes made, please refer to the “Loans and lending” section in the part on Business.

Products designed to meet the needs of specific customer targets such as “Orizzonte Donna” addressed to female entrepreneurs and the range of “Tourism” loans, addressed to the tourist and hotel industry, continued to be offered.

For details of the main changes made, please refer to the “Loans and lending” section in the part on Business, contained in the financial statements document.

Commercial initiatives
With a view to providing better assistance to the Small Business Operators of the Banco Popolare Group, over the year, special commercial initiatives were set in place, which envisaged the offer of products and services at advantageous conditions, differentiated by the economic sector, size and revenues of each customer.

The main commercial initiatives addressed to Small Business Operators in 2015 regarded:
- the dissemination of the POS service (POS scheme) - acting on the dictates of the law, which from the second half of 2014, envisaged an obligation for those that sell products and professional services to equip themselves with POS equipment, the Banco Popolare Group continued to adopt the scheme, which envisages the offer of the traditional POS service and of the innovative “Mobile POS” service, at extremely favourable conditions addressed to this specific type of customer;
- the extension of users of the YouCard Business card (YouCard Business scheme) - in the second half of 2014, “YouCard Business” was launched on the market, the first prepaid, business debit card, which enables administrative management to be optimised in an innovative way, eliminating the need for cash advances and providing a complete periodic statement. Again in 2015, the special commercial campaign continued, offering the product at extremely advantageous conditions, to give Small Business Operator customers the opportunity to benefit from the high technological and operational content of the new card;
- financial support of customers’ core businesses (Trust in Your Growth scheme) - a commercial initiative, which envisaged the disbursement of loans with payment by instalment, for short-term period, in order to support the financial requirements of the customer’s day-to-day businesses, with a view to consolidating expected growth;
- financial support for financial requirements that emerge at specific periods/deadlines during the year (F24 scheme and wages payment) - with the aim of permitting our best business customers to better manage and plan their financial requirements for the June/July and November/December period when specific tax and management deadlines arise in additional to the usual monthly contributions, by disbursing short-term instalment loans at particularly competitive conditions;
- insurance protection of human capital in the company (TCM and TCM Plus scheme) - with a view to adequately protecting the human capital present in a company and the ability to generate income in the event of the death of one or more “key” staff, this scheme was designed and Temporary Life Insurance policies TCM and TCM Plus are offered to a selected target of customers.

Insurance policies
Alongside the insurance policies addressed to SBO customers “Allrisk Commerce”, “Allrisk Business”, “Credit Protection Insurance” (CPI) and “Temporary Life Insurance” (TCM), provided through the partnership with Avipop

Assicurazioni, a new policy for the Civil Liability of Directors and Executives was launched, called “D&O”, designed in collaboration with Assigeco and Lloyd’s of London.

Commercial activities - Business Customers

Business customers, with a turnover exceeding euro 250 thousand, and current account holders, amounted to over 174 thousand as at 31 December 2015, with the following breakdown in the various segments:

Segment	Single customers with c/a
Large Corporate	1%
Mid Corporate	23%
Small Business	73%
Entities	2%
Other	1%
Total	**100%**

Large Corporate
The “Large Corporate” segment includes companies with a turnover, at risk group level, exceeding euro 350 million and/or a turnover exceeding euro 250 million and loans exceeding euro 50 million. Large Corporate customers are managed directly by a team of dedicated customer managers and analysts, who are part of the Business Department.

Mid Corporate
The Mid Corporate segment comprises individual companies or companies belonging to a risk group, with a turnover of between euro 5 and 350 million and total loans of the customer risk group of less than euro 50 million. In 2015, following the reorganisation of the distribution model in 2014, Mid Corporate customers continue to be handled by the Corporate customer managers who previously worked out of the Business Centres, but now work out of Business Branches.

Small Business
Small Business customers, which comprise companies with a turnover of between euro 250 thousand and 5 million and Businesses in the Agricultural sector with a turnover of up to euro 1.5 million, are handled through portfolios allocated to Customer Relationship Managers located in Traditional branches or Hubs.

Entities
The Entities segment mostly comprises the Public Administration in the strict sense (local, provincial and regional authorities, healthcare organizations and institutions etc.) and the companies partly owned by or controlled by the same (previously municipalised).
This type of customer, although included in a portfolio model, which envisages that customers are managed by Corporate Managers, located at Business Branches, is however coordinated by the Institutions, Entities and Third Sector Department to ensure the most effective commercial supervision, given the specific nature of this segment. For a more complete description of this department, please refer to the relative section.

The breakdown of customers (single customers with a current account) by turnover bracket confirms the substantial concentration in the category of up to euro 25 million (around 97%), already recorded in previous years, confirming Banco Popolare’s vocation for managing medium sized businesses.

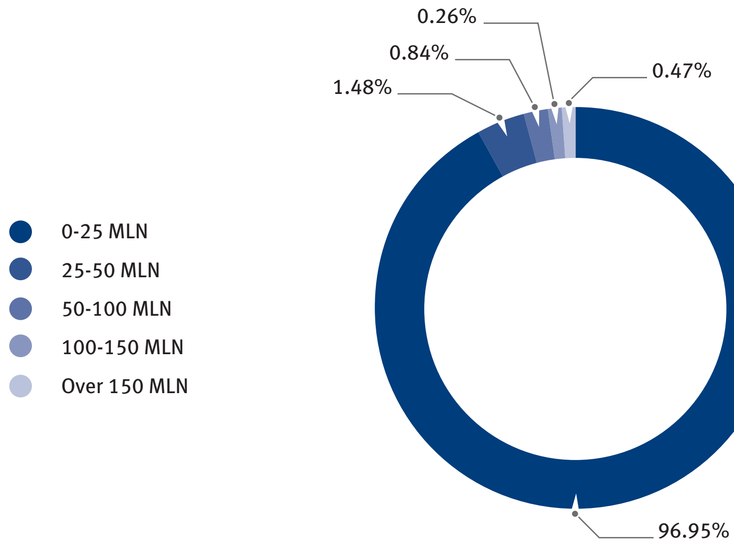


Figure 1 - Breakdown of Business customers in 2015 by turnover bracket.

As regards the breakdown of Customers by business sector, commercial and manufacturing continued to represent the largest share, followed by those related to the construction industry and to the agricultural sphere.

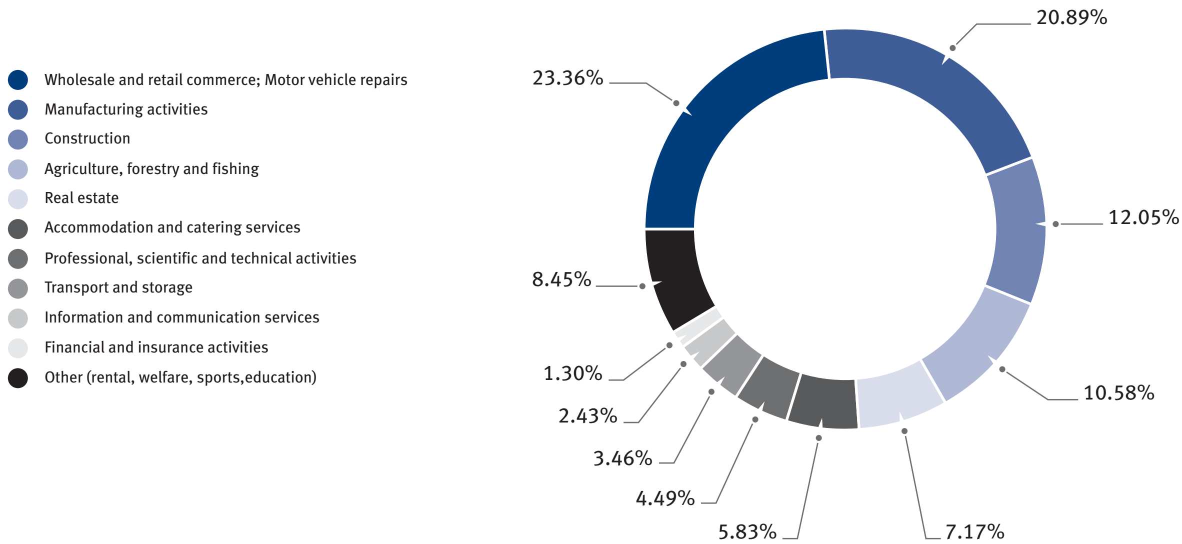


Figure 2-. Breakdown of Business Customers in 2015 by business sector.

Products and services for the Business segments

In 2015, also due to the use of facilitated national and supranational instruments, the Banco Popolare Group further increased its support to the world of business by continuing to strengthen the Bank-Business partnership and confirming its role as the reference Bank in the main areas served.

In this period, loans disbursed to creditworthy businesses increased steadily, consolidating growth also given the first signs of recovery.

The contents of the following paragraphs “Loans and Lending” and “Insurance policies” also regards SBO Small Business Operator customers.

Current accounts

In order to promptly respond to market needs, in 2015 Banco Popolare confirmed the availability of two "different" current accounts, based on the requirements indicated by new Customers, which envisage very advantageous conditions: "Easy Business" addressed to Small Business Customers and "Corporate Service Pack Start Sviluppo" dedicated to Corporate Customers.

These products have been added to the lines of current accounts addressed to new customers: the "Idea" range of products, which envisages a personalised account based on the business activity in question and on the different requirements and approaches when conducting bank transactions, and the Sviluppo lines, featuring very interesting conditions, and the opportunity to judge the real quality of the service on a trial basis, before making a final decision and therefore keeping the accounts open ("Provaci!" account and the "Sviluppo" versions of the "Idea" range).

Furthermore, in 2015, Banco Popolare confirmed its role as the benchmark for Equity Crowdfunding, by entering into agreements with many of the main portals enrolled on the special Consob register. The Equity Crowdfunding service (literally raising venture capital from the "crowd" for a share of equity), is a tool designed to encourage the development of innovative start-ups and SMEs through means of funding which exploits the potential of the Internet. In fact, non-listed innovative businesses who need a capital contribution to launch/develop valid business projects are put in contact with investors interested in funding business or social initiatives, through a specialised portal. The bank handles the administrative service of collecting the funds for the business by means of subscriptions made through the online portal managed by a company enrolled on a specific register held by Consob.

Loans and lending

In 2015, efforts continued to fine-tune and develop all types of loan, with a view to create products that increasingly meet the needs of the Customer.

The figure recorded for the volume of medium/long term loans is extremely important as it has doubled compared to the previous year, also due to the use of funding originating from the fact that Banco Popolare joined the "Targeted Longer Term Refinancing Operation" (TLTRO) programme, the extraordinary measure envisaged by the ECB to support the disbursement of loans to the real economy.
In this regard, the rise in volumes recorded for the "Mortgage Loan with Covenant" product was significant, a loan that combines reaching specific covenants agreed by contract by the Customer and the Bank, with the application of a reduced spread of the loan. These operations represented around 20% of loans disbursed to Business customers.

In February 2015, an innovative loan product called "Flexible Business Mortgage Loan" was launched, which starts with an analysis of the financial flows to support the investment and ends with a highly-personalised medium-term loan, with a view to enabling the customer to choose the best repayment option based on factors such as: the type of business activity, any seasonal factors, the invoicing cycle, etc.
In addition, the customer also has the option of making further adjustments "during" so that the same is able to have the best financial balance possible at any given time.
This therefore resulted in a net decrease of other more traditional forms of loan, which are characterised by a higher level of rigidity in terms of the repayment plan, which are not always optimal for the Customer or the Bank. Therefore the "Flexible Business Mortgage Loan" has enabled Banco Popolare to offer a highly innovative product, which is unique in the domestic banking industry, and which extends the range of instalment-based loan products, as it is able to manage "irregular" "customisable" repayment plans, which may be "changed over time".

In 2015, other facilitated forms of lending were promoted to facilitate access to credit and to support the growth and development plans of its Customers. In particular, the acquisition of "eligible" system guarantees issued by third parties, for example, the Italian Government (through the Guarantee Fund for SMEs, ISMEA/SGFA and SACE) and the European Union (through the European Investment Fund - EIF), saw volumes up by around 60% compared to 2014.
Access to the "Capital Goods Ceiling" (so-called Sabatini bis) was also positive. Banco Popolare was the first domestic banking group to activate this new instrument with special terms to encourage new investment, and has recorded significant disbursement volumes with an important specific market share.

Collaboration continued with national and local organisations that seek to provide support to Businesses in their development and innovation processes, in particular:

- the collaboration between Banco Popolare and RetImpresa (Business Networks), to provide support to companies belonging to the Business Networks, enhanced by a specific offer featuring a dedicated trademark "InRete" and competitive pricing;
- various Partnership Agreements with Scientific and Technological Parks, which house highly innovative businesses, with a view to providing assistance in the form of Facilitated Lending.

To complete efforts to support loans, the two new specific structured solutions were confirmed, to sustain female entrepreneurs and the tourism/hotel industry:

- Banco Popolare confirmed its commitment to the sphere of female entrepreneurs through "Orizzonte Donna, which features an overall ceiling of euro 100 million addressed to supporting credit to female businesses and

freelance female workers, regardless of which sector they are in. "Orizzonte Donna" was established as part of the Memorandum of Understanding promoted by ABI, called "Memorandum of Intent for the growth of businesses with a majority female shareholding and self-employed women", in agreement with the Ministry for Economic Development, the Department of Equal Opportunities of the Council of Ministers and the main Associations in the business world.
- The new range of "Tourism" loans, dedicated to the Hotel industry, also launched due to Banco Popolare's presence in areas with a very high percentage of hotel and catering facilities to encourage restoration works and investment, also linked to the Expo 2015 event.

In 2015, activities relating to the so-called industry "moratorium" continued, following the signature of a new "2015 Credit Agreement" by ABI, Confindustria and the other major Trade Associations, which Banco Popolare joined on 29 April 2015. "Enterprise in Recovery" measures were launched entailing the suspension and/or lengthening of existing loans and "Enterprise and the PA" to encourage the release of receivables "certified" as certain, liquid and payable, owed to enterprise by the "Public Administration".

Commercial initiatives
The Banco Popolare Group reconfirmed its vocation as a Benchmark Bank, by setting in place a series of schemes for Business customers aimed to encourage the strong recovery and, possibly, the further development of their business activities. The main commercial initiatives were addressed to supporting the customer's day-to-day business:
- "+Commercial" scheme - which seeks to provide support to a company's day-to-day business by anticipating credit for trade receivables due in various different forms (collection orders, Italian invoices, foreign invoices);
- "Recharge your Business" scheme - aimed at the disbursement of loans with payment by instalment, for a 12 month period for amounts proportional to the turnover of the deserving businesses, in order to support the financial requirements of the day-to-day business.

Agriculture
In 2015, commercial efforts continued with the signature of Agreements with the main parties of the agrifood chain, particularly with regard to Organisations of Producers (see "Italia Ortofrutta" Agreement) and to Protection Consortia (see "Asnacodi" Agreement) and of Organic producers (see FederBio Agreement).
Banco Popolare was able to successfully grasp the important business opportunities resulting from the implementation of Rural Development Programmes (RDP) envisaged for 2014-2020, setting an important commercial scheme in place in 2015 called "RDP - We are with you 100%". This scheme involves actively contacting customers to offer financial support for investments that the companies intend to make exploiting the RDP.
The RDP and related state contributions envisaged for agricultural and agrifood companies represent an exclusive and powerful engine for investments in the agriculture sector and, consequently, an interesting opportunity for Banco Popolare, which has decided to provide financial support through both short-term products (dedicated to different options of anticipating the state contribution) and medium-long term products (dedicated to supporting investment).

In 2015, the credit assessment procedure for agricultural enterprises was fine-tuned; this is an innovative assessment system that takes the specific nature of businesses in this sector into account. This procedure together with the service model developed through the Customer relationship managers allocated to the Network and the range of "Semina" (Sow) lending products, makes Banco Popolare one of the Italian banks with the most focus on the development of the Agricultural sector.
Furthermore, to ensure that the financial needs of agricultural companies are well matched to the Bank's lending products, Banco Popolare has signed a "Memorandum of Understanding with Confagricoltura" through which member agricultural companies can utilise an "Agricheck Financial Analysis" service, a loan assessment process that is faster and cheaper.

Insurance policies
As a result of the partnership launched some time ago with Avipop Assicurazioni, in 2015, the bank continued to offer its "non-life" insurance policies, linked both to credit (Allrisk and Credit Protection Insurance for mortgage loans and loans) as well as stand-alone policies (Temporary Life Insurance, D&O).
In order to further extend the range of insurance products in the non-life segment for business, Banco Popolare has extended the opportunity to place the new policy for the Civil Liability of Directors and Officers "D&O", designed in collaboration with Assigeco and Lloyd's of London to the entire Network.

Hedging Financial Risk
In 2015, the Banco Popolare Group closed 2,852 hedges against financial risk with Business Customers (+116% compared to last year): hedges against exchange rate risk totalled 1,043, corresponding to euro 768 million, while those against interest rate risk totalled 1,809, corresponding to euro 1,356 million. In terms of their type, over 97% of the transactions carried out in 2015 belonged to the Effective Hedge category and break down substantially into Fixed Rate (IRS) and Maximum Rate (CAP) for hedges against interest rate risk and Flexible Forward for hedges against exchange rate risk.

As at 31 December 2015, the portfolio of active derivatives with Customers indicated the presence of 5,985 transactions (+8.3% compared to 2014) which corresponds to a notional commercial value of euro 4,743 million (-4.9%).

Corporate Finance
In 2015, Banco Popolare continued with its Corporate Financing activities, with a view to enhancing the offer of structured and value-added financial services to medium and large companies, addressed mainly to supporting acquisitions and development and conversion/restoration plans also following exceptional events such as generational succession or project financing.

2015 saw a recovery in the number of transactions that Banco Popolare organised, directly or together with other financial institutions, in terms of market or structured transactions with pooled lending.

Nonetheless, constant attention was also dedicated to portfolio management, with a view to continually optimising credit risk and monitoring returns.
The economic returns of this area were positive and in line with objectives, which beyond the specific nature of the measures set in place, seeks to represent an important lever for the overall development of relations with our customers.

Purchase of commercial receivables in the form of discounts without recourse
In 2015, Banco Popolare consolidated the project, set in place in 2014, to develop services in the sector of corporate lending assisted by the assignment of commercial receivables without recourse.
In this regard, the objective is to facilitate our top customers to assign their commercial receivables and to draw up personalised agreements with leading companies that intend to:
- optimise existing opportunities in the management of trade payables;
- offer financial services to its suppliers, with a view to strengthening and managing their commercial relations.

Transactional banking services

Some time ago, Banco Popolare started out along the path of innovating the services it offers businesses, best represented by its transactional banking services (e-money and collection and payment services) which has had an impact on all Business customers (including SBO).

YouCard Business
This innovative card issued by Banco Popolare, which is both a prepaid card and a debit card (the first business debit Visa card issued in Italy), has received very good feedback from Businesses, with significant volumes of cards issued and transaction and operational amounts that tend to be higher than the average of traditional products, confirming this products actual value.

Physical, virtual and mobile POS
In an increasingly competitive market, again in 2015, Banco Popolare recorded an increase in the number of POS devices of over 5,000 units, corresponding to +5.79%, reaching a total of over 90,000 POS.
In terms of trading volumes, an increase of around 2% was recorded, with close to euro 6 billion in total transactions. In the second half of 2015, the new portal “YouPOS On Line” was launched, where traders equipped with Mobile POS can extract statistical data, details of transactions and other useful information. Over the course of 2016, the use of this portal will be extended to all POS users.

Collection and payment services: compliance with European standards (SEPA)
Banco continued to provide specialist assistance to its customers in the process of bringing their systems in line with the new standards envisaged by European regulations (EU Regulation no. 260 of 2012), in particular as regards the compulsory adoption from February 2016 of new technical standards of communication between the company and the bank (XML trace) for the transmission of collection orders (SDD – Sepa Direct Debit) and payment orders (SCT – Sepa Credit Transfer).

Special attention was paid to legislative compliance (application of VAT regime) which over the course of the year regarded the SEDA service (Sepa Electronic Database Alignment), used by creditor companies (represented in particular by “large-scale invoicers”) with the objective obtaining the prompt alignment of the debit authorisations (mandates) signed by the customer, within the banking system.

“You Invoice”
Efforts to propose the “YouInvoice” platform to those (professionals and businesses) that need to invoice electronically, in accordance with legal obligations, continued successfully.
The significant number of users and of expense documentation channelled through YouInvoice confirm the role of Banco Popolare as a benchmark in the area of particularly innovative online services.

Over the year, new and important functions were introduced such as, for example, the options of managing "on behalf of third parties" (usually addressed to trade associations, accountants that intend to act as issuers on behalf of their associates and/or customers) and the so-called "scheduler" (able to automate the liaison process between business operations and the "YouInvoice" platform).

"E-Billing"

The e-Billing service, through which Banco offers parties ("Billers") the option of collecting their postal orders and/or payment notices through the bank's channels (branch, home banking, web), was confirmed as being the most used and appreciated by customers (around 2,700,000 bills handled with a counter value of euro 480 million).
Again with regard to e-billing, collections through the CBILL circuit increased; by exploiting the multibank architecture of the CBI circuit, this service enables the payment, by bank draft and exclusively using on-line instruments, of bills issued by member creditors.
Exploiting the potential of the CBILL circuit, activities started to connect it to the "PA Hub" in order to enable all of those that use an online service of Banco Popolare to process pending payments due from the Public Administration (e.g. Local councils, Entities etc.) electronically.

YouCash

This new instrument, launched in 2015, seeks to facilitate the management of cash by commercial enterprises:

- in operational terms, because it releases the trader from the need to go to the Bank to pay in cash;
- in financial terms, because it avoids holding takings for an amount of time, any shortages of loss of value;
- in terms of security, because it safeguards the enterprise from the risk of robbery.

YouCash represents a particularly innovative development, which entails the installation of avant-garde safes, where traders can pay in the cash collected in notes. Once the notes are inside the safe, they become the property and the responsibility of the Bank, which credits the amounts onto the current account of the trader with a value date equal to the date on which the notes were placed in the safe. The notes are collected by a party security firm, depending on requirements and the online monitoring of the safe.

Multichannels for business customers: Remote Banking and Vantaggio Portal

In 2015, as part of periodic activities to innovate Banco Popolare's online platform, the functional renewal of the Portal of online services dedicated to business customers took place. The objective was to bind the strengths of the individual platforms together, creating an integrated and synergic multichannel system, where our customers can fund familiar functions and browsing logic.
This work started by renaming the Vantaggio product YouBusiness Web, consistent with Banco Popolare's other multichannel products (such as YouWeb), and continued with a revision of the functional interface, based on the following guiding principles:

- the simplification of the user experience, reorganising menus and optimising processes and browsing logic common to the other Banco Popolare platforms;
- the improvement of interaction with the customer, who nowadays considers remote channels as the easier and often preferred way to dialogue with the bank.

The renewed YouBusiness Web now offers a simple and pleasant browsing experience, more functional menus, a customisable homepage with a wealth of content and immediate access to the most important information.
The new interface, initially released to new customers, will be gradually extended to existing customers in the first few months of 2016. To better exploit its potential, the minimum requirements for YouBusiness Web have been updated, reminding customers to update the browsers they use.

Over the year, the distribution of personal credentials for access to YouBusiness Web continued, with a view to the provision of the remote digital signature service. 70% of our customers are already in possession of suitable credentials for the use of remote digital signatures for products and services.

Several existing services of YouBusiness Web have been enhanced with new functions (for example Bank transfers, F24 forms, Scheduler, On-line documents, YouCard Business), while the traditional Remote Banking services (active and passive) provided by Banco Popolare have been updated in line with the continuous developments of Corporate Interbanking standards.

By virtue of these upgrades and initiatives, the YouBusinessWeb recorded an increase in the number of members in 2015 (+7.8%).

Presence abroad

Banco Popolare serves its customers through a dedicated commercial Network, comprised by 60 foreign specialists, able to fully understand the needs of customer businesses and to best support them in their commercial activities with companies abroad.

In 2015, the expansion of this network, which had already begun in 2014, continued - both in quantitative terms and qualitative - through the entry of new resources and through programmes to develop technical-commercial skills.
In addition to the dedicated commercial network, Banco Popolare is also assisted by:

- 6 foreign-trade offices, with a total of over 115 resources, located in its traditional areas (Bergamo, Verona, Modena, Lodi, Lucca, Novara) to guarantee its proximity to its business customers;
- 4 representation offices (Mumbai, Shanghai, Hong Kong and Moscow) able to assist customers directly in the relevant foreign country.

Foreign commercial activities in 2015 were conducted along the following lines:

Agreements with leading institutions
In order to extend the services offered to its customers, Banco Popolare has signed agreements with leading institutions (ICE, Chamber of Commerce, SACE) which are able to provide a wide range of complementary services (e.g. legal, fiscal, commercial and tax advice).
ICE: in 2015, collaboration with ICE (Agency for the promotion and internationalisation of Italian companies abroad) continued, the objective of which is to provide information services and specific advice at reasonable rates. This agreement means that Banco's customers may receive services relating to countries in which Banco Popolare is not present. In 2015, Banco Popolare brought over 700 customers into contact with ICE.
Chambers of Commerce: In 2015, Banco Popolare signed collaboration agreements with Italo-Chinese and Italo-Lithuanian Chambers of Commerce for the provision of internationalisation services to Banco Popolare customers at special rates and to promote forms of cooperation (business days, business to business meetings between Banco customers and foreign operators). Furthermore, the collaboration launched in 2014 with DE International (a company of the Italo-German Chamber of Commerce that specialises in offering internationalisation services for the German market) continued.
SACE: Agreements with SACE, (Institute for insurance services for foreign trade) meant that, again in 2015, companies were able to access credit more easily thanks to the guarantees provided by SACE. Of the products designed in collaboration with SACE, it is worth noting IT.EX, dedicated to funding working capital and discounts on SACE policy transfers, for the discount, without recourse, of bills guaranteed by a Supplier Credit Policy issued by SACE.

Products and Services
In 2015, Banco Popolare developed two important web services, addressed to companies that work with firms abroad, with information and order functions. More specifically, it regards:

- YouWorld, made available to customers in December 2015, an information platform that enables Business that work with forms abroad to access an exhaustive amount of information on foreign trade (e.g. political-institutional overview of a country, customs and fiscal regulations, contractual obligations, tenders, lists of professionals) and provides references for potential foreign suppliers or buyers (organised by country, type of goods or services);
- You Trade Finance (launch envisaged in 2016) is a module that enables goods operations to be managed (International guarantees, Documented Receivables, Import-Export documents, discounts with and without recourse), on-line, simplifying and optimising the Bank-Customer relationship. You Trade Finance, which is in reality an evolution of the You Web Business online platform, enables digital documents to be exchanged between the bank and the customer, by means of a guided and constantly traced procedure, able to guarantee the utmost safety (e.g. use of a digital signature) and guaranteeing the a reduction in the time and the monitoring of the state of progress of a file by the customer.

Commercial activities, Institutional customers, Entities and the Third Sector

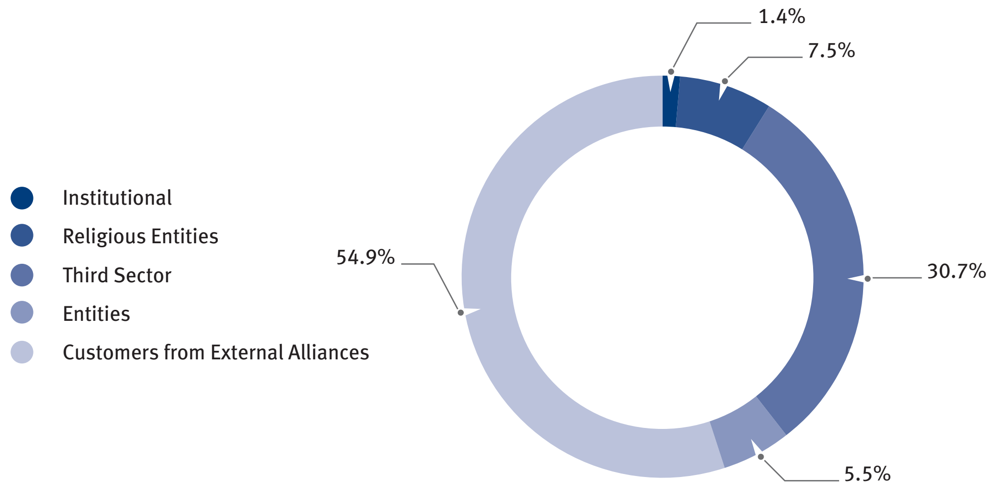
The coordination and commercial support for the distribution of products relating to Institutional Customers, Entities and the Third Sector, has been entrusted to Department of the same name, set in place in 2014.

The objective of the Institutional Customers, Entities and the Third Sector Department is to:

- maximise the value creation and the economic contribution of the business relating to Religious Entities, Entities, Institutional Customers, Insurance companies, Non-banking finance companies and the Third Sector ("no profit" organisations) at Group level by systematically understanding the needs of customers, overseeing the range of products offered, developing distribution channels and developing service models;
- directly manage commercial relations with Banco Popolare's Institutional Customers and Companies consolidated into the Group;
- handle operations relating to Custodian Bank relations, in line with set service levels.

In the first quarter of 2015, the Institutional Customers, Entities and the Third Sector Department acquired the Soft Financing and Guarantee Bodies Function which, together with the activities performed by the Agent and Concessionaire Bank, has the task of overseeing specialist business support activities, involving loan products with facilitated funding for Banco or issued with the support of special public or private Guarantors to Small and Medium Enterprises (see the paragraph entitled “Soft Financing and Guarantee Bodies” below).

From May 2015, the Department further expanded thanks to the inclusion of the Business Area dedicated to overseeing the development of commercial partnerships with External Allies, in a centralised manner.



Breakdown of Institutional Customers, Entities and the Third Sector as at 31 December 2015

Institutional Counterparties

The Institutional customers segments encompasses around 800 counterparties, with total direct funding of over euro 6 billion, indirect funding of around euro 17 billion and loans of over euro 2.6 billion.

Institutional counterparties are the main supervised parties such as Insurance companies and Non-banking Finance companies, SGRs, SIMs, open and closed-end Mutual Funds, Bank Foundations, Social Security and National Insurance entities and local associations (Confidi). Furthermore, Institutional Counterparties also encompass the State, Constitutional Bodies, Central State Entities, the Deposits and Loans Fund (DLF), Equitalia and the Italian Post Office.

The Office which handles Institutional Counterparties also manages the operations performed by Banco Popolare Group Companies.

Relations with Institutional Counterparties are overseen by a complete management model, with managers and staff who are specialised in terms of the customers in question, and a dedicated branch to meet specific operating requirements.

To more effectively manage relations, the services offered have been harmonised, commercial strategies have been developed for this type of Customer, with particular emphasis on asset management (direct and administered).

Commercial partnership with allies external to the Group managed centrally

In 2015, activities relating to Door-to-Door Sales were standardised and the management of the same centralised, reporting at organisational level to a specific Business Area, included within the Institutional Customers, Entities and the Third Sector Department. The process to develop and consolidate partnerships with External Allies will, on one hand enable the existing Agreements to be completely revised and, on the other hand, will enable all sales agreements to be brought in line with the latest legal developments, in order to guarantee a more effective management of the sales activities performed by promoters.

In 2015, new dedicated branches were opened.

Entities

The Entities segment is comprised by the Public Administration in the strict sense (Local, Provincial and Regional Authorities, healthcare organizations and institutions etc.) and by the companies partly owned by or controlled by the same (previously municipalised). The Entities Office is in charge of the same, and provides support to Group Divisions and Departments in drawing up strategies, commercial development policies for the segment, in accordance with the guidelines established by the Parent Company.

Within the Divisions, there are Commercial Specialists for Entities, who are responsible for promoting, coordinating and assisting the Network in placing products and services dedicated to Entity Customers, which as at 31 December 2015 was represented by 3,000 customers with average invested capital of euro 1.3 billion and direct deposits of euro 0.8 billion.

As at 31 December 2015, the Banco Popolare Group handled over 1,000 Public Administration entities, in the strict sense, broken down as follows:

Type of Entity	Breakdown %
Municipalities, Unions of municipalities and Mountain communities	44%
Schools	40%
Healthcare organisations and hospitals	1%
Other	25%
Total	**100.0%**

In 2015, commercial activities were conducted in full respect of the Group's guidelines, with special attention paid to economic results, as well as:

- the economic-financial situation of the counterparties, to mitigate credit risk;
- minimising commitments on the localization of services, to facilitate any future policies to rationalise the network;
- reducing contributions/sponsorships.

Overall, 642 tenders and requests for extensions and renewals were analysed and processed, of which 276 related to non-managed entities.

Commercial certifications

The provision of Treasury and Cash services was the first of the Group's services to be certified according to the Uni EN ISO 9001 standard. Since 2007, the external certification body (Certiquality) conducts an annual assessment of the effectiveness and adequacy of our management system, focusing on the commitment of managers to the application of quality standards and the continual improvement achieved in recent years.

This important achievement has enabled the Group's Commercial Network to strengthen its ties with the local area, guaranteeing certified efficiency and service standards.

Religious Entities

The Religious Entities segment is represented by 4,400 customers with average direct deposits of around euro 300 million and around euro 290 million of average capital invested (figures as at 31 December 2015).

Banco Popolare's Religious Entities Customers represented, again as at 31 December 2015, around 12% of total Religious Entities in Italian Territories where the Banco Popolare Group is present with its own branches. The share of Dioceses, with relation to total Diocesan Curia, was 60%, which the share of Parishes is 12%.

The commercial initiatives relating to the development of Customers in local territories were implemented by organising specific packages dedicated respectively to:

- Dioceses, Religious foundations, Religious institutes, Religious orders, Confraternities and Congregations;
- Parishes, Catholic associations and accredited independent schools;
- Clergy (prelates, nuns and religious officials) and employees of Diocesan Curia and of other ecclesiastical institutions.

"Religious Entity" Customers that possess accounts under this Agreement, represented 70% of total "Religious Entity" Customers as at 31 December 2015.

The stock of mortgage and unsecured loans in place as at 31 December 2015 amounted to euro 209 million, distributed over 700 customers, a rise of 7% against 31 December 2014.

Third Sector

The commercial structure dedicated to the Customer segment called the “Third Sector”, became operational in February 2014, with an initial customer base of 6,000 customers; it achieved this by making coordinated and strategic efforts in different directions, the main drivers of which are illustrated below:

- Redefinition of the perimeter of Non Profit Organisations, customers of Banco (associations of volunteers, social promotion associations, amateur sports associations, Foundations etc.); this activity entailed studying, analysing and interpreting the data of existing customers. The new perimeter has enabled the Bank to better understand its level of penetration with respect to the target clientele and to make a like-for-like comparison with competitor banks that operate in the same sector;
- Activation of aggressive commercial efforts to acquire new customers, also through a scheme addressed to involve all of Banco Popolare’s employees in donating a free current account package (for the first 24 months) to their favourite association;
- Close collaboration with the Development and Private Customers structures of the Network Divisions, providing specialist advice and support to the Commercial Network, especially with a view to forming “aggregative” relationships (such as Service Centres for Voluntary work, the provincial sections of the ACLI etc.).

These processes enabled the customer database to be reorganised, allocating customers belonging to the Third Sector in a consistent and correct way within Banco Popolare’s target of non-profit customers; the initial 6,000 customers became over 18,000 overall as at 31 December 2015, with total deposits of euro 380 million and loans of euro 117 million. The reference perimeter also include Social Cooperative, which are legally NPO. The above-cited re-segmentation enabled the commercial approach and specialist assistance in this segment to be improved, and provided for better risk management.

The most successful commercial campaigns included the scheme called “Meeting - coupon Associations”, featuring “light” and “large” versions, which led to 2,000 new current accounts being opened; this campaign enabled Banco Popolare to gain significant credit in its reference market, improving its external reputation and consolidating, internally, shared values that distinguish our Bank in its approach in the local areas covered by the commercial network.

The synergies developed with all of those involved in the Bank’s distribution model, starting from the Divisions, right down to the branches, led to a widespread understanding of the Third Sector, to the consolidation of non-profit customer relations, to the development of new chains, not to mention the positive impact on related sectors.

The structure also analysed the needs of the entire target of the Italian third sector market, with specific focus on social cooperation, also by entering into new partnerships with “key” operators in the sector and by conducting market research, all of which aimed at designing and distributing products dedicated to the specific market of social enterprise, that are able to meet the needs of customers as far as possible; these products were also included in the “Encounter” product line, created to distinguish the offer of products and services dedicated to non-profit customers.

In parallel, in close collaboration with the structures of the Commercial Department, a series of schemes were set in place and implemented dedicated to assisting customers in “Fund raising” activities, made possible by the high level of transactional banking services already provided by Banco Popolare to its customers.

Soft Financing and Guarantee Bodies

In 2015, Banco continued to work with “suppliers” of funds/credit at advantageous conditions, by activating further lines of funding.
At supranational level, in 2015, Banco obtained a further lines of credit totalling euro 600 million from the European Investment Bank (EIB) to be used to grant loans to Mid-Caps and SMEs.
More specifically, the EIB granted two credit lines, one of euro 400 million for the disbursement of loans to SMEs (companies with up to 249 employees) and one of euro 200 million for the disbursement of loans to Mid Cap companies (companies with between 250 and 2,999 employees).
In 2015, around 376 new operations were concluded using said funds for an agreed amount of over euro 365 million.

At domestic level, Banco Popolare signed a new framework financing agreement with the Deposits and Loans Fund (DLF), regulated under the Fifth ABI/DLF Convention called “Business Platform”, addressed to funding investment programmes of SMEs, Mid Caps and Network SMEs.
With regard to the latter agreement, in 2015, around 391 new operations were concluded for an agreed amount of around euro 93 million.

Again on the domestic front, against the funding agreement signed with the Deposits and Loans Fund in 2014, as part of the so-called “Capital Goods Ceiling” (“New Sabatini”), established to benefit Micro, Small and Medium Enterprises operating in Italy and belonging to all production sectors that invest in machinery, plant, capital goods and newly manufactured equipment for production use, as well as in hardware, software and digital technologies, to be used in already existing or new production plants, situated anywhere in Italy, around 307 new operations were concluded for an agreed amount of around euro 82 million.

In regional terms, Banco works with the financial companies of the Region in question, in particular Veneto Sviluppo (Veneto), Finpiemonte (Piedmont) and Finlombarda (Lombardy), to grant subsidised loans/joint loans to local SMEs through the use of the funds made available by the Regional authorities themselves through the afore-cited financial companies.

Loans financed by subsidised funds active as at 31 December 2015 totalled more than 8,300 within the Group, with a residual amount of around euro 2,000 million.

Guarantee instruments for enterprise
Given the importance of guarantees to facilitate access to credit, in particular of Small and Medium Enterprises, Banco has made considerable efforts in the sphere of guarantees, needed for the disbursement of credit facilities, by signing/entering into specific agreements and conventions with the operators and providers of guarantees.
More specifically, at supranational level, and the first Bank in Italy to join, the European Investment Fund (EIF) is worth mentioning, addressed to sustaining companies that focus on innovation, research and development, through a specific guarantee mechanism called the Risk Sharing Instrument (RSI), whose ceiling of euro 120 million was totally exhausted with the disbursement of 231 loans.
In 2016, a new guarantee ceiling will be made available to “innovative” companies, again managed by the EIF, based on Community resources.

Banco is also involved in the main subsidised guarantee instruments, including the following national guarantee Funds/Bodies:

- Guarantee Fund for SMEs, specialised in the protection of medium-long term loans addressed to supporting the financial needs of companies, the activities of which have been further strengthened by recent legislative provisions (“Rescue Italy” Decree etc.); in 2015, Banco created specific lending products, guaranteed by the Fund, reserved to social companies and cooperatives for their investment and liquidity needs.
- ISMEA (Institution of Services for the AgriFood Market)/SGFA (AgriFood Funds Management Company) for the issue of direct or subsidiary guarantees, joint-guarantees and counter guarantees to agricultural businesses.
- SACE (Insurance Services for Foreign Trade), specialised in the issue of guarantees for companies with a high focus on internationalisation.

The above-mentioned Funds benefit from the ultimate guarantee of the State, which allows the Bank to lower the costs of lending and to apply special terms to loans guaranteed by the same.

As at 31 December 2015, there were over 7,000 operations guaranteed by national (public) guarantee Funds/Bodies, for an agreed amount, as regards the loans guaranteed, of over euro 1,277 million.

As regards the guarantees issued by local public bodies, we draw attention to special regional Funds, including those of the Veneto Region and the Region of Emilia Romagna.

In Tuscany, Banco has an arrangement with the regional financial company Fidi Toscana SpA, to grant loans to regional SMEs, with a view to sustaining investment and company liquidity, guaranteed by the same.

With around 79 active agreements (of which 30 with Confidi subject to the supervision of the Bank of Italy under art. 107 of the Consolidated Banking Law), Banco has been working intensively with territorial Guarantee Entities (Confidi), a fundamental instrument to facilitate access to credit and to microcredit by SMEs.
Specific agreements to regulate these operations, with a view to fighting usury, are signed with the Confidi in question (11 Confidi with the arrangement in place), and with Foundations active in the anti-usury sector (5 Foundations with the arrangement in place).

As at 31 December 2015, there were around 20,000 operations guaranteed by local public Funds/Bodies (in particular Guarantee Funds managed by regional financial companies) and by Confidi, for an agreed amount, as regards the loans guaranteed, of over euro 800 million.

Support to families and young people
Banco is part of national and regional schemes to sustain families and young people. At national level, Banco has signed an agreement with the Ministry for the Economy and Finance - Department of the Treasury, to grant its customers that meet legal requirements, mortgage loans guaranteed by the “Guarantee Fund for the first home” (established with Law 147/2013), to purchase the same or for renovation work, or work to increase the energy efficiency of property used as the main home.

Similar schemes have been implemented at regional level, in particular in Lombardy and Veneto, based on agreements signed with the Regional authorities in question, implementing a Memorandum of Understanding between ABI Lombardy and the Lombardy Regional authority - to facilitate the purchase of a first home by young couples through the disbursement of mortgage/landed loans at special rates, due to the effect of the regional contribution to the interest component.

In the Veneto Region, Banco has an arrangement with the Regional authority to grant loans to construction companies, assisted by contributions, in the form of a grant, to build accommodation to be sold at subsidised/arranged prices to families that meet the requirements envisaged by the Regional programme of Public Residential Housing.

Support to SMEs in areas struck by natural disasters

Again in 2015, Banco continued in its efforts to assist the recovery of production activities in areas struck by natural disasters. Of the financial aid provided, we draw attention to the specific agreements with the Deposit and Loan Fund in order to obtain funds to use to grant loans, at advantageous conditions, guaranteed by the State to residents in the Provinces of Bologna, Modena, Ferrara, Mantova, Reggio Emilia and Rovigo, who were stuck by an earthquake in 2012, both to pay taxes, duties and/or social security and national insurance contributions, and to rebuild property.

Other State subsidies for businesses

As part of the measures to assist SMEs, Banco channels the subsidies for contributions envisaged by national and regional legislation (lower interest or grants).
In terms of regional subsidies, we draw attention to the renewal of the agreement with the Puglia Region for the granting of medium/long term loans to enable SMEs based in Puglia to make investments, assisted by a contribution for investment in plant and equipment from the Region.

Specific agrarian lending products have been developed for agricultural companies as part of the Semina range, in the Veneto and Piedmont Regions, assisted by regional contributions.

As at 31 December 2015, there were over 2,200 operations for an agreed amount of around euro 220 million.

Investment & Private Banking, Asset Management

	2015	2014			2015	2014		2015	2014	
	Investment & Private Banking, Asset Management	Investment & Private Banking, Asset Management	Absolute change	Change %	Inv. Banking	Inv. Banking	Change %	Asset Management	Asset Management	Change %
Interest margin	**186,036**	**161,799**	**24,237**	**15.0%**	**184,126**	**159,037**	**15.8%**	**1,910**	**2,762**	**(30.8%)**
Financial margin	**186,036**	**161,799**	**24,237**	**15.0%**	**184,126**	**159,037**	**15.8%**	**1,910**	**2,762**	**(30.8%)**
Net fee and commission income	69,263	22,733	46,530	204.7%	(24,969)	(46,726)	(46.6%)	94,232	69,459	35.7%
Other net operating income	459	(928)	1,387		345	(383)		114	(545)	
Net financial result (without FVO)	90,075	115,817	(25,742)	(22.2%)	90,682	116,240	(22.0%)	(607)	(423)	43.5%
Other operating income	**159,797**	**137,622**	**22,175**	**16.1%**	**66,058**	**69,131**	**(4.4%)**	**93,739**	**68,491**	**36.9%**
Operating income	**345,833**	**299,421**	**46,412**	**15.5%**	**250,184**	**228,168**	**9.6%**	**95,649**	**71,253**	**34.2%**
Personnel expenses	(62,726)	(49,133)	13,593	27.7%	(54,058)	(42,089)	28.4%	(8,668)	(7,044)	23.1%
Other administrative expenses	(65,154)	(51,978)	13,176	25.3%	(54,501)	(42,483)	28.3%	(10,653)	(9,495)	12.2%
Net value adjustments on property and equipment and intangible assets	(651)	(772)	(121)	(15.7%)	(243)	(407)	(40.3%)	(408)	(365)	11.8%
Operating expenses	**(128,531)**	**(101,883)**	**26,648**	**26.2%**	**(108,802)**	**(84,979)**	**28.0%**	**(19,729)**	**(16,904)**	**16.7%**
Income (loss) from operations	**217,302**	**197,538**	**19,764**	**10.0%**	**141,382**	**143,189**	**(1.3%)**	**75,920**	**54,349**	**39.7%**
Net adjustments on loans to customers	(53)	52	(105)		(53)	52	-	-	-	
Net adjustments on receivables due from banks and other assets	(5,006)	(10,677)	(5,671)	(53.1%)	(5,006)	(10,677)	(53.1%)	-	-	
Net provisions for risks and charges	2,630	(5,953)	8,583		2,637	(5,892)		(7)	(61)	(88.5%)
Recoveries (losses) on investments in associates and companies subject to joint control, goodwill and other intangible assets	(37)	(665)	(628)	(94.4%)	(6)	(665)	(99.1%)	(31)	-	
Profits (losses) on disposal of investments in associates and companies subject to joint control and other investments	(1)	5	(6)		-	-		(1)	5	
Income (loss) before tax from continuing operations	**214,835**	**180,300**	**34,535**	**19.2%**	**138,954**	**126,007**	**10.3%**	**75,881**	**54,293**	**39.8%**
Taxes on income from continuing operations	(70,556)	(60,109)	10,447	17.4%	(46,351)	(42,552)	8.9%	(24,205)	(17,557)	37.9%
Parent Company's net income (loss)	**144,279**	**120,191**	**24,088**	**20.0%**	**92,603**	**83,455**	**11.0%**	**51,676**	**36,736**	**40.7%**

The performance of the Investment, Private Banking & Asset Management sector as a whole showed an improvement in 2015 compared to the previous year's results, with income from operations of euro 217.3 million, up by around euro 20 million (+10%) compared to the figure for 2014. This rise is due to the increase in operating income of around euro 46.4 million, resulting from further higher revenues from Asset Management (95.6 million in 2015 against euro 71.3 million in 2014) and from Investment Banking (euro 250.2 million against euro 228.2 million in 2014), which more than offset the increase in operating expenses of euro 26.6 million (+26.2%) due to new costs that emerged during the year and related on one hand to expenses for the bank resolution fund of euro 10.5 million and to higher variable pay provisions. Income before tax from continuing operations in this segment was up compared to 2014, due to the fact that in 2015, there were lower net allocations to provisions for risks and charges and lower net adjustments on other assets that regard the management of Investment Banking. More specifically, again this year write-downs were made of various loans. Net of the tax burden, net income for 2015 was up 20% compared to that of last year.

Investment & Private Banking

Economic trend in the sector

Investment & Private Banking, carried out by the Group subsidiary Banca Aletti, closed 2015 with a result that overall was better than that of the previous year (+11.0%), due to an increase in total operating income of euro 250.2 million (+9.6% compared to euro 228.3 million in 2014).
This total income was achieved by the following business lines: transactions in OTC derivatives, trading in listed securities and derivatives, capital market transactions and, lastly, investment management and private banking.

Transactions in OTC derivatives once again represented the business line which made the highest contribution to total income of Banca Aletti, amounting to euro 149.3 million (against euro 154.6 million last year), with placements of structured products totalling euro 7 billion (euro 7.0 billion last year).
More specifically, in 2015, the structuring of products addressed to the retail customers of the Group's commercial network (for which Banca Aletti provides both a creative service and a "ceiling-based" placement service on all product types, in order to guarantee the stability of the price during the placement windows and to free the distribution networks from the risk of unsold products) witnessed a substantial fall in the volumes of structured products with relation to the bond issues made, to the advantage, instead, of a stable volume of those relating to the issue of certificates. Therefore, the operating income generated by the business line (euro 149.3 million) witnessed a greater contribution to the interest margin, which was euro 149.1 million against euro 133.3 million last year, to the detriment of the net financial result, which instead was euro 101.0 million against euro 132.6 million in 2014. The level of retrocession fees paid to Banco Popolare's distribution network for the placement of certificates issued, rose to euro 100.8 million in 2015, against euro 111.3 million last year.

Trading in listed securities and derivatives (proprietary trading, market making on single stock futures/trading and market making on government supranational and corporate bonds) generated revenues of euro 26.9 million, significantly higher compared to euro 12.5 million last year. Against a higher contribution to the interest margin in 2015 compared to 2014 (euro 37.2 and 28.8 million respectively), this operating segment recorded a negative performance in terms of net financial result, which amounted to euro -10.3 million, compared to euro -16.3 million last year.

Capital Markets transactions and Trading on behalf of third parties generated total operating income of approximately euro 17.1 million, a considerable increase on the result in 2014 (euro 13.9 million).

In Investment Management and Private Banking operations, operating income came to euro 56.9 million, up against the euro 47.2 million recorded last year, of which euro 2.2 million had a negative effect on the interest margin and euro 59.1 million had a positive effect on net fee and commission income. In particular, managed assets of Banca Aletti of euro 14.9 billion generated net fee and commission income of euro 51.6 million compared to euro 41.7 million in 2014.

As regards income, which rose by euro 21.9 million compared with last year, operating expenses also increased in absolute terms by around euro 13.8 million, rising from euro 85 million in 2014 to euro 108.8 million in 2015, due to higher personnel expenses (around euro +12 million), resulting both from expenses relating to the redundancy fund of euro 2.1 million, and the increase of other administrative expenses due to the payment of charges for the IDGF and for the National Resolution Fund, totalling euro 10.1 million. Due to this trend, income from operations was euro 141.4 million, substantially in line with the figure recorded last year of euro 143.3 million.
If we consider that in 2015 a further adjustment was made regarding a tax credit of around euro 5.0 million due from the Swiss tax authority (euro 10.7 million last year) and that allocations to provisions for risks and charges of euro 2.6 million were made (against a negative euro 5.5 million last year), gross income from operations was euro 139.0 million and therefore up against the euro 126.0 million recorded last year.
After the relevant tax burden, the net income for this segment was euro 92.6 million, up 11.0% compared to the euro 83.5 million recorded last year.

Below we provide greater details on the business lines discussed above.

Transactions in OTC derivatives

Derivative Instruments and Structured Products - Financial Engineering

Within the global economic scenario, trading by the subsidiary company Banca Aletti was characterised on one hand by the search for better risk hedging strategies for the risks related to the structuring and placement of structured products distributed to Group customers, and on the other hand, by the search for opportunities linked to the assumption of new risk positions, concentrated on assets and liquid maturities.
With regard to structuring operations, the trend of renewed interest in products index-linked to stock markets continued, recording an increase in volumes distributed by both the networks of the Banco Popolare group and by the

subsidiary Banca Aletti's institutional customers. In the second half of the year, the higher volatility of the financial markets led to a demand for financial products with higher levels of capital protection.
Market making on regulated IDEM and SEDEX markets increased significantly as did the demand for exchange rate risk hedging from corporate customers.
Bond trading by the subsidiary company Banca Aletti was characterised on one hand by the search for tactical opportunities on the interest rate and credit markets, and on the other by the management of more strategic positions, in particular seeking to exploit the QE policies of the ECB.
Liquidity on the major markets continued to be fairly low, following the impact of international legislation on counterparty risk, particularly on uncollateralised markets through central counterparties, such as that of volatility.
The fall in market interest rates made structured and plain vanilla products linked to interest rates less appealing, and volumes dropped sharply compared to 2014. On the other hand, volumes linked to interest rate hedges of corporate customers recovered significantly, recorded figures double those of 2014.

Corporate & Institutional Sales

Group Networks Distribution
2015 was the year in which the rules on the distribution of complex financial products to retail customers were defined, following Consob communication dated 22 December 2014.
In this regard, the distribution strategies of the Group saw continued interest in placements of collective asset management products and Certificates.
As regards the latter, over euro 3 billion were placed, confirming customers' appreciation of products that enable participation in the dynamics of the stock markets while benefiting from forms of capital protection.
The continuing trends of falling yields in the bond market and of costs of funding of Credit Institutes, instead reduced the appeal of bond products, both issued by the Bank and by third parties.
As regards asset management, in addition to the placement of traditional bancassurance products, a considerable increase in net funding from private portfolio management was recorded due to the combined efforts of private bankers and sales staff.

Corporate and Institutional Sales
With regard to the primary government bond market reserved to institutional investors, the subsidiary company Banca Aletti participated as bookrunner in the placement of a covered bond issue and two Senior issues of Banco Popolare and as co-manager, in two issues of Asset Backed Securities of Agos-Ducato. Trading in bonds on the secondary market was characterised above all institutional investors positioning their investments on European government bonds, specifically short and very long term, and on securities of financial issuers with very short maturities.
In relation to risk hedging with corporate customers, the fall in the levels of medium-ling term rates resulted in a significant increase in the use of instruments to hedge liabilities index-linked to floating interest rates. Specific attention continues to be focused on exposure to exchange rate risk, considering the extreme volatility of the Euro in relation to the major currencies.

Trading in listed securities and derivatives

Trading & Brokerage

In the overall macroeconomic scenario, according to Assosim, in 2015 Borsa Italiana recorded an 11.3% increase yoy in MTA trading volumes.
Also as a result of trading by its institutional customers, the subsidiary Banca Aletti replicated and extended this trend, recording an increase in the volume of cash traded for third parties of around 30% compared to the previous year. The expansion of the non-captive customer base enabled the subsidiary Banca Aletti to further increase its market share, reaching a percentage of 4.58% of the countervalue traded on the major markets (ranking drawn up by Assosim), rising two places compared to 2014, now in sixth place of the most active brokers.
The positioning of the subsidiary Banca Aletti was also confirmed on the Sedex market, where it holds fourth place, with a market share of over 14% (+5.18% compared to 2014), gaining position in Borsa Italiana segments dedicated to trading in derivative instruments, such as Futures and Index Options.
Bond yields, now at record lows, instead led to a sharp reduction in the trading volumes of this asset class compared to the previous year. For example, the MOT market recorded a fall in the traded countervalue yoy of 14.58% (source Assosim).
Even in the face of a sharp fall in bond trading, the subsidiary Banca Aletti managed to maintain its market share of 4.61%, in seventh place, and one of the main players trading "for third parties" on regulated markets and on the main Italian trading platforms (DomesticMOT, EuroMot, ExtraMot, HI-Mtf and Eurotlx).

Capital Market Transactions

Equity Capital Market

In 2015, 7 listing operations on the MTA took place, against 20 carried out on the AIM Italia; in addition, 11 share capital increases against payment were performed on the MTA and 7 Takeover Bids.

In this regard, the subsidiary Banca Aletti participated: in the placement and guarantee consortia relating to public offers of shares for the listing of OVS, Massimo Zanetti Beverage Group, Inwit, Banca Sistema, Aeroporto Guglielmo Marconi di Bologna, Poste Italiane and Openjobmetis; in the takeover bids on the shares of Vianini Lavori, Mid Industry Capital, Alba Private Equity, World Duty Free, Pirelli and Seat Pagine Gialle; in the guarantee consortium for the share capital increase of Banca Carige, in the role of Co-Lead Manager.

Furthermore, in the second half of the year, the subsidiary Banca Aletti directed and coordinated the listing of Glenalta Food SpA on AIM Italia, playing the roles of Global Coordinator, Joint Bookrunner and Nominated Advisor. Glenalta Food is the first Italian Special Purpose Acquisition Company (SPAC) mostly focused on the food sector.

Debt Capital Market

In 2015, the subsidiary Banca Aletti participated as Joint Book Runner in three Banco Popolare issues addressed to institutional investors: one Covered Bond issue with a seven year term for euro 1 billion and two Senior issues with a five and three year term respectively, for euro 1 billion and euro 500 million.

In the same period, it also participated as Co-manager in the placement of Senior UBS and Gtech bonds, also addressed to institutional investors.

With regard, instead, to placements addressed to retail customers, it participated in Public Offers of bonds of the Deposit and Loans Fund and Austostrade per l'Italia.

Lastly, over the year, the subsidiary Banca Aletti acted as Joint Arranger in three securitisation transactions for the trade receivables of Agos Ducato, for a total amount of around euro 2.5 billion, also participating as Co-Manager in the relative placement.

Investment Management

For the whole of 2015, the strategies adopted for portfolio management saw a preference for the share asset class over bonds, and within the bond component, a preference for Italian Government and investment grade Corporate bonds, preferring, overall a wide currency diversification of the portfolios managed.
Nevertheless, for the entire period, portfolio management adopted a tactical approach with regard to exposure to various risk factors, which enabled profits to be made, thus consolidating results.
The portfolios managed closed the year with overall gross performance exceeding that of the benchmarks.
Portfolios managed on a total return basis achieved positive results, on average around +3% for absolute return profiles and on average 7% for flexible ones.
As at 31 December 2015, assets under management totalled around euro 15 billion.
With regard to the breakdown of funding, the Private Customers segment confirmed the positive trend (around +30%) recorded in the first half. Instead, the Institutional segment recorded a fall in assets under management.
With regard to the Advisory service, which works with direct and accredited Private customers, as at 31 December 2015, 55 contracts were active, with a value of around euro 125 million.

Private Banking

At the end of 2015, the subsidiary Banca Aletti recorded a global amount of "assets under management" (administered and managed) of euro 14.9 billion.
The year was characterised by strong growth in net interest and other banking income in the private segment (at Group level) compared to the previous year, due to the high growth of the non-interest margin and a significant improvement in the financial margin. The increase in recurring income from investment services and asset management made a significant contribution to this result.
The more favourable share market scenario and the trends of the currency markets reinforced the trend to reorganise investment portfolios by diversifying, while partially maintaining consolidated positions on more prudent assets.
Faced with increasingly lower interbank monetary interest rates, in 2015, customers appeared to be less interested in very short-term investments, represented by the volumes of direct demand funding, and on the other hand they appeared to be more interested in investment services with higher added value and, more generally, in asset management, which recorded a significant increase in net inflows.
The year was also characterised by continuing economic uncertainty, despite signs of a modest recovery, and by the presence of selective approaches to lending. These factors partially drained bank assets in favour of investments in the

real economy. In this context, the various strategies and measures taken to increase assets in the medium term and to extend the scope to customers, enabled a significantly positive result to be obtained in terms of net funding.

Private-corporate cross selling (Pri-Corp) in harmony and collaboration with the Group's corporate network, recorded positive funding flows, significantly higher than last year.

Asset Management

Economic trend in the sector

2015 represented a year of further growth for Aletti Gestielle Sgr, even in a market characterised by less direction and higher rates of volatility. The company continued to be driven by innovative products and services. Over the year, it adopted a strategy to offer multiasset products, also in the form of "multimanager" funds, alongside a renewed interest in products already present in the range (in particular the absolute return category). At the same time, the service and training model underlying the distribution networks was enhanced, with more frequent meetings and increasingly prompt and transparent communication regarding the asset allocation choices available in the portfolios managed.
During the year, six new funds were placed (Gestielle Cedola Forex Opportunity U$D, Gestielle Cedola Italy Opportunity, Gestielle Cedola Emerging Markets Opportunity, Gestielle Cedola Best Selection, Gestielle Profilo Cedola and Gestielle Cedola Target High Dividend).
At the end of the year, the new products launched during the year had reached an equity figure of euro 4.1 billion, while total AUM was euro 16.5 billion, marking an increase of 13.5% compared to 2014 (+20% for Italian funds only).
Net funding recorded in the funds established by Aletti Gestielle was a positive euro 2.3 billion.
As regards the Luxembourg SICAV managed by Aletti Gestielle, Gestielle Investment Sicav, at year end, the same had reached an equity figure of euro 436 million, down against 2014 (euro 1.1 billion).
As regards the income statement results of Aletti Gestielle for the year ending 31 December 2014, net fee and commission income increased by euro 34.7 million, rising from euro 69.5 million in 2014 to euro 94.2 million in 2015, marking an increase of 35.7%. Operating expenses rose compared to 2014, recording euro 19.6 million at year end.
Net income for the year, which amounted to euro 51.7 million, recorded an increase of 40.7% compared to 2014, as a result of the increase in managed assets and the significant rise in net fee and commission income. The cost/income ratio for 2015 was 20.6%, an improvement on that recorded last year, which was 24.4%.
Lastly, note that as at 31 December 2015, the Banco Popolare Group was in thirteenth place in the ranking of asset management groups published by Assogestioni, with a market share of 1.8%, and total managed assets of euro 31.6 billion.

Aletti Gestielle SGR

The most important events that regarded Aletti Gestielle SGR during the year mostly concerned the range of products, both in terms of their rationalisation through the merger by incorporation of funds, and by means of the establishment of several new funds.
More specifically, as regards the merger of managed products:

- on 30 September 2015, the merger by incorporation of the Gestielle Hedge Multi-Strategy, Gestielle Hedge High Volatility and Gestielle Hedge Opportunity funds into the Gestielle Hedge Low Volatility fund took effect, resolved by the Board of Directors on 24 March 2015;
- on 4 May 2015, the cross-border merger by incorporation of the only segment of Italfortune International Fund - called Global Total Return - into the Gestielle Absolute Return fund, authorised by the CSSF (Commission de Surveillance du Secteur Financier) with a provision dated 7 January 2015, took effect;
- on 7 December 2015, the merger by incorporation of the Gestielle Multimanager Absolute Return Plus fund into the Gestielle Multimanager Absolute Return fund and of the Gestielle Obiettivo Più fund into the Gestielle Obiettivo Risparmio (Class A) fund, took effect, resolved by the Board of Directors on 18 September 2015.

As regards new products:

- the Gestielle Cedola Forex Opportunity U$D fund, established by the Board of Directors on 28 November 2014 was placed between 5 and 30 January 2015;
- the Gestielle Cedola Italy Opportunity and Gestielle Cedola Emerging Markets Opportunity funds, established by the Board of Directors on 3 March 2015 were placed between 30 March and 29 May 2015;
- the Gestielle Cedola Best Selection fund, established by the Board of Directors on 5 May 2015 was placed between 3 June and 31 July 2015;
- The placement of the Gestielle Profilo Cedola and Gestielle Cedola Target High Dividend funds, established by the Board of Directors on 28 October 2015, started on 23 November 2015; the offer period will end on 19 February 2016.

With regard to regulatory changes, over the year several amendments were made to offer documents including changes to bring the same in line with the implementing legislation of the AIFM Directive and changes in the area of spending.

With regard to Side Pockets, note that as resolved by the Board of Directors on 19 December 2014, the assets of these funds were liquidated early on the basis of values quoted as at 31 December 2014.
At the end of the year, the funds established by Aletti Gestielle recorded positive net funding of euro 2,310 million and the assets of own funds amounted to euro 16,046 million:
With regard to Gestielle Investment Sicav, established in Luxembourg, for which the Company acts as management Company, net funding in 2015 was euro -630 million and, at the end of the year, the assets of Gestielle Investment Sicav amounted to euro 436 million.
In 2015, the Company recorded a rise in managed assets in Italian funds from euro 13,417 million at the end of 2014 to euro 16,046 million at the end of 2015, marking an increase of 19.6%. In addition, also taking account of the managed assets relating to the Sicav established in Luxembourg, total assets under management amounted to euro 16,482 million at the end of 2015.
As regards the management and development of the “extra captive” market (namely sales activities promoted at placement Banks and Networks that do not belong to the Banco Popolare Group), in 2015 total net funding rose to euro 63.4 million, euro +71.3 million of which regarded active and operating commercial partnerships and euro -7.9 million related to inactive networks and direct customers of the SGR.
At the end of the year, assets pertaining to these placement agents totalled euro 1,519 million, corresponding to 9.5% of the total assets of UCITs managed by the SGR.

Aletti Fiduciaria

As regards trust fund management, 2015 saw continuing difficulties in this sector, which led to a natural reduction in the total amount of assets managed, also experienced by many competitors. In this context, Aletti Fiduciaria S.p.A managed in any event to maintain a good position among the main companies in this sector, with 1,400 customers and around 1,600 accounts, with total assets managed amounting to around euro 1,600 million, recording a profit of euro 81,000.00 for the year that has just ended. This negative trend should peter out soon as, by virtue of the effects of the so-called “Voluntary Disclosure”, in 2016, the company could intercept a part of the significant assets located abroad, offering important services for the tax management of assets and securities deposited abroad. Furthermore, the year which has just ended was also characterised by consistent efforts to promote protection and transmission services for personal and company equity, guaranteeing considerable assistance to the Banca Aletti and Banco Popolare network. The substantial stability of operations is confirmation that even in periods of crisis, the role assigned to Aletti Fiduciaria of qualified provider of fiduciary and trust fund services, contributes to the satisfaction of the private and corporate customers of the Banco Popolare Group.

Leasing

	2015	2014 (*)	absolute change	% change
Interest margin	**39,980**	**38,715**	**1,265**	**3.3%**
Financial margin	**39,980**	**38,715**	**1,265**	**3.3%**
Net fee and commission income	(510)	(851)	(341)	(40.1%)
Other net operating income	15,037	22,334	(7,297)	(32.7%)
Net financial result (without FVO)	10	7	3	42.9%
Other operating income	**14,537**	**21,490**	**(6,953)**	**(32.4%)**
Operating income	**54,517**	**60,205**	**(5,688)**	**(9.4%)**
Personnel expenses	(11,988)	(12,607)	(619)	(4.9%)
Other administrative expenses	(43,380)	(50,609)	(7,229)	(14.3%)
Net value adjustments on property and equipment and intangible assets	(48,634)	(66,048)	(17,414)	(26.4%)
Operating expenses	**(104,002)**	**(129,264)**	**(25,262)**	**(19.5%)**
Income (loss) from operations	**(49,485)**	**(69,059)**	**(19,574)**	**(28.3%)**
Net adjustments on loans to customers	(143,914)	(261,779)	(117,865)	(45.0%)
Net provisions for risks and charges	(1,798)	(4,451)	(2,653)	(59.6%)
Recoveries (losses) on investments in associates and companies subject to joint control, goodwill and other intangible assets	(92)	83	(175)	
Profits (losses) on disposal of investments in associates and companies subject to joint control and other investments	(5,188)	(1,280)	3,908	305.3%
Income (loss) before tax from continuing operations	**(200,477)**	**(336,486)**	**(136,009)**	**(40.4%)**
Taxes on income from continuing operations	54,159	114,269	(60,110)	(52.6%)
Income (loss) attributable to minority interests	19,030	39,044	(20,014)	(51.3%)
Parent Company’s net income (loss)	**(127,288)**	**(183,173)**	**(55,885)**	**(30.5%)**

(*) The figures have been restated to provide a like-for-like comparison.

Economic performance

In relation to substantially run-off assets, the Leasing sector, which includes the assets relating to the leasing contracts of the former Banca Italease, recognised by Banco Popolare as of March of this year, and those of Release and Italease Gestione Beni, recorded total operating income of euro 54.5 million, down euro 5.7 million compared to euro 60.2 million recorded last year.
This decrease is substantially due to the fall in other net income/expenses (euro -7.3 million), due to a transaction with a lessor for a property located in Rome.
Operating expenses (euro 104.0 million against euro 129.3 million) were down by around 25.3 million, euro 7.2 million of which due to lower administrative expenses and euro 17.4 million due to value adjustments on property and equipment and intangible assets, resulting in a less negative operating loss compared to last year (euro -49.5 million against -69.1 million).
The cost of credit was euro 143.9 million, down against euro 261.8 million last year; the item profits/(losses) on disposals of investments in associates and companies subject to joint control and other investments recorded a loss of euro -5.2 million, against euro -1.3 million last year; this deterioration is due to losses recorded on the disposal of a property.
A loss of euro 127.3 million was recorded for the year, an improvement on the loss of euro -183.2 million recorded last year, mainly due to the reduction of adjustments on loans.

Corporate Centre and Other

	2015	2014 (*)	absolute change	% change
Interest margin	**(60,306)**	**(186,122)**	**(125,816)**	**(67.6%)**
Profits (losses) on investments in associates and companies subject to joint control carried at equity	**141,479**	**90,066**	**51,413**	**57.1%**
Financial margin	**81,173**	**(96,056)**	**177,229**	
Net fee and commission income	12,443	(3,662)	16,105	
Other net operating income	65,351	48,025	17,326	36.1%
Net financial result (without FVO)	338,635	94,312	244,323	259.1%
Other operating income	**416,429**	**138,675**	**277,754**	**200.3%**
Operating income	**497,602**	**42,619**	**454,983**	**1067.6%**
Personnel expenses	(333,847)	(318,957)	14,890	4.7%
Other administrative expenses	82,743	232,290	(149,547)	(64.4%)
Net value adjustments on property and equipment and intangible assets	(92,326)	(98,228)	(5,902)	(6.0%)
Operating expenses	**(343,430)**	**(184,895)**	**158,535**	**85.7%**
Income (loss) from operations	**154,172**	**(142,276)**	**296,448**	
Net adjustments on loans to customers	(22,744)	(64,808)	(42,064)	(64.9%)
Net adjustments on receivables due from banks and other assets	(49,175)	(29,151)	20,024	68.7%
Net provisions for risks and charges	(51,623)	(28,901)	22,722	78.6%
Recoveries (losses) on investments in associates and companies subject to joint control, goodwill and other intangible assets	129	(199,418)	199,547	
Profits (losses) on disposal of investments in associates and companies subject to joint control and other investments	2,053	3,664	(1,611)	(44.0%)
Income (loss) before tax from continuing operations	**32,812**	**(460,890)**	**493,702**	
Taxes on income from continuing operations	183,104	96,494	86,610	89.8%
Income/(loss) after tax from discontinued operations	(7,280)	2,144	(9,424)	
Income (loss) attributable to minority interests	(346)	(330)	16	4.8%
Parent Company's net income (loss)	**208,290**	**(362,582)**	**570,872**	

(*) The figures have been restated to provide a like-for-like comparison.

Corporate Centre is the sector which aggregates all the contributions to the consolidated financial statements not managed by the other business lines. Specifically, Corporate Centre includes the contributions to the income statement of the Finance Department of the Parent Company Banco Popolare, the Bancassurance and Consumer Credit sectors thanks to the joint ventures with Popolare Vita and Avipop on one side and Agos Ducato on the other, respectively, the Group's real estate and service companies, the foreign banks, custodian bank operations as well as the centralised management of functions for the entire Group (such as cost management, human resources, etc.).

Economic trend in the sector

Total operating income in this sector was significantly higher than last year, due to the improvement of the financial margin, linked on one hand to the fall of the negative interest margin and on the other hand to the higher contribution made by insurance consumer credit investees, and also to the gains generated by the disposal of the equity investments held in ICBPI and Arca Sgr.

The overall improvement of the interest margin was mainly due to the fall in the stock of institutional bond issues, which led to a reduction in the cost of funding. As regards the securities portfolio, the same was able to guarantee a positive contribution, slightly up with respect to the previous year, also due to the increase in assets invested. ECB funding instead recorded a positive trend both in terms of the fall in assets but above all due to the general scenario of lower interest rates on funding.

The Group’s share of profits on investments in associates and companies subject to join control carried at equity included the results of Agos Ducato and the bancassurance joint ventures. The higher contribution with respect to last year was mostly due to the associated company Agos Ducato (which last year had generated a pro-rata profit of euro 39.7 million, against that of 2015 of euro 105.3 million), while contributions from the insurance segment and other minor companies fell by around euro 14 million compared to last year.

Net fee and commission income was positive, although modest, and up by around euro 16 million against last year, insofar as, during the period, no cost for Government covered bonds was recorded, following the repayment of the same already from the second half of 2014 onwards, as well as the improvement in fee and commission income from custodian bank services.

Other net operating income, amounting to euro 65.3 million (compared to euro 48.0 million in 2014), was primarily sustained by the recurring contribution generated by the Group real estate and service companies for an amount that was almost the same as last year’s and equal to around euro 47 million. In particular, the real estate companies not assigned to manage properties deriving from lease contracts generated rents receivable of around euro 19.3 million (euro 18 million in 2012), while a considerable contribution was generated by income from services provided to third parties by Teckmarket, amounting to approximately euro 33.2 million (euro 31.2 million last year). The increase over the period is linked to income generated from transactions with former directors of around euro 27.8 million.

The net financial result benefitted from the positive impact of the gains generated by the disposal of the stake held in ICBPI and Arca Sgr for a total of euro 241.2 million. Net of this component, the contribution of Group Finance was a profit of around euro 97.4 million, substantially in line with last year’s result.

Operating expenses rose due to the fact that other administrative expenses sustained the higher charges relating to the National Deposit Guarantee Fund and to the National Resolution Fund, which were only marginally recharged to other business segments. More specifically, personnel expenses were negatively impacted in both periods compared by the allocation of the cost of redundancy funds (for substantially the same amounts in both years) and leaving incentives linked to all outgoing Group resources. The cost for 2015 also includes the expenses of closing the London branch (around euro 8.6 million) and was higher than that of last year due to allocations for the system of incentives relating to 2015, which will be paid next year. Value adjustments on property and equipment and intangible assets, amounting to euro 98.3 million, are the result of amortisation and depreciation pertaining to both the real estate companies included in the corporate centre and the software managed by the Group’s operational sector, i.e., SGS BP, which were in line with those of last year.

Given the trend in the income and expenses illustrated above, the segment recorded an operating profit with respect to the loss recorded last year.

Adjustments on loans relate to the foreign banks of the Group and directional positions of the Group.
Adjustments on other assets include the impact of the impairment of financial assets available for sale, which was euro 27.2 million (euro 17.6 million last year) and write-downs of exposures held vis-à-vis Banca delle Marche of euro 20.2 million, following the default of the same.
Provisions for risks and charges substantially reflects the allocations made to cover tax-related risks of around euro 40.8 million.

This year there was no need to make value adjustments on goodwill, while last year a write-down of around euro 200 million was made, and this, together with the proceeds from the above-cited disposals and the higher contribution of companies valued at equity, generated a profit from continuing operations, before tax, of euro 36 million, euro 496 million higher than last year’s result.

Income taxes were positive and amounted to euro 182.3 million, insofar as they included the recognition of tax assets on the losses of Italease of euro 85.1 million, as well as the positive tax burden on the income for this sector for the period, as capital gains have a very low tax rate. In 2014, the non-recurring component had been linked to higher taxation on the capital gain recorded in 2013 following the revaluation of the stakes held in the share capital of the Bank of Italy of euro 14.5 million.

Losses relating to non-current assets held for sale relate wholly to the disposal of the investee company BP Luxembourg.

Considering the trends in the items described above, the Corporate Centre contributed a net profit of euro 208.3 million to the consolidated results of the Group, substantially represented by the capital gains on the disposal of the equity investments in ICBPI and Arca SGR.

Group Finance

The Parent company coordinates and oversees the management policies of its structural asset and liability items, as well as those of the other Group companies, to optimize available capital, identify adequate funding strategies and transactions for the Group, through action on domestic and international markets, as well as to monitor liquidity requirements and dynamics, and the management of portfolios of securities and of other financial instruments held by the Group.
Group Finance activities are performed by the following organizational units: ALM, Funding and Liquidity, Capital Management and Finance Support, Proprietary Portfolio Management and Group Treasury.

ALM

The decisions on interest rate management for the Banking Book, taken by the Finance Committee, aim to reduce the volatility of the economic value as a result of changes in interest rates in accordance with the provisions of the "Second Pillar" of Basel 2.
The Group uses an Asset and Liability Management (ALM) system in order to develop risk measurements and a valuation model for demand items. The model's characteristics of stability and partial insensitivity to change in interest rates are described in the systems using a statistical/predictive model.
The Group's limits provided for low interest rate risk.
In 2015, as in the previous year, to eliminate the accounting mismatching deriving from the valuation of bonds, the Bank adopted hedge accounting for bonds classified in the accounts as "institutional or equivalent", or the valuation of bonds whose purchase/listing price may be influenced by changes in the Bank's creditworthiness. Hedge accounting rules have not replaced the Fair Value Option, which continues to be applied to issues classified in the accounts as "retail or equivalent".

Funding and Liquidity

The coordination and supervision of asset items mainly regards liquidity risk and interest rate risk.
Liquidity risk, generated by the time mismatch between expected cash inflows and outflows on a short and medium/long time horizon, is monitored in two different ways:

- the monitoring of the cumulative short-term operating liquidity mismatch, over timeframes of overnight, 1 day to 5 days, 1, 2 and 3 weeks to 1 month, 2 months and 3 months;
- the monitoring of the cumulative medium/long-term structural liquidity mismatch, both on a static basis, measuring liquidity requirements by constructing the liquidity gap on single timeframes, and on a dynamic basis, estimating the liquidity requirements in different forecast scenarios, characterised by changes in several financial parameters able to influence the liquidity profile over time (funding plan).

Over 2015, the Group's liquidity position continued to be strong, characterised by a wide liquidity buffer, which enabled it to easily manage institutional maturities and the redemptions of retail bond issues (step up callable) made during the year.
During the year (i) two Senior public bond issues were made as part of the European Medium Term Notes Programme, respectively in July for euro 1 billion and in September for euro 500 million, (ii) a Covered bond public issue was made under the Covered Bond Programme in February for euro 1 billion and (iii) a bond issue placed entirely in the month of December through the commercial network of one of the major national banks for the amount of euro 700 million.
In addition to the above, again in December, a financing operation, due April 2018, for a portfolio of securities owned by Banco Popolare, which are not eligible with the ECB, was finalised for the amount of around 483 million.
Again in 2015, the Group's portfolio of eligible securities was further consolidated through an increase of the receivables assigned to ABACO to guarantee monetary policy operations and the relative contribution to liquidity was around euro 1.5 billion. This increase substantially offset the reduction of the eligible securities portfolio following the partial amortisation of the self-securitisation operations and the maturity of the covered bonds issued by BP and held in the portfolio of the same.
Note, also that at the end of the year, the BP Group had an exposure in monetary policy operations with the ECB of around euro 11.95 billion, slightly higher than the euro 11.9 billion recorded at the end of 2014. This exposure is totally comprised by TLTRO, maturing in September 2018.

In 2015, the Banco Popolare Group made additional drawdowns for a total of euro 8.25 billion, which add to the initial drawdowns made in 2014 for a total of euro 3.7 billion. The additional drawdowns substantially offset the euro 8.2 billion of LTRO which matured in January and February 2015.

Capital Management and Finance Support

Capital Management was focused mainly on the following events:

Redemptions on maturity
As regards the subordinated liabilities issued by the Group, in January and March 2015, two Tier 2 securities (issued respectively by Banco Popolare and Banco Popolare di Lodi) were redeemed at their natural maturity, with a value of around euro 340 million in total at the time of the redemption.

Early redemption of additional Tier 1 instruments
In June 2015, the additional Tier 1 instrument issued by Banca Popolare di Lodi Investor Trust III at a fixed interest rate of 6.742% was redeemed early on the first call date, for a nominal amount of euro 500 million, around euro 248 million is still on the market.

New subordinated issue
On 30 July 2015 Banco Popolare placed a 7-year Tier 2 subordinated bond through its commercial network, with a variable interest rate corresponding to the 3-month Euribor + 437.5 basis points. The amount issued was around euro 500 million.

The activities performed in 2015 enabled the capital ratios to be maintained well above the minimum requirements of current legislation.

Management of proprietary portfolios

The strategies described below were followed in managing financial instruments under assets.

Positions in the HFT category
Activities relating to the trading portfolio sought to gradually reduce exposure to the BTP segment, instead preferring the segment of variable government interest rate securities (CCT), within which positions with a shorter residual life were gradually brought to zero, in favour of those maturing in 2019. The strategies adopted as regards Italian government securities, the only government exposure in the trading portfolio, were combined with activities to sell options on BTP and term transactions, the former used mostly to increase returns on investments by collecting premiums, and the latter to maximise the contribution of the investments to capital expenditure.

As regards the stock of non-government bond issues, an increase in nominal exposure of around 10% of the stock was recorded, originating from the previous year. In fact, nominal exposure rose from around euro 900 million to around euro 1 billion. The increase was made, as well as throught issues in domestic currency, even with bonds denominated in currencies other than the euro (USD and GBP), and subordinated securities. In this regard, it should also be noted that the increase in the stock of subordinated financial securities was mostly focused on Tier 2 securities with an average residual life of between 5 and 10 years. Note how the component of bond securities that are not eligible within the ECB was used as partial collateral for a structured funding operation, obtaining funding of around euro 438 million from a primary counterparty, maturing in April 2018. This operation was performed in addition to that already in progress with another market operator for a residual countervalue of around euro 260 million, maturing on 30 June 2017.

Lastly, trading in share instruments, although maintained within a limited timeframe, made a positive contribution to the overall margins of trading activities.

Positions in the HTM category
Investments in Italian government securities, which fall into this category, were gradually increased over the course of 2015, both following the progressive implementation of the strategy to increase the stock of Italian government securities from euro 15 to 17 billion, resolved at the end of 2014, and the revision of the ceilings for some accounting categories. More specifically, at the beginning of 2015, the nominal value of BTP recognised in the HTM accounting category was around euro 4.75 billion, and had an average residual life of just over 3.5 years.
The investments made during the year, as well as the subsequent resolution of the Board of Directors which, in December, rose the nominal ceiling for HTM government securities from 6 to 8 billion, enabled further investments in BTP of around euro 1.5 billion to be recognised in this accounting category, which, although focused on medium/long term maturities, increased the residual average life to less than one year, bringing it to around 4 years and 3 months at the end of 2015.

Positions in the AFS category

The government bond component recognised in this accounting category was substantially rebalanced, both in line with a strategy aimed to increase the percentage of investments at a variable interest rate and following the implementation of the cited resolutions passed by the Board of Directors relating to the HTM accounting category.
The total nominal value of Italian government securities, although having been reduced by around euro 1 billion over the year, recorded a net increase of around euro 1.5 billion in investments at a variable interest rate, mainly obtained through the purchase of Inflation BTP transformed into securities index-linked to Euribor rates through Interest Rate Swaps.
The implementation of these strategies led to an increase of around 1 year of the residual average life of the government component, which at the end of the year had a value of 4 years and 3 months and a total nominal value of around euro 8.5 billion, enabling exposure to interest rate risk to be contained at the same time.
Note that, as at 31 December 2015, there were no other risk positions on peripheral European nations in the portfolio.
As regards non-government bond investments, there were no substantial changes both as regards the total nominal amount, of just over euro 2 billion, and the residual average life, which is around 3.5 years, and, lastly, the type of issuers, where the Italian financial sector continued to be preferred.

Positions in Mutual Investment Funds

The main risk factor resulting from the exposure in mutual investment funds, the indirect exposure to the main financial share markets, did not change significantly over the year, preferring a strategy focused on varying the instruments used to obtain the aforementioned positioning.
The type of instruments used was significantly reorganised, resulting in a reduction of around euro 50 million in investments in funds of hedge funds, managed by the subsidiary Aletti Gestielle SGR, in favour of mutual investment funds whose main underlying instruments are bonds and shares.
The above generated a turnover for the portfolio of mutual investment funds that was considerably higher than that of the previous year.

Group Treasury

Money Market

Faced with falling interest rates and the Group's increasing liquidity requirements, partially resulting from the fall in average exposure to the European Central bank against last year, quantifiable as around euro 1.2 billion, hedging was mainly conducted through funding from the short-term secured market, seeking to optimise the collateral available and to diversify sources of financing as far as possible. Trading on the money market, with a view to minimising counterparty risk, mainly took place through CC&G.

During 2015 Banco Popolare's collateralised assets recorded:

- average loans of around euro 6.1 billion, of which around euro 5.2 billion guaranteed by CC&G.;
- average funding of around euro 10.1 billion, of which around euro 9.9 billion guaranteed by CC&G.

Also due to the lower volatility of the market and lesser opportunities for trading/arbitrage, in 2015 the total volumes traded by Banco Popolare on the secured market recorded a slight drop compared to last year, amounting to around euro 751 billion (-14%).

Foreign Exchange Market

Trading on the Forex, in terms of market volumes, recorded an increase of around 10% compared to last year, amounting to around euro 113 billion euro traded. The volumes resulting from commercial activities were in line with forecasts.

Commercial services

The commercial activities of Banco Popolare Group are, net of the operations of subsidiary and/or investee companies, are performed by four divisions, Banca Popolare di Verona, Banca Popolare di Novara, Banca Popolare di Lodi and Credito Bergamasco.
At Parent Company level, in 2015, the Commercial Department was comprised of different macro areas:

- Commercial Planning, Customer Care, Alliance Development, which are staff functions;
- Private Customers, Business Customers, Foreign Commercial services, which are line functions.

Each of the above oversees specific and strategic business areas, as illustrated in brief below.

- Commercial Planning, assists the Commercial Department in the budgeting and long-term planning processes of the Group, setting objectives and monitoring commercial results;
- Customer Care, whose objective is to promote a culture of quality and external and internal customer satisfaction within the Group, by monitoring the ability of corporate functions to respond to market needs, as well as by managing banking and financial claims with a view to preserving customer loyalty and trust;
- Development and Alliances, responsible for carrying out and coordinating the activities of the Divisions and

of Group Banks, with a view to developing the Group's business and retail customer base, as well as customer retention, in addition to identifying external partners interested in supporting the Bank's growth;
- Private Customers Department, whose objective is to maximise the value creation and the economic contribution of the Private customer business at Group level (including the SBO segment - Small Business Operators, with a turnover of up to euro 250 thousand), by systematically understanding the needs of customers, overseeing the range of products offered, developing distribution channels and developing service models;
- Business Customers Department, responsible for maximising the value creation and the economic contribution of the business related to medium and large companies, at Group level;
- Foreign Commercial Services, established to oversee the range of foreign products and services, guiding the development process for new products and the development of existing ones, as well as to develop and manage correspondent relations with the Group's foreign banks.

Details of the measures set in place and of the commercial results achieved are provided in the section entitled "Results by business segment".

Real Estate Sector

Operations in the real estate sector involve the management of the Group's instrumental assets and the enhancement and disposal of non-instrumental assets.
BP Property Management is the Group company in which all service operations are concentrated relating to the management and maintenance of instrumental property assets (technical and administrative), as well as those regarding the management of rentals (receivable and payable) instrumental to the core business.
With regard to instrumental assets, sixty-one branches were closed and the resources of the same were transferred to other branches, and the preliminary activities relating to the closure of a further one hundred and twenty-seven branches started.
With a view to increasing the efficiency of the spaces occupied and the running costs of the same, after having completed the distribution structure of the most important owned real estate resources (Vle Fulvio Testi Milan) and releasing the assets leased to third parties (Via Sile Milan), all lease instalments paid by the Company whose cost exceeded euro 25,000 per year were renegotiated. As the same time, new spaces were identified that were suitable for bank agencies and/or offices, where personnel could be transferred to, with a view to obtaining better market conditions and surface areas consistent with the number of resources involved. The active management of contracts and spaces, along with the closing of several branches has resulted in a savings of over euro 10 million yoy.

During 2015 the compliance measures resulting from investigations and surveys shared with the manager of the Eracle Fund - to which some of our Group's instrumental property was contributed in 2009 - continued and most were completed.

During the year, an "important energy saving project" began, which includes the remote management and adjustment of the technological plant and the installation of a trigeneration plant at the Verona head office.

Bipielle Real Estate continued the work to enhance the value of non-instrumental assets and the purchase and sale of such assets. This Group company is in charge of managing non-instrumental assets it owns and those owned by direct subsidiaries or companies held by Banco Popolare (with the exception of Italease and Release).

Although 2015 again represented a difficult period for the real estate market, sales were considerably higher than last year; work also continued for the purpose of generating income from free spaces, including those deriving from the closing of branches as a result of the rationalisation of the network. In relation to the latter, legal compliance or restructuring works have been carried out and/or planned in order to legally change the official use of the premises, also based on several important preliminary lease agreements which have already been signed.

In relation to the most important income property, significant extraordinary works continued on the property in Rome owned by the subsidiary Sviluppo Comparto 8, following the renewal of the lease contract, signed at the end of 2013, with the lessee World Food Programme for an additional five years. The amount sustained during the year, around euro 1 million, corresponding to a progressive disbursement of around euro 5.7 million, up against that planned last year for the additional activities related to obtaining the fire prevention certificate.

The urban planning process of the subsidiary Mariner srl, owner of a property in Via Bagutta, Milan, is also well underway. On 23 December 2015, the City Council of Milan approved the Implementation Plan which envisages the classification of the property as commercial. The property in question has a gross surface area of 4,950 square metres, 2,500 square metres of which dedicated to sales. On 9 November, the City Council of Milan also issued authorisation for use as commercial. The Agreement should be signed within one year of the approval of the Implementation Plan. The completion of the urban transformation process lead to the interest of several important operators in purchasing the property, one of which submitted a good offer, conditional on an exclusive due diligence.

The subsidiary company BRF Property spa also achieved excellent results. This company owns an area in Parma, for which the City Council has approved the implementation of an Urban Plan, approving a medium-large surface area of up to 2,500 square metres as suitable for the sale of food, prior to the sale of the plot of land for commercial use, which has already been primarily agreed. The Agreement is expected to be signed by the end of February 2016 and, immediately afterwards, the deed of sale of the plot of land for commercial use, with the shareholder Pizzarotti, and of that of the same plot with Aspiag (Despar). The total sale value will be euro 5.5 million.

On 17 December 2015, the subsidiary company TT Toscana Tissue formalised the deed of sale to Società Centralcarta Srl of a group of properties leased to Industria Cartaria Fenili Spa for the figure of euro 2.1 million.

In 2015, further important progress was made in the enhancement of the Villa in France held by the subsidiary company Liberty srl, which obtained a new permit to build, prior to the sale of the building that had originally been subject to the infringement of building regulations.

The subsidiary company PMG also made excellent progress in its dealings with the public administration, especially that in Genoa Nervi, where a feasibility study submitted by the company is currently under evaluation.

The most complex cases include the subsidiary Sviluppo Comparto 8 srl relating to the approval of the proposed project submitted to the City Council of Collegno (TO), and the changes to the Territorial Zoning Plan inserted by the City Council of Cologno Monzese (which we lodged appeals against before the Regional Administrative Court). Also in these cases, discussions with the public administration appear to be more successful than in the past.

As regards disputes in progress, on 19 January 2015, Bipielle Real Estate signed a settlement agreement for all of the outstanding positions with the Mariella Burani Group, and the subsidiary company Lido dei Coralli received a landscaping permit regarding the expansion of the tourist village, closing the outstanding case with the City Council and the Superintendence.

Following the Restructuring Agreement signed by Banco Popolare and Release with the Aedes Group on 4 December 2014, the management of three new real estate companies started: Manzoni 65, a real estate company, which owns a property located in Rome, fully rented to Fiat Auto S.p.A. at an annual rent of around euro 1.6 million; Sviluppo Comparto 2 (SC2), a real estate company, which owns a plot of landing with a building permit in Chivasso (TO); Terme Ioniche, a real estate company, which owns a hotel and residence complex in Mandatoriccio (CS) and cultivated agricultural land (olives, citrus fruit) in the same location.
Each company is managed with a view to its enhancement, especially Terme Ioniche, where the properties have gradually started to generate income and important improvements have been made to the agricultural land.

The management and remarketing of properties, both owned and deriving from defaulted lease contracts, on behalf of the companies in the Banca Italease sub-group is carried out by Italease Gestioni Beni (IGB).
The scenario that Italease Gestione Beni operated in during 2014 continued to be affected by the stagnant phase of the real economy, which led to the further decline of the real estate and construction market. The latter was characterised by a low number of operations, by dropping prices and volumes and by the selectivity of the credit system.
It is important to note that the products sold by Italease Gestione Beni are suffering due to the impact of additional negative factors, due to the type of assets, the specific use and conditions of maintenance of the assets on hand over by the former holder of the lease contract.
There are also objective factors that reduce the attractiveness of properties, especially those purchased for investment purposes: for example harsh taxation and the lack of a national policy linked to the redevelopment of former industrial sites.
It is also important to note the influence of the situation of rented property: the majority of assets are vacant, and this certainly penalises and does not provide incentives for investors.

In 2014, Italease Gestione Beni therefore implemented several specific initiatives, initiating numerous new rental agreements for formerly leased properties: these measures enabled management costs to be reduced as well as collect the related rentals.

By working with leading commercial networks, in 2014, Italease Gestione Beni achieved a sales plan, which entailed the sale of 44 properties, already on the books of the Banca Italease sub-group as receivables, for the sum of around euro 20.5 million and 2 owned properties, for around one million euro.

RISK MANAGEMENT

Capital adequacy and main risks

In 2015, the stagnation of the economy in the Eurozone was accompanied by a slowdown of the economies of emerging countries. Medium-term macroeconomic prospects, which are still experiencing an overall climate of uncertainty, continue to require the strengthening of capital adequacy, constant and strict risk management and the maintenance of high reserves of liquidity.

The current level of Own Funds and of risk-weighted assets means that Banco Popolare is easily able to comply with both the regulatory thresholds and the specific threshold required by the Regulator.

Regulatory capital adequacy is monitored on a quarterly basis, as part of the new Risk Appetite Framework developed by the Banco Popolare Group between 2014 (definition of the guidelines) and 2015 (structuring and fine-tuning of the overall system) and regards the Group's risk appetite levels. This framework envisages specific internal thresholds, defined with a view to drawing out any potential problems relating to the Group's banking activities and therefore, activating the escalation processes and taking the appropriate corrective action. The monitoring conducted in 2015, on a quarterly basis as part of the Group RAF Tableau de Bord, did not highlight any problems as regards the above-cited capital ratios.

With a view to properly and promptly managing the risks to which it is exposed, the Banco Popolare Group uses a complex set of policies, processes, methods and tools, which are described briefly in the following paragraphs. The relative in-depth explanations are contained in the Notes to the financial statements (Part E).

As regards the processes and the tools used to manage and control the quality of the loans portfolio, a key element is represented by internal ratings calculated by models that are differentiated and estimated specifically for each customer segment.The rating represents a valuation, referring to a time horizon of 12 months, made on the basis of all reasonably accessible information, both quantitative and qualitative, expressed by means of a classification on a ranking scale, of the ability of a party to whom a loan has been granted or is to be granted to honour its contractual obligations.Rating plays a key role in loan granting, credit product disbursement, monitoring and management processes. In particular, it plays a role in deciding which the competent bodies to approve loans are, as well as on the mechanism for the automatic renewal of uncommitted credit facilities, and it contributes to determining automatic interception in the monitoring and management process - Watchlist.

The "risk sensitive" information of loan portfolios (PD and LGD) are also useful, when drawing up the strategic plan and the budget, to establish the Group's credit policies in terms of allocation of the portfolio by sector/economic business segment and by geographic area, to address-restrict the level of concentration of the loan portfolio, as well as when establishing risk-based pricing or the budget objectives of sales managers.

Credit risk is managed by means of a portfolio risk estimation model, VaR, which is a default model, applied on a monthly basis mainly to credit exposures of Banco Popolare Group banks, with regard to performing loans, cash loans and endorsement credits, of ordinary and otherwise resident customers. This model enables operating capital absorption to be estimated, taking into account the portfolio concentration and the assumption of a joint non-fulfilment of counterparties, in a predefined context of significant macroeconomic variables. The confidence interval used is 99.9% and the time horizon of reference is one year. At the end of the model's simulation process, the maximum potential loss of the loans portfolio is broken down into the expected loss component and the unexpected loss component. For other exposures, other than performing loans of ordinary and financial resident customers, risk is managed and controlled through the use of supervisory regulatory metrics (Standard/Irb).

The classification of non performing exposures is conducted in line with the criteria established by the EBA.

The management of non performing loans in the Banco Popolare Group is based, to a great extent, on a model that assigns the management of a specific set of loans (portfolio) to specialist resources. The use of management models that are not based on specialist resources is limited to positions classified as Past Due, Bad Loans and Unlikely to Pay, for amounts under the established materiality threshold.

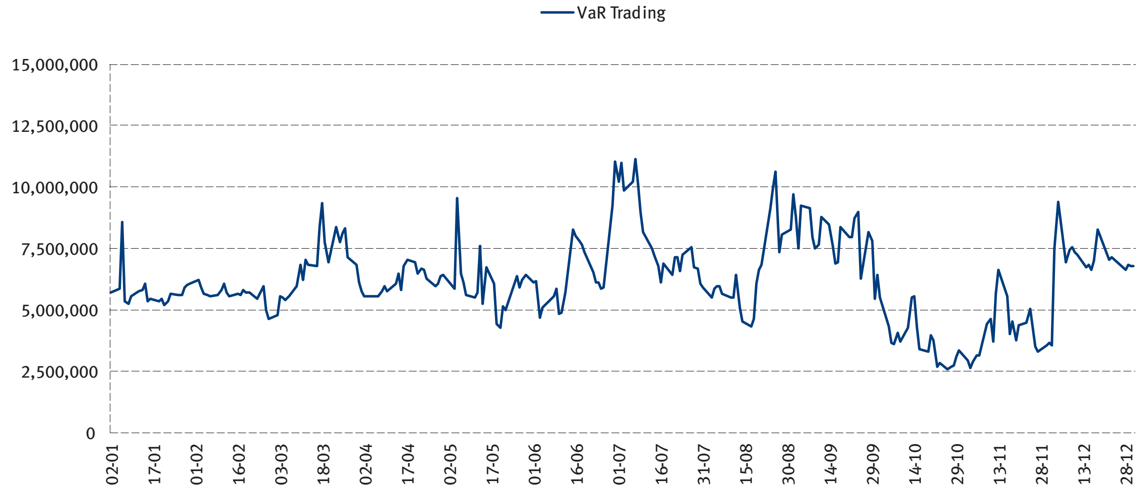
The monitoring, management and assessment of non performing loans is supported by structured processes and by a specific management procedure.

More specifically, value adjustments are quantified by applying the average LGD estimated by Risk management on a forfeit basis to Past Due positions regardless of their amount and to those classified as Unlikely to Pay or Bad Loans for amounts below a materiality threshold, while for amounts over said threshold, they are quantified analytically by the manager. Value adjustments valued analytically by the management are periodically reviewed.

As regards the management control of financial risk, the identification, measurement and operating control of the risk positions of Group Banks, a sophisticated position-keeping and risk control system is used, which provides a constant control over exposure levels and over the compliance with the operating limits defined by the Parent Company's Board of Directors and the Boards of Directors of Group Banks.

Financial risks are monitored on a daily basis by using deterministic indicators (sensitivity to market risk factors and referred to the issuer) as well as probabilistic indicators (Value at Risk - VaR). The VaR, which indicates the maximum potential loss associated with market movements in unexceptional conditions, represents a synthetic risk measurement. The approach used to calculate the VaR is that of historical simulation models. The values calculated are provided with a confidence interval of 99% and a time horizon of one day. The correlations used are those implicit in historical scenarios applied to estimate the empirical distribution of values in the trading portfolio.

Daily VaR BANCO POPOLARE GROUP
Regulatory trading portfolio



The most important risk component is the generic risk of debt securities and the generic and specific component of shares. Changes in these securities can be attributed to the Group's overall risk trend. More specifically, up until mid-August 2015, the risk depended on the specific risk component of debt securities, while subsequently market turbulence shifted the greater portfolio risk to the share component. For details of the VaR in terms of single risk factor, please refer to Part E of the Notes to the financial statements.

As regards operational risks, with a view to ensuring a more "accurate" measurement of the exposure to these risks, the improvement of operating practices and risk measurement techniques, the medium-term reduction of the frequency and gravity of events of operating loss and the adoption of "solutions" in line with industry best practice, the Group has developed a measurement and management system (rules and processes, parties, roles and responsibilities, models and IT applications) in line with the legislative requirements envisaged for advanced AMA models.

Risk is measured by means of an internal method based on a quantitative and qualitative analysis along VaR logic. The quantitative assessment is based on internal loss data, gathered through a loss collection process. This data is combined with external loss data pertaining to the Italian banking scenario (inbound flows of the DIPO consortium, set up by the major Italian Banking Groups within the ABI - Italian Banking Association), and on data deriving from the risk self assessment, in which also qualitative information resulting from the ongoing assessment of the internal and external operational context are used.

The trend recorded in recent years in terms of operating loss, as well as the ongoing analysis of the internal and external operating context and forecasts, indicate that the production activities of the Banco Popolare Group are performed in an operating context that is retained substantially favourable.

This opinion is also confirmed, inter alia, by the downtrend recorded by operating losses recorded between 2007 and 2015, behind which are first, second and third level controls that have been considerably strengthened over the period considered, as well as continuous measures to prevent and mitigate risk.

In line with mission of the Banco Popolare Group, which has a dominant commercial and retail orientation, the main absorption of economic capital regards the "Commercial practices" category, followed by "Litigation", which together represent the predominant portion of total risk and which, for the most part, arise in the Group's sales networks.

With reference to the category of "External Fraud", given the tendency for criminals to adopt increasingly sophisticated techniques (e.g. identity theft, IT fraud etc.), the Group is constantly reinforcing physical and logical security, therefore containing these phenomena both in terms of frequency and the average impact on loss events of this kind.

The Group takes the measures established in the Mitigation plan (e.g. training, implementation of applications processes/procedures etc.) as protection against the main risk factors that arise.

In terms of liquidity, in addition to making the standard periodic measurements of the liquidity profile, the Banco Popolare Group became compliant with the relevant legislation regarding reporting on a monthly/quarterly basis on the LCR (Liquidity Coverage Ratio) and SF (Stable Funding) indicators envisaged by the provisions of Basel 3, according to the new rules that came into effect with the publication of the Delegated Act by the European Commission.

In 2015, in line with the approach adopted by the banking sector in continental Europe, the Group continued, albeit to a lesser extent, to make use of the new instruments made available by the European Central Bank in order to provide liquidity to the European banking system (TLTRO).

For further information on credit, financial and operational risk, please refer to Part E in the Notes to the financial statements, which is dedicated to risk management. The same chapter also contains detailed information on structured credit products, on exposures towards Special Purpose Entities, on securitisation operations and operations in derivatives.

Outlook for Group risks and objectives

The continuing conditions of uncertainty in the economic scenario and financial markets - particularly in the medium term - make predicting the outlook in terms of risk a difficult task. In general terms, the Group's objectives are to take a prudent approach and to continuously monitor activities with a view to limiting the impact of potential adverse changes, including unexpected ones, in the economic scenario.

On this basis, as regards credit risk, recent performance combined with the objectives pursued in terms of the composition of loans, would suggest a substantially stable scenario in terms of risk, with reference to both performing loans and - thanks to recent allocation policies - to the non performing portfolio.

The group's interest rate risk continues to reflect the slightly bullish profile, which would mean that a rise in interest rates would improve its interest margin. As regards liquidity risk, the Group continued to make efforts to strengthen its position, which, even given continuing market uncertainty as to developments of the current economic crisis, enable it to look to the future with a certain degree of confidence.

As regards operational risk, the organisational and technological measures set in place some time ago at Group level and specific measures taken to mitigate the risks implemented in recent years, which were further strengthened as part of measures which resulted in the Group obtaining AMA validation for regulatory purposes, have led to an organisation and transactions with a low risk profile, confirmed by the level of operating losses recorded in the accounts relating to newly occurring risk events. We believe that this trend will continue in the near future.

SUPERVISORY, CONTROL AND SUPPORT ACTIVITIES

Human resources

The complex economic and social scenario in which we operate have not prevented the Banco Popolare Group from implementing additional policies to invest in its human resources above all in terms of Welfare. The preparation, professionalism and general growth of all of our resources continue to be fundamental to successfully facing the market and its competitive challenges, for the good of customers and stakeholders.
Human resource management, training, development and pay policies are implemented with increasingly innovative approaches and tools which facilitates the improvement of service quality and of the resources in question, in accordance with the various legislative provisions in force.

Breakdown and evolution of the workforce

The breakdown of personnel by category and gender as at 31 December 2015 as regards the Banco Popolare Group is illustrated in the tables below:

Categories	2015								2014*	
	Men			Women			Total	of which BP	Total	of which BP
	Full time	Part time	Total	Full time	Part time	Total				
Executives	249	-	249	16	-	16	265	214	280	220
Middle Managers	5,076	14	5,090	1,668	255	1,923	7,013	6,048	7,240	6,218
White collar workers	4,644	84	4,728	3,545	1,697	5,242	9,970	8,850	10,123	8,944
Other personnel	45	3	48	2	-	2	50	22	63	34
Companies abroad	13	-	13	6	-	6	19	-	18	
Total no. of employees	**10,027**	**101**	**10,128**	**5,237**	**1,952**	**7,189**	**17,317**	**15,134**	**17,724**	**15,416**
Supply contracts	19	-	19	1	-	1	20	20	-	-
Total workforce	**10,046**	**101**	**10,147**	**5,238**	**1,952**	**7,190**	**17,337**	**15,154**	**17,724**	**15,416**
Of which:									-	
Apprentices	-	-	-	3	-	3	3	-	3	-
Job training or new recruit contracts	2	-	2	-	-	-	2	-	2	-
Permanent contracts	10,017	101	10,118	5,225	1,952	7,177	17,295	15,122	17,701	15,405
Temporary contracts	8	-	8	9	-	9	17	12	18	11
Supply contracts	19	-	19	1	-	1	20	20	-	-

(*) adjusted figures to enable a like-for-like comparison

The objectives of the Business Plan for 2015 were pursued, in addition to the figure due to normal turnover, also through subscription to the Solidarity Fund by 408 employees who met the requirements imposed by the social security reform, as well as 140 employees who accepted leaving incentives and 35 employees due to the deconsolidation of BP Luxembourg from the scope of the financial statements.
The significant efforts made led to the confirmation of 290 resources in the Group, plus 240 new recruits, 221 of which are already in permanent positions and 19 who will be hired with permanent contracts by 31 March 2016, in line with important trade union agreements signed.
Objectives to make the organisation more efficient for 2016 continued, in line with the trend envisaged by the Plan, by means of the voluntary retirement, for those that have already met pension requirements, the new solidarity fund envisaged for 2016 and normal turnover. Furthermore, the introduction of younger people to the organisation is planned, with a view to generational turnover.

In 2015, continuous efforts were made to manage variable personnel costs, a commitment that made it possible to obtain excellent results in terms of containing and optimising provisions for holiday leave, accumulated hours, also enabling residual leave, the amount of which is increasingly negligible, to be used up.

Recruitment policies and management of professional mobility

In 2015, the Group continued to work on the repositioning of resources, in line with the envisaged objectives to reduce the number of overall employees, but always with an eye on the level of service provided to customers.

In view of this, almost all of the resources hired in 2015 were young people in their first job, seeking to guarantee the generational turnover needed to strengthen the Commercial Network.

Development, Training and Assessment policies

In 2015, Banco Popolare again confirmed its intention to invest in human resource Development and Training programmes and, in line with best market practices, drew up new management policies that seek to obtain a better level of conciliation between an employee's private life and work life and a fairer approach to managing diversity.
To confirm the focus on the quality of the service provided to Group resources, in 2015, we successfully passed the extension of UNI EN ISO 9001/2008 Quality certification, already obtained for Development, Training and Assessment activities, to Pay Policies, Equal Opportunities and Work Life Balance, as well as the definition of management policies.

Management Development

In 2015, Banco Popolare once again invested in numerous initiatives aimed to boost the development of all Group resources, focusing in particular on the development of managerial skills through projects addressed to top performers:

- completion of the Master in Banking project, launched in 2013 and established in partnership with SDA Bocconi, with a view to extending and enhancing the professionalism of 98 young high potential colleagues from both central and network departments;
- continuation of the Future Management project, launched in 2012, and addressed to around 110 young colleagues from Network departments, with high potential, who have been earmarked for fast-track professional careers as Branch managers, Deputy Branch Managers, Corporate Managers and Junior Private Bankers. In 2015, a plenary meeting was held on the topic of engagement, in addition to 4 workshops focused on several strategic skills that make a person employable, such as flexibility/agility, negotiation and active listening.
- launch of the Job Exploration Days project, a management development initiative addressed to Top Performers of the Banco Popolare Group, identified and selected on the basis of an assessment of results obtained and performance. The Human Resources Department has given these colleagues "doses" of professional orientation, through "on the field" experience of working in a bank, the knowledge of the "jobs" that are entailed and of the skills possessed by the colleagues that do these jobs. The Job Exploration Days will also be organised for 2016, involving personnel from the commercial network in Banco Popolare departments;
- launch of the Complementary Stage project, which seeks to train professional figures able to have an overall vision of how the bank works and better awareness of the value of the service provided and received through a programme entailing working alongside personnel in different Departments and Divisions, based on the principle of "transversality and interfunctional integration";
- launch of the Build the leadership model project, the objective of which is to create a Leadership Model within Banco Popolare; this document originates from in-house work carried out by Service Managers, is validated by Departmental managers and, again in 2016, will be discussed at management seminars addressed to Functional and Office Managers.

Management policies

In 2015, work mostly concentrated on establishing the process to manage the succession plans of top executives in Banco Popolare and Banca Aletti, in compliance with the requirements of Supervisory Regulations and the recommendations of Borsa Italiana's Code of Self-Regulation.
These management succession plans have been drawn up for top executive positions as well as for the other levels of management; in line with the relevant guidelines and best practices, the objective of these plans is to valorise internal talent, to become more attractive to the management labour market and to carefully plan management succession.
On completion of the process, which involved the governance structures of Banco and Banca Aletti, as well as the relative personnel management structures, groups of resources were identified, considered as most suitable, according to the criteria defined and approved by the Board of Directors (assessment of technical knowhow and experience, assessment of potential, assessment of performance, etc.) for the succession of the Group's main management positions.
For Banco Popolare, over 800 possible candidates were identified as suitable to cover the management positions of the central offices and around 600 for the commercial network.
For Banca Aletti, around 60 possible candidates were identified as suitable to cover the management positions of the central offices and around 40 for the commercial network.

Equal Opportunities and Work Life Balance

In 2015, to emphasise its growing attention to drawing up policies that enable a conciliation between private life and working life, as well as the fairer management of diversity, Banco Popolare decided it was fundamental to extend the Welfare sphere by creating a specific office dedicated to Equal Opportunities and Work Life Balance.
The objective is to encourage win-win synergies for employees and for the company - in order to really improve the well-being of its people and at the same time achieve business objectives.

In this regard, experimental WLB projects were launched, such as Smart Working and a maternity management plan. Furthermore, training schemes were also organised to facilitate cultural change in the company to support these projects.

Training

In 2015, the widespread training activities addressed to all of the Group's Human resources were mostly provided with the contribution of the team of internal teachers employed by the Training School and with the direct involvement in the classroom of the various Departments in question.
In 2015, a total of 626,835 training hours were imparted: the table below shows the breakdown by the various types of training course and the level of attendees.

Level	Attendees	Manageme nt training	Position-specific courses	Specialist skills enhancement	Central office training	Compulsor y training	Project training	Training on request	Total
Executives	246	3,168	1,001	-	75	1,048	884	8	6,184
Middle Managers	6,834	12,151	37,185	38	8,774	126,434	76,132	12,208	272,922
Professional areas	9,685	1,247	75,186	4,757	4,752	168,988	80,588	14,798	350,314
Total	**16,765**	**16,566**	**113,373**	**4,795**	**13,601**	**296,470**	**157,604**	**27,013**	**629,420**

In addition to the usual training courses provided to all Group resources, training initiatives in 2015 focused on guaranteeing full support to achieving the company's strategic objectives.
Based on this, training priorities focused on:

- developing the managerial skills of the Group's key Head Office and Network Managers;
- enhancing the area of creditworthiness analysis and performance monitoring for the main positions in the entire loans supply chain;
- enhancing and developing the skills of all Resources holding various positions at the Head Office.

Specific training projects were therefore launched, focused on:

- creating and spreading a single Leadership Model, addressed to all Service, Function and Office Heads of the Group;
- implementing the leadership model also with regard to Business Area Managers and Area teams of the commercial network;
- developing the behavioural skills of head office positions, focusing in particular on interfunctional relations and on internal customer service;
- developing the credit skills of Credit Managers, Branch Managers, Customer Relationship managers and Business employees, focusing in particular on the assimilation of European directives on forborne exposures in the company.

Selection and Assessment

In 2015, Assessment activities continued for all ongoing projects, many of which were revised in terms of their provision.
After years in which the main focus was the resources of the commercial network, last year special attention was paid to those working in General Management. Activities that entailed the highest added value included those relating to managerial positions in the Audit Department and those addressed to Service Managers. Participants were involved in specific Assessment activities, with a view to further improve their management skills. Recruiting and Selection activities were particularly important in this period and were addressed to young graduates looking for their first job, with a view, above all, to strengthening the Commercial network.

Apprenticeships and Placements

In line with the Business Plan, employer branding continued, through participation in career days organised by Universities; furthermore, existing relations with the Placement offices of the major Italian universities were strengthened. These initiatives highlight the importance for the Group to strengthen its ties with Local Entities and the academic world. Work placements once again proved to be a useful way for young graduates and pre-graduates to obtain on-the-job training and experience in various Group companies. The entire Group continues to adopt a standardised recruiting process, in the same way as the requirements to access the selection process have not changed.

Pay Policies

Detailed information on pay policies and on the Group's incentive schemes is contained in the "Report on Group pay and incentive policies" prepared in accordance with that envisaged by Bank of Italy and Consob regulations. The "Report on pay" contains qualitative information, reflecting the pay policies for 2016, and quantitative information, which illustrates the manner in which said policies were implemented in 2015. The qualitative part of the cited report is submitted to the approval of the shareholders' meeting.

Industrial relations

In 2015, negotiations launched in previous years continued. The purpose of the same is to cut operating expenses, also making use of possible levers to cut labour costs but adopting measures to defend employment and with a view to generational renewal. The numerous agreements signed since the beginning of the year, which are contributing to meeting the above objectives are illustrated in the section addressed to significant events occurring during the year, to which the reader should refer.

Labour disputes and disciplinary measures

In 2015, the total number of labour disputes at Group level fell compared to last year by 25.39% (from 237 as at 31 December 2014 to 189 as at 31 December 2015; in 2014, a reduction of 2.86% had been recorded compared to the previous year). The level of labour unrest was therefore in the norm, and below the industry average: this confirms the trend recorded in previous years and bears witness to the Group's focus on standards, rights and duties, which represent a cornerstone of its policy of corporate social responsibility. Labour disputes were handled, privileging, where possible, and in line with company policy, conciliation (22 disputes were settled over the course of the year); in cases in which a settlement of the dispute could not be reached, rulings were requested of the Judicial Authority, the outcome of which were in the great majority of cases, made in the company's favour (28 favourable rulings against 12 unfavourable).

Disciplinary procedures, implemented in collaboration with the HR Services of BP Divisions and Group Companies, and mainly based on the results of assessments made by the control functions, are characterised by criteria of rigour, fairness and consistency, respecting the prerogatives and rights of employees and in compliance with the provisions of the "disciplinary code".

Group Welfare

In 2015, the positive experience of the so-called Welfare Account continued, introduced in 2014 and related to the crediting of "figurative" amounts, both individual and corporate, with which each worker may access certain social services (Supplementary pension arrangements, Healthcare, Additional Healthcare, Instruction and Education), benefitting from the special treatment in terms of tax and social security contributions envisaged by the law for said services, which are much more favourable than those applicable to "cash" benefits.

Based on the above, also specific and parallel agreements on Group Welfare matters and on productivity pay became equally important in social terms, permitting, on one hand, the company's above-cited "figurative" amount to be increased and, on the other hand, the "cash" entity of productivity pay to be rationalised, anchoring the criteria for calculating the same to effectively variable elements, as a function of the company's profitability and productivity.

This Group Welfare framework was then further enhanced with the confirmation, also for 2016, of secondary benefits for invalidity and death envisaged for personnel that have already enrolled in supplementary pension arrangements, this confirmation was also accompanied by a further increase, bringing the level of benefit payable in the case of illness closer to that envisaged and payable in the case of an accident.

The socially relevant schemes for 2015 were completed with the achievement at the end of the year of an important and complex agreement concerning the already cited Group supplementary pension arrangement, through which, in particular, immediately applicable operating guidelines were established for the definition of a Single Group Fund and the concentration in the same of the forms of current supplementary pension arrangements, for the purpose of ensuring all subscribers to the same - in accordance with the latest legislative provisions issued on the matter - a more efficient and effective management of the financial resources, both due to better investment opportunities, and with relation to the compliance of the governance and operating structures, resulting from the greater and more specific liability and professional profiles envisaged by law for directors and managers, with more evolved forms of company welfare.

Health and safety

Banco Popolare believes that Safety is fundamental to the cohesive and consistent development of its business, and firmly believes that both technological innovation and organisational development have to be based on solid assumptions as regards the safeguarding and protection of the skills and the knowhow acquired, managing any competitive advantages achieved and protecting company assets. Banco's commitment to Safety also relates to the legislative sphere, given the continuous need for compliance requested by the various organisations of the European Union and the Bank of Italy in the field of health and safety in the workplace, logical security and cyber security.

Logical security

Projects in this area focused above all on compliance with the security standards prescribed by the Bank of Italy, in particular, on the activation of the process to manage IT security incidents and the analysis of IT risk (Bank of Italy Circular no. 285 of 17 December 2013, formerly Bank of Italy Circular no. 263 of 27 December 2006 - 15th update of 2 July 2013). A new system of Identity Management was adopted to improve the mechanisms to protect the identity of internal and external parties that interact with the IT system and the level of authorisation granted to them as regards the Group's IT resources, with special attention to privileged users. New defence scenario are becoming increasingly difficult to implement: as regards mobile devices (development of specialist applications called apps), with regard to applications exposed to the internet (synergic use of rules and technologies designed for this purpose), as regards the correlation of security events in terms of managing logs (SIEM), and as regards the strategic-IT potential represented by social networks.
With regard to fraud prevention, efforts continued relentlessly to fight criminal attacks especially as regards Web Banking, where so-called advanced threats are tackled with increasingly frequency; these involve targeted and sophisticated attached on systems performed by professional hackers, with the objective of obtaining financial resources by disseminating innovative forms of malware. This scenario needs continuous updating of the anti-fraud system both on web banking and on credit and debit cards.

Privacy

The main project addressed to checking any access to the company network by devices belonging to the Group and by external personnel, led to the implementation of the security protocol 802.1x. In the meantime, efforts continued on the compliance requirements prescribed by the Provisions of the Anti-Trust Authority regarding, this year, a number of areas ranging from the consolidation of the solutions adopted as regards the Circulation of bank details and the tracing of bank transactions, to the treatment of cookies on websites, various marketing initiatives, the search for possible data breaches, tests of innovative devices with customer details, the treatment of the database to develop new applications and, last but not least, the treatment of files recording the activities performed with IT tools.
Other projects undertaken focused on supporting methods for the protection of integrity and confidentiality and the availability of an increasingly large amount of internal and external customer data and information, as part of data protection compliance, risk management and control, and developments regarding processing biometric data.

Physical security

Projects undertaken in the period to protect the physical spaces of the Group from external damage and attacks, regarded the areas of robbery and burglary, focusing on preventive physical security measures (deterrence, alarms and safes), enhancing recording systems with the addition of advanced remote video surveillance solutions controlled from a control centre and last but not least, the rationalisation of the accesses to large Group buildings through new access rules. The measures implemented to prevent criminal acts then focused on reinforcing ATM security systems, given the sharp increase in criminal events and the process to improve security technologies for branches (branch entrances, custody of valuables, time-phased cash disbursement and centralised alarm systems for company data networks).
The measures taken impacted the number of robberies, which has fallen significantly, as seen in the table below:

	2015	2014	Change 2015/2014
number of robberies	46	51	- 9.8 %
number of thefts	50	45	+ 11.11 %

The figures shown are in line with those of the industry.

Health and safety

As far as the number of accidents that occurred in 2015 is concerned, the total is down compared to 2014.

	2015	2014	Change 2015/2014
accidents in the workplace	46	55	- 16.4 %
accidents while commuting and on business	123	138	- 10.9 %
total	169	193	- 12.4 %

Specific training, in 2015, at Group level, entailed 52,521 training hours.

As regards the risk assessment, drawn up pursuant to Italian Legislative Decree 81/08, the company has VDU operators and night workers; in this regard 941 medical check-ups were conducted by Medical Officers on VDU operators and 6 check-ups were conducted on night workers.

Business Continuity

The Group continues to implement the legislative dictates of the Bank of Italy. Over the last year, attention has been focused on the management systems of the supply chain of critical processes, the search for an intersection between the continuity solutions adopted by outsourcers and suppliers and the continuity plans drawn up by the Group. The approach adopted has initially entailed joint continuity plan testing by suppliers and the company, by reviewing contractual agreements and sharing subsets of information collected during their respective in-depth analyses of operations (BIA). We reached the conclusion that the correct management of the various business continuity scenarios mainly entails the parties involved sharing the correct information and the right organisational level for the solution, the backup and the ability to guarantee the provision of the service.

Internal audit

The Parent Company's Audit Department is responsible, on one hand, from the perspective of third level control, including on-site audits, for examining the regular performance of operations and the evolution of risks and, on the other hand, for assessing the completeness, the adequacy, the functioning and the reliability of the organisational structure and of the other components of the internal control system, bringing possible improvements to the risk management system to the attention of management bodies, as well as the tools to measure and control the same, also with regard to the Risk Appetite Framework (RAF).

The Audit Department is responsible for conducting internal audits of all central and peripheral organisations of the Banking Group's Italian companies; it also performs planning, coordination and control functions of the audit offices of foreign companies belonging to the Group.
At Banco Popolare's Board of Directors' Meeting held on 6 October 2015, a new organisational structure for the Audit Department was approved to enable, in particular, better adaptation to the guidelines of the December 2014 Supervisory Review and Evaluation Process (SREP) and the consolidation of audits methods and auditing activities, especially as regards monitoring the respect of timeframes established for corrective measures to be implemented, which are illustrated in the new Regulations for internal audits.

The audits conducted in 2015 regarded the following areas:

- governance and conformity, with regard to defining and management the out-of-Group outsourcing model, ICAAP and ILAAP processes, the process of defining contracts for new banking products, compliance with anti-money laundering controls (in particular AUI data quality and the process for reporting suspicious transactions), as well as regarding business continuity and disaster recovery;
- credit and funding, in particular the management of credit positions by Divisions, the process of granting and monitoring credit to Territorial entities, the process of remarketing securities, the revaluation of property used as collateral for mortgage loans and ABACO processes and Covered Bond issue processes. Specific audits regarded internal credit risk models (AIRB) and their effective use;
- finance and the provision of investment services, in particular the management of portfolios owned by Banco Popolare, the reconciliation methods between accounting and management P&L, the organisational processes relating to the creation, structuring and establishment of Italian UCITS addressed to retail customers, IT procedures dedicated to portfolio management services, the process of monitoring and reporting significant equity investments, as well as the management of positions in foreign currency. Specific audits regarded internal market risk models and the analyses of changes made to pricing models;
- operations, with regard to the process of managing internet/mobile banking services, the planning of maintenance for real estate assets, the management of relations with the Public Administration, as well as the organisational processes and the operating and control procedures for the calculation and application of tax on financial income. Specific audits were also conducted on internal models for the assessment of operational risk (AMA);
- information and communication technology, with specific reference to the analysis of the platform dedicated to operations on asset management mandates, checking compliance with copyright laws (software licences), as well as the provision of services by outsourcers relating to treasury entity management.

As established by supervisory regulations, an audit was conducted to check the compliance of the pay and incentive system with the law, which was concluded with a result of overall adequacy.

Audits conducted on the distribution network focussed on the operational areas managed by peripheral units and looked at the organisational processes adopted, compliance with internal regulations as well as the conduct of employees.

In addition to auditing and monitoring activities, the Audit Department also plays an advisory role - also with regard to other company functions - by participating in working groups and projects, and guarantees the continuous updating of auditing methods with respect to regulatory and operating changes.

Compliance

The Banco Popolare Group attaches specific importance to managing the risk of non-compliance with legislation, based on the tenet that the observance of the laws and the regulations envisaged by the Supervisory Authority to safeguard substantial correctness in business relations with customers is key to the banking business, which by its own nature is founded on a relationship of trust.
In 2015, Banco Popolare's Board of Directors approved placing the Compliance Service as a direct report to the Managing Director, isolating it from the Risks Department, and maintaining the same organisation of the individual offices that it is comprised of.
The Compliance Service encompasses specialist functions that directly manage the most important areas in terms of the risk of non-compliance for the Group relating to:

- provision of banking services and transversal governance;
- provision of investment services;
- provision of collective asset management and fiduciary services.

The Compliance Service manages compliance in all other legislative areas, with the collaboration of other internal structures with specific skillsets, adopting pre-established interaction models approved by Top Management Bodies.
In order perform effective governance over direct and indirect compliance management, in 2015, an organisational structure was established within the Compliance Service to assist the Compliance Manager with internal planning and coordination, and with preparing Management Reports, the main tool used to provide information to Management Bodies on the Group's exposure to the risk of non-compliance with the law.
Again with a view to effectively managing non-compliance risk, in 2015, a project to develop an applications solution for Governance and Risk Control (GRC) was launched, to assist control functions (as well as the Compliance Service) to manage internal activities.
The GRC solution will encourage internal integration and coordination between control functions, as recommended by recent regulations on the Internal Control Systems of Banks and Banking Groups.

Transparency
During the year, with the support of the Compliance function, the Group continued the process of fine-tuning and further reinforcing of organisational procedures that seek to guarantee compliance with the provisions in force regarding substantial transparency and correctness when interacting with customers in the provision of banking services.
In addition to these activities, following the issue of the Bank of Italy Provision dated 15 July, which updated the provisions dated 2009, a project was launched to assimilate these legislative changes and to ensure compliance with the same.

Patti Chiari
In 2015, the PattiChiari project was significantly revised, separating self-regulatory activities from those relating to financial education.
The management of the comparison engines "Comparing Current Accounts", "Average time required to close a current account" and several practices related to the "Transferability of Services" previously overseen by the Patti Chiari Consortium, were handed over to the ABI (Italian Banking Association), which uses an Independent Observatory.
Commitments to Quality were further simplified, entailing the rationalisation of related initiatives and of mandatory obligations, such as the elimination of the Changing Accounts Disclosure, the Bank Security Disclosure and the withdrawal of the protocol regarding "Certain timing for availability of amounts paid in by cheque".
With a view to assessing the compliance of the activities performed, the Banco Popolare Group continued to Monitor the Group's Commitments to Quality, mainly by means of periodic statistical analysis.

Preventing Usury
In 2015, the processes to manage compliance as regards anti-usury legislation were fine-tuned.

MIFID
From the beginning of March 2015, the Banco Popolare Group launched a specific project called "Investment Services 2015" which encompasses and coordinates all of the main initiatives relating to the provision of investment services dictated by domestic and European law. The measures implemented, which will be operational from February 2016 established the procedures required to comply with Consob communication 97996/14 on complex products, and also represent a further improvement of the solutions already adopted by the Group with a view to safeguarding and promoting the interests of the customer, in line with the service model that was strengthened in 2014 with the assimilation of the ESMA (European Securities and Markets Authority) Guidelines on consultancy/adequacy in investment services.

Collective investment

As regards the asset management sector, during the year, at subsidiary Aletti Gestielle SGR level, the operating and control processes pursuant to the new European AIFM Directive on alternative investment fund managers, effective as of 30 April 2015, following the double postponement of the terms for fulfilment set by the national legislator, were implemented.

With regard to Aletti Gestielle SGR, last July the project to adopt a Product Governance Policy was also completed, with a view to strengthening the processes for the establishment, classification and monitoring of new products, also with regard to the level of complexity of the same with respect to the customer in question, the remuneration of the distribution networks, as well as the admissibility of incentives to said networks.

As regards distribution, in addition to the launch of the above-mentioned “Investment Services 2015” project, Banco Popolare has maintained significant synergies with the above-mentioned Asset Management Company, with a view to providing all possible information and support to its sales structures, to increasingly improve the level of knowledge of investment products with respect to the needs of customers.

Guarantor 2 Project

The Provision of the Guarantor for the protection of personal data regarding “Requirements for the circulation of banking information and the traceability of bank transactions” obliges banking institutions to adopt rigorous measures (technical, organisational and procedural) so that every time a customer’s information is accessed (such as a cash transaction or a simple consultation) by any bank employee, said access can be traced through a series of elements: the ID code of the employee, the date and time of the access, the code of the work station used, the customer code and the type of contractual account accessed.

With a view to implementing this provision, the Banco Popolare Group has launched the Guarantor 2 Project, which involved numerous departments within the entire Group.

Following the signature on 28 May 2014 of the Trade Union Agreement for the application of the above-cited Provision at Group level, specific training courses were set in place for personnel regarding the content and the implications of the same.

The completion of the measures envisaged by the Guarantor 2 Project, launched by the Banco Popolare Group in 2014, with a view to fully implementing the “Requirements for the circulation of banking information and the traceability of bank transactions” set forth in Provision 192/2011 of the Guarantor and subsequent provisions, is envisaged in the first few months of 2016.

The conclusion of these activities will entail the final formalisation of the process and the consequent finalisation of internal regulations that regulate the activities to be performed to manage and check/monitor access to bank data.

UNI EN ISO 9001:2008 Certifications

One of the Self-Regulation initiatives the Banco Popolare Group adopts regards the Quality Management System set forth in “UNI EN ISO 9001:2008” standard.

The Compliance Service is responsible for overseeing the process of internal implementation and for monitoring the continuous fulfilment of the commitments made.

With regard to that established, the relevant Certification Body - in the case of the Banco Popolare Group “Certiquality S.r.l.” - conducts annual audits to validate the correct implementation and application of the Standard by the organisation that has set in place a Quality Management System (QMS).

In 2015, Certiquality S.r.l., in addition to giving a positive report on both the:

- design and provision of Treasury and Cash services through the Group’s Branch Network (Certificate Registration no. 12121/2)

and the

- training, development and assessment of the Banco Popolare Group’s human resources (Certificate Registration no. 16857),

also arranged, on the express request of the Human Resources Department, to extend this certification to all services provided within the Human Resources Policies Service, which includes training, development and assessment services.

Technological and administrative services

Banco Popolare has entrusted the development of the Group’s applications and technologies, the robustness of the production engine, activities relating to Security, on a strict basis, and After Sales and Assistance Services, as well as the continuous monitoring of potential advantages for the business resulting from new technologies to Società Gestione Servizi (hereinafter SGS).

SGS core activities are organised into the following specialist organisational units to cover its four main areas of expertise:

- Applications Development, coordinated by General Management, which is expected to develop effective and efficient IT solutions;
- Production, responsible for the adequacy of the technological infrastructure and the continuity of processing for the Group;

- Security, the first point of contact for all topics regarding physical security, IT security and health and safety in the workplace of the Group;
- After Sales and Assistance Services, covering administrative, middle and back office structures.

The robustness of the Group's technological architecture, in terms of both infrastructure and applications is the result of the combined efforts of Company Departments, which work together, each within its own scope of responsibility, but pursuing a common vision, objectives and seeking the advantages of synergy: economies of scale, containing costs and streamlining processes.
These elements have always been the end purpose of all of the company's projects, which can be ascribed to three macro areas:

- empowering and facilitating the business;
- corporate projects;
- continuous fulfilment of legislative and regulatory requirements.

Applications development

Credit
To provide support to the Credit business, SGS took steps to extend the base of positions that can be securitised, with a view to increasing the liquidity of Banco Popolare, continued with the functional development of the Electronic Loan Application procedure (for forborne management) and post loan disbursement operations, and summary reporting for customers, entailing issuing a new financial statement. The project to render documentation paperless continued, with specific reference to documents relating to the granting of loans.

Finance
As regards the Finance business area, work focused first and foremost on the new WebAdvisory system to manage advisory services outside of Banco Popolare offices by Private Bankers of Banca Aletti and the introduction of new applications for tablets, which provide private bankers with the full range of operations when dealing with their customers. In addition, the project to review the architecture and the applications of the communications and operations systems for the financial markets (Panama project) was completed. Further functional innovations were implemented as regards Portfolio Management (e.g. management of limits of mandates), as regards Financial Information at trading desks, now made more timely and effective, and as regards Derivative Trading and the Securities database.

Branches
To provide support to the Branch Network, the cash Predictive System was released, a new tool for planning cash payout, collection and loading services (Euro banknotes). The main objective of this new tool is to reduce the costs relating to the transport of banknotes without impacting the level of service provided to customers. In addition, a new applications procedure was activated to support the management of cheque books: it now enables the same to be loaded and unloaded and monitors stock in the vault and in the Branches.

Commercial channels
As regards Direct Commercial Channels for customers, specific functions were developed with a view to extending the operations already available on the Internet channel (YouWeb) to the mobile channel (YouApp), with the objective of facilitating relations with the bank for customers that are used to using their smartphones and tablets and to reach the digital generation.
Furthermore, the first tools addressed to providing services through online channels to non-customers were launched. The most important application in this regard was "Chat&Cash", an innovative app, which enables messages to be sent via chats and to exchange small sums of money between contacts in an address book, even if they aren't Banco Popolare customers.

Risk management and control systems
With regard to systems to support Control activities, SGS continued to develop tools to monitor processes and the associated controls (GRC), data quality control (DAC, Mapac, etc.) and to fulfil the requests of Supervisory bodies (reporting, AQR, ESMA-EMIR, Quadra, etc.).
As regards providing support to risk management, SGS continued to update the systems that manage risk monitoring. More specifically, it worked on the development of Rating systems, counterparty, liquidity and inflation risk analysis and reporting for the Risks Department.

Production

In 2015, SGS addressed significant efforts to bringing its infrastructure and applications systems in line with new legislative and regulatory requirements, it also played an important role in several corporate projects, which entailed considerable transversal work on all of the applications system, on the telecommunications network and on the configuration of processing power. The main projects were:

- the rationalisation of the business branches of the Creberg division in February 2015, following the merger of

Credito Bergamasco into Banco Popolare the previous year;
- the merger of Banca Italease into Banco Popolare in March 2015, which enhanced SGS' systems with Leasing functions and entailed the migration of the positions of Banca Italease's customers to SGS' systems;
- the technological preparation regarding the closure of the London Branch and the sale of the Luxembourg bank.

As regards the technological infrastructure, central processors were introduced with better performing and more advanced technologies, with greater memory capacity and processing speed, characterised by a high level of reliability, scalability and security, with a view to supporting the future development of applications to support the business. The new system is also able to consolidate and/or integrate other "open" applications environments (Websphere, Big Data) in line with technological changes in the marketplace.
As regards information security, the backup systems have been extended and a highly-reliable file transfer solution has been introduced between applications.
Furthermore, the new network connection architecture for branches and areas has been redesigned, with a view to supporting the increasing need to use multimedia components in business (e.g. video communication), at the same time increasing the levels of security and reliability of connections. In parallel, the security levels of the Group Datacenter were increased.

Business Continuity
With regard to Business Continuity, efforts focused on the implementation of initiatives relating to legislation (ref. Bank of Italy 15th update of Circular 263) by checking the status of contracts with critical suppliers and in operational terms with the involvement of the relevant suppliers to produce documentation and participating directly in their tests.

Safety and Security

Banco Popolare considers the security that characterises the Digital Era to be one of the strategic levels to focus on, both in order to increase the "trust" of customers in the Bank, and to provide support to the business, given the continuous request for value services based on the "Social" and "Digital" paradigms, which are radically changing the Bank's relations with its customers.

Logical security
Over the year, work continued on strengthening antivirus and antimalware protection in order to prevent and fight external threats, known as cyber crime. The fraud prevention system was extended to the web corporate banking area, which was strengthened to protect payment cards issued by the Bank, and the security measures to protect applications on mobile devices were enhanced.
With a view to making access to the Information System increasingly secure, and in compliance with the legislation issued by the regulators (network segmentation, payment security, privacy), a controlled access protocol was introduced (802.1x) which regulates access to the company network in a stricter manner.

Physical security
As regards physical security, the year was characterised by projects that sought to integrate and rationalise the physical defence systems to protect Banco Popolare branches. Anti-camouflage devices were innovated using more advanced technologies and evolved systems have been adopted for alarms and video surveillance.

Health and safety
With regard to the management of health and safety in the workplace (Italian Legislative Decree 81/2008), in addition to the standard inspections carried out by Worker Representatives and Medical Officers and legislative compliance, a new automated system has been introduced to manage surveillance and health records.

Privacy
Work undertaken as regards privacy entailed protecting the value and the significance of the information held by Banco Popolare and at the same time governing the management of information. Efforts on legislative compliance continued, as prescribed by the 15th update of the Bank of Italy Circular 263 and the implementation of that envisaged by the provisions of the Privacy Guarantor.

After sales and assistance services

In December 2015, the full integration of operations advice into Assisto was completed; Assisto is Banco Popolare's operational and technological model to provide assistance to the network. An Assisto Base unit was also established at the Verona hub. The project saw the gradual transfer of the organisational unit called "Operations Advice" to various Assisto operating units dedicated to the various business areas.
The new "Branch Assisto" unit was then activated, which, by gathering the experience of the previous operations advice unit, fine-tuned and extended assistance to the commercial network in the areas of current accounts, savings books, certificates of deposit, additional counter services, conditions and sale of accounts. At the same time, the assistance service as regards money laundering and You Services (home banking) was improved.

With a view to continuous improvement, in 2015, the after sales structure worked towards rationalising activities resulting from the reorganisation of several of its internal offices, the completion of which led to a level of efficiency that saved 23 resources, corresponding to 3.56% of the workforce. Again following the revision of internal processes, the continuous improvement of activities and the operational quality of resources, in 2015, the office achieved an important objective of zero operating losses due to internal error.

Technological projects and investments

Legal compliance

Article 136 of the CBL (Consolidated Banking Law) - Obligations of bank representatives
Banco's Board of Directors approved the update of the Group's company regulations following changes introduced by the Legislator to the provisions of article 136 CBL.
The change regards resolutions of the Board of Directors which, without prejudice to the unanimity of its Members and the favourable vote of all Members of the Board of Statutory Auditors, the same must be passed without the vote of the Director in question. The exclusion of the vote of the latter only regards Board Directors and not members of the Board of Statutory Auditors, who have no obligation to advise of their interest in operations regarding them or abstain from voting.

Internal systems for reporting infringements
In accordance with that envisaged by article 52-bis of the CBL and by implementing regulations for "internal systems for reporting infringements", the Parent company's Board of Directors approved the adoption of a Regulation for the procedural and organisational aspects of the Internal systems for reporting infringements that the Banco Popolare Group has adopted to encourage and protect the positive behaviour of Employees who decided to report actions or facts that may represent an infringement of the regulations that oversee banking activities.
More specifically, the new Regulations: identify the parties that may make the reports, provide examples of actions and facts that make represent an infringement; specify the way in which alleged infringements are to be reported; identify the party to which said reports should be directed to; specify the procedure that starts once a report has been made, ensuring total confidentiality of the reporting party; indicate the ways in which the reporting party and the reported party must be informed as to developments in the procedure.

Italian Legislative Decree 231/2001 – Corporate administrative liability
In 2015, procedures to revise the mapping of "231 risks" began, as well as the updating of the Parent Company Banco Popolare's organisation, management and control model, assimilating: (a) new offences that are now included in the category of Italian legislative Decree 231/01 from the first few months of the year: self-laundering, crimes against the environment, crimes against the public administration, mafia associations and false financial statement reporting; (b) the prescriptions addressed to external Structures (Operating Units and Subsidiaries) and the organisational changes following the merger by incorporation of Credito Bergamasco and Banca Italease into Banco Popolare.
The mapping exercise was also completed, the Model was adopted, the Supervisory body for the other three Group Companies was appointed, bringing the number of those equipped with a "231 system" to 28.

Applications systems
In 2015, SGS and Banco Popolare jointly set in place a series of initiatives that were based on compliance with the indications of the new Prudential Supervisory Provisions for banks (ref. 15th update of Circular 263/06); the most important of which were:

- the "Analysis Method for IT Risk" was approved, which establishes the organisational structure, the methods and procedures for the process of analysis of IT risk adopted by the Group. IT risk, as defined by the law, is encompassed by operational risk, strategic risk and reputational risk; the method adopted distinguishes between IT risks of an operational nature, which inherit that already set in place for operational risk, and those of a strategic or reputational nature, for which specific methods have been established. Each year, a "Summary report on the situation of IT risk and calculation of the propensity to IT risk" is drawn up;
- the Strategic Planning Document for ICT was prepared, which contains the reference architecture model for the information system, an assessment of adequacy and positioning in terms of efficiency and effectiveness, sourcing strategies and the annual report on the adequacy of ICT costs. This document illustrates the strategies for the development of the information system, taking the 2014-2016/18 Group Business Plan into account as well as new market trends, and dictates the guidelines for the 2016-2017 ICT Operating Plan. More specifically, within medium-long term scenarios, it highlights the need to keep pace with the increasing spread of digitalisation, by preparing a solutions that can be set in place alongside traditional banking, and that can meet the needs of the new generation; a project is envisages that will lead to the creation of a Digital Branch, which will enable customers and customer relationship managers to interact using available technologies to their best advantage;
- Data Governance Standards were established, which illustrate the approach and the guiding principles adopted by the Group when managing its data resources; the basic principles of data governance were established (with scope, roles and responsibilities, processes), as well as management standards, data

quality and security. In 2015, the implementation of the model entailed the creation of a "semantic data model" and the implementation of a technical solution to support its management; the phase relating to the development of relations between the model and IT assets was launched. The Bank already has extensive and effective Data Quality Control & Reporting systems which, following the adoption of the cited standards, will be further extended and organically structured.

Further changes relating to legislative compliance were also made in the following applications environments:
- SEPA payments, by activating the management of intraday settlement cycles, as regards Transparency and Usury, by revising the procedure and the timing for the calculation of interest due to customers;
- Irregular Credit, by standardising its classification categories to those indicated by the ECB;
- Financial Markets, by implementing the changes dictated by US stock markets as regards the settlement times for transactions and implementing the new mechanisms underlying Prudent Evaluation;
- Settlement Systems, by bringing its own systems in line with the new requirements for Target2 Securities as regards the settlement of transactions in securities on Eurozone markets.

Customer Services

"PAPERLESS" project
In 2015, Banco Popolare continued to develop areas related to Paperless/graphometric Signatures (advanced electronic signature made by means of technologically-advanced pads, which have the same legal validity as a regular signature on paper).
The option of making advanced electronic signatures is now operational for 100% of over the counter accounting orders. At the end of 2015, over 580,000 customers has subscribed, signing around 11 million "paperless" documents, guaranteeing in this way greater security for both the Bank and the Customer, and a considerable reduction of the impact on the environment.
In 2015, the option of signing using the pad was also gradually extended, for the entire branch network, to a first significant set of contractual documents of Banco Popolare (current accounts, advances, cards, home banking services, privacy) and of third party companies (bancassurance).
In 2016, the option of signing using the pad will be extended to the main types of contractual documents.

International business support
In order to extend the range of tools that may be used online, making the same available to customers to enable them to compete successfully in international markets, in 2015, the following business services were developed:
- YouWorld, an information platform that enables Businesses that work, or intend to work with firms abroad to access an exhaustive amount of information on foreign trade (e.g. political-institutional overview of a country, customs and fiscal regulations, contractual obligations, tenders, lists of professionals) and provides references for potential foreign suppliers or buyers (organised by country, type of goods or services). YouWorld was made available to customers in December 2015.
- YouTrade Finance, the evolution of the online channel YouBusiness WEB, is a module that enables goods operations to be managed (International guarantees, Documented Receivables, Import-Export documents, discounts with and without recourse), on-line, simplifying and optimising the Bank-Customer relationship. YouTrade Finance enables digital documents to be exchanged between the bank and the customer, by means of a guided and constantly traced procedure, able to guarantee the utmost safety (e.g. use of a digital signature) and guaranteeing a reduction in the time and the monitoring of the state of progress of a file by the customer. YouTrade Finance is expected to be released to customers in 2016.

YouCard
In 2015, the YouCard Business platform was further extended, Banco's company card created to enable companies to dynamically manage, by means of a control panel, the parameters of the cards assigned to employees (spending limits, geographic area, time brackets, categories of merchandise permitted) and to efficiently manage the flows of data from and to the bank.

Credit regulations and processes

Forbearance exposures
A new policy on "Forbearance Exposures" has been drawn up, which assimilates the provisions of the EBA and establishes the principles and the criteria to adopt for the classification of exposures as "forborne", regardless of whether they are performing or non performing.
The provisions of the new policy and the consequent integration with the IT system were rendered gradually operational over the course of the first six months of 2015.
In particular, in January 2015, the reference legislation was issued and IT system updates were released to identify "forborne loans".
At the beginning of the second half of 2015, in compliance with the terms agreed with the ECB, changes to the monitoring and management processes for performing exposures (watch list) and non performing exposures resulting from the classification of exposures as "forborne exposures" were regulated and launched in procedural terms.

Classification of non performing exposures
The necessary regulatory and procedural changes to update classifications to non performing loan status or the return to "performing" of the same, in accordance with the new criteria established by the EBA.
In line with the terms agreed with the ECB, these new criteria were fully operational from the start of the second half of 2015.

Credit Assessment
The new policy on Credit Assessment, which became fully operational from 24 November 2014, has redefined the process used to identify the amount of loss provisions for non performing exposures.
The policy envisages different procedures depending on the status and the size of the exposure:

- for past due exposures, regardless of the amount, for Unlikely to pay exposures with forbearance below a materiality threshold of euro 15,000, as well as for Unlikely to pay exposures or Bad Loans for amounts below euro 100,000, the average LDG estimated by Risk Management is applied on a forfeit basis;
- for Unlikely to pay exposures with forbearance above the afore-cited materiality threshold, as well as Unlikely to pay exposures and Bad Loans for amounts exceeding euro 100,000, expected losses are assessed analytically by the manager, who in any event is proposed a floor calculated on the basis of a percentage LGD.

Expected losses valued analytically by the manager are periodically reviewed.

II level controls
In 2015, the office dedicated to 2nd level controls, part of the Risk Management Service, gradually became operational. The responsibilities allocated to the new office have completed the Bank's credit control structure and focus on verifying the coherence of classifications, the adequacy of the credit collection process and the suitability of provisions. In the presence of problems identified but not resolved, this function then identifies the appropriate measures to take to resolve the situation and submits a request to implement them to the relevant company functions and Bodies.

Other Risk Management projects

With regard to models to estimate credit, market and operational risk, readers are referred to Part E of the Notes to the Financial Statements entitled "The Internal Basel Project".

Group Risk Appetite Framework
In the first few months of 2015, the Banco Popolare Group revised the overall structure of the Risk Appetite Framework (RAF) following activities launched in 2014, which regards the definition of the guidelines.The RAF represents the reference framework comprising the risk appetite of the Group, the tolerance thresholds, risk limits, risk governance policies and reference processes required to define and implement them.
Specifically, the Group Risk Appetite Framework defines the following "components" which, in some cases, formally constitute elements that were already present in the system of risk limits/objectives previously in force:

- roles and responsibilities of the bodies (Board of Directors, MD, Board of Statutory Auditors) and corporate functions, operating methods and information flows to the governance bodies and control functions;
- the definition of the scope of application of the overall framework, the risks included in the RAF model and the areas of application (regulatory and operating capital adequacy, liquidity and financial leverage, performance and income, compliance and anti-money laundering);
- the risk indicators that constitute the system of indicators for the above areas according to a specific breakdown by differing levels of granularity (primary, complementary and operational);
- measurement and periodic monitoring of the indicators with the related reporting to corporate bodies;
- the process of identifying and managing compliance with the size of the defined risk limits/objectives.

All of the indicators contained in the Group RAF are measured and monitored at least quarterly. Please refer to Part E of the Notes to the financial statements for more details.

Risk-based incentive system
In 2015, several changes were made to the Group's risk-based incentive system in order to better comply with the changes in legislation dictated by Delegated Regulation 604/2014 which includes qualitative and quantitative requirements relating to the identification of so-called most important personnel;

Credit risk: update of risk parameters
In December 2015, Banco updated the risk parameters, by lengthening the time series used to estimate PD and LGD. In terms of the risk measurements used to calculate performing loan provisioning (collective), a new definition of default was introduced in line with the application submitted in February 2015 to the European Regulator.

Liquidity Risk
In 2015, monthly/quarterly supervisory reporting came into effect; the Group therefore continued with the optimisation of the process to generate Basel III indicators in order to meet the tight deadlines imposed by the law. Note that the phase-in for the entry into force of the LCR threshold (Liquidity Coverage Ratio - short-term indicator) envisages a threshold reduced to 60% from 2015; this is expected to be increased by 10% each year until it reaches 100% in 2018; for 2016, therefore the threshold is set at 70%.
During the year, intra-day second-level liquidity monitoring was also activated.
In line with the legislative changes introduced by European directive CRD IV/CRR, in 2015, the Group prepared the first Self Assessment Report for Internal Liquidity Adequacy Assessment Processes (ILAAP), similar to that already in effect as regards capital adequacy (ICAAP).
In 2016, the same Report will be produced, in line with that expressly provided for in the new guidelines envisaged by the ECB.

Counterparty Risk
In 2015, the management of controls on risk exposure measurement using the operating methods implemented during the course of the previous year was further optimised, ensuring a high level of ongoing effectiveness and efficiency.

Communication

In 2015, media relations were conducted alongside the traditional management and development of relations with national and local information bodies, and included on the field communication with social media. Banco Popolare has launched a programme to use the main social networks, planning systematic presence by means of the daily dissemination of news and topics linked both to the institutional sphere and to events, projects and initiatives that take place in the local areas.
With regard to the production and propagation of information, during the year, almost 200 press releases were written and issued relating to price sensitive, commercial, institutional aspects or dedicated to cultural and social initiatives set in motion by Banco Popolare, both directly or through the local brand names used by the commercial network. A large number of high quality press conferences were held on the occasion of events, projects and initiatives promoted or sponsored by Banco, directly or in collaboration with institutions, companies, entities and associations that operate in the various local communities.
Collaboration with national and local radio and television broadcasters was consolidated. More specifically, communication on social topics and initiatives intensified, an area that Banco Popolare continued to pay considerable attention to. At the same time, a large number of initiatives were implemented to make communication opportunities and channels available for the business activities of customers and members, by sharing the success stories of artisans, traders and entrepreneurs with the media.

Two large-scale communication campaigns took place last year, aired on national and local radio, accompanied by strong web presence and on social networks.
In the first half of the year, we sponsored the last minute mortgage, a first home mortgage loan with a particularly competitive rate for the period (1.45%), through an important campaign on the main radio stations (RTL, RDS, radio 101, radio 105 etc.) and adopting an innovative approach which entailed both standard radio adverts and adverts through the major radio DJs, as special testimonials, with coordinated and highly effective mentions. The “Popo Pop Popolare” jingle was featured in the advert and became an identifying tune, well received and recognised by a wide audience.
In the second half of the year, Chat&Cash was established, an app by Banco that enables users to chat and exchange money easily and without having to open a current account. The launch again entailed a radio campaign and continuous presence on the major networks, adopting the same innovative and entertaining approach of involving the major DJs and with good advertising pressure.

Initiatives entailing presenting the success stories of local small and medium businesses increased and were consolidated also due to the launch, in the spring, of “Popolare News”, Banco’s new free press on paper and online (www.lanotiziapopolare.it). This new newsletter has replaced “La Rivista”, and recounts what Popolare is today. In 2015, 80 stories relating to our local areas were published, stories of an Italy that, despite everything, is trying to change and innovate, with a spirit of sacrifice, without preconceived ideas and optimistic for the future.
With regard to communication to members, the “InsiemeSoci PopUp” newsletters has also been renewed and improved. It provides timely information on the events and initiatives of the Group in the local area. In 2015, projects such as the portal reserved to members, were consolidated, through which various information can be accessed regarding the Bank’s activities, and the “SociDays” days continued, with guided tours of museums, churches and places of local interest.
In 2015, another successful series of “Incontri Popolari” (Meeting the People) were held, 18 appointments over the course of the year, in 15 different cities, with the participation of almost 9 thousand people. These represent opportunities for discussion and debate with local communities, with testimonials and reflections on the meaning of the adjective “popular” as an aggregating and positive element underlying Italian tradition and culture.
As regards internal communication, Banco & Noi flash, the on-line daily newsletter that can be accessed from the

workstation of each user and that is updated several times during the same day, has become a source of information and a fundamental moment of sharing in the daily lives of the Group's employees, who particularly appreciate how quickly the information is circulated.
For retired employees, in 2015, Noi Popolari took over from Banco & Noi. This paper magazine, addressed to retired Banco Popolare employees, as well as changing name and undergoing a graphic restyling, also saw a change in content, with a view to focusing on topics that are closer to our daily lives, bringing readers to the centre of attention through their life experiences and "popolare" stories. Changes included a literature contest addressed to readers.
Lastly, we would like to remind readers about DirettaBanco, the internal communication "channel", which enables the Group's General Management to communicate directly with the branches at times that are important to company life. Over the year, several meetings were held between top management and network managers with a view to promoting dialogue and sharing company objectives.

Over seven hundred conferences were hosted, which focused, in particular, on the world of associations, of no profit companies and of voluntary bodies: Various initiatives in the "square" have seen Banco Popolare and Local Foundations involved in organising charity events: in particular, the Volunteers' Festivals, which took place in Verona, Lodi, Novara and Lucca and the "Preserves in the Square" projects, in collaboration with local consortia, with a view to rediscovering the genuine taste of sweet and savoury preserves and the techniques used to make them.
From a cultural perspective, the "Dante Popolare" series is also worth mentioning, organised on the occasion of the 750th anniversary of Dante Alighieri's death and the events organised to remember the 100th anniversary of the Great War.

Promotional gadgets were designed for customers, distributed through the branches, based on the different seasons of the year. We would like to draw attention to the new look of the Company profile, a brochure that recounts our story, integrated with economic data that will be updated at 31 December of each year, and is available on the Banco Popolare website in the section "Who we are" both in Italian and English (www.bancopopolare.it/en investor relations).

Investor Relations

In 2015, Banco Popolare's Investor Relations team managed a total of 109 events, usually with the involvement of Group top management, which entailed meeting with 471 investment funds (from both the stock market and the bond market), financial analysts and rating agencies. These were supplemented by 4 telephone conferences held with audio webcasts over the year to present the Group's financial performance to the market as at 31 December 2014, as at 31 March 2015, as at 30 June 2015 and as at 30 September 2015, therefore reaching a total of 113 events.

	no. of events	% of total	no. of parties involved	% of total
Industry conferences (stock market)*	7	6.4%	172	36.5%
Industry conferences (bond market)*	4	3.7%	32	6.8%
Roadshows (stock market)	5	4.6%	55	11.7%
- of which: United Kingdom	*1*	*0.9%*	*32*	*6.8%*
- of which: other European countries	*4*	*3.7%*	*23*	*4.9%*
Roadshows (bond market)	4	3.7%	45	9.6%
- of which: Italy	*1*	*0.9%*	*12*	*2.5%*
- of which: United Kingdom	*2*	*1.8%*	*27*	*5.7%*
- of which: other European countries	*1*	*0.9%*	*6*	*1.3%*
Other individual and/or group meetings, telephone conferences and video conferences (stock market)	64	58.7%	117	24.8%
Other individual and/or group meetings, telephone conferences and video conferences (bond market) **	19	17.4%	44	9.3%
Meetings with rating agencies	6	5.5%	6	1.3%
Total	**109**	**100%**	**471**	**100%**
Presentations of Banco Popolare's results***	4		4	
Total including the presentations of Banco Popolare's results	**113**		**475**	

(*) Excluding investors that attended any "Floor presentations" of the industry conferences.
(**) The other meetings also include any due diligences associated with the bond market.
(***) The attendees at the presentations of the results count as one only.
The number of parties involved means the number of legal entities (investment funds, analysis houses, rating agencies etc.).
As regards the Roadshows, number of events means the number of days dedicated to said activity by financial team/branch involved.

As regards the stock market, the Group attended 7 industry conferences, organised in various European cities by leading research and brokerage firms, which entailed meetings with 172 investors, corresponding to 36.5% of the total number of parties reached over the year; furthermore, the Investor Relations team coordinated 5 roadshow days, meeting a total of 55 investors, corresponding to 11.7% of the total number of parties with whom meetings were held.
With regard to the bond market, the Group attended 4 industry conferences, meeting with 32 investors (6.8% of the

total); 4 days of roadshows addressed to this market were organised, which entailed meeting with 45 parties (corresponding to 9.6% of the total).
The remaining 35.4% of parties (equity and debt security investors and analysts and rating agencies) were able to communicate with Banco Popolare management on 89 other occasions (other direct meetings, teleconferences and/or video conferences).

Lastly, note that as at 31 December 2015, the Banco Popolare stock is “covered” by around 22 stock research companies (of which 11 have made positive recommendations, 9 neutral and 2 negative), with which the Investor Relations service continuously liaised with over the year.

OTHER INFORMATION

Members and Shareholders

Banco Popolare's share capital is held by private investors, with a high level of fragmentation, which reflects the 'popular' nature of the Group, and by institutional investors.

As at 31 December 2015, the Group had over 215,300 Members (of which 44[(1)] institutional). Of these, around 87% have deposited their shares with the Group. Members are mostly resident in the Group's five regions that represent the Group's historic roots: Veneto, Lombardy, Emilia Romagna, Tuscany and Piedmont. These figures demonstrate the connection between the status of member and the status of customer, which has also characterised the spirit of cooperative people's banks, the foundation for a solid loyal relationship.
If in addition to Members we also consider the around 106,400 non-member Shareholders, who held Banco Popolare shares at the end of 2015 (of which 706[(1)] institutional investors), the total number of parties holding shares rises to around 321,800.

As at 31 December 2015, according to information published on the Consob website, three institutional investors held an investment of over 2% of Banco Popolare's share capital, as shown in the following table.

Declarant	% held
Blackrock Inc.	5.374%
Fondazione Cassa di Risparmio di Lucca	2.891%
Norges Bank	2.167%

(Source: Consob)

At the beginning of February 2016, according to the information provided by Consob, Blackrock has reduced its stake to a level below 5%.

Banco Popolare stock

Banco Popolare's stock is listed on the Italian Stock Exchange (Borsa Italiana).
The table below summarises the weight of Banco Popolare in several of the main Italian and European indices, where the stock is listed, at the beginning of 2016.

Index	% weight
FTSE Italy All-Share	1.31%
FTSE Italy All-Share Banks	4.84%
Euro Stoxx Index	0.13%
Euro Stoxx Banks Index	0.95%

NB: Figures are updated to 7 January 2016 (source: Bloomberg)

Over the course of 2015, the trend of European stock markets was positive as a whole, despite the Greek crisis at the beginning of the summer, the subsequent Chinese crisis, and a 'black' December, the worst since 2002, affected by persistent fears for the Chinese economy, the collapse of oil prices and the consequent downsizing of prospects for European macroeconomic growth. The Dj Stoxx 600, the pan European index that groups together the main securities of the Old Continent, actually rose by 6.8% yoy.

In this context, Piazza Affari reported better performance at European level, as well as one of the best at world level. With a rise of 12.7% of the FTSE Mib with respect to the last session of 2014 - which then rose to 15.4% for the FTSE Italy All-Share - the Milan-based stock market did better than the second best European stock market, Frankfurt, which closed the year with +9.6%.
Due also to this trend, the capitalisation of companies listed on Piazza Affari rose to euro 567.6 billion, reaching 34.8% of Italian GDP against 29.1% at the end of 2014. The year closed with 356 listed companies, 14 more than the previous year, 282 of which on the MTA (71 on the Star segment) and 74 on AIM Italia, and during 2015 there were 32 new admissions, of which 27 IPO (one more than in 2014, and the highest level since 2007). In total, listed companies and

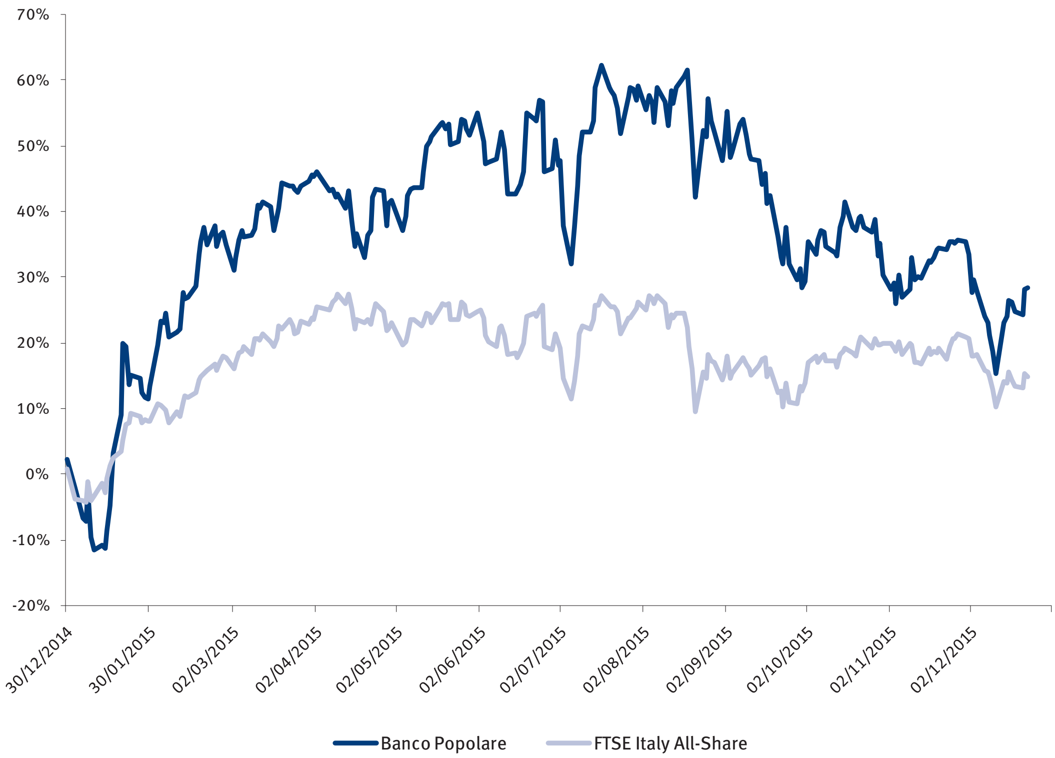
(1) "Type of Party" breakdown of Institutional Investors: Insurance Companies, Central Banks, Investment Banks, Bank Foundations, Mutual Funds, Pension Funds, Sovereign Funds, Credit Institutions, Undertakings for Collective Investment, Asset management Companies, Stock Brokerage Firms and Investment Companies.

newly-admitted companies collected euro 9.8 billion over the year, euro 4 billion of which in share capital increases and the rest for IPOs.

As regards the banking industry, note that the Italian industry index (FTSE Italy All-Share Banks) rose by +14.8% against the end of 2014, going against the trend of the European industry index (Euro Stoxx Banks), which instead recorded a fall of -4.9%.

In this regard, the Banco Popolare stock recorded better performance both on the FTSE All Share and on the FTSE Italy All-Share Banks, closing 2015 with a rise of +27.3% compared to 2014.
During the year, the stock substantially followed market trends, although emphasising the volatility of the same and, after the falls recorded in the first half of January, when it was at its record low for 2015 of euro 8.9 (12 January 2015), it then followed an uptrend with respect to the end of 2014, reaching a high of euro 16.3 in July (20 July 2015). In the second half of the year, the stock fell again with respect to this peak, also reflecting the Greek crisis, the Chinese one as well as market turbulence recorded in December, closing the year at euro 12.8.

The following graph shows the performance of Banco Popolare stock (on a base of 100) between 30 December 2014 and 30 December 2015 compared with the FTSE Italy All-Share index.



Shares issued as at 31 December 2015 numbered 362,179,606 and corresponded to a capitalisation of around euro 4.6 billion.

Group ratings

Rating agency	Type of Rating	Rating as at 31/12/2015	Rating as at 31/12/2014
Moody's	Long term on Deposits	Ba3 (Under Review for possible upgrade)	Ba3 (Negative outlook)
	Long Term on Senior Unsecured Debt	Ba3 (Stable outlook)	Ba3 (Negative outlook)
	Short term	NP	NP
Fitch Ratings	Long term (IDR)	BB (Stable outlook)	BBB (Negative outlook)
	Short term (IDR)	B	F3
DBRS	Long term	BBB (low) (Stable trend)	BBB (middle) (Negative trend)
	Short term	R-2 (middle) (Stable trend)	R-2 (high) (Negative trend)

Changes in the ratings of the Banco Popolare Group during 2015, broken down by rating agency, are described below.

Moody's Investors Service (Moody's)

On 17 March 2015, as part of a global review following the publication of the new method for bank ratings dated 16 March, and having decided to reduce its outlook on government support to European banks, in light of the introduction of the Bank Recovery and Resolution Directive (BRRD) in the European Union, with regard to the Group, Moody's:

- confirmed the "standalone" Baseline Credit Assessment (BCA) rating at "b3", and placed it under review for possible upgrade (having removed the positive outlook);
- confirmed the Long-Term Unsecured Senior Debt and Deposit rating at "Ba3", and placed it under review for possible downgrade (having removed the negative outlook), but also indicating confirmation of level "Ba3" as the preliminary result of the Review;
- confirmed the Short-Term rating of NP;
- cancelled the Bank Financial Strength Rating, in line with the new method adopted.

Moody's then concluded the afore-mentioned review on 27 May, confirming the Long-Term Senior Debt and Deposit rating at "Ba3" and assigning a Stable outlook.
This confirmation reflected the improved BCA rating, which was raised from "b3" to "b2", as well as the application of the new bank rating methodology (particularly the Loss Given Failure analysis) and the reduced outlook on government support, which decreased to zero.

Lastly, on 29 October, Moody's put the Long-Term rating on Deposits "Ba3" of Banco Popolare under Review for possible upgrade. Said review, made as part of a wider rating action on the Italian banking sector, reflected the envisaged implementation of the BRRD in Italy. All of the Group's other ratings assigned by the agency were unchanged.

Fitch Ratings

On 7 April 2015, Fitch Ratings confirmed the Long and Short-Term ratings of Banco Popolare and the subsidiary Banca Aletti at "BBB/F3" with a negative outlook and downgraded the viability rating of Banco Popolare from "bb+" to "bb".

Subsequently, as part of a review of its outlook on government support for European banks in light of the gradual introduction of the BRRD, on 19 May, Fitch Ratings announced actions on the ratings of several banks, including Banco Popolare.
In that context, after downgrading our Group's Support Rating from "2" to "5" and concurrently lowering the Support Rating Floor from "BBB" to "No Floor", Fitch Ratings shifted the long-term rating from "BBB" to "BB", the Viability Rating level, while the Short-Term rating was lowered from "F3" to "B". At the same time, the outlook on the Long-Term rating changed from negative to stable.
The Long and Short-Term ratings of the subsidiary company Banca Aletti were also changed to "BB/B" with a stable outlook.

In this regard, please note that in a press release published on 19 May, Banco Popolare expressed its unequivocal disagreement with the decision of Fitch Ratings, as it is not consistent with the Group's strengthened capital and financial structure, which made it possible not only to pass the ECB's stress test by a broad margin, even in the adverse scenario, but also to lay the foundation for the positive performance forecast starting this year. These achievements were already reflected in the Group's positive performance in the first quarter of 2015, which Fitch Ratings had failed to mention in its Rating Action Commentary.

DBRS

In light of the review of its outlook on government support for European banks given the gradual introduction of the BRRD, on 20 May 2015 DBRS placed the long and short-term ratings of several banks in Europe, including Banco Popolare Under Review Negative.

Subsequently, on 29 September, again with regard to an industry-wide measure, DBRS withdrew the May Review Negative and, having eliminated the grade of systemic support previously included in our Group's Long-Term rating, changing the same from da "BBB (middle)" to "BBB (low)" with Negative Trend, corresponding to the level of the Intrinsic Assessment assigned to us. Consequently, in line with the agency's method, the Short-Term rating was downgraded from "R-2 (high)" to "R-2 (middle)", with a Negative Trend.

Lastly, on 15 December, DBRS upgraded the Trend assigned to Banco Popolare's ratings from Negative to Stable, at the same time confirming the Long-Term rating of "BBB (low)" and the Short-Term rating of "R-2 (middle)".

The table below summarises the ratings assigned at the end of 2015 to the Banco Popolare Group and to the subsidiary Banca Aletti.

Rating agency	Type of Rating	Banco Popolare	Banca Aletti
Moody's	Long term on Deposits	Ba3 (Under Review for possible upgrade)	
	Long Term on Senior Unsecured Debt	Ba3 (Stable outlook)	
	Short term	NP	
	Baseline Credit Assessment (BCA)	b2	
Fitch Ratings	Long term (IDR)	BB (Stable outlook)	BB (Stable outlook)
	Short term (IDR)	B	B
	Viability rating	bb	n.a.
	Support rating floor	*No Floor*	n.a.
	Support	5	5
DBRS	Long term	BBB (low) (Stable trend)	
	Short term	R-2 (middle) (Stable trend)	
	Intrinsic Assessment	BBB (low)	
	Support Assessment	SA-3	

The required ratings of Group companies that have debt issues are indicated.

As an event occurring after the end of the financial year, note that on 25 January 2016, Moody's Investors Service concluded the Review for possible upgrade of the Banco Popolare's Long Term rating on Deposits, which began on 29 October 2015, raising it from "Ba3" to "Ba2" and giving it a Stable Outlook. All of the Group's other ratings were unchanged.

PERFORMANCE OF THE MAIN GROUP COMPANIES

A summary of the main investments in Group companies is presented below, with an indication of the most significant statement of financial position, income statement and operating balances as at 31 December 2015.
As regards the Parent Company, Banco Popolare, please refer to the separate financial statements contained in this report.

Banca Aletti

	31/12/2015	31/12/2014	Change
Income statement figures (*in millions of euro*)			
Interest margin	184.1	159.0	15.8%
Net fee and commission income	(25.0)	(46.7)	(46.6%)
Operating income	250.2	228.3	9.6%
Operating expenses	(108.8)	(85.0)	28.0%
Income (loss) from operations	141.4	143.3	(1.3%)
Income (loss) before tax from continuing operations	139.0	126.0	10.3%
Income (loss) after tax from continuing operations	92.6	83.5	11.0%
Income (loss) for the year	92.6	83.5	11.0%

	31/12/2015	31/12/2014	Change
Statement of financial position figures (*in millions of euro*)			
Total assets	17,097.6	14,467.2	18.2%
Loans to customers (net)	1,334.1	1,548.3	(13.8%)
Financial assets and hedging derivatives	7,090.3	6,792.1	4.4%
Shareholders' equity	929.4	836.6	11.1%
Customers' financial assets (*in millions of euro*)			
Direct funding	645.1	519.0	24.3%
Indirect funding	17,489.4	18,707.5	(6.5%)
- Asset management	15,599.4	16,683.9	(6.5%)
- Mutual funds and SICAVs	653.6	597.8	9.3%
- Securities and fund management	14,827.9	16,001.6	(7.3%)
- Insurance policies	117.9	84.5	39.6%
- Administered assets	1,890.0	2,023.6	(6.6%)
Information on the Organisation			
Average number of employees	452.3	438.0	3.3%
Number of bank branches	33.0	34.0	(2.9%)
Profitability ratios (%)			
Financial margin / Operating income	73.6%	69.7%	5.6%
Net fee and commission income / Operating income	(10.0%)	-20.5%	(51.2%)
Operating expenses / Operating income	43.5%	37.2%	16.8%
ROA	0.5%	0.6%	(6.1%)
ROE	11.1%	11.1%	(0.1%)
Operational productivity figures			
Gross loans to customers per employee (€/1000)	2,949.3	3,534.8	(16.6%)
Operating income per employee (€/1000)	553.1	521.2	6.1%
Operating expenses per employee (€/1000)	240.5	194.0	24.0%
Capitalisation ratios			
Common Equity Tier 1 ratio	26.8%	33.3%	
Tier 1 capital ratio	26.8%	33.3%	
Total capital ratio	26.8%	33.3%	
Tier 1 capital ratio / Tangible assets	5.0%	5.8%	
Other ratios			
Financial assets / Total assets	41.5%	46.9%	
Derivative assets / Total assets	18.4%	26.7%	
Net trading derivatives / Total assets	(31.4%)	(23.8%)	

For a more detailed description of the main events regarding Banca Aletti, please refer to the section of this Report on Operations that regards business segments, and particularly Investment & Private Banking.

Aletti Gestielle SGR

(in millions of euro)	31/12/2015	31/12/2014	Changes
Income statement figures			
Operating income	95.5	71.8	33.0%
Income (loss) from operations	75.9	54.3	39.8%
Net income (loss)	51.7	36.7	40.9%
Statement of financial position figures			
Total assets	274.4	206.9	32.6%
Shareholders' equity	209.1	157.4	32.8%
Asset volumes			
Net assets of UCITs managed	16,482.4	14,517.9	13.5%
Subscriptions	6,445.0	7,888.7	(18.3%)
Redemptions	4,134.6	4,493.2	(8.0%)
Other figures			
Average number of employees (*)	68	69	

(*) Arithmetic average calculated on a monthly basis. Directors and Statutory Auditors are excluded from this aggregate.

For a more detailed description of the main events regarding Aletti Gestielle SGR, please refer to the section of this Report on Operations that regards business segments, and particularly the Asset Management segment.

Other equity investments

(in millions of euro)	Total assets	Shareholders' equity (*)	Direct Funding	Indirect Funding	Net loans	Income (Loss)
Banks						
Banca Aletti & C. (Suisse)	88.7	16.0	69.2	262.1	23.5	(0.6)
Bipielle Bank (Suisse)	96.6	48.0	5.8	-	9.6	(1.6)
Financial companies						
Aletti Fiduciaria	10.6	7.7	-	1,218.1	1.5	0.1
Release	2,797.2	254.7	27.0	-	1,856.8	(95.1)
Italease Finance	0.2	0.1	-	-	-	-
Other companies						
Società Gestione Servizi - BP	306.9	106.7	-	-	2.2	0.5
Holding di Partecipazioni Finanziarie Banco Popolare	624.7	616.4	-	-	-	111.6
Bipielle Real Estate	1,064.9	1,012.9	-	-	63.1	(8.3)
Tecmarket Servizi	26.0	15.6	-	-	-	2.9
Italease Gestione Beni	110.8	60.1	-	-	8.4	2.8

(*) Amount inclusive of the income (loss) for the year.

Relations with subsidiaries and associates

Please refer to the Notes to the Consolidated Financial Statements, part H, for a full description of related party transactions.

Treasury shares of the Parent company and of subsidiaries

Please refer to section 15 - Group Shareholders’ Equity in Part B of the Notes to the Consolidated Financial Statements.

MUTUAL AID AND SCHEMES IN THE PUBLIC INTEREST

Criteria adopted within company operations to achieve its mutual aid objectives

This paragraph is drawn up pursuant to art. 2545 of the Italian Civil Code, which provides that directors of Cooperative companies, even if the main purpose of such is not mutual aid, must, in the report to the financial statements "specifically indicate the criteria adopted within company operations to achieve its mutual aid objectives".

The objective to continue to focus on the socio-economic aspects of the historic areas in which the banks that are now part of Banco Popolare are based, has been achieved by confirming an organisational model based on Territorial Divisions, fully integrated within the Parent Company bank, established in the traditional historic areas with strong ties to the local communities.

The need to safeguard close relations with the local area is also guaranteed by the articles of association, with regard to the composition of the Management body, which must include representatives from all of the Bank's traditional historic areas.

As set forth in art. 4 of the Articles of Association, "the purpose of the company is to collect deposits and exercise credit, in its various forms, vis-à-vis both its own members and non-members, based on the principles of People's Credit". Banco Popolare pays special attention to the local areas in which it operates, where its widespread network enables it to serve the needs of Small and Medium Enterprise as well as cooperatives and retail customers. Lastly, in view of its institutional objectives, Banco offers its member-customers special terms and conditions for specific services, also through its subsidiaries. This is especially important at times like the present, in which the country continues to experience a difficult socio-economic scenario.

In this way, Banco Popolare has taken a direct approach to mutual aid - considering the relationship between its members, who provide capital to the bank and receive services as customers - and an indirect one, considering the interaction between the bank and the socio-economic context, seeking to serve the local community.

With regard to the stakeholder structure, as at 31 December 2015, Banco Popolare had over 215,000 members, the majority of which resident in the five regions that represent its historic roots: Veneto, Lombardy, Emilia Romagna, Tuscany and Piedmont. 87.32% of the total number of Members have deposited their shares with the Group's territorial network, confirming the member/customer ties that characterise the spirit of cooperative people's banks as a foundation for a solid relationship of trust and loyalty. All member applications received are examined on the basis of the articles of association, of the Regulations approved by Banco's Board of Directors.

The Shareholders' Meetings of Banco Popolare are particularly important as they enable Members to participate directly in company life.

Ensuring compliance with the legal and statutory rules that regulate the status of member and the life of the Company is a foregone conclusion. In this perspective, Banco Popolare has always been committed to encouraging as many members as possible to attend the important annual general meeting, with a view to upholding the principle of collective democracy and in its efforts to encourage the direct participation of Shareholders in the relative resolutions. These efforts are represented, in organisational terms, by giving the Members that participate in the Shareholders' meeting the opportunity for a large number to attend by providing adequate space and services and by enabling the same to exercise their company rights in the best way possible.

On 11 April 2015, the annual Ordinary and Extraordinary Shareholders' Meeting of Banco Popolare was held in Novara, with the participation of 36,097 Members, of which 8,636 attended directly and 27,461 by proxy, confirming the solid tradition of wide attendance and participation that has characterised the Group's banks for decades.
Among other things, the Shareholders' Meeting approved the financial statements of Banco Popolare and replaced two Board members, as the assignment of their duties by the Board had lapsed; in an extraordinary session, several amendments to Banco's Articles of Association were approved, with a view to aligning the same with legislative provisions that have been recently introduced.
Lastly, note that the Board of Directors established Lodi as the venue for the Annual Shareholders' Meeting, convened, among other things, to approve the financial statements as at 31 December 2015, and that the current provisions of the articles of association envisage the option of activating more than one remote connection.

Products and services offered

In this regard, again in line with the prevailing principle of mutual aid, the Group provides various forms of support to economic development and makes donations, with a focus on its Members - customers, as well as organising initiatives to enhance the social and civil community in its historic areas.

As in the past, the Group's nationwide coverage has not affected its local approach, as the way in which its banking activities are organised enables it to place a high level of attention on the local community, strengthening its local roots.
Charity events have always represented one of Banco Popolare's institutional purposes and an excellent way to pursue its objectives of mutual aid and solidarity.
Lastly, note that each year the Group issues a Social Report, which contains a detailed description of the main initiatives undertaken vis-à-vis its stakeholders, including all charity events.

Disclosure on initiatives for the purpose of charity, assistance and in the public interest

Banco Popolare continues to be committed to the areas of its historic roots, seeking to consolidate and develop relations with the local communities, adopting the founding principles of popular credit. Achieving this objective meant being faced, once again, by an economic situation which, albeit is showing signs of recovery, is still a long way from pre-crisis levels.
Banco Popolare continues to seek solutions to maintain its traditional presence and role in response to the needs of the local community, or where it is called to support initiatives or projects with this aim, but has had to handle the gradual deterioration of the socio-economic scenario, and therefore increasing requests for assistance, not to mention the scarce availability of public resources. In any event, these unfavourable conditions have not prevented Banco Popolare from responding to its best ability to all initiatives that are worth supporting, particularly those submitted by Voluntary associations that work in the socio-health or cultural sphere and that have been the most affected by the reduction of public funding.

The following paragraphs illustrate the initiatives that Banco Popolare divisions have been involved in during the year.

Banca Popolare di Verona Division

The Banca Popolare di Verona Division is comprised of two Territorial departments, Banca Popolare di Verona - which encompasses Banco San Marco and Banca Popolare del Trentino - and Banco S.Geminiano e S.Prospero, which encompasses Cassa di Risparmio di Imola. As regards donations, the BPV Division's activities are integrated, in the local communities, with those of local foundations.

Banca Popolare di Verona

Supporting education and research
Special attention is paid to schemes launched by the University of Verona, in the area of research, through three-year doctorates. In 2015, a research grant was established in memory of lawyer prof. Giovanni Tantini, dedicated to the study of Bank Governance and the "Business Networks and Banco Popolare" project to study the development indicators of businesses that join a network, as well as several national and international conferences on economic/legal matters. The Bank continued to support the "Provincial Committee for school and Professional Orientation - COSP Verona" (Itinera Project), the Antonino Caponnetto Foundation, for the "Young Sentinels of legality" project in schools in the provinces of Padua, Rovigo and Venice and the Parish Centre of Verona University for student training. The Bank continued to offer annual study grants to the Integrated University Hospital of Verona, and renewed its support for the organisation of an Advanced Geriatrics Course. Of the many initiatives, we would like to mention the support provided: to the Literary Society of Verona for the establishment of a study grant for high school students; the NPO Intercultura Foundation for the establishment of a study grant abroad; the Salesian University Institution of Venice for the organisation of an international symposium and the Italian Federation of Nursery Schools. The Bank also provided support to public and private schools of all levels and types, for educational programmes, several study grants and to maintain school buildings.

Healthcare
The many disbursements to local healthcare organisations and associations, which work in the healthcare field, enabled the purchase of healthcare equipment and instrumentation, ambulances and minibuses for the transport of the elderly and the disabled.
These disbursements included: a contribution to the NPO San Martino in Calle Association (VR) and to the NPO Piccola Communità Association for the purchase of vehicles to transport the elderly and those in difficulty; support to the NPO Research to believe in life Association - R.C.V. (PD) for the purchase of a system to continuously monitor the vital signs of patients in haematology and A.V.O. The Veneto Region NPO to support the "Emergency Kit" project for the distribution of hygiene kits and clothes to the sick and needy. The Italian Rescuers Association - Verona Section benefited from a disbursement for training for voluntary rescuers, while activities to support those afflicted with Alzheimer's and their families were helped through contributions to the Italian Alzheimer's Association (VR) and the NPO ABC Association (VR). Contributions were also made to: the Voluntary Public Assistance White Cross NPO (MN), for the purchase of instrumentation and materials to support the activities of the association; to the NPO Amici del Cuore della Terraferma Veneziana Association, to support the "A tutto Cuore" and "PRESTO - Prompt Reanimation and Assistance in Time Anywhere" projects; to the NPO A.I.D.O. for awareness initiatives regarding organ donations.

Social and solidarity initiatives

The Bank has always paid great attention to associations and charity organisations that work in the social sphere. We draw attention to our work with the Social Cooperative “Il Samaritano” through the “Casa Solidale” project, the contributions to the Italian Sports Centre to support the Handicap & Sport project “The Great Challenge” and to the NPO “Più di Uno” Foundation (VR), to support the “More than a holiday” project - Experiencing independence for young people with disabilities. Support continued to be given to the NPO Food Bank in Verona, to the Ronda della Carità Amici di Bernardo Verona and to Vincentian volunteer Groups. Contributions were confirmed to the tender shared with the Service Centre for Volunteers in Verona “Local Solidarity” addressed to Voluntary Organisations in the province of Verona that have the “Merita Fiducia” trademark. Of the other contributions made, the most significant included: funds disbursed to the Opera Don Calabria Study Centre for the project “Colle per la Famiglia”, to the NPO Foundation L’Ancora for the “First Job for the School” programme, to A.N.F.A.S. - National Association of Families of People with intellectual and/or relational disabilities. Funds were also given for the activities of the NPO Foundation of Communities in the Verona area (VR), to the NPO ANGSA - National Association of Parents of Autistic Children - and the NPO Cà delle Ore Association in Vicenza (VI). Furthermore, the NPO Piccola Comunità Association in Treviso, the Edimar Association in Padua and NPO Centre for Life Help in Padua also received funds to assist their activities.

Protecting and enhancing artistic and architectural heritage

The Bank also places significant focus on the preservation of historic - architectural assets, by seeking to enhance the historic and cultural capital that belongs to the community. The Italian Fund for the Environment - F.A.I. received support for a project to reclaim the area of Lazzaretto di Verona from war-related explosive devices. Other contributions made to safeguard the heritage of religious buildings included those to: Provincia Veneta di Sant’Antonio dell’Ordine dei Frati Minori (Order of Friars) for work to restore the Convent of San Bernardino (Sala Morone); Parish Church of S. Fermo Minore in Brà; Parish Church of San Martino Bishop of Verona; Parish Church of San Giuseppe outside the walls of Verona; Parish Church of San Zeno Bishop in San Zenone di Minerbe (VR); Parish Church of Santa Maria Maddalena in Volta Mantovana (MN); Parish Church of San Marco Evangelista in Venice; Parish Church of San Zenone in San Zeno di Arzignano (VI); Parish Church of Ausiliatrice in Martignano (TN); Parish Church of S. Nicolò di Tauriano in Spilimbergo (PN).

Promoting culture

The many cultural events sponsored in 2015 by the Bank included contributions: to the Cultural Dedicated Music Association to support the “Young Woman” discographic project, to the Cignaroli Academy and Brenzoni School to support the “Amar la pittura” exhibition; to the Cultural Association Gaetano Zinetti for the international chamber music competition “Salieri-Zinetti” and to the Poor Servants of Divine Providence Congregation for the organisation of St. Calabria study days. In 2015, the Bank continued to support the State Music Conservatory of Verona in terms of artistic production activities and the Diocesan Curia in Vicenza for the organisation of the Biblical Festival. Funds were also distributed to the Association for Antique Games of Verona for the research and dissemination of traditional games, at the Street Games Festival “Tocati”, its latest initiative.

Organisation of events, shows and publishing activities

Again in 2015, the Bank focused on the world of the theatre, by sponsoring plays and concerts of immense artistic value by renewing its contributions: to the City Council of Verona for the 2015 edition of the “Estate Teatrale Veronese” (Verona Summer Theatre); to the Verona Arena Foundation for the artistic season 2014/2015 of the Philharmonic Theatre and to the “Fondazione Atlantide Teatro Stabile” (Atlantide Permanent Theatre) of Verona to support theatre activities. We draw attention to efforts made to benefit the Municipality of Verona for the organisation of the “Paolo Veronese - The illusion of reality” exhibition, the IDEM Association - Paths of Relationships for the 2015 edition of the “Festival of Beauty - The Masters of the Spirit” and the Family Happening Association for the cultural event Family Happening 2015. Support was also provided to: the Cultural Group “Man-city-Territory” and to the social promotion Association The Streets of Trento and the Musical Association Archicembalo Ensemble of Vicenza. A significant and complex amount of publishing activities took place, to support a number of initiatives to assist Associations which - through publications or calendars - promote their activities. Several contributions were made to sustain conferences and seminars organised by institutions operating in the Bank’s local area, also by making its own facilities available.

Sport and Leisure

The Bank has always offered its support to the world of sport, due to its educational and social importance, particularly as regards young people and disabled athletes. The main associations sponsored include: the GALM association for the organisation of the first national Paralympic trophy for table tennis in Verona, the Olympic Basket association of Verona for a minibasket project for children in wheelchairs. Furthermore, the A.S.D. Guidizzolo Tennis Club and the Nautical Group Dielleffe from Desenzano (BS) also received funds. Lastly, the Bank continued to contribute to the A.S.D. Venice marathon Club for the organisation of the “Family Run”.

Giorgio Zanotto Foundation

BPV also contributes to the local area through the Giorgio Zanotto Foundation, which it is a founding partner of. Established in 2001, the Foundation seeks to maintain the memory and the ideals of Giorgio Zanotto alive. The latter served the city, contributing to its political and administrative life, and as Chairman of Banca Popolare di Verona, contributed to the cultural, social and economic development of Verona. The Zanotto Foundation pursues objectives in the public interest, working in collaboration with public and private entities, with the specific aim of enhancing Verona and its intellectual heritage.

Initiatives in the social and solidarity sphere

In terms of solidarity, the Giorgio Zanotto Foundation sponsored several charity events, such as the charity football match "A goal for life" for the NPO DBA Italia and the shows "Beyond Music" for the AGBD Verona, "Suorprise" for the paediatrics department of the San Raffaele Hospital in Milan and "Heaven on Earth" for the NPO Movement for Fostering and Adoption.

Promoting culture

In collaboration with Banco Popolare the Foundation promoted the award of a research grant in economic and legal subjects dedicated to the memory of prof. Giovanni Tantini. It also sponsored the organisation of a dual event on the theme "Justice and Injustice in The Betrothed", the organisation of an evening of reflection around the "Lettera a Lodovico Montini" (Letter to Lodovico Montini) by Giorgio Zanotto and a debate on the Encyclical Letter "Laudato si" by Pope Francis. It also worked with the Centre of European Culture Sant'Adalberto and with the Convent of San Bernardino in Verona for the organisation of numerous events and conferences on cultural themes, Faith and interreligious dialogue. As part of the 2015 Biblical Festival, it sponsored a meeting with Costanza Miriano on the subject of the couple and the family. It also contributed to the organisation of the cycle of conferences entitled "Light and shadows in human communication" organised by the Female University College Don Nicola Mazza. It funded the production of a series of short films within the "Pietre Vive. Antichi attori della storia di Verona" (Live Stones. Former protagonists of Verona's history) organised by the Cultural project of the Diocese of Verona, as well as a poetry, painting and photography competition dedicated to the Church of Saints Siro and Libera promoted by the Diocese. It sponsored two events related to the figure of Father Matteo Ricci, the evangelizer of the East: the event in Verona of the Chinese Opera dedicated to him and the presentation of the book "The true meaning of the Lord of Heaven", for the organisation of the Officina Contemporanea Cultural Association. It sponsored the travelling choir events "InCanto d'Estate" organised by the Scaligero dell'Alpe Choir and the "750 volte Dante" (750 times Dante) show organised by Telepace in Piazza dei Signori in Verona. It also contributed to the production of the 2015/2016 Concert Season of the Friends of Music Association in Verona. It also sponsored the organisation of a cycle of conferences dedicated to Maria Callas, promoted by the International Festival Scaligero Maria Callas. Lastly, it sponsored the first season of theatre and music of the newly-established association Fucina Culturale Machiavelli, created to provide support to young people in Verona, to bring them closer to this artistic sphere.

Banco S. Geminiano e S. Prospero

Supporting education and research

The University of Modena and Reggio Emilia was given contributions to support a project entitled "The Bank studies with our children", as was the Marco Biagi Foundation for the organisation of international conferences and studies. Funds were granted to a number of Higher Education institutes in Modena, for the first edition of the "Con Merito" (with merit) initiative, which entailed the award of 70 study grants. The Higher Education Institute of Musical Studies in Reggio Emilia and Castelnovo ne' Monti "A.Peri-C.Merulo" were given contributions for the Fund to Support students.

Social, solidarity and healthcare initiatives

In 2015, contributions were made to the Association to Support the activities of the Order of Malta, to the NPO Amici del Cuore Association for the prevention of cardiovascular illnesses and to the NPO Italian Union of the Blind and the Visually Impaired to support its activities. With regard to disbursements made to local health organisations and associations that operate in the healthcare sphere, we draw attention to those made to the Hospital of Reggio Emilia, the NPO A.S.C.M.A.D.–PRO.RA (Association for the Study and Treatment of Digestive Apparatus illnesses and Oncology Radiotherapy Projects) in Reggio Emilia, and renewed support to the NPO GR.A.D.E. Association (RE) to support research on haematic diseases.

Promoting culture and enhancing artistic and architectural heritage

As regards cultural and artistic promotion, in 2015, funds were awarded to: the Friends of the Estense Gallery Association in Modena for cultural activities; to the Creative Consortium Cultural Association (MO) to support the organisation of an exhibitions of photographs by the renowned artist Franco. Contributions were again addressed to the Dante Alighieri Society in Reggio Emilia, to promote "Lingua Nostra" and to the NPO Bologna Festival Association. Of the contributions disbursed that were addressed to artistic heritage, we draw attention to those made to the Spirito Santo Parish Church in Modena for the maintenance of the church organ; to the Parish Church of the Nativity of the Holy Virgin Mary in Scandiano to support the restoration of the ancient church of San Giuseppe; to the Diocese of Imola for the maintenance and restoration of the church of Gaggio - Fontanelice and lastly to the A.C.E.G. – CARPI Foundation for the restoration of buildings addressed to young people.

Organisation of events, shows and publishing activities

Again in 2015, Banco maintained its support of the Municipal Theatre of Modena Foundation, the Theatres Foundation in Reggio Emilia, to the Emilia Romagna Theatre Foundation - Public Regional Permanent Theatre and the Gioacchino Rossini Choir Association in Modena for the concert season. Other contributions included those to the Modenamoremio

Society to Promote the Historic Centre, to the House of Enzo Ferrari Museum Association and to the Art Corner - Artists' Club association for the organisation of an exhibition at the Civic Museum of Correggio. The San Prospero Basilica in Reggio Emilia received funds as a contribution for the celebrations of the Patron Saint, as did the Parish Church of Santa Margherita (RE) for the organisation of the Christmas concert.

The Banco S.Geminiano e S.Prospero Cult Foundation
In 2015, the Banco S.Geminiano e S.Prospero Cult Foundation, in accordance with the limited funds available to the same, continued to provide economic support to the work and the activities of the Dioceses of Modena-Nonantola, Reggio Emilia-Guastalla, Carpi and their branches (Parish churches and various entities). The main contributions were made to the Archdiocese of Modena-Nonantola, for work to repair and adapt the rectory and work on the parish church of S. Rita in Modena, the restoration of parish buildings in Ganaceto damaged by the 2012 earthquake, the restoration of the bell tower of the Parish Churches of Torre Maina and Montefiorino, the repair of the facade of the parish churches of Rocchetta Sandri and Pilgrim Virgin in Modena, musical and liturgical training activities for liturgical assistants in the parish churches at the Diocesan Institute of Sacred Music, the restoration of the painting depicting the Assumption of the Virgin Mary of the Parish Church of Bastiglia and various restoration works at other parish churches. In the Diocese of Reggio Emilia-Guastalla, the restoration of the bell tower of the Parish Church of Bibbiano and the repair of the heating system of the Pieve of the Parish Church of SS. Salvatore in Villalunga.

Banca Popolare di Lodi Division

Banca Popolare di Lodi Division works in the historic areas of Banca Popolare di Lodi, and its activities cover the areas of Crema, Cremona, Genova, Chiavari and, through the Territorial Department Cassa di Risparmio di Lucca Pisa e Livorno, the main provinces of Tuscany and Umbria. With regard to donations, the BPL Division works both directly and by supporting the foundations located in its various areas: BPL Foundation, Popolare Crema Association for the Territory and Banca Popolare di Cremona Foundation.

Banca Popolare di Lodi

Initiatives in the Social, Healthcare and Solidarity spheres
In 2015, the issue of "Solidarity Certificates of Deposit", which began in 2013, continued, with a view to linking savings to solidarity schemes. The beneficiary of the funds collected in 2015 was the NPO House of Charity Foundation - Angelo Abriani, which assists those in difficulty, that need help on a humanitarian level, in terms of healthcare and the protection of rights. Other events, worth noting due to their value, involved the Avis di Base Pablo, a voluntary association of municipal employees and the Municipal Police of Parma, for blood donations; the A.v.o. Voluntary Association of Hospitals in Desio (MB) to support its activities; the NPO Farabà in Casalmaiocco association (LO) for its activities to support the growth and education of children and young people through out-of-school activities; the NPO Medea in Cremona, an association that helps cancer patients and their families. A contribution was again made to the NPO Love your heart Association in Gallarate (VA), a voluntary body that works to prevent and treat cardiovascular illnesses. We draw attention to the contribution made to the Special Consortia for the Lodi Area for its services to the People, thanks to which the heating system at the facility of the Educational Community for Young People in Basiasco was able to be reconditioned.

Education and Instruction
The BPL Division made numerous contributions in the area of education and instruction. These included those to the School Foundation of the Jewish Community, to support the activities performed; the contribution to the Municipality of San Martino in Strada (LO) in order to support the "IlLIMitatamente Project – Mai più nessuno dietro la lavagna" (Nobody behind the blackboard ever again) for the purchase of eight Multimedia Interactive Boards, addressed to schools in the municipality. Still as regards schools, it is worth noting the support given to the Comprehensive School Gramsci in Mulazzano (LO) for the "Class 2.0 Project" addressed to implementing digital educational devices; to the High School A. Cesaris in Casalpusterlengo (LO) for the "Under 18 Science" project addressed to disseminating knowledge and scientific research in secondary schools; the Pier Luigi Belloni Comprehensive School in Colorno (PR) to support an educational project on the Via Francigena; to the G. Cardano Padre Lega State Comprehensive School in Cardano al Campo (VA) to set up a multi-purpose laboratory and to the Association of former students of Aselli in Cremona for the award of study grants. In the education sector, note the contribution awarded to the Cultural Association Relief Group of Santo Stefano Lodigiano (LO) to fund an artistic education project for elementary school children; to the ACLI Provincial Office in Cremona for a conference on the topic of welfare; to the Cultural group Piceno di Torre De Picenardi (CR) for the organisation of the "Charlie Hebdo and the Pope's fist" Conference; and to the NPO La Coccinella di Concorezzo (MB) for the activities of the nursery school.

Recreation, art, folklore and shows
In 2015, contributions were again made to the Amilcare Ponchielli Theatre Foundation in Cremona, which seeks to promote and develop musical and theatrical art; the Antonio Stradivari Museum of the Violin Association, in Cremona in order to promote initiatives addressed to the Bank's shareholders/customers. A contribution was again made to the Luigi Cesaris Association in Lodi. Communities in the area were the focus of a number of initiatives, with a view to

supporting cultural and recreational activities. Disbursements included contributions made to: the Municipality of Rivolta D'Adda (LO) for the organisation of the "Regional Fair of Santa Apollonia"; the Municipality of Cremona for the organisation of the "Music Festival Acquedotte"; the Municipality of Maleo (LO) for the 2015 edition of "Artevino"; the Municipality of Langhirano (PR) for the "Parma Ham Festival"; the Municipality of Cassano Magnago (VA); the Municipality of Valera Fratta (LO); cultural projects of the Municipality of Lodi: the sixth edition of the "Festival of Human Behaviour" and the 2015-2016 Theatre Season. A contribution was again made to the Municipality of Pianello Val Tidone for the organisation of the 18th edition of the "Music Events of the Val Tidone", a classical music event. We draw attention to the ASD Club Wasken Boys in Lodi, which supports a number of different sports and social activities. Contributions were also made to local parish churches, including: The Parish Church of San Bernardino da Siena in Senna Lodigiana (LO), for the organisation of a sacred music concert "Expo 2015"; the Parish Church of S. Maria Addolorata in Lodi for the organisation of the patron saint's day; the Young People's Group Oratory of San Martino in Spinadesco (CR) for the "Canoro Festival". In terms of safeguarding artistic, architectural and environmental heritage, we draw attention to: the contribution made to the Visconti di San Vito Foundation in Somma Lombardo (VA) for the restauration of a seventeenth century canvas; the direct sponsorship given to the Municipality of Senna Lodigiana (LO) for the restoration of the Monument to those that died in the war; that given to the Piacenza Court for the restoration of the Cloister of Palazzo Landi, and that addressed to the NPO Anpana in Milan, to support activities in the field of animal, environmental and natural protection. Numerous contributions were made to support events for the Christmas period: to the National Association of Alpine Troops, to the Mons. Luciano Quartieri Association in Lodi; the Union of Artisans - Laus Union Dati in Lodi and the Friends of Via Roma Association in Codogno (LO).

Sports Recreation

The passion and commitment to sport was consolidated through a number of donations were made to amateur sports associations for young people. The associations sponsored included: the ASD Atletico Gerre 2001 of Corno Giovine (LO); the ASD Ginnica of Bovisio Masciago (MB) and the ASD G.S. Avis Lentate (MB); the Volleyball ASD Muzza (LO); the ASD Shitoryu Mabuni; the Pro Loco Casalbuttano (CR) for the organisation of the first walking competition in the municipality; the A.S.D. Beautiful Lodi. Support was again given to the Special Olympics-Lombardy Team for the organisation of the Lodi area Games 2015 dedicated to athletes with intellectual disabilities; to the ASD Monza Marathon Team (MB) for the sports project "Two eyes for those that cannot see"; to the Paolo Morbi ANFASS in Cremona for the XII edition of the "Disabled Festival"; to the Lodi area group Pioneers and Veterans of Sport in Lodi and to the C.S.I. - Italian Sports Centre in Lodi for the organisation of the III edition of "Play all Day", a sports event addressed to children and families in the Lodi area.

Banca Popolare di Lodi Foundation

The Foundation continued to provide support to projects in the spheres of instruction, recreation, social, health and welfare assistance, cult and the environment. In particular, in 2015 its approach changed as it opted not to use the Tender method, but to make direct contributions.

Supporting education and research.

In 2015, the project to study cosmic rays continued with the Scientific High School Gandini and the ITIS Volta in Lodi, through the purchase of a telescope. An important project was launched in collaboration with the University of Milan, addressed to certifying the food collection and distribution centre in Lodi and a specific study conducted on food waste in the Lodi area. Again this year, in collaboration with the Territorial Department, Banca Popolare di Lodi continued with the "Con Merito!" (With merit!) project, which has involved public and private schools in the province of Lodi, the aim of which is to promote the most deserving students that had taken their high school diploma exam in 2015 with study grants. Other minor contributions were made to various schools and higher education institutes in the Lodi area.

Healthcare

2015 saw the completion of the first stage of the project to update the Lodi Tumours Register. In December, the results achieved were presented at a Conference organised in collaboration with the Hospital. A project was launched with the Department of Child Neuro Psychiatry in Lodi to provide IT support to children with learning disorders: the Foundation contributed to setting up a platform through which the children can be taught remotely, increasing the number of sessions and improvement the therapeutic effects. In addition, again in collaboration with the Hospital, a conference was organised on the End of Life, and the purchase of a vehicle to transport cancer patients was funded.

Social welfare

Again in 2015, the Social Welfare sector absorbed the majority of the resources disbursed by the Foundation. We draw attention in particular to the initiative, funded in collaboration with the Cariplo Foundation, which aims to identify new "generative" welfare processes in 62 municipalities in the Lodi area. This project, which regards the spheres of Food, Work and Home, won a tender of the Cariplo Foundation, which awarded a contribution of euro 1.6 million for the three-year period 2015-2017. In 2015, the programme of work at the Santa Chiara Rest Home was also completed, with the finalisation of the project for the heating/cooling of the facility and a contribution was given to the Friends Cooperative of Codogno for the restoration of a part of the buildings used for the canteen and for a meeting place for disabled young people.

Protecting and enhancing artistic heritage
The Foundation continued in its efforts to enhance local artistic heritage by publishing, with the publishing house Bolis, a book on the Libraries in the Lodi area. The proceeds from the sale of the books will be used for restoration works of the Church of San Francesco in Lodi.

Promoting culture
Like every year, the Foundation promoted important artistic events staged in the Bipielle Art Area. During the months of the Expo, in collaboration with the Municipality of Lodi, a collection of Faience tiles from the Lodi area was exhibited, which draw a lot of visitors. In October, the first exhibition of Banco's masterpieces was held, an event that entailed several of the main works of Banco Popolare's collection shown together in Lodi. Paintings from areas in Italy where Banco is present were exhibited (Novara, Verona, Bergamo). The high level of artistic quality of the paintings exhibited is demonstrated by the inclusion of the Maternity by Previati and other important works, often on loan to international museums. The exhibition recorded an exceptional number of visitors. Exhibitions of Mattonelle d'Artista (artist's tiles) continue to take place at the Foundation's head offices, which have now become one of the most popular permanent artistic collections in Lodi.

Recreation
As in the past, the focus on the social well-being of the community has guided the Foundation's presence in the world of sport and leisure, entailing contributions for the organisation of concerts, theatre shows, cultural and sports events, as well as for the improvement or the construction of recreational and sports facilities. Amongst others, in 2015 the Foundation once again sponsored the organisation of the "Art and Wine" exhibition of the municipality of Maleo and the Naturarte exhibition in Bertonico.

Banca Popolare di Cremona Foundation

In 2015, the Banca Popolare di Cremona Foundation provided its support to over forty local projects, initiatives and events. In the healthcare-welfare sphere, funds were awarded to both entities that operate in the health sector and those active in supporting various forms of social and individual fragility. The most important project sponsored, in terms of resources and the impact on the community was that addressed to expanding the healthcare facility for Molecular Pharmacogenomic Treatment at the Hospital of Cremona. The plan will be implemented by the Arco Foundation in collaboration with other foundations, no profit associations and other entities. Also in this sphere, we draw attention to contributions made to: purchase vehicles for the San Daniele Po Community, for the NPO Coop "Maria Storti" and for the social cooperative "Il Seme" in Castelleone; the architectural improvements to the "Casa d'oro" facility managed by the "Il Cortile" cooperative in Cremona; the "La Cura in gesto" project developed by the Cremona association for the treatment of pain. With regard to education and culture, contributions were made to: the series of plays for children "Oltreibanchi" by the Ponchielli Theatre Association; the XIV edition of the International Competition of bow instruments organised by the Antonio Stradivari Violin Museum Foundation; the "Acquedotte" project of the Municipality of Cremona; the furnishing of the chemistry laboratory for the Scientific High School "Aselli" in Cremona. With regard to support of religious entities, in addition to the traditional donation to Unitalsi to support pilgrimages to the Sanctuary in Lourdes, contributions mostly regarded religious entities that had undertaken commitments to renovate areas for community life and the congregation.

Popolare Crema Association for the Territory

2015 saw an increase in the disbursements approved by the Popolare Crema Association for the Territory, both in terms of number and the resources made available. The social sphere represented the area to which the majority of efforts were directed. The initiatives sponsored included contributions for the purchase of three vehicles to transport the sick, made to the Association of former employees of Crema Hospital, the Alfio Privitera Association and the Municipality of Sergnano. The participation in the "Festival of Voluntary Work" organised by Cisvol Cremona last June is worth noting. The Association was also active in the healthcare sphere, sponsoring the provision of training courses, including a nursing course at Crema Hospital. The cultural sphere in the Crema area benefited from contributions to sponsor numerous activities. These include: the San Domenico Theatre; the City council of Crema for the annual publication of "Insula Fulcheria"; the Galmozzi Research Centre, for the publication of texts and audiovisuals on the history of Crema in '900; the "Imondidicarta" cultural Association for its seminars. Environmental protection regarded the Parco del Serio organisation, which promotes awareness of the local area through "nature camps" for children. Educational initiatives regarded: 110 study grants awarded as part of the fourth "Con Merito" (with merit) day dedicated to saving; support for the restoration of numerous nursery schools; the campaign to purchase interactive whiteboards for elementary schools; the activities of the Popolare di Crema Evening Classes; the collection entitled "Mediaexpo" by the Comprehensive School Trescore Cremasco. In the sports sphere, over seventy associations were provided with support. We would also like mention the contribution made to the Equestrian Rehabilitation Centre for the handicapped.

Banco di Chiavari e della Riviera Ligure

Banco di Chiavari e della Riviera Ligure sponsored the Comprehensive School of Rapallo, by joining an initiative called "A colour for the school" promoted by the Parents' Committee of Secondary Schools for the maintaining of the buildings used for teaching. As regards support in the field of healthcare, a contribution was made to ANPAS, the National Association for Public Assistance, Regional Committee of Liguria, for the training of young people involved in emergency healthcare. In the social and solidarity sphere, again this year, the Bank confirmed its support to the Diocese Charity Madonna del Bambino-Villaggio del Ragazzo in San Salvatore di Cogorno (GE), which has been active since the end of the second world war, and which handles the training and entry into the world of work of young people with handicaps and difficulties, and the contribution to the Community of Sant'Egidio in Genoa to support the Nutrition Centre in Malawi. In addition, a contribution was made to the Italian Associations of Guides and Scouts in Europe and to the Assarotti Institute for the Deaf and Dumb in Chiavari, whose premises were severely damaged by the flood, and to the Parish Church of the Vergine Madre of Santa Margherita Ligure for the restoration of the interparish oratory. Lastly, the Bank contributed to the organisation of the National Spera Congress in collaboration with the NPO Doctors in Africa to set in place healthcare projects in African countries. As regards promoting culture, a contribution was made to the Carlo Felice Theatre Foundation in Genoa and to the Permanent Theatre in Genoa, to support the activities of two venues that are the benchmark for the dissemination of culture in this city.

Cassa di Risparmio di Lucca Pisa Livorno

Social and solidarity initiatives
In the social sphere, contributions were made to the A.R.C.O. Association, an NPO that promotes the development of studies and research in the field of experimental and clinical oncology, the NPO La Calamita Association, to build an oratory for the disabled and the Villa Lorenzi Project Association, which helps children and young people in difficulty with serious problems in terms of affection/education. Again in the social sphere, the Bank sponsored the NPO Sports Association Maratonabili, for the purchase of a "running" wheelchair. The cultural association Camminatori Folli (crazy walkers) was given a contribution for the organisation of an evening of high cuisine dedicated to raising funds for the creation of a playground. A contribution was again made to the Lucca Tuareg Association, which has been operating for years in North Niger in areas of extreme poverty, and to the Art and Psychology Association of Lucca, for a project to disseminate classical music in healthcare and social housing with methods to facilitate listening.

Promoting culture
Special attention was addressed to training. Funds were disbursed to the Italian Federation of Unesco Centres and Clubs to sponsor study grants for placement students of the Campus Foundation in Lucca, and funds were again given to the Confartigianato Imprese Lucca for the organisation of a competition entitled "Artisans and the school". The Cassa sponsored various associations for the organisation of local concerts: the Municipality of Lucca for the first edition of "Lucca the days of Puccini", the Lions Club Pisa Host for the organisation of New Year's Eve and Spring Concerts, the Giacomo Puccini Philharmonic orchestra and the Polyphonic Lucca orchestra for the organisation of a series of concerts, the Pisa Rotary Club for the award of study grants to students of the music schools of Pisa and Cascina. Again in the cultural sphere, the Cassa di Risparmio sponsored the Sciences, Arts and Literature Academy of Lucca for the publication of a book regarding the activities if a paediatric doctor from Lucca in India, the Lucense Association and the Florentine Academy for the organisation of a series of conferences, and the Association of people from the Lucca area in the World, which organised the production of a quarterly newsletter, distributed free of charge to over 8,000 families from Lucca resident abroad. We draw attention to the contribution made to the Laboratory for the Elena and Leonetto Tintori fresco, which providing training in restoration activities.

Organisation of events, shows and publishing activities
Contributions were made to the Mita Foundation for the organisation of an event to support "made in Italy" in the fashion industry, the A.S.COM.TUR. Association in Lucca for the organisation of the Notte Bianca (white night, museums are free), the First of May Committee for the organisation of the First of May exhibition in Fornaci and the Consortium of Tanners from Ponte a Egola for the traditional convivial. The Cassa also made contributions to the Livorno Garden Club, which organised the fifth edition of the "Market of unusual and rare plants" exhibition. The Association of Chartered Accounts received a contribution for the organisation of a day dedicated to professions and to Confartigianato Imprese Lucca for the organisation of the ninth edition of the "Bread Festival".

Sport and Leisure
As regards sport, contributions were made to the Cyclists' Union of Lucca for the Regional Cycling Championship, to the S.C. Young Footballers Centre for the organisation of a football tournament and to the A.S.C.R. Camporgiano to support a local sports event and to the Lucca Friends of Volleyball, and association that enables children without the financial means, to play basketball.

Religious sphere
The Cassa di Risparmio also sponsored the activity of the local Committee for bell towers, based in Vagli di Sotto, the Galli Bonaventura Foundation, the Parish Church of San Bartolomeo in Riprafatta and the Archdioceses of Pisa, Florence, Lucca and Livorno.

Banca Popolare di Novara Foundation for the Territory

The Banca Popolare di Novara Foundation has always paid a lot of attention to the needs of the territory in which the BPN Division operates. Given the situation of crisis, this year the focus was on social initiatives above all, as well as those addressed to economic development and local culture.

Supporting education and research
In the field of education, the Foundation sponsored various projects with the University of Western Piedmont, the University of Gastronomic Science in Pollenzo and the Teaching Department of Alba, the Comprehensive School "Fogazzaro" in Baveno and the Municipality of Orta San Giulio. Special attention was paid to scientific research. A significant contribution was made to the I3P - Incubator for Innovative Businesses, organised by Turin Polytechnic, for a competition between technological projects to create innovative businesses. A contribution was made to research in the field of biology of the Department of Earth and Environmental Science of the University of Pavia. Assistance continued to be provided to the Foundation for Myotonic Diseases, for the project on the "Pathogenesis of insulin-resistance in myotonic dystrophies".

Healthcare
Healthcare received the usual attention. The Local Healthcare Authority Torino 4 (Ciriè-Lanzo Hospital) received a contribution to purchase an advanced system for endo-urological operations. The Hospital and University Hospital "Maggiore della Carità" in Novara was able to purchase a special type of Argon laser for the treatment of neonatal retinal problems. The University Hospital of Novara received a contribution for the purchase of machines to identify and treat serious illnesses: a Brai-Lab navigator to discover deep cerebral lesions, for the Complex Brain Surgery Facility and an MRI machine for prostatic illnesses, awarded to the Complex Urology Facility. In addition to these important contributions, we also draw attention to numerous other contributions made to various entities for the purchase of vehicles, medical equipment, defibrillators or to implement healthcare programmes.

Social and solidarity initiatives
Given the difficult economic scenario at present, which is generating real social emergencies, the Foundation committed to providing funds to support the most precarious situations. Funds were awarded to entities and institutions that are dedicated to assisting the less fortunate, the elderly, the unemployed, those that have been evicted and the ghettoised. Various contributions were made to the municipal administrations of the Vercelli and Valsesia areas, where the crisis has hit worse. The Diocesan Caritas of Novara was given support for the "Solidarity Emporium" project, where goods of all nature can be "bought free of charge". The social activities organised by sports associations for young people in Catania, at the juvenile detention centre and young people in high risk districts of the city. With a view to promoting legality and to guarantee a better quality of life, the Foundation participated in the Provincial Observatory of mafias organised by Libera. The area of disabilities was assisted by specific contributions, such as that made to the Provincial Authority of Novara to help disabled children in high schools, to the NPO ANGSA Novara-Vercelli, the Association of Parent of Autistic children and the NPO Uspidalet Foundation in Alessandria for the "Casa Amica" project. The NPO Freedom and Hope Association of Novara again received a contribution; the association helps women who have been the victim of violence, badly treated and exploited. Contributions were made to a large number of voluntary associations, which work to improve the conditions of those that live in difficult conditions locally: the NPO Sant'Egidio Piedmont Community, the Community for Minors Santa Lucia in Novara, the soup kitchens at parish churches and convents, advice centres and social cooperatives.

Protecting and enhancing artistic and architectural heritage
Initiatives were launched at the Diocese of Novara, such as the appreciation of the renaissance painter Gaudenzio Ferrari at the church of the Madonna delle Grazie in Varallo, the starting point for the climb up the Sacred Mountain, Heritage of Humanity. An important contribution was made to the lighting system of the Basilica di San Gaudenzio in Novara as well as funds addressed to the recovery and restoration of religious buildings in various parishes.

Sport and Leisure
Requirements in the social sphere have meant that contributions to sport and leisure initiatives have been reduced. Contributions were made for the activities performed by several municipalities with regard to the EXPO 2015, for the organisation of the "Ofantiadi" exhibition in Pescopagano, sports and cultural contests with participants from the basin of the Oftanto river and for the exhibition of Nativity Art organised by the Italian Association of Friends of the Nativity of Naples.

Promoting culture
The Foundation once again contributed to cultural events. An important contribution was made to the Teatro Regio in Turin, for activities addressed to young people such as "The school at the Opera". The "Musical-Theatrical Laboratories" project of the "Maria Immacolata" Institute in Rome received support. A large contribution was made available to the Cultural Association Alessandro Poscio in Domodossola for the organisation of the "Carlo Fornara e il ritratto vigezzino" exhibition. Funds were also provided for improvements to the museum of peasant culture and work "L'Çivel" in Casalbeltrame. A contribution was again made to the Cultural Association Rest Art for the organisation of

the Novara Jazz festival and a contribution was again made to the NPO Coccia Theatre Foundation in Novara, for the theatre season.

Organisation of events and shows
We draw attention to disbursements made for two concerts promoted by the Music Association Florestano-Eusebio in Bollate for the theatre season of Oleggio and for the international event Milazzo Chamber Music Festival.

Credito Bergamasco Foundation

The Credito Bergamasco Foundation works to promote cultural, scientific and social progress in the local area and the social organisations operating there, by disseminating culture and the enhancement of artistic heritage, promoting medical/scientific research and education, supporting organisations and associations that work in the cultural, social, religious and sports spheres, with special attention to social solidarity.

Social and solidarity initiatives
Of the numerous contributions made over the year in the social and solidarity spheres (around 400), note that the Creberg Foundation continued to promote the “Dai credito alla solidarietà” (Give credit to solidarity) initiative in 2015 as well, a series of artistic events, established in 2005 to make single events accessible to an increasingly wider audience, encouraging social commitment. The two editions in 2015 envisaged the organisation of the show of Federico Buffa “The 1936 Olympic Games”, for the benefit of ALT (Association for the Fight against Thrombosis and cardiovascular illnesses) as well as the traditional Christmas Gospel concert at the Donizetti Theatre in Bergamo to support a re-education project for prisoners in the Casa Circondariale (prison) in Bergamo. Other initiatives included contributions made to the Nepios association, to support projects for children and families and to the Cappuccini monks in Bergamo for the management of the soup kitchen.

Supporting research
The Credito Bergamasco Foundation continued to sponsor the Paolo Belli Association in its fight against leukaemia, with a contribution to build a new “casa del sole” (a centre for the relatives of those that are seriously ill, and are in treatment at the Papa Giovanni XXIII Hospital), as well as for the “Gocce di sole. First time in hospital” initiative. In 2015, the Foundation contributed to supporting the biomedical research of the Department of Molecular and Translational Medicine of the University of Brescia - by donating a microscope with a reversed camera - and continued to support the long-term research project on heart failure at the Papa Giovanni XXIII Hospital.

Promoting culture
Over the year, the Foundation organised numerous exhibitions, both in and out of its headquarters, located in the historic Credito Bergamasco building. These included the programme to celebrate the 750th anniversary of the birth of Dante Alighieri with the organisation of a travelling exhibition - with works by the artist Angelo Celsi - dedicated to characters of the Divine Comedy, as well as two weeks of art, literature and music at Palazzo Creberg, focused on the Renowned Poet. In May, the Historic Credito Bergamasco Building hosted a selection of Banco Popolare’s masterpieces - including the monumental Maternity by Gaetano Previati, accompanies for the first time by sketches, drawings and d’après by the artist - then exhibited in Lodi. For the traditional exhibition in October, the Creberg Foundation organised an exhibition dedicated to Girolamo Romanino; the works shown included the Assumption altarpiece from the Basilica of Sant’Alessandro in Colonna in Bergamo, restored by the Foundation and now returned to the community. Furthermore, Credito Bergamasco also promoted the first large-scale international exhibition dedicated to Palma il Vecchio - held at the Gallery of Modern and Contemporary Art in Bergamo on the occasion of the Expo - with a wide-ranging subject matter, designed to involve and bring together the city and the local area. In addition to the organisation of the exhibition and to the protection of local heritage, achieved by funding the complete restoration of the masterpieces of Palma in Bergamo, the Foundation also supports numerous cultural projects in Bergamo and its Province.

Sport
Again in 2015, significant contributions were made to sponsoring initiatives in the sports and social spheres organised by numerous amateur sports societies, particularly in the non-football sphere. These societies all have deep territorial roots, a wide base of members and play an important educational and social role, addressed, above all, to children and young people. Of the various societies sponsored, we cite the Bergamo Runners, Atletica Valle Brembana - Zogno (BG), Atletica Paratico - Paratico (BS).

OUTLOOK FOR BUSINESS OPERATIONS

At the beginning of 2016, the international economic scenario showed prospects of moderate growth, albeit impacted by several issues that have worsened over the past few month and recently generated turbulence in the international financial markets.
In general terms, forecasts for the coming quarters indicate the continuation of the expansive approach that is characterising the global economy as a whole in this period, driven by the consolidation of the positive situation in the United States and the improvement of domestic demand in the Eurozone. Forecasts for the emerging economies are a gradual recovery, after the standstill in 2015. The above-cited trends should be accompanied by a highly expansive approach for monetary policy in the Eurozone and Japan. After the start of the recent upward trend in interest rates, the Federal Reserve is expected to take a more cautious and gradual approach to monetary policy action.
In Italy, growth is expected to pick up pace with respect to last year, albeit at a slower pace than the Eurozone average, due to the positive contribution of all of the main components of demand. In the absence of external shocks, said recovery, which is also sustained by monetary policy implemented by the ECB and by the expansive nature of the Government's tax manoeuvres, should grow stronger. However, there are risk factors related to the expected scenario that could have a negative impact on economic performance if rather than grow weaker, said factors actually strengthen. First and foremost, the deceleration of foreign demand, related to the slowdown in China and in emerging countries, and the weakness of oil prices, which have negative repercussions on exporter countries and on the economic-financial stability of important operators in the energy production sector.

In this regard, next year the Italian credit system should benefit from a moderate improvement in lending trends. A stronger recovery will, on one hand sustain the demand from households and companies and on the other hand, encourage the system's lending appetite. The supply of credit should therefore become more accommodative. Overall expansion will, however, be curbed by regulatory constraints and by the still high level of risk of credit portfolios, especially corporate ones. In the future, the stronger recovery will push down default rates, but will not stop the stock of gross bad loans from rising, albeit at a slower pace.
In 2016, the trend of direct funding appears likely to continue along a similar path to 2015. The stock of bonds will see a further fall, also due to significant volumes maturing in 2016. Overall, the volumes of direct customer funding will see a further downtrend. However, the extensive amount of liquidity still provided by the ECB will continue to finance a fair part of funding, although said contribution will then stabilise, enabling an overall lower cost of funding to be maintained.
Bank interest rates on deposits will continue to be under pressure due to increasing competitive tensions associated with less restrictive conditions on the supply side, given short-term rates (3-month Euribor) that will continue to be negative for the whole of 2016. Interest rates on loans will reflect the expansive approach of monetary policy. The bank interest spread will therefore continue to feel the pressure of a scenario with unfavourable interest rates.
Net interest and other banking income, however, will reflect the negative contribution of the result from trading and the fair value assessment, and is expected to fall considerably against the values recorded in the recent past. Costs will benefit from the streamlining of the workforce, but will reflect the higher charges resulting from the Deposit Guarantee Scheme and from the growing burdens imposed by supervisory regulations.
A stronger recovery and the slowdown of the flow of new non performing loans will reduce adjustments on loans, even though the need to maintain high levels of coverage, and/or to raise them further following the launch of the market for assignments of bad loans, will have a contrary effect.
Given this economic scenario, the Group will continue to adopt a strategy of focusing on its core business by disposing of non-strategic activities such as Banco Popolare Luxembourg.
In the light of particularly unfavourable market interest rates and substantial competition on loans, the interest margin will continue to be under pressure. Efforts to rationalise the cost structure and cost base, combined with the further standardisation of the cost of credit, could make an essential contribution to operations.

Significant events occurring after the end of the financial year

In compliance with special instructions issued by the Bank of Italy, significant events occurring after the end of the financial year are illustrated in the Notes to the financial statements, part A, Section 4.

Verona, 9 February 2016

The Board of Directors

DECLARATION OF THE MANAGING DIRECTOR AND THE MANAGER RESPONSIBLE FOR PREPARING THE COMPANY'S FINANCIAL REPORTS

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999 AND SUBSEQUENT AMENDMENTS AND ADDITIONS

1. The undersigned, Pier Francesco Saviotti, as Managing Director and Gianpietro Val, as Manager responsible for preparing the Company's financial reports of Banco Popolare Soc. Coop. hereby certify, also in consideration of the provisions of art. 154-bis, paragraphs 3 and 4, of Italian Legislative Decree no. 58 dated 24 February 1998:

- the adequacy in relation to the characteristics of the company and
- the effective application

of the administrative and accounting procedures for the formation of the consolidated financial statements in 2015.

2. The assessment of the adequacy and the verification of the effective application of the administrative and accounting procedures for the formation of the consolidated financial statements as at 31 December 2015 was based on an internal model set in place by Banco Popolare Soc. Coop., developed on the basis of the Internal Control – Integrated Framework (COSO)" and, for the IT component, the "Control Objectives for IT and related Technology (COBIT)", which represent the standard for the internal audit system generally accepted at international level.

3. We also hereby certify that:

3.1 the consolidated financial statements as at 31 December 2015:

a) were drawn up in compliance with the applicable international accounting standards recognised in the European Community as per EC Regulation no. 1606/2002 of the European Parliament and Commission, dated 19 July 2002;

b) comply with the results of the accounting records and journal entries;

c) are suitable for providing a true and fair view of the statement of financial position, income statement and financial situation of the issuer and of all the companies included within the scope of consolidation.

3.2 The report on operations includes a reliable analysis of operating performance and results, as well as the situation of the issuer and of all of the companies included within the scope of consolidation, together with a description of the main risks and uncertainties to which the same are exposed.

Verona, 9 February 2016

Signed by
Pier Francesco Saviotti
Managing Director

Signed by
Gianpietro Val
Manager responsible for preparing the Company's financial reports

INDEPENDENT AUDITORS'REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

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Independent auditor's report
in accordance with art. 14 and 16 of Legislative Decree n. 39, dated 27 January 2010
(Translation from the original Italian text)

To the Shareholders
of Banco Popolare Società Cooperativa

Report on the consolidated financial statements

We have audited the financial statements of Banco Popolare Società Cooperativa and its subsidiaries (the "Banco Popolare Group"), which comprise the statement of financial position at December 31, 2015, and 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.

Directors' responsibility for the consolidated financial statements

The Directors of Banco Popolare Società Cooperativa are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued to implement art. 9 of Legislative Decree 38/05.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) implemented in accordance with art. 11, paragraph 3 of Legislative Decree dated 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the consolidated financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Banco Popolare Group as at December 31, 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree N. 38/05.

Reconta Ernst & Young S.p.A.
Sede Legale: Via Po, 32 - 00198 Roma
Capitale Sociale € 1.402.500,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
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Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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Report on other legal and regulatory requirements

Opinion on the consistency with the consolidated financial statements of the Report on Operations and of specific information of the Report on corporate governance and shareholding structure

We have performed the procedures required under audit standard SA Italia n. 720B in order to express an opinion on the consistency of the Report on Operations and of specific information of the Report on corporate governance and shareholding structure as provided for by art. 123-bis, paragraph 4 of Legislative Decree 58/98, with the consolidated financial statements, as required by the law. The Directors of Banco Popolare Società Cooperativa are responsible for the preparation of the Report on Operations and of the Report on corporate governance and shareholding structure in accordance with the applicable laws and regulations. In our opinion the Report on Operations and the specific information of the Report on corporate governance and shareholding structure are consistent with the consolidated financial statements of the Banco Popolare Group as at December 31, 2015.

Verona, February 23, 2016
Reconta Ernst & Young S.p.A.
Signed by: Stefania Doretti, partner

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

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Asset items	31/12/2015	31/12/2014
10. Cash and cash equivalents	587,383	619,529
20. Financial assets held for trading	6,327,387	7,077,986
30. Financial assets designated at fair value through profit and loss	18,600	5,653
40. Financial assets available for sale	12,910,696	13,518,168
50. Investments held to maturity	7,779,168	4,948,433
60. Due from banks	2,817,832	5,058,816
70. Loans to customers	78,421,634	79,823,603
80. Hedging derivatives	495,161	640,359
90. Fair value change of financial assets in macro fair value hedge portfolios (+/-)	76,675	99,024
100. Investments in associates and companies subject to joint control	1,166,324	1,061,412
120. Property and equipment	2,132,633	2,139,962
130. Intangible assets	2,042,120	2,049,912
of which: Goodwill	1,388,895	1,388,895
140. Tax assets	2,999,403	3,707,169
a) current	171,684	152,277
b) deferred	2,827,719	3,554,892
of which pursuant to Law 214/2011	2,445,112	3,178,998
150. Non-current assets held for sale and discontinued operations	109,983	94,308
160. Other assets	2,624,596	2,237,352
Total assets	**120,509,595**	**123,081,686**

Liability and shareholders' equity items	31/12/2015	31/12/2014
10. Due to banks	16,334,739	17,383,317
20. Due to customers	53,470,382	54,778,714
30. Debt securities issued	16,568,441	16,709,575
40. Financial liabilities held for trading	7,573,981	6,059,513
50. Financial liabilities designated at fair value through profit and loss	12,102,621	15,025,179
60. Hedging derivatives	990,562	590,722
70. Fair value change of financial liabilities in macro fair value hedge portfolios (+/-)	457	943
80. Tax liabilities	355,475	388,712
a) current	21,011	9,853
b) deferred	334,464	378,859
90. Liabilities associated with non-current assets held for sale and discontinued operations	342,265	-
100. Other liabilities	2,890,861	2,787,203
110. Employee termination indemnities	334,613	377,847
120. Provisions for risks and charges:	998,464	903,612
a) retirement benefits and similar commitments	362,225	348,170
b) other provisions	636,239	555,442
140. Valuation reserves	177,264	184,628
170. Reserves	1,795,715	2,263,234
180. Share premium reserve	-	1,471,870
190. Share capital	6,092,996	6,092,996
200. Treasury shares (-)	(2,483)	(2,618)
210. Minority interests (+/-)	53,169	12,130
220. Net income (loss) for the year (+/-)	430,073	(1,945,891)
Total liabilities and shareholders' equity	**120,509,595**	**123,081,686**

CONSOLIDATED INCOME STATEMENT

Items	2015	2014 (*)
10. Interest and similar income	2,778,692	3,259,650
20. Interest and similar expense	(1,207,506)	(1,706,799)
30. Interest margin	**1,571,186**	**1,552,851**
40. Fee and commission income	1,498,466	1,476,929
50. Fee and commission expense	(73,056)	(97,205)
60. Net fee and commission income	**1,425,410**	**1,379,724**
70. Dividends and similar income	31,201	35,460
80. Profits (losses) on trading	75,479	138,229
90. Fair value adjustments in hedge accounting	1,427	(6,797)
100. Profits (losses) on disposal or repurchase of:	378,854	39,905
a) loans	37,686	(10,923)
b) financial assets available for sale	341,356	53,767
d) financial liabilities	(188)	(2,939)
110. Profits (losses) on financial assets and liabilities designated at fair value through profit and loss	(3,321)	(45,472)
120. Net interest and other banking income	**3,480,236**	**3,093,900**
130. Net losses/Recoveries on impairment of:	(920,771)	(3,586,292)
a) loans	(886,616)	(3,475,759)
b) financial assets available for sale	(27,215)	(17,593)
d) other financial transactions	(6,940)	(92,940)
140. Net income from banking activities	**2,559,465**	**(492,392)**
170. Net income from banking and insurance activities	**2,559,465**	**(492,392)**
180. Administrative expenses:	(2,453,491)	(2,274,265)
a) personnel expenses	(1,423,372)	(1,418,660)
b) other administrative expenses	(1,030,119)	(855,605)
190. Net provisions for risks and charges	(76,591)	(39,305)
200. Net adjustments to/Recoveries on property and equipment	(116,006)	(143,584)
210. Net adjustments to/Recoveries on intangible assets	(65,378)	(107,995)
220. Other operating expense/income	364,697	362,466
230. Operating expenses	**(2,346,769)**	**(2,202,683)**
240. Profits (losses) on investments in associates and companies subject to joint control	141,341	89,950
260. Value adjustments on goodwill	-	(200,000)
270. Profits (Losses) on disposal of investments	(4,262)	2,461
280. Income (Loss) before tax from continuing operations	**349,775**	**(2,802,664)**
290. Taxes on income from continuing operations	68,894	815,915
300. Income (Loss) after tax from continuing operations	**418,669**	**(1,986,749)**
310. Income (loss) after tax from discontinued operations	(7,280)	2,144
320. Net income (Loss)	**411,389**	**(1,984,605)**
330. Net income (Loss) attributable to minority interests	18,684	38,714
340. Parent Company's net income (loss)	**430,073**	**(1,945,891)**

(*) The figures for the previous year were restated in compliance with IFRS 5. The attachments contain a statement of reconciliation between the income statement published in the annual financial report as at 31 December 2014 and that restated in this statement.

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

	Items	31/12/2015	31/12/2014
10.	**Net income (Loss)**	**411,389**	**(1,984,605)**
	Other comprehensive income after tax without reclassification to profit or loss		
40.	Defined benefit plans	11,607	(34,869)
60.	Share of valuation reserves related to investments in associates carried at equity	272	(211)
	Other comprehensive income after tax with reclassification to profit or loss		
90.	Cash flow hedges	2,246	2,002
100.	Financial assets available for sale	(18,384)	136,328
120.	Share of valuation reserves related to investments in associates carried at equity	(3,097)	(6,035)
130.	**Total other comprehensive income after tax**	**(7,356)**	**97,215**
140.	**Comprehensive Income (Items 10+130)**	**404,033**	**(1,887,390)**
150.	Consolidated comprehensive income attributable to minority interests	18,676	38,721
160.	**Consolidated comprehensive income attributable to the Parent Company**	**422,709**	**(1,848,669)**

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

31 December 2015 *(in thousands of euro)*	Balance as at 31/12/2014	Changes in opening balance	Balance as at 01/01/2015	Allocation of net income from previous year		Changes in the year									Shareholders' equity as at 31/12/2015	Group shareholders' equity as at 31/12/2015	Minority interests as at 31/12/2015
						Changes in reserves	Operations on shareholders' equity							Comprehensive income for the year			
				Reserves	Dividends and other allocations		Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury shares	Stock options	Changes in equity investments				
Share Capital:	**6,145,076**	**-**	**6,145,076**	**-**		**(41,028)**	**60,000**	**-**					**(4)**		**6,164,044**	**6,092,996**	**71,048**
a) ordinary shares	6,145,076	-	6,145,076	-		(41,028)	60,000	-					(4)		6,164,044	6,092,996	71,048
b) other shares	-	-	-	-		-	-	-					-		-	-	-
Share premium reserve	**1,500,870**	**-**	**1,500,870**	**(1,471,870)**		**(29,000)**	**-**	**-**					**-**		**-**	**-**	**-**
Reserves:	**2,232,849**	**-**	**2,232,849**	**(512,991)**		**76,579**	**(55)**	**-**	**-**		**-**		**(19)**		**1,796,363**	**1,795,715**	**648**
a) retained earnings	2,194,682	-	2,194,682	(512,991)		70,179	(55)	-	-				(19)		1,751,796	1,751,056	740
b) other	38,167	-	38,167	-		6,400	-	-			-		-		44,567	44,659	(92)
Valuation reserves	**184,777**	**-**	**184,777**	**-**		**-**							**-**	**(7,356)**	**177,421**	**177,264**	**157**
Equity instruments	**-**	**-**	**-**							**-**					**-**	**-**	**-**
Treasury shares	**(2,618)**	**-**	**(2,618)**			**5**	**130**	**-**							**(2,483)**	**(2,483)**	**-**
Net income (Loss) for the period	**(1,984,605)**	**-**	**(1,984,605)**	**1,984,861**	**(256)**									**411,389**	**411,389**	**430,073**	**(18,684)**
Shareholders' equity	**8,076,349**	**-**	**8,076,349**	**-**	**(256)**	**6,556**	**60,075**	**-**	**-**	**-**	**-**		**(23)**	**404,033**	**8,546,734**	**8,493,565**	**53,169**
- Group	**8,064,219**		**8,064,219**	**-**	**-**	**6,562**	**75**	**-**	**-**	**-**	**-**		**-**	**422,709**	**8,493,565**		
- minority interests	**12,130**	**-**	**12,130**	**-**	**(256)**	**(6)**	**60,000**	**-**					**(23)**	**(18,676)**	**53,169**		

The loss for 2014 was covered by available reserves and by the share premium reserve. Euro 2,074 million of said loss refers to the Parent Company Banco Popolare; for details relating to the coverage of the same, please refer to the report on operations in the 2014 Financial Statements.

31 December 2014 *(in thousands of euro)*	Balance as at 31/12/2013	Changes in opening balance	Balance as at 01/01/2014	Allocation of net income from previous year		Changes in the year									Shareholders' equity as at 31/12/2014	Group shareholders' equity as at 31/12/2014	Minority interests as at 31/12/2014
						Changes in reserves	Operations on shareholders' equity							Comprehensive income for the year			
				Reserves	Dividends and other allocations		Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury shares	Stock options	Changes in equity investments				
Share Capital:	**4,387,508**	**-**	**4,387,508**	**-**		**(212)**	**1,798,846**	**-**					**(41,066)**		**6,145,076**	**6,092,996**	**52,080**
a) ordinary shares	4,387,488	-	4,387,488	-		(192)	1,798,846	-					(41,066)		6,145,076	6,092,996	52,080
b) other shares	20	-	20	-		(20)	-	-					-		-	-	-
Share premium reserve	**2,123,257**	**-**	**2,123,257**	**(580,627)**		**(611)**	**(38,787)**	**-**					**(2,362)**		**1,500,870**	**1,471,870**	**29,000**
Reserves:	**2,515,460**	**-**	**2,515,460**	**(49,400)**		**5,972**	**-**	**17**	**-**		**-**		**(239,200)**		**2,232,849**	**2,263,234**	**(30,385)**
a) retained earnings	2,472,989	-	2,472,989	(49,400)		7,446	-	17	-				(236,370)		2,194,682	2,224,975	(30,293)
b) other	42,471	-	42,471	-		(1,474)	-	-			-		(2,830)		38,167	38,259	(92)
Valuation reserves	**87,562**	**-**	**87,562**	**-**		**-**							**-**	**97,215**	**184,777**	**184,628**	**149**
Equity instruments	**33,089**	**-**	**33,089**							**(33,089)**					**-**	**-**	**-**
Treasury shares	**(4,179)**	**-**	**(4,179)**				**1,600**	**(39)**							**(2,618)**	**(2,618)**	**-**
Net income (Loss) for the period	**(620,044)**	**-**	**(620,044)**	**630,027**	**(9,983)**									**(1,984,605)**	**(1,984,605)**	**(1,945,891)**	**(38,714)**
Shareholders' equity	**8,522,653**	**-**	**8,522,653**	**-**	**(9,983)**	**5,149**	**1,761,659**	**(22)**	**-**	**(33,089)**	**-**		**(282,628)**	**(1,887,390)**	**8,076,349**	**8,064,219**	**12,130**
- Group	**8,173,614**		**8,173,614**	**-**	**(1,686)**	**5,730**	**1,761,659**	**(22)**	**-**	**(33,089)**	**-**		**6,682**	**(1,848,669)**	**8,064,219**		
- minority interests	**349,039**	**-**	**349,039**	**-**	**(8,297)**	**(581)**	**-**	**-**					**(289,310)**	**(38,721)**	**12,130**		

CONSOLIDATED STATEMENT OF CASH FLOWS

Direct method

A. Operating activities	31/12/2015	31/12/2014
1. Cash flow from operations	**2,071,166**	**2,428,082**
- interest received (+)	2,778,692	3,262,657
- interest paid (-)	(1,207,506)	(1,706,144)
- dividends and similar income (+)	31,201	35,460
- net fee and commission income (+/-)	1,425,410	1,385,447
- personnel expenses (-)	(1,410,127)	(1,403,199)
- net insurance premiums received	-	-
- other insurance revenues/charges	-	-
- other costs (-)	(1,032,954)	(861,902)
- other revenues (+)	1,424,836	900,729
- taxes	68,894	815,082
- costs/revenues after tax from discontinued operations (+/-)	(7,280)	(48)
2. Cash flow from / used in financial assets	**3,908,602**	**(421,100)**
- financial assets held for trading	186,053	447,690
- financial assets designated at fair value through profit and loss	(48,857)	(20,081)
- financial assets available for sale	580,257	(1,594,523)
- loans to customers	535,588	2,849,314
- due from banks: repayable on demand	561,779	(657,625)
- due from banks: other loans	1,658,970	(647,645)
- other assets	434,812	(798,230)
3. Cash flow from/used in financial liabilities	**(3,133,060)**	**(2,467,427)**
- due to banks: repayable on demand	(439,169)	313,786
- due to banks: other payables	(609,409)	(333,535)
- due to customers	(1,308,332)	7,070,519
- debt securities issued	(141,134)	(3,648,525)
- financial liabilities held for trading	1,514,468	1,348,864
- financial liabilities designated at fair value through profit and loss	(2,922,558)	(6,926,195)
- other liabilities	773,074	(292,341)
Net cash flow from/used in operating activities	**2,846,708**	**(460,445)**
B. Investing activities		
1. Cash flow from:	**29,610**	**67,558**
- sales of investments in associates and companies subject to joint control	-	-
- dividends collected on investments in associates and companies subject to joint control	-	-
- sales/redemptions of investments held to maturity	-	3,425
- sales of property and equipment	29,610	7,252
- sales of intangible assets	-	56,881
- sales of subsidiaries and business branches		
2. Cash flow used in:	**(2,968,208)**	**(1,059,399)**
- purchases of investments in associates and companies subject to joint control	(694)	-
- purchases of investments held to maturity	(2,800,851)	(792,002)
- purchases of property and equipment	(108,673)	(151,842)
- purchases of intangible assets	(57,990)	(115,555)
- purchases of subsidiaries and business branches	-	-
Net cash flow from/used in investing activities	**(2,938,598)**	**(991,841)**
C. Financing activities		
- issue/purchase of treasury shares	60,000	1,442,166
- issue/purchase of equity instruments	-	-
- dividend distribution and other allocations	(256)	(9,983)
Net cash flow from/used in financing activities	**59,744**	**1,432,183**
Net cash flow from/used in activities during the year	**(32,146)**	**(20,103)**

Reconciliation	31/12/2015	31/12/2014
- Cash and cash equivalents at the beginning of the year	619,529	639,632
- Net cash flow from (used in) activities during the year	(32,146)	(20,103)
- Cash and cash equivalents: foreign exchange effect	-	-
Cash and cash equivalents at the end of the year	**587,383**	**619,529**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Declaration for the exemption from the obligation to publish the Consolidated Financial Statements in extensible electronic format (XBRL language)

We hereby specifically declare, without reservation, that Banco Popolare Società Cooperativa is exempt from the obligation to submit its consolidated financial statements in extensible electronic format pursuant to the provisions of art. 3 of the Council of Ministers Presidential Decree dated 10 December 2008, insofar as it is a joint stock company listed on a regulated market (Electronic Equity Market - MTA, managed by Borsa Italiana S.p.A.).

The Legal Representative
Carlo Fratta Pasini

PART A – ACCOUNTING POLICIES

A.1 - GENERAL PART

Section 1 - Statement of compliance with the international accounting standards

These consolidated financial statements, in compliance with Italian Legislative Decree no. 38 of 28 February 2005, have been drawn up according to the IAS/IFRS, issued by the International Accounting Standard Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC), validated by the European Commission, as defined in EC Regulation no. 1606 of 19 July 2002.

The following documents have been used to interpret and apply the international accounting standards, although they have not been validated by the European Commission:

- Framework for the Preparation and Presentation of Financial Statements (“Framework”);
- Implementation Guidance, Basis for Conclusions and any other documents prepared by the IASB or IFRIC as a supplement to issued accounting standards.

The accounting standards applied in preparing these financial statements are those in effect as at 31 December 2015 (including the SIC and IFRIC interpretation documents).

For an overview of the standards validated during 2015 or those validated in prior years, whose application is expected for 2015 (or for future years), reference is made to “Section 5 – Other Aspects”, below, which also illustrates the main impacts for the Group.

The notices received from the Supervisory Authorities (Bank of Italy, Consob and ESMA) have also been taken into consideration, as the same provide recommendations on the disclosures to be made in the Financial Report on aspects of particular importance or on the accounting treatment of certain transactions.

Section 2 - General preparation principles

The consolidated financial statements comprise the statement of financial position, income statement, statement of comprehensive income, statement of changes in shareholders’ equity, statement of cash flows and the notes to the financial statements, and are accompanied by the Directors’ report on operations and on the general situation of the consolidated companies.

The financial statements and the contents of the notes to the financial statements have been prepared in keeping with the provisions of the Bank of Italy in Circular no. 262 of 22 December 2005 “Bank Financial Statements: Layouts and Rules for Preparation” and the subsequent updates (most recently, the update published on 15 December 2015, the most important changes of which are illustrated in Section 5 “other aspects”). Specifically, this was a Circular issued by the Bank of Italy in exercising its powers established by the above-mentioned Legislative Decree 38/2005 (hereinafter also referred to as “Circular no. 262”).

These financial statements are drawn up using the Euro as functional currency.

The amounts shown in the financial statements and the data illustrated in the tables in the notes to the financial statements are expressed in thousands of euro, unless specified otherwise.

The consolidated financial statements are drawn up clearly and provide a true and fair view of the equity and financial situation and economic result of Banco Popolare and its subsidiaries for the year. The financial statements used to prepare the consolidated financial statements are those prepared by the subsidiaries as at 31 December 2015, adjusted, if necessary, to comply with IAS/IFRS.

Should the information required by the international accounting standards and the provisions of the above-mentioned Circular be deemed insufficient to provide a true and fair view, the notes to the financial statements provide supplementary information necessary for this purpose.
If, in exceptional cases, the application of provisions envisaged by the international accounting standards is incompatible with the true and fair view of the statement of financial position, financial situation and economic result, it would not be applied. The notes to the financial statements will set forth an explanation of the reasons for any departure and its influence on the representation of the equity and financial situation and economic result.

The financial statements have been drawn up in observance of the following general principles:

- *going concern:* the financial statements have been drawn up with a view to the Group's business activities as a going-concern;
- *accrual accounting:* the financial statements have been drawn up on an accruals basis with the exception of cash flows information;
- *presentation consistency:* the presentation and classification of the items in the financial statements are consistent from one year to another unless the standard or interpretation requires a change in presentation or another presentation or classification is no longer appropriate taking into account that matters envisaged by IAS 8. In this latter case, disclosure is provided in the report with regard to the changes made with respect to the previous year;
- *materiality and aggregation:* the statement of financial position and income statement schedules are made up of items (identified by Arabic numerals), sub-items (identified by letters) and by additional detailed disclosure (the "of which" captions of the items and sub-items). The items, sub-items and related detailed disclosure represent the financial statement accounts. The financial statements are compliant with those established by the Bank of Italy in Circular No. 262 dated 22 December 2005 and subsequent amendments. Additional items can be added to the afore-mentioned financial statements if their content is not attributable to any of the items already envisaged by the schedules and only if the amounts involved are significant. The sub-items envisaged by the statements can be grouped together when one of the following two conditions applies:
  a) the amount of the sub-items is immaterial;
  b) the aggregation favours a clear financial statement presentation; in this case, the notes separately describe the sub-items that have been aggregated.

  Accounts which do not present amounts either for the year to which the financial statements refer or the previous year are not indicated in the statement of financial position or income statement;
- *predominance of substance over form:* the transactions and other events are recognised and stated in compliance with their substance and economic entity and not just their legal form;
- *offsetting:* assets and liabilities, income and expenses are not offset, unless this is permitted or required by an international accounting standard or by an interpretation of the same or the provisions set forth by the aforementioned Bank of Italy Circular;
- *comparative information:* comparative information is provided for each statement of financial position and income statement item relating to the previous year, unless an accounting standard or interpretation does not permit this or requires different presentation. The balances relating to the previous year can be appropriately adjusted, where necessary, for the purpose of ensuring the comparability of the information relating to the year underway. Any non-compatibility, adaptation or impossibility of the latter are reported and commented on in the notes.

The Notes to the financial statements are divided into sections: A-Accounting policies, B-Information on the consolidated statement of financial position, C-Information on the consolidated income statement, D-Statement of consolidated comprehensive income, E-Information on risks and relative hedging policies, F-Information on consolidated shareholders' equity, G-Business combinations regarding companies or divisions, H-Transactions with related parties, I-Share-based payment agreements, and L-Segment reporting.
Each part of the notes is organised into sections, and each section describes a single element of operations.

Accounting policies and uncertainties with regard to the use of estimates for drawing up the financial statements (pursuant to the provisions of IAS 1 and the recommendations set forth in the Bank of Italy/Consob/Isvap documents no. 2 of 6 February 2009 and no. 4 of 3 March 2010)

The application of certain accounting standards necessarily involves recourse to estimates and assumptions which affect the values of the assets and liabilities recorded in the financial statements and the disclosure provided with regard to the potential assets and liabilities.
The assumptions underlying the estimates made take into account all the information available as of the date of preparation of the financial statements, as well as the hypotheses considered reasonable in light to past experience

and the particular moment being experienced by the financial markets. In this regard, note that the situation caused by the current economic and financial crisis has made it necessary to make assumptions concerning the future trend characterised by significant uncertainty.
Precisely in consideration of the uncertain situation, it cannot be excluded that the hypotheses adopted, however reasonable, might not be confirmed by future scenarios in which the Group finds itself operating. The results which will be achieved in the future could therefore differ from the estimates made for the purpose of drawing up the financial statements and could consequently make adjustments necessary which at present cannot be foreseen or estimated with respect to the book value of the assets and liabilities recorded in the financial statements.
The following paragraphs illustrate the accounting policies considered most critical to the truthful and correct portrayal of the Group's equity, economic and financial situation, both in terms of the materiality of the values to be recognised in the financial statements affected by said policies and the high level of judgement required for valuations that for which management need to use estimates and assumptions, referring the reader to the specific sections of the notes to the financial statements for detailed information on the valuation processes conducted as at 31 December 2015.

Determination of estimated impairment losses on loans disbursed and other financial assets recognised under statement of financial position assets
Loans represent one of the valutational items most exposed to choices made by the Group in terms of disbursement and risk management and monitoring.
Value adjustments on individual loans disbursed are estimated based on evidence arising from a careful, constant monitoring of the development of outstanding relations with borrowers and their economic and financial positions. The determination of portfolio adjustments is instead based on historical data reported in terms of probability of insolvency and the percentage of loss on non performing loans, appropriated adjusted to take current economic conditions into account, with respect to loan classes with homogeneous characteristics as compared to those under measurement at the reporting date.
When assessing the value of loans, actual data and information that is certain on the date of preparation of the financial statements are of key importance. However, there are other equally important factors, such as:

- the reference context, from a macroeconomic and legislative-regulatory perspective, which influences management's vision in terms of future expectations and rigour in the valuation process. Said context is particularly important given the prolonged nature of the current economic-financial crisis, which could entail the further deterioration of borrowers;
- the outcome of the application of models to predict the cash flows that individual borrowers (or portfolios of borrowers with similar risk profiles) are able to pay in order to meet, wholly or in part, the obligations they have undertaken with the Group. Within the range of possible approaches relating to estimation models permitted by the reference international accounting standards, the use of a method or the selection of certain estimation parameters may have a significant influence on the valuation of loans. These methods and parameters are necessarily continually updated in order to best represent the estimated realisable value.

The consideration of the above-cited factors, combined with the results of the Asset Quality Review exercise conducted by the European Central Bank in 2014, led to the need to refine the estimation parameters used for the valuation of non performing loans and of performing loans as at 31 December 2015, as illustrated in detail in the paragraph entitled "Update of estimation parameters used to estimate the recoverable value of loans as at 31 December 2015", contained in "Section 5 - Other aspects" below.

Estimated impairment losses in relation to intangible assets and investments in associates
On a yearly basis, upon preparing the financial statements, intangible assets and investments in associates recognised in the statement of financial position assets are tested for impairment. The impairment test is usually conducted by determining the value in use or the fair value of the assets and verifying that the value at which the intangible asset or investment has been recognised in the financial statements is lower than its value in use or fair value, net of costs to sell, whichever is greater.
The financial and economic crisis that unfolded starting from 2008, has deeply changed the scenarios in which the Group operated and will operate, requiring organisational and structural measures and obliging the bank to operate in a context characterised by random margins.
Impairment testing relating to the cash generating units "Commercial Network" and "Private & Investment Banking", to which almost all intangible assets with an undefined useful life have been allocated, was conducted using the Value in Use obtained through the application of the Dividend Discount Model (DDM), based on which the value of a company depends on the dividend flows that it is capable of generating with a view to the future. In the case in point, the method used is Excess Capital DDM, which assumes that the economic value of a company is equal to the sum of the present value of future cash flows (Expected Dividends) generated over the selected time period of planning, which can be distributed to shareholders while maintaining a suitable level of capitalisation to guarantee expected future development, and the perpetual capitalisation of the normalised dividend for the last year of the forecast, based on a payout ratio depending on profitability at full operation.
Given the continuing uncertainty of the macroeconomic and regulatory scenarios, these valuations were conducted using a multi-scenario approach, in order to take into due consideration the risk inherent to the actual implementation of the cash flow forecasts assumed as the basis for the impairment test.
However, it is important to note that the parameters and the information used to verify the recoverability of goodwill

(particularly the cash flows envisaged for the various CGUs, as well as the discounting rates used) were heavily influenced by the macroeconomic and market situation, which could undergo changes that we are currently unable to predict.
Part B of the Notes to the Financial Statements, Section 13 - Intangible assets, provides an illustration of the main assumptions underlying the verification of the recoverability of goodwill and a sensitivity analysis of the recoverable value of the cash generating unit with respect to the valuation parameters considered most important.
As regards equity investments, note that the non availability, as at the date of preparation of the draft consolidated financial statements, of the draft financial statements of the investee companies and of their updated business plans, introduces further elements of uncertainty to the process of assessing the value of equity investments. In these circumstances, we can therefore not exclude the possibility that the value attributed to the equity investments based on the information available may, in the future, not be fully representative of the recovery value.

Determination of the fair value of financial assets and liabilities
In the event of financial instruments that are not listed on active markets or illiquid and complex instruments, adequate valuation processes need to be set in place, characterised by a certain amount of subjective judgement as regards the choice of the valuation model and of the relative input parameters, which sometimes cannot be observed in the market. There are margins of subjectivity in the valuation with regard to whether certain parameters are observable or not, and in the consequent classification in correspondence with the fair value hierarchy levels.
For qualitative and quantitative information on the method adopted to measure the fair value of instruments recognised at fair value through profit and loss in the financial statements and for those values at amortised cost, please refer to the contents of the Notes to the Financial Statements, Part A.4 - Fair value disclosure.

Estimating impairment losses on financial assets available for sale
With regard to financial assets available for sale, identifying objective evidence of losses in a critical element, in the presence of which the reduction in the fair value must be recognised as a balancing entry in the income statement, rather than a specific reserve of shareholders' equity. With regard to equity instruments and investments in private equity funds and in similar investment vehicles, the policy approved by the Group establishes parametric thresholds connected to the significant or prolonged nature of the reduction in fair value, which, once exceeded, requires the recognition of a loss to the income statement, save for exceptional and justified circumstances. Impairment testing on financial assets available for sale is illustrated in Section 4 of Part B of Assets in these Notes to the Financial Statements.

Estimating the recoverability of deferred tax assets
The Group has significant deferred tax assets among its statement of financial position assets, mainly deriving from temporary differences between the income statement recognition date of given business costs and the date when said costs may be deducted. These deferred tax assets recognised in the statement of financial position refer to temporary differences and, to a lesser extent, to losses which may be recovered over a very long time frame. Deferred tax assets are adjusted to the extent they are deemed to be non-recoverable in relation to income prospects and the associated expected taxable income, also taking account of tax regulations, which allows the assets to be transformed into tax credits, should specific conditions be met, regardless, therefore, of the Group's ability to generate future profit. Section 14 - Tax assets and tax liabilities, contained in Part B of Assets in these Notes to the Financial Statements, provides information on the nature and on the tests conducted as regards the recognition or otherwise of deferred tax assets.

Estimating provisions for risks and charges
The companies belonging to the Group are defendants in a wide range of lawsuits and tax disputes. The complexity of the situations and corporate deals that underlie the outstanding disputes, along with the difficulties in the interpretation of applicable law, make it difficult to estimate the liabilities that may result when pending lawsuits are settled. The difficulties lie in assessing if and what may be due and how much time will elapse before liabilities materialise and are particularly evident when the proceedings are at the initial stage and/or the relative preliminary analysis is underway.
For the disclosure of the main risk positions of the Group relating to legal disputes (clawback actions and lawsuits underway) and to disputes with the Tax Authority, the reader should refer to Section 12 - Provisions for risks and charges contained in Part B of Liabilities in these Notes to the Financial Statements.

Estimating the recoverable value of real estate assets held for investment purposes
The Group possesses real estate for investment purposes, mostly originating from properties repossessed to close an original credit position (so-called "datio in solutum" - acceptance in lieu) or from an agreement to settle a dispute. For these assets, in the event of indicators that could potentially show an impairment loss, the recoverable value has to be established, recognising a write-down if said value should be lower than the book value. The recoverable value is estimated by means of an external appraisal, and suffers from a certain amount of subjectivity insofar as the current prices for similar assets, used as benchmark values, are subject to adjustments to reflect the specific features of each property; the fair value calculated in this way is classified as level 3 in the fair value hierarchy, as illustrated in Part "A.4 – Fair value disclosure" in these notes to the financial statements. In this regard, we draw attention to the fact that the difficulties related to this estimation process are particularly evident in the current scenario of the Italian real estate market, where the Group's properties are located, which has been marked by a trend of falling prices and a downtrend

of the number of transactions; in the future, we can therefore not exclude a potential further reduction of the recoverable value if the real estate crisis should worsen with respect to that reported at the time these financial statements were prepared.

Estimating obligations relating to employee benefits
The calculation of the liabilities associated to employee benefits, with specific reference to defined benefit plans and to long-term benefits, implies a certain degree of complexity; the outcome of actuarial assessments depend, to a large extent, on the actuarial assumptions used in both demographic terms (such as mortality rates and employee turnover) and financial terms (such as discounting rates and rates of inflation). The judgement expressed by management is therefore fundamental when selecting the most suitable technical bases for the assessment in question; said judgement is influenced by the socio-economic climate in which the Group operates, as well as the performance of the financial markets. The main actuarial assumptions and the impact of the changes occurring during the year are illustrated in sections 10 and 11 of liabilities, contained in Part B of these Notes to the Financial Statements, for Employee termination indemnities and for defined benefit company retirement plans respectively, together with a sensitivity analysis of these provisions with respect to the actuarial assumptions retained important.

The list of valuation processes shown above is included simply to provide readers of the financial statements with a better understanding of the main areas of uncertainty, and it should in no way be considered as implying that, to date, alternative assumptions can prove more appropriate. Moreover, financial statement valuations are formulated on the basis of the going concern principle: the directors have not identified any elements relating to operations or to the evolution of the equity and financial situation that could cast doubts as to the ability of Group companies to be able to continue to operate as usual. Disclosures on financial risks and related controls are set forth in “Part E - Information on risks and on relative hedging policies” of the Notes to the financial statements, as well as in the Group’s report on operations.

Section 3 - Scope of consolidation and consolidation methods

The consolidated financial statements include the statement of financial position and income statement results of the Parent Company and its direct and indirect subsidiaries, including structured entities, in accordance with that envisaged by accounting standard IFRS 10.

The reference date of the consolidated financial statements coincides with the closure date of the financial statements of the Parent Company. In the event of subsidiary companies which end the period on a date other than that of the Parent Company, the same are consolidated on the basis of the statement of financial position and income statement drawn up as at the reference date of the consolidated financial statements. Where necessary, the financial statements of consolidated entities, possibly drawn up on the basis of different accounting criteria, are rendered compliant with the standards of the Group.
Controlled entities are consolidated from the date on which the Group acquires control, according to the purchase method, and cease to be consolidated from the moment in which a situation of control no longer exists. The existence of control is continuously assessed, when the facts and the circumstances indicate the presence of a change in one or more of the three elements representing the control requirement, illustrated in paragraph “2. Valuations and assumptions used to establish the scope of consolidation” below.

Full consolidation entails acquiring the statement of financial position and income statement aggregates of subsidiary entities “line-by-line”, a balancing entry which eliminates the investment held by the Group in the entity, and the recognition, under the appropriate items, of minority interests. More specifically, for subsidiary entities controlled by means of an equity investment, the portion of shareholders’ equity, income (loss) for the year and comprehensive income pertaining to minority interests is indicated as a separate item in the respective schedules of the consolidated financial statements (respectively in items: “210. Minority interests”, “330. Income (loss) attributable to minority interests”, “150. Consolidated comprehensive income attributable to minority interests”).
The costs and revenues of the subsidiary entity are consolidated from the date on which control was acquired. The costs and revenues of a subsidiary sold are included in the income statement up until the date of the disposal; the difference between the sale price and the book value of the net assets of the same is recognised under the income statement item “270. Profits (Losses) on disposal of investments”. In the event of the partial disposal of a subsidiary entity, which does not result in a loss of control, the difference between the sale price and the relative book value is recognised as a balancing entry of shareholders’ equity.
For further details on the accounting treatment used in the event of the acquisition of control, changes in shareholdings and loss of control, the reader should refer to the paragraph entitled “Business combinations, goodwill and changes in shareholdings” contained in Part “A.2 - Key financial statement items” in these Notes to the Financial Statements.

The assets, liabilities, off-balance sheet transactions, income and expenses relating to transactions between consolidated companies are eliminated in full. For further details on the process to cancel a specific type of derivative instrument, the reader should refer to the paragraph below “Cancellation of infragroup derivatives linked to own liabilities designated at fair value through profit and loss”.

The statement of financial position and income statement results of the consolidated companies whose operating currency is different from the Euro are converted based on the following rules:

- the statement of financial position assets and liabilities are converted at the exchange rate in effect at the end of the period;
- the revenues and costs on the income statement are converted at the average exchange rate for the period;
- all exchange rate differences originated by the conversion are recognised in a specific and separate reserve under shareholder's equity. Said reserve is eliminated through a concurrent debit/crediting of the income statement when the investment is disposed of.

Investments in associates and companies subject to joint control held for sale are recorded in compliance with the reference international accounting standard IFRS 5, which regulates the recording of non-current assets held for sale.

With regard to the consolidation of associates and companies subject to joint control based on the equity method, the reader should refer to Part "A.2 - Key financial statement items" in these notes to the financial statements.

Cancellation of infragroup derivatives linked to own liabilities designated at fair value through profit and loss

The adoption of the fair value option for some bond issues, as illustrated in the paragraph entitled "Financial liabilities designated at fair value through profit and loss and determination of own creditworthiness" in "Part A.2 – Key financial statement items", necessarily implies a series of assumptions with regard to the recognition of derivatives used as operational hedges in the consolidated financial statements. For the above issues, the fair value designation is closely linked to the actual methods the Group uses to carry out its hedging strategies, managing its market exposure in "bulk" terms, not through an equivocal or determinable relation with an individual loan or with a loan portfolio. More specifically, hedges linked to the bond issues of the Group's issuing banks are managed by the Group's investment bank, Banca Aletti. Infragroup derivatives entered into with Banca Aletti are recorded by the latter in its "trading portfolio" and managed in bulk along with the other trading instruments, in observance of the limits of position and risk which can be held by Banca Aletti. In general, it can be stated that:

- by adopting the fair value option, the Group's issuing banks can represent in the accounts the operational strategy of hedging all risks associated with the bond issues. This is also be reflected in the risk exposure of the "banking portfolio", where the issues and related hedging derivatives are classified;
- for Banca Aletti, the risk position resulting from entering into said derivatives is added to the other existing positions or to be created with market counterparties, to be managed based on a portfolio strategy, within the set risk limits. The set of those positions is recorded in the "trading portfolio";
- at consolidated level, this means that the risks associated with the "banking portfolio" are substantially hedged, and the actual risk exposure of the Group is the exposure resulting from management by Banca Aletti.

As at 31 December 2015, consolidation procedures envisage that the derivatives stipulated between Group companies are cancelled. In order to correctly recognise the risks related to the Group's "trading portfolio" and to the "banking portfolio", which would change following the cited cancellation, the derivatives that Banca Aletti has ideally stipulated with the market (in its trading portfolio) to hedge the liabilities issued by the Parent Company (in its banking portfolio), must be reclassified from the "trading portfolio" to the "banking portfolio". Essentially, said reclassification is made assuming that said derivatives correspond perfectly to those stipulated by the Parent Company, as the bulk management of risks carried out by Banca Aletti makes it impossible to accurately identify the specific derivative contracts entered into with external counterparties. Said assumption is supported by the fact that the Banca Aletti desks, which act as counterparties to the Parent Company, transfer the risks relating to the fair value option to the market, and that the potential risk position undertaken by the same, corresponds to an approved decision, which ignores the risks undertaken by entering into said derivative contracts.

1. Equity investments in exclusively controlled companies

	Company name	Operational headquarters	Registered office	Type of relationship (1)	Investment relationship		% of available votes (2)
					Holder	% held	
	Banco Popolare soc. coop.	Verona	Verona		Parent Company		
1.	Aletti & C. Banca di Investimento Mobiliare S.p.A.	Milan	Milan	1	Banco Popolare	83.440%	100.000%
					Holding di Partecipazioni	16.560%	
2.	Aletti Fiduciaria S.p.A.	Milan	Milan	1	Banca Aletti & C.	100.000%	100.000%
3.	Aletti Gestielle SGR S.p.A.	Milan	Milan	1	Banco Popolare	100.000%	100.000%
4.	Arena Broker S.r.l.	Verona	Verona	1	Holding di Partecipazioni	57.300%	57.300%
5.	Banca Aletti & C. (Suisse) S.A.	CH - Lugano	CH - Lugano	1	BP Luxembourg	100.000%	100.000%
6.	Banca Italease Funding LLC	USA - Delaware	USA - Delaware	1	Banco Popolare	100.000%	100.000%
7.	Banca Italease Capital Trust	USA - Delaware	USA - Delaware	1	Banca Italease Funding LLC	100.000%	100.000%
8.	Banco Popolare Luxembourg S.A. (*)	L - Luxembourg	L - Luxembourg	1	Banco Popolare	100.000%	100.000%
9.	Bipielle Bank (Suisse) S.A. (in liquidation)	CH - Lugano	CH - Lugano	1	Banco Popolare	100.000%	100.000%
10.	Bipielle Real Estate S.p.A.	Lodi	Lodi	1	Banco Popolare	100.000%	100.000%
11.	BRF Property S.p.A.	Parma	Parma	1	Partecipazioni Italiane	51.114%	51.114%
					Banco Popolare	14.314%	14.314%
12.	BP Covered Bond S.r.l.	Milan	Milan	1	Banco Popolare	60.000%	60.000%
13.	BP Property Management Soc. Consortile a r.l.	Verona	Verona	1	Banco Popolare	92.309%	100.000%
					Bipielle Real Estate	4.615%	
					Banca Aletti & C.	1.000%	
					S.G.S. BP	1.000%	
					Aletti Gestielle SGR	0.538%	
					Holding di Partecipazioni	0.538%	
14.	BP Trading Immobiliare S.r.l.	Lodi	Lodi	1	Bipielle Real Estate	100.000%	100.000%
15.	Essegibi Promozioni Immobiliari S.p.A.	Milan	Milan	1	Italease Gestione Beni	100.000%	100.000%
16.	FIN.E.R.T. S.p.A. (in liquidation)	Rome	Rome	1	Banco Popolare	80.000%	80.000%
17.	HCS S.r.l.	Milan	Milan	1	Italease Gestione Beni	100.000%	100.000%
18.	Holding di Partecipazioni Finanziarie Banco Popolare S.p.A.	Verona	Verona	1	Banco Popolare	100.000%	100.000%
19.	Immobiliare Marinai d'Italia S.r.l.	Lodi	Lodi	1	Banco Popolare	100.000%	100.000%
20.	Italease Finance S.p.A.	Milan	Milan	1	Banco Popolare	70.000%	70.000%
21.	Italease Gestione Beni S.p.A.	Milan	Milan	1	Banco Popolare	100.000%	100.000%
22.	Liberty S.r.l.	Lodi	Lodi	1	Banco Popolare	100.000%	55.000%
23.	Lido dei Coralli S.r.l.	S.T. di Gallura (SS)	S.T. di Gallura (SS)	1	Bipielle Real Estate	100.000%	100.000%
24.	Manzoni 65 S.r.l.	Milan	Milan	1	Bipielle Real Estate	100.000%	100.000%
25.	Mariner S.r.l.	Lodi	Lodi	1	Bipielle Real Estate	100.000%	100.000%
26.	Meleti S.r.l.	Lodi	Lodi		Perca	100.000%	100.000%
27.	Milano Leasing S.p.A. (in liquidation)	Milan	Milan	1	Banco Popolare	99.999%	99.999%
28.	Nadir Immobiliare S.r.l.	Lodi	Lodi	1	Bipielle Real Estate	100.000%	100.000%
29.	Partecipazioni Italiane S.p.A. (in liquidation)	Milan	Milan	1	Banco Popolare	99.966%	100.000%
30.	Perca S.r.l.	Lodi	Lodi		Immobiliare Marinai d'Italia	100.000%	100.000%
31.	P.M.G. S.r.l. (in liquidation)	Milan	Milan	1	Banco Popolare	84.000%	84.000%
32.	Release S.p.A.	Milan	Milan	1	Banco Popolare	80.000%	80.000%
33.	Sirio Immobiliare S.r.l.	Lodi	Lodi	1	Bipielle Real Estate	100.000%	100.000%
34.	Società Gestione Servizi BP Soc. Consortile p. az.	Verona	Verona	1	Banco Popolare	88.500%	100.000%
					Banca Aletti & C.	10.000%	
					Aletti Gestielle SGR	0.500%	
					Bipielle Real Estate	0.500%	
					Holding di Partecipazioni	0.500%	
35.	Sviluppo Comparto 2 S.r.l.	Milan	Milan	1	Bipielle Real Estate	100.000%	100.000%
36.	Sviluppo Comparto 6 S.r.l.	Lodi	Lodi	1	Bipielle Real Estate	100.000%	100.000%
37.	Sviluppo Comparto 8 S.r.l.	Lodi	Lodi	1	Bipielle Real Estate	100.000%	100.000%
38.	Tecmarket Servizi S.p.A.	Verona	Verona	1	Banco Popolare	100.000%	100.000%
39.	Terme Ioniche S.r.l.	Milan	Milan	1	Bipielle Real Estate	100.000%	100.000%
40.	Tiepolo Finance S.r.l.	Lodi	Lodi	1	Banco Popolare	60.000%	60.000%
41.	Tiepolo Finance II S.r.l.	Lodi	Lodi	1	Banco Popolare	100.000%	100.000%
42.	TT Toscana Tissue S.r.l.	Lodi	Lodi	1	Banco Popolare	100.000%	100.000%
43.	Bipitalia Residential S.r.l. (**)	Milan	Milan	4	Banco Popolare	4.000%	4.000%

Company name	Operational headquarters	Registered office	Type of relationship (1)	Investment relationship		% of available votes (2)
				Holder	% held	
44. BP Mortgages S.r.l. (**)	Milan	Milan	4	-	0.000%	
45. BPL Mortgages S.r.l. (**)	Conegliano V. (TV)	Conegliano V. (TV)	4	-	0.000%	
46. BPV Mortgages S.r.l. (**)	Verona	Verona	4	-	0.000%	
47. Erice Finance S.r.l. (**)	Conegliano V. (TV)	Conegliano V. (TV)	4	-	0.000%	
48. Gestielle Hedge Low Volatility (***)	Milan	Milan	4	Banco Popolare	56.690%	
				Banca Aletti & C.	8.150%	
49. Italfinance Securitisation VH 1 S.r.l. (**)	Conegliano V. (TV)	Conegliano V. (TV)	4	Banco Popolare	9.900%	9.900%
50. Italfinance Securitisation VH 2 S.r.l. (**)	Conegliano V. (TV)	Conegliano V. (TV)	4	-	0.000%	
51. Leasimpresa Finance S.r.l. (**)	Conegliano V. (TV)	Conegliano V. (TV)	4	-	0.000%	
52. Pami Finance S.r.l. (**)	Milan	Milan	4	-	0.000%	

(1) Type of relationship:
1 = majority of voting rights in the ordinary shareholders' meeting
4 = other forms of control
(2) Availability of votes in the ordinary shareholders' meeting, distinguishing between actual and potential
(*) Company undergoing disposal as per IFRS 5.
(**) Special Purpose Entity for securitisation transactions originated by the Group.
(***) UCIT units managed by the Group.

Changes in the scope of consolidation

The changes in the scope of consolidation with respect to the situation as at 31 December 2014 are shown in the table below.

Companies consolidated line-by-line		
Companies consolidated as a result of acquisitions		
Company name		%
Perca S.r.l.		100%
Meleti S.r.l.		100%
Companies included due to an increase of the shareholding		
Immobiliare Marinai d'Italia S.r.l.		100%
Company no longer consolidated due to merger		
Name of merged company	Name of merging company	
Banca Italease S.p.A.	Banco Popolare Soc. Coop.	
Companies no longer consolidated due to company liquidation		
Verona e Novara (France) S.A. (in liquidation)		
Italfinance RMBS S.r.l. (in liquidation)		
Banca Popolare di Lodi Capital Company III LLC		
Banca Popolare di Lodi Investor Trust III		

Companies consolidated at equity	
Companies consolidated as a result of acquisitions	
Company name	%
Borgo del Forte S.r.l. (in liquidation)	50%
Edilchiara Immobiliare S.r.l. (in liquidation)	50%
Società Sviluppo Territorio S.r.l. (in liquidation)	40%
Companies no longer consolidated due to company liquidation	
Alfa Iota 2002 S.r.l. (in liquidation)	
Tre Pi S.r.l. (in liquidation)	
Company no longer consolidated due to reduction of equity investment	
Immobiliare Marinai d'Italia S.r.l.	23.188%

The main changes in the scope of consolidation relate to the acquisition of control of Immobiliare Marinai d'Italia S.r.l., in which Banco Popolare already had an equity investment of 23.19%. Following a settlement agreement signed on 14 October 2015, Banco Popolare acquired the remaining 76.81% of the share capital of the investee company, therefore becoming the sole shareholder.
By virtue of this operation, which did not entail the payment of any consideration, Immobiliare Marinai d'Italia, previously valued under equity, and its subsidiaries Perca S.r.l. and Meleti S.r.l., will be consolidated line-by-line from these financial statements. Similarly, the equity investments held by Immobiliare Marinai d'Italia in associated

companies Borgo del Forte S.r.l., Edilchiara Immobiliare S.r.l. and Società Sviluppo Territorio S.r.l. will be valued under equity.

Note also that the liquidation of the investee companies shown in the previous table did not have an impact on the Group's statement of financial position or income statement as the value of the shareholdings was already aligned with the pro-rata shareholders' equity values in the final liquidation financials statements.

2. Valuations and assumptions used to establish the scope of consolidation

The scope of consolidation is established in accordance with the provisions contained in international accounting standard IFRS 10 "Consolidated financial statements", effective as of 2014. Based on the cited standard, the requirement of control is the basis for the consolidation of all types of entity, including structured entities, and is met when an investor simultaneously has:

- the power to direct the relevant activities of the entity;
- is exposed to or benefits from variable returns resulting from its involvement with the entity;
- has the ability to use its power to affect the amount of said returns (link between power and returns).

IFRS 10 establishes therefore that, in order to have control, the investor must have the ability to direct the relevant activities of the entity, by virtue of a legal right or of a mere state of fact, and must also be exposed to changes in the results that result from said power.
The Group therefore consolidates all types of entity when all three control elements are present.

Generally, when an entity is considered direct by virtue of voting rights, control results from holding over half of the voting rights.
In the other cases, establishing the scope of consolidation requires all factors and circumstances that give the investor the practical ability to unilaterally conduct the relevant activities of the entity (actual control). To this end, a set of factors has to be considered, such as, merely by way of example:

- the purpose and the design of the entity;
- the identification of the relevant activities and how they are managed;
- any right held by means of contractual arrangements which awards the power to direct the relevant activities, such as the power to establish the financial and operating policies of the entity, the power to exercise majority voting rights in the decision-making body or the power to appoint or remove the majority of the body with decision-making functions;
- any voting rights that may potentially be exercised and that are considered substantial;
- involvement with the entity in the role of agent or principal;
- the nature and dispersion of any rights held by other investors.

The following paragraphs provide further details on the scope of entities controlled exclusively as at 31 December 2015, broken down into companies controlled through voting rights and structured entities.

Companies controlled through voting rights

With reference to the Group's situation as at 31 December 2015, companies in which a majority of voting rights in the ordinary shareholders meeting is held are considered to be exclusively controlled, insofar as there is no evidence that other investors have the practical ability to direct the relevant activities.
As regards companies in which half or a lower amount of voting rights are held, as at 31 December 2015, there are no arrangements, statutory clauses, or situations able to establish that the Group has the practical ability to unilaterally direct the relevant activities.

Consolidated structured entities

The control of structured entities, namely entities for which voting rights are not considered relevant to establish control, is retained to exist where the Group has contractual rights to manage the relevant activities of the entity and is exposed to the variable returns of the same. On this basis, the consolidated structured entities recognised by the Group are represented by the SPEs for securitisation transactions and by Mutual investment funds.

Special Purpose Entities for securitisation transactions

With regard to Special Purpose Entities for securitisation transactions, the elements retained as relevant for the purpose of identifying control and therefore the need for any consolidation, are represented by:

1. the purpose of said SPEs;
2. exposure to the outcome of the transaction;
3. the ability to direct the relevant activities through servicing contracts;
4. the ability to arrange for their liquidation.

Mutual investments funds
As regards mutual investment funds, in order to establish the existence of control, the Group considers all of the facts and circumstances to establish whether it is acting as an agent or principal. The Group is considered to act as a principal, and therefore has control and must consolidate the funds, when the following conditions are fulfilled simultaneously:

(i) it acts as the fund manager and no substantial rights are held by other investors;
(ii) the Group is exposed to the variable returns of the fund, by directly holding relevant interests in addition to any other form of risk exposure related to the economic results of the fund (such as management and performance commissions);
(iii) it is able to influence said returns by exercising its power as fund manager.

As at 31 December 2015, the only UCITs consolidated was represented by the Gestielle Hedge Low Volatility fund: this is a fund managed by the Group company, Aletti Gestielle SGR S.p.A. with relation to which the exposure to variable returns, mainly resulting from the interest held by the Parent Company, was retained significant. Compared to last year, the reduction in the number of funds consolidated is due to the impact of the mergers between the various funds, which were finalised in 2015.
For further details on the impact of said consolidation, refer to the content of Part E - Section 1 - D. Disclosure on structured entities (other than companies for securitisations).

3. Investments in exclusively controlled companies with significant minority interests

As at 31 December 2015, there were no minority interests in subsidiary companies considered significant by the Group, either individually or as a whole, as also shown in the table of “Section 16 - Minority interests” contained in Part B of liabilities in these notes to the financial statements; the same is true for the financial statements as at 31 December 2014. There are no disclosures relating to paragraphs 3.1 and 3.2 below.

3.1 Minority interests, voting rights available to minority interests and dividends distributed to minority interests

3.2 Equity investments with significant minority interests, accounting information

4. Significant restrictions

As at 31 December 2015, there are no legal or substantial constraints or restrictions able to hinder the rapid transfer of capital resources within the Group. The only restrictions are those related to legislation and regulations, which may require a minimum amount of own funds to be maintained, or to the provisions of the Italian civil code on allocatable profits and reserves.
Furthermore, we hereby state that there are no protection rights held by minority interest able to restrict the Group’s ability to access or to transfer assets between Group companies or to settle Group liabilities, also with regard to the fact that, there are no subsidiary companies with significant minority interest, as illustrated in the paragraph above.

5. Other information

All subsidiaries draw up financial statements as at 31 December 2015, corresponding to the end date of the consolidated financial statements (and the separate financial statements of the Parent Company).

Section 4 - Events occurring after the date of the financial statements

The following paragraphs illustrate the most significant events that occurred between the date of the financial statements and the approval of the draft financial statements by the Board of Directors.

Inspections by Consob

On conclusion of an inspection, Consob, in resolutions no. 19368 dated 17 September 2015, notified on 26 January 2016, resolved to apply administrative fines, totalling euro 261,500 to several company representatives of Banco Popolare Società Cooperativa and, as jointly liable, to the company itself, for alleged violations of art. 21 of Italian Legislative Decree no. 58/1998 and relative provisions, with specific regard to the obligation to act with diligence, correctness and transparency, to best serve the interests of its customers, the obligation to adopt all reasonable measures to identify conflicts of interest and to manage the same in order to avoid them having a negative influence on the interests of the customer and the obligation to implement procedures that are able to ensure the correct provision of investment services. The Board of Directors of Banco Popolare resolved to file an appeal to the local Court of Appeal to revoke the provision and return the fines paid in the meantime by the company representatives.

Agreements relating to employees

Given the positive outcome of the process of voluntary adhesion to pension plans and for access to the Solidarity Fund, with a view to rebalance the numbers of employees in terms of Professional Areas and Middle Management, as set forth in the agreement dated 3 November 2015, in January 2016, it was agreed with the Trade Unions to extend the maximum number of employees able to leave the company, regarding exclusively workers with a right to work overtime. The total number of employees expected to leave the company, also based on said extension, is 400. The total estimated expense of this commitment was recorded in the statement of financial position and income statement as at 31 December 2015.

Section 5 - Other aspects

Financial statements approval and publication terms

Art. 154-ter of Italian Legislative Decree 59/98 (CFL), prescribes that within one hundred and twenty days from the end of the financial year, the financial statements must be approved and the financial report consisting of the draft individual financial statements and the consolidated financial statements, the report on operations and the declaration pursuant to article 154-bis, paragraph 5, must be published.

The draft financial statements were approved by the Board of Directors of Banco Popolare on 9 February 2016 and will be submitted to the approval of the Shareholders' Meeting, on first call, on 18 March 2016.

Auditing

The individual and consolidated financial statements have been audited by Reconta Ernst & Young S.p.A. pursuant to Italian Legislative Decree 58/98, in execution of the 2007/2015 engagement assigned to this company with the shareholders' resolution of 11 March 2007. The full auditors' report, together with the annual financial report, is made available to the public, pursuant to art. 154-ter of Italian Legislative Decree 58/98.

New accounting standards/interpretations or amendments to existing standards/interpretations validated by the European Commission

Accounting standards/interpretations validated and applicable on a mandatory basis to FY 2015

The following paragraphs illustrate the main accounting standards/interpretations or amendments of the same issued by the IASB/IFRIC and validated by the European Commission, which were applicable on a mandatory basis from FY 2015.

<u>Regulation no. 634 of 13 June 2014 - IFRIC 21</u>
The interpretation provides some guidelines on the recognition in the accounts of several levies that are not covered by standard IAS 12. Specifically, the interpretation identifies the "obligating event" for the recognition of the liability associated with certain levies, i.e. the important fact that triggers the payment obligation; for example, the treatment to apply when the obligation to pay the levy is triggered by reaching a minimum threshold of activity or by the circumstance that the entity is operational at a certain future date.
For FY 2015, this interpretation became relevant with regard to establishing the accounting treatment of the obligations to contribute to the resolution and deposit guarantee funds, as illustrated in the paragraph below entitled "Contributions to deposit guarantee systems and resolution mechanisms".

<u>Regulation no. 1361 of 18 December 2014 – IFRS 3, 13, IAS 40</u>
The above regulation validated the "Annual Improvements - 2011-2013 Cycle", which introduced, as part of the ordinary rationalisation of the accounting standards, several insignificant amendments to the standards IFRS 3, IFRS 13 and IAS 40, with a view to resolve several inconsistencies and providing clarification on methods. This had no impact on the Group.

Accounting standards/interpretations validated and applicable on a mandatory basis from FY 2016

The paragraphs below list the Regulations validated by the European Commission in 2015 or in previous years, whose application will be mandatory for the Group from FY 2016, insofar as it has not opted for early application as regards the preparation of this Financial Report:

- Regulation no. 2173 of 24 November 2015 - IFRS 11 "Joint Arrangements"
  The changes to standard IFRS 11 establish the accounting principles for the acquisition of a "Joint Operation" that represents a business activity, pursuant to IFRS 3;

- Regulation no. 2231 of 2 December 2015 – IAS 16 "Property, plant and equipment", IAS 38 "Intangible assets"
  Clarifications are provided on the depreciation and amortisation methods considered acceptable: more specifically, it is established that a depreciation/amortisation approach based on the revenues generated by a business activity that envisages the use of an asset is not appropriate, insofar as said revenues generally reflect other factors beyond the use of the economic benefits of the asset;

- Regulation no. 2343 of 15 December 2015 – "Annual Improvements - 2012-2014 Cycle" (IFRS 5, IFRS 7 and IAS 19, IAS 34)
  The amendments introduced provide several clarifications that seek to resolve some inconsistencies or illustrate methods;

- Regulation no. 2441 of 18 December 2015 – IAS 27 "Separate financial statements"
  The option is introduced to apply the equity method, illustrated in IAS 28 "Investments in Associates and Joint Ventures", to the separate financial statements to record investments in associates and joint ventures, in addition to the current cost or fair value options;

- Regulation no. 2406 of 18 December 2015 – IAS 1 "Presentation of Financial Statements"
  The amendment, entitled "Disclosure initiative" seeks to improve the effectiveness of financial statement disclosures, by encouraging the application of professional judgement to decide what information to disclose, in terms of materiality and means of aggregation. For example, it is clarified that in the statement of comprehensive income, the share of changes in reserves pertaining to associated companies or joint ventures valued under equity, must be presented in aggregate form as a single item, distinguishing them based on the fact that they are components that may in the future be reclassified to the income statement;

- Regulation no. 29/2015 of 17 December 2014 – IAS 19 "Employee Benefits"
  This clarifies the accounting treatment of the contribution paid by employees to defined benefit plans, based on whether the amount of the contributions depends on the number of years of service or not.

Preliminary analyses conducted to date have not indicated any significant impact for the Group linked to the introduction of the above amendments.

Accounting standards/interpretations issued by the IASB/IFRIC but not yet validated

For the sake of completeness, the paragraphs below illustrate new standards/interpretations or amendments issued by the IASB/IFRIC, limited to matters that have a potential impact for the Group, but not applicable insofar as on the date of preparation of this report, they had not been validated by the European Union.

<u>IFRS 9 "Financial instruments"</u>
The new accounting standard, published by the IASB on 24 July 2014, has replaced the previous versions published in 2009 and 2010 as regards "classification and measurement" and in 2013 as regards "hedge accounting".
This publication marked the completion of the reform process for standard IAS 39, which breaks down into the three sections of "classification and measurement", "impairment" and "hedge accounting". The review of macro hedge accounting rules has yet to be concluded, for which a separate project has been launched with respect to IFRS 9.
Very briefly, the main changes regard:

- the classification and measurement of financial assets, based on the business model and on the characteristics of the cash flows of the financial instrument, which envisaged three accounting categories (amortised cost, fair value through profit or loss, fair value through other comprehensive income). With respect to the current IAS 39, the portfolios of financial assets available for sale and investments held to maturity have been eliminated, as well as the option of separating embedded derivatives for all financial assets. As regards financial liabilities, the current rules for classification and measurement are still valid;
- the accounting of so-called "own credit", namely of changes in the fair value of liabilities designated under the fair value option, attributable to fluctuations of its own creditworthiness. The new standard envisages that these changes must be recognised in an equity reserve, instead of in the income statement as envisaged instead by standard IAS 39, therefore eliminating a source of volatility from income statement results, which has become particularly evident at times of economic-financial crisis.

- the acknowledgement and recognition of hedge accounting relations, with the objective of guaranteeing greater alignment between the representation of underlying hedges in the accounts and risk management logic;
- a single impairment model, to be applied to all financial assets not measured at fair value through profit and loss, based on a concept of forward-looking expected loss. The objective of the new approach is to guarantee a more immediate recognition of losses with respect to the "incurred loss" model envisaged by IAS 39, on the basis of which losses must only be recognised if there is objective evidence of impairment subsequent to the initial recognition of the asset. More specifically, the model envisages that exposures should be classified into three separate stages:
  - stage 1: to be measured on the basis of forward-looking expected loss of one year. These are performing assets for which no significant impairment has been observed with respect to the date of initial recognition;
  - stage 2: to be measured on the basis of forward-looking expected loss for its residual life. These are performing assets that have undergone significant impairment with respect to initial recognition;
  - stage 3: to be measured on the basis of forward-looking expected loss for its residual life, as considered impaired.

The mandatory application of the standard is envisaged from 1 January 2018, with an option for the early application of the standard as a whole or of the changes relating to the accounting treatment of "own credit" for financial liabilities designated at fair value.

Over the course of 2015, the Banco Popolare Group has set projects in place in order to identify the main areas impacted and to establish the reference method framework for the classification, measurement and impairment of financial assets. The analyses conducted to date have identified the loans department as that most impacted; the new impairment model envisages the need to measure a forward-looking expected loss not only for impaired assets, but also for performing assets for which significant impairment has been observed with respect to the approval date.
These impacts are not limited to a likely increase of the cost of credit, necessarily linked to changing from an "incurred" model to an "expected" one, but also refer to the adjustments needed in terms of procedures and processes, related to the organisation and information systems, which seek to enable the exposures to be classified and monitored at the different stages, as well as the need to construct robust models to estimate the probability of default over a time horizon aligned to the residual term of the exposure, able, on one hand to maximise synergies with existing models, and on the other hand to incorporate "forward-looking" factors as well.
On the date of publication of this report, the project underway had not reached state of progress which would enable us to reliably estimate the impacts on equity of the first-time application of the new standard.

IFRS 15 "Revenue from contracts with customers"
The standard, published by the IASB on 28 May 2014, introduces a single model for the recognition of all revenues originating from contracts with customers and replaces the previous standards/interpretations on revenues (IAS 18, IAS 11, IFRIC 13, IFRIC 15, IFRIC 18, SIC 31). On the basis of this model, the entity must recognise revenues on the basis of the fee that it expects to receive for the assets or the services provided, calculated on the basis of the following five steps:

- identify the contract, defined as an agreement with commercial substance between two or more parties able to generate rights and obligations;
- identify the performance obligations in the contract;
- determine the transaction price, namely the amount to which an entity expects to be entitled in exchange for the transfer of goods and services;
- allocate the transaction price to the each performance obligation on the basis of the stand-alone selling price;
- recognise the revenue allocated to the single performance obligation when the same is satisfied, namely when the customer obtains control of the good or the services. This recognition takes into account the fact that some services may be rendered at a specific point in time or over a period of time.

For example, the up-front commission received from a customer for an asset management service entails the recognition of a revenue based on the performance obligations identified in the contract, regardless of whether the revenue is certain or not. In this case, if on the date of signature, the good or service transferred cannot be identified, the up-front commission must be considered as an advance and booked to the income statement at the time when the performance obligation for which the consideration has been established is retained to have been satisfied.

The mandatory application of this standard is envisaged from 1 January 2018, in line with the provisions contained in the document entitled "IFRS 15 Effective Date" published by the IASB on 11 September 2015.

In this regard, note that the Group has not yet launched a formal project to assess the impacts, which in any event are not expected to be significant.

IFRS 16 "Leasing"
Standard IFRS 16, issued by the IASB on 13 January 2016, introduces new rules for the accounting recognition of lease contracts for both lessors and lessees, replacing the previous standards/interpretations (IAS 17, IFRIC 4, SIC 15 e SIC 27). A lease is defined as a contract whose execution depends on the use of an identified asset and that conveys the right to control the use of the asset for a period of time in exchange for consideration.
The change regards the recognition of the lessee in the financial statements, for which the distinction between operating lease and financial lease is no longer made for accounting purposes. The new standard envisages recognising the assets and liabilities originating from the contract in the statement of financial position; more specifically, the lessee must recognise a liability based on the present value of future lease payments as a balancing entry to the recognition under assets of the right-of-use asset of the lease contract. After initial recognition, the right-of-use asset is depreciated for the term of the contract or the useful life of the asset; the liability is gradually reduced by effect of the lease payments made and interest is recognised on the same, to be booked to the income statement. Exemptions are envisaged, with a view to reducing the costs of adopting contracts with terms of under twelve months or those for insignificant amounts.
As regards the lessor, the current rules for the accounting of lease contracts are substantially confirmed, differentiated on the basis of whether it is an operating or finance lease.

The mandatory application of this standard is envisaged from 1 January 2019; early application is permitted as long as standard IFRS 15 is adopted.
With regard to the recent approval of this standard, the Group has not yet started any assessment of the impact, with a view to establishing the scope and relative accounting treatment of the assets used by the Group under lease contracts; as regards assets granted under leases, no significant impacts are envisaged, insofar as the accounting rules established by the current accounting standard IFRS 17 for lessors have been substantially maintained.

Illustration of the main changes introduced by the 4th update of Circular no. 262 dated 15 December 2015

On 15 December 2015, the Bank of Italy published the 4th update of Circular no. 262/2005 regarding financial statement schedules and rules for their completion, applicable to financial statements as at 31 December 2015.
Said update was necessary to bring the disclosure of the explanatory notes on credit quality in line with the new definitions of impaired financial assets, introduced by the European Commission Regulation no. 227/2015, as illustrated in the paragraph below entitled "Credit quality - new definitions and restatement of figures as at 31 December 2014" to which we refer.
In "Part E - Information on risks and hedging policies" the tables of encumbered assets have been abrogated, insofar as already required as part of the disclosure to the public of the Third prudential Pillar.
On this occasion, the explanatory notes have been rationalised, in accordance with international best practices, including:

- the elimination in Part B of the tables relating to the changes in portfolios of financial assets and liabilities;
- the elimination of several details regarding securitisation transactions, considered redundant;
- the simplification of the tables in Part E regarding the disclosure of the breakdown by residual duration (repricing and contractual date) of financial assets and liabilities, which can now be shown separately as "euro" and "other currencies", without having to provide a breakdown by currency.

The cited updates did not lead to any restatements of the balances in the financial statement schedules related to last year.

Notes for the correct comparison of financial statement schedules

As at 31 December 2015, some assets and liabilities referring to the subsidiary Banco Popolare Luxembourg S.A. should be considered held for sale, since they will be realised through a sales transaction. In line with the provisions of accounting standard IFRS 5, the cited assets and liabilities are now reclassified under the statement of financial position items "150. Non-current assets held for sale and discontinued operations" and 90. "Liabilities associated with current assets held for sale and discontinued operations", with the exception of credit exposures to customers associated with the investee, which continue to be included in "70. Loans to customers", as the Group will maintain all of the associated risks and benefits. This presentation approach must be taken into consideration in order to correctly understand the evolution of the Group's statement of financial position balances compared to those from the end of the previous year.
As regards the reclassified income statement, expenses and income associated with assets and liabilities classified as held for sale, net of taxes, have been recognised in the separate item "310. Income/loss after tax from discontinued operations", both for 2015 and for the previous year, in line with the retrospective presentation of discontinued operations required by IFRS 5.
The income statement for the previous year has therefore been restated: the consolidated contribution of the cited

assets/liabilities, a profit of euro 2.2 million, which in the previous year's financial statements had been recorded under different income statement items due to the "line-by-line" consolidation method, was restated under the summary income statement item "310. Income/loss after tax from discontinued operations".
In this regard, please note that as at 31 December 2015, the item "Income (loss) after tax from discontinued operations" also includes the effects of the application of the new approach for measuring assets and liabilities relating to disposals, equal to the lower of their book value and the relative fair value, net of selling costs.

A reconciliation between the income statement for 2014, restated as illustrated, and that originally published (both the version of the official schedule envisaged by Circular 262 and the reclassified one).

Other significant aspects relating to the Group's accounting policies

Update of the estimation parameters used to estimate the recoverable value of loans as at 31 December 2015

With regard to the collective valuation model for performing loans used as at 31 December 2015, note that the input parameters have been refined, in order to make the best possible estimate of the recoverability of loans, based on the update of the internal and external reference scenario.
More specifically, with respect to 31 December 2014, PD (Probability of Default) and LGD (Loss Given Default) parameters were determined in accordance with the new metrics of the internal model and based on updated time series; accordingly, an update of the "cyclical factor" was made, the objective of which is to make a more accurate valuation able to reflect current market conditions. The Loss Confirmation Period (LCP) parameter, which aims to transform the expected loss at one year, implicit in the PD parameter, into an incurred loss, was modified as a result of updated information on which the calculation is based.
Collective value adjustments were therefore calculated as the product of the value of the exposure and the risk factors (PD and LGD), suitably corrected by the cyclical factor and by the loss confirmation period (LCP).
The cited changes overall had a positive impact on the value adjustments on performing loans, estimated as euro 29 million.
Said impact was recognised under the income statement item "130. Net losses/recoveries on impairment of loans", insofar as the revision of the estimation parameters can be considered as "Changes in accounting estimates" in accordance with accounting standard IAS 8, as not change to the basis of measurement was made (amortised cost). This is consistent with that established:

- by paragraph 35 of the cited accounting standard, on the basis of which where it is difficult to distinguish between a change in accounting policies and a change in accounting estimates, the change is treated as a change in accounting estimates;
- by the IFRS, namely by the Committee that issues interpretations of the standard, which in November 2013 and March 2014 issued an interpretation in this regard, clarifying that a change in accounting estimates refers to a change both of the estimation parameters used and the valuation method adopted.

Credit quality – new definitions and restatement of figures as at 31 December 2014

On 9 January 2015 the European Commission approved Implementing Regulation 2015/227, published in the Official Gazette of the European Union on 20 February 2015, which validated the Implementing Technical Standards (ITS) of the EBA containing the definition of Non Performing Exposure and Forborne Exposure, for the purpose of ensuring a standardised classification at European level for the purposes of regulatory supervision.
The provisions of the EU regulation on new criteria for the classification of credit quality were assimilated by the Bank of Italy through the update of Circular no. 272 regarding the accounts matrix, published on 20 January 2015, and the update of Circular no. 262 regarding the rules for the preparation of financial statements, published on 15 December 2015.
In detail, the previous four categories of non performing loans ("bad", "substandard", "non performing past due" and "restructured" loans) are now replaced by three new categories ("bad", "unlikely to pay" and "past due" loans), whose total constitutes the aggregate "Non Performing Exposures". For comparative purposes, credit exposures classified as at 31 December 2014 in the categories "substandard" and "restructured exposures", now repealed, were included in the new category "unlikely to pay", namely exposures for which the bank deems "*that the debtor is unlikely to pay its credit obligations in full without realisation of collateral*".
The new regulations also introduced the obligation to indicate "forborne exposures" (forbearance) under both non performing exposures and performing exposures, meaning exposures (single facilities) for which, in the presence of financial difficulties, a change to the contractual agreements has been granted in order to enable the customer to meet its payment obligations. With regard to these latter exposures, on 11 November 2014, the Parent Company approved a specific policy called - "Forbearance exposures", which governs the identification and classification principles and criteria for "forborne" exposures, both performing and non performing, in accordance with the ITS of the EBA. The provisions of the new policy and the consequent integration with the IT system, with a view to measuring forbearance exposures, were rendered operational from 28 January 2015; in the first half of 2015, efforts continued to implement organisational processes and IT procedures with a view to accurately identifying, monitoring and managing the

exposures in question. In 2015, work was performed to fully identify the scope of forbearance exposures granted prior to 28 January 2015, as part of the standard process of reviewing loans granted.
In the light of the above, in the notes to the financial statements, the comparative information on forborne exposures and on the trends that emerged during the year is not provided insofar as not retained able to demonstrate the actual development of the forbearance measures granted in 2015. This is in line with the provisions contained in Circular no. 262, on the basis of which the disclosure on the trends of gross exposures and of value adjustments must be made from financial statements referring to or in progress as at 31 December 2016. For the purposes of these financial statements, therefore the disclosure contained in the following tables is not provided:

- A.1.4 bis “Cash exposures to banks: changes in gross forbearance exposures broken down by credit quality”;
- A.1.7 bis “Cash exposures to customers: changes in gross forbearance exposures broken down by credit quality”;
- A.1.5 “Non performing cash exposures to banks: changes in total value adjustments”, for details related to the “of which: forbearance exposures”;
- A.1.8 “Non performing cash exposures to customers: changes in total value adjustments”, for details related to the “of which: forbearance exposures”;

For the disclosure of non performing exposures and of forbearance exposures, please refer to Part E “Section 1 Credit risk - Credit quality” in these notes.

Contributions to deposit guarantee schemes and resolution mechanisms

With Directives 2014/49/EU of 16 April 2014 and 2014/59/EU of 15 May 2014, known as the Deposit Guarantee Schemes Directive (DGSD) and Bank Recovery and Resolution Directive (BRRD), respectively, and the creation of the Single Resolution Mechanism (EU Regulation no. 806/2014 of 15 July 2014), significant changes were made to European law concerning the governance of banking crises, with the strategic purpose of strengthening the single market and ensuring system-wide stability. As illustrated in greater detail below, said regulations had a significant impact on the statement of financial position of credit institutions, in terms of their obligation to contribute to establishing specific provisions as of 2015.

Contribution obligations deriving from the Deposit Guarantee Schemes Directive (DGSD)
Directive 2014/49/EU harmonises the levels of protection offered by national deposit guarantee schemes (DGS) and their methods of action, in order to eliminate possible competitive inequality in the European market. To that end, the Directive requires that national DGS establish resources commensurate to the guaranteed deposits, which must be provided through mandatory contributions from credit institutions. The change for Italian banks is the new mechanism for financing the fund: the system has been changed from an ex-post contribution system, where funds were requested in the event of need, to a mixed system, where the funds must be paid in ex ante until a minimum target level of the fund is reached, by 10 years from the entry into force of the Directive (3 July 2024), equal to 0.8% of guaranteed deposits. The contributions from each entity are calculated based on the ratio of the amount of their deposits to the total amount of the country’s guaranteed deposits. For the purpose of reaching the target level, the contribution may include payment commitments, in the maximum amount of 30%. These commitments must be backed by collateral comprised of low risk assets not encumbered by third-party rights, and must be fully available to the national DGS, as specified in the guidelines published by the EBA on 28 May 2015.

In Italy, the national DGS is represented by the Interbank Deposit Guarantee Fund (IDGF); in order to implement the cited Directive 2014/49/EU, the Extraordinary Shareholders’ Meeting of the IDGF approved several amendments to the articles of association on 26 November 2015. With reference to the ex-ante contribution “available financial resources”, the new articles of association envisage that reaching the target level, corresponding to 0.8% of total guaranteed deposits, can be made through ordinary contributions paid annually by banks that are members of the fund as at 30 September of each year. The extent of the contribution requested of the individual bank is proportional to the amount of its guaranteed deposits as at 30 September, with respect to the total amount of deposits guaranteed by all of the member banks existing at said date. The extent of the contribution calculated in this way will be re-proportioned, on the basis of the level of risk associated to the individual member bank, established on the basis of a series of business indicators. A mechanism to reintegrate the “available financial resources” is also envisaged, through additional contributions of member banks, in the event that the resources are utilised during the accumulation period (up until 3 July 2024). In addition, it is established that extraordinary contributions, requested when the “available financial resources” are insufficient to guarantee repayment to accountholders, may not exceed 0.5% of the amount of guaranteed deposits of the bank in question, on an annual basis.

In 2015, the ex-ante contribution requested by the IDGF of member banks, set as 50% of the annual one and proportional to the amount of guaranteed deposits as at 30 September 2015, amounted to euro 206 million; the share pertaining to the Banco Popolare Group paid in the quarter amounted to euro 10.3 million. The remaining share of the contribution for 2015 will be spread over the accumulation period (2016-2024) in line with the instructions of the IDGF.

Contribution obligations deriving from the Bank Recovery and Resolution Directive (BRRD)

Directive 2014/59/EU defines the new rules for resolution, applicable from 1 January 2015 to all banks in the European Union which are failing or even likely to fail. According to said rules, in specific situations, the National Resolution Fund - which must be established by each of the 28 Member States of the EU - could also contribute to financing the resolution. To this end, the cited directive and the Delegated regulation no. 2015/63 require national resolution authorities to establish ex ante financial resources, through mandatory contributions paid by authorised credit institutions; for this purpose, it is envisaged that the funds must be paid in advance until a minimum target level is reached by 31 December 2024, equal to 1% of the guaranteed deposits. The contributions from each entity are calculated based on the ratio of the amount of their liabilities (net of own funds and guaranteed deposits and, for entities belonging to a group, of intergroup liabilities) to the total amount of liabilities of all authorised credit institutions in the country. Said contribution base may be adjusted on the basis of the risk profile of each intermediary, with a maximum discount of 20% and a penalty of up to 50%. For the purpose of reaching the target level, the financial resources provided by credit institutions may include payment commitments, in the maximum amount of 30%.
An extraordinary ex-post contribution is also envisaged if the available financial resources should not be sufficient to fund the resolution, to a maximum figure corresponding to three times the annual amount of the ordinary contributions.
The resources collected by the National Resolution Authorities in 2015 will be transferred to the European Single Resolution Fund (SRF) managed by the European Single Resolution Board (SRB), established by Regulation no. 806/2014 and effective as of 1 January 2016.

The cited Directive 2014/59/EU was implemented into Italian legislation with Legislative Decree no. 180 of 16 November 2015; the Bank of Italy, as the national resolution authority, established the national resolution fund, called the National Resolution Fund with Provision no. 1226609715 on 18 November 2015.
In line with the provisions of Delegated Regulation no. 2015/63, the ordinary contribution pertaining to the Banco Popolare Group, fully paid in 2015, amounted to euro 38 million.

On 22 November 2015, the Italian Government launched the resolution of the crisis of four banks in extraordinary receivership: Banca Marche, Banca Popolare dell'Etruria e del Lazio, Cassa di Risparmio di Ferrara, CariChieti. The resolution mechanism adopted is based on the establishment of four so-called “good banks” (also called “bridge banks”) and one “bad bank”. More specifically, all of the assets and liabilities of the cited banks in extraordinary receivership were transferred to the “good banks”, with the exception of bad loans; the share capital, entirely subscribed by the National Resolution Fund, will be sold to the best offeror within a short timeframe. Instead, all bad loans, corresponding to euro 1.5 billion (with respect to the original value of euro 8.5 billion) were transferred to the “bad bank”, in order to better manage their recovery, also through the sale to credit collection specialists; the share capital was entirely subscribed by the National Resolution Fund.
The intervention of the National Resolution Fund, with a view to covering the losses of the original banks and capitalising the new banks, amounted to around euro 3.6 billion, euro 2.35 billion of which was funded by an extraordinary contribution, in accordance with that established by art. 83 of the cited Legislative Decree 180/2015 and by art. 4 of the Provision that established the Fund.
The extraordinary contribution pertaining to the Banco Popolare Group, corresponding to three times its ordinary contribution, fully paid in 2015, amounted to euro 113.9 million.

Accounting treatment of the contribution obligations deriving from the Bank Recovery and Resolution Directive

On the basis of the above, the expenses charge to the 2015 income statement under “150. Other administrative expenses”, totalled euro 162.2 million, corresponding to the sum of the ordinary contributions (euro 48.3 million) and the extraordinary contribution (euro 113.9 million), fully paid in 2015.
Given that Italian Law no. 208/205 (Stability Law) has expressly established the full deductibility (IRES and IRAP) of both the ordinary and extraordinary contributions paid by banks to resolution funds, from 2015, the impact of the cited contributions to the result for the year, after the relative taxes, was euro -108.6 million.

The manner in which the above ex-ante contributions are recognised complies with that established by the ESMA document dated 25 September 2015, with regard to the contributions envisaged by the DGSD, and by the insert letter of the Bank of Italy dated January 2016, with reference to the same contributions to the National Resolution Fund.
More specifically, the provisions envisaged by accounting standard IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” and by interpretation IFRIC 21 “Levies” are retained to apply to ordinary contributions. On the basis of the cited interpretation, a liability must be recognised in the presence of an “obligating event”, represented by the emergence of the annual payment obligation; the balancing entry is represented by the charge to the income statement, with regard to the fact that these contributions cannot be reduced or returned to the intermediaries.

With regard instead to the extraordinary contributions, the cost must be recognised, in correspondence with the request for the same, if said circumstance is linked to unforeseeable facts and events.

A.2 - KEY FINANCIAL STATEMENT ITEMS

The financial statements as at 31 December 2015 were drawn up applying the same accounting standards used for drawing up the consolidated financial statements for the previous year, supplemented by the amendments validated and in force from 2015, as illustrated in Section 5 – Other Aspects, A.1 General Part.

The accounting standards applied are illustrated below, broken down by financial statement item.

1- Financial assets held for trading

This category exclusively contains debt securities and equity instruments, UCIT units and the positive value of derivative contracts held for trading, as well as derivatives related to assets and liabilities designated at fair value through profit and loss. Derivative contracts include those embedded in structured financial instruments that have been recognised separately from their host contract because:

- their economic characteristics and risks are not closely related to those of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of derivative;
- the hybrid instruments to which they belong are not designated at fair value with changes in fair value through profit or loss with the related changes recorded in the income statement.

Financial assets are initially recognised on the settlement date in case of debt securities and equity instruments, and on the subscription date for derivative contracts.
Upon their initial recognition, financial assets held for trading are designated at fair value, which generally corresponds to the price paid, excluding transaction costs or revenues that are directly attributable to the financial instruments, that are recognised in the income statement. Any derivatives embedded in complex contracts, which are not closely related to their host contracts and qualify as derivatives, are separated from their host contracts and designated at fair value, while the host contracts are accounted for according to their relevant accounting standard.

Subsequent to initial recognition, financial assets held for trading are designated at fair value, with recognition of changes as a matching balance to the income statement.

To determine the fair value of financial instruments listed on an active market, market listings are used. In the absence of an active market, estimate methods and valuation models are used that take into account all the risk factors associated with the instruments and that are based on market inputs, such as: methods based on the valuation of other listed instruments that are substantially the same, discounted cash flow analysis, option pricing models, and values recognised in recent comparable transactions. Please refer to “Part A.4 – Fair value disclosure” for details on how fair value is determined.

In the event that no reliable estimate of the fair value is possible in keeping with the above guidelines, equity instruments and related derivatives are valued at cost and are written down in the event of impairment losses. Said impairment losses cannot be reversed.

Financial assets are derecognised when the contractual rights to receive the cash flows generated by the assets have expired, or when the financial assets are disposed of, and all risks and rewards of ownership of the assets have been substantially transferred.
Trading profits or losses and gains or losses as a result of the valuation of the trading portfolio are recognized in income in the item “80. Profits (losses) on trading”, except for income or loss on derivatives connected with the fair value option, which are classified in item “110. Profits (losses) on financial assets and liabilities designated at fair value”.

Reclassifications to other categories of financial assets (Loans, Financial assets available for sale, Investments held to maturity) are possible only in rare circumstances or if certain conditions for recognition are met as explained in the following paragraph “18 - Other information, Reclassifications among financial asset portfolios (amendment to IAS 39)”.

2 - Financial assets available for sale

This category includes non-derivative financial assets not designated as Loans, Assets held for trading, Investments held to maturity or Assets designated at fair value.
Specifically, this category also includes shareholdings that are not held for trading and do not qualify as investments in subsidiaries, associates and entities under joint control, including private equity investments, as well as the portion of subscribed syndicated loans that had been designated at origin as available for sale and bonds not held for trading.

Financial assets are initially recognised on the settlement date in case of debt securities and equity instruments, and on the disbursement date for other financial assets not classified as loans.
Upon their initial recognition, assets are designated at fair value, which generally corresponds to the price paid, including transaction costs or revenues that are directly attributable to the instruments.
With regard to assets recognised after the reclassification from the "Investments held to maturity" portfolio, the difference between the fair value, as at the reclassification date, and the book value, is recognised in a specific shareholders' equity reserve, in the same way as subsequent changes in fair value.
Recognition following a reclassification of "Financial assets held for trading" can take place only in rare circumstances and in any event only if the asset is no longer held for trading in the short term as described in the following paragraph "18 - Other information, Reclassifications among financial asset portfolios (amendment to IAS 39)", to which reference is made. In this case, assets will be recognized at their fair value at the time of transfer, which shall represent the new amortised cost for debt securities.

Subsequent to initial recognition, assets available for sale continue to be designated at fair value with recognition of the portion of interest resulting from the application of amortised cost in the income statement, while income or losses generated by changes in fair value are recognized in a specific shareholders' equity reserve until the financial asset is derecognised or an impairment loss is recognised, and the entire difference between the book value and the sale price or fair value is recognized through profit or loss. Please refer to "Part A.4 – Fair value disclosure" for details on how fair value is determined.

In the event that no reliable estimate of the fair value is possible, equity instruments and related derivatives are valued at cost and are written down in the event of impairment losses.
Impairment tests to assess if there is objective evidence of impairment are conducted at each balance sheet date or interim reporting date. For further details on events reflecting an impairment loss, please see the information set forth in the following paragraph "18 - Other information, Methods for determining impairment losses on financial assets".

For equity instruments, a possible sign of impairment is represented by a significant or prolonged reduction in fair value below the original book value. The Group's impairment policy thus establishes parametric thresholds (connected to the significant or prolonged nature of the reduction in fair value) which, once exceeded, requires the recognition of a loss to the income statement, save for exceptional circumstances. These thresholds have been established taking into account the specific features and distinctive nature of the various types of investment.
In particular, for equity instruments, surpassing one of the following thresholds is considered evidence of impairment:
- a reduction of fair value exceeding 30% with respect to the original book value; or
- a persistent decrease for an uninterrupted period exceeding 24 months.

In addition to direct investments in company equity (equity instruments in the strict sense), the Group also holds investments in private equity funds and in similar investment vehicles (UCIT units, SICAVs, investments in associates and companies subject to joint control or other similar structures) whose objective is to invest directly and/or through other private equity funds and corporate vehicles in equity instruments and similar instruments. As this type of investments have a medium-long time horizon, surpassing one of the following thresholds is considered evidence of impairment:
- a reduction of fair value exceeding 40% with respect to the original book value; or
- a persistent decrease for an uninterrupted period exceeding 60 months; or
- a reduction of fair value exceeding 30% and lasting for an uninterrupted period exceeding 36 months.

In the absence of a violation of the above automatic thresholds, qualitative analyses are carried out to check for impairment in case of:
- debt securities that show a decrease in fair value greater than 20% of the original book value, adjusted by the amortised cost;
- equity instruments that show a decrease in fair value greater than 20% of the original book value or lasting for more than 12 months.

In the latter cases, a difference between the fair value and the book value is not by itself sufficient to conclude that an impairment loss has occurred. This evidence is simply an initial sign of possible impairment, which must, nonetheless, be supplemented by a qualitative analysis to identify any negative events which could lead to the belief that the book value of the assets may not be fully recovered.
The impairment loss recognised following exceeding the automatic thresholds or qualitative analysis is charged to the income statement as a cost for the year. If the reasons for an impairment loss are no longer valid due to an event occurring after the impairment was originally recognised, write-backs are recognised in the income statement if referring to debt securities or loans, or to a specific shareholders' equity reserve in case of equity instruments. For debt securities and loans, the write-backs, in any event, cannot result in a book value higher than the instrument's amortised cost in the absence of previous adjustments.
Financial assets are derecognised when the contractual rights to receive the cash flows generated by the assets have expired, or when the financial assets are disposed of, and all risks and rewards of ownership of the assets have been substantially transferred.

Financial assets available for sale can be reclassified under "Investments held to maturity", if:

- a change occurs in the intent or ability to hold the asset to maturity;
- no reliable fair value measurement is available (rare circumstances);
- the tainting rule period has expired and the portfolio of investments held to maturity can be reinstated.

In this case, the profits and losses previously held temporarily in the shareholders' equity reserve are amortised for the residual term of the investment adopting the effective interest rate method.

It is also possible to carry out a reclassification in the "Loans" portfolio, when conditions are met as described in the following paragraph "18 - Other information, Reclassifications among financial asset portfolios (amendment to IAS 39)".

3- Investments held to maturity

This category includes debt securities with fixed or determinable payments and fixed maturity date, which the Group has the intention and ability to hold to maturity. If, as a result of a change in intention or ability it is no longer suitable to recognise an investment as held to maturity, the asset is reclassified as available for sale.

Financial assets are initially recognised on the settlement date. Upon their initial recognition, financial assets classified in this category are designated at fair value, which generally corresponds to the price paid, including any transaction costs or revenues that are directly attributable.
If the recognition in this category follows a reclassification from Financial assets available for sale or Financial assets held for trading, the fair value of the asset at the date of reclassification is recognised as the asset's new amortised cost. For reclassifications of Financial assets held for trading, which is possible in rare circumstances, please refer to the following paragraph "18- Other information, Reclassifications among financial asset portfolios (amendment to IAS 39)".

Subsequent to initial recognition, investments held to maturity are measured at amortised cost, using the effective interest rate method. Gains or losses from changes in fair value of investments held to maturity are recognised in the income statement at the time the assets are derecognised. Impairment tests to assess if there is objective evidence of impairment are conducted at each balance sheet or interim reporting date. In case of objective evidence, the impairment is measured as the difference between the asset's book value and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the impairment loss is recognised in the income statement. If the reasons for an impairment loss are no longer valid due to an event occurring after the impairment was recognised, write-backs are recognised in the income statement.

Financial assets are derecognised when the contractual rights to receive the cash flows generated by the assets have expired, or when the financial assets are disposed of, and all risks and rewards of ownership of the assets have been substantially transferred.
The only possible reclassification out of this portfolio is to the portfolio of "Financial assets available for sale", if there is no longer any intention or it is no longer possible to hold these assets to maturity.
If a significant amount of investments held to maturity are disposed of or transferred before their maturity, the entire portfolio must be reclassified to the category of financial assets available for sale and it is then prohibited to classify any assets as held to maturity for the current and next two full financial years (tainting rule), unless the sales and the reclassifications:

- are so close to maturity or to the exercise date of the call option of the financial asset that the fluctuations in the interest rate on the market would have no material effect on the fair value of the financial asset;
- occur after having received substantially all the original principal of the financial asset;
- are attributable to an isolated, non-recurring event, out of the company's control that could not reasonably be foreseen, for example a material downgrading of the creditworthiness of the entity which issued the financial asset.

4– Loans

Loans include loans to customers and to banks, either originated or acquired from third parties, with fixed or determinable payments, that are not listed in an active market and that were not originally designated as financial assets available for sale. Loans include trade receivables and acquired as a result of a private placement or subscription, with fixed or determinable payments, not listed on an active market. As to loans acquired without recourse, they are classified as loans, provided there are no contract provisions that significantly alter the risk exposure of the assignee company.
Cash loans include loans originated through financial leases (which, in line with IAS 17, are recognised according to the "financial method"). These also include assets waiting to be granted under financial lease, including real estate

under construction. Assets waiting to be leased are recognised on stipulation of the contract, under loans for "Other operations" and are transferred to loans for "financial leases" when the contracts begin to generate income.
This category also includes "repurchase agreements" requiring the securities to be sold on expiry and "securities lending" transactions backed by the deposit of a collateral in cash which the lender has full access to. Said transactions are recognised as loans and do not give rise to any changes in the portfolio of owned securities.

Loans are initially recognised on the disbursement date or, in case of debt securities, on the settlement date, based on the fair value of the financial instrument. The recognition is usually equal to the amount disbursed, or the subscription price, including costs/income directly associated to the individual loan and that can be determined from the start of the transaction, although settled later on. Costs are excluded, that, although carrying the above characteristics, are repaid by the borrowing counterparty or fall under normal internal administrative costs.
If the recognition in this category follows a reclassification from Assets available for sale or Financial assets held for trading, the book value is equal to the fair value of the asset at the date the transfer is decided, which is recognised as the asset's new amortised cost. For more information please refer to the following paragraph "18 - Other information, Reclassifications among financial asset portfolios (amendment to IAS 39)".

For loans that are not negotiated at arm's length market conditions, the fair value is determined using specific valuation techniques. The difference compared with the amount disbursed or the subscription price is recognised directly in the income statement.

After initial recognition, loans are valued at amortised cost, equal to the initial recognition value decreased/increased by repayments of principal, net losses/recoveries and the amortisation – calculated according to the effective interest rate method – of the difference between the amount disbursed and the amount repayable at maturity, typically comparable to the costs/income directly associated to the individual loan. The effective interest rate is determined by calculating the rate that is equivalent to the loan's present value of future principal and interest cash flows, to the amount disbursed including costs/income associated with the loan. The estimate of cash flows must take into account all the contractual provisions which could influence the amounts and maturities, without considering the expected loss on the loan. This accounting method, based on a financial logic, spreads the economic effect of costs/income throughout the loan's expected residual life. The amortised cost method is not used for short-term loans, whose limited life span makes the application of discounting immaterial. Said loans are measured at historical cost and their costs/income are recognised in the income statement on a straight-line basis throughout the loan contract life. The same measurement criterion is used for loans without a defined maturity or demand loans.

At each balance sheet or interim report date, loans are reviewed in order to identify loans that due to events occurred after their initial recognition, show objective evidence of an impairment loss, as explained in the following paragraph "18 - Other information - Methods for determining impairment losses on financial assets". This includes loans considered as non performing (bad loans, unlikely to pay, past due) in accordance with the definitions established by the supervisory provisions in force (Bank of Italy Circular no. 272 "Matrix of accounts") and referred to by Bank of Italy Circular no. 262 "Bank financial statements: layouts and rules for preparation" insofar as retained consistent with IAS/IFRS standards in terms of objective evidence of impairment.

These non performing loans undergo an analytical assessment process which seeks to identify expected cash flows. For some similar categories of non performing loans, the assessment processes envisage that the loss forecasts are based on a forfeit/statistical calculation method, to be applied analytically to each individual position; this regards, for example, loans for insignificant amounts or past due loans, namely loans which show uninterrupted overdrafts or late payments, automatically identified by the Group's IT procedures, based on the cited rules of the Supervisory Authority. All adjustments made to non performing loans are reported as "Specific value adjustments", in compliance with the provisions set forth in the Bank of Italy Circular no. 262.

The amount of the value adjustment made to each loan corresponds to the difference between the loan's book value in the financial statements or interim report at the time of measurement (amortised cost) and the present value of expected future cash flows, using the original effective interest rate. Expected cash flows take into consideration the expected recovery time, the estimated realisable value of guarantees, and possible costs incurred to recover the credit exposure. The cash flows for loans that are expected to be recovered within a short period of time are not discounted. The original effective interest rate of each loan remains unchanged over time, unless a loan restructuring agreement has been negotiated that changes the contractual interest rate, or unless in practice the transaction bears no contractual interest.

The adjustment is posted to the income statement. The original loan value is reinstated in following financial years to the extent that the reasons for their original adjustment no longer apply, provided said valuation can be objectively correlated to an event that occurred after the adjustment. Recoveries are recognised in the income statement and in any case cannot exceed the loan's amortised cost had no adjustments been carried out in the past.

Individual loans that give no objective evidence of impairment, that is, generally speaking, performing loans, including loans to counterparties residing in countries at risk, are subject to collective valuation. These valuations are carried out by categories of similar loans/receivables in terms of the credit risk and the related loss percentages can be estimated taking into account time series, based on elements observable as of the valuation date, which make it possible to estimate the value of the latent loss in each category of loans. More specifically, for performing loans, covered by internal models, collective value adjustments are calculated as the product of exposure and PD (Probability of Default) and LGD (Loss Given Default) parameters, established according to the Basel 2 approach, suitably corrected in order to reflect the current conditions on the valuation date and the time that passes between the impairment of the creditworthiness of the debtor and the classification as non performing over the year.

Loans sold are derecognised from financial statement assets only if the sale entails the substantial transfer of all risks and rewards associated with the loans. On the contrary, should the risks and rewards associated with the sold loans be retained, the loans will continue to be recognised under assets in the financial statements or interim reports, although from a legal point of view the loan ownership has been effectively transferred. In the event that the substantial transfer of risks and rewards cannot be verified, loans are derecognised from the financial statements or the interim reports if control of the loans has been relinquished. Otherwise, if even partial control has been retained, the loans will continue to be recognised in the financial statements and the interim reports to the extent of the Group's residual involvement, measured based on the exposure to the changes in value of the loans sold and to their changes in cash flows. Lastly, loans sold are derecognised from the financial statements or interim reports if the contractual rights to receive the relevant cash flows are retained, with the concurrent obligation to pay said flows, and nothing more, to third parties.

5- Financial assets designated at fair value through profit and loss

On initial recognition, financial assets are designated at fair value through profit and loss, only if:

1. they are hybrid contracts containing one or more embedded derivatives, and the embedded derivative significantly changes the cash flows that would otherwise be expected from the contract;
2. designation at fair value through profit and loss provides more reliable disclosure, as:
   i. it eliminates or considerably reduces the inconsistency in valuation, that would otherwise be caused by measuring assets or liabilities or recognising the associated gains and losses on different bases;
   ii. a group of financial assets, financial liabilities, or both is managed and its performance designated at fair value according to a documented risk management or investment strategy, and group reporting is provided internally to executives with strategic responsibilities based on this approach.

The financial assets in question are designated at fair value from initial recognition, which is carried out based on the settlement date. Initial income and expenses are immediately charged to the income statement.
Please refer to "Part A.4 – Fair value disclosure" for details on how fair value is determined.

Financial assets are derecognised when the contractual rights to receive the cash flows generated by the assets have expired, or when the financial assets are disposed of, and all risks and rewards of ownership of the assets have been substantially transferred.

6- Hedging transactions

Asset and liability items include financial hedging derivatives, which at the date of the financial statements or interim report showed a positive and negative fair value, respectively.

Hedges seek to neutralise potential losses recognisable on a given financial instrument or a group of financial instruments, attributable to a specific risk, by offsetting them with the gains recognisable on a different financial instrument or group of financial instruments in the event that said risk should actually materialise.
IAS 39 provides for the following types of hedges:

- fair value hedges, which seek to hedge exposure to changes in the fair value of a balance sheet asset or liability, attributable to a specific risk;
- cash flow hedges, which seek to hedge the exposure to changes in future cash flows attributable to specific particular risks associated with financial statement items;
- hedges of foreign currency transactions, which seek to hedge the risks of investment in a foreign company expressed in foreign currency;
- macro fair value hedging, with the goal of reducing fair value fluctuations attributable to the interest rate risk, of monetary amounts deriving from a portfolio of financial assets and liabilities (including "core deposits"). Net amounts deriving from the mismatch of assets and liabilities cannot be subject to macro hedging.

At the level of the consolidated financial statements, only derivatives entered into with an external counterparty to the Group may be designated as hedging instruments. The results associated with internal transactions carried out between various Group entities are eliminated.
Derivatives can be designated as hedges provided that the hedging relationship between the hedged instrument and

the hedging instruments is formally documented, and it is effective at the time of origination of the hedge and prospectively throughout its entire life. The hedge effectiveness depends on the extent to which the changes in the fair value or in the expected cash flows of the hedged instrument are actually offset by those of the hedging instrument. Therefore, effectiveness is measured by comparing said changes, while considering the aim pursued by the company when the hedge was established.
A hedge is effective (within the limits established as a range of 80% to 125%) when changes in the fair value (or in the cash flows) of the hedging instrument neutralise almost completely the changes in the hedged instrument attributable to the hedged risk. Hedging effectiveness is assessed at each balance sheet date or interim reporting date, using:

- prospective tests, that justify the application of hedging accounting in that they demonstrate its expected effectiveness;
- retrospective tests, demonstrating the hedge's actual effectiveness achieved over the period being examined. In other words, these tests measure how far the actual results deviate from perfect hedging.

Should the above tests fail to confirm the effectiveness of the hedging, both retrospectively and prospectively, hedge accounting, as described above, is discontinued. In this case, the hedging derivative contract is reclassified under instruments held for trading. The hedged instrument is recognised in its specific category at a value equal to its fair value at the time effectiveness ceased, and returns to being measured based on the criteria in use in its original category.

Hedging derivatives are designated at fair value. In particular:

- for fair value hedges, the changes in fair value of the hedged element are offset by the changes in fair value of the hedging instrument. Said offsetting is recognised by charging the changes in value referring both to the hedged element (referring to the changes generated by the underlying risk factor), as well as to the hedging instrument to the income statement. Any resulting difference, which represents the partial ineffectiveness of the hedge, represents the net effect on the income statement. The recognition of fair value changes through profit or loss referring to the hedged element, attributable to the risk being hedged, is applied even if the hedged element is a financial asset available for sale; in the absence of a hedge, said change would be recognised as a matching entry to shareholders' equity;
- for cash flow hedges, the portion of changes in the fair value of the derivative that are determined to be an effective hedge is recognised directly at equity, while it is recognised through profit and loss only when changes in cash flows to be offset arise in the hedged item. The portion of gains or losses of the hedging instrument that is considered ineffective is charged to the income statement. Said portion is equal to any difference between the cumulative fair value of the hedging instrument and the cumulative fair value of the hedged instrument. In any event, the fluctuations in fair value of the hedged item and the related hedge must lie within the 80%-125% range;
- hedges of investments in foreign currency are accounted for using the same method as for cash flow hedges.

Hedging financial assets and liabilities are derecognised when the contractual rights to receive the cash flows generated by the assets have expired, or when the financial assets/liabilities are disposed of, and all risks and rewards of ownership of the assets have been substantially transferred.

7- Investments in associates and companies subject to joint control

This item includes investments in associates or companies subject to joint control, which are carried at equity.
Associates are companies which are not subsidiaries, on which the Group has a significant influence. The company exercises a significant influence in all cases where it holds 20% or more of voting rights in the investee, and, irrespective of the shareholding percentage, whenever it has the power to participate in business and financial decisions of the investees, by virtue of specific legal relations, such as shareholders' agreements, the purpose of which is to ensure that the members of the agreement are represented in the management bodies and to safeguard a consistent management approach, without, however, controlling the same. Companies subject to joint control are enterprises where the joint control is based on a contract or other agreement whereby it is necessary to obtain the unanimous consensus of all the parties sharing the control to make strategic financial and operating decisions.

Financial assets are initially recognised on the settlement date. Upon their initial recognition, financial assets classified in this category are carried at cost, including any goodwill paid for at the time of acquisition, which, therefore, is not independently, separately recorded. The book value is subsequently increased or decreased to reflect the share of profit or loss of the investees attributable to the Group generated after the acquisition date, as a matching entry to the consolidated income statement item "240. Profits (Losses) on investments in associates and companies subject to joint control". Dividends received from investees are deducted from the book value of the investees.
Should it be necessary to carry out adjustments due to changes in shareholders' equity of the investee that have not been recognised in the investee's income statement (for ex. as a result of the designation at fair value of financial assets available for sale, as a result of the valuation of actuarial gains/losses on defined benefit plans), the share of the above changes attributable to the Group is recognised directly in the shareholders' equity item "140. Valuation reserves".

When applying the equity approach, the most recent available financial statements of the associated company or company subject to joint control are used, suitably adjusted to take into account any significant events or transactions that have taken place between the last available financial statements of the investee company and the reference date of the consolidated financial statements. If the investee company adopts accounting standards that are different to those of the Group, changes are made to the financial statements of the investee.

If there is evidence that the value of an investment may be impaired, the recoverable value of the investment is estimated, which is the higher of the fair value, net of costs to sell, and the value in use. The value in use is calculated by discounting the future cash flows that the investment could generate, including the final disposal value of the investment. An impairment loss is recognised to the income statement if the book value, including goodwill, is lower than the recoverable value. If the reasons for an impairment loss are no longer valid due to an event occurring after the impairment was recognised, write-backs are recognised in the income statement, up to the amount of the impairment previously recognised.
Financial assets are derecognised when the contractual rights to receive the cash flows generated by the assets have expired, or when the financial assets are disposed of, and all risks and rewards of ownership of the assets have been substantially transferred.

8- Property and equipment

Property and equipment include land, operating property, real estate investments, technical plant, furniture, fittings and equipment of any type. This is property and equipment held to be used for the production or provision of goods and services, to be rented to third parties, or for administrative use, and are expected to be used for more than one period. Property and equipment also include assets related to finance lease contracts which returned to the company's ownership following the termination of the contracts and the concurrent closure of the original credit position. This item also includes assets used under finance lease contracts, provided that the legal ownership of the assets rests within the leasing company.
Said item also includes leasehold improvements and incremental expenses incurred on third party assets, whenever they are identifiable and distinguishable tangible assets. More specifically, these are costs to renovate rented property, sustained to render them suitable for their intended use. These costs are classified in the specific category to which they refer (e.g. technical plant, equipment).
Property and equipment are initially carried at cost, which includes the purchase price and all accessory charges directly attributable to the acquisition of the asset and bringing it to working conditions. Extraordinary maintenance costs entailing an increase in future economic benefits are included in the asset's book value, while other ordinary maintenance costs are charged to the income statement.
Property withdrawn following the closure of the original credit position ("datio in solutum" - transfer in lieu of payment) will be recognised at the lower of the gross loan value recognised at the time of withdrawal of the asset, and:

- the "market value" deriving from a specific appraisal, if the property is not expected to be classified under "non-current assets held for sale and discontinued operations" within a short time;
- the "immediate sale value" derived from a specific appraisal, which adjusts the "market value" with a view to sale in a quite short-term time frame, when it is known at the termination date that the property will be subsequently allocated under "non-current assets held for sale and discontinued operations";
- the price during trading, if on initial recognition concrete negotiations for sale are in course, demonstrated by commitments undertaken by the interested parties to the negotiations.

Property and equipment, including "non-operating" property, are carried at cost, less any depreciation and impairment.
Property and equipment are systematically depreciated throughout their useful life, using the straight-line method, with the exception of:

- land, whether purchased separately or as part of the value of the buildings standing on it, in that land has an unlimited life. If its value is embedded in the value of the buildings built on it, in virtue of the application of the component approach, land is considered a separate asset from the building. The separation of the value of the land and the value of the building is based on appraisals by independent experts;
- works of art, because the useful life of a masterpiece cannot be estimated and its value normally is destined to increase with time.

At each balance sheet or interim reporting date, if there is any indication that an asset may be impaired, the asset's book value is compared with its recoverable amount, that is, equal to the higher of the asset's fair value, net of costs to sell, and its value in use, understood as the present value of future cash flows originated by the asset. Any adjustments are charged to the income statement. Whenever the reasons for the impairment loss are no longer valid, recoveries are recognised, which must not exceed the asset's value had no impairment taken place in the past, net of accrued depreciation.

Property and equipment is derecognised from the statement of financial position at the time of disposal or when the asset is permanently withdrawn from use and no future economic benefits are expected from its disposal.

9- Intangible assets

Intangible assets are non-monetary, identifiable and non-physical assets, owed to be used on a long-term basis. Intangible assets are carried at cost, adjusted to account for accessory charges, only if it is likely that the future economic benefits attributable to the asset will be realised, and if the cost of the asset can be reliably determined. Otherwise, the cost of the intangible asset is recognised in the income statement during the year it was incurred.
Intangible assets include goodwill, which is the difference between the price paid for a business combination and the fair value of the net identifiable assets purchased, as illustrated in greater detail in paragraph "18 – Other information, Business combinations, goodwill and changes in interest holdings."
Goodwill is not amortised, but must be regularly tested for impairment to verify the adequacy of its book value.
Specifically, goodwill must be tested any time there is evidence of impairment, and in any case at least once a year. To this end, the cash-generating unit to which the goodwill is allocated is identified. The amount of any impairment is determined based on the difference between the book value of the goodwill and its recoverable amount, if lower. Said recoverable amount is equal to the higher of the fair value of the cash-generating unit, net of costs to sell, and its value in use. The value in use is the present value of future cash flows expected from cash-generating units to which goodwill was allocated. The resulting adjustments are charged to the income statement. No subsequent recoveries can be recognised.

Other intangible assets are recognised as such if they are identifiable and originate from legal or contract rights.
The cost of intangible assets, with definite useful life, is amortised on a straight-line basis over their useful life. If the useful life is undefined, no amortisation is carried out, only periodic assessments of the adequacy of the book value. At each balance sheet date or interim reporting date, if there is evidence of impairment, the asset's recoverable amount is estimated. The amount of the loss, recognised in the income statement, is equal to the difference between the asset's book value and recoverable value.
Intangible assets are derecognised from the statement of financial position at the time of disposal or when no future economic benefits are expected from it.

10- Non-current assets held for sale and discontinued operations and liabilities associated with non-current assets held for sale and discontinued operations

Non-current assets and liabilities held for sale and discontinued operations are classified under this item. Classification under this item is possible when the sale is considered to be highly probable. Specifically, these assets/liabilities are designated at the lower of the book value and their fair value, net of costs to sell. If the non-current assets held for sale can be amortised/depreciated, the amortisation/depreciation process ceases from the year the assets are classified under non-current assets held for sale and discontinued operations. The associated income and charges are recognised in the income statement in a separate item net of the tax effect when they refer to discontinued operations. In this case the same income statement information is disclosed in a separate item also for the comparative periods shown in the financial statements.

11- Current and deferred taxation

These items include current and deferred tax assets, and current and deferred tax liabilities relating to income taxes.

Income taxes, calculated in compliance with current tax regulations, are accounted for based on the accrual principle, consistent with the recognition of the costs and revenues that generated the taxes in the financial statements. Therefore, this represents the tax charge, equal to the balance of current taxes and deferred tax assets and liabilities, relating to the income for the year. Income taxes are charged to the income statement, with the exception of those relating to items charged or credited directly to shareholders' equity, as they as well are consistently recognised directly through shareholders' equity.

In particular, current tax liabilities (assets) for the current and previous years reflect the amount of income taxes that are expected to be paid (recovered) to/from the tax authorities, based on a prudent estimate, applying the tax rates and tax regulations in force at the reporting date (interim reporting). Current tax assets and liabilities are shown as a net balance in the statement of financial position, in case the settlement is executed based on the net balance, owing to the existence of a legal right to offsetting.

Deferred tax assets and liabilities are calculated based on temporary differences arising between the tax values of the individual assets and liabilities and their book values, without any time limits.
Deferred tax assets are recognised in the financial statements or the interim reports when it is probable that they can be recovered, which is assessed based on the ability of the company concerned and of the Group, as a result of the "tax consolidation" scheme, to continue to generate positive taxable income in future financial years, also taking account of the tax provisions in force at all times, such as Law no. 214/2011, which permits the transformation of certain deferred tax assets that meet specific conditions, into credits. Deferred tax liabilities are recognised in the financial statements

or interim reports, with the sole exceptions of assets recognised in the financial statements at an amount higher than the value recognised for tax purposes and of reserves subject to tax on distribution, where it is reasonable to believe that no operations will be performed deliberately that would trigger taxation.
Recognised deferred tax assets and liabilities are systematically measured to account for any changes in regulations or tax rates, as well as for any changes in the subjective positions of the Group companies.

12- Provisions for risks and charges

Provisions for risks and charges consist of liabilities whose amount or expiry are uncertain, and are recognised in the financial statements only if:

- there is a current obligation (legal or implicit) as a result of a past event;
- it is likely that an outflow of resources will be required to produce economic benefits to settle the obligation;
- the amount of the probable future outflow can be reliably estimated.

Provisions for risks and charges include provisions for long-term benefits and post-employment benefits covered by IAS 19 as well as provisions for risks and charges covered by IAS 37.
Provisions for risks and charges do not include write-downs due to impairment of guarantees given, equivalent credit derivatives under IAS 39 and irrevocable commitments to disburse funds, which are recognised under “Other liabilities”.
The sub-item “other provisions for risks and charges” includes allocations for possible losses on lawsuits, including clawback actions, estimated outlays for customer complaints regarding securities brokerage, tax disputes as well as a reliable estimate of other outlays due to any other legal or implicit obligation outstanding at the balance sheet or interim reporting date.
Whenever the time factor is significant, provisions are discounted using current market rates. The effect of discounting is recognised in the income statement, as is the increase in provisions as a result of the passing of time.
The provisions allocated are re-examined at each date of the financial statements and adjusted to reflect the best current estimate. When the outflow of resources to produce economic benefits to settle the obligation is unlikely, the allocation is reversed.
In addition, each provision must be used to pay for outlays for which the provision itself had been originally set aside.

As explained in the paragraph below “18- Other information, Employee termination indemnities and other employee benefits”, the sub-item “company retirement plans and similar obligations” includes defined-benefit plans, namely pension funds backed by a capital repayment and/or return guarantee in favour of beneficiaries. Benefits to be paid in the future are measured by an external actuary, using the “projected unit credit method”, as required by IAS 19.

13- Payables and debt securities issued

The items “Due to banks”, “Due to customers” and “Debt securities issued” include various forms of interbank and customer loans and funding carried out through certificates of deposit and bonds outstanding, net of any repurchased amount. These also include loans recorded by lessees as part of financial leases, as well as repurchase agreements and securities lent against collateral in cash, which the lender has full access to.

These financial liabilities are initially recognised when the amounts collected are received or the debt securities are issued. Initial recognition is carried out based on the fair value of the liabilities, generally equal to the amount received or the issue price, plus any additional costs/income directly attributable to the individual funding or issue transaction and not paid back by the lending counterparty. Internal administrative costs are excluded.
Repurchase agreements with the obligation to repurchase are recognised as funding transactions for the amount paid spot.

Subsequent to initial recognition, financial liabilities are measured at amortised cost, using the effective interest rate method. Short-term liabilities are an exception, if the time factor is immaterial. They are stated at their received value and any incurred costs are charged to the income statement on a straight-line basis over the contractual life of the liability. Moreover, funding instruments under an effective hedge are measured based on the standards envisaged for hedging transactions.

For structured instruments, provided that the requirements under IAS 39 are met, the embedded derivative is separated out from the host contract and designated at fair value as a trading asset/liability. In this case, the host contract is recognised at amortised cost.

Financial liabilities are derecognised from the financial statements or interim reports when expired or cancelled. Derecognition also takes place in the event of repurchases of securities issued. The difference between the book value of liabilities and the purchase price paid is recorded in the income statement. The subsequent placement of own securities following their repurchase is considered as a new issue, recognised at the new placement price, with no effects on the income statement.

14- Financial liabilities held for trading

This item includes the negative amount of trading derivative contracts designated at fair value and cash financial liabilities held for trading.
It also includes the negative valuations of derivatives associated with the assets and liabilities designated at fair value through profit and loss, embedded derivatives, which were separated from their host financial instruments under IAS 39, as well as liabilities originating from technical overdrafts generated by securities trades.

Initial recognition is based on the fair value of liabilities, that generally corresponds to the collected amount, excluding transaction costs or income directly associated with the instruments, which are directly charged to the income statement.
Please refer to "Part A.4 – Fair value disclosure" for details on how fair value is determined.

Gains and losses from changes in fair value and/or from the sale of trading instruments are recognised in the income statement.
Financial liabilities are derecognised from the financial statements or interim reports when expired or cancelled.
Trading profits or losses and gains or losses as a result of the valuation of the trading portfolio are recognized in income in the item "80. Profits (losses) on trading", except for income or loss on derivatives connected with the fair value option, which are classified in item "110. Profits (losses) on financial assets and liabilities designated at fair value".

15- Financial liabilities designated at fair value through profit and loss

On initial recognition, financial liabilities are designated at fair value through profit and loss only if:

- they are hybrid contracts containing one or more embedded derivatives, and the embedded derivative significantly changes the cash flows that would otherwise be expected from the contract;
- or designation at fair value through profit and loss provides more reliable disclosure, as:
  - i. it eliminates or considerably reduces the inconsistency in valuation, that would otherwise be caused by measuring assets or liabilities or recognising the associated gains and losses on different bases;
  - ii. a group of financial assets, financial liabilities, or both is managed and its performance designated at fair value according to a documented risk management or investment strategy. Group disclosure is provided internally, on this basis, to executives with strategic responsibilities.

The financial liabilities in question are designated at fair value from initial recognition. Initial income and expenses are immediately charged to the income statement.
Financial liabilities are derecognised from the financial statements or interim reports when expired or cancelled. For financial liabilities represented by securities issued, derecognition is carried out also in case or repurchase: the difference between the book value of liabilities and the purchase price is recorded in the income statement. The subsequent placement of own securities following their repurchase is considered as a new issue, recognised at the new placement price, with no effects on the income statement.
For more details on the scope of Group liabilities under the fair value option and the method used to determine fair value and quantify its creditworthiness, please refer to paragraph "18 – Other information", and the subsequent "Part A.4 - Fair value disclosure".

16- Foreign currency transactions

Upon initial recognition, foreign currency transactions are recorded in the functional currency, and the exchange rate applied to the amount expressed in foreign currency is the one in effect at the date of the transaction.

At each balance sheet date or interim reporting date, items expressed in foreign currencies are measured as follows:

- cash items are translated at the exchange rate in effect at the closing date;
- non-cash items carried at their historical cost are translated at the exchange rate in effect at the transaction date;
- non-cash items designated at fair value are translated at the exchange rate in effect at the closing date.

Exchange rate differences originated by the settlement of cash items, or by the translation of cash items at rates other than the initial ones, or by the conversion of the previous financial statements, are charged to the income statement at the time they arise.

When a gain or loss from a non-cash item is carried at equity, the relevant exchange rate difference is also carried at equity. Conversely, when a gain or loss is recognised in the income statement, the associated exchange rate difference is also recognised in the income statement.

17- Insurance assets and liabilities

No insurance companies are included in the scope of consolidation.

18- Other information

a) Contents of other financial statement items

Cash and cash equivalents

This item includes legal tender, including foreign banknotes and coins and demand deposits with the Central Bank of the country or countries where the Group operates through its companies or branches.
The item is recognised at face value. The face value of foreign currencies is translated into Euro at the closing exchange rate at the period-end date.

Fair value change of financial assets and financial liabilities in macro fair value hedge portfolios

These items include, respectively, changes in financial assets or liabilities subject to macro hedging of interest rate risk, based on the respective balance, whether positive or negative.

Other assets

This item includes assets not attributable to the other statement of financial position asset items. For example, this item may contain:

a) gold, silver and precious metals;
b) accrued income other than that capitalised on the related financial assets;
c) any inventories of assets according to the definition of IAS 2;
d) receivables associated with providing non-financial goods or services.

Leasehold improvements and incremental expenses incurred on third party assets other than those attributable to the item “property and equipment” are also included, insofar as they cannot be separated from the assets to which they refer and therefore cannot be used independently (e.g. building work). These costs are recognised under other assets because the lease contract represents a form of control over the assets for the lessee, the use of which is expected to produce economic benefits. These costs are recognised to the income statement in the shortest period between that in which the improvements and the additional expenses may be used and the residual duration of the rental agreement, including the renewal period, if there is evidence in this regard.

These may also include any remainders (of the “borrower’s balance”) of items in transit or suspended not attributed to the specific accounts, because they are of immaterial amounts.

Other liabilities

This item records liabilities not attributable to the other statement of financial position liability items.
For example, this item contains:

a) payment agreements that under IFRS 2 must be classified as payables;
b) the initial recognition of guarantees given, the equivalent credit derivatives under IAS 39 and irrevocable commitments to disburse funds, as well as the subsequent write-downs due to their impairment;
c) payables associated with the payment of non-financial goods or services received;
d) accrued liabilities other than those to be capitalised on the related financial liabilities.

Employee termination indemnities and other employee benefits

According to IAS 19, employee termination indemnities represent a “post-employment benefit”.
Following the supplementary pension reform, under Italian Legislative Decree no. 252 of 5 December 2005, new regulations were introduced for employee termination indemnities accrued beginning from 1 January 2007, recognised for accounting purposes.
In particular, for companies which had at least 50 employees in 2006, from an accounting perspective, employee termination indemnities accrued from 1 January 2007 are considered a “defined contribution plan”; the charge is limited to the benefits established under the Italian Civil Code, without applying any actuarial methodology.

Otherwise, the provisions for employee termination indemnities accrued up to 31 December 2006 will continue to be accounted for as a “defined benefit plan”.
In general terms, the “post-employment plans” - which include, beyond the Provisions for employee severance indemnities, Pension funds - are classified into two categories, “defined benefits” and “defined contributions” on the basis of the relative characteristics.
More specifically, in defined contribution plans, the cost is represented by contributions accrued during the year, since the company only has the obligation to pay the contributions defined by contract to a fund, and has therefore no legal or implicit obligation to pay other amounts in addition to said contributions in the event that the fund does not have sufficient assets to pay all the benefits to employees.
In defined benefit plans, the actuarial and investment risk, namely the risk that contributions are insufficient or that the assets in which contributions are invested do not generate a sufficient return, is borne by the company. The liability is calculated by an external actuary using the “Projected unit credit method” On the basis of the cited method, all future disbursements have to be estimated on the basis of demographic and financial assumptions, and are then discounted to take into account the time that will pass before the actual payment, and to be re-proportioned on the basis of the ratio of the years of service accrued and the theoretical seniority estimated at the time the benefit is disbursed. The actuarial value of the liability calculated in this way must then be adjusted by the fair value of any assets underlying the plan (net liabilities/assets).
The actuarial gains and losses that originate from changes in the previous actuarial assumptions, as a result of the actual experience or as a result of changes to the actuarial assumptions themselves, lead to the re-measurement of the net liability and are recognised as a balancing entry of a net equity reserve. Said gains and losses are recorded in the “Statement of comprehensive income”.
The “Projected unit credit method” described above, is also used to measure long-term benefits, such as “seniority bonuses” awarded to employees. Unlike that described for “defined benefit plans”, actuarial gains and losses relating to the measurement of long-term benefits are recognised immediately in the income statement.

Valuation reserves

This item includes valuation reserves for financial assets available for sale, foreign investment hedging, cash flow hedging, and for foreign currency translation differences, as well as for “individual assets”, discontinued operations, the portion of valuation reserves of investments carried at equity and actuarial gains (losses) on defined benefit plans. It also includes the revaluation reserves recognised in compliance with special revaluation regulations, also if subject to “tax exemption”.

Share capital and treasury shares

Share capital includes common and preferred stock issued by the bank net of any capital already subscribed but not yet paid up at the balance sheet or interim reporting date. This item includes any treasury shares held by the bank. The latter are shown with a minus sign in the same item under statement of financial position liabilities.
The original cost of repurchased treasury shares and the gains or losses originated by their subsequent sale are recognised as changes to shareholders’ equity.
Transaction costs relating to operations on share capital, such as share capital increases, are recorded as a decrease in shareholders’ equity, net of any related tax benefits.

Minority interests

This item shows the portion of consolidated shareholders’ equity attributable to shares owned by minority shareholders, calculated based on “equity ratios”. The amount is calculated net of any treasury shares repurchased by consolidated companies.

b) Illustration of other significant accounting treatments

Dividends and revenue recognition

Revenues are recognised when they are received or, on any event, when it is likely that future benefits will be received and these benefits can be reliably quantified. In particular:

- default interest, if provided for by contract, is recorded in the income statement only when actually collected;
- dividends are recognized in the income statement when the legal right to collect them ensues, and, therefore, when their distribution is resolved;
- profits and losses from the brokerage of trading financial instruments are recognised in the income statement at the time of recognition of the transaction, based on the difference between the price paid or collected and the fair value of the instrument, only when the fair value can be determined by making reference to current observable market transactions or using valuation techniques whose inputs are observable market parameters; otherwise, said profits and losses are distributed over time taking the nature and the term of the instrument into account. Please refer to “Part A.4 – Fair value disclosure” for details on how fair value is

determined and on whether parameters are observable or not;
- for bond issues designated at fair value that are not listed on active markets, the valuation technique used to calculate the fair value takes a spread adjustment as an adjustment factor to discount cash flows, with the goal of sterilising, from the issue date, the profits implicit in the contractual conditions of the bonds, net of the related transaction costs.

Share-Based Payments

Share-based payments are payments made to employees, as a consideration for work performed, based on capital shares, that may, for example, consist of the assignment of:
- stock options;
- stock grants.

Considering how difficult it is to directly estimate the fair value of work received in exchange for the assignment of shares, it is possible to indirectly measure the value of services received, by referring to the fair value of the equity-linked instruments at their assignment date. The fair value of payments settled through the issue of shares is recognised as “Personnel expenses”, with a matching entry as an increase in “Reserves”, based upon the accrual principle.
In detail, when assigned shares cannot be immediately “used” by employee, but can be used when the employee has completed a given term of service, the company shall pay the cost as a consideration for the service provided throughout the vesting period.

Securitisations - derecognition from financial statements of financial assets transferred

In securitisation transactions, the transfer of financial assets to an SPE, even if with recourse, entails the derecognition of these assets from the financial statements, only if there is a substantial transfer of the risks and the benefits.
For securitisations originated by the Group, on the settlement date of the transaction, no derecognition of the receivables was made from the financial statements, even though transferred. In reality the Group maintained the risk of the receivable associated to the securitised portfolio and the relative benefits, through the subscription of the tranche of the junior securities, namely of the securities that bear the risk of the initial losses, or through the assumption of similar exposures. Consequently, the receivables continue to be recognised in the separate financial statements of the originator bank as “Assets sold and not derecognised”; the amount collected from the transfer is recognised as a balancing entry to the payable owed to the SPE, net of the securities subscribed by the bank in question. In the consolidated financial statements, the main impact of the consolidation of the SPE and of the relative capital from the securitisation, if the requirements of control envisaged by IFRS 10 are fulfilled, is that the securities issued by the SPE and subscribed by entities not belonging to the Group are recorded in the Statement of Financial Position.
For the purposes of Part E of these notes to the consolidated financial statements, the receivables transferred as part of securitisation transactions are considered “Assets sold and not derecognised”, unless the originator Group banks have not subscribed, from the issue date, all of the liabilities issued by the SPE (so-called self-securitisation transactions).
Tiepolo Finance and Tiepolo Finance 2 securitisations are the only exception to the above-described general rule, for which on first-time adoption of the international accounting standards, the Group made use of the option not to recognise in the financial statements assets underlying securitisations performed before 1 January 2004, which had been derecognised based on the previous accounting standards. As at 31 December 2015, the junior security issued by Tiepolo Finance, subscribed for a nominal value of euro 50.5 million and classified in the portfolio of “Financial assets available for sale”, was recorded with a value of zero, insofar as entirely written down; no security is held as regards the issues of the SPE Tiepolo Finance 2, as the transaction reached its term in the fourth quarter of 2015.
In addition, for securitisations settled by the former Italease Group, the agreements made on 24 December 2009 between Banca Italease and Alba Leasing, following the finalisation of the acquisition of control of Banca Italease by the Banco Popolare Group and the relative reorganisation of leasing activities, resulted in the full derecognition of the receivables originated by the banking channel, the risks and benefits of which were entirely posted to Alba Leasing.
Please refer to the disclosure contained in these Notes to the consolidated financial statements, “Part E - Section 1 - C. Securitisation Transactions”.

Off-balance sheet credit exposures - guarantees given and commitments

Off-balance sheet credit exposures represented by the guarantees given and by irrevocable commitments to disburse funds, give rise to provisions, to the extent to which an outflow of economic resources to fulfil the legal obligation is considered likely. Said exposures undergo a process of analytical assessment, if there is a high probability of default of the individual position; otherwise, the provision is calculated on a collective basis, taking into account the probability of loss of a portfolio of similar securities. The procedure for making a collective estimation of performing off-balance sheet exposures is conducted by applying the same criteria used for the collective assessment of receivables, taking a conversion factor into account. As indicated in the paragraph entitled “12 - Provisions for risks and charges”, the provisions relating to the write-down of guarantees given and commitments to disburse funds must be recognised under statement of financial position item "100. Other liabilities" in accordance with Circular no. 262; the balancing entry is the income statement item "130 d) Net losses/recoveries on impairment of other financial transactions".

Reclassifications among financial asset portfolios (amendment to IAS 39)

On 13 October 2008, the IASB approved amendments to IAS 39 and IFRS 7, validated along a fast-track procedure by the European Commission on 15 October 2008 with Regulation no. 1004/2008.
Based on said amendments, under given circumstances it is now possible to reclassify financial instruments recognised as "Financial assets held for trading" or "Financial assets available for sale" when purchased, into another accounting category. Prior to said amendments, the general rule prohibited reclassifications to other categories, with the exception of reclassifications between "Financial assets available for sale" and "Investments held to maturity", as previously described under said categories of financial assets.
Based on the provisions of paragraphs 50D and 50E of IAS 39, the following financial instruments may be reclassified:

- financial instruments, other than derivatives, previously classified as financial assets held for trading. As a result of the adoption of the "fair value option", financial instruments in the category "Financial assets designated at fair value through profit and loss" cannot be reclassified. The new accounting category of allocation is "Loans". To qualify for reclassification, at the reclassification date, the financial instrument must meet the prescribed requirements to be classified in the "Loans" portfolio, and the company must no longer intend to trade the financial instruments being reclassified, having decided to hold them for the foreseeable future or to maturity;
- non-derivative financial instruments classified as "Financial assets available for sale" can be reclassified to the accounting category "Loans" if at the reclassification date the financial instrument met the definition of "Loans" and the company now intends to and can hold the instrument for the foreseeable future or to maturity.

Any other non-derivative debt or equity instrument can be reclassified from the category "Financial assets held for trading" to the category "Financial assets available for sale" or from the category "Financial assets held for trading" to "Investments held to maturity" (debt instruments only), whenever said instruments are no longer held for trading in the short term. However, this is permitted only in rare circumstances, as illustrated in paragraph 50 B.

The reclassified financial asset is recorded in its new category ("Loans", "Investments held to maturity", "Financial assets available for sale") at its fair value on the reclassification date, representing the new cost or amortised cost.
Once reclassified, financial instruments shall comply with the measurement and recognition rules of the category of allocation, without prejudice to that specified below. Therefore, the effective rate of return must be determined calculated to be used as of the reclassification date for assets valued at amortised cost.
For reclassified assets, any future positive change in cash flows contributes to the determination of the effective interest rate at the date the projection is revised, and shall be accounted for throughout the instrument's residual life instead of changing the asset's book value with a matching entry in the income statement, as envisaged for non-reclassified assets.
Vice versa, any subsequent reductions in estimated cash flows as of the reclassification date shall comply with prior regulations, meaning they shall be immediately charged to the income statement in the event of impairment.
Gains and losses that were previously suspended in equity reserves for Financial assets available for sale, if referring to an instrument with a fixed maturity shall be amortised over the entire investment term according to the amortised cost principle. Vice versa, if the instrument has no fixed maturity (for ex. perpetual instruments), it shall remain suspended in the equity reserve until sold or cancelled.
In the event of reclassification of the financial asset, up until its cancellation, it is necessary to report the consequent effects and those that would have arisen in the absence of the reclassification, as explained in the following sub-section "A.3 – Disclosure on transfers between portfolios of financial assets".

Business combinations, goodwill and changes in interest holdings

A business combination involves the union of businesses or separate business activities in a single entity obliged to draw up financial statements.
A combination may give rise to an investment relationship between the purchasing Parent Company and the subsidiary acquired. In such circumstances, the purchaser applies standard IFRS 3 in the consolidated financial statements while in the separate financial statements the interest holding acquired as an investment in the subsidiary is recorded, applying accounting standard IAS 27 "Separate financial statements".
A combination may also envisage the purchase of the net assets of another entity, including any eventual goodwill, or the acquisition of the capital of another entity (mergers, conferrals, business segment acquisitions). A combination of this type does not translate into an investment relationship similar to that between the parent and subsidiary company and therefore in this case accounting standard IFRS 3 applies also in the separate financial statements of the purchaser.
Business combinations are recorded using the purchase method, on the basis of which the identifiable assets acquired and the identifiable liabilities undertaken, including any potential ones, must be recorded at the respective fair values as of the acquisition date.

With regard to each business combination, the minority interests can be recorded at fair value or in proportion to the portion held in the identifiable net assets of the company acquired.
Any excess in the transferred price with respect to the fair value of the identifiable net assets is recorded as goodwill and allocated, as of the acquisition date, to the individual cash generating units, or groups of cash generating units which should benefit from the synergies of the combination, irrespective of the fact that the other assets and liabilities of the entity acquired are assigned to these units or groups of units.
If the transfer price is lower than the fair value of the identifiable net assets, the difference is recorded immediately in the income statement as revenue in the item “Other operating income”, after having carried out a new measuring aimed at assessing the correct identification processes for all the activities acquired and the liabilities undertaken.

The price transferred in a business combination equates to the fair value, as of the acquisition date, of the assets transferred, the liabilities incurred and the equity instruments issued by the purchaser in exchange for obtaining control over the entity acquired. The price which the purchaser transfers in exchange for the entity acquired includes any asset or liability emerging from an agreement on the potential price, to be recorded as of the acquisition date on the basis of the fair value. Changes to the transferred price are possible if they derive from additional information on events or circumstances which existed as of the acquisition date and are recognisable within the business combination measuring period (or rather within twelve months of the date of acquisition, as will be specified further on). Any other change which derives from events or circumstances subsequent to the acquisition, such as for example that acknowledged to the seller linked to achievement of specific income-related performances, must be recognised in the income statement.

Identification of the fair value of the assets and liabilities must be finalised definitively within a maximum period of twelve months as from the acquisition date (measuring period).

The costs relating to the acquisition, which include brokerage commission, advisory, legal, accounting and professional costs, general administrative expenses, including those for the upkeep of an acquisitions office, are recorded in the income statement at the time they are incurred, with the exception of the costs for issuing shares and debts securities which are recorded on the basis of the matters laid down by standards IAS 32 and IAS 39.

If control is achieved by means of subsequent acquisitions (business combinations carried out in several phases), the shareholding previously held is measured at fair value as of the acquisition date and the difference with respect to the previous book value must be recorded in the income statement. With regard to these combinations, the goodwill shall be determined by the surplus of the transferred prices increased by the fair value of the interest previously held with respect to the fair value of the identifiable net assets of the acquired entity.

Once control has been obtained and the acquisition method previously described applied, any further increase or decrease in the shareholding in a subsidiary company which continues be controlling is recorded as a transaction between shareholders. Therefore, the book value of the group and minority shareholders’ equity must be adjusted to reflect the changes in the holding in the subsidiary. Any difference between the value for which the minority interests are adjusted and the fair value of the price received or paid must be recorded directly in the group shareholders’ equity.

In the presence of an event that results in a loss of control, the effect to be recognised in the income statement is equal to the difference between (i) the sum of the fair value of the price received and of the fair value of the residual interest held and (ii) the prior book value of the assets (including goodwill), of the liabilities of the subsidiary, and any minority shareholder’s equity. The amounts previously recognised in the statement of comprehensive income (such as for example the revaluation reserves of financial assets available for sale) must be recorded in compliance with the matters required in the event that the parent company has directly disposed of the assets and the related liabilities (by means of reclassification in the income statement or under retained earnings).

The fair value of any shareholding held in the former controlling investment must be considered equal to the fair value at the time of initial recognition of a financial asset on the basis of IAS 39, or, if appropriate, equal to the cost at the time of initial recognition in an associated company or a jointly-controlled entity.

Transactions achieved for reorganisation purposes, between two or more businesses or corporate assets forming part of the Banco Popolare Group, are not considered to be business combinations. The international accounting standards do not in fact discipline the transactions under joint control, which are recorded with continuity at purchase values in the financial statements of the purchaser, if they do not present a significant influence on future cash flows. This is in compliance with the matters envisaged by IAS 8 par.10, which requires, in the absence of a specific standard, that use of one’s own judgement when applying an accounting standard be adopted for the purpose of providing relevant, reliable, prudent disclosure which reflects the economic essence of the transaction.

Methods for determining impairment losses on financial assets

At each balance sheet date, all financial assets, except those designated at fair value through profit or loss, are subject to impairment testing to verify whether there is objective evidence of impairment that may compromise the recoverability of the investment.
In detail, the objective evidence of impairment affecting an asset or a group of financial assets can be associated with the following negative events:

- significant financial difficulties experienced by the issuer or the borrower;
- breach of contract, for example a default or failure to make payment of interest or principal when due;
- giving the beneficiary an allowance, that the bank took in consideration primarily for economic or legal reasons related to the beneficiary's financial difficulties, and which otherwise would not have been granted;
- likelihood that the borrower may file for bankruptcy or other financial restructuring procedures;
- disappearance of an active market related to the financial asset in question due to the issuer's financial difficulties. However, the disappearance of an active market caused by the fact that the company's instruments are no longer publicly traded is not evidence of a reduction in fair value;
- events that point at a significant decrease in the issuer's future cash flows (which include the general local or domestic economic conditions in which the issuer operates).

Furthermore, objective evidence of impairment for an investment in an equity instrument may materialise in the event of the following additional negative events:

- significant changes negatively affecting the technological, economic or regulatory environment in which the issuer operates, indicating that the investment can no longer be recovered;
- a prolonged or significant reduction in fair value below the purchase price.

In the event that objective impairment occurs as a result of one or more events that occurred after the initial recognition of the asset, it is necessary to calculate the impairment loss, according to different rules for financial instruments measured at amortised cost or assets designated at fair value with changes carried at equity.
With regard to the determination of impairment losses, please refer to that described for "Investments held to maturity", "Due from banks and customers" for assets valued at amortised cost, and "Financial assets available for sale" for assets designated at fair value with a matching entry in a specific equity reserve.

Financial liabilities designated at fair value through profit and loss and determination of own creditworthiness

To obtain funding, the Group issues different types of bonds, both at a fixed rate and structured types (index-linked to share components, to exchange rates, to interest rate structures, inflation rates or similar indices). The risks resulting from said issues are hedged by the Group, as part of its overall market risk management, also by means of entering into derivative contracts.

From an accounting perspective, some of these contracts are designated as hedges according to the rules of Hedge Accounting, and in particular of the "fair value hedge", as illustrated in paragraph "6 - Hedging transactions"; in particular, these are hedges of bond issues addressed to institutional customers.

For hedges that are not eligible for the rules of Hedge Accounting, asymmetric accounting would be created, resulting from the different measurement criteria applied to the bond issue - valued at amortised cost - and to the operational hedge derivative instrument - measured at fair value. The Group overcomes this asymmetry by designating bond issues subject to operational hedging at fair value (so-called "Fair Value Option"). In addition to simplifying the administrative and accounting management of hedges, with specific reference to structured issues, the adoption of the Fair Value Option instead of hedge accounting, is closely linked to the actual methods the Group uses to carry out its hedging policies, by managing its market exposure globally and not through a discrete relation with the issued bond. In actual fact, the Group's operating model envisages that the market risks related to the issues of Group banks are managed by Banca Aletti, as investment bank, which acts as the counterparty for the hedge derivatives stipulated by the issuing banks. The risks undertaken in this way by Banca Aletti are managed jointly with the other derivatives, in place or to be set in place, according to an overall "portfolio" approach, which seeks to pursue a given risk/return profile which is compatible with the risk limits established.
Unlike Hedge Accounting, whose accounting rules require that only fair value changes attributable to the hedged risk be recognised on hedged instruments, the Fair Value Option requires the recognition of all fair value changes, irrespective of the hedged risk factor that generated them, including the issuer's credit risk, to the extent that market participants consider it an important factor in determining the price of a hypothetical exchange transaction. Please refer to "Part A.4 – Fair value disclosure" for details on how fair value and the relative hierarchy are determined.

More specifically, for issues addressed to the Group's retail customers, the fair value measurement is made on the basis of the prices observed in the system of organised exchange of Group securities, which confirm the credit spreads in place on the issue date.

For issues addressed to institutional customers, the valuation method is based on a cash flow discounting model, which considers both the curve of risk-free interest rates and the creditworthiness curve of Banco Popolare, both observed on the reference date of the valuation. The creditworthiness curve is plotted by maximising the use of observable market parameters considered significant, based on the related liquidity; these parameters were identified in the Credit Default Swap (CDS) curve in Banco Popolare's name, as a function of the level of subordination of the issue and the maturity date. The impact resulting from the change in the Bank's creditworthiness, between the issue date and the valuation date, is quantified by calculating the difference between the fair value obtained, considering all risk factors to which the bond is exposed, including credit risk, and the fair value obtained considering the same factors, with the exclusion of the change in credit risk arising during the period.
With regard to the potential volatility of economic results related to changes in own creditworthiness, highlighted by the economic and financial crisis underway since 2008, issues of this type, made from the second half of 2009, are usually recognised according to Hedge Accounting rules. Otherwise, the Fair Value Option rules are applied to prior issues, as the designation is irrevocable; these issues represent the main source of volatility of the economic results attributable to Banco Popolare's creditworthiness.

With regard to recognition criteria for statement of financial position and income statement components, note that, in accordance with the provisions of Circular no. 262:
- derivatives that are associated operationally to liabilities designated at fair value are classified as "Financial assets held for trading" or "Financial liabilities held for trading";
- the spreads and the margins accrued on the derivatives up until the valuation date are recorded, depending on the balance, under "interest income" or "interest expense", consistent with the accrual recorded for the bond issues subject to operational hedges;
- the profits and losses resulting from the disposal or valuation of both bond issues under the Fair Value Option, and of the related derivatives, are recognised under the income statement item "110. Profits (losses) on financial assets and liabilities designated at fair value".

A.3 - DISCLOSURE ON TRANSFERS BETWEEN PORTFOLIOS OF FINANCIAL ASSETS

A.3.1 Reclassified financial assets: book value, fair value and effects on the comprehensive income

On 15 October 2008, the European Commission approved Regulation no. 1004 by means of which the amendments to IAS 39 were acknowledged with reference to the reclassification of financial instruments, and to IFRS 7 with regard to the related disclosure obligations.
On the basis of this amendment, it is therefore possible to reclassify in another category - in the presence of specific conditions - financial instruments recorded, at the time of purchase, within the sphere of the category of financial assets held for trading or the category of financial assets available for sale, as described in detail in the above "Part A.2", to which reference is made for further information.

On the basis of the afore-mentioned legislative changes:
- during the meeting held on 28 October 2008, Banco Popolare's Management Board resolved to reclassify certain financial assets not listed on active markets held by the Bank for trading purposes, taking into account that the crisis situation which characterised the world financial markets would not have permitted it to reasonably pursue the objectives which had justified the recognition of said financial instruments in the category of financial assets held for trading forcing the same to be held for the foreseeable future or until maturity. As permitted by the amendment of IAS 39, due to the exceptional situation, the transfer was essentially carried out on the basis of the prices as at 1 July 2008, since the reclassification was resolved before 1 November 2008;
- during 2009, Efibanca's Board of Directors resolved the reclassification of the UCIT units held in closed-end private equity funds from the "Financial assets held for trading" portfolio to the "Financial assets available for sale" portfolio. This reclassification was carried out on a similar basis to other investments of this type held, which Efibanca had already placed in item "40 - Financial assets available for sale", given the stability of this type of investment, also taking into account that the world financial market crisis would not have made it possible for these instruments to be traded in the short-term. Since this transfer was resolved after 1 November 2008, the book value in the pertinent accounting category is represented by the fair value as at 30 June 2009, or rather as of the date when the related transfer was resolved, as envisaged by the reference accounting standards. Note that the cited positions were recorded in Banco Popolare's assets portfolio following the merger by incorporation of the subsidiary company Efibanca, effective for accounting purposes as of 1 January 2011.

In 2015, no further reclassifications of the portfolio took place.

The following table shows the book value of the reclassified assets remaining as at 31 December 2015, the relative fair value, the income components recorded in the period and the economic impact that would have been recorded in the same period if the transfer had not been carried out.

Type of financial instrument	Source portfolio	Target portfolio	Book value as at 31/12/2015	Fair value as at 31/12/2015	Income items in absence of the transfer (before tax)		Income items registered in the year (before tax)	
					Valutational	Other	Valutational	Other
Debt securities	Financial assets held for trading (item 20)	Due from banks (item 60)	24,860	24,830	747	205	-	591
Debt securities	Financial assets held for trading (item 20)	Loans to customers (item 70)	72,537	72,400	376	748	-	1,097
UCIT units	Financial assets held for trading (item 20)	Financial assets available for sale (item 40)	57	57	(11)	50	(11)	50
Total			**97,454**	**97,287**	**1,112**	**1,003**	**(11)**	**1,738**

Debt securities

As at 31 December 2015, the reclassified portfolio represented by "Debt securities" was comprised of 3 securities from corporate issuers, banks and financial institutions, and 3 Asset Backed Securities (ABS).
As regards this portfolio, in 2015, a fall in the securities was recorded, amounting to a nominal value of euro 1.2 million, due to the partial redemption of ABS.

The book value of the position in debt securities as at 31 December 2015 amounted to euro 97.4 million (euro 97.9 million as at 31 December 2014) and their fair value came to euro 97.3 million (euro 97.4 million as at 31 December 2014).
More specifically, the reclassified ABS, with a counter value recognised in the financial statements as at 31 December 2015 of euro 13.7 million (equal to the nominal value) belong to the senior class, namely the category of securities with contractual right of priority for the payment of the principal and interest. The underlying instruments are generally represented by residential mortgage loans of European countries.
With reference to the corporate securities, outstanding with a par value of euro 85 million, corresponding to a book value of euro 83.7 million, they are mainly made up of issues from leading banks and financial institutions in Europe (70.6%), and Italy (29.4%); there is no position in structured credit securities. More specifically, 41% of these securities are represented by plain vanilla issues (namely non-structured issues subject to only interest rate/counterparty risk) while the remainder is represented by subordinated issues.

The valuation at amortised cost rather than at fair value, had an overall positive effect of euro 0.2 million, compared to a positive euro 0.6 million as at 31 December 2014 (as emerges from the difference between the "Book value as at 31/12/2015" column and the "Fair value as at 31/12/2015"). More specifically, this effect is the result of:

- the failure to recognise net gains due to the adjustment to fair value of euro 5.2 million; gains which would have been recorded if the securities had stayed in the assets held for trading portfolio;
- the recognition of income items represented by additional interest income due to the application of the amortised cost to the reclassified assets of euro 5.4 million.

In terms of the impact on the comprehensive income for the year, the reclassification resulted in the recording of:

- additional interest income due to the application of amortised cost of 0.7 million;
- a lower positive result by 1.1 million, which would have been credited to the income statement if the transfer had not taken place, and which results from the valuation and from the redemption of the securities.

Therefore, the income statement result as at 31 December 2015 was euro 0.4 million lower than it would have been in the absence of the reclassification from the financial assets held for trading portfolio to the loans portfolio (equal to the difference between the "Income items registered in the year" column and the "Income items in the absence of transfer" column).

UCIT units

As at 31 December 2015, the residual book value of the UCIT units transferred was euro 57 thousand (euro 68 thousand as at 31 December 2014).

A.3.2 Reclassified financial assets; effects on the comprehensive income before reclassification

Under IFRS 7, in the year of the reclassification it is required to disclose the effects on comprehensive income before reclassification. In this regard, it is noted that during 2015 no transfers of portfolios were carried out, and, therefore, there is no disclosure to be provided.

A.3.3 Transfers of financial assets held for trading

For the reasons underlying the reclassification, please refer to the previous paragraph A.3.1.
In addition, note that at the time when Banco Popolare had carried out the reclassification, the IASB had expressly considered the deterioration of the world's financial markets that had occurred during the third quarter of 2008 as an example of "rare circumstances", as stated in their press release of 13 October 2008.

A.3.4 Effective interest rate and cash flows expected from reclassified assets

There is no disclosure to make as no portfolio reclassification was made in 2015.

A.4 – FAIR VALUE DISCLOSURE

QUALITATIVE INFORMATION

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market operators, under current market conditions on the valuation date in the main market or in a more advantageous market (exit price).
To measure the fair value of (financial and non-financial) assets and liabilities, IFRS 13 establishes a three-tiered fair value hierarchy, based on the observability or otherwise of market parameters:

1. **Listed prices taken from active markets (Level 1)**
   The valuation is made on the basis of listed (non-adjusted) prices in active markets for identical assets or liabilities.
2. **Valuation methods based on observable market parameters (Level 2)**
   The valuation of the financial instrument is based on prices which can be taken from market listings for similar assets or by means of valuation techniques in relation to which all the significant factors, including the lending and liquidity spreads, are taken from observable market data. This level implies reduced elements of discretion in the valuation since all the parameters pertain to the market (for the same security and for similar securities) and the calculation methods make it possible to replicate listings present on active markets.
3. **Valuation methods based on market parameters which cannot be observed (Level 3)**
   The determination of the fair value resorts to valuation techniques which are based, to a significant extent, on significant inputs which cannot be inferred from the market and therefore involve estimates and assumptions by management.

The methods to determine the fair value are illustrated below:
- for financial instruments measured in the financial statements at fair value;
- for financial instruments measured at amortised cost;
- for non-financial assets represented by the real estate investments held by the Group.

Financial assets/liabilities held for trading, Financial assets/liabilities designated at fair value through profit and loss, Financial assets available for sale, Hedging derivatives

For these financial instruments designated at fair value in the financial statements, the Banco Popolare Group has established a "fair value policy", which assigns the maximum priority to the prices listed on active markets and lower priority to the use of inputs which cannot be observed, in line with the above-described fair value hierarchy. More specifically, this policy defines:
- the rules to identify market data, the selection/hierarchy of information sources and the price configurations needed to measure the value of the financial instruments in active markets, classified as level 1 of the fair value hierarchy ("Mark to Market Policy");
- the valuation techniques and the relative input parameters in all cases in which the Mark to Market Policy cannot be adopted ("Mark to Model Policy").

Mark to Market
To determine fair value, the Group uses information based on market data, whenever available, obtained from independent sources, insofar as this is considered to be the best evidence of fair value. In this case, the fair value is the market price of the same instrument assessed, meaning without changes in or restructuring of the instrument, which

can be taken from the listings expressed by an active market (and classified as level 1 in the fair value hierarchy). A market is considered active when transactions are performed with sufficient frequency and at sufficient volumes to provide information that can determine a price on a constant basis. The following are generally considered active markets:

- regulated securities and derivative markets, with the exception of the "Luxembourg" stock market;
- organised trading systems;
- certain OTC electronic trading networks (e.g. Bloomberg), when given circumstances are in place based on the presence of a certain number of contributors with executable offers, characterised by bid-ask spreads – i.e., the difference between the price a seller is offering for a security (ask price) and the price a buyer is willing to pay (bid price) – falling within a given tolerance threshold;
- the secondary market for UCIT units, expressing the official NAV (Net Asset Value), based on which the issuing asset management company guarantees the settlement of the units in a short time frame. This regards, in particular, open-ended, harmonised UCIT units, characterised, by type of investment, by high levels of transparency and liquidity.

Mark to Model

When the Mark to Market policy is not applicable, because there are no prices directly observable on active markets, it is necessary to use valuation techniques that maximise the use of information available on the market, based on the following valuation approaches:

1. *Comparable approach*: in this case the instrument's fair value is derived from the prices observed in recent transactions in similar instruments on active markets, suitably adjusted in the instruments and in the market conditions;
2. *Valuation Model*: in the absence of observable transaction prices for the instrument being measured or similar instruments, it is necessary to apply a valuation model. The model must provide proven reliability in estimating hypothetical "operational" prices and therefore must be generally accepted by market participants.

In particular:

- debt securities are measured by discounting expected cash flows, suitably adjusted to account for issuer risk;
- unlisted equity instruments are measured by referring to direct transactions of the same security or similar securities observed over a suitable time frame as compared to the valuation date, using the comparably company market multiples method, and subordinately using financial, income and equity valuation methods;
- investments in UCIT units other than open-ended harmonised ones, are measured on the basis of the NAV made available by the fund administrator or by the management company. These investments typically include private equity funds, real estate funds and hedge funds.
- derivative contracts are measured based on multiple models, depending on the input factors (interest rate risk, volatility, exchange rate risk, price risk, etc.) which affect their valuation, taking account of several fair value adjustments as described in the paragraph below entitled "A.4.1 Fair value levels 2 and 3: valuation techniques and input used". In order to discount future cash flows, the Banco Popolare Group uses the OIS ("Overnight Indexed Swap") curve, considered as the expression of a risk-free rate.

This was classified in level 2 instead of level 3 as significant inputs used for the purpose of determining the fair value were observed on the market. A financial instrument must be classified in its entirety in a single level. Therefore, when the measurement technique uses input from multiple levels, the entire measurement must be classified in the level of the hierarchy where the lowest level of input is classified, where it is deemed significant for calculating the fair value as a whole.

The following types of investment are normally considered as level 2:

- OTC financial derivatives whose fair value is obtained through pricing models, which may use both observable and non-observable input. However, the latter parameters are judged to be insignificant in calculating the overall fair value;
- equity instruments that are not listed on active markets, measured using market multiple techniques, referring to a selected sample of companies that are comparable to the company being valued, or measured based on actual transactions executed in a time frame that is reasonably near the reference date;
- third party or own debt securities that are not listed on active markets, whose input, including credit spreads, is taken from market sources;
- hedge funds featuring significant transparency and liquidity, measured based on the NAV provided by the management company/fund administrator.

The following financial instruments are generally considered level 3:

- hedge funds characterised by significant levels of illiquidity, and for which the process to evaluate the equity of the fund requires a considerable amount of assumptions and estimates. The fair value is measured on the basis of the NAV. Said NAV may be suitably corrected to account for the fund's diminished liquidity, i.e., the

period of time between the date of the request for redemption and that of the actual redemption, as well as for possible exit commissions relating to the investment;
- real estate funds measured on the basis of the last available NAV;
- private equity funds measured on the basis of the last available NAV, adjusted if necessary to take into account events that were not recognised in the measurement of the price or to reflect a different valuation of the assets underlying the fund in question;
- illiquid stock for which no recent or comparable transactions have been observed, usually measured on the basis of the equity model;
- debt securities characterised by complex financial structures, for which sources that are not publicly available are usually used; these are non-binding quotations and moreover not corroborated by market data;
- debt securities issued by parties in financial difficulty, for which the management has to use its own judgement to establish the "recovery rate", as no significant prices can be observed on the market.

Due to and from banks and customers, Debt securities issued, Investments held to maturity

For the other financial instruments recognised at amortised cost and substantially classified as due to and from banks or customers, debt securities issued or investments held to maturity, fair value was determined for reporting purposes in the Notes to the financial statements, as required by the applicable accounting standard IFRS 7. In particular:
- for performing medium/long-term loans (mostly mortgage loans and leases), fair value is determined using an approach based on risk aversion: expected cash flows, suitably adjusted for expected losses (PD and LGD), are discounted based on a risk-free market rate, plus a component considered as expressing risk aversion (risk aversion premium), in order to take into account other factors in addition to expected loss. The fair value determined in this manner is classified under level 3 of the hierarchy;
- for "non performing" loans (bad loans, unlikely to pay, past due), the fair value is taken as the book value and is classified under level 3 of the fair value hierarchy. For those exposures, the exit price is significantly influenced by the predictions of impairment, which are the fruit of a subjection valuation, expressed by the manager of the position, with regard to the recovery rate and the related timing. As a result of this, the consideration of the evolution of market interest rates is deemed to be an insignificant factor in determining fair value;
- for assets and liabilities on demand or with a short-term maturity, the book value at which they are recognised is considered a good approximation of fair value. These also include all operating receivables and payables relating to the provision of financial operations and services. The fair value determined in this manner is generally classified under level 2 of the fair value hierarchy;
- for bonds measured in the financial statements at amortised cost, fair value is measured by referring to existing list prices on an active market or using a valuation technique of discounting the bond's cash flows based on the specific interest rate curve, suitably adjusted to account for changes in own creditworthiness, whenever this is considered a material factor by market participants, as described in the paragraph entitled "Financial liabilities designated at fair value through profit and loss and determination of own creditworthiness" contained in part "A.2 - Key financial statement items". For information concerning the fair value hierarchy, refer to the above description of assets and liabilities designated at fair value through profit and loss;
- for debt securities classified in the portfolio of "Investments held to maturity" or "Due from banks or customers", even following a portfolio reclassification, the fair value is measured by using prices obtained on active markets or valuation models, as described above for financial assets and liabilities designated at fair value through profit and loss.

Non-financial assets – Real estate investments held for investment purposes (ex IAS 40)

These are real estate investments mainly deriving from loan recovery operations, valued at cost, for which, pursuant to accounting standards IAS 40 and IFRS 13, it is necessary to disclose the fair value and the triple hierarchy in the notes to the financial statements, based on the observability or otherwise of the inputs, regardless of the measurement techniques adopted, as illustrated below.
The fair value is mainly determined through external appraisals, which use current prices of similar assets (value per square metre, prices for similar transactions) as a benchmark. Adjustments are usually made to this value to reflect the specific characteristics of the asset subject to valuation. These can include, by way of example, its geographic and commercial position, accessibility and infrastructures present, the urban planning context, its maintenance status, size, any appurtenances and the state of external/internal plant. In the event of situations in which the asset is difficult to sell, further prudential adjustments may be made to align to the sale policies that company management intends to pursue. By way of said adjustments, the fair value obtained in this way is, as a rule, classified as level 3 in the fair value hierarchy, insofar as it significantly depends on the estimates made by the management, which are necessarily characterised by elements of judgment and subjectivity.
There may be cases, which, however are considered insignificant, where the fair value of real estate investments may be considered at level 2, as they are determined based on parameters considered observable on active markets. In these cases a sufficient volume of transactions must exist, occurring in a recent time frame with respect to the

valuation date, and no significant adjustments may have been made, due to the considerable similarity between the unit to be valued and the units subject to the cited transactions. This may be the case for sales prices per square metre or rental costs for properties considered equivalent due to their intrinsic characteristics and location (ex. residential units in a building/area with a sufficient number of comparable units or an office located in a business district with several similar buildings containing comparable offices).
IFRS 13 assumes that the current use of the asset is the highest and best use of said asset, unless the market or other factors suggest that the market participants may use the asset differently in order to maximise its value. For certain real estate investments, the determination of the fair value may therefore take account of potential "redevelopment" of the current use of the property, to the extent to which there is evidence to support the fact that the market participants consider said potential future development for the purpose of determining the transaction price.

A.4.1 Fair value levels 2 and 3: valuation techniques and input used

For assets and liabilities designated at fair value on a recurring basis, for which there are no prices directly observable on active markets, the fair value must be determined using the "Comparable Approach" or the "Model Valuation", as described in the previous paragraph. Note that for the Banco Popolare Group, the only items designated at fair value on a recurring basis are financial assets and liabilities, as illustrated below.

Debt securities
These are measured by discounting expected cash flows (Discounted Cash Flow Method), suitably adjusted to account for issuer risk. For structured securities, it is necessary to measure the optional component, also taking account of suitable spreads to reflect the liquidity risk and model risk which may characterise such structures.

Unlisted equity instruments
These are measured by referring to direct transactions of the same security or similar securities observed over a suitable time frame as compared to the valuation date, using the comparably company market multiples method, and subordinately using financial, income and equity valuation methods.

Investments in UCIT units, other than open-ended harmonised UCIT
These are measured on the basis of the NAV made available by the fund administrator or by the management company. These investments typically include private equity funds, real estate funds and hedge funds.

Over The Counter (OTC) Derivatives
These are measured on the basis of multiple models, depending on the type of instrument and input factors (interest rate risk, volatility, exchange rate risk, price risk, etc.) which affect their valuation. The discounting of future cash flows is made on the basis of the risk-free interest rate curve, identified as the OIS ("Overnight Indexed Swap") curve. The values obtained using the valuation models are adjusted to take account of certain fair value adjustments factors, in order to best reflect the sale price of an actually possible market transaction. These factors are specifically model risk, liquidity risk and counterparty risk, illustrated here below.

Model risk: this adjustment is made to cover the risk that the pricing models, though validated, may generate fair values not directly observable or not immediately comparable with market prices. In general, this is the case for structured products, whose valuation is highly complex and for which the break down into elementary components which can be "summed" (host instrument and embedded derivative) may generate imprecisions in the valuation, or in the event of pricing algorithms or types of pay-offs that are particularly "exotic", which do not have a suitable degree of dissemination on the market, or in the presence of models that are highly sensitive to variables that are difficult to observe on the market.

Liquidity risk: this adjustment is made to take account of the size of the "bid/ask spread", i.e., the actual cost of unfreezing positions in OTC derivatives in markets with low efficiency. The effect of the liquidity risk adjustment is greater the more the product is structured, due to the related hedging/unfreezing costs, where the valuation model is not sufficiently confirmed and disseminated among operators, because this makes the valuations more random.

Counterparty risk. Adjustments for counterparty risks on performing derivatives are made to reflect:
- the counterparty's credit risk, known as the Credit Valuation Adjustment (CVA);
- the risk of non-fulfilment of one's own contractual obligations ("own credit risk"), known as the Debit Valuation Adjustment (DVA).

The consideration of own credit risk in the designation of a financial liability at fair value is consistent with the valuation made for an entity that holds the same instrument as a financial asset, and is expressly envisaged by IFRS 13 ("non-performance risk").
CVA and DVA are determined for each separate legal entity belonging to the Group, on the basis of the expected future exposure generated by the derivative contracts, the probability of default (PD) of the parties, and the relative losses (LGD). More specifically, the calculation of expected exposure takes into account the effects resulting from the existence of "netting and collateral agreements", which are able to mitigate counterparty risk. For the Group, these

"collateral agreements" are presented by "Credit Support Annex" (CSA) contracts stipulated with the counterparties, whose derivative transactions are regulated by the "ISDA Master Agreement", on the basis of which the parties must pay real financial guarantees, based on the overall mark to market performance of the derivatives underlying the same CSA. When estimating PD, maximum use of market parameters is made, referring to Credit Default Swap quotations, where available, against internal parameters.
More specifically, the model to calculate CVA/DVA envisages that, for each derivative, counterparty risk must correspond to the sum of the following two components:

- "Bilateral CVA": which is the potential loss in the event that the future exposure is positive for the Group, adjusted to account for the possibility that the Group may default before the counterparty;
- "Bilateral DVA": which seeks to recognise the benefit in the event that it does not meet its contractual obligations, if the expected exposure is negative for the Group. Said benefit is then mitigated to account for the probability that, during the transaction, the counterparty may default before the Group.

The table below summarises the main types of derivatives existing in the Group, mainly attributable to positions held by Banca Aletti and by the Parent Company, indicating the related valuation models and main input:

Derivative category	Product	Valuation models	Main input of the model
Financial derivatives on interest rates	Swap	Discounted Cash Flow	Interest rate curves, interest rate volatility, interest rate correlation
	Cap - Floor	Bachelier - Analytical	
	European Swaption	Bachelier - Analytical	
	Bermuda Swaption	Hull-White one-factor mixture – Trinomial tree	
	CMS Spread Option	Bachelier - Analytical	
	CMS cap/floor/swap	Hagan Convexity adjustment	
	Bond Option	Black and Scholes - Analytical	
	Bond Futures option	Binomial tree	
Derivatives on inflation rates	Swap, Cap - Floor	Lognormal Forward Inflation Model - Analytical	Interest rate and inflation rate curves, interest/inflation rate volatility/correlation, calibrated on market prices
Derivatives on shares / equity indices / exchange rates	Single asset plain vanilla options	Black and Scholes - Analytical	Equity/forex volatility, interest rate and exchange rate curves, spot prices of equity indices, dividends, repo rates
	Single asset American options	Black and Scholes – Binomial tree (equity) – finite differences (forex)	
	Exotic options	Black and Scholes – Monte Carlo	Equity/forex volatility, interest rate and exchange rate curves, spot prices of equity indices, dividends, repo rates, correlations
	European options on baskets	Black and Scholes /Black and Scholes Mixture - Analytical	
	American Barrier Options and Spread Options	Local Volatility – Monte Carlo	
	American Barrier Options on exchange rate	Trinomial tree	
	Autocallable options	Hybrid Black and Scholes, two-factor Hull and White – Monte Carlo	Equity/forex/interest rate volatility, correlations, interest rates, exchange rates, spot prices of equity indices, dividends, repo rates
	Dividend Swap	Discounted Cash Flow - Analytical	Interest rates, exchange rates, dividends, repo rates
Credit derivatives	Credit Default Swap	Discounted Cash Flow - Analytical	Interest rates, Credit Default Swap curve

The techniques, the parameters for determining the fair value, and the criteria for assignment under the fair value hierarchy are defined and formalised in a specific fair value policy adopted by the Banco Popolare Group. The reliability of the fair value measurements is also guaranteed by the verifications carried out by a Risk Management department. This department, which is independent from the Front Office units that hold the positions, periodically reviews the list of pricing models to be used under the Fair Value Policy: these models must represent market standards or best practices and the related calibration techniques must guarantee a result in line with valuations capable of reflecting the "current market conditions". In detail, to correctly determine the fair value, each product is associated to a pricing model generally accepted by the market and selected based on the characteristics and market variables underlying said product. For highly complex products or in the event that the existing valuation model for the products is deemed lacking or inadequate, an internal process is launched to supplement the current models. Based on this process, the Risk Management department conducts an initial stage of validation of the pricing models, which may be native to the position keeping system or issued by a specific internal department. This is followed by a stage conducted by the same department, to guarantee constant reliability of the previously validated model.
In detail, the validation aims at verifying the theoretical robustness of the model through independent repricing, possible calibration of the parameters and comparison with counterparties' prices. If the validation is successful, the use of the models is still subordinate to approval by specific internal committees of the Group. Following the validation

stage, continuous revision is planned in order to confirm the accuracy and adherence to the market of the pricing models used by the Group, through suitable actions, if necessary, on the models and the related underlying theoretical assumptions. In order to cover the risk that the pricing models, though validated, may generate fair values not immediately comparable with market prices, a suitable adjustment will be made for "Model risk", as described above.

Changes made to valuation models
Note that in 2015, several changes were made to valuation models relating to certain types of interest rate derivatives, the inputs of which are the volatility of interest rates (products: Cap - Floor, European swaption, CMS Spread Option, CMS cap/floor/swap). These changes were necessary in order to consider the current scenario characterised by negative interest rates, which became particularly evident in 2015, which the previous models were unable to represent.

A.4.2 Processes and sensitivity of valuations

Euro 24.9 million of level 3 exposures is represented by debt securities resulting from corporate restructuring operations, as well as by exposures related to bonds issued by several Icelandic banks, subject to liquidation procedures; for these exposures, which have a nominal value of euro 92 million, a one percentage increase/decrease in recovery expectations would lead to an increase or decrease in the fair value of the same of around 0.8 million.

The remaining financial instruments classified as level 3 are mostly represented by equity instruments, and to a residual extent by UCITS units and by several ABS; for these investments, no quantitative sensitivity analysis of the fair value was conducted, with respect to the change in non-observable inputs, insofar as the fair value was acquired from external sources without making any adjustment or was generated by a model with specific inputs (for example, the company's capital values) and for which alternative values cannot be reasonably envisaged.

A.4.3 Fair value hierarchy

For the purpose of preparing the disclosure on transfers between levels set out in the following paragraphs A.4.5.1, A.4.5.2 and A.4.5.3, it is noted that, for securities in the hierarchy as at 31 December 2015 which had a different level of fair value than as at 31 December 2014, it was assumed that the transfer between levels occurred with regard to the balances at the beginning of the reference period.

A.4.4 Other information

For the disclosure concerning the highest and best use required by IFRS 13, refer to the information at the bottom of table A.4.5.4, relating to the item "property and equipment held for investment purposes".
It must also be specified that the Group did not use the option of measuring the fair value at overall portfolio level, in order to fully recognise the counterparty risk associated with positions in derivative contracts grouped in the same "Credit Support Annex" - CSA agreement, as described in the paragraph above entitled "A.4.1 Fair value levels 2 and 3: valuation techniques and input used". In this case, the counterparty risk associated with the single derivative is determined on the basis of its marginal contribution to the expected net exposure generated by all contracts stipulated with a specific counterparty within the same CSA.

QUANTITATIVE INFORMATION

A.4.5 Fair value hierarchy

A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by fair value levels

As established by the previously cited standard IFRS 13, recurring valuations refer to those assets or liabilities measured at fair value in the statement of financial position, on the basis of that envisaged or permitted by the relevant international accounting standards. In this regard, note that for the Banco Popolare Group, the only assets and liabilities measured at fair value on a recurring basis are financial assets and liabilities, as shown in the table below:

Assets/Liabilities measured at fair value	31/12/2015			31/12/2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets held for trading	4,210,070	2,099,953	17,364	4,181,090	2,873,273	23,623
2. Financial assets designated at fair value through profit and loss	3,671	1,254	13,675	3,614	1,592	447
3. Financial assets available for sale	12,214,279	251,883	444,534	12,520,601	342,430	655,137
4. Hedging derivatives	-	495,161	-	-	640,359	-
5. Property and equipment	-	-	-	-	-	-
6. Intangible assets	-	-	-	-	-	-
Total	**16,428,020**	**2,848,251**	**475,573**	**16,705,305**	**3,857,654**	**679,207**
1. Financial liabilities held for trading	459,179	7,114,775	27	177,325	5,882,145	43
2. Financial liabilities designated at fair value through profit and loss	10,863,200	1,239,421	-	12,419,882	2,605,297	-
3. Hedging derivatives	-	990,562	-	-	590,722	-
Total	**11,322,379**	**9,344,758**	**27**	**12,597,207**	**9,078,164**	**43**

Financial assets

The financial instruments valued on the basis of prices pertaining to active markets (Level 1) or determined on the basis of observable market parameters (Level 2) represent 97.6% of total financial assets designated at fair value (96.8% as at 31 December 2014).

The instruments valued significantly on the basis of non-observable parameters (Level 3) represent a marginal share (2.4% down against 3.2% in 2014) of total financial assets designated at fair value through profit and loss, 93.5% of which are financial assets available for sale.
More specifically, level 3 financial assets amounted to euro 475.6 million and are represented by the following types of investment:

- unlisted equity instruments of euro 353.5 million, mostly valued on the basis of internal equity models;
- UCIT units of euro 80 million, represented by private equity funds (euro 36 million), real estate funds (euro 27 million) and hedge funds (euro 17 million) characterised by a certain level of illiquidity, and for which the process to evaluate the equity of the fund requires a considerable amount of assumptions and estimates;
- debt securities of euro 42.1 million, represented by several instruments linked to bonds issued by Icelandic banks subject to liquidation procedures (euro 9 million), by ABS issued by the SPE Sunrise Srl established for the securitisation of Agos Ducato Spa's consumer credit (euro 17.2 million), and several bonds acquired as part of the restructuring of several credit exposures (euro 15.9 million).

Financial assets include euro 2,840.8 million in derivative instruments held for trading and hedging. In particular:

- listed derivatives (futures and options) corresponding to euro 252.7 million, are measured on the basis of the prices provided by the Clearing Houses (level 1);
- Over The Counter (OTC) derivatives, which amount to euro 2,588.1 million, are measured on the basis of models, which use observable market parameters to a significant extent, or on the basis of prices originating from independent sources (level 2).

Financial liabilities

Financial liabilities held for trading, classified as level 2, amounting to euro 7,114.8 million, are represented by derivative instruments, whose fair value has been obtained by means of valuation techniques which use observable market parameters to a significant extent. Level 1 includes listed derivatives amounting to euro 312.5 million and technical overdrafts on securities listed in active markets of euro 146.7 million. The positions indicated as level 3 refer to a limited number of agreements relating to options sold linked to guaranteed capital asset management schemes.

Hedging derivatives have a negative fair value of euro 990.6 million and are fully classified as level 2.

Financial liabilities designated at fair value are represented by own bond issues subject to hedging by means of derivative instruments, for which the fair value option has been activated. More specifically, the securities classified as level 1, which as at 31 December 2015 represented 89.8% of the total liabilities measured at fair value (item 50 of statement of financial position liabilities), refer to bonds placed with retail customers, for which listings present on the organised trading system relating to Group securities, considered an active market, were used. For further details on the method for determining the financial liabilities under the fair value option, reference should be made to the paragraph above entitled "Financial assets/liabilities held for trading, Financial assets/liabilities designated at fair value through profit and loss, Financial assets available for sale, Hedging derivatives" in Part A - Fair value disclosure" in these notes to the financial statements.

Transfers between fair value levels (Level 1 and Level 2)

In 2015, transfers from level 1 to level 2 referred to two bond issues, which matured in January 2016, classified in the portfolio of "financial liabilities designated at fair value through profit and loss" for euro 5.1 million (value at beginning of the year).

In the same period, transfers from level 2 to level 1 regarded the following portfolios:

- financial assets held for trading of euro 4 million (value at the beginning of the year);
- financial assets available for sale of euro 19.5 million (value at the beginning of the year);
- financial liabilities designated at fair value through profit and loss of euro 596.5 million (value at the beginning of the year).

This refers in particular to a limited number of debt securities (including the group's bond issues) for which, as at 31 December 2015, it was possible to rely on prices contributed on active markets, according to the Group's Fair Value Policy, also following the listing of some bonds issued by the group.

Impact of the Credit Value Adjustment (CVA) and of the Debit Value Adjustment (DVA) on the fair value determination of derivative financial instruments

Based on the method illustrated in the paragraph above entitled "A.4.1 Fair value levels 2 and 3: valuation techniques and input used", as at 31 December 2015, adjustments made to the fair value of derivative instruments, to account for counterparty risk corresponded to the sum of the following components:

- "Bilateral CVA", which entailed a cumulative loss, in terms of lower assets/higher liabilities, of euro 9.2 million;
- "Bilateral DVA", which entailed a cumulative benefit, in terms of higher assets/lower liabilities, of euro 8.2 million.

As at 31 December 2015, cumulative CVA/DVA adjustments therefore totalled a negative euro 1 million (as at 31 December 2014, the balance of said adjustments was a negative euro 6.3 million).

A.4.5.2 Annual changes in assets designated at fair value on a recurring basis (level 3)

	Financial assets held for trading	Financial assets designated at fair value through profit and loss	Financial assets available for sale	Hedging derivatives	Property and equipment	Intangible assets
1. Opening balance	**23,623**	**447**	**655,137**	**-**	**-**	**-**
2. Increases	**12,544**	**14,350**	**323,653**	**-**	**-**	**-**
2.1. Purchases	9,992	13,648	38,216	-	-	-
2.2. Profits charged to:						
2.2.1. Income statement	783	166	253,775	-	-	-
- of which: capital gains	-	81	-	-	-	-
2.2.2. Shareholders' equity	X	X	29,886	-	-	-
2.3. Transfers from other levels	-	-	1,698	-	-	-
2.4. Other increases	1,769	536	78	-	-	-
3. Decreases	**(18,803)**	**(1,122)**	**(534,256)**	**-**	**-**	**-**
3.1. Sales	(10,152)	(147)	(439,343)	-	-	-
3.2. Redemptions	(1)	-	(11,001)	-	-	-
3.3. Losses charged to:						
3.3.1. Income statement	(14)	(975)	(30,605)	-	-	-
- of which: capital losses	(12)	(904)	-	-	-	-
3.3.2. Shareholders' equity	X	X	(5,571)	-	-	-
3.4. Transfers to other levels	(5,009)	-	(1,312)	-	-	-
3.5. Other decreases	(3,627)	-	(46,424)	-	-	-
4. Closing balance	**17,364**	**13,675**	**444,534**	**-**	**-**	**-**

Financial assets available for sale classified as level 3 fell by euro 210.6 million (-32.1%) over the year, mainly due to the sale of several equity investments as illustrated under table “4.1 Financial assets available for sale” in Part B - Information on the consolidated statement of financial position.

A.4.5.3 Annual changes in liabilities designated at fair value on a recurring basis (level 3)

	Financial liabilities held for trading	Financial liabilities designated at fair value through profit and loss	Hedging derivatives
1. Opening balance	**43**	**-**	**-**
2. Increases	**-**	**-**	**-**
2.1. Issues	-	-	-
2.2. Losses charged to:			
2.2.1. Income statement	-	-	-
- of which: capital losses	-	-	-
2.2.2. Shareholders' equity	X	X	-
2.3. Transfers from other levels	-	-	-
2.4. Other increases	-	-	-
3. Decreases	**(16)**	**-**	**-**
3.1. Redemptions	-	-	-
3.2. Buy-backs	-	-	-
3.3. Profits charged to:			
3.3.1. Income statement	(16)	-	-
- of which: capital gains	-	-	-
3.3.2. Shareholders' equity	X	X	-
3.4. Transfers to other levels	-	-	-
3.5. Other decreases	-	-	-
4. Closing balance	**27**	**-**	**-**

A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: breakdown by fair value levels

Assets/Liabilities not measured at fair value or measured at fair value on a non-recurring basis *(in thousands of euro)*	**31/12/2015**				**31/12/2014**			
	Book value	**FV Level 1**	**FV Level 2**	**FV Level 3**	**Book value**	**FV Level 1**	**FV Level 2**	**FV Level 3**
1. Investments held to maturity	7,779,168	8,054,465	-	-	4,948,433	5,231,547	-	-
2. Due from banks	2,817,832	24,830	2,791,762	3,404	5,058,816	166,914	4,892,731	953
3. Loans to customers	78,421,634	64,983	29,146,443	53,979,431	79,823,603	94,284	69,277,602	15,651,758
4. Property and equipment held for investment purposes	1,480,769	-	-	1,690,977	1,458,953	-	-	1,657,927
5. Non-current assets held for sale and discontinued operations	108,133	-	-	108,133	70,266	-	-	70,266
Total	**90,607,536**	**8,144,278**	**31,938,205**	**55,781,945**	**91,360,071**	**5,492,745**	**74,170,333**	**17,380,904**
1. Due to banks	16,334,739	-	16,334,739	-	17,383,317	-	17,383,317	-
2. Due to customers	53,470,382	-	53,470,382	-	54,778,714	-	54,773,337	-
3. Debt securities issued	16,568,441	14,417,567	2,242,666	43,875	16,709,575	14,009,555	3,202,996	-
4. Liabilities associated with non-current assets held for sale and discontinued operations	336,831	-	-	336,831	-	-	-	-
Total	**86,710,393**	**14,417,567**	**72,047,787**	**380,706**	**88,871,606**	**14,009,555**	**75,359,650**	**-**

For items "5. Non-current assets held for sale and discontinued operations" and "4. Liabilities associated with non-current assets held for sale and discontinued operations" the book value of which shown must be considered as only referring to assets and liabilities designated at fair value through profit and loss, net of selling costs. For assets and liabilities measured at cost, please refer to the specific disclosure contained in "Section 15 - Non-current assets held for sale and discontinued operations and related liabilities" in Part B of these notes to the financial statements.

The different breakdown in the levels for customer loans between 2015 and 2014 reflects the fact that as at 31 December 2015, performing medium-long term exposures were classified as level 3, due to the relevance of the estimates needed to establish PD and LGD parameters. The breakdown between the levels as at 31 December 2014, recalculated on the basis of like-for-like criteria, is substantially in line with that of 2015.

Assets and liabilities not designated at fair value

For the disclosure of the fair value and the levels of the hierarchy of financial assets and liabilities valued at cost, as well as for real estate investments, reference should be made to the content of the paragraphs above "Due to and from banks and customers, Debt securities issued, Investments held to maturity" and "Non-financial assets – Real estate investments held for investment purposes (ex IAS 40)".
Almost all investments held to maturity, corresponding to euro 8,054.5 million, refer to Italian government bonds held by the Parent Company (98.9%); the fair value disclosure only used quotations available on active markets (level 1).

With regard to portfolios of "Due to/from customers/banks":

- level 2 usually includes demand exposures or those with short-term maturities, for which the fair value is assumed as the same as the book value, insofar as retained to be a good approximation, as permitted by accounting standard IFRS 7;
- all exposures with a status of "non performing" are classified as level 3, with a fair value corresponding to book value;
- level 3 also includes all remaining exposures - namely medium/long term performing exposures, mostly represented by receivables for mortgage agreements and finance leases with customers - the fair value measurement of which has considered the contractual flows, discounted on the basis of the risk-free interest rate market curve, suitably adjusted to take into account the premium for risks and uncertainties, expressed on the basis of PD "probability of Default" and LGD "Loss Given Default" parameters. For the 2015 financial statements, it was retained that the assumptions underlying the construction of said parameters, which are specific to the model and not observable on the market, are able to significantly influence the measurement of the fair value, and therefore entirely classified as level 3.

On the basis of the above, almost 65% of the portfolio of customer loans is classified as level 3; the different breakdown between levels with respect to the previous year is solely due to the assumption made for the 2015 financial statements, on the basis of which, all medium/long term exposures were classified as level 3.
Customer loans classified as level 3 include non performing exposures of euro 14,057.1 million (around 26% in percentage terms of total exposures classified at this level), represented by bad loans of euro 6,458.3 million, the coverage of which is 56.3%. As already illustrated, for the cited exposures, the book value is significantly influenced by expectations as to the recoverability of the cash flows, which is retained to approximate the expected losses to be considered for fair value estimates. In this regard, it must also be noted that the prices observable on the market that

buyers are willing to pay to purchase bad loans are estimated as an average of 20%, based on the rates of return required by investors specialised in the purchase of so-called distressed assets and on the discount related to the costs of credit collection activities. These facts were not however considered as regards the fair value disclosure of bad loans, due to the fact that it is an illiquid market: transactions often regard assets with specific characteristics and for which it is reasonable to assume the influence of contingent situations that ignore mere profiles linked to the recoverability of the exposures, which as a rule should instead guide an ordinary transaction.
The remaining credit exposures to customers have almost entirely been classified as level 2, by virtue of the conventional decision to attribute exposures for which no fair value measurement will be made to said level, as considered a good approximation of the book value.

The fair value of real estate investments (IAS 40) was fully classified under level 3 of the fair value hierarchy, considering the distinctive features of each property. Note that those properties are mainly attributable to positions of the former Banca Italease Group ("*datio in solutum*"); in this regard, note the inclusion of a property, which cannot currently be used, whose fair value was measured by taking account of the possibility of being able to make the highest and best use of the asset. In this case, the estimated value of the property was made considering the work needed to rebuild the same, for a different purpose; therefore demolition and construction costs of a new building were therefore quantified, as well as the expected proceeds from its sale. The recognition value of the asset, which corresponds to its fair value comes to euro 4.2 million.

Assets and liabilities measured at fair value on a non-recurring basis

As at 31 December 2015 the items in the financial statements measured at fair value on a non-recurring basis, entirely classified as level 3, related to the assets and correlated liabilities held for sale under IFRS 5, and were attributable to:

- several real estate investments totalling euro 78.3 million;
- the contribution of assets and liabilities relating to the controlling interest in Banco Popolare Luxembourg, net of the effects of intergroup transactions. Said investment was wholly measured at fair value, net of selling costs, on the basis of negotiations for its sale to Banque Havilland, as illustrated in the Group's Report on Operations under "Significant events during the year".

A.5 Disclosure on "day one profit/loss"

Pursuant to IFRS 7 paragraph 28, as regards the Bank's financial instruments, options sold relating to capital-guaranteed portfolios have been identified, for which there is a difference between the fair value measured upon initial recognition (transaction price) and the amount determined at that same date using the "Day 1 Profit" valuation technique. In view of the type of products, the fact that input parameters are not observable and no reference prices exist for similar products on an active market, the difference was distributed pro-rata temporis, as described in "Part A – Accounting policies" in the paragraph "Dividends and revenue recognition". As at 31 December 2015, the amount recognised in the income statement under "Profits (losses) on trading" was a profit of euro 16 thousand; the residual difference still to be recognised amounts to euro 27 thousand.

PART B – INFORMATION ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

Section 1 - Cash and cash equivalents - Item 10

1.1 Cash and cash equivalents: breakdown

	31/12/2015	31/12/2014
a) Cash	587,383	619,529
b) Demand deposits with Central Banks	-	-
Total	**587,383**	**619,529**

Section 2 - Financial assets held for trading - Item 20

2.1 Financial assets held for trading: breakdown by product

Items/Values	31/12/2015			31/12/2014		
	L1	L2	L3	L1	L2	L3
A. Cash assets						
1. Debt securities	3,380,784	1,146	1	3,326,244	52,479	2
1.1 Structured securities	395,381	1,085	-	445,506	18,882	-
1.2 Other debt securities	2,985,403	61	1	2,880,738	33,597	2
2. Equity instruments	354,637	-	15	445,048	-	16
3. UCIT units	221,917	5,892	17,348	215,603	31,965	23,605
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	**3,957,338**	**7,038**	**17,364**	**3,986,895**	**84,444**	**23,623**
B. Derivatives						
1. Financial derivatives:	252,732	2,092,915	-	194,195	2,788,829	-
1.1 trading	252,732	1,787,699	-	194,195	2,358,833	-
1.2 under the fair value option	-	305,045	-	-	421,668	-
1.3 other	-	171	-	-	8,328	-
2. Credit derivatives:	-	-	-	-	-	-
2.1 trading	-	-	-	-	-	-
2.2 under the fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total B	**252,732**	**2,092,915**	**-**	**194,195**	**2,788,829**	**-**
Total (A+B)	**4,210,070**	**2,099,953**	**17,364**	**4,181,090**	**2,873,273**	**23,623**

Debt securities do not include financial assets related to securitisation transactions.
Sub-item “1.2 Other debt securities” includes subordinated financial assets issued by banks, insurance companies and financial companies for a book value of euro 537.7 million (NV euro 520.9 million) classified as level 1.
Level 2 financial trading derivatives include the gross receivable from exercising the put option, granted by Pandette Finanziaria S.r.l. (Pandette) to Banco Popolare, concerning the sale of 3,870,900 ordinary shares of RCS Media Group S.p.A. amounting to euro 113.5 million. The above receivable was the subject of a pending legal dispute, illustrated in Section 12 under Liabilities of these Notes to the Financial Statements.

The table below presents the breakdown of UCIT units.

Items/Values	31/12/2015	31/12/2014
Share Funds	3,136	5,714
Bond Funds	21,381	372
Liquidity Funds	62,213	67,216
Flexible Funds	135,522	140,287
Hedge Funds	22,878	55,599
Real Estate Funds	27	1,985
Total	**245,157**	**271,173**

2.2 Financial assets held for trading: breakdown by debtor/issuer

Items/Values	31/12/2015	31/12/2014
A. Cash assets		
1. Debt securities	**3,381,931**	**3,378,725**
a) Governments and Central Banks	1,859,682	1,416,810
b) Other public entities	43	2,297
c) Banks	878,007	1,203,008
d) Other issuers	644,199	756,610
2. Equity instruments	**354,652**	**445,064**
a) Banks	115,633	59,417
b) Other issuers:	239,019	385,647
- insurance companies	23,270	44,225
- financial companies	19,061	5,364
- non-financial companies	196,688	336,058
- others	-	-
3. UCIT units	**245,157**	**271,173**
4. Loans	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other parties	-	-
Total A	**3,981,740**	**4,094,962**
B. Derivatives		
a) Banks		
- Fair value	1,578,921	2,088,777
b) Customers		
- Fair value	766,726	894,247
Total B	**2,345,647**	**2,983,024**
Total (A + B)	**6,327,387**	**7,077,986**

Section 3 - Financial assets designated at fair value through profit and loss - Item 30

3.1 Financial assets designated at fair value through profit and loss: breakdown by product

Items/Values	Total 31/12/2015			Total 31/12/2014		
	L1	L2	L3	L1	L2	L3
1. Debt securities	-	-	13,393	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	13,393	-	-	-
2. Equity instruments	-	1,254	23	-	1,074	18
3. UCIT units	3,671	-	259	3,614	518	429
4. Loans	-	-	-	-	-	-
4.1 Structured	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total	**3,671**	**1,254**	**13,675**	**3,614**	**1,592**	**447**
Cost	**3,681**	**6,928**	**19,160**	**3,547**	**10,535**	**5,533**

Debt securities do not include financial assets related to securitisation transactions or subordinated securities.
"Equity instruments" usually include certain insurance contracts, which are correlated to the performance of the equity instrument, and designed to build up the funding required to pay out supplementary pension benefits to some executives upon their retirement. The fair value designation of this investment is linked to the cost of employee benefits to be recognized under retirement benefits in compliance with IAS 19.

The table below presents the breakdown of UCIT units.

Items/Values	31/12/2015	31/12/2014
Share Funds	3,765	3,907
Hedge Funds	-	518
Real Estate Funds	165	136
Total	**3,930**	**4,561**

3.2 Financial assets designated at fair value through profit and loss: breakdown by debtor/issuer

Items/Values	31/12/2015	31/12/2014
1. Debt securities	**13,393**	**-**
a) Governments and Central Banks	-	-
b) Other Public entities	-	-
c) Banks	-	-
d) Other issuers	13,393	-
2. Equity instruments	**1,277**	**1,092**
a) Banks	12	10
b) Other issuers:	1,265	1,082
- insurance companies	1,242	1,064
- financial companies	-	-
- non-financial companies	-	-
- others	23	18
3. UCIT units	**3,930**	**4,561**
4. Loans	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other parties	-	-
Total	**18,600**	**5,653**

Section 4 - Financial assets available for sale - Item 40

4.1 Financial assets available for sale: breakdown by product

Items/Values	31/12/2015			31/12/2014		
	L1	L2	L3	L1	L2	L3
1. Debt securities	11,600,439	185,901	28,675	12,038,754	278,228	41,377
1.1 Structured securities	-	-	2,418	-	7,831	529
1.2 Other debt securities	11,600,439	185,901	26,257	12,038,754	270,397	40,848
2. Equity instruments	13,277	65,982	353,451	6,200	64,202	534,479
2.1 Designated at fair value	13,277	65,982	347,225	6,200	64,202	527,095
2.2 Valued at cost	-	-	6,226	-	-	7,384
3. UCIT units	600,563	-	62,408	475,647	-	79,281
4. Loans	-	-	-	-	-	-
Total	**12,214,279**	**251,883**	**444,534**	**12,520,601**	**342,430**	**655,137**

The exposure in debt securities totals euro 11,815 million (euro 12,358.4 million last year) and is represented almost entirely by bonds issued by Governments and banks. With regard to hedging interest rate risk, undertaken to obtain absolute returns on short term interest rates, please refer to the following table "4.3 Financial assets available for sale subject to micro hedging".
Sub-item "1.2 Other debt securities" includes subordinated financial assets towards banks, insurance companies and financial companies of euro 243.1 million (NV euro 221.4 million), euro 214 million classified as level 1 and euro 29.1

million as level 2. The sub-item also includes senior notes related to securitisation transactions of euro 17.2 million (NV euro 42.9 million) classified as level 3.
During the year, equity instruments fell due to the sale of the equity investments held in the Istituto Centrale delle Banche Popolari Italiane and in Arca SGR, the sale prices of which were euro 299.9 million and euro 95.5 million respectively. The net profits resulting from the sales were recorded under item 100 - "Profits (Losses) on disposal and repurchase of financial assets" in the income statement.
More specifically, level 3 equity instruments include the stake held in the share capital of the Bank of Italy of euro 91.7 million, in the Istituto Centrale delle Banche Popolari for a residual value of euro 32.4 million, in Palladio Finanziaria of euro 32.8 million and in Dexia Crediop of euro 55.4 million.
Level 1 UCIT units are represented exclusively by open-ended harmonised funds, for which a daily NAV is always available.

The table below presents the breakdown of UCIT units.

Items/Values	31/12/2015	31/12/2014
Share Funds	181,892	163,343
Balanced Funds	11,823	18,763
Bond Funds	131,586	102,667
Flexible Funds	310,855	234,501
Real Estate Funds	26,815	35,654
Total	**662,971**	**554,928**

4.2 Financial assets available for sale: breakdown by debtor/issuer

Items/Values	31/12/2015	31/12/2014
1. Debt securities	**11,815,015**	**12,358,359**
a) Governments and Central Banks	9,611,603	10,231,182
b) Other public entities	-	5,944
c) Banks	1,708,049	1,581,513
d) Other issuers	495,363	539,720
2. Equity instruments	**432,710**	**604,881**
a) Banks	184,703	294,191
b) Other issuers:	248,007	310,690
- insurance companies	8,363	20
- financial companies	100,309	120,335
- non-financial companies	139,335	190,284
- others	-	51
3. UCIT units	**662,971**	**554,928**
4. Loans	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other parties	-	-
Total	**12,910,696**	**13,518,168**

4.3 Financial assets available for sale subject to micro hedging

Items/Values	31/12/2015	31/12/2014
1. Financial assets subject to micro fair value hedging	**4,446,881**	**2,081,852**
a) interest rate risk	4,446,881	2,081,852
b) exchange rate risk	-	-
c) credit risk	-	-
d) multiple risks	-	-
2. Financial assets subject to micro cash flow hedging	**-**	**-**
a) interest rate risk	-	-
b) exchange rate risk	-	-
c) other	-	-
Total	**4,446,881**	**2,081,852**

Impairment testing on financial assets available for sale

For these financial statements, the Group conducted an in-depth valuation of its portfolio of financial assets available for sale (AFS), to identify any impairment indicators, which would then lead to write-downs on the income statement corresponding to the difference between the fair value and the book value of the financial assets. The impairments recorded in 2015 on financial assets available for sale totalled euro 27.2 million (against euro 17.6 million as at 31 December 2014), booked to item 130 b) “Net losses on impairment of financial assets available for sale” of the income statement.

Equity instruments and UCIT units
In line with last year, the valuation of the equity instruments classified in the financial statements as financial assets available for sale was conducted on the basis of the provisions of the specific impairment policy adopted by the Group. This policy envisages, except in exceptional circumstances, parametric thresholds for equity instruments, which, once exceeded, lead to the consequent write-down.
These thresholds have been established taking into account the specific features of the various types of investment. In addition to direct investments in company equity in the strict sense, shares in private equity funds and in similar investment vehicles (UCIT units, SICAVs, investments in associates and companies subject to joint control or other similar structures) whose mission is to invest directly and/or through other private equity funds and other corporate vehicles, are also considered equity instruments. Said Private Equity assets are characterised by a medium-long term time horizon: the underlying investments are actually made, on average, over a five/seven year period and the relative divestments require at least three years.
As illustrated in “Part A – Accounting policies”, impairment must be recognised when any of the following conditions occur
- for share/equity investments in the strict sense:
  - a reduction of fair value exceeding 30% with respect to the original book value; or
  - a persistent decrease for an uninterrupted period exceeding 24 months.

- for investments in private equity assets:
  - a reduction of fair value exceeding 40% with respect to the original book value; or
  - a persistent decrease for an uninterrupted period exceeding 60 months; or
  - a reduction of fair value exceeding 30% and lasting for an uninterrupted period exceeding 36 months.

This latter type of investment on the date of the financial statements, amounted to euro 116.7 and the relative valuation reserves, before tax and after impairments recorded during the year, amounted to a positive euro 7.9 million (corresponding to the imbalance formed by positive reserves of euro 9.7 million and negative reserves of euro 1.8 million).

The main adjustments recorded in 2015 on share/equity investments in the strict sense and on investments in private equity assets, as illustrated above, are listed below:
- Nuova Sorgenia S.p.A. for euro 16.1 million;
- TASNCH Holding SPF for euro 2.4 million;
- Eurofidi S.c.a.r.l. for euro 1.8 million;
- RHO Immobiliare FCC for euro 1.6 million;
- Palladio Finanziaria for euro 1.4 million.

Section 5 - Investments held to maturity - Item 50

5.1 Investments held to maturity: breakdown by product

	Total 31/12/2015				Total 31/12/2014			
	Book value	Fair Value			Book value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	7,779,168	8,054,465	-	-	4,948,433	5,231,547	-	-
- structured	-	-	-	-	-	-	-	-
- other	7,779,168	8,054,465	-	-	4,948,433	5,231,547	-	-
2. Loans	-	-	-	-	-	-	-	-
Total	**7,779,168**	**8,054,465**	**-**	**-**	**4,948,433**	**5,231,547**	**-**	**-**

The segment of investments held to maturity is almost entirely comprised of Italian Government securities purchased by the Parent Company following the specific resolutions of the Board of Directors. The portfolio includes BTP maturing between 2016 and 2025 with a nominal value of euro 7.49 billion. During the year, Government securities with a nominal value of euro 2,375 million were purchased.

5.2 Investments held to maturity: breakdown by debtor/issuer

Transaction type/Amounts	31/12/2015	31/12/2014
1. Debt securities	**7,779,168**	**4,948,433**
a) Governments and Central Banks	7,696,824	4,934,696
b) Other public entities	-	-
c) Banks	68,669	-
d) Other issuers	13,675	13,737
2 Loans	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other parties	-	-
Total	**7,779,168**	**4,948,433**
Total FV	**8,054,465**	**5,231,547**

5.3 Investments held to maturity subject to micro hedging

There were no investments held to maturity subject to micro hedging during the year in question, or at the end of the previous one.

Section 6 - Due from banks - Item 60

6.1 Due from banks: breakdown by product

Transaction type/Amounts	Total 31/12/2015				Total 31/12/2014			
	Book value	Fair Value			Book value	Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Due from Central Banks	**376,946**	**-**	**376,946**	**-**	**689,123**	**32,953**	**656,170**	**-**
1. Time deposits	-	X	X	X	-	X	X	X
2. Mandatory reserves	367,111	X	X	X	656,170	X	X	X
3. Repurchase agreements	-	X	X	X	-	X	X	X
4. Other	9,835	X	X	X	32,953	X	X	X
B. Due from banks	**2,440,886**	**24,830**	**2,414,816**	**3,404**	**4,369,693**	**133,961**	**4,236,561**	**953**
1. Loans	2,336,131	-	2,334,974	3,404	4,246,484	109,876	4,135,693	953
1.1 Current accounts and demand deposits	613,381	X	X	X	1,175,160	X	X	X
1.2 Time deposits	181,012	-	-	-	1,520,630	-	-	-
1.3 Other loans:	1,541,738	X	X	X	1,550,694	X	X	X
- Repurchase agreements	692,546	X	X	X	1,329,019	X	X	X
- Financial leases	3,113	X	X	X	2,619	X	X	X
- Other	846,079	X	X	X	219,056	X	X	X
2. Debt securities	104,755	24,830	79,842	-	123,209	24,085	100,868	-
2.1 Structured securities	-	X	X	X	-	X	X	X
2.2 Other debt securities	104,755	X	X	X	123,209	X	X	X
Total	**2,817,832**	**24,830**	**2,791,762**	**3,404**	**5,058,816**	**166,914**	**4,892,731**	**953**

Item 2.2 Other debt securities includes subordinated securities issued by Italian and foreign banks recognised in the financial statements for euro 104.8 million (NV euro 105 million). With regard to the negative situation of the Banca delle Marche S.p.A. that emerged during the year, the subordinated debt security issued by the same and recognised under “Due from banks” for a nominal value of euro 20 million was partially written down at the time of the Interim Financial Statements as at 30 June 2015, and then entirely cancelled following the decision made by the national resolution authority on 22 November 2015 to bring subordinated liabilities to zero. The loss resulting from the full cancellation of the receivable was charged to the income statement for the year under 130 a) “Net losses on impairment of loans”.
For more details on impaired assets, please refer to “Part E – Information on risks and relative hedging policies, Section 1 – Credit risk”.

6.2 Due from banks subject to micro hedging

There are no receivables due from banks subject to micro hedging.

6.3 Finance leases

	31/12/2015						31/12/2014					
	Non performing loans	Minimum payments			Gross investment		Non performing loans	Minimum payments			Gross investment	
		Share capital	of which guaranteed residual value	Interest		of which non-guaranteed residual value		Share capital	of which guaranteed residual value	Interest		of which non-guaranteed residual value
On demand	-	10	-	3	13	-	-	40	23	4	44	-
Up to 3 months	-	76	-	12	88	-	-	66	-	12	78	-
From 3 months to 1 year	-	260	-	42	302	-	-	196	7	44	240	-
From 1 year to 5 years	-	1,464	-	148	1,612	-	-	1,040	-	166	1,206	-
Over 5 years	-	1,312	901	17	1,329	-	-	1,235	551	43	1,278	-
Undefined term	-	-	-	-	-	-	-	-	-	-	-	-
Net total	**-**	**3,122**	**901**	**222**	**3,344**	**-**	**-**	**2,577**	**581**	**269**	**2,846**	**-**

The financial lease transactions shown in the table relate to operations of the former Banca Italease and Release.
The minimum payments refer exclusively to instalments for performing loans due after the reference date of the financial statements.

Section 7 - Loans to customers - Item 70

7.1 Loans to customers: breakdown by product

Transaction type/Amounts	Total 31/12/2015						Total 31/12/2014					
	Book value			Fair Value			Book value			Fair Value		
	Performing	Non performing		L1	L2	L3	Performing	Non-performing		L1	L2	L3
		Purchased	Other					Purchased	Other			
Loans	**63,873,862**	**-**	**14,057,062**	**-**	**29,010,894**	**53,686,711**	**65,020,705**	**-**	**14,250,224**	**29,790**	**68,880,753**	**15,557,682**
1. Current accounts	8,451,984	-	2,082,930	X	X	X	9,421,563	-	2,158,457	X	X	X
2. Repurchase agreements	6,518,837	-	-	X	X	X	7,203,588	-	-	X	X	X
3. Mortgage loans	32,391,824	-	6,736,015	X	X	X	31,660,614	-	6,692,714	X	X	X
4. Credit cards, personal loans and salary-backed loans	295,106	-	16,275	X	X	X	255,158	-	17,163	X	X	X
5. Financial leases	1,507,681	-	1,910,303	X	X	X	1,902,802	-	1,966,153	X	X	X
6. Factoring	7,470	-	506	X	X	X	12,015	-	514	X	X	X
7. Other loans	14,700,960	-	3,311,033	X	X	X	14,564,965	-	3,415,223	X	X	X
Debt securities	**490,710**	**-**	**-**	**64,983**	**135,549**	**292,720**	**552,674**	**-**	**-**	**64,494**	**396,849**	**94,076**
8. Structured securities	-	-	-	X	X	X	-	-	-	X	X	X
9. Other debt securities	490,710	-	-	X	X	X	552,674	-	-	X	X	X
Total	**64,364,572**	**-**	**14,057,062**	**64,983**	**29,146,443**	**53,979,431**	**65,573,379**	**-**	**14,250,224**	**94,284**	**69,277,602**	**15,651,758**

Note that the Group did not purchase any non performing loans of a significant value.

"Debt securities" includes ABS of euro 297.5 million relating to securitisation transactions, of which:

- euro 13.7 million (NV euro 13.8 million) in senior issues related to third party transactions;
- euro 71 million (NV euro 84.6 million) in junior notes (BNT PORTFOLIO 2014-2042 TF-NV 84.6 million) issued by the SPE than manages the securitisation of the loans portfolio of Banca della Nuova Terra S.p.A.. The security had already been written down in 2014 by euro 4.8 million, and was subject to further impairment of euro 4 million during the year. The impact of the write-down was charged to the income statement for the year under 130 a) "Net losses on impairment of loans";
- euro 212.8 million (NV 440.8 million) in junior notes resulting from securitisations originated by the Banco Popolare Group, against assets that have been fully eliminated from the financial statements. More specifically, said securities refer to positions relating to the former Banca Italease Group, whose recognition results from the cancellation of the underlying receivables. The risks and benefits relating to said receivables were transferred to Alba Leasing under the "Agreement on securitised receivables".

For further details please refer to the information contained in Part E, Section 1, "C. Securitisation transactions".

The item also includes euro 193.2 million of other securities issued by financial companies. In particular, it includes subordinated securities amounting to euro 73.8 million, euro 50 million of which issued by Agos Ducato and euro 23.7 million by UGF Unipol.

7.2 Loans to customers: breakdown by debtor/issuer

Transaction type/Amounts	31/12/2015			31/12/2014		
	Performing	Non performing		Performing	Non performing	
		Purchased	Other		Purchased	Other
1. Debt securities	**490,710**	**-**	**-**	**552,674**	**-**	**-**
a) Governments	-	-	-	-	-	-
b) Other Public entities	-	-	-	-	-	-
c) Other issuers	490,710	-	-	552,674	-	-
- non-financial companies	-	-	-	-	-	-
- financial companies	466,798	-	-	528,852	-	-
- insurance companies	23,912	-	-	23,822	-	-
- others	-	-	-	-	-	-
2. Loans to:	**63,873,862**	**-**	**14,057,062**	**65,020,705**	**-**	**14,250,224**
a) Governments	209,247	-	1,589	155,815	-	1,589
b) Other Public entities	361,820	-	15,859	341,729	-	18,236
c) Other parties	63,302,795	-	14,039,614	64,523,161	-	14,230,399
- non-financial companies	35,453,680	-	12,050,520	36,524,803	-	12,330,986
- financial companies	10,605,940	-	240,798	10,039,367	-	170,698
- insurance companies	36,807	-	-	41,977	-	-
- others	17,206,368	-	1,748,296	17,917,014	-	1,728,715
Total	**64,364,572**	**-**	**14,057,062**	**65,573,379**	**-**	**14,250,224**

7.3 Loans to customers subject to micro hedging

	31/12/2015	31/12/2014
1. Receivables subject to micro fair value hedging:	35,410	37,234
a) Interest rate risk	35,410	37,234
b) Exchange rate risk	-	-
c) Credit risk	-	-
d) Multiple risks	-	-
2. Receivables subject to micro cash flow hedging:	-	-
a) Interest rate risk	-	-
b) Exchange rate risk	-	-
c) Expected transactions	-	-
d) Other hedged assets	-	-
Total	**35,410**	**37,234**

7.4 Financial leases

	31/12/2015						31/12/2014					
	Non performing loans	Minimum payments			Gross investment		Non performing loans	Minimum payments			Gross investment	
		Share capital	of which guaranteed residual value	Interest		of which non-guaranteed residual value		Share capital	of which guaranteed residual value	Interest		of which non-guaranteed residual value
On demand	1,612	12,036	920	2,722	14,758	-	1,815	14,378	969	3,728	18,106	-
Up to 3 Months	64,968	27,929	2,383	7,148	35,077	-	35,995	36,331	3,471	9,592	45,923	-
From 3 Months to 1 Year	652,486	118,123	15,846	28,248	146,371	-	547,214	156,845	29,171	37,889	194,734	-
From 1 year to 5 years	425,816	572,413	91,739	114,700	687,114	-	592,914	621,967	66,209	155,504	777,471	-
Over 5 years	765,421	794,201	433,178	69,054	863,254	-	788,215	1,074,432	529,124	114,253	1,188,684	-
Undefined term	-	-	-	-	-	-	-	-	-	-	-	-
Net total	**1,910,303**	**1,524,702**	**544,066**	**221,872**	**1,746,574**	**-**	**1,966,153**	**1,903,953**	**628,944**	**320,966**	**2,224,918**	**-**

The financial lease transactions shown in the table relate to operations of the former Banca Italease and Release.
The minimum payments refer exclusively to instalments for performing loans due after the reference date of the financial statements. Value adjustments of euro 6.1 million were made to this loans portfolio.

Section 8 - Hedging derivatives – Item 80

8.1 Hedging derivatives: breakdown by hedge type and level

	FV 31/12/2015			NV 31/12/2015	FV 31/12/2014			NV 31/12/2014
	L1	L2	L3		L1	L2	L3	
A) Financial derivatives	**-**	**495,161**	**-**	**12,169,251**	**-**	**640,359**	**-**	**11,438,527**
1) Fair value	-	495,161	-	12,169,251	-	640,359	-	11,438,527
2) Cash flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B) Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**495,161**	**-**	**12,169,251**	**-**	**640,359**	**-**	**11,438,527**

Key
FV = fair value
NV = notional value

8.2 Hedging derivatives: breakdown by portfolio hedged and hedge type (book value)

Transaction/Type of hedge	Fair Value						Cash Flows		Foreign investments
	Micro					Macro	Micro	Macro	
	interest rate risk	exchange rate risk	credit risk	price risk	multiple risks				
1. Financial assets available for sale	-	-	-	-	-	X	-	X	X
2. Loans	-	-	-	X	-	X	-	X	X
3. Investments held to maturity	X	-	-	X	-	X	-	X	X
4. Portfolio	X	X	X	X	X	-	X	-	X
5. Other loans	-	-	-	-	-	X	-	X	-
Total assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	494,352	-	-	X	-	X	-	X	X
2. Portfolio	X	X	X	X	X	809	X	-	X
Total liabilities	**494,352**	**-**	**-**	**-**	**-**	**809**	**-**	**-**	**-**
1. Expected transactions	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	-	X	-	-

Section 9 - Fair value change of financial assets in macro fair value hedge portfolios - Item 90

9.1 - Fair value change of hedged assets: breakdown by hedged portfolios

Fair value change of hedged financial assets / Amounts	31/12/2015	31/12/2014
1. Positive change	**76,675**	**99,024**
1.1 in specific portfolios:	76,675	99,024
a) loans	76,675	99,024
b) financial assets available for sale	-	-
1.2 overall	-	-
2. Negative change	**-**	**-**
2.1 in specific portfolios:	-	-
a) loans	-	-
b) financial assets available for sale	-	-
2.2 overall	-	-
Total	**76,675**	**99,024**

The fair value change of financial assets in macro hedge portfolios refers to changes in fair value, attributable to fluctuations in interest rates relating to several customer loans, the amount of which is shown in table 9.2 below.
The related hedging derivatives, which show a negative value as at 31 December 2015, are shown in the item 60 “Hedging derivatives” under liabilities.

Income and charges from the valuation of hedging derivatives and the hedged portfolio are recognised under item 90 “Fair value adjustments in hedge accounting”.

9.2 Assets subject to macro interest rate risk hedging

Assets hedged	31/12/2015	31/12/2014
1. Loans	1,057,054	1,164,758
2. Financial assets available for sale	-	-
3. Portfolio	-	-
Total	**1,057,054**	**1,164,758**

The amount of loans subject to macro hedging was euro 1,057 million. More specifically, this regards a portfolio of fixed interest rate mortgage loans, recorded in the financial statements under “loans to customers”. During the year, no hedges of this type were set in place; the change in assets subject to hedging with respect to the previous year is due to the normal development of the amortisation plans of the loans, already envisaged when the hedge was set in place.

Section 10 - Investments in associates and companies subject to joint control – Item 100

As at 31 December 2015, the book value of “Investments in associates and companies subject to joint control” was euro 1,166.3 million, referring to:

- significant equity investments of euro 1,099.4 million (euro 996.3 million as at 31 December 2014), as shown, by individual equity investment, in table 10.2 below;
- non-significant equity investments of euro 66.9 million (euro 65.1 million as at 31 December 2014), as shown, overall, in table 10.4 below;

The scope of “significant equity investments” was established on the basis of the materiality of the book value of the investment and the share in the investee’s assets with respect to the same items in the consolidated financial statements.

10.1 Equity investments: information on investment relationships

Company name	Registered office	Operational headquarters	Type of relationship (a)	Investment relationship		% of available
				Holder	% held	votes
A. Companies subject to joint control						
N/A						
B. Companies subject to significant influence						
1. Agos Ducato S.p.A.	Milan	Milan	1	Banco Popolare	39.000%	39.000%
2. Alba Leasing S.p.A.	Milan	Milan	1	Banco Popolare	30.151%	30.151%
3. Aosta Factor S.p.A.	Aosta	Aosta	1	Banco Popolare	20.690%	20.690%
4. Arcene Immobili S.r.l. (in liquidation)	Lodi	Lodi	1	Banco Popolare	50.000%	50.000%
5. Arcene Infra S.r.l. (in liquidation)	Lodi	Lodi	1	Banco Popolare	50.000%	50.000%
6. AviPop Assicurazioni S.p.A.	Milan	Milan	1	Holding di Partecipazioni	49.999%	49.999%
7. Borgo del Forte S.r.l. (in liquidation)	Lodi	Lodi	1	Immobiliare Marinai d'Italia	50.000%	50.000%
8. Bussentina S.c.a.r.l. (in liquidation)	Rome	Rome	1	Bipielle Real Estate	20.000%	20.000%
9. Edilchiara Immobiliare S.r.l. (in liquidation)	Lodi	Lodi	1	Immobiliare Marinai d'Italia	50.000%	50.000%
10. Energreen S.A.	L - Luxembourg	L - Luxembourg	1	Banco Popolare	45.000%	45.000%
11. GEMA Magazzini Generali BPV - BSGSP S.p.A.	Castelnovo Sotto (RE)	Castelnovo Sotto (RE)	1	Banco Popolare	33.333%	33.333%
12. HI-MTF SIM S.p.A.	Milan	Milan	1	Banca Aletti	25.000%	25.000%
13. Immobiliare Centro Milano S.p.A.	Milan	Milan	1	Release	33,333%	33,333%
14. Motia Compagnia di Navigazione S.p.A.	Venice	Venice	1	Banco Popolare	25.000%	25.000%
15. Popolare Vita S.p.A.	Verona	Verona	1	Banco Popolare	25.612%	50.000%
				Holding di Partecipazioni	24.388%	
16. Renting Italease S.r.l.	Rome	Rome	1	Italease Gestione Beni	50.000%	50.000%
17. S.E.T.A. Società Edilizia Tavazzano S.r.l. (in liquidation)	Milan	Milan	1	Banco Popolare	32.500%	32.500%
18. Soc. Coop. fra le Banche Pop. "L.Luzzatti" S.c.r.l.	Rome	Rome	1	Banco Popolare	26.693%	26.693%
19. Società Sviluppo Territorio S.r.l. (in liquidation)	Brescia	Brescia	1	Immobiliare Marinai d'Italia	40.000%	40.000%

(a) Type of relationship: 1 = investment in share capital

10.2 Significant equity investments: book value, fair value and dividends received

Company name	Book value	Fair Value	Dividends received
A. Companies subject to joint control			
N/A			
B. Companies subject to significant influence			
Agos Ducato S.p.A.	700,881	-	-
Alba Leasing S.p.A.	118,786	-	-
Popolare Vita S.p.A.	279,765	-	28,109
Total	**1,099,432**	**-**	**28,109**

No disclosure has been made in the “Fair value” column insofar as there are no listed investments (IFRS 12.20), just as there is no investee company measured at fair value, considered as an expression of the relative recovery value, after impairment (IAS 36.130).

Note also that the dividends received over the year have been used to reduce the book value of the equity investment (as illustrated in “Part A - Accounting policies” in these notes to the financial statements), insofar as the profits which they originated from were recognised in the financial statements as at 31 December 2014 due to the valuation at net equity.

10.3 Significant equity investments: accounting information

The table below shows the figures extracted from the draft financial statements as at 31 December 2015 approved by the Board of Directors and provided by associated companies or, where not available, by the most recent statements of financial position (related to 100% of the equity investment and not to the percentage held by the Group, as envisaged by accounting standard IFRS 12). Note that the valuation at net equity was made on the basis of these figures.

Company name	Cash and cash equivalents	Financial assets	Non-financial assets	Financial liabilities	Non-financial liabilities	Total revenues	Interest margin	Value adjustments and recoveries on property and equipment and intangible assets	Income (Loss) before tax from continuing operations	Income (Loss) after tax from continuing operations	Income (Loss) after tax from discontinued operations	Net income (Loss) for the year (1)	Other comprehensive income components after tax (2)	Comprehensive income (3) = (1) + (2)
A. Companies subject to joint control														
N/A														
B. Companies subject to significant influence														
Agos Ducato S.p.A.	X	15,278,368	1,977,043	15,025,325	382,052	1,584,176	X	X	390,476	270,310	-	270,310	2,078	272,388
Alba Leasing S.p.A.	X	4,642,777	190,088	4,396,594	38,511	113,426	X	X	(655)	(494)	-	(494)	173	(321)
Popolare Vita S.p.A.	X	9,001,049	49,739	8,458,032	50,968	2,297,204	X	X	62,174	47,416	-	47,416	1,071	48,487

Reconciliation between net assets and the book value of investees in the financial statements

	Net assets (*)	% investment	Net assets held	Goodwill	Other adjustments	Book value
A. Companies subject to joint control						
N/A						
B. Companies subject to significant influence						
Agos Ducato S.p.A.	1,848,034	39,000%	720,733	-	(19,852)	700,881
Alba Leasing S.p.A.	397,760	30,151%	119,929	-	(1,142)	118,786
Popolare Vita S.p.A.	541,788	50,000%	270,894	10,647	(1,776)	279,765

(*) corresponding to the sum of the "Financial assets, "Non-financial assets" net of "Financial liabilities", "Non-financial liabilities" indicated in table 10.3 above.

Agos Ducato is a financial company controlled by the international group Crédit Agricole through Crédit Agricole Consumer Finance. The company operates in the retail customer credit market, in which it disburses loans mostly addressed to the purchase of goods and services and personal loans.
Popolare Vita S.p.A is an insurance company operating in the life insurance sector, controlled by Unipol Gruppo Finanziario S.p.A. The company provides the life insurance productions of the Unipol Group to the distribution networks of the Banco Popolare Group under an exclusive arrangement.
Alba Leasing operates in the leasing sector, and was established from the restructuring of the former Banca Italease group. The company disburses loans in the form of lease contracts, and its products are placed through the banking channel, including the Banco Popolare Group network.

10.4 Non-significant equity investments: accounting information

The following table contains accounting information, shown cumulatively by type of investment relationship, regarding companies not subject to significant influence. The information was extracted from the latest financial statements or the latest accounting reports available and calculated with reference to the investment held by the Group, as envisaged by accounting standard IFRS 12.

	Book value of the investment	Total assets	Total liabilities	Total revenues	Income (loss) after tax from continuing operations	Income (Loss) after tax from discontinued operations	Net income (Loss) for the year (1)	Other comprehensive income components after tax (2)	Comprehensive income (3) = (1) + (2)
A. Companies subject to joint control									
N/A									
B. Companies subject to significant influence	66,891	671,299	580,999	108,604	1,833	-	1,833	(5)	1,828

10.5 Investments in associates and companies subject to joint control: annual changes

	31/12/2015	31/12/2014
A. Opening balance	**1,061,412**	**1,033,764**
B. Increases	**142,784**	**96,385**
B.1 Purchases	694	-
B.2 Recoveries	-	-
B.3 Revaluations	-	-
B.4 Other increases	142,090	96,385
C. Decreases	**(37,872)**	**(68,737)**
C.1 Sales	-	-
C.2 Adjustments	-	-
C.3 Other decreases	(37,872)	(68,737)
D. Closing balance	**1,166,324**	**1,061,412**
E. Total revaluations	-	-
F. Total adjustments	**(625,921)**	**(625,921)**

Over the course of 2015, no equity investments were purchased or sold; the change refers solely to the impact of the update in the valuation of equity investments at net equity. More specifically:

- other increases includes the share of the profits for the year recorded by investee companies pertaining to the Group for a total of euro 141.5 million (details are provided in section 16 of the income statement). This

item also includes positive changes pertaining to the Group in the reserves of the same companies and amounting to euro 0.6 million;
- other decreases include negative changes pertaining to the Group in the reserves of the same companies amounting to euro 3.6 million and the impact of euro 34.2 million relating to the distribution of dividends.

The impairment tests conducted with regard to the book value of investments in associates and companies subject to joint control as at 31 December 2015 did not indicate the need to make any value adjustments.

10.6 Valuations and assumptions to establish the existence of joint control or significant influence

Significant influence means having the power to participate in the operating and financial decisions of the entity, by virtue of the voting rights held, or in the event of special contractual agreements, as also illustrated in "Part A - Accounting policies" in these notes to the financial statements. As at 31 December 2015, the scope of companies subject to significant influence related to companies in which voting rights of 20% or more are held, without however having the power to exclusively direct the relevant activities of the entity, as shown in table 10.1 above.

As at 31 December 2015, there were no entities subject to joint control, namely entities for which the unanimous consensus of all the parties sharing the control has to be obtained to make strategic financial and operating decisions.

In this regard, it should be noted that to establish the type of control of the bancassurance companies Popolare Vita S.p.A. and Avipop Assicurazioni S.p.A., required numerous elements of judgement, due to the complex value generation structure. More specifically, the decision relating to classification of said equity investments in the scope of companies over which the Group has "significant influence" was taken after taking the following factors into account, and giving them adequate weighting:
- relevant assets that generate the variable returns of the company. These were identified as the structuring of insurance products and the management of the relative risks by the insurance partner and the distribution of products, managed by the Banco Popolare Group;
- the complex governance structure established by shareholder agreements. The above agreements give specific voting rights to shareholders on certain specific topics, relating both to mere protection rights and to rights considered substantial in terms of directing the relevant activities of the company;
- way-out mechanisms, resulting from the combination of the put option held by the insurance company and the call option held by Banco Popolare. These options have been retained as not substantial insofar as they cannot be exercised at the present time. For more information on the commitments made by Banco Popolare as regards the put option granted, please refer to the content of paragraph 10.8 below.

10.7 Commitments relating to investments in companies subject to joint control

There are no investments in companies subject to joint control.

10.8 Commitments relating to investments in companies subject to significant influence

Commitments deriving from consumer credit agreements with Crédit Agricole

Banco Popolare signed a shareholders' agreement with Crédit Agricole Consumer Finance - CACF (Crédit Agricole Group) for a ten year term, expiring on 22 December 2018 and renewable on the express agreement of the parties for a further 5 years. Under this agreement, among other things, if, within a business combination/reorganisation project with other Banks which control a company operating in consumer credit, Banco acquires a company operating in the afore-mentioned sector, it must make best efforts to offer Agos Ducato the opportunity to purchase the new entity indirectly acquired, at market price.

Commitments deriving from bancassurance agreements

Commitments to UnipolSAI

The clauses in the shareholders' agreements assign control of Popolare Vita to UnipolSAI (now part of the UGF Group) and involve the granting of a put option to UnipolSai and a call option to Banco Popolare in the event that the partnership is wound up. Specifically, according to the provisions of the shareholders' agreement, UnipolSAI may resell its 50% plus one share in the share capital of Popolare Vita to Banco Popolare, if one of the following occur:
- change of control of Banco Popolare;
- violation of the exclusive rights granted by Banco Popolare under the distribution agreement and/or serious violations of said agreement;
- Banco Popolare's failure to renew the distribution agreement;
- Popolare Vita's failure to renew the distribution agreement as a result of a decision taken through favourable vote of the board directors designated by the Company, provided that at the expiry date of the distribution

agreement (31 December 2017) the amount of premiums issued is 20% lower than that set forth in the Business Plan (underperformance);
- the Banco Popolare Group ceases to own an investment of at least 50% of the company's share capital less one share.

Market conditions have significantly changed from those at the time the shareholders' agreements were signed. The most recent three-year plan approved by Popolare Vita's Board of Directors actually forecast lower amounts of premiums issued than those indicated in the business plan used as reference at the time of signature of the agreements.

At the present time, on the basis of the most recent financial information published by the UnipolSAI Group, Popolare Vita is consolidated on a line-by-line basis by the afore-mentioned Insurance Group.

If the option is exercised, the value of the sale will be determined by an independent expert appointed by the parties, using the current market method specified in the shareholders' agreements.
The distribution agreement between Popolare Vita and Banco Popolare's networks has a term of ten years, expiring on 31 December 2017, and can be renewed for additional periods of 5 years.

Commitments to Aviva Italia Holding

Banco Popolare and Aviva Italia Holding have signed a shareholders' agreement to govern the business aspects of their partnership and the corporate governance rules of Avipop Assicurazioni. The agreement also envisages the granting of a put option to Aviva Italia Holding and a call option to Banco Popolare in the event that the partnership is wound up. Specifically, according to the shareholders' agreement, Aviva Italia Holding may resell its 50% (plus one share) of the share capital of Avipop Assicurazioni to Banco Popolare, if one the following occur:
- change of control of Banco Popolare;
- serious violation by Banco Popolare of the exclusive rights granted by the distribution agreement;
- Banco Popolare's failure to renew the distribution agreement;
- Avipop Assicurazioni's failure to renew the distribution agreement as a result of a decision taken through favourable vote of the board directors designated by the Company, provided that at the expiry date of the distribution agreement (31 December 2017) the amount of premiums issued is 70% lower than that set forth in the Business Plan (underperformance);
- the entry into force of a law and/or the issue of a provision, before the first expiry of the Agreement, which eliminates the exclusivity restriction provided by the distribution agreement;
- the issue of a provisions which, before the first expiry of the Agreement, requires that Banco Popolare distribute insurance products in the protection segment with parties other than Avipop Assicurazioni;
- underperformance (understood as the achievement of a total volume of product sales - before redemptions - in any period of three years starting from 1 January 2009, lower than 20% in terms of value of premiums collected, than that set forth in the business plan for the same three-year period).

If the option is exercised, the value of the sale will be determined by an independent expert appointed by the parties, using the current market method specified in the shareholders' agreements.

The distribution agreement between Avipop Assicurazioni and Banco Popolare's networks has a term of ten years, expiring on 31 December 2017, and can be renewed for additional periods of 5 years.

At the present time, on the basis of the most recent financial information published by the Aviva Italia Holding Group, Avipop Assicurazioni is consolidated on a line-by-line basis by the afore-mentioned Insurance Group.

10.9 Significant restrictions

For equity investments subject to significant influence, there are no significant restrictions to the transfer of funds as regards companies of the Banco Popolare Group, with the exception of those related to legislation and regulations, which may require a minimum amount of own funds to be maintained, or the provisions of the Italian civil code on eligible profits and reserves.

10.10 Other information

Criteria used for determining the recoverable value of the investments in associates and companies subject to joint control for the purpose of drawing up the financial statements as at 31 December 2015

To quantify impairment, the book value of the investment was compared with its recoverable value. Based on the provisions of IAS 36, the recoverable value is the higher of fair value net of costs to sell and value in use. The results of the valuations conducted on the main equity investments.

Bancassurance companies

As regards the valuation of the investments held in Popolare Vita and Avipop Assicurazioni, refer to that set forth in Section 13 below.

Energreen SA

On the date of preparation of these financial statements, the associated company had not prepared its draft financial statements as at 31 December 2015. The valuation of the equity investment based on the equity method was therefore conducted on the basis of the most recent statement of financial position sent by the associated company and referring to 30 June 2015. Given that the equity investment shows a book value of euro 32.8 million, which is euro 5.8 million higher than the Group's share of the associated company's shareholders' equity, a valuation was conducted to determine its recoverable value, in line with the approach adopted in previous years and on an on-going concern basis. The latter was calculated using the adjusted net equity method. More specifically, the statutory shareholders' equity as at 30 June 2015 of Energreen SA was adjusted to the fair value of the subsidiary company Veronagest S.p.A., the main asset of the Luxembourg entity. Veronagest was valued in line with 2014 based on the market multiples method applied to the consolidated figures for the past twelve months (second half of 2014 and first half of 2015). The valuation exercise confirmed that the recoverable value of the investment is by far superior (euro 27.5 million) to the recognition value of the same

Section 11 - Technical reserves borne by reinsurers – Item 110

The Group does not hold investments in insurance companies.

Section 12 - Property and equipment - Item 120

As at 31 December 2015, property and equipment amounted to euro 2,132.6 million, compared with euro 2,140.0 million recorded in the previous year.

12.1 Property and equipment used in operations: breakdown of assets carried at cost

Assets/Amounts	Total 31/12/2015	Total 31/12/2014
1.1 Owned assets	**651,564**	**680,681**
a) land	215,898	219,814
b) buildings	363,577	383,033
c) furniture	35,580	39,257
d) electronic equipment	31,387	33,237
e) other	5,122	5,340
1.2 Assets acquired under financial lease	**300**	**328**
a) land	-	-
b) buildings	294	308
c) furniture	-	-
d) electronic equipment	-	-
e) other	6	20
Total	**651,864**	**681,009**

12.2 Property and equipment held for investment purposes: breakdown of assets carried at cost

Assets/Amounts	31/12/2015				31/12/2014			
	Book value	Fair Value			Book value	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Owned assets	**1,465,615**	**-**	**-**	**1,673,786**	**1,443,662**	**-**	**-**	**1,642,636**
a) land	711,749	-	-	743,299	679,340	-	-	708,142
b) buildings	753,866	-	-	930,487	764,322	-	-	934,494
2. Assets acquired under financial lease	**15,154**	**-**	**-**	**17,191**	**15,291**	**-**	**-**	**15,291**
a) land	11,324	-	-	13,224	11,324	-	-	11,324
b) buildings	3,830	-	-	3,967	3,967	-	-	3,967
Total	**1,480,769**	**-**	**-**	**1,690,977**	**1,458,953**	**-**	**-**	**1,657,927**

12.3 Property and equipment used in operations: breakdown of revalued assets

The Group does not hold property and equipment designated at fair value through profit and loss.

12.4 Property and equipment held for investment purposes: breakdown of assets designated at fair value through profit and loss

The Group does not hold property and equipment designated at fair value through profit and loss.

12.5 Property and equipment used in operations: annual changes

Assets/Amounts	Land	Buildings	Furniture	Electronic equipment	Other	Total
A. Gross opening balance	**220,332**	**699,509**	**284,518**	**510,073**	**82,063**	**1,796,495**
A.1 Total net impairment	(518)	(316,168)	(245,261)	(476,836)	(76,703)	(1,115,486)
A.2 Net opening balance	**219,814**	**383,341**	**39,257**	**33,237**	**5,360**	**681,009**
B. Increases	**1,078**	**13,934**	**6,676**	**22,766**	**1,497**	**45,951**
B.1 Purchases	-	8,682	6,525	15,801	1,442	32,450
B.2 Capitalised leasehold improvement costs	-	-	-	-	-	-
B.3 Recoveries	-	-	-	-	-	-
B.4 Increases in fair value charged to:	-	-	-	-	-	-
- a) shareholders' equity	-	-	-	-	-	-
- b) income statement	-	-	-	-	-	-
B.5 Exchange gains	-	-	-	-	29	29
B.6 Transfers from properties held for investment purposes	1,078	4,636	-	-	-	5,714
B.7 Other increases	-	616	151	6,965	26	7,758
C. Decreases	**(4,994)**	**(33,404)**	**(10,353)**	**(24,616)**	**(1,729)**	**(75,096)**
C.1 Sales	(2,789)	(3,232)	(178)	(278)	(6)	(6,483)
C.2 Depreciation	-	(21,197)	(10,172)	(16,963)	(1,714)	(50,046)
C.3 Losses on impairment charged to:	-	-	-	-	-	-
- a) shareholders' equity	-	-	-	-	-	-
- b) income statement	-	-	-	-	-	-
C.4 Decreases in fair value charged to:	-	-	-	-	-	-
- a) shareholders' equity	-	-	-	-	-	-
- b) income statement	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Transfers to:	(1,422)	(7,541)	-	(591)	-	(9,554)
- a) property and equipment held for investment purposes	(1,422)	(5,320)	-	-	-	(6,742)
- b) non-current assets held for sale and discontinued operations	-	(2,221)	-	(591)	-	(2,812)
C.7 Other decreases	(783)	(1,434)	(3)	(6,784)	(9)	(9,013)
D. Net closing balance	**215,898**	**363,871**	**35,580**	**31,387**	**5,128**	**651,864**
D.1 Total net impairment	(518)	(332,003)	(258,146)	(485,777)	(75,788)	(1,152,232)
D.2 Gross closing balances	**216,416**	**695,874**	**293,726**	**517,164**	**80,916**	**1,804,096**
E. Valuation at cost	-	-	-	-	-	-

12.6 Property and equipment held for investment purposes: annual changes

Assets/Amounts	Land	Buildings	Total
A. Opening balance	**690,664**	**768,289**	**1,458,953**
B. Increases	**68,454**	**63,796**	**132,250**
B.1 Purchases	31,447	44,776	76,223
- of which business combinations	-	-	-
B.2 Capitalised leasehold improvement costs	243	860	1,103
B.3 Increases in fair value	-	-	-
B.4 Recoveries	-	-	-
B.5 Exchange gains	-	-	-
B.6 Transfers from properties used in operations	1,422	5,320	6,742
B.7 Other increases	35,342	12,840	48,182
C. Decreases	**(36,045)**	**(74,389)**	**(110,434)**
C.1 Sales	(11,572)	(11,555)	(23,127)
- of which business combinations	-	-	-
C.2 Depreciation	-	(24,709)	(24,709)
C.3 Decreases in fair value	-	-	-
C.4 Losses on impairment	(15,534)	(25,689)	(41,223)
C.5 Exchange losses	-	-	-
C.6 Transfers to other portfolios of assets	(1,078)	(4,636)	(5,714)
a) properties used in operations	(1,078)	(4,636)	(5,714)
b) non-current assets held for sale	-	-	-
C.7 Other decreases	(7,861)	(7,800)	(15,661)
D. Closing balance	**723,073**	**757,696**	**1,480,769**
E. Designation at fair value through profit and loss	756,523	934,454	1,690,977

Losses on impairment were generated by the adjustment of the book value of several properties to a lower recoverable value, which emerged from the most recent property appraisals made.

12.7 Commitments to purchase property and equipment

There are no commitments to purchase property and equipment.

Section 13 - Intangible assets - Item 130

13.1 Intangible assets: breakdown by type of asset

Assets/Amounts	31/12/2015		31/12/2014	
	Defined term	Undefined term	Defined term	Undefined term
A.1 Goodwill	X	1,388,895	X	1,388,895
A.1.1 Pertaining to the Group	X	1,388,895	X	1,388,895
A.1.2 Attributable to minority interests	X	-	X	-
A.2 Other intangible assets	431,025	222,200	438,817	222,200
A.2.1 Assets carried at cost:	431,025	222,200	438,817	222,200
a) Internally generated intangible assets	-	-	-	-
b) Other assets	431,025	222,200	438,817	222,200
A.2.2 Assets designated at fair value through profit and loss:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	**431,025**	**1,611,095**	**438,817**	**1,611,095**

Intangible assets with undefined term are represented by goodwill and trademarks, for which impairment tests were conducted as illustrated in paragraph 13.1.1 below.
Intangible assets with defined term include intangibles of euro 233.5 million and relating to the valuation of Client Relationships, acquired as part of the Banca Popolare Italiana Group business combination transaction; the remainder mainly relates to software.

13.1.1 Undefined term intangible assets: impairment testing

Generally, impairment testing is one of the most complex and critical aspects of business management. The current scenario has increased this complexity. In particular, we draw attention to the fact that the current financial market and economic crisis makes it extremely difficult to conduct impairment testing. The tests are supposed to be conducted in a context in which impairment assumptions have a prevalently external nature and impact all businesses (systemic nature). This is the opposite of ordinary situations in which impairment assumptions have a prevalently internal nature (insofar as they are triggered by specific risks that regard clearly-defined businesses) and where the test is the tool through which management acknowledges that it can no longer achieve the objectives it set previously.

Pursuant to IAS 36, all undefined term intangible assets must undergo impairment testing at least once a year to verify the recoverability of their value. The Group has decided to conduct impairment testing as at 31 December of each year, and in any event in the presence of loss indicators.

If it is not possible to directly determine the recoverable value of the specific intangible asset recognised in the financial statements, the recoverable value of the cash generating unit to which the asset belongs must be estimated. With specific reference to goodwill, paragraph 80 of the aforementioned accounting standard specifies that for impairment testing, at the acquisition date, goodwill acquired through a business combination must be allocated to each of the acquirer's cash generating units or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.
Each unit or group of units to which the goodwill is so allocated shall:

(a) represent the lowest level within the entity at which the goodwill is monitored for internal management purposes;
(b) not be larger than an operating segment determined in accordance with IFRS 8 "Operating Segments".

To identify cash generating units (CGU) to which assets subject to impairment testing are to be allocated, the potential units identified must generate significant cash flows that are independent from those deriving from other potential units identified.

On the basis of these definitions, as at 31 December 2015, the CGU identified with undefined term intangible assets that must undergo impairment testing were as follows:

- Commercial Network CGU - It is comprised (i) of the Network Divisions resulting from the merger by incorporation of the Network Banks into Banco Popolare (ii) by the Large Corporate Department and (iii) by the Institutions, Entities and Third Sector Department. This CGU has no accounting basis and is recorded by means of management control metrics;
- Private & Investment Banking CGU - It includes Banca Aletti and its subsidiary Aletti Fiduciaria as the activities carried out by the investee company is ancillary to the controlling company's activities;
- Bancassurance Life CGU - Refers to Popolare Vita, a company that operates in the Life Bancassurance segment;
- Bancassurance Protection CGU - Refers to Avipop Assicurazioni, a company that operates in the Bancassurance Protection segment.

The CGUs identified are consistent with the Board of Directors' strategic vision for the Group and is unchanged from those used for impairment testing in preparing the financial statements as at 31 December 2014.

The following paragraphs illustrate the methods and the assumptions used for impairment testing which was conducted on the basis of:

- the instructions of international accounting standard IAS 36;
- the recommendations issued in a joint letter signed by the Bank of Italy, Consob and Ivass dated 3 March 2010;
- the main suggestions contained in a document issued by the Italian Valuation Body (I.V.B.) entitled "impairment tests on goodwill at times of financial and real crises" dated 14 June 2012;
- the recommendations issued by Consob in communication no. 3907 of 19 January 2015.

The procedure and the valuation parameters for the impairment testing of goodwill and the other intangible assets with undefined useful lives were approved autonomously by the Board of Directors in advance of approval of the draft financial statements for 2015, as required by the aforementioned Supervisory Authorities.

A. Method to calculate the book value of individual CGUs

In line with the 2011-2014 financial statements, a method based on operational measurements was used to calculate the book value of the Commercial Network CGU. To this end, the book value was calculated as the sum of the following:

- Common Equity Tier 1 capital (CET1), namely the required capital against weighted risk assets relating to the CGU, in line with Basel 3 regulations, which will come into force in the reference cash flow period;

- goodwill and other intangible assets both defined and undefined term associated to the CGU;
- other assets representing elements to deduct for the purpose of calculating the above-mentioned Common Equity Tier 1 capital.

For the remaining CGUs, which correspond to one or more legal entities, the reference value has been specifically established as the sum of the book values of the company's statement of financial position assets and liabilities, of goodwill and of other intangible assets, both defined and undefined term associated to the CGUs.

The following table shows the reference values of the individual CGUs as at 31 December 2015, indicating the relative intangible assets with undefined term to be subject to impairment testing allocated to each CGU in line with that carried out as at 31 December 2014:

C.G.U.	Reference value	of which: goodwill	of which: trademarks
Commercial Network	3,734	616	222
Private & Investment Banking	1,605	697	-
Bancassurance Life	307	25	-
Bancassurance Protection	95	51	-
Total	**5,741**	**1,389**	**222**

Management believes that these reference values for the CGUs are consistent with the calculation methodologies of the respective recoverable values described below.

B. Criteria used to determine the recoverable value of CGUs

Based on international accounting standards, the amount of any impairment is determined by the difference between the book value of the CGU, calculated on the basis of the above-described criteria, and its recoverable value, if lower. Recoverable value is defined as the higher between:

- Value in Use, namely the present value of future cash flows that are envisaged to result from the continuous use of a specific asset or from a CGU;
- Fair Value, less selling costs, namely the amount that could be obtained from the sale of an asset, in an arm's length transaction between informed and willing parties.

B.1 Commercial Network CGU and Private & Investment Banking CGU

Impairment testing relating to the Commercial Network and Private & Investment Banking CGUs was conducted using the Value in Use obtained through the application of the Dividend Discount Model.
According to the Dividend Discount Model (DDM), the value of a company is based on the dividend flows that it is capable of generating in the future. In the case in point, the method used is Excess Capital DDM, which assumes that the economic value of a company is equal to the sum of the present value of future cash flows (Expected Dividends) generated over the selected time period of planning, which can be distributed to shareholders while maintaining a suitable level of capitalisation to guarantee expected future development, and the perpetual capitalisation of the normalised dividend for the last year of the forecast, based on a payout ratio depending on profitability at full operation. The application of the DDM entails the use of the following formula:

$$W = \sum_{k=0}^{n} \frac{D_k}{(1+i)^k} + TV + SA$$

where:
W = General value of economic capital
i = Cost of own capital (Ke)
Dk = Dividends that can be distributed in an explicit period with a level of capitalisation in line with current regulations
n = Number of years of the explicit period
TV = Residual value or Terminal value calculated as the present value of a perpetual yield represented by the average sustainable Dividend for the years subsequent to the explicit planning period
SA = Value of any surplus assets

In analytical terms, the Terminal Value is calculated as follows:

$$TV = \frac{D_{n+1}}{i-g}(1+i)^{-n}$$

where:
Dn+1 = Average sustainable dividend expected after the explicit planning period

g = Expected long-term growth rate of the dividend after the explicit planning period. This growth rate should refer to the nominal long-term growth rate of the economy. In fact, it is prudentially assumed that in the long term, each sector and each company in the sector will converge towards a growth rate equal to that of the economy as a whole
i = Cost of own capital (Ke).

B.1.1 - Estimated cash flows

The Plan approved on 27 February 2014 incorporates a significantly different macroeconomic scenario from that which subsequently occurred and which is expected in the upcoming years. Hence, the currently available forecasts are characterised by extreme uncertainty. The uncertainty surrounding future scenarios regards, among other things, the impact of the collapse of energy prices, the repercussions on the financial market of the launch of rising interest rates by the FED, the slowdown of emerging economies, the time needed for short/medium/long term interest rates to normalise, the dynamics of the real economy, the demand for credit from the banking system and developments in legislation and in the supervisions of the Controlling Authorities. In this context, the medium-term scenarios are not very reliable and consequently it is extremely difficult, if not impossible, at least at this stage, to update the 2014/2016-2018 plan that continues to represent the Group's strategic direction and its business mix. Banco Popolare's Board of Directors has therefore limited itself to approving only the 2016 consolidated budget.
In light of the above and consistent with standard practice for valuation exercises conducted in contexts characterised by a high level of uncertainty, it was deemed appropriate to return to adopting a prudential multi-scenario approach, as was done for impairment testing in 2011, 2012 and 2014.
As impairment testing requires reference to be made to projected cash flows with a time horizon beyond one year, economic-financial forecasts were developed beginning from the 2016 consolidated budget for the Commercial Network CGU and the Private & Investment Banking CGU. Each forecast was developed in reference to three distinct scenarios. When developing the scenarios, more importance was given to external sources of information. The above-cited cash flow forecasts do not include benefits relating to restructuring that the Group has not yet undertaken, nor those related to the improvement or optimisation of business returns. The assumptions underlying the scenarios adopted and the cash flows obtained were submitted to the approval of the Board of Directors before the approval of the Impairment Test.
Specifically, the following forecasts were developed for the Commercial Network CGU: i) a forecast with the "Prometeia" scenario as the underlying assumption, drawn up on a time horizon of 2016-2018 starting from and based on the 2016 budget and the expected increase of the main statement of financial position and income statement variables stated in the "Forecast Report of Bank Balances" published by Prometeia in October 2015 and updated in January 2016, ii) two forecasts with "Prudential" scenarios as the underlying assumptions, drawn up on the same time horizon, but prudently reducing the growth trends of the various statement of financial position and income statement variables indicated by Prometeia in its forecasts. The values of the "Prometeia" forecast were given a weighting of 1/3, while the values of the two "Prudential" forecasts were given separate weightings of 1/3.
The following scenarios were developed for the Private & Investment Banking CGU: i) a "Base" forecast drawn up on the time horizon of 2016-2018, with a linear extension of the 2016 budget, drawn up on an analytical basis in line with the Prometeia scenario, ii) two "Prudential" forecasts, drawn up on the same time horizon in line with the "Prudential" forecasts of the Commercial Network CGU. The values of the "Base" forecast were given a weighting of 1/3, while the values of the two "Prudential" forecasts were given separate weightings of 1/3.
The cash flows that may be distributed in the explicit period (Dk) were calculated based on the 2016-2018 statement of financial position-income statement figures of the CGUs, taking into account a minimum level of capital estimated on the basis of a Common Equity Tier 1 (CET1) target of 9.55%, representing the best estimate of the minimum capital level that the ECB has asked the Group to meet on an ongoing basis to complete the Supervisory Review and Evaluation Process (SREP) conducted on Banco Popolare.
To estimate the terminal value, the average sustainable dividend after the explicit period was calculated as a function of expected profitability in the long term. The latter was estimated in reference to a long-term growth rate equivalent to the nominal growth rate of the economy at 2%.

B.1.2.- Cash flow discounting rates

To discount the dividends that may be distributed to shareholders, a Cost of Capital was used, consistent with the return required of investments with characteristics similar to those of the asset under analysis. The Cost of Capital (Ke) was calculated on the basis of the Capital Asset Pricing Model (CAPM), according to which the returns on a high-risk business must be equal to the sum of a no-risk rate (Rf) and a risk premium (MRP), as a function of the specific level of risk of the business:

$$K_e = R_f + \beta \times (MRP)$$

More specifically, the no-risk component (Rf), which encompasses in any event the so-called "Country Risk" is calculated, in line with the 2014 Test, using the 1-year average yield of 10-year Italian government bonds (BTP).
The beta (ß) coefficient measures the risk of the specific business or of the operating sector in terms of the correlation between the effective yield of a share and the overall yield of the reference market.

More specifically, in line with the 2014 Test, the following were used:
a) for the Commercial Network CGU: an indicator relating to a sample of comparable companies (listed Italian banks) recorded by Bloomberg;
b) for the Private and Investment Banking CGU: an average indicator of a sample of companies operating in the Investment Banking segment recorded by Bloomberg.
The coefficient was measured on a daily basis for a time horizon of 5 years.
A market risk premium (MRP) of 5.3% was calculated, in line with measurement practices.

B.2 CGUs operating in the Bancassurance segment

With regard to the CGUs operating in the Bancassurance Life and Protection segments, note that the related recoverable value was identified by applying the Appraisal Value valuation model (method commonly used to value Insurance Companies and, specifically, for those operating under bancassurance agreements). Based on this method, the value of a company is defined as the sum of the following components: i) Adjusted Shareholders' Equity (ASE), determined on the basis of the book value of the shareholders' equity, appropriately adjusted to discount statement of financial position assets and liabilities to current market values and/or estimates; ii) Value In Force (VIF, generally estimated only for life insurance companies), determined on the basis of actuarial methodologies as the present value of net income to be generated by the existing portfolio at the reference date of the valuation, net of reinsurance, tax, associated operating expenses and figurative charges deriving from keeping the capitalisation levels necessary to meet existing supervisory requirements in force; iii) value referring to future new business (Goodwill), corresponding to the present value of net income to be generated by the new subscribed business, determined on the basis of actuarial methodologies similar to those used to calculate VIF. The present value was estimated using a cost of capital calculated according to the previously illustrated CAPM method, using the average indicator relating to a sample of companies operating in the Insurance sector estimated by Bloomberg as the Beta coefficient, measured on a daily basis on a time horizon of five years, in line with the 2014 Test.

C. Overview of the methods used and the main valuation parameters

The following table summarises the methods used to calculate the recoverable value and the main parameters:

C.G.U.	Criteria to calculate recoverable value	Discounting rate "Ke"	Growth rate of terminal value "g"
Commercial Network	Value in use – Dividend Discount Model	7.60%	2.00%
Private & Investment Banking	Value in use – Dividend Discount Model	8.09%	2.00%
Bancassurance Life	Value in use – Appraisal Value	7.89%	2.00%
Bancassurance Protection	Value in use – Appraisal Value	7.89%	2.00%

D. Summary of results

On the basis of the guidelines illustrated, the impairment test as at 31 December did not result in the need to make any writedown, giving recoverable values for all CGUs that were far higher than the respective reference values. This conclusion is also confirmed by the sensitivity analyses conducted, as illustrated below.
As stated in Part A of these notes, given the particularly uncertain market and regulatory situation, it cannot be excluded that the assumptions made, however reasonable and prudent, may not be confirmed by future scenarios in which the Group finds itself operating.

E. Sensitivity analysis

In compliance with IAS 36, a sensitivity analysis was conducted on the parameters used for the valuation, in order to verify changes in the recoverable values.
More specifically, the gap between the recoverable value and the reference book value was analysed in the event that the growth rate (g) and/or the cost of capital (Ke) rose or fell with respect to the rates actually used;

Commercial Network CGU Growth rate of terminal value "g"/Discounting rate "ke" (difference between recoverable value and reference value in *millions of euro*) (percentage of value in use)					
		"Ke"			
		7.60%		8.44%	
	1.50%	426	10.2%	-90	-2.5%
"g"	2.00%	573	13.3%	0	0%
	2.50%	751	16.7%	107	2.8%

Private & Investment Banking CGU Growth rate of terminal value “g”/Discounting rate “ke” (difference between recoverable value and reference value in *millions of euro*) (percentage of value in use)					
		“Ke”			
		8.09%		10.00%	
(g)	1.50%	252	13.6%	-41	-2.6%
	2.00%	329	17.0%	0	0%
	2.50%	419	20.7%	47	2.8%

A sensitivity analysis was also conducted on the same Commercial Network and Private & Investment Banking CGUs, changing the income flows considered in the forecasts and the CET1 target ratio, the results of which are partially summarised in the tables below:

Commercial Network CGU % change in net profit / target CET1 (difference between recoverable value and reference value in *millions of euro*) (percentage of value in use)					
		(CET1 Target Ratio)			
		9.55%		11.63%	
(% income)	+5%	810	17.8%	238	6.0%
	0%	573	13.3%	0	0%
	-5%	335	8.2%	-238	-6.8%

Private & Investment Banking CGU % change in net profit / target CET1 (difference between recoverable value and reference value in *millions of euro*) (percentage of value in use)					
		(CET1 Target Ratio)			
		9.55%		19.27%	
(% income)	+5%	403	20.1%	74	4.4%
	0%	329	17.0%	0	0%
	-5%	254	13.7%	-74	-4.9%

F. Intrinsic signs of impairment

As at 31 December 2015, consolidated shareholders’ equity was euro 8,494 million, while the market capitalisation as at 8 February 2016 was euro 2,519 million. A significant misalignment remains, even if the tangible shareholders’ equity as at 31 December 2015 of euro 6,452 million is used as a reference. This is certainly not a new situation, as it was also recorded in previous years. The impairment test was conducted taking the existence of external impairment indicated above into due account. The reasons for this misalignment should essentially be sought in the heavy heritage of the global economic crisis which hit the banking sector quite vigorously, penalised by low interest rates and a considerable increase in the cost of credit resulting from the financial difficulties suffered by corporate and retail customers due to the economic crisis. This situation is compounded by the significant negative influence of the weight of the stock of bad loans. Generally speaking, the market attributes a recoverable value aligned to the fair value to this category of non performing loans, the latter value, is rightly or wrongly estimated on average as equal to 20% of the gross value of the bad loans. This valuation is naturally misaligned for the Italian banking system by the value at which the above-mentioned loans are recognised in the financial statements, as the latter valuation, in accordance with the provisions of the reference accounting standards, does not consider and cannot consider the rates of return requested by investors that specialise in the purchase of distressed assets, or the up-front costs of credit collection activities that in Italy continue to require very long timeframes.

In this regard, note that market values are the result of assessments of the financial community, assessments which, by their very nature, remain focused on short-term targets and estimates, which are therefore not able to fully reflect the company’s medium/long term growth potential. Instead, valuations expressed for the purpose of drawing up these financial statements are the result of extrapolating the economic value of the CGUs based on their specific income generation capacity, which is not fully recognised by the financial markets. This assessment expresses itself over a wider period than that adopted by the financial community and leaves aside the singular nature of the current economic-financial context, even if taken into due account.

Lastly, note that, as an additional guarantee, an independent expert (KPMG Corporate Finance) issued a fairness opinion on both the adequacy of the valuation methods adopted by the Group, that were judged to be reasonable and not arbitrary, as well as on the correct application of the same.

13.2 Intangible assets: annual changes

	Goodwill	Other intangible assets: internally generated		Other intangible assets:		Total
		Defined	Undefined	Defined	Undefined	
A. Gross opening balance	**4,680,504**	**-**	**-**	**1,314,609**	**222,200**	**6,217,313**
A.1 Total net impairment	(3,291,609)	-	-	(875,792)	-	(4,167,401)
A.2 Net opening balance	**1,388,895**	**-**	**-**	**438,817**	**222,200**	**2,049,912**
B. Increases	**-**	**-**	**-**	**57,992**	**-**	**57,992**
B.1 Purchases	-	-	-	57,990	-	57,990
B.2 Increases in internal intangible assets	X	-	-	-	-	-
B.3 Recoveries	X	-	-	-	-	-
B.4) Increases in fair value	-	-	-	-	-	-
- at equity	X	-	-	-	-	-
- through profit and loss	X	-	-	-	-	-
B.5 Exchange gains	-	-	-	1	-	1
B.6 Other increases	-	-	-	1	-	1
C. Decreases	**-**	**-**	**-**	**(65,784)**	**-**	**(65,784)**
C.1 Sales	-	-	-	-	-	-
C.2 Adjustments	-	-	-	(65,408)	-	(65,408)
- Amortisation	X	-	-	(65,408)	-	(65,408)
- Write-downs	-	-	-	-	-	-
+ shareholders' equity	X	-	-	-	-	-
+ income statement	-	-	-	-	-	-
C.3 Decreases in fair value	-	-	-	-	-	-
- at equity	X	-	-	-	-	-
- through profit and loss	X	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	(110)	-	(110)
C.5 Exchange losses	-	-	-	-	-	-
C.6 Other decreases	-	-	-	(266)	-	(266)
D. Net closing balance	**1,388,895**	**-**	**-**	**431,025**	**222,200**	**2,042,120**
D.1 Total net adjustments	(3,291,609)	-	-	(1,024,496)	-	(4,316,105)
E. Gross closing balance	**4,680,504**	**-**	**-**	**1,455,521**	**222,200**	**6,358,225**
F. Valuation at cost	-	-	-	-	-	-

Purchases of other intangible assets mainly include new applications developments to improve organisational efficiency, sales initiatives and legislative changes.
Item C.2 Adjustments - Amortisation, in addition to the amortisation of software, also includes the share of amortisation relating to the Client Relationships acquired through business combinations amounting to euro 23.8 million.

13.3 Other information

As at 31 December 2015 there were no commitments relating to intangible assets.

Section 14 - Tax assets and liabilities – Item 140 under assets and Item 80 under liabilities

As at 31 December 2015, current tax assets amounted to euro 171.7 million, euro 120.3 million of which related to IRES credit and euro 51.4 million to IRAP credit.

14.1 Deferred tax assets: breakdown

		IRES	IRAP	Other taxes	31/12/2015	31/12/2014
A)	**Matching balance to the Income Statement**					
	Write-down of receivables deductible in coming years	1,564,867	165,600	-	1,730,467	2,236,490
	Allocations and adjustments deductible in coming years	92,639	1,101	-	93,740	116,782
	Book values lower than the tax values recognised following the fair value designation of financial assets through profit and loss	19,902	870	-	20,772	44,329
	Personnel expenses and allocations to employee termination indemnities deductible in coming years	128,743	-	-	128,743	116,773
	Value adjustments on real estate deductible in coming years	48,908	249	-	49,157	39,545
	Costs deductible in coming years resulting from exemptions for goodwill and other intangible assets	590,035	127,424	-	717,459	946,781
	Tax losses carried forward	47,457	-	-	47,457	1,309
	Other cases of misalignment between book and tax values	4,153	887	-	5,040	2,127
	Total A	**2,496,704**	**296,131**	**-**	**2,792,835**	**3,504,136**
B)	**Matching balance to Shareholders' Equity**					
	Book values lower than the tax values recognised from the fair value designation of financial assets available for sale through profit and loss	6,476	1,426	-	7,902	14,197
	Other cases of misalignment between book and tax values	25,110	1,872	-	26,982	36,559
	Total B	**31,586**	**3,298**	**-**	**34,884**	**50,756**
	Total (A+B)	**2,528,290**	**299,429**	**-**	**2,827,719**	**3,554,892**

14.2 Deferred tax liabilities: breakdown

		IRES	IRAP	Other taxes	31/12/2015	31/12/2014
A)	**Matching balance to the Income Statement**					
	Book values exceeding tax values recognised following the fair value designation of financial instruments through profit and loss	316	-	-	316	2,084
	Book values exceeding tax values recognised following the process of tax amortisation of goodwill and other intangible assets	15,141	2,941	-	18,082	16,002
	Book values exceeding tax values recognised following value adjustments calculated solely for tax purposes	11,728	1,405	-	13,133	13,082
	Capital gains taxable in coming years	3,918	-	-	3,918	7,836
	Book values exceeding tax values recognised following the Purchase Price Allocation carried out for business combination transactions	147,823	29,018	-	176,841	191,017
	Other cases of misalignment between book and tax values	22,328	3,243	-	25,571	43,210
	Total A	**201,254**	**36,607**	**-**	**237,861**	**273,231**
B)	**Matching balance to Shareholders' Equity**					
	Book values exceeding tax values recognised following the fair value designation of financial assets available for sale through profit and loss	75,299	20,360	-	95,659	104,585
	Other cases of misalignment between book and tax values	611	333	-	944	1,043
	Total B	**75,910**	**20,693**	**-**	**96,603**	**105,628**
	Total (A+B)	**277,164**	**57,300**	**-**	**334,464**	**378,859**

14.3 Changes in deferred tax assets (as a matching balance to the income statement)

	31/12/2015	31/12/2014
1. Opening amount	**3,504,136**	**2,788,861**
2. Increases	**222,481**	**1,111,548**
2.1 Deferred tax assets recorded during the year	218,700	1,098,314
a) referring to previous years	55,252	11,489
b) due to changes in accounting criteria	-	-
c) recoveries	-	7,987
d) other	163,448	1,078,838
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	3,781	13,234
3. Decreases	**(933,782)**	**(396,273)**
3.1 Deferred tax assets cancelled during the year	(119,723)	(180,877)
a) reversals	(97,692)	(136,262)
b) write-downs due to unrecoverability	(15,056)	(33,753)
c) changes in accounting criteria	-	-
d) other	(6,975)	(10,862)
3.2 Decreases in tax rates	(7,962)	(3)
3.3 Other decreases	(806,097)	(215,393)
a) transformation into tax credit pursuant to Italian Law 214/2011	(804,660)	(203,428)
b) other	(1,437)	(11,965)
4. Closing amount	**2,792,835**	**3,504,136**

Information on deferred tax assets (DTA), on transformable DTA and on assessments of recoverability

The recognition of deferred tax asset and their maintenance on the financial statements is necessarily assessed taking the provisions of tax legislation into due consideration, which, envisaging the transformation of deferred tax assets into tax credit in specific circumstances, introduced a procedure to recover "additional" and "supplementary" deferred tax assets in order to ensure their "re-absorption" regardless of the Group's ability to generate future income ("tax capability").

In this regard, we refer to the provisions of Italian Law no. 214 dated 22 December 2011 (for short Law 214/2011) and later, the changes introduced by Law 147/2013 (so-called 2014 Stability Law), which regulates the transformation of deferred tax assets (DTA) into tax credit in the event that a "statutory loss", a "tax loss" for IRES purposes or a "net negative value of production" for IRAP purposes is recorded.

The DTA recorded in the financial statements are encompassed by this option, with relation both to write-downs of receivables not yet deducted in accordance with the time limits in force under art. 106, paragraph 3 of the Italian Consolidated Income Tax Law (TUIR), and to the value of goodwill and of other intangible assets pursuant to art. 103 of the TUIR, the negative components of which are deductible in subsequent tax years.

The tax changes introduced by Italian Law Decree no. 83 of 27 June 2015, converted into Law no. 132 of 6 August 2015, made significant changes both to the tax treatment of adjustments on loans set forth in art. 106 of the TUIR and to rules relating to transformable DTA.

Firstly, art. 16 of Italian Law Decree no. 83/2015 renewed art. 106 of the TUIR, by permitting the full deduction of value adjustments on loans from tax year 2015; on a transition basis, for the initial period of application, previous adjustments may be deducted within a limit of 75% of their amount.
Secondly, art. 17 of the cited Decree has blocked the transformation into tax credit of DTAs relating to goodwill and to other newly recognised intangible assets.

The following table shows changes in deferred tax assets that may be transformed into tax credit pursuant to Italian Law 214/2011.

14.3.1 Changes in deferred tax assets pursuant to Italian Law 214/2011 (as a matching balance to the income statement)

	Total 31/12/2015	Total 31/12/2014
1. Opening amount	**3,178,998**	**2,496,588**
2. Increases	**71,840**	**938,805**
- of which business combinations	-	-
3. Decreases	**(805,726)**	**(256,395)**
3.1 Reversals	(1,065)	(52,967)
3.2 Transformation into tax credit	(804,661)	(203,428)
a) resulting from losses for the year	(804,062)	(203,420)
b) resulting from tax losses	(599)	(8)
3.3 Other decreases	-	-
- of which business combinations	-	-
4. Closing amount	**2,445,112**	**3,178,998**

As at 31 December 2015, the deferred tax assets that meet the requirements of Italian Law 214/2011 for transformation into tax credit corresponded to euro 2,445.1 million, corresponding to 86.47% of total DTA recognised in the financial statements.

The table below summarises the “Transformable DTA” recognised in the financial statements, referring to the different tax provisions that generated them:

Type of asset underlying the transformable DTA	31/12/2015		31/12/2014	
	Total Transformable DTA	of which relating to the Parent Company	Total Transformable DTA	of which relating to the Parent Company
Write-downs of receivables under paragraph 3, art. 106 TUIR (Italian Consolidated Income Tax Law)	1,727,652	1,703,299	2,232,216	1,908,397
Amortisation of “goodwill” under paragraphs 3 and 3-bis of art. 103 TUIR (Italian Consolidated Income Tax Law)	615,965	613,814	804,688	801,428
Amortisation of “other intangible assets” under paragraphs 1 and 3-bis of art. 103 TUIR (Italian Consolidated Income Tax Law)	101,495	101,495	142,094	142,094
Total	**2,445,112**	**2,418,608**	**3,178,998**	**2,851,919**

The DTA transformed into tax credit in 2015 totalled euro 804.7 million, of which euro 739.8 million related to the Parent Company.

As regards the DTA transformed, art. 9 of Italian Law 214/2011 establishes that “negative components corresponding to the deferred tax assets transformed into tax credit are not deductible”.
This means that in calculating the current IRES and IRAP of the individual companies involved, decreases relating to the assets that generated the deferred taxes in question were neutralised by an amount of tax corresponding to the DTA transformed.
As regards “tax capability”, given that the DTA recognised in the consolidated financial statements mostly originate from:

- deductible temporary differences relating to write-downs of receivables exceeding the immediate deductibility threshold envisaged by tax legislation with reference to credit and financial entities only (1,727.6 million);
- deductible temporary differences relating to goodwill and other intangible assets recorded in previous years (euro 717.5 million);

current legislative provisions actually eliminate the risk of their non-recovery.

Instead, as regards residual deferred tax assets, corresponding to euro 382.6 million, their recognition in the financial statements is strictly dependent on the Group’s capability to generate extensive future taxable income.

At IRES level, it should be noted that at present, Banco Popolare has never closed a financial year with a tax loss for IRES at consolidated level. Furthermore, even if one year taxable income for IRES were negative (tax loss), pursuant to the new article 84, paragraph 1, of Italian Presidential Decree no. 917 of 22 December 1986, the tax loss could be recovered without any time restriction.

Furthermore, both the consolidated 2016/2018 business plan and the 2016 budget forecast taxable income for IRES in the future, which will enable the residual DTA to be fully recovered.

In terms of IRAP, the merger by incorporation of the Network Banks and the recent incorporation of Banca Italease in March 2015 resulted in an increase of the taxable income (value of production) of Banco Popolare.
The level of taxable income for IRAP purposes which is expected to be generated in future years by the individual companies means that it is likely that the full amount of the residual DTA recorded in the financial statements will be recovered.

14.4 Changes in deferred tax liabilities (as a matching balance to the income statement)

	31/12/2015	31/12/2014
1. Opening amount	**273,231**	**337,242**
2. Increases	**14,492**	**4,181**
2.1 Deferred tax liabilities recorded during the year	4,427	4,178
a) referring to previous years	794	-
b) due to changes in accounting criteria	-	-
c) other	3,633	4,178
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	10,065	3
3. Decreases	**(49,862)**	**(68,192)**
3.1 Deferred tax liabilities cancelled during the year	(30,616)	(68,005)
a) reversals	(29,961)	(65,693)
b) due to changes in accounting criteria	-	-
c) other	(655)	(2,312)
3.2 Decreases in tax rates	(5,755)	(3)
3.3 Other decreases	(13,491)	(184)
4. Closing amount	**237,861**	**273,231**

14.5 Changes in deferred tax assets (as a matching balance to shareholders’ equity)

	31/12/2015	31/12/2014
1. Opening amount	**50,756**	**63,768**
2. Increases	**9,175**	**21,328**
2.1 Deferred tax assets recorded during the year	8,965	21,309
a) referring to previous years	-	-
b) due to changes in accounting criteria	-	-
c) other	8,965	21,309
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	210	19
3. Decreases	**(25,047)**	**(34,340)**
3.1 Deferred tax assets cancelled during the year	(19,733)	(34,340)
a) reversals	(19,733)	(34,340)
b) write-downs due to unrecoverability	-	-
c) due to changes in accounting criteria	-	-
d) other	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	(5,314)	-
4. Closing amount	**34,884**	**50,756**

14.6 Changes in deferred tax liabilities (as a matching balance to shareholders' equity)

	31/12/2015	31/12/2014
1. Opening amount	**105,628**	**68,413**
2. Increases	**96,254**	**37,353**
2.1 Deferred tax liabilities recorded during the year	95,614	36,308
a) referring to previous years	-	-
b) due to changes in accounting criteria	-	-
c) other	95,614	36,308
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	640	1,045
3. Decreases	**(105,279)**	**(138)**
3.1 Deferred tax liabilities cancelled during the year	(104,991)	(97)
a) reversals	(104,991)	(97)
b) due to changes in accounting criteria	-	-
c) other	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	(288)	(41)
4. Closing amount	**96,603**	**105,628**

14.7 Other information

Group tax situation

For an assessment of the risks relating to litigation in progress with the Tax Authority and relative developments in 2015 (new disputes that have emerged or disputes concluded and/or settled), please refer to the content of Section 12 - Provisions for risks and charges – Item 120 of liabilities, where the allocations made to liabilities judged to be likely are made, pursuant to the provisions of accounting standard IAS 37.

The National Tax Consolidation Scheme

Banco Popolare and the subsidiaries listed below have opted for the national tax consolidation scheme under Articles 117 to 129 of Italian Presidential Decree no. 917 of 22 December 1986. This option, valid for the tax period 2013-2015, refers to all Group Companies which meet the requirements of the aforementioned regulations and, specifically:

1. Aletti Fiduciaria S.p.A.;
2. Aletti Gestielle SGR S.p.A.;
3. Banca Aletti & C. S.p.A.;
4. Bipielle Real Estate S.p.A.;
5. BP Property Management s.c.r.l.;
6. BP Trading Immobiliare S.r.l.;
7. BRF Property S.p.A.;
8. Holding di Partecipazioni Finanziarie BP S.p.A.;
9. Italease Gestione Beni S.p.A.;
10. Lido dei Coralli S.r.l.;
11. Mariner S.r.l.;
12. Nadir Immobiliare S.r.l.;
13. P.M.G. S.r.l;
14. Release S.p.A.;
15. Sirio Immobiliare S.r.l.;
16. Società Gestione Servizi BP S.c.p.A.;
17. Sviluppo Comparto 6 S.r.l.;
18. Sviluppo Comparto 8 S.r.l.;
19. Tecmarket Servizi S.p.A.;
20. Toscana Tissue S.r.l..

During the year, following the extraordinary merger operations, Banca Italease S.p.A. is no longer included in the scope of consolidation, insofar as incorporated into Banco Popolare Soc. Coop. effective for tax purposes as of 1 January 2015.

There are no associates for which we opted for the fiscal transparency regime under articles 115 and following of Italian Presidential Decree 917-1986.

Section 15 - Non-current assets held for sale and discontinued operations and related liabilities – Item 150 under assets and Item 90 under liabilities

15.1 Non-current assets held for sale and discontinued operations: breakdown by type of asset

	31/12/2015	31/12/2014
A. Individual assets		
A.1 Financial assets	-	-
A.2 Investments in associates and companies subject to joint control	-	-
A.3 Property and equipment	80,200	94,308
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total A	**80,200**	**94,308**
of which valued at cost	1,851	24,042
of which designated at fair value 1	-	-
of which designated at fair value 2	-	-
of which designated at fair value 3	78,349	70,266
B. Discontinued operations		
B.1 Financial assets held for trading	2,004	-
B.2 Financial assets designated at fair value through profit and loss	-	-
B.3 Financial assets available for sale	-	-
B.4 Investments held to maturity	-	-
B.5 Due from banks	17,296	-
B.6 Loans to customers	-	-
B.7 Investments in associates and companies subject to joint control	-	-
B.8 Property and equipment	2,813	-
B.9 Intangible assets	110	-
B.10 Other assets	7,561	-
Total B	**29,784**	**-**
of which valued at cost	-	-
of which designated at fair value 1	-	-
of which designated at fair value 2	-	-
of which designated at fair value 3	29,784	-
C. Liabilities related to individual assets held for sale	**-**	**-**
C.1 Debts	-	-
C.2 Securities	-	-
C.3 Other liabilities	(5,434)	-
Total C	**(5,434)**	**-**
of which valued at cost	(5,434)	-
of which designated at fair value 1	-	-
of which designated at fair value 2	-	-
of which designated at fair value 3	-	-
D. Liabilities related to discontinued operations		
D.1 Due to banks	(5,438)	-
D.2 Due to customers	(320,406)	-
D.3 Debt securities issued	-	-
D.4 Financial liabilities held for trading	(2,102)	-
D.5 Financial liabilities designated at fair value through profit and loss	-	-
D.6 Provisions	(5,660)	-
D.7 Other liabilities	(3,225)	-
Total D	**(336,831)**	**-**
of which valued at cost	-	-
of which designated at fair value 1	-	-
of which designated at fair value 2	-	-
of which designated at fair value 3	(336,831)	-

Non-current assets held for sale include property and equipment of euro 80.2 million (euro 94.3 million as at 31 December 2014), and include properties:

- of the former Banca Italease amounting to euro 70 million acquired following the full and final settlement of debt positions and recognised under this item following the approval of resolutions regarding their sale;

- of Release amounting to euro 4.9 million, for which negotiations for their sale are at an advanced stage;
- and of Italease Gestione Beni amounting to euro 3.2 million.

Following the cancellation of the preliminary sale agreement, the property of the subsidiary company Sviluppo Comparto 8, which last year had been recognised under this financial statement item for euro 18 million, was reclassified to property and equipment held for investment purposes.

The assets and liabilities associated with discontinued operations refer to the assets and liabilities of the subsidiary company Banco Popolare Luxembourg SA classified as undergoing disposal pursuant to IFRS 5. More specifically, the balances indicated represent the contribution to the Group's consolidated financial statements as at 31 December 2015 and are therefore shown net of any significant cancellations due to intergroup relations (especially as regards assets). Note that the settlement of the transaction to sell the subsidiary is envisaged to be in the first quarter of 2016, once the necessary authorisation has been obtained from the competent authorities and will not have an impact on the Group's statement of financial position or income statement, given that the effects of the sale were recognised in the 2015 income statement (see the content of Part C, Section 21 - Income (loss) after tax from discontinued operations - Item 310, of these Notes to the Financial Statements).
As regards the assets and liabilities indicated under sub-items "of which designated at fair value 1/2/3" please refer to the content of "Part A.4 - Fair value disclosure".

15.2 Other information

There is no other information to report.

15.3 Information on investments in companies subject to significant influence, not carried at equity

There are no investments in companies subject to significant influence which are not carried at equity classified as held for sale.

Section 16 - Other assets – Item 160

16.1 Other assets: breakdown

	31/12/2015	31/12/2014
Due from Tax Authority (not classifiable under tax assets)	987,191	751,885
Receivables for the disposal of assets and the provision of services	18,817	23,724
Other income to be received	14,258	11,810
Cash and other values on hand	148,651	70,309
Items being processed	536,986	536,752
Items in transit between branches	233,877	143,841
Securities and coupons to be settled	22,637	44,922
Other operations to be settled	61	-
Leasehold improvements	58,310	56,020
Accrued income and prepayments not attributable to a specific item	16,920	31,073
Other items	586,888	567,016
Total	**2,624,596**	**2,237,352**

"Due from Tax Authority" mainly includes:

- tax credits for petitions for the refund of direct, indirect taxes and VAT submitted by Banco Popolare and by incorporated companies for a total of euro 399 million, euro 288.2 million of which as principal and euro 110.8 million as interest. The most important tax credits include IRPEG/ILOR taxes, which are the subject of a dispute for 1995 with the former Banca Popolare di Novara s.c.a r.l. (euro 86.5 million) and VAT credit for various years, for which a refund has been requested by the former Banca Italease S.p.A. (214.7 million);
- the tax credits resulting from higher payments on account of stamp duty, of substitute tax under former Italian Presidential Decree 601/73, of substitute tax applied to customers performed over the year and that will be recovered in netting in 2016 for a total of euro 290.9 million;
- tax credits due from the Tax Authority, following payments made provisionally pending a ruling of the court, for a total of euro 233.5 million. These include the payment associated with the proceedings regarding the claimed non-deductibility of costs relating to the attempted takeover of Banca Antonveneta by the former Banca Popolare Italiana in 2005 for euro 201.8 million;
- tax credits also include euro 35.5 million on foreign dividends, the refund of which has been requested of the Swiss Tax Authority by the subsidiary Banca Aletti in application of the rules envisaged for agreements against double taxation. The credit refers to 2008, 2009, 2013 and 2014. With reference to the refunds

requested of the Swiss Tax Authority, note that in the last few months of 2013, the Swiss Tax Authority approved the refunds for 2006, 2007, 2010, 2011 and 2012, while it reserved judgement as to the right of a refund for tax credits relating to 2008 and 2009. At the end of 2014, as the Bank has not received any further answer, it asked the Swiss Tax Authority to make a formal ruling, as this step is required before the proceedings can be brought before the competent Swiss judge. In this regard, the Bank has received the support of specific legal and tax opinions from leading Italian and Swiss tax advisors, which retain the requests for refunds to be valid and justified. Nevertheless, solely with a view to lowering the amount, the opportunity of seeking a possible settlement of the dispute with the Swiss Tax Authority has been considered, as settling the dispute out of court is in any event retained as preferable to facing the costs, the lengthy period involved and the undeniable uncertainties of a dispute.

“Items being processed” mainly includes amounts waiting to be recorded and various suspended amounts, as well as debits not yet due to be charged to customer current accounts and received by external companies, relating to the domiciliation of bills not yet charged to customer current accounts insofar as not yet due.

The item “Leasehold improvements” includes the costs capitalised relating to work carried out in branches which are located in third party properties, net of the depreciation charge calculated on the basis of the duration of the rental agreement.

Other items includes assets relating to pension funds of euro 272.4 million. These are assets in which the available assets of internal defined contribution Pension Funds are invested. The corresponding liabilities are illustrated in Section 12 “Provisions for risks and charges” The item also includes assets for Check Truncation transactions of euro 68.7 million and amounts charged to customers in January 2016 for the stamp duty on financial products of euro 112.1 million.

LIABILITIES

Section 1 - Due to banks – Item 10

1.1 Due to banks: breakdown by product

Transaction type/Amounts	31/12/2015	31/12/2014
1. Due to central banks	**11,958,009**	**12,870,424**
2. Due to banks	**4,376,730**	**4,512,893**
2.1 Current accounts and demand deposits	666,187	1,105,356
2.2 Time deposits	258,663	1,154,834
2.3 Loans	3,159,588	2,229,890
2.3.1 Repurchase agreements	1,550,218	723,733
2.3.2 Other	1,609,370	1,506,157
2.4 Payables for commitments to repurchase own equity instruments	-	-
2.5 Other payables	292,292	22,813
Total	**16,334,739**	**17,383,317**
Fair value - level 1	**-**	**-**
Fair value - level 2	**16,334,739**	**17,383,317**
Fair value - level 3	**-**	**-**
Total Fair value	**16,334,739**	**17,383,317**

As at the date of the financial statements, “Due to central banks” refers entirely to Targeted Long Term Refinancing Operations (TLTRO) with the European Central Bank.

1.2 Breakdown of item 10 “Due to banks”: subordinated loans

At the reporting date, similarly to the end of the previous year, there are no subordinated loans payable to banks.

1.3 Breakdown of item 10 “Due to banks”: structured debts

As at 31 December 2015, like the previous year, there are no payables that required the separation of embedded derivatives in accordance with IAS 39 (so-called “structured debts”).

1.4 Due to banks subject to micro hedging

At the reporting date, in line with last year, there are no amounts due to banks subject to micro hedging.

1.5 Financial lease payables

	31/12/2015			31/12/2014		
	Minimum payments		Gross investment	Minimum payments		Gross investment
	Principal	Interest		Principal	Interest	
Up to 3 months	124	39	163	120	42	162
From 3 months to 1 year	670	101	771	364	128	492
From 1 year to 5 years	4,214	413	4,627	5,009	589	5,598
Over 5 years	-	-	-	-	-	-
Undefined term	-	-	-	-	-	-
Total	**5,008**	**553**	**5,561**	**5,493**	**759**	**6,252**

Section 2 - Due to customers – Item 20

2.1 Due to customers: breakdown by product

Transaction type/Amounts	31/12/2015	31/12/2014
1. Current accounts and demand deposits	40,551,672	40,806,181
2. Time deposits	3,049,315	3,731,654
3. Loans	8,373,348	9,109,101
3.1 Repurchase agreements	7,743,323	8,672,112
3.2 Other	630,025	436,989
4. Payables for commitments to repurchase own equity instruments	-	-
5. Other payables	1,496,047	1,131,778
Total	**53,470,382**	**54,778,714**
Fair value - level 1	**-**	**-**
Fair value - level 2	**53,470,382**	**54,773,337**
Fair value - level 3	**-**	**-**
Total Fair Value	**53,470,382**	**54,773,337**

2.2 Breakdown of item 20 “Due to customers”: subordinated loans

At the reporting date there are no subordinated loans payable to customers.

2.3 Breakdown of item 20 “Due to customers”: structured debts

As at 31 December 2015, like the previous year, there are no payables that required the separation of embedded derivatives in accordance with IAS 39 (so-called “structured debts”).

2.4 Due to customers subject to micro hedging

At the reporting date, in line with last year, there are no amounts due to customers subject to micro hedging.

2.5 Financial lease payables

At the reporting date the amounts payable to customers for financial leases were insignificant.

Section 3 - Debt securities issued – Item 30

3.1 Debt securities issued: breakdown by product

Type of security / Amounts	Total 31/12/2015				Total 31/12/2014			
	Book Value	*Fair Value*			Book Value	*Fair Value*		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. Bonds	15,680,096	14,417,567	1,354,321	43,875	14,644,594	14,009,555	1,138,015	-
1.1 structured	-	-	-	-	25,011	-	24,687	-
1.2 other	15,680,096	14,417,567	1,354,321	43,875	14,619,583	14,009,555	1,113,328	-
2. Other securities	888,345	-	888,345	-	2,064,981	-	2,064,981	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	888,345	-	888,345	-	2,064,981	-	2,064,981	-
Total	**16,568,441**	**14,417,567**	**2,242,666**	**43,875**	**16,709,575**	**14,009,555**	**3,202,996**	**-**

Securities issued includes the Covered Bonds issued by Banco Popolare, the book value of which amounts to euro 3,947.4 million (against 4,248.6 million as at 31 December 2014). In line with the instructions of the Supervisory Authority, this category includes funding repurchase agreements, amounting to euro 470.7 million, carried out with leading institutional counterparties, whose underlying assets are represented by the Covered Bonds.

3.2 Breakdown of item 30 “Debt securities issued”: subordinated securities

As at the date of the financial statements, subordinated securities issued were represented by 12 issues with a book value of euro 3,161.5 million (last year there were 14 issues with a book value of euro 3,302.3 million) of which 2 issues are represented by preference shares for the amount of euro 44.2 million (last year there were 3 issues with a book value of euro 300.2 million).

In 2015, two subordinated loans issued by the Parent Company, for a nominal amount of euro 344.6 million, were wholly redeemed as they had reached their contractual maturity.
During the period, an early redemption option was exercised for an eligible instrument of additional Tier 1 capital, with a nominal value of euro 500 million, at the time placed through a foreign SPE and eligible for “grandfathering”.
Trading in instruments issued by the Bank was extremely limited, following the provisions introduced by Delegated Regulation 241/2014 by the European Commission.
Pursuant to this regulation, the ECB authorised a ceiling for transactions in eligible additional Tier 1 and Tier 2 securities.
The amount of equity instruments was also unchanged (additional Tier 1 own funds) repurchased but not cancelled, belonging to the Preferred Securities issue of a nominal euro 150 million, placed through a foreign SPE and previously guaranteed by Banca Italease (ISIN: XS0255673070).
Following the incorporation of the former Banca Italease into the Parent Company, in 2015, the payment of quarterly coupons was reinstated, as the conditions, based on contractual and supervisory rules, that allow their payment were met.
This issue was given a C rating by Fitch.
During the year, an issue of subordinated instruments, with Tier 2 eligibility pursuant to Regulation EU/575/2013 (CRR), was made for a nominal amount of euro 499.9 million, with a 7 year term.

The characteristics of the subordinated loans included in calculations for regulatory purposes are set forth in Part F – “Information on consolidated shareholders’ equity”.

3.3 Breakdown of item 30 “Debt securities issued”: securities subject to micro hedging

	31/12/2015	31/12/2014
1. Securities subject to micro fair value hedging:	10,120,962	12,939,339
a) interest rate risk	10,120,962	12,939,339
b) exchange rate risk	-	-
c) multiple risks	-	-
2. Securities subject to micro cash flow hedging:	-	-
a) interest rate risk	-	-
b) exchange rate risk	-	-
c) other	-	-
Total	**10,120,962**	**12,939,339**

Section 4 - Financial liabilities held for trading – Item 40

4.1 Financial liabilities held for trading: breakdown by product

Transaction type/Amounts	31/12/2015					31/12/2014				
	NV	FV			FV*	NV	FV			FV*
		L1	L2	L3			L1	L2	L3	
A. Cash liabilities										
1. Due to banks	345	4,309	-	-	4,309	79	213	-	-	213
2. Due to customers	92,692	142,406	-	-	142,406	140	115	-	-	115
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total A	**93,037**	**146,715**	**-**	**-**	**146,715**	**219**	**328**	**-**	**-**	**328**
B. Derivatives										
1. Financial derivatives	X	312,464	7,109,263	27	X	X	176,997	5,871,947	43	X
1.1 Trading	X	312,464	7,050,210	27	X	X	176,963	5,795,147	43	X
1.2 Under the fair value option	X	-	53,680	-	X	X	-	63,961	-	X
1.3 Other	X	-	5,373	-	X	X	34	12,839	-	X
2. Credit derivatives	X	-	5,512	-	X	X	-	10,198	-	X
2.1 Trading	X	-	5,512	-	X	X	-	10,198	-	X
2.2 Under the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**312,464**	**7,114,775**	**27**	**X**	**X**	**176,997**	**5,882,145**	**43**	**X**
Total (A+B)	**X**	**459,179**	**7,114,775**	**27**	**X**	**X**	**177,325**	**5,882,145**	**43**	**X**

FV = Fair Value
FV= Fair value calculated excluding changes in value due to changes in the issuer's creditworthiness with respect to the issue date.*
NV = Nominal Value
L1 = Level 1
L2 = Level 2
L3 = Level 3

The item "Cash liabilities – due to customers" exclusively includes technical overdrafts on listed shares issued by other companies, of the subsidiary Aletti & C. Banca di Investimento Mobiliare S.p.A..

Note that financial trading derivatives include the certificates issued by Banca Aletti, the total fair value of which as at 31 December 2015 was euro 5,325.6 million. Note also that this amount includes the certificate that envisage protection of the amount subscribed by the customer or of a share of the same, on an unconditional basis with respect to the financial parameters to which the same are index-linked, with relation to which the reference accounting standards do not envisage any separation obligation, as these are items measured at fair value through profit and loss. As at 31 December 2015, these certificates had a negative fair value of euro 3,841.4 million.

Derivatives under fair value option are represented by derivatives that are operationally linked to issues of bonds where the Group implemented the fair value option, in compliance with IAS 39, paragraph 9.

4.2 Breakdown of item 40 "Financial liabilities held for trading": subordinated liabilities

At the reporting date, similarly to the end of the previous year, there are no subordinated financial liabilities.

4.3 Breakdown of item 40 "Financial liabilities held for trading": structured debts

As at 31 December 2015, like the previous year, there are no payables that required the separation of embedded derivatives in accordance with IAS 39 (so-called "structured debts").

Section 5 - Financial liabilities designated at fair value through profit and loss – Item 50

5.1 Financial liabilities designated at fair value through profit and loss: breakdown by product

Transaction type/Amounts	31/12/2015					31/12/2014				
	NV	FV			FV*	NV	FV			FV*
		L1	L2	L3			L1	L2	L3	
1. Due to banks	-	-	-	-	-	-	-	-	-	-
1.1 Structured	-	-	-	-	x	-	-	-	-	x
1.2 Other	-	-	-	-	x	-	-	-	-	x
2. Due to customers	-	-	-	-	-	-	-	-	-	-
2.1 Structured	-	-	-	-	x	-	-	-	-	x
2.2 Other	-	-	-	-	x	-	-	-	-	x
3. Debt securities	**12,108,118**	**10,863,200**	**1,239,421**	**-**	**12,137,841**	**15,015,301**	**12,419,882**	**2,605,297**	**-**	**15,055,507**
3.1 Structured	-	-	-	-	x	528	-	1,908	-	x
3.2 Other	12,108,118	10,863,200	1,239,421	-	x	15,014,773	12,419,882	2,603,389	-	x
Total	**12,108,118**	**10,863,200**	**1,239,421**	**-**	**12,137,841**	**15,015,301**	**12,419,882**	**2,605,297**	**-**	**15,055,507**

FV = Fair Value
FV= Fair value calculated excluding changes in value due to changes in the issuer's creditworthiness with respect to the issue date.*
NV = Nominal Value
L1 = Level 1
L2 = Level 2
L3 = Level 3

Financial liabilities designated at fair value through profit and loss refer to plain vanilla bond issues which are fixed-rate or linked to equity instruments, exchange rates, inflation rates or interest rate structures, which have been hedged using derivative instruments. The use of the Fair Value Option therefore meets the need to cancel or significantly reduce accounting asymmetry, as an alternative to hedge accounting. Otherwise, derivatives would be valued at fair value in any event, while the bond loans would be recognised at amortised cost.
For the scope of securities under the fair value option and the method used to determine fair value and quantify changes in creditworthiness, please refer to "Part A – Accounting policies – A.2 Key financial statement items, 18 – Other information, Methods for determining the fair value of financial instruments".

Effect of the change in the Bank's creditworthiness on financial liabilities designated at fair value through profit and loss

Due to the change in Banco Popolare's creditworthiness with respect to the issue date of the financial liabilities designated at fair value through profit and loss outstanding as at 31 December 2015, the latter as a whole are recorded at a lower value than the issue value, corresponding to euro 35.2 million (compared with euro 30.3 million as at 31 December 2014).
The rise in cumulative gains as at 31 December 2015 compared to the end of the previous year had a positive economic impact of euro 4.9 million, attributable to the change in creditworthiness.
As creditworthiness is measured on the basis of market quotations of Banco Popolare's Credit Default Swap (CDS) curve, the positive impact on the income statement is mainly due to the deterioration of the CDS curve with respect to the end of the previous year.
The following table shows the cumulative effects of the change in the Bank's creditworthiness from the issue date of the loan, recorded in total on the income statement:

Creditworthiness effect	31/12/2015	31/12/2014
Cumulative gains / (losses)	35,248	30,336
Profits (losses) on creditworthiness change	4,912	(38,828)

It should be noted that the net cumulative gains recorded as at 31 December 2015 due to the changes in the Bank's creditworthiness, which led to a lower book value of liabilities, are expected to have a negative impact on future income statements to the extent that the liabilities will not be repurchased at prices in line with the recorded book value.
For the sake of completeness, note that, based on the supervisory regulations in force, the net cumulative gains attributable to the worsening of creditworthiness do not contribute to the calculation of own funds, as a result of the application of prudent filters. The above gains also constitute non-distributable profits or reserves pursuant to the provisions of art. 6 of Italian Legislative Decree no. 38 of 28 February 2005.

5.2 Breakdown of item 50 “Financial liabilities designated at fair value through profit and loss”: subordinated liabilities

Financial liabilities designated at fair value through profit and loss are represented by 3 issues with a book value of euro 211 million (last year there were 3 issues with a book value of euro 228.8 million) of which 2 issues are represented by preference shares for the amount of euro 159.1 million (last year there were 2 issues with a book value of euro 174.7 million).

The characteristics of the subordinated loans included in calculations for regulatory purposes are set forth in Part F – “Information on consolidated shareholders’ equity”.

Section 6 - Hedging derivatives – Item 60

6.1 Hedging derivatives: breakdown by hedge type and level

	Fair Value 31/12/2015			NV 31/12/2015	Fair Value 31/12/2014			NV 31/12/2014
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives	**-**	**990,562**	**-**	**6,142,407**	**-**	**590,722**	**-**	**4,698,899**
1) Fair value	-	990,562	-	6,142,407	-	590,722	-	4,698,899
2) Cash flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**990,562**	**-**	**6,142,407**	**-**	**590,722**	**-**	**4,698,899**

NV = Nominal Value
L1 = Level 1
L2 = Level 2
L3 = Level 3

6.2 Hedging derivatives: breakdown by portfolio hedged and hedge type

Transaction/Type of hedge	Fair Value						Cash Flows		Foreign investments
	Micro					Macro	Micro	Macro	
	Interest rate risk	Exchange rate risk	Credit risk	Price risk	Multiple risks				
1. Financial assets available for sale	901,565	-	-	-	-	X	-	X	X
2. Loans	6,838	-	-	X	-	X	-	X	X
3. Investments held to maturity	X	-	-	X	-	X	-	X	X
4. Portfolio	X	X	X	X	X	-	X	-	X
5. Other loans	-	-	-	-	-	X	-	X	-
Total assets	**908,403**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	-	-	-	X	-	X	-	X	X
2. Portfolio	X	X	X	X	X	82,158	X	1	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**82,158**	**-**	**1**	**-**
1. Expected transactions	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	-	X	-	-

Section 7 - Fair value change of financial liabilities in macro fair value hedge portfolios – Item 70

7.1 Fair value change of hedged financial liabilities

Fair value change of hedged liabilities/Group components	31/12/2015	31/12/2014
1. Positive change in financial liabilities	457	943
2. Negative change in financial liabilities	-	-
Total	**457**	**943**

7.2 Liabilities subject to macro interest rate risk hedging: breakdown

	31/12/2015	31/12/2014
1. Debts	-	-
2. Debt securities issued	-	-
3. Portfolio	115,000	115,000
Total	**115,000**	**115,000**

Section 8 - Tax liabilities – Item 80

This section was commented on in Section 14 of statement of financial position assets in Part B – Information on the statement of financial position, of these notes to the financial statements.

Section 9 - Liabilities associated with non-current assets held for sale and discontinued operations – Item 90

The information in this section was shown in Section 15 of statement of financial position assets in Part B – Information on the statement of financial position, of these notes to the financial statements.

Section 10 - Other liabilities – Item 100

10.1 Other liabilities: breakdown

	31/12/2015	31/12/2014
Due to Tax Authority (not classifiable under tax liabilities)	137,395	160,892
Due to personnel	88,833	108,818
Due to Social Security	4,065	5,538
Trade payables	115,626	124,425
Payables for sundry items due to the Tax Collection Service	-	5
Items in transit between branches not yet allocated to destination accounts	281,095	19,485
Amounts available to be paid to third parties	279,438	216,033
Bank transfers to be cleared	242,172	449,637
Items relating to securities transactions	17,787	38,528
Other items being processed	515,365	267,207
Adjustments for illiquid items in portfolio	618,174	620,022
Accrued liabilities and deferred income not attributable to a specific item	24,136	25,501
Other items	566,775	751,112
Total	**2,890,861**	**2,787,203**

The item "Due to Tax Authority (not classifiable under tax liabilities)" includes net tax liabilities such as VAT payable, withholdings on interest expense and income from employed work and similar, withholdings and other tax items not recognised under item 80 "Tax liabilities".
The item "Due to personnel" mainly comprises charges relating to holidays accrued and not taken, to hours banked and not used and relative mandatory social security contributions.
The item "Bank transfers to be cleared" mainly regards UNIPAY bank transfers to be credited.
"Items relating to securities transactions" is comprised of securities cash purchase and sale transactions made

between the end of one year and the beginning of the next.
“Adjustments for illiquid items in portfolio” includes mismatches of bills in the portfolio (“Portfolio of minority interests” and “Own portfolio”).
“Other items” is mainly comprised of the following sub-items: “Hedging of risks for guarantees given and commitments” for euro 81.9 million and “Other items” of euro 484.9 million. This latter category includes liabilities for payments relating to the Direct Debit SEPA circuit of euro 194.3 million, collections from F24 proxies and former S.A.C. of around euro 45.1 million, well as the effects of the line-by-line consolidation of the Gestielle Hedge Low Volatility fund of euro 82.3 million. Specifically, this is a fund in which the Group holds a majority of assets, for which the net asset value (NAV) of the fund was consolidated, recognising the NAV not attributable to the Group under other liabilities.

Section 11 - Employee termination indemnities – Item 110

11.1 Employee termination indemnities: annual changes

	31/12/2015	31/12/2014
A. Opening balance	**377,847**	**363,512**
B. Increases	**5,429**	**44,996**
B.1 Provisions for the year	4,888	44,765
B.2 Other increases	541	231
C. Decreases	**(48,663)**	**(30,661)**
C.1 Benefits paid	(30,428)	(27,316)
C.2 Other decreases	(18,235)	(3,345)
D. Closing balance	**334,613**	**377,847**

Item B.1 “Provisions for the year” includes charges recorded under item 180 a) “personnel expenses” on the income statement.

Items B.2 and C.2 “Other increases/decreases” include the actuarial gains/losses, with a net profit of euro 16.1 million, after the relative tax, recorded as a balancing entry to the valuation reserve and were recognised in the statement of comprehensive income for the year. As at 31 December 2014, actuarial losses of euro 33.8 million had been included under “B.1 Provisions for the year”.

11.2 Other information

As described in “Part A – Accounting policies”, following the reform of supplementary pension plans, employee termination indemnities in this financial statement item (for companies with an average of at least 50 employees during 2006, which represents almost all Group companies) refers only to the portion accrued up to 31 December 2006.
For these companies, therefore, the provisions do not include the portions which, as a result of the reform, have been paid to supplementary pension plans or to the Italian Social Security Institution (INPS) Treasury Fund. The portions of employee termination indemnities accrued from 1 January 2007 are classified as “defined-contribution plans” and are recognised under personnel expenses in the sub-item “employee termination indemnities”, based on the contributions due, without applying actuarial calculation methods, as an offset to the recognition of “Other liabilities” on the statement of financial position, or to an outflow of cash or cash equivalents.

Main actuarial assumptions

The actuarial valuation of employee termination indemnities was carried out by an independent external actuary, based on the “accrued benefits” method, using the “Projected Unit Credit” criterion as per IAS 19. The following table shows the main demographic, economic and financial assumptions used for the valuation as at 31 December 2015 compared to that as at 31 December 2014.

Main actuarial assumptions for the valuation of employee termination indemnities **Demographic assumptions (2015-2014):**	
Employee mortality rate	RG48 Survival Table used by the State General Accounting Office
Frequency and amount of advances on employee termination indemnities	Determined based on historical experience according to seniority of services: with reference to advances following the first, it has been established that 10% of employees who requested the first advance also request a second, 6 years from the first; as for the amount of advances, an amount of 70% has been assumed for the first and 45% for the second request
Frequency of turnover	Determined based on historical experience according to age and gender
Probability of retiring	On reaching the first retirement requirement according to the provisions of General Mandatory Insurance
Financial assumptions (2015-2014):	
Yearly discounting rate	**31/12/2015:** 1.42% equal to the Iboxx Corporate AA 7-10 Y rate, with duration equal to the average duration of all benefits paid to employees of companies belonging to the Group (social security, employee termination indemnities and seniority bonuses), corresponding to 8.7 years.
	31/12/2014: 0.91% equal to the Iboxx Corporate AA 7-10 Y rate, with duration equal to the average duration of all benefits paid to employees of companies belonging to the Group (social security, employee termination indemnities and seniority bonuses), corresponding to 9.5 years.
Annual inflation rate	**31/12/2015:** 1.50% for 2016, 1.80% for 2017, 1.70% for 2018, 1.60% for 2019 and 2.00% from 2020 on. The resulting annual revaluation rates for employee termination indemnities will be 75% of the respective inflation rates increased by 1.5 percentage points (2.625% for 2016, 2.850% for 2017, 2.775% for 2018, 2.700% for 2019 and 3.000% from 2020 onwards)
	31/12/2014: 0.60% for 2015, 1.20% for 2016, 1.50% for 2017 - 2018, 2.00% from 2019 on. The resulting annual revaluation rates for employee termination indemnities will be 75% of the respective inflation rates increased by 1.5 percentage points (1.95% for 2015, 2.4% for 2016, 2.625% for 2017 - 2018 and 3.000% from 2019 onwards)
Substitute tax rate	17% on the basis of Italian Law no. 190, paragraph 623 of 23 December 2014

Actuarial gains/losses recognised in the statement of comprehensive income

As illustrated in paragraph 11.1 above, the changes to certain actuarial assumptions for the valuation of employee termination indemnities as at 31 December 2015, with respect to the previous year, led to an overall decrease in the fund of euro 16.1 million, corresponding to the sum of:

- net actuarial gains of euro 3.3 million, due to past experience, namely the differences between current demographic actuarial assumptions and what actually occurred;
- net actuarial gains of euro 12.8 million, due to changes in financial assumptions. More specifically, this breaks down into a gain of euro 15.0 million due to the change in the discounting rate and a loss of euro 2.2 million due to the change in the inflation rate.

As regards the discounting rate, which is one of the most important assumptions used in measuring obligations related to defined benefit plans, we referred to the yields of companies with “AA” ratings, considered the best indication of yields of high quality companies. In fact, the reference accounting standard, IAS 19, states that this rate must reflect the value over time of cash, but not the entity’s specific credit risk, nor actuarial risk or investment risk, or even the risk that, in the future, the real figures may differ to the actuarial assumptions made. The standard also establishes that this rate must be calculated with reference to market returns as at the closing date of the year, of stock of leading companies in the country in which the entity operates (so-called “High Quality Corporate Bond Yield”) and, alternatively, in the absence of a market for said securities, with reference to the returns of the government bonds market. More specifically, we referred to the “Iboxx Corporate AA” index, provided by info provider Markit, with a reference time horizon of 7-10 years, in line with the average duration of defined benefit plans. The increase of the discounting rate by 51 basis points (1.42% as at 31 December 2015 against 0.91% as at 31 December 2014) is solely due to market changes, insofar as the reference parameter as at 31 December 2015 is the same as that used in the previous year.

Sensitivity analysis

As required by IAS 19, we conducted a sensitivity analysis of the obligation to the employee termination indemnity with respect to the actuarial assumption retained to be most significant, with a view to showing how the financial statement liability would change as a result of reasonably possible fluctuations of each of the actuarial assumptions. More specifically, the following table shows the changes in the employee termination indemnity, in the event that the discounting and inflation rates rise or fall by 50 basis points, as well as assuming a higher turnover rate, corresponding to 1% of the parameters actually used.

	Change in TFR (employee termination indemnities) in absolute terms (*)	Change in TFR (employee termination indemnities) in percentage terms
Change in actuarial assumptions:		
- Discounting rate:		
+0.5%	(12,706)	-3.81%
-0.5%	13,528	4.05%
- Inflation rate:		
+0.5%	8,248	2.47%
-0.5%	(7,985)	-2.39%
- Turnover rate:		
+1%	(1,562)	-0.47%

(*) the amounts in brackets indicate a decrease of the fund.

Section 12 - Provisions for risks and charges – Item 120

12.1 Provisions for risks and charges: breakdown

Item/Component	31/12/2015	31/12/2014
1. Company retirement plans	362,225	348,170
2. Other provisions for risks and charges	636,239	555,442
2.1 Legal disputes	138,689	168,170
2.2 Personnel expenses	366,173	295,401
2.3 Other	131,377	91,871
Total	**998,464**	**903,612**

Company retirement plans

Retirement plans are represented by:

- defined benefit plans, with a value of euro 89.8 million, euro 45.3 million of which refers to external plans;
- defined contribution plans, with a value of euro 272.4 million, related to internal provisions.

As regards defined contribution plans, it should be noted that the Group's only obligation is to make payments into a defined contribution plan on a contractual basis; the Group is not exposed to any other risk, even if the plan has insufficient assets to pay the benefits to employees. In line with the provisions of Circular no. 262, the liabilities recognised under this item refer only to those plans classified as internal, pursuant to social security law, namely to plans established by the individual company through the formation of a separate and autonomous asset pool, with the effects set forth in art. 2117 of the Italian Civil Code. As a balancing entry to said obligation, the corresponding assets included in the plan are shown under "Other assets", and are addressed exclusively to meeting the indemnities of the plan.

In compliance with the provisions of Circular no. 262, the financial statement attachments show the statement of "internal plans".

Provisions for risks and charges - legal disputes

Other provisions for risks and charges include sub-item 2.1 "legal disputes" which refers to provisions for clawback actions of euro 15.3 million (euro 18.7 million as at 31 December 2014) and those for other pending proceedings for the remainder, corresponding to euro 123.4 million (euro 149.5 million as at 31 December 2014).

Risks related to existing legal disputes

The Group operates in a legal and regulatory scenario, which exposes it to a wide variety of legal proceedings, relating, for example, to the conditions applied to its customers, to the nature and characteristics of the products and financial services it sells, to administrative irregularities, to clawback actions for bankruptcies, and to labour law disputes. The relative risks undergo a specific analysis by the Group, with a view to make specific allocations to provisions for risks and charges, if the disbursement is retained likely, on the basis of the information available on each occasion. As indicated in "Part A – Accounting policies" of these notes to the financial statements, the complexity of the situations and of corporate operations which are behind disputes imply considerable elements of subjective judgment, which may regard both what may be due and whether it is due and how much time will elapse before liabilities materialise.
The following paragraphs illustrate the main legal disputes in progress at the end date of the financial statements, characterised by highly complex profiles and/or significant potential outlay, merely for the purpose of illustrating the maximum risk exposure, regardless of the Group's opinion as the likelihood of losing the dispute. For many of these proceedings, the Group actually believes that the risk profiles of the same are limited and therefore, as they regard possible liabilities, it has not made any allocation to provisions; with regard to liabilities considered probable, a disclosure of said judgment and on the amount of the allocation made is provided only if this will not prejudice the outcome of the dispute with the counterparty, in court or as regards the settlement. In this regard, we must emphasise that, although the estimates made by the Group are retained reliable and compliant with the dictates of the reference accounting standards, we cannot however exclude that the costs to settle disputes may not be significantly higher than the allocations made.

Area S.p.A. dispute
In July and September 2009, Banco Popolare (and others) were summoned, by means of separate actions brought by two separate groups of former shareholders of Area S.p.A..
In the first proceedings, 42 plaintiffs and 39 other parties requested that the defendants be ordered to pay compensation of euro 19.11 million, on the assumption of an alleged agreement between the former Banca Popolare di Lodi (BPL) S.c.a.r.l. and Banca Intesa S.p.A., which would have led among other things to the exclusion of Area S.p.A.'s minority shareholders, without the payment which would have been due on exercise of the right to withdraw as a consequence of the merger of Area S.p.A. in Bipielle Investimenti S.p.A..
In the second proceedings, 76 plaintiffs requested the sentencing of Banco Popolare, the former BPL S.p.A. and its former managing director, Mr. Gianpiero Fiorani, subject to ascertaining the alleged criminal liability of the latter and liability pursuant to Article 5 of Italian Legislative Decree No. 231/2001 of the two banks, to compensate the alleged damages of euro 25.2 million, inferring the same profiles as the first proceedings.
On 20 January 2010, Banca Intesa San Paolo summoned BPL and Mr. Fiorani in proceedings filed by 9 plaintiffs to extend the sentence to the Bank. In these proceedings, an order to pay alleged damages of euro 1.7 million was requested for the same reasons as the previous two cases.
The three proceedings were concluded, with an order of the Milan Court, which in judgements dated 8-9 May 2013, totally rejected the demands made by the plaintiffs, ordering the same to pay legal expenses; the rulings relating to the first two proceedings have been appealed against by several of the plaintiffs, while the ruling of the third proceeding has been final.
Based on external legal advice, Banco Popolare believes the adversary claims are groundless.

Raffaele Viscardi S.r.l.
The law suit, notified on 30 April 2009 and which has a petitum of around euro 46 million, concerns the operations of a branch in Salerno relating to the granting of agricultural loans to the plaintiff company, which alleges that it was led to subscribe Banco Popolare bonds to guarantee the sums disbursed and claims damages to its image due to reporting in the Italian Central Credit Register. On 5 May 2015, the Court of Salerno issued a ruling in favour of Banco, in response to which the opponent submitted an appeal.
Based on external legal advice, Banco Popolare believes the adversary claims are groundless.

Pandette S.r.l.
In a notice dated 13 March 2014, Banco Popolare was summoned to appear before the court by Pandette S.r.l.. The dispute originates from a put and call option contract for no. 25,300,000 shares of RCS Mediagroup S.p.A., signed by the former Banca Popolare Italiana and Pandette in 2006, and amended at the beginning of 2009 with the last exercise period set as February 2014. Following two different extraordinary transactions on the share capital of the RCS Mediagroup in 2007 and 2013, the number of shares covered by the option contract fell to 3,870,900.
In the summons, Pandette is requesting confirmation that (i) the price for the transfer of the RCS Shares covered by the Put Option is euro 31.4 against the claim of Banco of euro 113.5 million, (ii) the cost of the service due from Pandette for the transfer of the RCS shares is excessively high and (iii) Banco Popolare and Pandette have an obligation to renegotiate the terms of the contract.
Banco Popolare has rejected the adversary claims and has taken measures to safeguard against further credit claims.
In the light of an in-depth examination of the dispute conducted with the assistance of legal advisors engaged to safeguard the interests of Banco Popolare, the receivable recognised under financial assets held for trading has been suitably valued. Given that a precise indication of the outcome of said valuation could seriously prejudice the company's position in terms of the management of the dispute, in accordance with paragraph 92 of international

accounting standard IAS 37, no indication of the entity of the value adjustments recognised against the outcome of the current dispute has been provided in the notes to the financial statements.

Gruppo Perna-IT Holding Spa in Extraordinary Receivership-PA Investments in Extraordinary Receivership

In a notice dated 1 July 2014, IT Holding Spa, in extraordinary receivership, summoned Banco Popolare to appear before the court, as well as the former board directors and statutory auditors of the same IT Holding, the former board directors of the parent company PA Investments S.A. and the Group's independent auditors. In the Proceedings, Banco (the incorporating company of Efibanca S.p.A.) is accused of having planned and implemented, in collaboration with the former board directors of IT Holding and of PA Investments, a series of allegedly prejudicial operations, related to the acquisition of Gianfranco Ferrè S.p.A., which is alleged to have contributed to the deterioration of the company's financial situation, and is requested to be ordered to pay compensation for damages of not less than euro 144 million, together with the other accused parties.

On the basis of substantially similar arguments, in a notice dated 29 July 2014, PA Investments, in extraordinary receivership, summoned Banco Popolare to appear before the court, together with the former board directors of the same PA Investments, requesting Banco to be ordered to pay compensation for damages of not less than euro 128 million, together with the other accused parties.

After an overall assessment of the agreements and the documents submitted to the court, Banco Popolare believes it has a valid case to argue against the accusations made.

Maflow SpA in Extraordinary Receivership

In a notice dated 14 April 2014, Maflow S.p.A., in extraordinary receivership, summoned Banco Popolare before the court, requesting: (i) a court order, together with others, to pay compensation for damages of euro 199 million, corresponding to the financial difficulties of Maflow, as calculated by the counterparty; (ii) a court order to return the amount allegedly received by Banco unlawfully from loans granted to Maflow from establishment to default. The above is all based on the assumption that Banco played a dominant role by influencing the financial management of Maflow.

Banco Popolare believes that these requests are entirely spurious, based on a reconstruction of the facts that is as far from reality as any proper legal standing.

Potenza Giovanni

This dispute stems from relations between the former ICCRI and a company called CRIA and regards the renovation of a large building complex in Milan. In 1984, ICCRI granted various credit facilities, all secured with mortgages. The shareholder of CRIA at the time was Giovanni Potenza, who, due to economic difficulties being experienced by the company, agreed with ICCRI to transfer 87% of the company's shareholding to IMMOCRI (ICCRI's real estate company) by means of a shareholders' agreement.

Following the sale of the real estate assets of CRIA to the Norman Group, Mr. Giovanni Potenza filed, starting on 22 November 2001, a series of lawsuits to demonstrate the damages incurred by the sale of said real estate assets by ICCRI and IMMOCRI at a price he retained as inadequate, as well as to obtain the annulment of the settlement agreements between the Norman Group and ICCRI and of the relative contract of sale of the assets.

Pending the outcome of the civil court of first instance, the plaintiff also initiated criminal proceedings accusing officials of ICCRI and associated companies of extortion. The accusations were then dismissed by the Public Prosecutor's Office.

An appeal has been made against the sentence of the court of first instance in 2009, which ruled in favour of the Bank and ordered the plaintiff to pay legal expenses.

Based on external legal advice, Banco Popolare believes it is likely that the ruling of the first instance will be confirmed.

Administrative Proceedings

On 17 July 2014, Banco Popolare received a formal written notice, insofar as jointly and severally obliged with those potentially responsible for the infringement, regarding the alleged infringement of anti-money laundering legislation (Italian legislative Decree no. 231/2007). The accusation regards the failure to report a transaction retained as suspicious, following inspections conducted by the Finance Police; the matter in question dates back to 2009 and regards the paying in of 41 non-transferrable banker's drafts for a total amount of euro 10.1 million.

With the support of various external legal advisors, Banco Popolare has made the appropriate risk assessments.

Cicerone Sarl - Porta Vittoria Spa

On 7 August 2015, Cicerone Sarl and Porta Vittoria Spa, belonging to the Coppola Group, summoned Release, Banco Popolare and Piazza di Spagna View, disputing the nullity of the debt restructuring agreement of Cicerone Sarl, against Release, which originated the lease agreement for Hotel Cicerone in Rome. The opposing parties are requesting the reinstatement of the original lease agreement, as well as compensation for damages, quantified as euro 45 million.

On the advice of its legal advisors, Banco Popolare retains that it has valid arguments to counter the claims of the petitioning companies.

Ittierre S.p.A.
The company was placed under extraordinary receivership. By means of a summons, both the former Banca Popolare di Lodi S.p.A. (“BPL”) and the former Banca Popolare di Novara S.p.A. (“BPN”) were requested to return, pursuant to art. 67 of the Finance Law, the total sum of euro 16.6 million for the principal creditor and euro 4.9 million for the secondary creditor. The erroneous duplication of the application was challenged relating to the same current account, migrated following a swap of branches from BPL to BPN. Furthermore, the grounds of the request were challenged, due to the imprecision of the same insofar as the counterparty had not specified which remittances were being disputed. As regards the former BPN dispute, the judge is currently being replaced, as regards the other, a court-appointed expert witness in accounting admitted in September 2015, excluded the existence of revocable remittances to return the amounts, which was a positive development for the outcome of the case.

Send S.r.l.
The company went bankrupt in 2009. The receivable results from a pool operation of euro 49.5 million with the Unicredit head office, addressed to the construction of a shopping centre in Vicenza and secured by a mortgage at the same level on the property complex funded. Banco’s share was 28.80%. The pool receivables (and therefore also Banco’s) have been regularly admitted to the bankruptcy proceedings due to the mortgage privilege.
The bankruptcy receiver filed a claim for damages against the Pool Banks for the amount of the loan. In August 2015, the Court assigned to the receivership stated its lack of jurisdiction. In November the receivership proceedings resumed before the Court of Venice, business section. The first hearing is at the end of April 2016.

Criminal proceeding relating to the former Banca Italease
In the context of criminal proceedings in which the bank was charged with administrative liability pursuant to Italian Legislative Decree 231/2001 and the former members of the Executive Committee were charged with the crime of false corporate reporting in relation to the approval of the 2008 half-yearly report, on 20 May 2015 the Milan Court of Appeal handed down a ruling acquitting all defendants because “there is no case to answer”. As it has been found that the prerequisite crime was not carried out, the charge relating to the company’s administrative liability pursuant to Italian Legislative Decree 231/2001 has also been dropped, resulting in the revocation of the confiscation and the administrative fine imposed by the judges in the first instance.

Civil proceedings relating to the former Banca Italease

Kevios
By means of summons served on 18 December 2009, Kevios S.p.A. summoned the former Banca Italease before the Milan Court, so as to obtain the upholding of the request for compensation of damages of around euro 65 million, founded essentially on the alleged existence of numerous cases represented therein: abuse of economic dependence, abuse of the law and contractual breach, primarily attributable to the Bank.
In a ruling dated 26 June 2013, the Court of Milan rejected the requests of the plaintiff company as groundless, ordering the same to pay the legal expenses of the Bank. An appeal was submitted against the first instance sentence.
Based on external legal advice, Banco Popolare believes it is likely that the favourable ruling of the first instance will be confirmed.

Bankruptcy of Dimafin S.p.A.
The insolvent company Dimafin has asked the Court of Rome to declare the null and void and/or to revoke the “termination agreement by mutual consent” signed on 16 June 2010 by Dimafin, Mercantile Leasing (now Banco Popolare) and Release related to the finance lease contract for the property located in Palazzo Sturzo in Rome.
By virtue of the annulment request, the Judge has been asked to declare that the original finance lease contract is fully in force and effective for the parties, therefore condemning the defendants to immediately make the property available again or, if this is not possible, to pay a corresponding amount in cash, as well as return all instalments of the commercial lease received or to be received as of 1 July 2010.
In a ruling dated 22 April 2013, the Court of Rome rejected the requests made by the Insolvent company, ordering it to pay legal expenses. An appeal was submitted against the first instance sentence.
Based on external legal advice, Banco Popolare believes that the dispute has a low risk profile.

With regard to the criminal proceedings for fraudulent bankruptcy and preferential bankruptcy relating to the default of the Di Mario group, on 20 June 2012, the former Banca Italease received a seizure notice for euro 7.9 million, corresponding to the sum that is presumed to be preferential or groundless with relation to a mortgage loan granted in 2009 by Banca Italease, in a pool with Unicredit and Cassa di Risparmio di Bolzano, to Raetia SGR, the contract of which was assigned to Release.
Also in this case, our legal counsel believes that the accusations made against the defendants are groundless and, therefore, the Bank has no liability under art. 2049 of the Italian civil code.

Furthermore, between the end of December 2013 and the beginning of January 2014, the following notices were served:

- four summons to Banca Italease from the insolvent companies of the Dimafin Group requesting compensation of damages and/or clawback actions for bankruptcy totalling euro 98 million jointly with other banks and

companies that are not part of the Banco Popolare Group: for two claims by the plaintiff for a petitum of around euro 88.5 million, the Court assigned stated that the proceedings could not continue.
- two warning notices to Banca Italease and Release from Raetia and from the Cassa di Risparmio di Bolzano regarding requests for compensation of damages. Raetia's claim, addressed to 11 counterparties not part of the Banco Popolare Group, held jointly responsible, amounts to a total of euro 95 million, that of the Cassa di Risparmio di Bolzano addressed to 11 counterparties not part of the Banco Popolare Group, held jointly responsible, amounts to a total of euro 17.2 million. At present, the share of the petitum pertaining to Group companies has not been defined and no judgement has been passed on the matter.

At the end of 2014, Banca Italease and other parties received a further summons relating to three separate financial lease agreements stipulated with Di Mario Group companies (Dimafin Spa and Dimatour). In this case, the plaintiff company, Bankruptcy of Diemme Costruzioni Spa, is requesting the annulment of the purchase agreement regarding a group of properties located in Pomezia, as well as the invalidity of the leasing agreements related to the same, and therefore the repayment of the total amount of euro 21.2 million by Banca Italease.

On 23 June 2015 Banco, as the incorporating company of Banca Italease, was served, along with other Credit institutions, with a further summons by 7 bankrupt Di Mario Group companies, concerning the assessment - for the purpose of a possible judgement - of joint and several liability with other banks regarding the restructuring agreements entered into over time by the Di Mario Group.
In this dispute, the plaintiff has requested that the bank be sentenced, jointly and severally with the other defendant Banks, to provide estimated compensation for damages of approximately euro 178.6 million, to be divided amongst the seven bankrupt companies.

Given the complexity of the disputes, which incidentally also involves other banks and companies that are not part of the Banco Popolare Group, based on the opinions of external legal counsel, the risk of losing the above-indicated disputes should be classified as possible. Said legal counsel - Studio Mercanti Dorio - stated that all of the disputes lodged by Release/Banca Italease against the various bankrupt companies of the Di Mario Group have to date been accepted with measures, which in some cases have been rendered definitive. Lastly, the same Studio specified that at present no action has been lodged by the bankrupt company against Release and/or Italease and other defendant banks and companies has been accepted and that a negative outcome has been classified as possible, rather than remote, for reasons of prudence, given the complexity of the case.

Bankruptcy of S.E.R.
The insolvent company S.E.R. summoned a series of entities including Mercantile Leasing (now Banco Popolare) seeking to obtain the declaration of invalidity, and, therefore, the unenforceability against the bankruptcy estate, of the transfer deed regarding the property named "Palazzo Sturzo", entered into between S.E.R., at the time not subject to bankruptcy proceedings, and the Partito Popolare, as well as the transfer deeds which followed, including that which was entered into between Mercantile Leasing, Dima Costruzioni and Dimafin (value of the property around euro 50 million).
The Court of Appeal in Rome, in a ruling dated 21 September 2015, confirming the ruling of the court of first and second instance, fully rejected the bankruptcy application, ordering it to pay legal expenses.

Provisions for risks and charges – personnel expenses

Sub-item "2.2 personnel expenses" amounts to a total of euro 366.2 million and is mostly comprised of Solidarity Funds allocated over the years, which has a total residual amount, to date unused, of around euro 253 million, of which euro 21.2 million in loyalty bonuses, euro 65.0 million in expenses of the incentive system for the year, euro 8.6 million in provisions for the closure of the London pension plan and euro 6.0 million in leaving incentives still not utilised.

Provisions for risks and charges – other

Sub-item "2.3 Other" totalled euro 131.4 million (euro 91.9 million as at 31 December 2014).

As at 31 December 2015, this item was mostly comprised of provisions for the probable payment of:
- tax disputes with the Tax Authority (euro 70.0 million);
- the expenses resulting from procedures to wind up equity investments (euro 6.2 million);
- the expenses that are expected to be incurred due to the decision to close several branches as part of the plan to reorganise the network (euro 5.0 million, euro 4.3 million of which allocated during the year);
- the foreseeable expenses relating to several possible interpretation developments of several regulations for banking activities.

Given that a precise indication of said allocations to provisions could seriously prejudice the company's position in terms of the management of disputes relating to potential liabilities to be measured, in accordance with paragraph 92 of international accounting standard IAS 37, for some cases, no indication of the entity of the allocations made to the provisions for risks and charges or of the allocations charged to the income statement for the year has been provided in the notes to the financial statements.

Risks associated with current disputes with the Tax Authority

Banco Popolare, its subsidiaries and the companies that merged to form the same, underwent various inspections by the Tax Authority in 2015 and in previous years. These activities concerned the taxable income declared for the purpose of income tax, VAT, registration tax, and more generally the manner in which the tax legislation in force at the time was applied. As a consequence of said inspections, the Banco Popolare Group is involved in numerous legal proceedings.

The potential liabilities relating to tax disputes underway that involve Banco Popolare, its incorporated companies and its subsidiaries amounted to euro 406.4 million as at 31 December 2015 (euro 483.7 million as at 31 December 2014), of which euro 395.4 million relate to notices of assessment, tax demands and payment notices and euro 11 million relate to formal reports on findings served. In this regard, note that the estimate of said potential liabilities relating to the notices of assessment does not consider any interest (with the exception of the inspections of the former BPI 2005), while the estimate of potential liabilities relating to formal reports on findings does not include interest or fines, insofar as they are not indicated in the latter document.

Developments during the year

New disputes that emerged in the period and/or developments of existing disputes following formal reports on findings served and tax demands

During the year, increases totalling euro 38.3 million were recorded, euro 29.2 million of which relating to the update of the amount of the potential liability relating to the notices of assessment for IRES and IRAP regarding the year 2005 of the former Banca Popolare Italiana (claimed non-deductibility of costs associated with the attempted Banca Antonveneta takeover). Following the negative ruling handed down on 19 May 2015 by the Milan Regional Tax Commission and the subsequent issue of the tax demands, interest on arrears and collection commissions were quantified at euro 19.4 million and euro 9.8 million, respectively.
The remaining increase recorded during the year refers to:

- tax demand no. 122 2015 00078464 57 served on 15 April 2015 and associated with the 2011 tax year, whereby payment of a total of euro 1.5 million was requested for IRAP, interest and fines. The dispute regards the 2012 supplementary IRAP tax return submitted on behalf of the merged company Banca Popolare di Verona S.p.A. reducing the total amount of tax due (adjustment in favour of the taxpayer). According to the Italian Tax Authority, the tax return was transmitted beyond the deadline set by art. 2, paragraph 8, of Italian Presidential Decree no. 322/1988. The dispute was initiated considering that case law has taken a stance more than once over time with respect to the possibility to amend tax returns in favour of the taxpayer, and that the largely prevalent orientation is that it should be possible to submit a supplementary return in favour of the taxpayer after the afore-mentioned deadline;
- the transformation of the finding contained in the formal report on findings into a notice of assessment delivered to Banco Popolare s.c. on 25 June 2014 and regarding the failure to apply withholding tax under art. 26, paragraph 5 of Italian Presidential Decree 600/1973 on the interest paid by the Bank in 2010 against amounts deposited by the subsidiary companies resident in Delaware (the LLC Companies) obtained through the placement of so-called preference shares issued by the former Banca Popolare Italiana. By virtue of said transformation, potential liabilities increased by a total of euro 7.6 million.

Disputes concluded and/or settled during the period

During the year, outstanding disputes decreased by a total of euro 115.6 million.

The reduction comprises euro 73.1 million due to the write-off of potential liabilities relating to the alleged non-deductibility of costs relating to facts or actions that are considered offences (it regards offence of false corporate reporting, obstacles to supervision and market turbulence alleged to have been committed by Banca Italease with regard to the incorrect recognition of counterparty risk in derivative contract transactions performed in 2007), which was contained in the report on findings of 30 November 2012.
The decision to consider said potential liabilities as no longer existing results from the reading of the deed of certification of pending charges of Banca Italease issued on 2 March 2015 by the Milan Regional Headquarters of the Tax Authority. Unlike the previous deeds, this deed no longer mentions the report on findings of 30 November 2012. As illustrated in the Annual Financial Report 2014, the assessment notices served in December 2014 did not include said findings. In light of this situation, we reasonably believe that the Tax Authority considered the observations stated in the brief submitted by Banco Popolare following receipt of the formal report on findings, and abandoned the findings. In relation to the claim, no provisions were recorded, as losing the dispute was deemed only possible.

A further significant reduction (euro 17.4 million) refers to disputes heard before the Supreme Court on 17 March 2015 for which the relative rulings were handed down at the beginning of May:

- *Banco Popolare (formerly Banca Popolare di Verona e Novara) - tax demands regarding IRAP tax paid to the Regional headquarters for Veneto in tax years 2003, 2004 and 2005.*
  The Supreme Court fully confirmed the decisions of the Regional Tax Commission, declaring the legal fees compensated.
  The claim referred to the application of the ordinary rate of 4.25% to the net value of production resulting from business activities performed in Veneto, instead of the higher rate of 5.25%.
  With respect to the first two years, taking an orientation different from the other previous decisions regarding similar cases, the Court recognised that the increased rate of 5.25% was incorrect but, instead of confirming the applicability of the ordinary rate, it deemed that the rate of 4.75% was applicable, as the rate applicable to banks in 2002 and therefore to be deemed confirmed and implicitly extended to the years 2003 and 2004.
  With reference to the year 2005, the Court confirmed the application of the rate of 5.25%, cancelling the part of the tax claim relative to fines.
  The original liability (totalling euro 13.6 million) was therefore reduced due to the Court's decisions to approximately euro 10.0 million. The amount was covered by provisions for tax liabilities made in previous years. Therefore, there was no impact on the income statement for 2015.
- *Banco Popolare (formerly Banca Popolare Italiana) - notice of correction regarding the registration tax applicable to the disposal of a business segment in 2004 between Banca Eurosistemi S.p.A. (later incorporated into Banca Popolare Italiana Soc. Coop.) and Banca Popolare di Lodi Soc. Coop.*
  The Supreme Court fully confirmed the ruling of the Regional Tax Commission that was unfavourable to the Bank, and ordered the Company to pay the legal fees.
  The dispute referred to a notice of adjustment and payment relating to the 2004 tax year, received from the Tax Authority - Lodi Office by the former Banca Popolare Italiana on 23 March 2006, whereby higher registration, transcription and cadastral taxes were assessed for a total of euro 7.4 million.
  The notice arose from the recalculation of the value of the Global Custody business segment, which was sold (on 31 March 2004) by Banca Eurosistemi S.p.A. to Banca Popolare Italiana. In recalculating the monetary value of the business complex subject to the sale, the Office believed that the company asset items should also include the value of goodwill.
  The judgement in both instances was unfavourable for the Bank.
  The Court fully confirmed the ruling of the Regional Tax Commission.
  The related potential liability of euro 7.4 million had already been charged to the income statement in previous years. Therefore, there was no impact on the income statement for 2015.
- *Bipielle Real Estate S.p.A. - settlement notice for registration tax regarding the reclassification of a business segment conferral involving Reti Bancarie Holding as counterparty (later incorporated into Banca Popolare Italiana Soc. Coop.).*
  Overturning the outcome of the previous instances, both in the favour of the subsidiary, the Supreme Court accepted the appeal submitted by the Tax Authority, endorsing the approach according to which Article 20 of the Consolidated Law on registration tax allows for an investigation of the "real reason" for the operation in light of the interests pursued by the parties, as this must prevail over that shown in the files/formally in the deeds filed by the parties.
  On this basis, the Supreme Court quashed the ruling of the Regional Tax Commission, assigning the examination of the reasons for the appeal, which had not been discussed at the time (as they were absorbed in the quashed decision) and the determination of legal fees to another section of said Commission.
  In consideration of the favourable outcomes in the previous instances, no provisions had been allocated for this dispute.
  Following the decision of the Supreme Court illustrated above, a specific allocation of euro 17.7 million was made to provisions for risks and charges, charging them to the income statement of the first half of 2015.
  The provision covers the amount of taxes due and the estimate of the related interest accrued.
  No fines were imposed.

The additional reductions in potential liabilities derive from:

- euro 3.5 million from the termination of the dispute against the former Banca Popolare di Novara and the former Banca Italease concerning the alleged failure to pay registration tax on finalised deeds related to the operation to restructure the debt of an Italian industrial group. The claim was no longer valid due to the cancellation following an internal review of the payment notices previously issued. In relation to the claim, no provisions were recorded, as losing the dispute was deemed only possible.
- by the extinguishment of several disputes relating to the alleged failure to pay substitute tax under articles 15 of Italian Presidential Decree 601/1973 on loans stipulated abroad amounting to euro 2.4 million. The settlement notices appealed against before the relevant Provincial Tax Commissions were cancelled by the Office following an internal review, before the hearing of the first instance, or the rulings in favour of Banco Popolare handed down by the Provincial Tax Commissions have become final. Also in this case, no provisions were recorded, as losing the dispute was deemed only possible.
- euro 1.7 million relating to the finalisation of out-of-court settlements reached with the Tax Authority concerning the dispute regarding the formal notice on findings dated 28 September 2012 regarding tax year

2008 served to the incorporated company Efibanca Spa. A specific allocation to the provision for taxes made in previous years (euro 0.6 million) was used to honour said payment. Therefore, there was no impact on the income statement for 2015.
- the settlement of a dispute relating to the recovery of taxes for a higher IRAP rate applicable to the taxable income generated in the Veneto region, pending against former Leasimpresa Spa for 2004 amounting to euro 0.1 million. The Supreme Court issued an unfavourable judgement for said dispute.
- euro 0.2 million originates from the most recent out-of-court settlements with the Tax Authority regarding whether depositary banking fees are liable to taxation for VAT purposes.

In addition to the developments illustrated, during the year numerous hearings were held in which the appeals submitted by Banco Popolare or the opponent were discussed and the relative rulings were issued. Below, the main ones are summarised here below:
- on 6 May 2015, the appeals lodged by Banco Popolare on 3 February 2015 against negative ruling no. 8562/2014 handed down by the Milan Provincial Tax Commission relating to notices of assessment for 2005 IRES and IRAP of the former Banca Popolare Italiana were heard before the Milan Regional Tax Commission, section 2. The dispute regards the claimed non-deductibility of costs associated with the attempted Banca Antonveneta take over due to the affirmed generic association of such costs with the criminal offences claimed in relation to the afore-mentioned attempted take over. The Tax Authority's claim, which amounts to euro 56.8 million in higher taxes (plus fines of euro 113.7 million, interest on arrears of euro 24 million and collection commissions of euro 4.2 million) was based on an illegitimate extensive interpretation of the provisions of article 14, paragraph 4 bis of Law no. 573/1993 and, from the procedural perspective, was made via the issue of payment orders after the statute of limitations set forth for the exercise of tax assessment activities. By ruling no. 670 handed down on 19 May 2015, the Commission rejected the combined appeals submitted and confirmed the challenged rulings. Furthermore, the company was ordered to pay legal expenses, calculated at euro 10 thousand. It should be immediately noted that the above-mentioned negative rulings can be rebuked on grounds of legitimacy from a number of perspectives and therefore on 18 December 2015, appeals against these rulings were submitted to the Supreme Court.
- During the year, the decisions of the Provincial Tax Commission were issued for disputes regarding 2007 and 2008 relating to the incorporated Banca Italease. The disputes regards the applicability of withholding to interest paid in said years to the subsidiary SPE resident in Delaware for amounts deriving from the placement of financial instruments calculated as part of regulatory capital (preference shares). The Commission partially rejected the appeals, ordering Banco Popolare to pay the withholding, but cancelling the application of fines. With regard to the dispute relating to 2008, the amount of withholding to pay had already been allocated at the time of preparation of the financial statements as at 31 December 2014. With reference to the withholdings of euro 1 million due for the year 2007, although it was decided to submit an appeal to the Regional Tax Commission, a specific provision was recognised in the income statement for the first half of the year.

Details of disputes unresolved as at 31 December 2015

Due to the developments illustrated in the paragraph above, the main tax disputes unresolved as at 31 December 2015 (potential liability equal to or exceeding euro 1 million) are as follows:

Disputes relating to Banco Popolare
- Banco Popolare (former Banco Popolare di Verona e Novara Soc. Coop.) - tax demand regarding IRAP tax paid to the Regional headquarters for Veneto for 2006. The claim refers to the application of the ordinary rate of 4.25% to the net value of production resulting from business activities performed in Veneto and in Tuscany, instead of the higher rate of 5.25% and amounts to a total of euro 7.1 million. An appeal has been submitted for this tax demand. The Provincial Tax Commission partially admitted the appeal and declared that the fines requested were not due. The Regional Tax Commission confirmed the ruling of the court of first instance, therefore cancelling the tax claim relating to higher IRAP regarding the Tuscany Regional Authority. An appeal submitted to the Supreme Court is still pending.
- Banco Popolare (formerly Banca Popolare Italiana Soc. Coop.) - notice of settlement regarding registration tax relating to the reclassification of the disposal of a portfolio of securities made in 2002 between Cassa di Risparmio di Pisa and Banca Popolare Italiana as a business segment disposal. The claims amount to euro 14.5 million. In a ruling dated 18 October 2011, the Regional Tax Commission of Florence fully upheld the appeal submitted by Banco Popolare. An appeal submitted to the Supreme Court is still pending.
- Banco Popolare (former Banca Popolare Italiana Soc. Coop.) - notices of assessment relating to tax year 2005 regarding the claimed non-deductibility for IRES and IRAP purposes of costs and value adjustments to receivables relating to facts or actions classified as offences (it regards offence of false corporate reporting, obstacles to supervision and market turbulence alleged to have been committed by Banca Popolare Italiana with relation to the attempted takeover of Banca Antonveneta). The claims amount to euro 199.8 million (including interest and collection commission). In separate rulings filed on 15 October 2014, no. 8562 (IRES) and no. 8561 (IRAP), the Provincial Tax Commission of Milan, Section 22, fully rejected the appeals submitted by the Bank, although providing no reasons underlying its confirmation of the tax claim. We have appealed

against the above ruling to the Regional Tax Commission of Lombardy. On 6 May 2015, the appeals lodged on 3 February 2015 were heard before the Milan Regional Tax Commission, section 2. By ruling no. 670 handed down on 19 May 2015, the Commission rejected the combined appeals submitted and confirmed the challenged rulings. Furthermore, the company was ordered to pay legal expenses, calculated at euro 10,000. An appeal has been submitted to the Supreme Court.

- Banco Popolare (former Banca Popolare Italiana Soc. Coop.) - notices of assessment served on 22 December 2014 relating to the formal report on findings dated 30 June 2011 for tax years 2006-2009. These notices also regard the claimed non-deductibility for IRES and IRAP purposes of costs retained as relating to facts or actions classified as offences. More specifically, they regard value adjustments on loans already disputed with reference to tax year 2005. Said value adjustments, although recognised by Banco Popolare in its financial statements for 2005, were deductible on a straight line basis over the following 18 financial years pursuant to the version in effect at the time of art. 106, paragraph three, of Italian Presidential Decree 22 December 1986 no. 917. The notices of assessment services therefore dispute the claimed non-deductibility of the quotas of the above-cited adjustments on loans deducted in 2006, 2007, 2008 and 2009. The claims amount in total to euro 15.8 million. An appeal was presented to the Provincial Tax Commission.
- Banco Popolare - formal report on findings served on 25 June 2014 which contains, relating to tax years 2011 and 2012, allegations of the failure to apply the withholding tax set forth in art. 26, paragraph 5 of Italian Presidential Decree 600, to interest due on deposits made by foreign subsidiaries resident in the US State of Delaware of amounts received from the placement of the preference shares issued. The claims amount to euro 10.9 million.
- Banco Popolare - Notice of assessment and formal written notice of the sanctions, served on 22 December 2014, which contains findings relating to the failure to apply withholding tax contained in the formal report on findings dated 25 June 2014 regarding tax year 2009. The claims amount to euro 15.4 million. An appeal was submitted to the Provincial Tax Commission.
- Banco Popolare - Notice of assessment and formal written notice of the sanctions, served on 20 October 2015, which contains findings relating to the failure to apply withholding tax contained in the formal report on findings dated 25 June 2014 regarding tax year 2010. The claims amount to euro 12.2 million. An appeal was submitted to the Provincial Tax Commission.
- Banco Popolare - notices of assessment served on 23 December 2014 regarding 2009 for the former subsidiaries Banca Popolare di Lodi, Credito Bergamasco and Efibanca. The total claim amounts to euro 58.5 million. The findings originate from the alleged incorrect application of the reference accounting standards regarding the valuation of financial liabilities designated at fair value (the bond issues made by the banks and placed with retail customers for which the fair value option was exercised at the time of the issue). More specifically, the decision taken at the time of the preparation of the 2009 financial statements is being disputed, in which the criteria for determining the fair value of the above-cited bond issues was changed from a mark-to-model approach to a mark-to-market one. This change was in line with that envisaged by the reference international accounting standard, which privileges the application of the mark-to-market insofar as, as specified in paragraph AG 69 of IAS 39, the best indication of fair value is the existence of “official quotations in an active market”. Precisely in 2009, the Banco Popolare Group set in place, through its subsidiary company Banca Aletti, an organised system to trade the securities issued by Group companies, called the “MTG Group Securities Market”. The establishment of this market had been recommended by Consob to guarantee the improved liquidity of these financial instruments; the market represents an efficient organised trading system on the basis of which Banca Aletti has undertaken to continually disclose the quantity and the relative purchase price of the bond issues issued by group companies. Given the existence of prices that can be found on the basis of the transactions performed on the above-cited MTG, and based on that indicated by the reference accounting standards and the internal regulations of the Group, in 2009, all Group banks changed their method for determining the fair value of their bond issues designated at fair value placed with retail customers, using the MTG prices as reference. This change, which was fully illustrated in all of the financial statements of Group banks, was considered correct by all of the internal and external auditing bodies. Note in this regard that all of the financial statements in question have been regularly certified by the respective independent auditing companies, who have issued reports that do not highlight any exceptions. By contrast, the Tax Authority retains that the MTG at that time could not be considered an active market and that therefore the valuation of the above-cited bond issues should have continued to have been made applying the previous mark-to-model approach. The higher taxable income identified by the Tax Authority originates from the fact that, while the mark-to-model approach adopted up until the 2008 financial statements included changes in the creditworthiness of the issuer banks when determining the fair value, the prices adopted on the MTG did not and continue not to take this aspect into account. Note in this regard that this results from a specific decision taken by the Group to protect retail customers who, after having subscribed to a Group bond issue, then decide to sell it. It should also be noted that the contention made by the Tax Authority is also simply a question of accrual accounting. In fact, in its findings, the Tax Authority limits itself to disputing that 2009 is the right year for recovering the higher taxes paid by Group companies in previous years with regard to the deterioration of its creditworthiness, which started from the breakout of the financial crisis at the end of 2008. Lastly, it should be noted that the notices of assessment in question do not result from findings formulated in previous formal reports on findings. More specifically, the notices of assessment refer to the inspections that led to the formal reports on findings being served to the afore-

mentioned companies on 23 July 2012, 24 July 2012 and 28 September 2012 respectively. These formal reports on findings, however, did not include any finding relating to adjustments of the tax returns contained in the assessment notices served on 23 December 2014. In the light of the above, appeals were submitted to the relevant Provincial Tax Commissions, and were heard on 29 September 2015. On the date of preparation of this Financial report, the Commission had not yet issued its rulings.

- Banco Popolare - Dispute regarding tax demand relating to the 2011 tax year, whereby payment of euro 1.5 million was requested for IRAP, interest and fines, following the transmission of the tax return beyond the deadline set by art. 2, paragraph 8 of Italian Presidential Decree no. 322/1988. The appeal is pending before the Provincial Tax Commission.
- Banco Popolare (former Banca Italease) – Settlement notices to recover the mortgage and cadastral taxes on a loan stipulated in 2006. The claim amounts to a total of euro 3.2 million. The appeal submitted by Banca Italease was upheld in the first and second instance. An appeal submitted to the Supreme Court is still pending.
- Banco Popolare (former Banca Italease) - Notices of assessment following the formal report on findings dated 30 November 2012 - tax years 2007, 2008 and 2009 regarding the redetermination of loan ceilings of 0.30%, and for 2009 only to the relevance for tax purposes of a fund taxed at the time of the share capital increase of Release, with transfer of the business division. The claims amount to euro 40.2 million. We are waiting for the appeal to be heard before the Provincial Tax Commission.
- Banco Popolare (former Banca Italease) – Notice of assessment and formal written notice of the sanctions, which contains findings relating to the failure to apply withholding contained in the formal report on findings dated 30 November 2012 regarding tax year 2007. The claims amount to euro 3.2 million. The Provincial Tax Commission partially accepted the Bank’s appeal, cancelling the tax claim relating to the fines, given the objective conditions of uncertainty as to the extent and the scope of application of the tax legislation. An appeal was presented to the Regional Tax Commission.
- Banco Popolare (former Banca Italease) – Notice of assessment and formal written notice of the sanctions, which contains findings relating to the failure to apply withholding contained in the formal report on findings dated 30 November 2012 regarding tax year 2008. The claims amount to euro 3.9 million. The Provincial Tax Commission partially accepted the Bank’s appeal, cancelling the tax claim relating to the fines, given the objective conditions of uncertainty as to the extent and the scope of application of the tax legislation. An appeal was presented to the Regional Tax Commission.

Disputes relating to other subsidiary companies

- Bipielle Real Estate Spa - settlement notice for registration tax regarding the reclassification of a business segment conferral involving Reti Bancarie Holding as counterparty (later incorporated into Banca Popolare Italiana Soc. Coop.). The claim amounts to euro 13.6 million. Although the rulings of the Provincial and Regional Commissions had been in favour of the subsidiary company Bipielle Real Estate, the Supreme Court reversed the ruling of the previous instances and accepted the appeal submitted by the Tax Authority, assigning the examination of the reasons for the appeal, which had not been discussed at the time (as they were absorbed in the quashed decision) and the determination of legal fees to another section of said Commission. In December 2015, an appeal was submitted to re-open the case under article 63 of Italian Legislative Decree no. 546 of 31 December 1992 to the Regional Tax Commission of Milan;
- Bipielle Real Estate Spa - notices of assessment regarding VAT and IRAP taxes for tax year 2005 served to Basileus S.r.l., (a subsidiary company sold in 2008, for which Bipielle Real Estate is fiscally liable for the years prior to the disposal). The claims amount to euro 11.3 million. In January 2012, the ruling of the Lodi Provincial Tax Commission was filed. The ruling annulled the notices of assessment issued against the Company, ordering the Office to pay legal expenses. In a ruling issued in May 2013, the Regional Tax Commission of Milan, changing the ruling in the first instance, upheld the appeal submitted by the Tax Authority, confirming all of the claims. An appeal has been submitted to the Supreme Court.
- Aletti Fiduciaria Spa - notice to recover taxes due by the fiduciary company pursuant to the personal liability of the shareholder under art. 36, paragraph 3, of Italian Presidential Decree no. 602/1973. The claim amounts to euro 7.9 million. The company’s appeal was fully upheld in the first and second instance. In January 2013, the Tax Authority appealed to the Supreme Court.

In addition to the above-mentioned disputes, note that on 22 July 2014, Banco Popolare was notified - by the Tax Authority - Provincial Headquarters of Novara - with 2 refund rejection notices regarding IRPEG and ILOR credit for which Banca Popolare di Novara s.c.a.r.l. had requested a refund for 1995, prior to the merger with Banca Popolare di Verona - SGSP s.c.a.r.l. which established Banco Popolare di Verona e Novara s.c.a.r.l. The credit rejected, recognised in the financial statements as at 31 December 2014, amounts to a total of euro 86.5 million, euro 52.6 million of which as principal and euro 33.9 million of which is interest accrued. Retaining that the grounds stated by the Tax Authority are totally illegitimate and groundless, on 5 November 2014, the company submitted an appeal against said measures before the competent Tax Commission within the terms set by law. The hearing to discuss the disputes before the Provincial Tax Commission was held on 7 April. The Provincial Tax Commission accepted both combined appeals, also ordering the Tax Authority to pay legal fees. The Tax Authority - Provincial Headquarters of Novara has appealed against the ruling to the Regional Tax Commission.

Classification and valuation of potential liabilities in accordance with the provisions of accounting standard IAS 37

Potential liabilities associated with the proceedings regarding the claimed non-deductibility of costs relating to the attempted takeover of Banca Antonveneta by the former Banca Popolare Italiana

The potential liability regarding only the year 2005 amounts to euro 199.8 million, in addition to the potential liability relating to the associated notices of assessment for the years 2006, 2007, 2008 and 2009, estimated at euro 15.8 million, excluding interest and collection commissions.
With regard to the dispute, as at 31 December 2015, tax credits amounting to euro 201.8 million were due from the Tax Authority, following payments made provisionally. The amount paid is recognised in the consolidated financial statements as at 31 December 2015 under “other assets”.

The afore-mentioned potential liabilities were carefully assessed in light of the new negative ruling handed down by the Milan Regional Tax Commission for the year 2005.
An analysis of the order and the content of the ruling shows that the Commission’s decision on the merits of the case contains no specific justification and is based on a mere reference to the Authority’s claims, with no express indication of the reasons for its decision not to accept the precise arguments laid out in support of the appeal. On this basis, it is believed that there are grounds to challenge the ruling before the Supreme Court, as it is possible to re-submit to the court all defensive arguments regarding aspects of legitimacy not considered by the judges in the first and second instances. On 18 December 2015, the appeal was submitted to the Supreme Court.
The detailed analyses carried out on this situation with the support of the advisors engaged to prepare the appeal, as well as the additional opinion requested from another authoritative expert on the topic, have confirmed the conviction that the Tax Authority’s claim is illegitimate and that it is still possible for the defensive arguments to be considered and accepted in the case before the Supreme Court. These same analyses led the Board of Directors to confirm the classification of the potential liability as possible but not probable.
In light of the evaluations carried out, no provision has been recognised for the potential liabilities in question in the financial statements as at 31 December 2015.

Potential liabilities associated with other existing proceedings

The remaining potential liabilities associated with tax disputes amount to a total of euro 190.8 million.
With regard to all of the afore-mentioned disputes, as at 31 December 2015, tax credits amounting to euro 31.7 million were due from the Tax Authority, following payments made provisionally. This amount is also recognised in the financial statements as at 31 December 2015 under “Other assets”.

In the light of the successful outcomes in the courts of first instance and/or the existence of valid grounds on which to challenge the claims made by the Tax Authority with regard to proceedings underway and also considering the specific opinions issued by authoritative external firms, the potential liabilities classified as possible but unlikely amount to a total of euro 155.6 million.
The potential liabilities classified as probable amount in total to euro 35.2 million and were fully covered by the allocations to provisions of euro 30.1 million (of which euro 1 million charged to the income statement for 2015) under other provisions for risks and charges - other, while the remaining euro 5.1 million was recognised in provisions for tax.
In addition to allocations indication, the provisions for risks and charges includes those charged to the income statement for the year following the unfavourable ruling made by the Supreme Court against the subsidiary company Bipielle Real Estate and against assessment of further potential tax liabilities.

Inspections underway as at 31 December 2015

As at 31 December 2015, an inspection for IRES, IRAP and VAT purposes is underway against Banco Popolare for tax years 2013, 2014 and 2015 (up to 15 September).
The inspection was initiated on 16 September 2015 by the Verona Tax Police Branch of the Finance Police and on 21 September it was extended to tax years 2010 (a year that incidentally had already been the subject of an inspection by the Tax Authority), 2011 and 2012. Inspections are continuously monitored by Banco Popolare personnel and all of the evidence that has emerged as at the date of this Financial Report has been suitably assessed.

12.2 Provisions for risks and charges: annual changes

	Retirement plans	Other provisions	Total
A. Opening balance	**348,170**	**555,442**	**903,612**
B. Increases	**58,314**	**281,737**	**340,051**
B.1 Provisions for the year	7,379	275,346	282,725
B.2 Changes over time	1,127	472	1,599
B.3 Changes due to changes in the discounting rate	-	309	309
B.4 Other increases	49,808	5,610	55,418
C. Decreases	**(44,259)**	**(200,940)**	**(245,199)**
C.1 Uses during the year	(16,512)	(148,623)	(165,135)
C.2 Changes due to changes in the discounting rate	(4,427)	(730)	(5,157)
C.3 Other decreases	(23,320)	(51,587)	(74,907)
D. Closing balance	**362,225**	**636,239**	**998,464**

Provisions mostly regard those relating to employees that cannot be considered certain (and therefore payable), recognised as a balancing entry to the income statement item "Personnel expenses". The allocations for the year for commitments made regarding the use of the Solidarity Fund for the banking sector rose to around euro 86 million, while expenses for the closure of the pension plan of the London Branch amounted to euro 8.6 million and lastly euro 65 million was allocated to provisions for the incentive system related to the year.
Item C.1 "Uses during the year" includes the amounts used as a balancing entry to the payment of the cited personnel expenses and following the closure of revocatories and other disputes for which specific allocations had been made.

12.3 Defined benefit company retirement plans

1. Illustration of the characteristics of plans and related risks

With regard to defined benefit supplementary pension plans, which as at 31 December 2015 amounted to around euro 89.8 million (euro 85.4 million as at 31 December 2014), the calculation of present values as required by IAS 19 "Employee benefits" is carried out by an independent Actuary.
The definition of financial forecast assumptions led to the adoption of a discounting rate of 1.42% (as at 31 December 2014 it was 0.91%) and a rising inflation rate, reaching 2% from 2020, as illustrated in detail in paragraph "4. *Description of the main actuarial assumptions*" below. The method and the demographic economic and financial technical basis adopted differ from plan to plan. The technical-financial management system adopted for these valuations is full capitalisation.

Group defined benefit plans, which all relate to the Parent Company, are broken down into internal and external plans.

External plans refer to:
- commitments relating to the Plan of the former Banca S. Geminiano e S. Prospero;
- commitments relating to the Plan of the former Banca Popolare di Verona – Banco S. Geminiano e S. Prospero;
- commitments relating to the Plan for retired personnel of the former Banca Eurosistemi;
- commitments made to employees and retired personnel of the former Credito Bergamasco;
- commitments relating to the Supplementary Corporate Plan of the former Credito Bergamasco;
- commitments relating to the Plan of the former Banca Italease;
- commitments to former employees of the former London branch.

Internal plans refer to:
- commitments relating to the Plan of the former Banca Popolare Italiana (BPI);
- commitments relating to the former Chiavari Plan;
- commitments relating to the former Banca Industriale Gallaratese (BIG) Plan;
- commitments relating to the former Bipielle Adriatico Plan;
- commitments relating to the former Bpl Regulation 1961 and 1973 Plan;
- commitments relating to the former Banca Popolare Cremona Plan;
- commitments relating to the former Cassa di Risparmio di Lucca Plan;
- commitments relating to the former Cassa di Risparmio di Pisa Plan;
- commitments relating to the former Cassa di Risparmio di Livorno Plan;
- commitments to former executives relating to the Plan of the former Banca Popolare di Verona;
- commitments relating to equalising cheques issued to retired personnel of the former Banca Popolare di Verona and Novara and to a former executive.

For further details of defined benefit plans, please refer to the same section of the separate financial statements.

The statement of Banco Popolare's internal plans is shown as an attachment to the Parent Company's separate financial statements.

2. Changes during the year in net liabilities (assets) relating to defined benefit plans and repayment rights

		Total
A.	**Opening balance**	**85,410**
B.	**Increases**	**17,941**
	B.1. Pension cost associated with service	65
	B.2 Financial charges due to the passage of time	1,127
	B.3 Other actuarial losses	6,570
	B.4 Losses due to changes in the discounting rate	-
	B.5 Other increases	10,179
	of which: for business combinations	10,014
C.	**Decreases**	**(13,569)**
	C.1 Uses during the year	(7,183)
	C.2 Profits due to changes in the discounting rate	(4,427)
	C.3 Other actuarial profits	(1,926)
	C.4 Other decreases	(33)
	of which: for business combinations	-
D.	**Closing balance**	**89,782**

The book value of the defined benefit pension plans as at 31 December 2015 was euro 89.8 million, corresponding to the actuarial value of the liabilities, adjusted by the plan assets, the fair value of which amounted to euro 0.5 million, as indicated in paragraph 3 below.

Net actuarial losses totalled euro 0.2 million and were attributable to the following:

- the increase of the discounting rate by 51 basis points, which led to a gain of euro 4.4 million;
- the fall in the inflation rate, which led to a gain of euro 0.6 million recognised under sub-item C.3 "Other actuarial profits";
- past experience, namely to differences between previous actuarial assumptions and what actually occurred, which led to the recognition of a net loss of euro 5.2 million, recorded under sub-items "B.3 Other actuarial losses" and "C.3 Other actuarial profits".

3. Information on the fair value of plan assets

According to IAS 19, plan assets are those held by an entity (a plan) that is legally separate from the entity that draws up the financial statements (external plan) and that may be used exclusively to pay or allocate benefits for employees and which are not available to the creditors of the entity that draws up the financial statements. Based on this definition, existing plan assets are those held by the Pension Plans for the employees of Credito Bergamasco and to a much lesser extent those relating to the Pension Plan for Banco Popolare Group employees. These assets are the result of the investment of the periodic partial loan that the Bank grants to the plans to cover the payments envisaged by the same. The value of these assets as at 31 December 2015 was euro 0.5 million against euro 1.7 million in December 2014; the difference with respect to the opening balance is due to payments made of euro 1.9 million, to returns on assets of euro 0.1 million and to the sale of assets made to meets the obligations envisaged by the plans of euro 3.2 million. As at 31 December 2015, 66.5% of assets were represented by government securities, in particular, 56.1% by Italian Government securities, 1.4% by foreign government debt securities and 9% by foreign supranational debt securities; the remainder (33.5%) was comprised of 6.6% in harmonised E.t.f. on equity instruments and 26.9% by liquidity.
For the sake of completeness, note that there are several insurance plans, classified under item "30 Financial assets designated at fair value through profit and loss", the objective of which is to provide the funds needed to pay the indemnities of the plans set in place for several executives (called the "S.I.PRE. plan") and for the chairman, the fair value of which, as at 31 December 2015, totalled euro 1 million, in line with last year.

4. Description of the main actuarial assumptions

	31/12/2015		31/12/2014	
	Internal pension plan	External pension plan	Internal pension plan	External pension plan
Discounting rate	**1.42%**	**1.42%**	**0.91%**	**0.91%**
Inflation rate				
2016	1.50%	1.50%	1.20%	1.20%
2017	1.80%	1.80%	1.50%	1.50%
2018	1.70%	1.70%	1.50%	1.50%
2019	1.60%	1.60%	2.00%	2.00%
≥ 2020	2.00%	2.00%	2.00%	2.00%

With regard to the financial assumptions used to discount company pension plans, refer to the comments contained in "Section 11 - Employee termination indemnities – Item 110" above.

5. Information on the amount, timing and uncertainty of cash flows

As required by IAS 19, we conducted a sensitivity analysis of the obligation relating to pension plans with respect to the actuarial assumption retained to be most significant, with a view to showing how the financial statement liability would change as a result of reasonably possible fluctuations of each of the actuarial assumptions. More specifically, the following table shows the changes in the pension plans, in the event that the discounting and inflation rates rise or fall by 50 basis points with respect to the parameters actually used.
More specifically, the book value of the plans for which the sensitivity analysis was conducted was euro 94.1 and represents almost all defined benefit plans.

	Change in defined benefit plans in absolute terms (*)	Change in defined benefit plans in percentage terms
discounting rate +0.5%	(3,865)	(4.57%)
discounting rate -0.5%	4,210	4.98%
inflation rate +0.5%	3,752	4.44%
inflation rate -0.5%	(3,491)	(4.13%)

(*) the (+) sign indicates an increase of the indemnity, the (-) sign indicates a decrease of the indemnity

6. Plan relating to several employers

There are no plans of this nature.

7. Defined benefit plans that share the risk between jointly-controlled entities

There are no plans of this nature.

12.4 Provisions for risks and charges – other provisions

For the disclosure relating to provisions for risks and charges - other provisions, please refer to the content of the paragraph above 12.1 "Provisions for risks and charges: breakdown".

Section 13 - Technical reserves – Item 130

The Group does not hold investments in insurance companies included in the scope of consolidation.

Section 14 - Redeemable shares – Item 150

14.1 Redeemable shares: breakdown

The Group did not hold redeemable shares at the date of the financial statements or at 31 December 2014.

Section 15 - Group Shareholders' Equity - Items 140, 160, 170, 180, 190, 200 and 220

15.1 Share capital and treasury shares: breakdown

The share capital as at 31 December 2015 was 6,093 million and consisted of 362,179,606 ordinary shares, with no nominal value, fully subscribed and paid up. The share capital did not change during the year.

The item "treasury shares" is represented by no. 94,936 shares of the Parent Company, with a book value of 2.5 million.

15.2 Share capital – Number of Parent Company shares: annual changes

	Ordinary	Other
A. Shares issued at the beginning of the year	**362,179,606**	**-**
- fully paid-in	362,179,606	-
- not fully paid-in	-	-
A.1 Treasury shares (-)	(99,902)	-
A.2 Shares issued: opening balance	**362,079,704**	**-**
B. Increases	**4,966**	**-**
B.1 New issues	-	-
- against payment	-	-
- business combinations	-	-
- conversion of bonds	-	-
- exercised warrants	-	-
- other	-	-
- scrip issue	-	-
- to employees	-	-
- to directors	-	-
- other	-	-
B.2 Sale of treasury shares	4,966	-
B.3 Other increases	-	-
C. Decreases	**-**	**-**
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-	-
C.3 Business transfers	-	-
C.4 Other decreases	-	-
D. Shares issued: closing balance	**362,084,670**	**-**
D.1 Treasury shares (+)	94,936	-
D.2 Shares issued at the end of the year	362,179,606	-
- fully paid-in	362,179,606	-
- not fully paid-in	-	-

15.3 Share capital: other information

There is no information to report with respect to that illustrated in the previous points of this section.

15.4 Retained earnings: other information

	31/12/2015	31/12/2014
a) Legal reserve	114,711	518,441
b) Statutory reserve	156	754
c) Other retained earnings	1,636,189	1,705,780
Total	**1,751,056**	**2,224,975**

15.5 Other information

There is no other information to report with respect to that illustrated in the previous sections.

Section 16 - Minority interests – Item 210

16.1 Breakdown of item 210 “minority interests”

Company name	31/12/2015	31/12/2014
Investments in companies consolidated with significant minority interests	-	-
Other investments	53,169	12,130
Total	**53,169**	**12,130**

Minority interests amount to euro 53.2 million, against euro 12.1 million recorded as at 31 December 2014.
The increase in this item is mainly due to the share capital increase of the subsidiary company Release, in which an 80% stake is held.

16.2 Equity instruments: breakdown and annual changes

There are no financial instruments issued by Group companies which are not fully owned.

Other information

1. Guarantees given and commitments

Transactions	Amount 31/12/2015	Amount 31/12/2014
1) Financial guarantees given	1,014,837	1,738,548
a) Banks	177,125	635,615
b) Customers	837,712	1,102,933
2) Commercial guarantees given	3,674,687	3,620,581
a) Banks	288,979	264,024
b) Customers	3,385,708	3,356,557
3) Irrevocable commitments to disburse funds	5,786,087	6,400,433
a) Banks	50,729	224,835
i) certain to be utilised	49,884	223,881
ii) uncertain to be utilised	845	954
b) Customers	5,735,358	6,175,598
i) certain to be utilised	3,051,892	3,478,274
ii) uncertain to be utilised	2,683,466	2,697,324
4) Commitments underlying credit derivatives: protection sales	-	-
5) Assets pledged to secure third party obligations	685	17,869
6) Other commitments	831,056	267,658
Total	**11,307,352**	**12,045,089**

2. Assets pledged to secure own liabilities and commitments

Portfolios	Amount 31/12/2015	Amount 31/12/2014
1. Financial assets held for trading	513,489	353,393
2. Financial assets designated at fair value through profit and loss	98,421	796,235
3. Financial assets available for sale	5,415,600	5,209,366
4. Investments held to maturity	4,797,752	4,655,296
5. Due from banks	647,940	393,657
6. Loans to customers	18,123,719	16,212,702
7. Property and equipment	-	-
Total	**29,596,921**	**27,620,649**

Amounts due to customers to secure own liabilities and commitments include mortgages transferred to the vehicle company BP Covered Bond to guarantee the holders of covered bonds issued by the Parent Company, for a book value of euro 11,866.8 million, as described in detail in paragraph E.4 Banking group - Covered bond transactions contained in Part E - Section 1 of these Notes to the financial statements.

As regards the assets pledged to secure the funding obtained from the ECB, please refer to the content of the notes to the financial statements of the Parent Company. The notes to the financial statements of the Parent Company also illustrate the details of the assets pledged to secure funding transactions, that are not shown elsewhere in the statement of financial position assets (and therefore are not shown in table "2. Assets pledged to secure own liabilities and commitments"). More specifically, this regards securities of securitisation transactions originated by the Group, its own issues of covered bonds repurchased and securities that have become available through loan repurchase agreements.

3. Information on operating leases

There were no material assets or liabilities under operating leases as at 31 December 2015.

4. Breakdown of investments associated with unit-linked and index-linked policies

As at 31 December 2015, the Group did not hold any investments associated with unit or index-linked policies.

5. Management and brokerage on behalf of third parties

Type of service	Amount 31/12/2015
1. Order execution on behalf of customers	
a) purchases	8,286,991
1. settled	8,233,741
2. not settled	53,250
b) sales	11,388,364
1. settled	11,351,311
2. not settled	37,053
2. Portfolio management	
a) Individual	14,912,759
b) Collective	-
3. Custody and safekeeping of securities	
a) third party securities in custody: associated with custodian bank services (excluding portfolio management)	9,977,404
1. securities issued by consolidated companies	154,196
2. other securities	9,823,208
b) third party securities in custody (excluding portfolio management): other	52,424,778
1. securities issued by consolidated companies	14,995,234
2. other securities	37,429,544
c) third party securities deposited with third parties	48,137,607
d) proprietary securities deposited with third parties	22,838,402
4. Other transactions	-

The item "portfolio management" represents the total amount, at market value, of assets managed on behalf of other parties, excluding the liquidity component.
The securities under item "custody and safekeeping of securities" are recognised at their nominal value. These exclude the securities under portfolio management pursuant to point 2.

Financial assets and liabilities netted in the statement of financial position or subject to master netting arrangements or similar agreements

This section contains the disclosure required by accounting standard IFRS7 regarding the "netting of financial assets and liabilities" for financial instruments:

- which have been netted in the statement of financial position according to IAS 32;
- which could potentially be netted, in the event of certain conditions, but are shown as open balances on the statement of financial position insofar as regulated by "master netting arrangements or similar agreements" which however do not meet the criteria established by IAS 32 for statement of financial position netting.

When providing disclosure of said arrangements, the standard also requires the effect of real financial collateral (including cash collateral) received and pledged to be considered.
In this regard, based on an analysis conducted of the Group, there are no netting arrangements in place, therefore the balances on the statement of financial position must be netted according to that required by IAS 32, as shown the columns entitled "Amount of financial assets/liabilities netted in the statement of financial position" in tables 6. and 7. below, which are empty.
As regards instruments that could potentially be netted, in the event of certain conditions, and that should be included in tables 6 and 7 below in the columns "Related amounts not netted in the statement of financial position", the Group

has the following arrangements in place:

- for derivative instruments: “ISDA Master Agreement" and netting arrangements with clearing houses;
- for repurchase agreements: “Global Master Repurchase Agreements (GMRA)” and netting arrangements with the “Clearing and Guarantee House (CC&G)”;
- for securities lending transactions: “Global Master Securities Lending Agreements (GMSLA)”.

As regards financial derivatives, both used for trading and hedging, note that:

- those with a positive fair value total euro 2,840.8 million (shown under items 20 and 80 of assets in the statement of financial position), euro 2,432.2 million of which assisted by netting agreements (85.6% in percentage terms) as indicated in table 6 (column a);
- those with a negative fair value total euro 8,105.3 million (shown under items 40 and 60 of liabilities in the statement of financial position), euro 2,843.3 million of which assisted by netting agreements (35.1% in percentage terms) as indicated in table 7 (column a). Positions that are not subject to netting arrangements refer mainly to certificates contracts subscribed by customers issued by the subsidiary company Banca Aletti, which as at 31 December 2015, reported a fair value of euro 5,325.6 million.

With regard to securities lending transactions, note that in the following tables 6 and 7 are indicated the transactions that envisage the payment of cash collateral for which the lender has full access to, insofar as these are the only transactions that are shown on the statement of financial position. In order to reconcile the statement of financial position balances of securities lending transactions and repurchase agreements covered by netting arrangements or similar, note that the cited transactions are shown under “Repurchase agreements” shown in correspondence with the tables containing the breakdown of amounts due from and due to banks and customers, depending on the type of counterparty, contained in Part B – Information on the Consolidated Statement of Financial Position. The relative measurement criterion is amortised cost.

For the purpose of completing tables 6. and 7. below, in line with IFRS 7 and with the instructions contained in Circular no. 262, note that:

- the effects of the potential netting of statement of financial position values of financial assets and liabilities are indicated in column (d) “Financial instruments”, together with the fair value of the real financial collateral represented by securities;
- the effects of the potential netting of the exposure with the relative cash collateral are shown in column (e) “Cash deposits received/pledged as collateral”.

These effects are calculated for each individual counterpart assisted by a master netting arrangement to the extent of the net exposure indicated in column (c).

Based on the above completion instructions, netting arrangements between financial instruments and the relative financial collateral enable the credit/debt exposure towards the counterparty to be significantly reduced, as indicated in column (f) “Net amount” indicated in tables 6. and 7. below.

6. Financial assets netted in the statement of financial position or subject to master netting arrangements or similar agreements

Type		Gross amount of financial assets (a)	Amount of financial assets netted in the statement of financial position (b)	Net amount of financial assets shown on the statement of financial position (c=a-b)	Related amounts not netted in the Statement of financial position		Net amount	Net amount
					Financial instruments (d)	Cash deposits received as collateral (e)	31/12/2015 (f=c-d-e)	31/12/2014
1. Derivatives		2,432,162	-	2,432,162	1,907,973	429,909	94,280	166,171
2. Repurchase agreements		6,302,551	-	6,302,551	6,302,551	-	-	-
3. Securities lending		908,832	-	908,832	862,232	-	46,600	57,848
4. Other		-	-	-	-	-	-	-
Total	**31/12/2015**	**9,643,545**	**-**	**9,643,545**	**9,072,756**	**429,909**	**140,880**	**X**
Total	**31/12/2014**	**11,522,358**	**-**	**11,522,358**	**10,625,760**	**672,579**	**X**	**224,019**

7. Financial liabilities netted in the statement of financial position or subject to master netting arrangements or similar agreements

Type		Gross amount of financial liabilities (a)	Amount of financial liabilities netted in the statement of financial position (b)	Net amount of financial liabilities shown on the statement of financial position (c=a-b)	Related amounts not netted in the Statement of financial position		Net amount	Net amount
					Financial instruments (d)	Cash deposits used as collateral (e)	31/12/2015	
							(f=c-d-e)	31/12/2014
1. Derivatives		2,843,327	-	2,843,327	1,910,471	928,526	4,330	43,190
2. Repurchase agreements		9,103,517	-	9,103,517	9,103,517	-	-	-
3. Securities lending		189,515	-	189,515	179,870	-	9,645	9,423
4. Other loans		-	-	-	-	-	-	-
Total	**31/12/2015**	**12,136,359**	**-**	**12,136,359**	**11,193,858**	**928,526**	**13,975**	**X**
Total	**31/12/2014**	**12,891,398**	**-**	**12,891,398**	**12,347,710**	**491,075**	**X**	**52,613**

8. Securities lending transactions

The following table shows the Group's securities lending transactions (active and passive), broken down by type of security (government securities, bank securities, other), by market counterparty (banks, financial intermediaries, customers), by the relative category (loan guaranteed by cash or by other securities).
These transactions are mostly performed by the Group company Banca Aletti: the securities borrowed, are usually used in mirror securities lending transactions (where the Group acts as lender) or as the underlying instruments of repurchase funding agreements.
Note that securities lending transactions that envisage the payment of cash collateral for which the lender has full access to, are recognised in the statement of financial position under due to/from banks or customers, in correspondence with the "repurchase agreement" category. Securities lending transactions whose collateral is represented by other securities or by cash which is not fully available to the lender, are not stated in the statement of financial position, but are shown under off-statement of financial position exposures, for the relative counterparty risk.

The following table provides an indication of the loans and debts recognised in the financial statements as at 31 December 2015 against securities received and given as loans with collateral in the form of cash; the transactions that are not represented in the statement of financial position, as illustrated in the paragraph above, are shown at the fair value of the securities received or lent.

Type of securities lending transaction	Type of security		
	Government securities	Bank securities	Other securities
Securities received as a loan with collateral in the form of cash - Due from:			
a) Banks		5,824	63,058
b) Financial intermediaries	583,920	22,580	233,450
Total amount receivable for securities lending	**583,920**	**28,404**	**296,508**
Securities received as a loan with collateral in the form of securities or cash that is not available to the lender from:			
b) Financial intermediaries			
c) Customers	19,256	4,928	5,250
Total (fair value)	**19,256**	**4,928**	**5,250**
Securities loaned with collateral in the form of cash - Due to:			
a) Banks		6,133	88,174
b) Financial intermediaries		12,563	82,644
c) Customers			
Total amount payable for securities lending		**18,696**	**170,818**
Securities loaned with collateral in the form of securities to:			
a) Banks	389,024		23,675
b) Financial intermediaries		5,313	74,259
c) Customers			
Total (fair value)	**389,024**	**5,313**	**97,934**

9. Disclosure on jointly controlled operations

As at the date of the financial statements, like last year, there are no arrangements in force that can be classified as “joint operations” under accounting standard IFRS 11, on the basis of which the parties which have joint control have rights to the assets and obligations on the liabilities relating to the arrangement.

PART C – INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

The following tables of the notes to the consolidated financial statements as well as the income statement format also show, in addition to the figures of the year of reference, the corresponding comparison figures restated in compliance with IFRS 5. The attachments contain a statement of reconciliation between the income statement schedule published in the 2014 annual financial report and that restated in these financial statements.

Section 1 - Interest – Items 10 and 20

1.1 Interest and similar income: breakdown

Item/Type	Debt securities	Loans	Other transactions	Total 2015	Total 2014
1. Financial assets held for trading	47,439	-	120,212	167,651	205,331
2. Financial assets designated at fair value through profit and loss	717	-	-	717	-
3. Financial assets available for sale	347,998	-	-	347,998	371,031
4. Investments held to maturity	148,159	-	-	148,159	128,917
5. Due from banks	5,724	45,049	872	51,645	69,518
6. Loans to customers	5,623	2,003,934	2,126	2,011,683	2,404,828
7. Hedging derivatives	X	X	30,030	30,030	75,964
8. Other assets	X	X	20,809	20,809	4,061
Total	**555,660**	**2,048,983**	**174,049**	**2,778,692**	**3,259,650**

The item "financial assets held for trading - other transactions" includes the spreads or the positive margins on derivative contracts operationally related to financial assets and liabilities designated at fair value through profit and loss (fair value option), as well as those operationally related to financial assets and liabilities held in the trading portfolio.

	Total 2015	Total 2014
Interest on performing loans	2,431,049	2,803,773
Interest on loans classified as "non performing"	347,643	455,877
Total	**2,778,692**	**3,259,650**

1.2 Interest and similar income: differences relating to hedging transactions

Items	2015	2014
A. Positive differences relating to hedging transactions	99,050	217,355
B. Negative differences relating to hedging transactions	(69,020)	(141,391)
C. Balance (A-B)	**30,030**	**75,964**

1.3 Interest and similar income: other information

1.3.1 Interest income on currency financial assets

Items	2015	2014
Interest income on currency financial assets	25,620	24,284

1.3.2 Interest income on financial lease transactions

Items	2015	2014
Interest income on financial lease transactions	55,651	69,889

1.4 Interest and similar expense: breakdown

Item/Type	Debts	Securities	Other transactions	Total 2015	Total 2014
1. Due to central banks	(9,537)	X	-	(9,537)	(21,736)
2. Due to banks	(42,791)	X	(48,451)	(91,242)	(121,141)
3. Due to customers	(162,726)	X	(929)	(163,655)	(245,993)
4. Debt securities issued	X	(529,682)	-	(529,682)	(704,653)
5. Financial liabilities held for trading	(20)	(139)	(60)	(219)	(1)
6. Financial liabilities designated at fair value through profit and loss	-	(405,137)	-	(405,137)	(612,066)
7. Other liabilities and funds	X	X	(8,034)	(8,034)	(1,209)
8. Hedging derivatives	X	X	-	-	-
Total	**(215,074)**	**(934,958)**	**(57,474)**	**(1,207,506)**	**(1,706,799)**

1.5 Interest and similar expense: differences relating to hedging transactions

Reference is made to the table in point 1.2 in that the balance of differences is positive for 2015 as for 2014.

1.6 Interest and similar expense: other information

1.6.1 Interest expense on currency liabilities

Items	2015	2014
Interest expense on financial currency liabilities	(4,911)	(4,702)

1.6.2 Interest expense on currency liabilities for financial lease transactions

Items	2015	2014
Interest expense on financial lease transactions	-	(39)

Section 2 - Net fee and commission income and expense – Items 40 and 50

2.1 Fee and commission income: breakdown

Type of service/Amounts	Total 2015	Total 2014
a) guarantees given	52,094	54,424
b) credit derivatives	-	-
c) management, brokerage and advisory services	749,606	701,346
1. financial instrument trading	14,133	17,242
2. currency trading	3,020	2,659
3. portfolio management	195,758	130,429
3.1 individual	34,698	32,764
3.2 collective	161,060	97,665
4. custody and safekeeping of securities	5,765	7,284
5. custodian bank	17,299	13,932
6. placement of securities	235,940	251,314
7. receiving and sending orders	49,315	52,003
8. advisory activities	1,386	1,367
8.1 on investments	1,386	1,367
8.2 on financial structure	-	-
9. distribution of third party services	226,990	225,116
9.1 portfolio management	1,558	3,327
9.1.1 individual	-	-
9.1.2 collective	1,558	3,327
9.2 insurance products	132,572	142,498
9.3 other products	92,860	79,291
d) collection and payment services	127,329	129,964
e) servicing for securitisation transactions	302	579
f) services for factoring transactions	-	-
g) tax office services	-	-
h) activities for the management of multilateral exchange systems	-	-
i) maintenance and management of current accounts	190,536	186,229
j) other services	378,599	404,387
Total	**1,498,466**	**1,476,929**

Euro 231.8 million of sub-item c) 6. “placement of securities” refers to commission income for the placement of UCIT units, mostly related to products managed by the Group company Aletti Gestielle SGR (euro 122.3 million).

The sub-item j) “other services” includes commissions relating to cashpoint and credit card services of euro 50.3 million (euro 50.5 million as at 31 December 2014), the consideration for making funds available (Consideration for Credit Availability) of euro 262.3 million (euro 280.6 million in the previous year) and fee and commission income on loans to customers of euro 44.1 million (euro 49.4 million in 2014).

2.2 Fee and commission expense: breakdown

Service/Amounts	Total 2015	Total 2014
a) guarantees received	(1,697)	(24,533)
b) credit derivatives	-	-
c) management and brokerage services:	(40,481)	(42,704)
1. financial instrument trading	(10,318)	(9,030)
2. currency trading	-	(432)
3. portfolio management:	-	(1,332)
3.1 own	-	(1,332)
3.2 delegated by third parties	-	-
4. custody and safekeeping of securities	(5,566)	(5,662)
5. placement of financial instruments	(22,545)	(24,187)
6. door-to-door sales of financial instruments, products and services	(2,052)	(2,061)
d) collection and payment services	(7,156)	(7,440)
e) other services	(23,722)	(22,528)
Total	**(73,056)**	**(97,205)**

The sub-item a) "guarantees received" fell against last year due to the fact that in 2015 the guarantees given by the ECB on LTRO financing were not recorded due to the repayment of the exposures.

Sub-item c) 5. "placement of financial instruments" refers to commission expense paid to third party networks for the placement of UCIT units, mostly related to products managed by the Group company Aletti Gestielle SGR.

The sub-item e) "other services" includes commissions relating to cashpoint and credit card services of euro 16.2 million (euro 13.4 million as at 31 December 2014).

Section 3 - Dividends and similar income – Item 70

3.1 Dividends and similar income: breakdown

Item/Income	Total 2015		Total 2014	
	Dividends	Income from UCIT units	Dividends	Income from UCIT units
A. Financial assets held for trading	16,273	305	18,684	1,174
B. Financial assets available for sale	11,096	3,498	14,326	1,276
C. Financial assets designated at fair value through profit and loss	-	29	-	-
D. Investments in associates and companies subject to joint control	-	X	-	X
Total	**27,369**	**3,832**	**33,010**	**2,450**

Section 4 - Profits (losses) on trading – Item 80

4.1 Profits (losses) on trading: breakdown

Transactions/Income item	Capital gains (A)	Profits on trading (B)	Capital losses (C)	Losses on trading (D)	Net income (loss) [(A+B) - (C+D)] 2015
1. Financial assets held for trading	**39,344**	**84,663**	**(51,587)**	**(45,229)**	**27,191**
1.1 Debt securities	24,997	50,523	(31,547)	(28,397)	15,576
1.2 Equity instruments	6,614	31,660	(17,574)	(16,503)	4,197
1.3 UCIT units	7,733	1,159	(2,466)	(252)	6,174
1.4 Loans	-	-	-	-	-
1.5 Other	-	1,321	-	(77)	1,244
2. Financial liabilities held for trading	**1,111**	**7,092**	**(2,668)**	**(5,525)**	**10**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	1,111	7,092	(2,668)	(5,525)	10
2.3 Other	-	-	-	-	-
3. Other financial assets and liabilities: exchange rate differences	**X**	**X**	**X**	**X**	**(25,541)**
4. Derivatives	**1,556,189**	**4,073,793**	**(2,106,935)**	**(3,489,753)**	**73,819**
4.1 Financial derivatives:	1,545,991	4,064,077	(2,101,423)	(3,472,586)	76,584
- On debt securities and interest rates	1,103,472	2,698,418	(1,312,133)	(2,532,616)	(42,859)
- On equity instruments and share indices	442,519	1,364,195	(789,070)	(939,178)	78,466
- On currencies and gold	X	X	X	X	40,525
- Other	-	1,464	(220)	(792)	452
4.2 Credit derivatives	10,198	9,716	(5,512)	(17,167)	(2,765)
Total	**1,596,644**	**4,165,548**	**(2,161,190)**	**(3,540,507)**	**75,479**

Section 5 - Fair value adjustments in hedge accounting – Item 90

5.1 Fair value adjustments in hedge accounting: breakdown

Income item/Amounts	Total 2015	Total 2014
A. Revenues relating to:		
A.1 Fair value hedging derivatives	86,072	140,941
A.2 Hedged financial assets (fair value)	569,008	276,793
A.3 Hedged financial liabilities (fair value)	49,089	92,261
A.4 Financial hedging derivatives of the financial flows	-	-
A.5 Assets and liabilities in foreign currency	-	-
Total revenues of hedging activities (A)	**704,169**	**509,995**
B. Expenses relating to:		
B.1 Fair value hedging derivatives	(381,684)	(220,085)
B.2 Hedged financial assets (fair value)	(242,207)	(117,320)
B.3 Hedged financial liabilities (fair value)	(78,851)	(179,387)
B.4 Financial hedging derivatives of the financial flows	-	-
B.5 Assets and liabilities in foreign currency	-	-
Total hedging expense (B)	**(702,742)**	**(516,792)**
C. Fair value adjustments in hedge accounting (A-B)	**1,427**	**(6,797)**

Section 6 - Profits (losses) on disposal/repurchase – Item 100

6.1 Profits (losses) on disposal/repurchase: breakdown

Item/Income item	Total 2015			Total 2014		
	Profits	Losses	Net income (loss)	Profits	Losses	Net income (loss)
Financial assets						
1. Due from banks	142	(1)	141	213	-	213
2. Loans to customers	50,605	(13,060)	37,545	7,508	(18,644)	(11,136)
3. Financial assets available for sale	346,151	(4,795)	341,356	57,105	(3,338)	53,767
3.1 Debt securities	64,708	(4,788)	59,920	27,014	(1,103)	25,911
3.2 Equity instruments	243,463	(7)	243,456	3,392	(1,096)	2,296
3.3 UCIT units	37,980	-	37,980	26,699	(1,139)	25,560
3.4 Loans	-	-	-	-	-	-
4. Investments held to maturity	-	-	-	-	-	-
Total assets	**396,898**	**(17,856)**	**379,042**	**64,826**	**(21,982)**	**42,844**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Debt securities issued	27,930	(28,118)	(188)	-	(2,939)	(2,939)
Total liabilities	**27,930**	**(28,118)**	**(188)**	**-**	**(2,939)**	**(2,939)**

Item 2. Loans to customers refers to the result achieved through the disposal to third parties of limited packages of non performing loans for small amounts.
Profits on disposal of financial assets available for sale deriving from debt securities mainly refer to Italian Government bonds. The part relating to “equity instruments” includes the profits on the disposal of the investment held by Banco Popolare and by the subsidiary company Holding di Partecipazioni Finanziarie Banco Popolare in the Istituto Centrale delle Banche Popolari Italiane for euro 172.6 million and in Arca SGR for euro 68.6 million in total.

Section 7 - Profits (losses) on financial assets and liabilities designated at fair value through profit and loss – Item 110

7.1 Net change in value of financial assets/liabilities designated at fair value through profit and loss: breakdown

Transactions/Income item	Capital gains (A)	Profits on disposal (B)	Capital losses (C)	Losses on disposal (D)	Net income (loss) [(A+B) – (C+D)] 2015
1. Financial assets	**301**	**1,630**	**(1,853)**	**(72)**	**6**
1.1 Debt securities	26	-	(787)	-	(761)
1.2 Equity instruments	194	3	-	-	197
1.3 UCIT units	81	1,627	(1,066)	(72)	570
1.4 Loans	-	-	-	-	-
2. Financial liabilities	**76,278**	**27,532**	**(25,115)**	**(2,586)**	**76,109**
2.1 Debt securities	76,278	27,532	(25,115)	(2,586)	76,109
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	-	-	-	-	-
3. Financial assets and liabilities in foreign currency: exchange rate differences	**X**	**X**	**X**	**X**	**-**
4. Credit and financial derivatives	**7,038**	**9,095**	**(92,559)**	**(3,010)**	**(79,436)**
Total	**83,617**	**38,257**	**(119,527)**	**(5,668)**	**(3,321)**

This item includes the net result of bonds for which the fair value option was used, in the same way as the result of their hedging derivatives. In this case, the use of the fair value option has satisfied the need to reduce the accounting asymmetry which would otherwise result from assessing the financial liabilities issued at amortised cost and the related hedging derivatives at fair value.
The impact resulting from changes to the fair value of the financial liabilities in question also includes the effects of changes to its own creditworthiness. Given that the creditworthiness of Banco Popolare has deteriorated since the beginning of the year, this has led to the recognition of a positive impact totalling euro 4.9 million in the income statement item in question. For further details, reference is made to section 5 of liabilities in the statement of financial position of these notes to the financial statements, in relation to “Financial liabilities designated at fair value through profit and loss”.

Section 8 - Net losses/recoveries on impairment – Item 130

8.1 Net losses on impairment of loans: breakdown

Transactions/Income item	Value adjustments			Recoveries				Total 2015	Total 2014
	Specific		Collective	Specific		Collective			
	Write-offs	Other		A	B	A	B		
A. Due from banks	(19,999)	(236)	-	-	-	-	-	(20,235)	319
- Loans	-	(236)	-	-	-	-	-	(236)	319
- Debt securities	(19,999)	-	-	-	-	-	-	(19,999)	-
B. Loans to customers	(220,432)	(1,365,838)	(73,777)	241,328	453,272	-	99,066	(866,381)	(3,476,078)
Non performing loans purchased	-	-		-	-			-	-
- Loans	-	-	X	-	-	X	X	-	-
- Debt securities	-	-	X	-	-	X	X	-	-
Other loans	(220,432)	(1,365,838)	(73,777)	241,328	453,272	-	99,066	(866,381)	(3,476,078)
- Loans	(220,432)	(1,365,838)	(69,764)	241,328	453,272	-	99,066	(862,368)	(3,471,324)
- Debt securities	-	-	(4,013)	-	-	-	-	(4,013)	(4,754)
C. Total	(240,431)	(1,366,074)	(73,777)	241,328	453,272	-	99,066	(886,616)	(3,475,759)

Key:
A = From interest
B = Other recoveries

Value adjustments on debt securities recognised in sub-item A. Due from banks regard the effects of the adjustment due to the total write-off of the remaining exposures held by the Parent Company in Banca delle Marche.
Value adjustments on the portfolio of debt securities recognised in sub-item B. Loans to customers refer to the write-down of the junior security relating to the securitisation of Banca della Nuova Terra in line with last year.

As regards value adjustments relating to sub-item B Loans to customers, the impact resulting from the recovery (due to the simple passing of time, etc.) of the effects of the discounting process of non performing loans (mainly bad loans) is included under "Recoveries Specific B - Other Recoveries" and amounted to euro 220.1 million.

8.2 Net losses on impairment of financial assets available for sale: breakdown

Transactions/Income item	Value adjustments		Recoveries		Total 2015	Total 2014
	Specific		Specific			
	Write-offs	Other	A	B		
A. Debt securities	-	(619)	-	6	(613)	(40)
B. Equity instruments	-	(24,268)	-	-	(24,268)	(10,222)
C. UCIT units	-	(2,334)	x	x	(2,334)	(7,331)
D. Loans to banks	-	-	x	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	**-**	**(27,221)**	**-**	**6**	**(27,215)**	**(17,593)**

Key:
A = From interest
B = Other recoveries

Net losses on equity instruments also include write-downs of the book value of the investments in Nuova Sorgenia of euro 16.1 million, in Tasnch Holding of euro 2.4 million, in Eurofidi of euro 1.8 million, in Rho Immobiliare of euro 1.6 million and in Palladio Finanziaria of euro 1.4 million.
Net losses on UCIT units include the write-downs of private equity funds, made on the basis of the rules set out in the strict internal valuation policy.

8.3 Net losses on impairment of investments held to maturity: breakdown

In 2015 and in the previous year, there were no value adjustments to investments held to maturity.

8.4 Net losses on impairment of other financial transactions: breakdown

Transactions/Income item	Value adjustments			Recoveries				Total 2015	Total 2014
	Specific		Collective	Specific		Collective			
	Write-offs	Other		A	B	A	B		
A. Guarantees given	-	(12,277)	-	-	35,915	-	1,266	24,904	(70,633)
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	-	-	-	-	-	-	-
D. Other transactions	(25,441)	(6,635)	-	-	232	-	-	(31,844)	(22,307)
E. Total	**(25,441)**	**(18,912)**	**-**	**-**	**36,147**	**-**	**1,266**	**(6,940)**	**(92,940)**

Key:
A = From interest
B = Other recoveries

Item A. Guarantees given mainly refers to the recovery made against the aggregate of non performing unsecured loans. Unsecured loans and irrevocable commitments to disburse funds to performing counterparties were subject to valuation on a collective basis in order to reflect the probability of an outlay of financial resources based on similar portfolios, in line with the calculation methodology for collective value adjustments on cash exposures.
The specific value adjustments and recoveries relating to the same item refer to unsecured loans linked to non performing exposures.

Item D. Other transactions - Specific value adjustments - Write-offs refers entirely to the write-down of the unrecoverable portion of the coupons matured but not yet collected and the principal of the securities resulting from a securitisation transaction, following the closure of the latter as it matured in October 2015. In this regard, please refer to the content of Part E, Section C. Securitisation Transactions, paragraph Tiepolo Finance 2.

Section 9 - Net premiums – Item 150

This item is not considered relevant for the Group.

Section 10 - Net other income and expense from insurance activities – Item 160

This item is not considered relevant for the Group.

Section 11 - Administrative expenses – Item 180

11.1 Personnel expenses: breakdown

Type of expense/Amounts	Total 2015	Total 2014
1) Employees	**(1,402,663)**	**(1,400,800)**
a) wages and salaries	(930,915)	(893,515)
b) social security contributions	(246,244)	(233,395)
c) employee termination indemnities	(49,715)	(46,621)
d) social security expenditure	(239)	(2,252)
e) provision to employee termination indemnities	(4,890)	(10,958)
f) provision to pension fund and similar commitments:	(8,355)	(8,420)
- defined contribution	(7,338)	(6,761)
- defined benefit	(1,017)	(1,659)
g) payments to external supplementary pension plans:	(24,544)	(23,274)
- defined contribution	(24,544)	(23,274)
- defined benefit	-	-
h) costs deriving from payment agreements based on own equity instruments	-	25
i) other employee benefits	(137,761)	(182,390)
2) Other personnel in service	**(9,757)**	**(6,088)**
3) Directors and auditors	**(10,792)**	**(11,531)**
4) Retired personnel	**(160)**	**(241)**
Total	**(1,423,372)**	**(1,418,660)**

The figures from last year have been restated to enable a like-for-like comparison.

11.2 Average number of employees by category

	2015	2014
Employees	16,806	17,442
a) executives	272	283
b) total middle managers	7,042	7,273
of which: 3rd and 4th level	3,600	3,682
c) other employees	9,492	9,886
Other personnel	166	101
Average number of personnel	**16,972**	**17,543**

The average number of employees does not include directors and auditors. In the case of part-time employees, it is conventionally considered to be 70 percent.

11.3 Defined benefit company retirement plans: costs and revenues

	Total 2015	Total 2014
Pension cost associated with current service	(65)	(53)
Financial charges	(952)	(1,606)
Total	**(1,017)**	**(1,659)**

11.4 Other employee benefits

The item related to other employee benefits is indicated in the previous table 11.1, point “i) other employee benefits” of euro 137.8 million, whereas the corresponding amount in 2014 was euro 182.4 million. This amount refers to contributions to canteen expenses, costs for insurance policies taken out in favour of employees, costs for employee professional refresher courses and loyalty bonuses, as well as the cost of leaving incentives provided during the year totalling euro 94.6 million (euro 138.8 million last year).

11.5 Other administrative expenses: breakdown

Type of service/Amounts	Total 2015	Total 2014
a) Expenses relating to real estate	(184,667)	(196,867)
- rentals and maintenance of premises	(146,516)	(156,366)
- cleaning expenses	(10,230)	(11,458)
- energy, water and heating	(27,921)	(29,043)
b) Indirect taxes and duties	(251,798)	(245,351)
c) Postal charges, telephone charges, printed materials and other office expenses	(31,106)	(38,841)
d) Maintenance and rentals for furniture, machines and plants	(27,871)	(27,165)
e) Professional and consulting services	(89,679)	(76,959)
f) Fees for surveys and information	(11,089)	(9,256)
g) Value supervision and escorting	(12,396)	(13,627)
h) Services from third parties	(141,362)	(143,315)
i) Advertising, representation and gifts	(23,510)	(22,923)
l) Insurance premiums	(13,915)	(12,181)
m) Transport, hiring and travel	(30,010)	(32,214)
n) Other costs and sundry expenses	(212,716)	(36,906)
Total	**(1,030,119)**	**(855,605)**

Item n) Other costs and sundry expenses as at 31 December 2015 includes the expenses incurred for the Interbank Deposit Guarantee Fund of euro 10.3 million, and for the National Resolution Fund, both the ordinary contribution of euro 38.0 million and the extraordinary contributions of euro 113.9 million, which were not due last year.

Section 12 - Net provisions for risks and charges – Item 190

12.1 Net provisions for risks and charges: breakdown

	Provisions	Reallocation of surpluses	Total 2015	Total 2014
Risks and charges for legal disputes	(39,013)	36,526	(2,487)	(35,116)
Personnel risks and charges	-	-	-	289
Other risks and charges	(75,297)	1,193	(74,104)	(4,478)
Total	**(114,310)**	**37,719**	**(76,591)**	**(39,305)**

The sub-item “other risks and charges” includes the provision for future charges to be incurred relating to branch closures of euro 4.3 million and the provision for tax risks totalling euro 40.8 million, euro 17.7 million of which to cover the unsuccessful outcome of a tax ruling dating back to 2006.

Section 13 - Net value adjustments to/recoveries on property and equipment – Item 200

13.1 Net value adjustments to property and equipment: breakdown

Asset/Income item	Depreciation (a)	Losses on impairment (b)	Value recoveries (c)	Net income (loss) (a + b + c) 2015
A. Property and equipment				
A.1 Owned	(72,340)	(41,443)	-	(113,783)
- Used in operations	(49,854)	-	-	(49,854)
- For investment	(22,486)	(41,443)	-	(63,929)
A.2 Acquired under financial lease	(2,223)	-	-	(2,223)
- Used in operations	-	-	-	-
- For investment	(2,223)	-	-	(2,223)
Total	**(74,563)**	**(41,443)**	**-**	**(116,006)**

Section 14 - Net value adjustments to/recoveries on intangible assets – Item 210

14.1 Net value adjustments to intangible assets: breakdown

Asset/Income item	Amortisation (a)	Losses on impairment (b)	Value recoveries (c)	Net income (loss) (a + b + c) 2015
A. Intangible assets				
A.1 Owned	(65,339)	-	-	(65,339)
- Internally generated	-	-	-	-
- Other	(65,339)	-	-	(65,339)
A.2 Acquired under financial lease	(39)	-	-	(39)
Total	**(65,378)**	**-**	**-**	**(65,378)**

Section 15 - Other operating expenses and income – Item 220

15.1 Other operating expenses: breakdown

	Total 2015	Total 2014
Expenses on leased assets	(15,483)	(10,279)
Depreciation of expenses for leasehold improvements	(8,809)	(8,874)
Other	(50,756)	(42,407)
Total	**(75,048)**	**(61,560)**

The item "other" includes the costs of legal settlements that exceed the provisions for risks allocated of euro 26.1 million, operating losses relating to branch operations (theft, fraud, robberies and other damages) of euro 7.0 million, the cost relating to the revision of a rental contract on an owned property of euro 9.9 million and out-of-period expenses and other amounts not receivable for the remainder. The item also includes the costs incurred by the former Italease regarding receivables assigned without recourse or whose risks and benefits have been transferred to Alba Leasing, which are promptly charged back (with other operating income) to the above company.

15.2 Other operating income: breakdown

	Total 2015	Total 2014
Income on current accounts and loans	51,773	99,050
Tax recovery	177,283	170,869
Recovery of expenses	37,738	31,899
Rents receivable on real estate	55,905	52,411
Other	117,046	69,797
Total	**439,745**	**424,026**

The sub-item "income on current accounts and loans" refers to the "commissione di istruttoria veloce" (fast track fee) introduced by Italian Decree Law no. 201 of 6 December 2011, converted by Italian Law no. 214/2011.
Recovery of expenses mainly includes the recovery of legal expenses of euro 27.2 million (euro 24.9 million in the previous year) and recoveries of personnel expenses of euro 5.5 million (euro 5.6 million in 2014).
The sub-item "other" is comprised of out-of-period income resulting from the collection of sums originating from settlements and various recoveries of around euro 23 million. This sub-item also includes the income relating to the recognition of receivables originating from the closure of a securitisation transaction, which reached its natural maturity, for a total of around euro 25 million (see the content of Part E, Section C. Securitisation Transactions, paragraph Tiepolo Finance 2).
Lastly, it also includes income relating to leasing and to the charge back of costs incurred with regard to the receivables assigned without recourse or whose risks and benefits were transferred to Alba Leasing.

Section 16 - Profits (losses) on investments in associates and companies subject to joint control – Item 240

16.1 Profits (losses) on investments in associates and companies subject to joint control: breakdown

Income item/Sector	Total 2015	Total 2014
1) Jointly controlled companies		
A. Income	-	-
1. Revaluations	-	-
2. Profits on disposal	-	-
3. Recoveries	-	-
4. Other income	-	-
B. Expenses	-	-
1. Write-downs	-	-
2. Losses on impairment	-	-
3. Losses on disposal	-	-
4. Other expenses	-	-
Net Income (Loss)	-	-
2) Companies subject to significant influence		
A. Income	141,541	90,423
1. Revaluations	141,541	90,423
2. Profits on disposal	-	-
3. Recoveries	-	-
4. Other income	-	-
B. Expenses	(200)	(473)
1. Write-downs	(62)	(357)
2. Losses on impairment	-	-
3. Losses on disposal	-	(116)
4. Other expenses	(138)	-
Net Income (Loss)	**141,341**	**89,950**
Total	**141,341**	**89,950**

The items Revaluations and Write-downs include profits and losses deriving from the measurement at equity of investments subject to joint control and significant influence. More specifically, they refer to Popolare Vita for euro 25 million, Agos Ducato for euro 105.3 million, Avipop Assicurazioni for euro 8 million and Energreen for euro 2.5 million.

Section 17 - Profit (loss) designated at fair value on property and equipment and intangible assets – Item 250

17.1 Profit (loss) designated at fair value (or revalued value) on property and equipment and intangible assets: breakdown

The Group does not hold property and equipment or intangible assets designated at fair value through profit and loss or revalued.

Section 18 – Value adjustments on goodwill – Item 260

18.1 Value adjustments on goodwill: breakdown

As at 31 December 2015, there were no value adjustments on goodwill. Last year impairment of euro 200 million was recognised on goodwill.

For a description of how impairment testing on goodwill is conducted, please refer to the content of section 13 – Intangible assets, in part B of these notes to the consolidated financial statements.
Please refer to the content of Part A – Accounting policies for a description of the way in which losses on impairment of goodwill is calculated.

Section 19 - Profits (losses) on disposal of investments – Item 270

19.1 Profits (losses) on disposal of investments: breakdown

Income component/Amounts	Total 2015	Total 2014
A. Properties	(2,706)	2,094
- Profits on disposal	2,199	2,310
- Losses on disposal	(4,905)	(216)
B. Other assets	(1,556)	367
- Profits on disposal	338	1,628
- Losses on disposal	(1,894)	(1,261)
Net income (loss)	**(4,262)**	**2,461**

The gains on disposal of “Other assets” refer mainly to the disposals during the year of assets deriving from financial lease, relating to the sub-group Italease.

Section 20 - Taxes on income from continuing operations – Item 290

20.1 Taxes on income from continuing operations: breakdown

Income item/Sector	2015	2014
1. Current taxes (-)	(89,207)	(172,490)
2. Change in current taxes of prior periods (+/-)	3,063	(528)
4. Decreases in current taxes for the year (+)	32,078	7,772
3.bis Decreases in current taxes for the year due to tax credit pursuant to Law 214/2011 (+)	804,661	203,428
4. Change in deferred tax assets (+/-)	(713,645)	712,939
5. Change in deferred tax liabilities (+/-)	31,944	64,794
6. Income taxes for the period (-) (-1 +/- 2 + 3 + 3bis +/-4 +/-5)	**68,894**	**815,915**

Taxes for the year include the benefit of the tax assets deriving from the prior tax losses of the subsidiary Banca Italease, incorporated in the first quarter of 2015, for a total of euro 85.1 million.

Non-recurring items that contributed to the formation of taxes for the year included the negative impact of euro 2.2 million resulting from the adjustment of deferred tax assets net of deferred tax liabilities following the reduction of the IRES rate from 27.50% to 24% envisaged by art.1, paragraph 61 of Law no. 208 dated 28 December 2015 (so-called 2016 Stability Law).
The adjustment regarded the DTA relating to timing differences deductible for IRES purposes from tax year 2017 net of DTL relating to deductible timing differences.

The banking and financial companies set forth in Legislative Decree no. 87 dated 27 January 1992 are instead excluded from the lower IRES rate of 24%, for which art. 1, paragraph 65 of the Stability Law 2016 envisaged an additional IRES of 3.50% effective 1 January 2017; for the latter parties, the expected IRES to be applied to recalculate DTA and DTL is actually unchanged.

The income statement of the previous year had been negatively impacted by the adjustment of the taxes recognised on the capital gain earned by the Group following the change in the stakes held in the capital of the Bank of Italy (by euro 14.5 million).

20.2 Reconciliation between theoretical tax expense and actual tax expense of the financial statements

IRES	2015		2014	
Income (loss) before tax from continuing operations		**349,775**		**(2,799,639)**
Negative components of gross profit definitively not relevant (+)		**177,465**		**383,991**
Non-deductible interest expense	61,312		80,106	
Capital losses on disposal and on measurement of investments / AFS	28,483		11,346	
Non-deductible taxes other than income taxes	21,894		22,338	
Losses on non-deductible receivables	1,125		2,527	
Administrative expenses with limited deductibility	9,702		7,217	
Other non-deductible expenses	32,893		31,476	
Impairment of goodwill	-		200,000	
Losses of companies abroad	2,364		2,074	
Provisions	11,473		7,940	
Other	8,219		18,967	
Positive components of gross profit definitively not relevant (-)		**(383,455)**		**(103,705)**
Non-relevant portion of gains on disposal and on measurement of investments / AFS	(368,845)		(91,273)	
Non-relevant portion of dividends before consolidation entries	(149,777)		(63,394)	
Cancellation of infragroup dividends	150,721		57,051	
Impact of consolidation of infragroup investments in associates and companies subject to joint control	(10,823)		(1,996)	
Other	(4,731)		(4,093)	
Final increases not related to gross profit components (+)		**1,458**		**50**
Other	1,458		50	
Final decreases not related to gross profit components (-)		**(333,121)**		**(207,545)**
Recovery of infragroup interest expense deductibility for tax consolidation scheme	(10,875)		(11,563)	
Lump-sum deduction of 10% IRAP and IRAP deduction on employee costs	(9,164)		(59,015)	
Share of income subsidisable for ACE (Aid for Economic Growth)	(169,594)		(123,804)	
Tax losses of previous years	(141,008)		-	
Other	(2,480)		(13,163)	
IRES calculation base to income statement		**(187,878)**		**(2,726,848)**
IRES nominal rate	**27.50%**		**27.50%**	
Actual IRES		**51,666**		**749,883**
IRES tax rate		**14.77%**		**(26.78%)**

IRAP	2015		2014	
Income (loss) before tax from continuing operations		**349,775**		**(2,799,639)**
Negative components of gross profit definitively not relevant (+)		**628,716**		**1,604,007**
Non-deductible interest expense	62,183		81,983	
Non-deductible portion of depreciation on assets used in operations	53,188		73,519	
Other non-deductible administrative expenses	139,431		135,005	
Personnel expenses net of allowed deductions (decrease in tax wedge, the disabled, etc.)	123,583		972,773	
Other value adjustments pursuant to item 130 Income Statement	53,394		51,993	
Net provisions for risks and charges	83,968		52,442	
Other operating expenses	170		19,953	
Losses on investments in associates and companies subject to joint control	5,552		-	
Non-relevant losses on the disposal of investments	4		930	
Impairment of goodwill	-		200,000	
Losses of companies abroad	2,364		2,074	
Other	104,879		13,335	
Positive components of gross profit definitively not relevant (-)		**(230,700)**		**(254,669)**
Profits on investments in associates and companies subject to joint control	(141,479)		(90,423)	
Non-relevant portion of dividends before consolidation entries	(89,058)		(45,608)	
Cancellation of infragroup dividends	150,721		57,051	
Other operating income	(87,417)		(122,599)	
Non-relevant profits on disposal of investments	(238)		(5)	
Impact of consolidation of infragroup investments in associates and companies subject to joint control	(14,517)		(1,996)	
Other	(48,712)		(51,089)	
Final increases not related to gross profit components (+)		**-**		**-**
Other	-		-	
Final decreases not related to gross profit components (-)		**(323,426)**		**(31,768)**
Others (mainly recapture of non-relevant negative components from previous years)	(323,426)		(31,768)	
IRAP calculation base to income statement		**424,365**		**(1,482,069)**
IRAP weighted average nominal rate	**5.36%**		**5.39%**	
Actual IRAP		**(22,746)**		**79,884**
IRAP tax rate		**(6.50%)**		**(2.85%)**

Non-relevant IRES and IRAP and other taxes	2015		2014	
Total impact		**39,974**		**(13,852)**
IRES - Current, pre-paid and deferred taxation of prior periods	42,861		32	
Adjustment of IRES rate from 27.5% to 24% for DTA and DTL pursuant to Law 208/2015	(2,195)		-	
IRAP - Current, pre-paid and deferred taxation of prior periods	319		757	
Adjustment of IRAP rate for DTA and DTL	(13)		-	
Foreign taxes	(998)		(165)	
Higher substitute tax from 12% to 26% on the Bank of Italy revaluation under art. 44 of Italian Decree Law 66/2014	-		(14,476)	
		11.43%		**0.49%**

Total taxes on gross profit	2015	2014
Total IRES + IRAP + Other taxes	**68,894**	**815,915**
Overall tax rate	**19.70%**	**(29.14%)**

Section 21 - Income (loss) after tax from discontinued operations – Item 310

21.1 Income (loss) after tax from discontinued operations: breakdown

Income item/Sector	Total 2015	Total 2014
1. Income	9,805	40,918
2. Expenses	(17,621)	(37,893)
3. Result of measurements of group of assets and related liabilities	-	-
4. Profit (loss) on disposal	-	(48)
5. Taxes and duties	536	(833)
Income (loss)	**(7,280)**	**2,144**

This item includes the contribution to the income statement for the year of the subsidiary company BP Luxembourg, generated by net assets held for disposal, also including the effects of the valuation of said net assets at the lower value between book value and disposal price.
The amount relating to the previous year mainly refers to the same BP Luxembourg following the restatement for comparative purposes required by accounting standard IFRS 5, while the remainder related to the subsidiary BP Croatia, sold in 2014.

21.2 Breakdown of income taxes relating to discontinued operations

	Total 2015	Total 2014
1. Current taxation (-)	447	(833)
2. Change in deferred tax assets (+/-)	(479)	-
3. Change in deferred tax liabilities (-/+)	568	-
4. Income taxes for the year (-1+/-2+/-3)	**536**	**(833)**

Section 22 - Net income (loss) attributable to minority interests – Item 330

22.1 Breakdown of item 330 “Net income (loss) attributable to minority interests”

Company name	2015	2014
Investments consolidated with significant minority interests	-	-
Other investments	(18,684)	(38,714)
Total	**(18,684)**	**(38,714)**

Section 23 - Other information

There is no other important information to report in addition to what was already indicated in the previous sections.

Section 24 - Earnings per share

	31 December 2015			31 December 2014		
	Annualised attributable result (euro)	Weighted average of ordinary shares	EPS (euro)	Annualised attributable result (euro)	Weighted average of ordinary shares	EPS (euro)
Basic EPS	430,072,927	362,179,606	1.187	(1,945,891,425)	299,291,673	(6.502)
Diluted EPS	430,072,927	362,179,606	1.187	(1,945,891,425)	299,291,673	(6.502)

24.1 Average number of ordinary shares with diluted capital

Note that as at 31 December 2015, Basic EPS coincides with Diluted EPS as there were no financial instruments with potential dilutive effects.

24.2 Other information

There is no other important information to report in addition to what was already indicated in the previous sections.

PART D – STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

Analytical statement of consolidated comprehensive income

	Items	Gross amount	Income tax	Net amount
10.	**Net income (Loss)**	**X**	**X**	**411,389**
	Other comprehensive income without reclassification to profit or loss			
20.	Property and equipment	-	-	-
30.	Intangible assets	-	-	-
40.	Defined benefit plans	15,966	(4,359)	11,607
50.	Non-current assets held for sale	-	-	-
60.	Share of valuation reserves related to investments in associates carried at equity	375	(103)	272
	Other comprehensive income with reclassification to profit or loss			
70.	**Foreign investment hedges:**	**-**	**-**	**-**
	a) changes in fair value	-	-	-
	b) reclassification to profit or loss	-	-	-
	c) other changes	-	-	-
80.	**Exchange rate differences:**	**-**	**-**	**-**
	a) changes in value	-	-	-
	b) reclassification to profit or loss	-	-	-
	c) other changes	-	-	-
90.	**Cash flow hedges:**	**3,619**	**(1,373)**	**2,246**
	a) changes in fair value	3,619	(1,373)	2,246
	b) reclassification to profit or loss	-	-	-
	c) other changes	-	-	-
100.	**Financial assets available for sale:**	**(24,379)**	**5,995**	**(18,384)**
	a) changes in fair value	110,657	(29,288)	81,369
	b) reclassification to profit or loss	(136,325)	35,283	(101,042)
	- losses on impairment	(4,170)	1,018	(3,152)
	- profit (loss) on disposal	(132,155)	34,265	(97,890)
	c) other changes	1,289	-	1,289
110.	**Non-current assets held for sale:**	**-**	**-**	**-**
	a) changes in fair value	-	-	-
	b) reclassification to profit or loss	-	-	-
	c) other changes	-	-	-
120.	**Share of valuation reserves related to investments in associates carried at equity:**	**(4,283)**	**1,186**	**(3,097)**
	a) changes in fair value	(4,283)	1,186	(3,097)
	b) reclassification to profit or loss	-	-	-
	- losses on impairment	-	-	-
	- profit (loss) on disposal	-	-	-
	c) other changes	-	-	-
130.	**Total other comprehensive income**	**(8,702)**	**1,346**	**(7,356)**
140.	**Comprehensive Income (Items 10+130)**			**404,033**
150.	Consolidated comprehensive income attributable to minority interests			(18,676)
160.	**Consolidated comprehensive income attributable to the Parent Company**			**422,709**

PART E – INFORMATION ON RISKS AND RELATIVE HEDGING POLICIES

The document containing the information referring to the Banco Popolare Group and related to capital adequacy, exposure to risk and the general characteristics of the systems set in place to identify, measure, manage and control risk (the so-called "Pillar III"), in compliance with the circular of the Bank of Italy no. 285 of 17 December 2013 and specifically Part Eight of CRR EU Regulation no. 575/2013, is made available under the provisions of the regulations in the Investor Relations section of the web site www.bancopopolare.it.

Section 1 refers exclusively to the Banking Group, unless otherwise expressly indicated. The tables show figures gross of relations with other consolidated companies.

Section 1 - Risks of the Banking Group

The Banco Popolare Group and the companies that belong to the same seek to respect criteria of prudence and reduced exposure to risk in their business activities, as regards:

- the need for stability in the exercise of banking activities;
- the profiles of its investors;
- its cooperative origins and the values of cooperative lending (credito popolare).

The overall risk appetite of the Group is determined through the Risk Appetite Framework, regulated by specific RAF Regulations. In line with its risk appetite, the Group and its subsidiaries specifically pursue the following:

- credit risk distribution, in line with the objective of mainly lending to retail customers and small and medium enterprises;
- market risk-taking in relation to commercial requirements as well as proprietary investment purposes;
- the careful monitoring of the liquidity for the purpose of ensuring the ability to promptly deal with expected and unexpected financial requirements;
- the exclusion of risks that are unrelated to core activities and an accurate assessment of initiatives that entail new types of risk;
- the development of increasingly complete and accurate risk monitoring methods, as well as an active approach to the management of corporate risk, by using the advanced hedging and mitigation techniques;
- asset balance, also in conditions of stress, by setting objectives in terms of financial leverage.

In order to adequately pursue these objectives, generally focused on prudent management, the risk governance process is based on specific organisational measures (regulations, systems, processes, resources, etc.) and on the availability of adequate capital coverage, as well as on an overall system of company values and incentives (for example, risk-based incentive systems), and on a selected organisational model, all of which contribute to reducing exposure to risk and/or to minimising its impacts.
In particular, the Group organises specific training and extensive dedicated training, also for the purpose of disseminating and promoting a solid and robust risk culture throughout the bank. In recent years, we would like to mention, in particular, several schemes, targeted to all Group personnel, carried out through specific courses (both classroom-based and online) on subjects such as operating risks, compliance, security, administrative liability of banks, MiFID regulations, anti-money laundering, and CAI (Interbank Register of Bad Cheques and Payment Cards) regulations, as well as occupational health and safety.

Group Risk Appetite Framework

As already mentioned in the Report on Operations, in the first few months of 2015, the Banco Popolare Group set its own Risk Appetite Framework (RAF) in place, following the definition of the guidelines in 2014.
The RAF represents the reference framework which defines - in accordance with the maximum level of risk that can be taken, the business model and the strategic plan - the risk appetite, the tolerance thresholds, risk limits, risk governance policies and reference processes required to define and implement them, in accordance with the content of Supervisory Instructions - New Prudential Supervision provisions for Banks - 15th update dated 2 July 2013.

More specifically, through its own Risk Appetite Framework, the Banco Popolare Group:

- steers its strategy and risk management policies, focused on sound and prudent company operations;
- sets its risk objectives and verifies their correct application, in line with its business model, the company strategies pursued, the maximum risk that may be assumed, budget processes and self-assessment of capital adequacy, company organisation and Internal Control System;
- verifies the consistency of the objectives of capital adequacy, risk capital, liquidity and risk-adjusted performance, which are used as the basis of the strategic and operational planning processes, ICAAP, determining and managing risk limits as well as the other related company processes;

- structures risk objectives into an organised system of indicators, which it manages according to principles of proportionality;
- defines the procedures for operational measures to activate if it is necessary to restore risk levels within the preset objectives or limits;
- indicates the types of risk that it intends to assume and the methods used to control and monitor risk, over the short and long-term, both under ordinary and stressed conditions;
- assigns specific roles and responsibilities to Company Bodies (Board of Directors, Risk Committee, Managing Director and Board of Statutory Auditors) and to the Company Functions involved in calculating the Group's risk appetite , measuring, monitoring and reporting and in the processes to manage situations in which the RAF thresholds are surpassed, with a view to guaranteeing their correct implementation.

In addition to formalising the roles and responsibilities of Company Bodies and Functions, the scope of application of the RAF and the overall system of indicators, measured and monitored periodically are extremely important.
More specifically, the Group has structured its Risk Appetite Framework on the basis of a scope that covers the areas illustrated below; suitable indicators have been identified for each area:

- regulatory and operating capital adequacy;
- liquidity and financial leverage;
- performance and profitability;
- compliance and money laundering.

The RAF, understood as the process to determine the Group's risk appetite, primarily considers the establishment of risk/return objectives or the quantification of Risk Appetite, Risk Trigger, Risk Tolerance and Risk Capacity thresholds in terms of individual indicators. Risk/return objectives are established at least annually. It is therefore closely related to the process of Operating Planning (Budget) and Strategic Planning (Business Plan).
The RAF process also encompasses the measurement, monitoring and reporting of the so-called Risk Profile, namely the level of risk actually assumed and measured at a specific moment in time or period. The Risk Profile is periodically compared with the Risk Appetite threshold, with the Risk Tolerance threshold and with the other thresholds (Risk Trigger and Risk Limit). The results of measurements and monitoring are recorded in what is called the Group RAF Tableau de Bord, namely a single integrated report that is submitted to the Company Bodies on a quarterly basis.
Lastly, the RAF process is strictly related to the ICAAP process (Internal Capital Adequacy Assessment Process), ILAAP (Internal Liquidity Adequacy Assessment Process) and to the definition and management of any operating limits set for certain indicators.
In addition to the trigger thresholds established for the RAF, the Group also has a comprehensive system of operating limits, again with a view to adequately managing the assumption of company risk. The operating limits respond to the need to allow improved monitoring and to a more efficient handling of risks by the parties responsible.
With regard to liquidity risk, the exposure limits are defined by means of the structure of the maturity ladder, where the future cash flows generated by the expiry of the financial and loan brokerage transactions are placed within the corresponding time brackets. Net requirements are established by means of the algebraic sum of expected in- and out-flows of liquidity. RAF thresholds are envisaged for liquidity risk and serve to verify the ability of available liquid reserves to ensure coverage of net liquidity requirements. Maximum thresholds are also envisaged for the concentration of funding by counterparty and wholesale source.

Risks considered significant for the Group

The Group is exposed to the following types of risk when conducting its traditional business activities:

- credit and counterparty risk; this category also includes concentration risk and residual risk;
- market risk, including basis risk;
- operating risk;
- interest rate risk of the banking portfolio;
- liquidity risk;
- business risk;
- risk relating to equity instruments in the banking portfolio;
- strategic risk;
- reputational risk;
- securitisation risk;
- real estate risk;
- goodwill risk;
- compliance (or non-conformity) risk;
- risk from defined benefit pension plans;
- hedge fund risk;
- country risk;
- transfer risk;

- IT risk;
- risk of excessive financial leverage.

In addition to credit risk, market risk, liquidity risk and operating risk, which are illustrated extensively in the following paragraphs, the Banco Popolare Group has identified and monitors the following other risks.

Strategic risk: is the risk of a fall in income or capital as a result of changes in the competitive scenario or of wrong strategic business decisions, of an inappropriate implementation of strategic decisions, of a poor reaction or failure to react to changes in the competitive scenario. For example, the risk may come from unexpected changes in the key indices used as reference for the strategic plan (for example projected levels of GDP or inflation, retail customers' savings, expected corporate investments in different economic sectors or geographical areas, etc.), different to market expectations, leading to a positive effect on the Group's expected results, which then may not actually be fully achieved.
The constant monitoring of operating performance, of the company's key financials and of all the other important variables, whether the same are internal or external to the Group, allows this risk to be reduced to a minimum, making it possible to take timely corrective action and/or make adjustment should competitive or market circumstances change.

Reputational risk: is the risk of a fall in income or capital as a result of a negative perception of the bank's image in the eyes of customers, counterparties, bank shareholders, investors or supervisory authorities, as a result of specific critical events impacting, for example, specific operational areas, products or processes. The Banco Popolare Group makes a special effort to constantly improving its image and consolidating its reputation, and it implements a preventive policy on various fronts, in particular:
- customer protection, by guaranteeing an adequate information flow that enables them to make informed financial decisions;
- attentive and incisive verification, not only formal, of the coherence of operational procedures and company conduct with external and internal regulations and policies.

Strategic risk and reputational risk are characterized by the fact that they are risk classes that are mainly monitored by group structures, through the application of experimental assessment methodologies, also regarding their quantitative assessment.

Business risk: is the risk of incurring losses, in terms of a decrease in expected net interest and other banking income (net of the impact of credit and market risks), due to changes in the macro- or micro-economic environments, leading to a fall in volumes and/or margin squeeze, that may reduce the bank's ability to make profit.
In particular, the Group is exposed to the risk of fluctuations of commission income from investment services. This risk is managed and minimized through commercial policies and measures aimed at building customer loyalty, so as to render the provision of services stable and profitable, and at maintaining a high value added and innovative offer of products and services, in line with our customers' present and future needs.

Risk relating to equity instruments in the banking portfolio: is the current or future risk of a change in fair value resulting from market volatility or the situation of individual issuers. The equity instruments in question are equity instruments available for sale (AFS) and investments in associates and companies subject to joint control (item 100 of Statement of Financial Position Assets in the consolidated financial statements).

Real estate risk: is the risk of a fall in the market value of proprietary real estate assets, as a result of price changes on the Italian real estate market. This risk is monitored by specific technical structures set up within the Group.

Securitisation risk: is the risk that the economic substance of a securitisation transaction is not fully reflected in risk assessment and management decisions. To manage this risk, Banco Popolare has set up a specialised structure in charge of defining securitisation transactions relating to its own assets. Among other things, this structure is in charge of selecting the portfolio to be disposed, of defining the structure to be adopted and of reviewing the documents prepared by the assigned lawyer.

Compliance (or non-conformity) risk: is the risk of incurring administrative and legal sanctions as a result of the non-conformity of internal regulations (and corporate procedures) with external regulations, and of corporate governance codes and internal codes of conduct. Compliance risk also arises in situations of non-conformity that may cause material financial losses and reputational damage. For further information on the work performed by the Group's Compliance functions, please refer to the specific paragraph in the Report on Operations.

Goodwill risk: is the present or future risk that the value of the goodwill recorded in the financial statements is higher than that which can actually be realised.

Risk from defined benefit pension plans: is the risk that, as regards defined benefit pension plans, the contributions paid in/allocated are not sufficient to cover the benefits guaranteed in relation to unexpected demographic trends (so-called actuarial risk) and/or that the assets in which said contributions have been invested fail to make sufficient returns (so-called financial risk), with consequent additional amounts to be paid by the bank.

Country risk: is the risk of losses caused by events that occur in a country other than Italy. The concept of country risk is wider than that of sovereign risk as it refers to all exposures regardless of the nature of the counterparties, which may be natural persons, enterprises, banks or the public administration.

Transfer risk: is the risk that a bank, with exposure towards a party with funding in a currency different to that of its main source of income, incurs losses due to the difficulty of the debtor to convert its currency into the currency of the exposure.

Basis risk: within market risk, basis risk is the risk of losses caused by mismatches between the values of positions with opposite signs, which are similar but not identical. When considering this risk, banks must pay special attention; by calculating the capital requirement for the position risk according to the standardised approach, they can offset the positions in one or more equity instruments included in a share index with one or more positions in futures/other derivatives related to said index or they can offset opposite positions in futures on share indices, which are not identical in terms of maturity, composition or both.

Risk of excessive financial leverage: is the risk that a particularly high level of indebtedness with respect to own funds makes the bank vulnerable, meaning that corrective measures need to be adopted as regards the business plan, including the sale of assets, recognising losses, which could result in value adjustments to the remaining assets as well.

IT risk: is the risk of incurring economic losses, reputational damage and the loss of market share related to the use of Information and Communication Technology - ICT).

Hedge fund risk: is the risk of incurring operating losses resulting from the use of an estimated NAV instead of an effective NAV on the hedge funds (called Hedge Fund Risk) managed by Aletti Gestielle Sgr.

Stress testing

The Group has used a detailed stress testing system for some time, understood as the set of quantitative and qualitative techniques used by the bank to assess its vulnerability to exceptional, but plausible events.
Stress tests aim to assess the effects on the bank's risks of specific events (sensitivity analysis) or of joint movements in a set of economic-financial variables in the event of adverse scenarios (scenario analysis), or with reference to individual risks (specific stress tests) or several risks together (joint stress test).
These tests allow identification of the risk factors that contribute more than others to this negative result and consequently allow implementation of loss-limiting strategies when these scenarios occur.
The Group uses these tools to support other risk management and measurement techniques, with a view to:

- providing a prospective view of risks and their economic and financial impacts;
- overcoming the limits of the risk management models based on historical data (i.e., the HVaR model with reading of the last 250 observations);
- providing input data for the capital and liquidity planning processes, also to quantify the Risk Trigger thresholds for the yearly determination of the Group's risk/return objectives;
- assessing the development of risk mitigation and recovery plans in certain stress situations. In fact, the stress tests are used to establish specific internal trigger thresholds, which once reached trigger the resolution plans as envisaged by the BRRD (Bank Recovery and Resolution Directive) regarding the prevention and management of banking and investment company crises.

The stress testing methods described above are applied as part of the Group ICAAP and ILAAP process, for the purpose of a more comprehensive, accurate assessment of future capital adequacy.

Risks associated with shareholding caps and with the exercise of voting rights

Art. 30 of the Consolidated Banking Law states that in a cooperative bank (banca popolare) no-one may possess an interest exceeding 1% of the share capital (and the articles of association may also establish lower thresholds, although no lower than 0.5%); UCITS are subject to the limits set by their own specific regulations. Should Banco Popolare determine that said threshold has been exceeded, and in any case within the terms envisaged by provisions in force, it must immediately notify the shareholder and the intermediary of said infringement. The shares exceeding the threshold must be transferred within one year of the notice, after which time the relevant capital rights accrued are acquired by Banco Popolare.

Art. 30 of the Consolidated Banking Law states that the shareholders of cooperative banks are entitled to only one vote, irrespective of the number of shares they hold. Furthermore, art. 23 of the Articles of Association states that each Shareholder - on condition that the same are not a Board member or Statutory auditor, or employee of Banco Popolare, or a member of the administrative or control bodies or an employee of companies directly or indirectly controlled by Banco Popolare, or of the independent auditors who have been assigned to audit the accounts, or the person legally responsible for auditing the accounts of Banco Popolare and that do not satisfy one of the other conditions of incompatibility provided for by law - may represent not more than ten other Shareholders at a Shareholders' Meeting, by means of a proxy.

Note that in the Official Gazette dated 24 January 2015, Italian Law Decree no. 3 of 24 January 2015 was published ("Urgent measures for the banking system and investments"). The Decree, in force since 25 January 2015, was converted into law, with amendments, on 24 March (Law no. 33 of 24 March 2015).

This Law Decree (art. 1) envisages considerable changes to the regulation of cooperative banks, contained in Italian Legislative Decree no. 385 of 1 September 1993 (CBL), with regard to which we draw attention to the following:

A) general rules pertaining to cooperative banks, through the addition, in article 29 of the CBL of the following further provisions: (i) a new paragraph 2-bis, according to which the assets of a cooperative bank may not exceed the threshold of euro 8 billion, calculated at consolidated level in the case of a parent company; (ii) a new paragraph 2-ter, by virtue of which, if said threshold is surpassed, the Board of Directors of the cooperative bank are bound to convene a shareholders' meeting to resolve on the matter. If within one year of surpassing said threshold, the assets have not been brought to below the same, and the company has not been transformed into a joint stock company or liquidated, based on the circumstances and the extent by which the threshold has been surpassed, the Bank of Italy may issue a prohibition to enter into new transactions pursuant to article 78 of the CBL, or may implement the measures envisaged by national law on the extraordinary administration of banks (articles 70-77 CBL), or it may submit a proposal to the European Central Bank to revoke authorisation to engage in banking activity and to the Ministry of the economy and finance for administrative compulsory liquidation, without prejudice to the powers attributed to the Bank of Italy by the CBL to intervene and to grant sanctions; (iii) a new paragraph 2-quater, which prescribes that the Bank of Italy may dictate implementing provisions for art. 29 of the CBL, as amended. As a further amendment to art. 29, the text also envisages the abrogation of the current paragraph 3, under which the competent corporate bodies of cooperative banks may appoint the management and control bodies;

B) changes to regulations regarding transformations and mergers of cooperative banks, through the replacement of the entire wording of art. 31 of the CBL with provisions according to which resolutions for transformations into joint stock companies or mergers that result in joint stock companies must be passed by the formation and decision-making quorums prescribed by the same regulation; in the case of withdrawal, the regulation established in art. 28, amended, (according to which the right to reimbursement is restricted in accordance with that envisaged by the Bank of Italy, also as a departure from the law, where the shares must be included in the calculation of the bank's primary quality regulatory capital); the quorums of shareholders' meetings prescribed for transformation of cooperative banks into joint stock companies must also be applied to amendments to the articles of association as well as, in general, with regard to decisions regarding implementing the regulations to cooperative banks whose assets surpass the euro 8 billion threshold

C) the rewording of art. 150-bis CBL (transitory and final provisions regarding cooperative banks), according to which: (i) the list of Italian Civil Code provisions applicable to cooperative banks has been amended; (ii) a provision, which marks a departure from the rules of the Italian Civil Code regarding cooperatives, which prescribes that the articles of association of cooperative banks must establish the maximum number of proxies that may be conferred by a member, specifying that, in any event, said number may not be less than 10 or more than 20.

Cooperative banks are bound to comply with the new general rules, and namely the new wording of art. 29 CBL within 18 months from the entry into force of the above-mentioned implementing provisions to be issued by the Bank of Italy: these provisions were issued by the Bank of Italy in its own Provision (in force since 27 June 2015), with which the 9th update of the Bank of Italy Circular no. 285 was stated, with the introduction in the third part of chapter 4 regarding "Cooperative banks".

Banco Popolare's Board of Directors, under the powers awarded to the same pursuant to art. 33.2, paragraph 2, letter y) of the Articles of Association, in application of art. 2365, paragraph 2, of the Italian Civil Code, at a meeting held on 15 September 2015, approved the compulsory amendments to the Articles of Association in accordance with that established by Decree Law no. 3 of 2015, as converted into Law 33/2015 and taking into account that established in the cited Update of Circular no. 285. Following the issue of the positive assessment provision by the Bank of Italy pursuant to art. 56 of Legislative Decree 385/1993, these amendments to the articles of association were recorded in the Verona Companies' Register on 15 December 2015. After consultation with the Board of Statutory Auditors, Banco Popolare's Board of Directors also approved the launch of the project to transform the legal status of Banco Popolare from a limited liability joint-stock cooperative company into a joint-stock company and the plan containing the initiatives necessary for this purpose as well as the timing for their implementation, in line with legal deadlines.

The internal risk control system

The primary requirement of the risk management and control system is to protect the capital and financial solidity and the reputation of the Banco Popolare Group against undesirable events.

The entire process to manage and control the risks that the Group is exposed to is coordinated by Banco Popolare, in

its dual capacity as Parent Company and entity in which all the functions of mutual interest to the Group are located, in particular the so-called “risk control function”.
The Board of Directors has a fundamental role in the management and control of risk, at Group level, as it decides the strategic direction, approves risk management policies and assesses the level of efficiency and adequacy of the system of internal controls, in particular with regard to risk control. The Board of Directors resolves on changes to the “Risk Appetite Framework (RAF) Regulations” and to the “Group Risk Regulations” in relation to changes in management and in the reference market. The Board of Directors of subsidiary companies, on the basis of Group guidelines, establish management and operational procedures for their company risks.
As regards preparatory and advisory activities relating to the internal control and monitoring of corporate risks, the Board of Directors of the Parent Company has the support of the Risks Committee, set up within the same. The Committee for the Management of Group Risks, which is made up of the Managing Director and representatives of the Parent Company’s main departments, assists the Parent Company’s Board of Directors and the individual Boards of Directors in formulating risk policies and takes action to correct situations that do not comply with said policies.
The Board of Statutory Auditors oversees the effectiveness and adequacy of the system of risk management and control, as well as internal auditing and the working and adequacy of the entire system of internal control.
As envisaged by prudential supervision, the internal control system of a banking intermediary must envisage, in addition to the line controls made by operating structures and incorporated in procedures (first level controls), the presence of specific organisational units, dedicated to second level (Risk Management and Compliance) and third level (Audit) controls.

The **Risks Department**, the organisational unit that reports directly to Banco Popolare’s Managing Director, oversees, at Group level and in an integrated way, risk management, measurement and control processes, anti-money laundering processes, the process of validating internal models for risk measurement (internal validation) and the legal support and advisory process for the Parent Company and for Group Companies (legal). Compliance risk management is carried out by the Compliance Service which, as of July 2015, reports directly to the Managing Director.
The Risks Department and its internal structures are independent from operational functions and activities. More specifically, the organisational structure with a fundamental role in the management of risks is the Risk Management Service, which performs the so-called “risk management function” relating to the Parent Company, as well as on behalf of the Group’s Italian banks and other companies by virtue of specific outsourcing contracts. It is responsible for coordinating the following activities:

- identifying, measuring and managing credit risk, contributing to the calculation of the corresponding minimum capital requirements and establishing, managing and optimising the Internal Rating System; developing and maintaining methods, models and measurement metrics for credit risk, with particular reference to internal models used to calculate risk factors (PD, LGD and EAD), as well as credit risk from an operational approach (credit-VaR);
- identifying, measuring and managing market risk; establishing measurement methods, verifying reliability periods, proposing and monitoring operating thresholds; validating pricing models and processes for financial instruments and contributing to the calculation of minimum capital requirements; identifying, measuring and managing counterparty risk; managing the risks of customers to whom the Group provides investment services and distributes financial products;
- establishing and developing methods to identify, assess, monitor and report transformation risks (interest rate and liquidity risk), identifying and establishing appropriate operating thresholds; measuring and managing said risks; preparing adequate reports for the Company’s decision-making bodies and for the Companies monitored;
- identifying, measuring, monitoring, managing and mitigating operating risk; developing and updating methods, models and measurement metrics for operating risk at consolidated and individual level, from a regulatory and management perspective; establishing minimum capital requirements; identifying and establishing appropriate operating thresholds; formulating proposals for mitigation measures;
- estimating overall risk exposure; assessing the Group’s recorded and future capital adequacy (ordinary and stressed); proposing objectives, RAF thresholds and operating limits in terms of overall risk; identifying and modelling risk, even new types of risk; coordinating disclosure processes (financial statements, Third pillar, rating agencies); assessment of the risks and to what extent significant transactions meet RAF requirements;
- checking the performance monitoring of exposures classified as performing and non performing loans, checking the consistency of classifications, the adequacy of the credit collection process and the adequacy of provisions.

The Risk Management Service also guarantees the development and continuous improvement of the methods, models and metrics for the measurement of risks, also through projects to implement and enact advanced models, to align with the standards that are gaining recognition at international level over time, to implement supervisory regulations and directives, and to develop increasingly effective controls.
Risk Management policy is developed through the Risk Management Committee and the Finance and ALM Committee of the Parent Company. The Finance and ALM Committee meets periodically and oversees market, interest rate and liquidity risk management measures, defining the Group’s funding policies.

The current organisational structure of the Risk Management Service includes four in-line functions (Credit Risk, Market Risk, Operating Risk, Interest Rate and Liquidity Risk) and a Function (Credit Monitoring and Control) and an Office reporting to the Manager (Risk Integration).
Again as regards internal control, the Bank has established an *Internal Validation Service* (reporting to the Risks Management Department), responsible for the processes to validate the Banco Popolare Group's risk measurement and management systems. These activities are performed independently both by the functions in charge of risk measurement and management and by the department responsible for Internal Auditing (Audit Department).
The above Function is therefore responsible for continuously and interactively validating risk measurement and management systems in order to assess their adequacy with respect to legislative requirements, operational needs as well as those of the relevant market.
Therefore, the following activities are considered to be exclusive to the Internal Validation function:

- validation, with a view to assessing the adequacy of risk measurement and management systems with respect to legislative requirements, operational needs as well as those of the relevant market and to formulating an opinion as to the overall performance of the above-cited systems, their regular functioning, their effective use in the various management areas, also by identifying any problem areas and any improvements needed;
- periodic analyses, with a view to verifying performance, calibrating parameters, and, in general, checking the correct functioning of risk measurement and management systems, as well as the execution of benchmarking and stress testing;
- periodic issue of recommendations to the functions involved in the risk measurement and management processes regarding performance and the functioning and the use of risk measurement and management systems;
- validation of internal systems for the measurement and monitoring of significant risks, considered such by ICAAP and ILAAP;
- transmission of a periodic disclosure on validation activities to the Audit Department, the Risks Committee and the Board of Statutory Auditors;
- preparation of validation reports to be submitted to the Board of Directors and to the Board of Statutory Auditors to assist resolutions declaring the compliance of risk measurement and management systems to legislative requirements and therefore in the application to the Supervisory Authority to use the same to calculate capital requirements;
- preparation of the annual validation report, indicating any problem areas and/or areas for improvement as regards risk measurement and management systems, to be submitted to the competent company functions, to the Audit Department and to Corporate Bodies.

Compliance risk management is carried out by the **Compliance Service** which reports directly to the Managing Director. It assists top management and Group companies to identify, assess, mitigate, manage and monitor so-called " compliance risk" of the activities performed by the Group's banking, financial and special purpose entities, guaranteeing the coordination and supervision of all compliance activities regarding Banco and Group Banks/Companies.
Internal Auditing of the Banco Popolare Group is carried out by Banco Popolare's **Audit Department** by conducting auditing and monitoring exercises - in loco and remotely - at the Group Banks and Product Companies, under a specific outsourcing contract, namely as Parent Company. The Group's Audit Department reports hierarchically to the Managing Director and also reports to the Chairman of the Board of Directors.
For further information on the activities performed by the Compliance and Internal Audit functions, refer to the corresponding sections in the Report on Operations.
For further information on the internal control system, on the legal auditing of accounts and on the certification of the compliance of accounting documents, ledgers and accounting entries with legal requirements by the Manager responsible for preparing the Company's financial reports, refer to the Report on corporate governance and shareholding structure.

The Internal Basel Project

Over time, the Banco Popolare Group has launched numerous projects to improve its risk measurement, management and control system. Specifically, to date the Group has been authorised to use its internal models to calculate regulatory capital absorption with regard to the following Pillar I risks:

- credit risk (starting from the recording of 30 June 2012): the scope regards the advanced internal rating models (PD, for both monitoring and acceptance, and LGD) regarding loans to corporate and retail customers of Banco Popolare and the former subsidiary Credito Bergamasco. The standard regulatory approach will continue to be adopted, for prudential reasons, for loans portfolios that are not included in the scope of first validation A-IRB, including those relating to Banca Aletti and to former Banca Italease Group companies.
- market risk (starting from the recording of 30 June 2012): the scope is the generic and specific risk of equity instruments, the generic risk of debt securities and the risk relating to UCIT units for the trading portfolio of Banca Aletti and Banco Popolare. The remaining market risks will continue to be measured using the

"standard" approach.
- operating risk (starting from the recording of 30 June 2014): adoption of the AMA (Advanced Measurement Approach) for Banco Popolare companies (including the former subsidiary Credito Bergamasco), Banca Aletti, SGS BP and BP Property Management. The other Group companies will adopt the BIA (Basic Indicator Approach) method for reporting, in line with the adoption of the combined use of AMA/BIA, which envisages for the latter, if they do not surpass established materiality thresholds, the permanent use of the basic method (PPU, partial permanent use).

With regard to **credit risk**, in December 2015, the Banco Popolare Group obtained authorisation to recalibrate its PD and LGD parameters, lengthening the time series.

With regard to **operating risk**, in 2015, the Group completed the activities envisaged in the roll-out plan approved by the Regulator for the extension of AMA methods to Aletti Gestielle and to Banco Popolare's Leasing Division (established in March 2015, following the merger of the former Banca Italease into the Parent Company). These activities are now being validated by the ECB, which conducted an on-site inspection in November 2015. Formal communication of the results of the validation of the roll-out plan are expected before the end of the first half of 2016.

1.1 CREDIT RISK

QUALITATIVE INFORMATION

1. General aspects

Credit risk is the risk that a Group borrower (including therein counterparties to financial transactions in OTC derivatives, Securities financing transactions SFT and long-term settlement transactions – in this case, it is more correct to speak of counterparty risk) fully or partially fails to fulfil his obligations or that the creditworthiness of the same deteriorates, resulting in damage to the Group. In the area of credit risk, concentration risk is also important. This risk derives from exposure to counterparties, to a group of related counterparties insofar as they operate in the same economic sector or conduct the same business activity or belong to the same geographic area.

The Banco Popolare Group pursues lending policy objectives that seek to:
- support the growth of the business activities operating in its market territories, with a strong customer relationship focus on small and medium sized companies, as well as on retail customers;
- diversify its portfolio, limiting loan concentration on single counterparties/groups, on single sectors of economic activity or geographical areas;
- adopt a homogeneous and univocal credit management model based on harmonized and standardised rules, methodologies, processes, IT procedures and internal regulations.

The credit portfolio monitoring, carried out by the Parent Company's Loans Department, is focused on the performance analysis of risk profile of economic sectors, geographical areas, customer segments and types of granted credit lines, as well as on other analysed spheres of action, allowing the definition of possible corrective actions at central level. Reports are produced periodically and submitted to the Management Bodies of the Parent Company.

2. Credit risk management policies

2.1 Organisational aspects

The model for credit processes defined by Banco Popolare was designed on the basis of the following criteria:
- clear definition of the responsibilities of the functions involved: business functions, credit functions, control functions and risk management functions;
- extensive use of the principle of role overlapping;
- extensive use of rating in credit processes (credit policies, granting, disbursement, monitoring and assessment);
- extensive use of legislative tools and supporting procedures;
- risk assessment at Banking Group level for customer risk Group.

More specifically, in order to manage the credit risks of all Banking group Companies in a standardised way, as part of its supervision, coordination and control functions, the Parent Company:
- establishes the principles, the rules and the responsibilities for each stage of the credit processes;
- draws up Group credit policies, in line with the strategies, the risk appetite and the economic objectives approved by the Board of Directors, with a view to guiding the overall dimension, the risk profile and the

diversification of the Banking Group's loans portfolio;
- establishes the principles and the rules for the assignment of decision-making powers and faculties as regards credit, guaranteeing a harmonised and consistent approach for the entire Banking Group;
- makes the most important credit decisions both directly, if there is primarily a Group interest to protect, and by setting "reliability ceilings", through the preparation of "prior opinions" that are not binding for Banking Group Companies;
- establishes the upper limits for "country risk";
- establishes the line controls and the risk management controls to be conducted, whether procedural, behavioural, overall or on a sample basis, suitable to guarantee compliance with the rules and with the parameters defined for each stage of the credit processes;
- monitors the trend of the loans portfolio overall, and of individual exposures, based on defined significance criteria;
- checks consistency between the guidelines provided and their application;
- establishes, for balance sheet purposes, the assessment criteria for loans in the portfolio differentiated by classification status of the exposure or the risk of the same, and verifies application thereof;
- establishes the requirements of the tools and of the procedures to support the activities regulated by the processes.

2.2 Management, measurement and control systems

The Banco Popolare Group makes use of an elaborate set of instruments to grant and manage credit and to monitor portfolio quality.

Rating plays a key role in loan granting, credit product disbursement, monitoring and management processes. The rating plays a role in deciding which the competent bodies to approve loans are, as well as on the mechanism for the automatic renewal of uncommitted credit facilities, and it contributes to determining automatic interception in the monitoring and management process - Watchlist.If positions appear to have conflicting ratings, the Rating Desk is requested to examine them and to assess the possible change of the rating in question (override process).

Granting credit envisages different stages for the assessment and the proposal, the approval and the finalisation of credit facilities, supported by electronic loan processes and practices that differ depending on the customer segment. The processes are structured to enable the acquisition of all relevant information also for the purposes of the variables that contribute to the assignment of the rating, an exhaustive assessment of creditworthiness and the formalisation of a consistent loan proposal, the approval by the competent Decision-making Body and the finalisation of loans that are conditional to the fulfilment of the provisions envisaged in the approval, the acquisition of guarantees and the signature of the contractual documents relating to the credit lines.
In this regard, in accordance with the provisions of the EBA, following a specific assessment of the financial difficulties of a customer and the granting of a measure of tolerance, forborne exposures are identified.

Positions that show the first negative signals are automatically included in a monitoring and management process, which envisages, through pre-coded stages, the intervention of different figures, with the objective of preventing the deterioration of the loan and taking all measures addressed to remove the reasons for said negative signals.
With respect to retail customers, a specific process is in place, supported by an IT procedure, which sets out precise actions along well defined timings to bring the position back to performing and to recover the defaulted amount.

Portfolio risk monitoring is also based on a default model that is applied on a monthly basis mainly to credit exposures of the Banco Popolare Group, with regard to performing loans, cash loans and endorsement credits, of resident customers. For further details on the general features of this model, refer to paragraph "D. Banking Group - Credit risk measurement models".
For exposures - other than performing loans with ordinary and financial resident customers - risk is controlled through the use of supervisory regulatory metrics (Standard/Irb).

2.3 Credit risk mitigation techniques

The Group has always kept a watchful eye on the acquisition of loan collaterals and securities, i.e. the use of applications and techniques that mitigate credit risk. When deemed necessary, the typical bank guarantees are acquired, namely mortgages on properties, collaterals on securities in addition to personal guarantees issued by the guarantors.
In general, the decision on the acquisition of a guarantee is based on the customer's creditworthiness and on the characteristics of the transaction. Following this analysis, it may be deemed appropriate to obtain additional guarantees to mitigate credit risk, considering the estimated recoverable value offered by the collateral.
The system for the recording of collateral property used to guarantee lending transactions enables the property to be automatically periodically evaluated and identifies which properties require updated appraisals.
The value of the financial collaterals is constantly and automatically monitored, enabling a comparison between the present value of the collateral and the initial one, and to allow the manager to act promptly in the event that the

collateral incurs a significant impairment loss.
As regards collateral represented by a pledge on securities, an automatic warning system is in place, which is triggered when impairment goes beyond a certain threshold value, reporting the same to the customer relationship manager so that the same may take prompt action.
With regard to derivative transactions with market counterparties, we favour entities with which we have entered into agreements requiring the provision of collateral, especially ISDA - Credit Support Annex, so as to obtain a significant credit risk mitigation.

2.4 Non performing financial assets

The classification of non performing exposures is conducted in line with the criteria established by the EBA. More specifically, the classification as non performing is made:

- automatically, for exposures that reach the thresholds envisaged by the provisions of the Supervisory Authority as regards Past Due;
- by means of a decisions taken by an authorised Body (i) on a proposal generated automatically by the IT system, for exposures that reach the envisaged thresholds, on each occasion, by internal credit monitoring and management processes, or (ii) on the proposal of a proponent Body, for exposures that indicate the occurrence of events that may prejudice the "performing" status of the same.

The management of non performing loans in the Banco Popolare Group is based, to a great extent, on a model that assigns the management of a specific set of loans (portfolio) to specialist resources.
Management responsibility changes depending on the classification status of the exposure:

- the management of exposures classified as Past Due and Unlikely to Pay is assigned, with the exception of exposures under a certain threshold, to specialist managers, who may work, depending on the importance of the exposure, for the Loans Department or for the Loans offices of the Network (Divisions and Business Areas).
  For these exposures, the managers of non performing loans are responsible for the operating decisions relating to the loans assigned to the respective portfolios, in accordance with their decision making authority, and are assisted, as regards the administrative part, by (business) managers from the Network, where the portfolio containing the exposure is placed, as well as the related economic results;
- the management of exposures classified as Bad Loans is entirely assigned to specialist managers who report directly to the Loans Department or, as regards Release SpA, to managers of the same.
  For these exposures, "Bad Loans" managers are responsible, in accordance with their decision-making authority, both for operating and administrative decisions required for their management; the economic results contribute directly to the objectives of the Credit Collection Service of the Loans Department.

The Bodies hierarchically above the specialist manager are involved to provide support to the same, and if no action is taken by the latter to verify the most appropriate measures to take to manage customer relations.
The monitoring, management and assessment processes for non performing loans are structured into specific stages and are supported by an operating procedure that enables the measures set in place to be traced.

The credit assessment made to establish the amount of expected loss relating to non performing loans envisages different procedures depending on the status and the size of the exposure:

- for past due exposures, regardless of the amount, for Unlikely to pay exposures with forbearance below a specific threshold, as well as for Unlikely to pay exposures or Bad Loans under specific thresholds, the average LDG estimated by Risk Management is applied on a forfeit basis;
- for Unlikely to pay exposures with forbearance above the set materiality threshold, as well as Unlikely to pay exposures and Bad Loans for amounts exceeding specific pre-established thresholds, expected losses are assessed analytically by the manager, who in any event is proposed a floor calculated on the basis of a percentage LGD.

Expected losses valued analytically by the manager are periodically reviewed.

2.5 Control system relating to credit processes

The structure of the control system relating to credit processes is based on:

- I level controls (or line controls), addressed to ensuring that the processes are correctly carried out. First level controls include so-called "automatic" controls, namely performed directly by applications procedures, controls performed directly by operating structures and hierarchical controls, performed within the same chain of responsibility. II instance controls are performed through the credit structures of the Business Areas, in particular through "Credit Quality Managers", the credit monitoring structures located in the Divisions, the Credit Quality and Control Service within the Loans Department, as well as through specific structures for specific cases;
- II level controls (or risk and compliance controls), are the responsibility of the "Credit Monitoring and Control" structure within the Risks Department, and are addressed to ensuring that the risk management

process is correctly implemented (by operating structures), verifying that the trend of individual exposures is being monitored, in particular non performing ones, and to assessing the consistency of the classifications, the appropriateness of provisions and the adequacy of the recovery process.

QUANTITATIVE INFORMATION

A. Credit quality

A.1 Non performing and performing loans: amounts, value adjustments, trends, economic and geographical breakdown

A.1.1 Breakdown of financial assets by portfolio and credit quality (book value)

Portfolio/quality	Bad loans	Unlikely to pay	Past due - non performing	Past due - performing	Other performing loans	Total
1. Financial assets available for sale	-	13	-	-	11,815,002	11,815,015
2. Investments held to maturity	-	-	-	-	7,779,168	7,779,168
3. Due from banks	72	220	-	12	2,817,528	2,817,832
4. Loans to customers	6,458,286	7,389,842	208,934	2,129,430	62,235,142	78,421,634
5. Financial assets designated at fair value through profit and loss	-	13,393	-	-	-	13,393
6. Financial assets held for disposal	-	-	-	-	17,296	17,296
Total 31/12/2015	**6,458,358**	**7,403,468**	**208,934**	**2,129,442**	**84,664,136**	**100,864,338**
Total 31/12/2014	**6,001,336**	**7,906,634**	**344,365**	**2,498,892**	**85,437,984**	**102,189,211**

Note that the figures contained in tables A.1.1 and A.1.2 refer to the values of the consolidated financial statements and are therefore net of any intercompany transactions between companies belonging to the scope of consolidation (regardless of whether they belong to the Banking Group or not); the following tables (A.1.3 to A.1.8) refer only to exposures held by companies of the Banking Group.

In accordance with the details required for exposures held by the Banking Group in the following tables A.1.3 and A.1.6, the disclosure on performing loans has been broken down into “Performing past due” and “Other performing loans”. Also note that non performing financial assets (bad loans, unlikely to pay and non performing past due) refer exclusively to exposures held by companies belonging to the “Banking Group”; in fact, there are no assets of this nature relating to “Other companies”.

Analysis of the age of total financial assets that are past due but performing

As at 31 December 2015, performing loans totalled euro 92,930.2 million. An analysis of the age of past due loans is provided in line with that envisaged by IFRS 7 “Financial Instruments: Disclosure, paragraph 37, letter a).

Exposure/Geographic Area	Performing loan by length of time past due					Total (Net Exposure)
	Past due up to 3 months	Past due between 3 and 6 months	Past due between 6 months and 1 year	Past due over 1 year	Not past due	
1. Financial assets held for trading	318	20	65	25	5,702,012	5,702,440
2. Financial assets available for sale	-	-	-	-	11,815,002	11,815,002
3. Investments held to maturity	-	-	-	-	7,779,168	7,779,168
4. Due from banks	-	-	-	12	2,817,528	2,817,540
5. Loans to customers	1,515,104	330,369	229,342	54,615	62,235,142	64,364,572
6. Financial assets designated at fair value through profit and loss	-	-	-	-	-	-
7. Financial assets held for disposal	-	-	-	-	19,300	19,300
8. Hedging derivatives	-	-	-	-	432,210	432,210
Total 31/12/2015	**1,515,422**	**330,389**	**229,407**	**54,652**	**90,800,362**	**92,930,232**

Performing loans also include “Financial assets held for trading” and “Hedging derivatives”.

Disclosure of the portfolio to which forbearance exposures belong

As at 31 December 2015, forbearance exposures amounted to euro 6,573.5 million (euro 3,013.6 million of which non performing and euro 3,559.9 million performing) and were entirely allocated to the “Loans to customers” portfolio; for further information on said exposures, please refer to Table A.1.6. below.

A.1.2 Breakdown of exposures by portfolio and credit quality (gross and net values)

Portfolio / Quality	Non performing assets			Performing assets			Total (Net Exposure)
	Gross exposure	Specific adjustments	Net exposure	Gross exposure	Collective adjustments	Net exposure	
1. Financial assets available for sale	13	-	13	11,815,002	-	11,815,002	11,815,015
2. Investments held to maturity	-	-	-	7,779,168	-	7,779,168	7,779,168
3. Due from banks	620	(328)	292	2,817,540	-	2,817,540	2,817,832
4. Loans to customers	20,645,172	(6,588,110)	14,057,062	64,692,478	(327,906)	64,364,572	78,421,634
5. Financial assets designated at fair value through profit and loss	13,393	-	13,393	X	X	-	13,393
6. Financial assets held for disposal	-	-	-	17,296	-	17,296	17,296
Total 31/12/2015	**20,659,198**	**(6,588,438)**	**14,070,760**	**87,121,484**	**(327,906)**	**86,793,578**	**100,864,338**
Total 31/12/2014	**21,683,748**	**(7,431,413)**	**14,252,335**	**88,359,999**	**(423,123)**	**87,936,876**	**102,189,211**

For information on the derecognitions made by the bank as regards non performing loans, please refer to table A.1.6 below.

Portfolio held for trading and derivatives

The following table provides information on credit quality as regards exposures classified in the portfolio of financial assets held for trading (securities and derivatives) and hedging derivatives (not included in the previous table):

Portfolio / Quality	Assets with obvious poor credit quality		Other assets
	Cumulative capital losses	Net exposure	Net exposure
1. Financial assets held for trading	(70,211)	24,325	5,705,257
2. Hedging derivatives	-	-	495,161
Total 31/12/2015	**(70,211)**	**24,325**	**6,200,418**

Exposures with poor credit quality, whose book value is euro 24.3 million, refer exclusively to derivatives with customers.

A.1.3 Banking Group – Cash and off-statement of financial position exposures to banks: gross values, net values and past due bracket

Cash exposures include all cash financial assets due from banks, regardless of the accounting portfolio to which they are allocated (trading, available for sale, held to maturity, loans, assets designated at fair value, financial assets held for disposal).

“Off-statement of financial position” exposures include all financial transactions other than cash ones, which entail assuming a credit risk, regardless of the purpose of said transactions, including therein exposures in derivatives.

Type of exposure/amounts	Gross exposure					Specific value adjustments	Portfolio value adjustments	Net exposure
	Non performing assets				Performing assets			
	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Over 1 year				
A. CASH EXPOSURES								
a) Bad loans	-	-	-	362	X	(289)	X	73
- of which: forbearance exposures	-	-	-	-	X	-	X	-
b) Unlikely to pay	-	-	-	259	X	(39)	X	220
- of which: forbearance exposures	-	-	-	-	X	-	X	-
c) Past due - non performing	-	-	-	-	X	-	X	-
- of which: forbearance exposures	-	-	-	-	X	-	X	-
d) Past due - performing	X	X	X	X	12	X	-	12
- of which: forbearance exposures	X	X	X	X	-	X	-	-
e) Other performing loans	X	X	X	X	5,073,858	X	(4)	5,073,854
- of which: forbearance exposures	X	X	X	X	-	X	-	-
TOTAL A	**-**	**-**	**-**	**621**	**5,073,870**	**(328)**	**(4)**	**5,074,159**
B. OFF-STATEMENT OF FINANCIAL POSITION EXPOSURES								
a) Non performing	-	-	-	-	X	-	X	-
b) Performing	X	X	X	X	1,339,593	X	-	1,339,593
TOTAL B	**-**	**-**	**-**	**-**	**1,339,593**	**-**	**-**	**1,339,593**
TOTAL (A+B)	**-**	**-**	**-**	**621**	**6,413,463**	**(328)**	**(4)**	**6,413,752**

A.1.4 Banking Group – Cash exposures to banks: changes in gross non performing loans

Type/Category	Bad loans	Unlikely to pay	Past due - non performing
A. Gross exposure: opening balance	**17,637**	**258**	**-**
- of which: exposures sold not derecognised	-	-	-
B. Increases	**295**	**1**	**-**
B.1 Inflows from performing loans	-	-	-
B.2 transfers from other categories of non performing loans	-	-	-
B.3 other increases	295	1	-
C. Decreases	**(17,571)**	**-**	**-**
C.1 outflows to performing loans	-	-	-
C.2 write-offs	(4,958)	-	-
C.3 repayments	-	-	-
C.4 gains on disposals	(1,729)	-	-
C.5 losses on disposal	(10,884)	-	-
C.6 transfers to other categories of non performing loans	-	-	-
C.7 Other decreases	-	-	-
D. Gross exposure: closing balance	**361**	**259**	**-**
- of which: exposures sold not derecognised	-	-	-

A.1.4 bis Banking group - Cash exposures to banks: changes in gross forbearance exposures broken down by credit quality

In the financial statements as at 31 December 2015, the disclosure on changes in gross cash forbearance exposures to banks is not provided, in line with the provisions of the Bank of Italy. For further details, refer to the paragraph entitled “Credit quality – new definitions and restatement of figures as at 31 December 2014” contained in Part A, Section 5 - “Other aspects” in these notes to the consolidated financial statements.
In any event, as can be seen in table A.1.3, as at 31 December 2015, there were no forbearance exposures to banks.

A.1.5 Banking Group – Non performing cash exposures to banks: changes in total value adjustments

Type/Category	Bad loans	Unlikely to pay	Past due - non performing
A. Total adjustments: opening balance	**16,904**	**38**	**-**
- of which: exposures sold not derecognised	-	-	-
B. Increases	**236**	**1**	**-**
B.1 value adjustments	236	-	-
B.2 losses on disposal	-	-	-
B.3 transfers from other categories of non performing loans	-	-	-
B.4 Other increases	-	1	-
C. Decreases	**(16,851)**	**-**	**-**
C.1 recoveries from valuation	(10,884)	-	-
C.2 recoveries from repayment	-	-	-
C.3 profits on disposal	(1,009)	-	-
C.4 write-offs	(4,958)	-	-
C.5 transfers to other categories of non performing loans	-	-	-
C.6 other decreases	-	-	-
D. Total adjustments: closing balance	**289**	**39**	**-**
- of which: exposures sold not derecognised	-	-	-

In the financial statements as at 31 December 2015, the specific disclosure on changes in total value adjustments on non performing forbearance exposures to banks is not provided, in line with the provisions of the Bank of Italy. For further details, refer to the paragraph entitled "Credit quality – new definitions and restatement of figures as at 31 December 2014" contained in Part A, Section 5 - "Other aspects" in these notes to the consolidated financial statements.
In any event, as can be seen in table A.1.3, as at 31 December 2015, there were no forbearance exposures to banks.

A.1.6 Banking Group – Cash and off-statement of financial position exposures to customers: gross values, net values and past due bracket

Cash exposures include all cash financial assets due from customers, regardless of the accounting portfolio to which they are allocated (trading, available for sale, held to maturity, loans, assets designated at fair value, financial assets held for disposal).

"Off-statement of financial position" exposures include all financial transactions other than cash ones, which entail assuming a credit risk, regardless of the purpose of said transactions, including therein exposures in derivatives.

Type of exposure/amounts	Gross exposure					Specific value adjustments	Portfolio value adjustments	Net exposure
	Non performing assets				Performing assets			
	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Over 1 year				
A. CASH EXPOSURES								
a) Bad loans before derecognition of receivables relating to insolvency proceedings	21,379	1,160	546	14,762,851	X	(8,327,651)	X	6,458,285
b) Bad loans relating to insolvency proceedings derecognised	-	-	-	4,315,322	X	(4,315,322)	X	-
c) Bad loans after derecognition of receivables relating to insolvency proceedings (a-b)	21,379	1,160	546	10,447,529	X	(4,012,329)	X	6,458,285
- of which: forbearance exposures	5,176	876	4	61,404	X	(36,144)	X	31,316
d) Unlikely to pay	482,380	380,165	1,326,979	7,842,133	X	(2,549,271)	X	7,482,386
- of which: forbearance exposures	231,840	210,997	470,202	2,891,669	X	(874,091)	X	2,930,617
e) Past due - non performing	7,466	59,652	158,742	37,563	X	(54,489)	X	208,934
- of which: forbearance exposures	2,203	15,635	36,307	10,750	X	(13,236)	X	51,659
f) Past due - performing	X	X	X	X	2,181,644	X	(52,214)	2,129,430
- of which: forbearance exposures	X	X	X	X	547,089	X	(15,794)	531,295
d) Other performing loans	X	X	X	X	83,899,568	X	(275,694)	83,623,874
- of which: forbearance exposures	X	X	X	X	3,068,942	X	(40,333)	3,028,609
TOTAL A	**511,225**	**440,977**	**1,486,267**	**18,327,225**	**86,081,212**	**(6,616,089)**	**(327,908)**	**99,902,909**
B. OFF-STATEMENT OF FINANCIAL POSITION EXPOSURES								
a) Non performing	368,924	-	-	-	X	(61,782)	X	307,142
b) Performing	X	X	X	X	10,557,527	X	(90,294)	10,467,233
TOTAL B	**368,924**	**-**	**-**	**-**	**10,557,527**	**(61,782)**	**(90,294)**	**10,774,375**
TOTAL (A+B)	**880,149**	**440,977**	**1,486,267**	**18,327,225**	**96,638,739**	**(6,677,871)**	**(418,202)**	**110,677,284**

Note that off-statement of financial position performing exposures include exposures generated by derivative contracts with poor credit quality with a gross value of euro 94.5 million; cumulative adjustments amount to euro 70.2 million and are indicated under "Portfolio value adjustments" in line with standard practice. For further details on the credit quality of derivatives and of assets held for trading, refer to the disclosure shown in table A.1.2. The remaining value adjustments (specific and portfolio) relating to off-statement of financial position exposures, corresponding to euro 81.9 million, were generated by valuations of guarantees given and irrevocable commitments to disburse funds.

Disclosure on derecognition regarding bad loans of debtors subject to insolvency proceedings

The Bank of Italy Circular no. 272 dated 30 July 2008 (IV update dated 18 December 2012) envisages the option to derecognise the portion of bad loans deemed unrecoverable from the accounts. The cited regulation includes the decision made by competent corporate bodies which, by means of a specific resolution, have acknowledged the non-recoverability of all or part of the loan or have ceased collection proceedings for economic reasons, as a circumstance for derecognition. Group banks exercised this option in the current year and in previous years. The derecognition regarded the part deemed non-recoverable of all receivables due from debtors, who, during the year, were subject to insolvency proceedings (bankruptcy, administrative compulsory liquidation, arrangement with creditors, extraordinary receivership of large companies in difficulty), even though the banks were regularly admitted as creditors in the insolvency proceedings for the entire amount of the receivable in question.
More specifically, in 2015, bad loans (to the extent of the part deemed non-recoverable) amounting to euro 705.3 million were derecognised. At the time of derecognition, specific adjusting entries were in place for around euro 557.3 million, following value adjustments on loans already charged to the income statement. Therefore, the derecognition resulted in charges to the income statement of around euro 148.0 million.
In 2015, insolvency proceedings involving receivables totalling euro 438.2 million that had already been derecognised in previous years were finalised.
As a result of the above changes, as at 31 December 2015, the bad loans derecognised relating to insolvency proceedings that were still under way amounted to euro 4,315.3 million; said loans therefore must be taken into consideration when calculating the effective level of coverage of bad loans. To this end, for the cited loans in tables A.1.6, A.1.7 and A.1.8, the disclosure relating to gross exposures and to value adjustments is shown in two ways, namely before and after derecognition.

As at 31 December 2015 the exposures subject to agreements with creditors to be defined and/or on a going concern basis are classified as non performing loans and valued consistently, in line with the specifications of the Bank of Italy in its letter to the entire banking system of 11 February 2014.

A.1.7 Banking Group – Cash exposures to customers: changes in gross non performing loans

Type/Category	Bad loans before derecognition (*)	Bad loans after derecognition	Unlikely to pay	Past due - non performing
A. Gross exposure: opening balance	**14,575,599**	**10,527,386**	**10,830,062**	**414,834**
- of which: exposures sold not derecognised	171,715	171,381	71,727	6,611
B. Increases	**2,333,486**	**2,333,486**	**2,945,997**	**343,592**
B.1 Inflows from performing loans	128,426	128,426	1,873,483	258,321
B.2 transfers from other categories of non performing loans	1,658,121	1,658,121	245,424	1,989
B.3 other increases	546,939	546,939	827,090	83,282
C. Decreases	**(2,123,149)**	**(2,390,258)**	**(3,744,402)**	**(495,003)**
C.1 outflows to performing loans	(1,267)	(1,267)	(770,958)	(121,455)
C.2 write-offs	(1,606,077)	(1,873,184)	(195,179)	(1,950)
C.3 repayments	(397,962)	(397,962)	(1,160,152)	(81,371)
C.4 gains on disposals	(67,987)	(67,987)	(1,153)	-
C.5 losses on disposal	(13,039)	(13,039)	-	-
C.6 transfers to other categories of non performing loans	(749)	(749)	(1,614,568)	(290,217)
C.7 Other decreases	(36,068)	(36,070)	(2,392)	(10)
D. Gross exposure: closing balance	**14,785,936**	**10,470,614**	**10,031,657**	**263,423**
- of which: exposures sold not derecognised	120,327	120,041	52,658	5,744

(*) The column shows bad loans including the part of the receivable retained non-recoverable, relating to debtors subject to insolvency proceedings still under way, which have been derecognised in advance (with respect to the date of closure of the insolvency proceedings).

A.1.7 bis Banking group - Cash exposures to customers: changes in gross forbearance exposures broken down by credit quality

In the financial statements as at 31 December 2015, the disclosure on changes in gross cash forbearance exposures to customers is not provided, in line with the provisions of the Bank of Italy. For further details, refer to the paragraph entitled “Credit quality – new definitions and restatement of figures as at 31 December 2014” contained in Part A, Section 5 - “Other aspects” in these notes to the consolidated financial statements.

A.1.8 Banking Group – Cash exposures to customers: changes in total value adjustments

Type/Category	Bad loans before derecognition (*)	Bad loans after derecognition	Unlikely to pay	Past due - non performing
A. Total adjustments: opening balance	**8,574,997**	**4,526,782**	**2,844,795**	**70,469**
- of which: exposures sold not derecognised	59,537	59,203	8,153	720
B. Increases	**1,734,830**	**1,734,830**	**800,527**	**56,224**
B.1 value adjustments	816,510	816,510	716,425	53,286
B.2 losses on disposal	13,042	13,042	-	-
B.3 transfers from other categories of non performing loans	546,529	546,529	41,556	568
B.4 Other increases	358,749	358,749	42,546	2,370
C. Decreases	**(1,982,176)**	**(2,249,283)**	**(1,096,051)**	**(72,204)**
C.1 recoveries from valuation	(236,829)	(236,829)	(236,486)	(19,711)
C.2 recoveries from repayment	(75,103)	(75,103)	(124,840)	(570)
C.3 profits on disposal	(52,445)	(52,445)	(1,131)	-
C.4 write-offs	(1,606,077)	(1,873,184)	(195,139)	(1,950)
C.5 transfers to other categories of non performing loans	(267)	(267)	(538,413)	(49,973)
C.6 other decreases	(11,455)	(11,455)	(42)	-
D. Total adjustments: closing balance	**8,327,651**	**4,012,329**	**2,549,271**	**54,489**
- of which: exposures sold not derecognised	43,789	43,503	4,978	423

(*) The column shows adjustments including those relating to bad loans of debtors subject to insolvency proceedings still under way, which have been derecognised in advance (with respect to the date of closure of the insolvency proceedings), with reference to the part retained non-recoverable.

In the financial statements as at 31 December 2015, the specific disclosure on changes in total value adjustments on non performing forbearance exposures to customers is not provided, in line with the provisions of the Bank of Italy. For further details, refer to the paragraph entitled “Credit quality – new definitions and restatement of figures as at 31 December 2014” contained in Part A, Section 5 - “Other aspects” in these notes to the consolidated financial statements.

A.2 Classification of exposures based on internal and external ratings

A.2.1 Banking Group - Breakdown of cash and “off-statement of financial position” exposures by external rating classes

Exposure	External rating classes							
	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	Lower B-	Unrated	Total
A. Cash exposures	6,703,618	1,271,227	21,245,670	2,877,112	451,310	19,954	73,232,311	105,801,203
B. Derivatives	77,578	357,076	80,992	12,391	899	-	507,646	1,036,582
B.1 Financial derivatives	77,578	357,076	80,992	12,391	899	-	507,646	1,036,582
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. C. Guarantees given	4,919	124,201	54,725	384,189	56,547	-	4,064,944	4,689,524
D. D. Commitments to disburse funds	3,011,040	4,140	15,630	105,995	18,087	-	2,658,756	5,813,648
E. Other	439	62,876	112,848	9,375	-	-	388,676	574,215
Overall total	9,797,594	1,819,520	21,509,865	3,389,062	526,843	19,954	80,852,333	117,915,171

In line with the provisions contained in the Bank of Italy Circular no. 262, the exposures indicated in this table include exposures in UCIT units and the counterparty risk related to Securities Financial Transactions (SFT), limited to transactions granting or assuming securities or goods on loan. As indicated in said Circular, this table matches the exposures indicated in the above tables A.1.3 and A.1.6, with the exception of UCIT units.
The Banco Popolare Group adopts the creditworthiness assessments issued by the following External Credit Assessment Institutions (ECAI): Standard & Poor’s ratings Services, Moody’s Investors Service, Fitch Ratings.
The aforesaid agencies are valid for all the banks belonging to the Group. It should be noted that, if there are two assessments of the same customer, the more prudential assessment is adopted; in the case of three assessments, the intermediate one is adopted.

The table connecting the classes of risk with the ratings of the agencies used is shown below.

CLASS	Fitch Ratings	Moody's	Standard & Poor's
AAA/AA-	*from AAA to AA-*	*from Aaa to Aa3*	*from AAA to AA-*
A+/A-	*from A+ to A-*	*from A1 to A3*	*from A+ to A-*
BBB+/BBB-	*from BBB+ to BBB-*	*from Baa1 to Baa3*	*from BBB+ to BBB-*
BB+/BB-	*from BB+ to BB-*	*from Ba1 to Ba3*	*from BB+ to BB-*
B+/B-	*from B+ to B-*	*from B1 to B3*	*from B+ to B-*
Lower B-	*CCC+ and lower*	*Caa1 and lower*	*CCC+ and lower*

A.2.2 Banking Group - Breakdown of cash and "off-statement of financial position" exposures by internal rating classes

The exposures to customers shown in tables A.2.2 are assigned, with the exception of that indicated in the Banks schedule, the ratings also used to calculated capital requirements for credit risk, limited to that included in regulatory portfolios Corporate and Retail.
Specifically with regard to business customers, four distinct rating models have been developed, based on the following customer segments: Large Corporate, Mid Corporate Plus, Mid Corporate and Small Business – and one for private customers. The counterparty rating system includes twelve rating classes for each single segment (eleven performing classes and one default). These are organised below by risk level.

Due from banks	Internal rating classes									
	AAA	AA	A	BBB	BB	B	CCC	Default	Unrated	Total
A. Cash exposures	283	1,154,253	692,346	1,708,835	355,722	316,537	-	292	852,624	5,080,891
B. Derivatives	-	152,697	262,020	2,928	2,180	-	-	-	220,988	640,813
B.1 Financial derivatives	-	152,697	262,020	2,928	2,180	-	-	-	220,988	640,813
B.2 Credit derivatives	-	-	-	-	-	-	-	-	-	-
C. C. Guarantees given	1,126	16,004	32,154	59,175	285,728	54	-	-	71,861	466,103
D. D. Commitments to disburse funds	-	425	16,065	1,679	2,643	73	-	-	4,487	25,373
E. Other	-	190,828	5,144	11,331	-	-	-	-	-	207,304
Overall total	1,409	1,514,208	1,007,729	1,783,949	646,273	316,664	-	292	1,149,961	6,420,484

Loans to customers	Internal rating classes							
	Low	Medium-low	Medium	Medium-high	High	Default	Unrated	Total
A. Cash exposures	15,992,470	14,402,081	11,680,517	7,138,647	1,994,426	11,708,877	1,258,929	64,175,945
B. Derivatives	45,292	24,227	108,805	52,957	12,792	-	29,332	273,405
B.1 Financial derivatives	45,292	24,227	108,805	52,957	12,792	-	29,332	273,405
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. C. Guarantees given	1,351,613	818,906	875,794	549,771	35,589	193,609	34,276	3,859,558
D. D. Commitments to disburse funds	903,420	456,304	661,241	273,312	17,359	101,733	64,236	2,477,605
E. Other	-	-	8	-	-	-	-	8
Total segmented exposures	18,292,795	15,701,518	13,326,365	8,014,686	2,060,166	12,004,219	1,386,773	70,786,522
Total unsegmented exposures	-	-	-	-	-	2,452,528	37,431,503	39,884,031
Total	18,292,795	15,701,518	13,326,365	8,014,686	2,060,166	14,456,747	38,818,276	110,670,552

Exposure	Internal rating classes							
	Low	Medium-low	Medium	Medium-high	High	Default	Unrated	Total
Large Corporate	1,245,583	1,094,574	1,027,116	702,403	351	167,713	11,528	4,249,267
Mid Corporate Plus	1,314,776	2,464,730	2,309,440	1,761,716	120,419	2,028,429	181,679	10,181,188
Mid Corporate	2,862,089	1,972,818	4,229,188	2,717,985	384,415	3,633,126	537,583	16,337,205
Small Business	5,948,746	2,554,861	4,632,435	1,646,678	789,122	4,310,217	584,016	20,466,074
Private	6,921,601	7,614,536	1,128,186	1,185,905	765,859	1,864,733	71,968	19,552,788
Overall total	**18,292,795**	**15,701,518**	**13,326,365**	**8,014,686**	**2,060,166**	**12,004,219**	**1,386,773**	**70,786,522**

A.3 Breakdown of guaranteed exposures by type of guarantee

A.3.1 Banking Group - Guaranteed exposures to banks

	Value of net exposure	Collateral guarantees (1)				Personal guarantees (2)									Total (1)+(2)
						Credit derivatives					Endorsement credits				
							Other derivatives								
		Real estate mortgages	Real estate financial leases	Securities	Other collateral guarantees	CLN	Governments and central banks	Other public entities	Banks	Other parties	Governments and central banks	Other public entities	Banks	Other parties	
1. Guaranteed cash exposures	783,265	-	3,113	687,711	-	-	-	-	-	-	-	-	-	-	690,824
1.1. fully guaranteed	783,265	-	3,113	687,711	-	-	-	-	-	-	-	-	-	-	690,824
- of which non performing loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2. partially guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- of which non performing loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Guaranteed “off-statement of financial position” exposures	255,845	-	-	-	245,710	-	-	-	-	-	-	-	-	4,455	250,165
2.1. fully guaranteed	165,878	-	-	-	165,380	-	-	-	-	-	-	-	-	-	165,380
- of which non performing loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. partially guaranteed	89,967	-	-	-	80,330	-	-	-	-	-	-	-	-	4,455	84,785
- of which non performing loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**1,039,110**	**-**	**3,113**	**687,711**	**245,710**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,455**	**940,989**

A.3.2 Banking group - Guaranteed exposures to customers

	Value of net exposure	Collateral guarantees (1)				Personal guarantees (2)										Total (1)+(2)
						Credit derivatives					Endorsement credits					
							Other derivatives									
		Real estate mortgages	Real estate financial leases	Securities	Other collateral guarantees	CLN	Governments and central banks	Other public entities	Banks	Other parties	Governments and central banks	Other public entities	Banks	Other parties		
1. Guaranteed cash exposures:	56,972,689	35,548,346	2,853,690	7,694,183	1,765,913	-	-	-	-	-	71,684	44,531	81,696	7,954,909		56,014,952
1.1. fully guaranteed	55,506,766	35,501,615	2,853,690	7,514,727	1,645,439	-	-	-	-	-	66,749	40,226	80,655	7,515,489		55,218,590
- of which non performing loans	11,705,163	8,388,971	1,404,054	71,965	531,177	-	-	-	-	-	15,162	12,855	3,488	1,195,185		11,622,857
1.2. partially guaranteed	1,465,923	46,731	-	179,456	120,474	-	-	-	-	-	4,935	4,305	1,041	439,420		796,362
- of which non performing loans	505,448	37,734	-	39,082	76,885	-	-	-	-	-	4,935	1,105	41	201,856		361,638
2. Guaranteed “off-statement of financial position” exposures:	5,086,015	595,764	-	3,105,443	290,693	-	-	-	-	-	-	818	12,692	835,587		4,840,997
2.1. fully guaranteed	4,668,969	570,665	-	3,076,278	265,867	-	-	-	-	-	-	387	8,107	720,206		4,641,510
- of which non performing loans	72,529	38,124	-	1,442	3,321	-	-	-	-	-	-	-	-	29,242		72,129
2.2. partially guaranteed	417,046	25,099	-	29,165	24,826	-	-	-	-	-	-	431	4,585	115,381		199,487
- of which non performing loans	30,688	659	-	731	1,237	-	-	-	-	-	-	-	-	5,425		8,052
Total	**62,058,704**	**36,144,110**	**2,853,690**	**10,799,626**	**2,056,606**	**-**	**-**	**-**	**-**	**-**	**71,684**	**45,349**	**94,388**	**8,790,496**		**60,855,949**

B. Breakdown and concentration of exposures

B.1 Banking Group - Breakdown by sector of cash and "off-statement of financial position" exposures to customers (book value)

Exposure/Counterparty	Governments			Other public entities			Financial companies			Insurance companies			Non-financial companies			Other parties		
	Net exposure	Specific adjustments	Portfolio adjustments	Net exposure	Specific adjustments	Portfolio adjustments	Net exposure	Specific adjustments	Portfolio adjustments	Net exposure	Specific adjustments	Portfolio adjustments	Net exposure	Specific adjustments	Portfolio adjustments	Net exposure	Specific adjustments	Portfolio adjustments
A. Cash exposures																		
A.1 Bad loans	-	-	X	2,024	(1,871)	X	82,575	(85,935)	X	-	-	X	5,331,467	(3,164,428)	X	1,042,219	(760,095)	X
- of which: forbearance exposures	-	-	X	-	-	X	-	-	X	-	-	X	31,049	(35,920)	X	267	(224)	X
A.2 Unlikely to pay	1,589	(620)	X	13,716	(2,234)	X	155,073	(102,418)	X	-	-	X	6,664,952	(2,340,105)	X	647,056	(103,894)	X
- of which: forbearance exposures	-	-	X	-	-	X	72,707	(48,774)	X	-	-	X	2,725,713	(812,012)	X	132,197	(13,305)	X
A.3 Past due - non performing	-	-	X	119	(38)	X	3,147	(152)	X	-	-	X	155,022	(44,030)	X	50,646	(10,269)	X
- of which: forbearance exposures	-	-	X	-	-	X	114	(23)	X	-	-	X	42,480	(10,197)	X	9,065	(3,016)	X
A.4 Performing loans	19,377,352	X	(911)	362,039	X	(1,315)	12,674,277	X	(18,141)	323,796	X	(99)	35,866,044	X	(247,822)	17,149,796	X	(59,620)
- of which: forbearance exposures	-	X	-	8,174	X	(30)	17,634	X	(366)	-	X	-	2,783,461	X	(45,145)	750,635	X	(10,586)
Total A	**19,378,941**	**(620)**	**(911)**	**377,898**	**(4,143)**	**(1,315)**	**12,915,072**	**(188,505)**	**(18,141)**	**323,796**	**-**	**(99)**	**48,017,485**	**(5,548,563)**	**(247,822)**	**18,889,717**	**(874,258)**	**(59,620)**
B. "Off-statement of financial position" exposures																		
B.1 Bad loans	-	-	X	-	-	X	758	(976)	X	-	-	X	37,493	(21,710)	X	1,635	(886)	X
B.2 Unlikely to pay	-	-	X	16	(11)	X	53	(30)	X	-	-	X	255,527	(37,500)	X	5,652	(160)	X
B.3 Other non performing assets	-	-	X	-	-	X	-	-	X	-	-	X	4,597	(504)	X	1,411	(5)	X
B.4 Performing loans	158,803	X	-	45,633	X	(74)	3,534,706	X	(164)	7,802	X	(40)	6,001,380	X	(86,592)	558,037	X	(3,424)
Total B	**158,803**	**-**	**-**	**45,649**	**(11)**	**(74)**	**3,535,517**	**(1,006)**	**(164)**	**7,802**	**-**	**(40)**	**6,298,997**	**(59,714)**	**(86,592)**	**566,735**	**(1,051)**	**(3,424)**
Total (A+B) 31/12/2015	**19,537,744**	**(620)**	**(911)**	**423,547**	**(4,154)**	**(1,389)**	**16,450,589**	**(189,511)**	**(18,305)**	**331,598**	**-**	**(139)**	**54,316,482**	**(5,608,277)**	**(334,414)**	**19,456,452**	**(875,309)**	**(63,044)**
Total (A+B) 31/12/2014	**17,023,789**	**(620)**	**(692)**	**496,646**	**(3,754)**	**(1,469)**	**17,034,857**	**(131,469)**	**(13,540)**	**334,146**	**-**	**(263)**	**56,015,740**	**(6,620,465)**	**(345,828)**	**20,230,288**	**(847,712)**	**(83,938)**

B.2 Banking Group - Geographical breakdown of cash and “off-statement of financial position” exposures to customers (book values)

Exposure/Geographic Area	Italy		Other European countries		America		Asia		Rest of world	
	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
A. Cash exposures										
A.1 Bad loans	6,439,590	(3,937,563)	12,776	(67,964)	2	(2,335)	5,135	(4,184)	782	(283)
A.2 Unlikely to pay	7,403,591	(2,516,596)	40,160	(18,777)	16,917	(11,780)	413	(200)	21,305	(1,918)
A.3 Past due - non performing	208,932	(54,487)	2	(2)	-	-	-	-	-	-
A.4 Performing loans	84,192,530	(319,331)	1,133,320	(2,111)	355,866	(408)	46,130	(6,014)	17,472	(44)
Total A	**98,244,643**	**(6,827,977)**	**1,186,258**	**(88,854)**	**372,785**	**(14,523)**	**51,678**	**(10,398)**	**39,559**	**(2,245)**
B. “Off-statement of financial position” exposures										
B.1 Bad loans	39,886	(23,572)	-	-	-	-	-	-	-	-
B.2 Unlikely to pay	260,119	(37,701)	1,129	-	-	-	-	-	-	-
B.3 Other non performing assets	6,008	(509)	-	-	-	-	-	-	-	-
B.4 Performing loans	9,915,179	(89,796)	385,194	(479)	2,084	(3)	2,807	(11)	1,097	(5)
Total B	**10,221,192**	**(151,578)**	**386,323**	**(479)**	**2,084**	**(3)**	**2,807**	**(11)**	**1,097**	**(5)**
Total A+B 31/12/2015	**108,465,835**	**(6,979,555)**	**1,572,581**	**(89,333)**	**374,869**	**(14,526)**	**54,485**	**(10,409)**	**40,656**	**(2,250)**
Total A+B 31/12/2014	**108,722,069**	**(7,875,165)**	**1,869,133**	**(142,212)**	**448,802**	**(13,129)**	**54,403**	**(10,211)**	**41,055**	**(9,036)**

In greater detail, Italian exposures are broken down by geographic area as shown in the table below:

Exposure/Geographic Area	North West Italy		North East Italy		Central Italy		South Italy and Islands	
	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
A. Cash exposures								
A.1 Bad loans	2,511,141	(1,617,427)	1,646,319	(756,317)	1,617,066	(1,018,221)	665,064	(545,598)
A.2 Unlikely to pay	3,832,966	(1,279,245)	1,435,256	(506,385)	1,562,128	(553,357)	573,241	(177,609)
A.3 Past due - non performing	85,521	(29,140)	52,202	(12,575)	43,025	(7,161)	28,184	(5,611)
A.4 Performing loans	27,435,241	(138,167)	17,828,079	(90,942)	35,409,709	(61,747)	3,519,501	(28,475)
Total A	**33,864,869**	**(3,063,979)**	**20,961,856**	**(1,366,219)**	**38,631,928**	**(1,640,486)**	**4,785,990**	**(757,293)**
B. “Off-statement of financial position” exposures								
B.1 Bad loans	16,921	(10,179)	13,676	(9,682)	8,264	(2,824)	1,025	(887)
B.2 Unlikely to pay	104,223	(17,705)	56,364	(10,610)	96,279	(8,705)	3,253	(681)
B.3 Other non performing assets	1,647	(158)	3,707	(156)	361	(152)	293	(43)
B.4 Performing loans	2,955,695	(13,329)	2,349,069	(9,761)	4,367,996	(63,295)	242,419	(3,411)
Total B	**3,078,486**	**(41,371)**	**2,422,816**	**(30,209)**	**4,472,900**	**(74,976)**	**246,990**	**(5,022)**
Total (A+B) 31/12/2015	**36,943,355**	**(3,105,350)**	**23,384,672**	**(1,396,428)**	**43,104,828**	**(1,715,462)**	**5,032,980**	**(762,315)**
Total (A+B) 31/12/2014	**37,988,874**	**(3,494,058)**	**24,267,031**	**(1,699,558)**	**41,277,042**	**(1,758,151)**	**5,189,122**	**(923,398)**

B.3 Banking Group - Geographical breakdown of cash and "off-statement of financial position" exposures to banks (book values)

Exposure/Geographic Area	Italy		Other European countries		America		Asia		Rest of world	
	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments	Net exposure	Total value adjustments
A. Cash exposures										
A.1 Bad loans	-	-	72	(289)	-	-	-	-	1	-
A.2 Unlikely to pay	-	-	-	-	-	-	220	(39)	-	-
A.3 Past due - non performing	-	-	-	-	-	-	-	-	-	-
A.4 Performing loans	3,242,575	-	1,534,801	-	175,411	-	15,136	-	105,943	(4)
Total A	**3,242,575**	**-**	**1,534,873**	**(289)**	**175,411**	**-**	**15,356**	**(39)**	**105,944**	**(4)**
B. "Off-statement of financial position" exposures										
B.1 Bad loans	-	-	-	-	-	-	-	-	-	-
B.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
B.3 Other non performing assets	-	-	-	-	-	-	-	-	-	-
B.4 Performing loans	565,348	-	454,970	-	38,812	-	41,137	-	33,733	-
Total B	**565,348**	**-**	**454,970**	**-**	**38,812**	**-**	**41,137**	**-**	**33,733**	**-**
Total A+B 31/12/2015	**3,807,923**	**-**	**1,989,843**	**(289)**	**214,223**	**-**	**56,493**	**(39)**	**139,677**	**(4)**
Total A+B 31/12/2014	**4,718,056**	**-**	**3,182,542**	**(19,253)**	**299,544**	**-**	**72,760**	**(38)**	**23,772**	**-**

B.4 Large exposures

From 1 January 2014, the new harmonised regulations for banks and investment companies contained in (EU) Regulation no. 575/2013 (“CRR”) and in directive no. 2013/36/EU (“CRD IV”) dated 26 June 2013 came into force. These transpose the standards defined by the Basel Committee for banking supervision (so-called Basel 3 framework) to the European Union.

As regards this item, recognition will be made of the amount (unweighted and weighted values) and the number of “risk positions” which represent a “large exposure” according to the provisions of Circular no. 286 of 17 December 2013 “Instructions for the preparation of prudential reports for banks and securities brokerage companies” issued by the Bank of Italy.

The exposure of an entity towards a customer or a group of related customers is considered a large exposure when its value is equal to or exceeds 10% of the eligible capital of the entity (“CRR”, article 392).

Considering the effect of exemptions and of credit risk mitigation, large exposures must in any event respect the threshold of 25% of the entity’s eligible capital.

As at 31 December 2015, eligible capital coincides with the amount of Own Funds.

On the basis of the new regulations, on the same date, 9 risk positions classified as “large exposures” were recognised with a total amount (“unweighted” exposure) of euro 48,352 million, corresponding to a weighted exposure of 4,800 million.
The main Groups indicated as “Large exposures” are:

- London Stock Exchange Group plc for euro 18,302 million (euro 446 million considering the weighting factors and the exemptions under art. 400 CRR) mostly comprised of repurchase agreements with the Clearing and Guarantee House;
- the Ministry of Economy and Finance for euro 19,943 million (euro 7 million considering the weighting factors and the exemptions under art. 400 CRR) mostly comprised of Government securities in the portfolio;
- the Tax Authority for euro 3,817 million (euro 49 million considering the weighting factors and the exemptions under art. 400 CRR) mostly comprised of tax-related entries.

The remaining 6 positions regard Banking Groups, Central Banks and Subsidiaries of Central Administrations.

Each of the positions reported is fully within the threshold of 25% of eligible capital.

	31/12/2015	31/12/2014
a) Amount (book value) (*)	48,351,711	45,411,577
b) Amount (weighted value) (*)	4,800,220	4,307,458
c) Number	9	9

(*) in thousands of euro

C. Securitisation transactions

This section illustrates the Group’s exposure in terms of securitisations, both those in which the Group acts as Originator to conclude its transactions, and those in which the Group acts as an investor.
More specifically, with regard to third-party securitisations, illustrated in table C.2 below, the book value amounts to euro 101.8 million and represents the Group’s only exposure in structured credit securities issued by third parties (in percentage terms equal to around 0.5% of the total investment held by the Group in debt securities). Part of these exposures were reclassified as at 30 September 2008 from the “Financial assets held for trading” to the “Loans to customers” portfolio, as described in Part A – Accounting policies, “A.3 - Disclosure of transfers between portfolios of financial assets”; as at 31 December 2015, the book value of securities of this type, subject to reclassification, amounted to euro 13.7 million.

In this regard, note that the instrument of securitisation has been gradually replaced by the issue of Covered Bonds, as illustrated in the paragraph below entitled “E.4 Banking Group – Covered Bond Transactions”. Nevertheless, from the end of 2012, the Group has been engaged in originated securitisation transactions with a view to refinancing assets also with the ECB. The Group set up a dedicated structure in the Parent Company’s Finance Department that is able to organise the securitisations and Covered Bond issues. The collateralised portfolios of the transactions performed are constantly monitored by way of monthly and quarterly reports detailing the performance of principal and interest collections and the status of receivables.

Securitisations characterised by the full subscription by the Group of the debt securities issued by the SPE are called "originated securitisations" and their exclusive purpose is funding. Banco Popolare and the former Banca Italease, now Banco Popolare, step in by subscribing senior and mezzanine funds that will be used to draw liquidity from the market through ECB refinancing transactions or repurchase agreements with market counterparts. These transactions are illustrated in Part E – Section 1 - Risks of the Banking Group. 1.3 Liquidity risk.

C.1 Securitisation transactions

QUALITATIVE INFORMATION

The following table shows securitisation transactions in place as at 31 December 2015, as well as originated securitisations derecognised from the financial statements as illustrated in more detail in the notes below the table.

SPE	Originator	Securities issue date	Transaction	Type of securitisation
Securitisations not derecognised from the financial statements				
Banco Popolare Group				
BP Mortgages S.r.l.	Banco Popolare (former BPN and former Credito Bergamasco)	June 2007	BP Mortgages 2	Performing residential mortgage loans
BP Mortgages S.r.l.	Banco Popolare (former BPV)	March 2007	BP Mortgages 1	Performing residential mortgage loans
Bipitalia Residential S.r.l.	Banco Popolare (former Crema, former BPL, former CR Lucca)	June 2004	Residential	Performing residential mortgage loans
Former Italease Group				
Italfinance Securitization Vehicle 2 S.r.l	Banca Italease	March 2007	ITA 9	Performing leases
Leasimpresa Finance S.r.l	Banca Italease	October 2006	Leasimpresa 2	Performing leases
Italfinance Securitization Vehicle S.r.l	Banca Italease	December 2005	ITA 8	Performing leases
Erice Finance S.r.l	Banca Italease	December 2005	ITA BEI	Performing leases
Securitisations fully derecognised from the financial statements				
Banco Popolare Group				
Tiepolo Finance S.r.l.	Banco Popolare (former BPL, former CR Lucca)	June 2001	Tiepolo	Bad mortgage and ordinary loans
Former Italease Group				
Italfinance Securitization Vehicle 2 S.r.l	Banca Italease	March 2007	ITA 9	Performing leases
Leasimpresa Finance S.r.l	Banca Italease	October 2006	Leasimpresa 2	Performing leases
Italfinance Securitization Vehicle S.r.l	Banca Italease	December 2005	ITA 8	Performing leases
Erice Finance S.r.l	Banca Italease	December 2005	ITA BEI	Performing leases
Originated securitisations derecognised from the financial statements				
Former Italease Group				
Italfinance Securitization Vehicle 2 S.r.l	Banca Italease	January 2009	ITA 11	Performing leases
Pami Finance S.r.l	Banca Italease	October 2008	Quicksilver	Performing leases
Italfinance Securitization Vehicle 2 S.r.l	Banca Italease	May 2008	ITA 10	Performing leases

As illustrated in "Part A - Accounting policies", securitisations not derecognised from the financial statements refer to transactions performed by the Group for which the risks and benefits were maintained.

The only securitisation transactions that are "fully derecognised from the financial statements" refer to:

- the "Tiepolo" transaction for which the option under IFRS 1 not to "recognise" the assets based on international accounting standards was applied, insofar as the transaction was finalised before 2004. As a result, the financial statements show the subscribed securities and any guarantees and commitments to disburse funds, adequately measured to reflect the P&L performance of the underlying assets;
- the transactions relating to the former Italease Group, which was derecognised under a specific arrangement drawn up in 2009 with Alba Leasing, which substantially envisages the transfer of the risks and the benefits of the banking sub-portfolio. Said derecognition was also made for three originated securitisations (ITA 10, ITA 11 and Quicksilver). Therefore, in the table above, the securitisation transactions (ITA8, ITA9, Leasimpresa 2 and ITABEI) appear both as "Securitisations not derecognised from the financial statements" as regards the portion of receivables of the non-banking sub-portfolio whose risks and benefits are maintained by the Group, and as "Securitisations fully derecognised from the financial statements" as regards the portion of receivables of the banking sub-portfolio. For details of the cited arrangement with Alba Leasing, refer to the paragraph below entitled "Agreement on securitised loans between Banca Italease and Alba Leasing".

Transactions closed during the year

Tiepolo Finance 2
The Tiepolo Finance 2 transaction was closed on expiry of the contract on 31 October 2015 (Final Maturity Date of 2 November 2015) for the Mezzanine notes (euro 151 million held by Banco Popolare) and the Junior notes (euro 150 million held by third parties) issued by the SPE. Based on the contractual documentation of the transaction, effective 2 November 2015, the SPE organised (i) to derecognise all of the Notes issued, included in the Separate Assets, as for all other interest expense on securities and (ii) to recognise the residual bad loans still in place on the maturity date of the Securities under Assets on its Statement of Financial Position, with a corresponding positive entry on the income statement of out-of-period income amounting to euro 24.9 million. In 2015, Banco Popolare recorded interest income on matured coupons of around euro 9 million and, effective 2 November 2015, arranged to derecognised both all of the Mezzanine Notes recognised in its financial statements (already fully written down over previous years), and the remaining interest income on said notes with a book value of euro 25.4 million, making a corresponding negative entry to the income statement, shown in the consolidated financial statements, under item 220 “Other operating income (expenses)”.
On 15 December 2015, Banco Popolare approved the merger by incorporation of Tiepolo Finance 2, in the simplified form set forth in art. 2505 of the Italian Civil Code, subject to acquiring 40% of the share capital of the company to be incorporated. The 40% share was successfully acquired on 21 December 2015 for a price of euro 4,000. The merger will be finalised before the end of the first half of 2016, once the necessary authorisations have been obtained.

Italease Finance S.p.A 2005-1 (ITA7)
In December 2015, the ITA7 securitisation transaction was closed, whose Notes had been fully redeemed in September 2014.
More specifically, on 7 December 2015, Banco Popolare and the SPE Italease Finance signed an agreement to repurchase the portfolio of residual loans resulting from lease agreements. Subsequently, on 15 December 2015, all of the counterparties involved in the transaction signed the Termination Agreement.

Securitisation transactions in place and significant events during 2015

Transactions relating to the former Banco Popolare Group

BP Mortgages 2 (June 2007)

On 22 June 2007, Banca Popolare di Novara, now Banco Popolare (by virtue of the merger that took place in 2011) and Credito Bergamasco, now Banco Popolare (following the merger in 2014) sold landed residential mortgage loans and residential mortgage loans backed by a voluntary mortgage on the property to the SPE BP Mortgages S.r.l.. The portfolio sold amounted to euro 1,610 million; on 29 June 2007, the SPE issued four classes of rated securities that were placed with institutional investors and two classes of unrated junior securities subscribed by the Originators; all of the classes of securities were listed on the “Irish Stock Exchange”. As regards the transaction, the Originator Banks, now only Banco Popolare, acted as Servicers and managed the loan collection.

Loans portfolio

Bank	Value 31/12/2015	Value 31/12/2014
Banco Popolare	489,494	581,359

The amounts indicated represent performing, unlikely to pay, non performing past due and bad loans, net of the relative write-down provisions, amortised cost, including mortgage loan instalments.

Issue characteristics

Class	Type	Issue value	Value as at 31/12/2015	Interest rate	Maturity	Rating Moody's/S&P/ Fitch
A1	Senior	147,300	-	Euribor 3 months + 0.07%		
A2	Senior (1)	1,382,000	348,675	Euribor 3 months + 0.13%	July 2044	Aa2/A+/AA+
B	Mezzanine	28,200	28,200	Euribor 3 months + 0.25%	July 2044	Aa2/A/AA
C	Mezzanine (1)	36,200	36,200	Euribor 3 months + 0.66%	July 2044	A1/BBB+/BBB
M1	Junior (2)	8,639	8,639	Euribor 3 months + 2% + Additional return	July 2044	unrated
M2	Junior (3)	7,479	7,479	Euribor 3 months + 2% + Additional return	July 2044	unrated
	Total	**1,609,818**	**429,193**			

(1) Following their placement on the market, Banco Popolare purchased Senior securities amounting to a nominal value of euro 685.8 million and mezzanine securities for a nominal value of euro 11.4 million.
(2) The class M1 junior security was subscribed by the former Banca Popolare di Novara, now Banco Popolare.
(3) The class M2 junior security was subscribed by the former Creberg, now Banco Popolare.

Significant events during 2015

In February 2015, following several updates of the criteria used to assign ratings, the agency S&P downgraded the Class B Note from a rating of “A+” to “A” and upgraded the rating of the Class C Note from “BBB” to “BBB+”. Furthermore, in March 2015, Moody’s upgraded the Class A2 Note from “A2” to “Aa2”, the Class B Note from a rating of “Baa1” to a rating of “A1” and the Class C Note from a rating of “Baa3” to a rating of “Baa1” and, in November 2015, further upgraded the Class B Note from “A1” to “Aa2” and the Class C Note from “Baa1” to “A1”.
Lastly, on 10 April 2015 several amendments were made to the contractual documentation and particular, the minimum rating level for the definition of Eligible Institution was changed from “A1+” to “A1” by S&P to allow the counterparty Bank of New York (Luxembourg) S.A., Italian Branch (“BONY”) to stay in the role, among others, of custodian bank of some accounts of the SPE. Following this amendment, S&P confirmed the rating of the securities issued.

Accessory financial transactions

To immunise the interest rate risk to which the SPE is exposed owing to the mismatch between the securitised mortgage rates and the yield of the issued bonds, the Originator Banks, now only Banco Popolare, entered an Interest Rate Swap agreement with the SPE, with Banca Aletti as intermediary.

Contractual agreements with an obligation to provide financial support to the SPE (IFRS 12, par. 14)

In June 2012, following the loss of the minimum rating needed for the issue of the guarantee relating to the agreement called “First Demand Guarantee”, Banco Popolare set up a collateral account, segregated with respect to the Company’s separate assets, the amount of which is reviewed annually on the Interest Payment Date in July, to take into account the amortisation of the portfolio assigned; as at 31 December 2015, the amount of collateral paid in was euro 13.6 million.

Financial support provided to the entity (IFRS 12, par. 15)

In relation to the performance of the securitisation transaction, with specific reference to the increase in default mortgages, which led to the full use of the Cash Reserve, in 2011 Banco Popolare granted a Subordinated Loan for the amount of euro 21.8 million.
Despite the above, from the payment date in July 2012, the Cash Reserve has been used in part, falling below the target level of euro 19.3 million.
In order to provide support to this transaction, thus restoring the target Cash Reserve levels and safeguarding the rating of the senior notes issues, in March 2015, Banco Popolare re-purchased a part of the bad mortgage loans for a counter value of euro 15.2 million, by virtue of an option under the agreement. As at 31 December 2015, the Cash Reserve was at its target level of euro 19.3 million.

BP Mortgages 1 (March 2007)

On 16 March 2007, Banca Popolare di Verona, now Banco Popolare (by virtue of the merger in 2011), acting as Originator Bank, sold landed and residential mortgage loans to the SPE BP Mortgages S.r.l. for euro 1,476 million; on 11 April 2007, the SPE issued four classes of rated securities that were placed with institutional investors and one class of unrated junior securities subscribed by the Originator; all classes of securities were listed on the Luxembourg Stock Exchange. As regards the transaction, the Originator Bank acted as Servicer and managed the collection of receivables.

Loans portfolio

Bank	Value 31/12/2015	Value 31/12/2014
Banco Popolare	316,154	401,200

The amounts indicated represent performing, unlikely to pay, non performing past due and bad loans, net of the relative write-down provisions, amortised cost, including mortgage loan instalments.

Issue characteristics

Class	Type	Issue value	Value 31/12/2015	Interest rate	Maturity	Rating Moody's/S&P/ Fitch
A1	Senior	202,700	-	Euribor 3 months + 0.06%		
A2	Senior (1)	1,172,650	217,744	Euribor 3 months + 0.13%	April 2043	Aa2/A+/AA+
B	Mezzanine	25,300	25,300	Euribor 3 months + 0.19%	April 2043	Aa2/A/AA
C	Mezzanine	32,600	32,600	Euribor 3 months + 0.48%	April 2043	A2/BBB+/BBB-
M	Junior (2)	14,500	14,500	Euribor 3 months + 2.5% plus Additional return	April 2043	unrated
	Total	**1,447,750**	**290,144**			

(1) Following their placement on the market, Banco Popolare purchased senior notes amounting to a nominal value of euro 429.6 million and mezzanine notes for euro 8.3 million.
(2) The junior notes were subscribed by the former Banca Popolare di Verona now Banco Popolare.

Significant events during 2015

In February 2015, following several updates of the criteria used to assign ratings, the rating agency S&P downgraded the Class B Note from a rating of "A+" to "A" and upgraded the rating of the Class C Note from "BBB" to "BBB+".
In November 2015, the rating agency Moody's upgraded the Class A2 Note from "A2" to Aa2", the Class B Note from "A3" to "Aa2" and the Class C Note from "Baa3" to "A2".
Lastly, on 10 April 2015 several amendments were made to the contractual documentation and particular, the minimum rating level for the definition of Eligible Institution was changed from "A1+" to "A1" by S&P to allow the counterparty Bank of New York (Luxembourg) S.A., Italian Branch ("BONY") to stay in the role, among others, of custodian bank of some accounts of the SPE. Following this amendment, S&P confirmed the rating of the securities issued.

Accessory financial transactions

To immunise the interest rate risk to which the SPE is exposed owing to the mismatch between the securitised mortgage rates and the yield of the issued bonds, the Originator Bank entered an Interest Rate Swap agreement with the SPE, with Banca Aletti as intermediary.

Contractual agreements with an obligation to provide financial support to the SPE (IFRS 12, par. 14)

In June 2012, following the loss of the minimum rating needed for the issue of the guarantee relating to the agreement called "First Demand Guarantee", Banco Popolare set up a collateral account, segregated with respect to the Company's separate assets, the amount of which is reviewed annually on the Interest Payment Date in July, to take into account the amortisation of the portfolio assigned; as at 31 December 2015, the amount of collateral paid in was euro 10.3 million.

Financial support provided to the entity (IFRS 12, par. 15)

In relation to the performance of the securitisation transaction, with specific reference to the increase in default mortgage loans, which led to the full use of the Cash Reserve, in 2011 Banco Popolare granted a Subordinated Loan for the amount of euro 17.5 million.
The gradual increase of default mortgage loans made it necessary to draw down the cash reserve, which went down to zero again in July 2014. In order to provide support to this transaction, thus restoring the target Cash Reserve level (euro 17.4 million) and safeguarding the rating of the senior notes issues, in March 2015, Banco Popolare re-purchased a part of the bad mortgage loans for a counter value of euro 24.7 million, by virtue of an option under the agreement. As at 31 December 2015, the Cash Reserve amounted to euro 15.7 million.

Bipitalia Residential

In first half of 2004, several network banks, Banca Popolare di Lodi, Cassa di Risparmio Lucca Pisa Livorno and Banca Popolare di Crema, now Banco Popolare (by virtue of the merger in 2011), finalised a securitisation transaction, by selling performing residential landed mortgage loans for a value of about 1 billion, to the SPE Bipitalia Residential S.r.l., which financed the purchase by issuing bonds. Within the securitisation transaction, Banco Popolare also acted as Servicer of the portfolio.

Loans portfolio

Bank	Value 31/12/2015	Value 31/12/2014
Banco Popolare	90,260	123,074

The amounts indicated represent performing, unlikely to pay, non performing past due and bad loans, net of the relative write-down provisions, amortised cost, including mortgage loan instalments.

Issue characteristics

Class	Type	Nominal issue value	Value 31/12/2015	Interest rate	Maturity	Rating Fitch / Moody's
A1	Senior	230,000	-			
A2	Senior (1)	733,000	52,226	Euribor 3 months + 0.175%	December 2040	AA+/Aa2
B	Mezzanine	16,000	16,000	Euribor 3 months + 0.30%	December 2040	AA+/Aa2
C	Mezzanine	19,000	19,000	Euribor 3 months + 0.80%	December 2040	A/Aa3
D	Junior	4,500	4,500	2.0 % plus Additional return	December 2040	unrated
	Total	**1,002,500**	**91,726**			

(1) Banco Popolare purchased Senior notes amounting to a nominal value of euro 40 million.

The senior and mezzanine notes were placed on the market with institutional investors and listed on the Luxembourg Stock Exchange; the Junior notes were subscribed by the Originator Banks, now only Banco Popolare, on a pro-rata basis with respect to the portfolio sold.

Significant events during 2015

In April 2015, the rating agency Moody's upgraded the Class A2 and Class B Notes of the transaction from "A2" to A1", and upgrading the Class C Note from "Baa3" to "A3"; furthermore, in November 2015, it further upgraded the rating of Class A2 and Class B Notes from "a1" to "Aa2" and the Class C Note from "A3" to "Aa3".

Accessory financial transactions

Upon issuing the notes, the SPE signed an "Interest Rate Swap" agreement with a third party, to hedge against the risk of mismatch between the rates of the securitised mortgages and the yield of the issued bonds.

Contractual agreements with an obligation to provide financial support to the SPE (IFRS 12, par. 14)

In 2004, Banco Popolare granted a limited recourse mortgage loan of euro 12 million to the SPE in order to set up the initial Cash Reserve.

Financial support provided to the entity (IFRS 12, par. 15)

During the year no form of financial support not envisaged under the agreement was given.

Tiepolo

In 2000, several network banks, Banca Popolare di Lodi and Cassa di Risparmio Lucca Pisa Livorno, now Banco Popolare (by virtue of the merger that took place in 2011), carried out the securitisation of bad mortgage and ordinary loans; more specifically, on 30 December 2000, the bad loans were sold to the SPE Tiepolo Finance S.r.l, which funded the purchase of the same by issuing bonds on 29 June 2001. As regards the transaction, Banco Popolare, acted both as Servicer, managing the collection of loans, and as Cash Manager, hiring Società di Gestione Crediti BP S.C.p.A, now Banco Popolare, as Sub-Servicer for past due loans. The loans that at the time of the sale amounted to euro 153.5 million, as at 31 December 2015, amounted to euro 5 million (euro 5.8 million as at 31 December 2014). Banco Popolare holds the junior notes (class C), the value of which is euro 50.5 million, fully written down in previous years. As regards the performance of the transaction, the coupons due were written down by euro 0.3 million over the year. As at 31 December 2015, the credit exposure to the SPE Tiepolo Finance totalled euro 3.6 million.

Transactions relating to the former Banca Italease Group

The following paragraphs illustrate the financial support provided to transactions finalised by the former Italease Group and a description of the characteristics of each transaction.

Contractual agreements with an obligation to provide financial support to the SPE (IFRS 12, par. 14)

Agreement on Securitised loans between Banca Italease and Alba Leasing (referred to as "Agreement on securitised loans")
On 24 December 2009, Alba Leasing and the former Banca Italease (now Banco Popolare) signed an agreement regarding the transfer to Alba Leasing of securitised loans originating from the banking channel.
The Agreement on securitised loans was structured to enable Alba Leasing to enjoy the economic-financial effects that would have been generated if the portfolio of securitised loans originating from the banking channel in place as at 31 December 2009 had been transferred to Alba Leasing on 31 March 2009. In this regard, it is envisaged that the risks relating to any failure to repay the loans included in the securitisations, originating from the banking channel, are assumed by Alba Leasing and that, similarly, Alba Leasing received the cash flows relating to the junior notes of the securitisations and any further rights to receive subsequent amounts, until the junior notes are fully covered.
Alba Leasing, in turn, has undertaken to pay the former Banca Italease the principal and interest amounts due with relation to the instalments and/or payments or portions of loans originating from the banking channel which, after 31 December 2009, were in default, plus, where due, any expense, cost and/or amount envisaged by the financial documentation of each securitisation with respect to the failure to pay - by the debtors on the relative contractual due dates - the instalments and/or payments or portions of loans originating from the banking channel. The former Banca Italease undertook an obligation vis-à-vis Alba Leasing to transfer these amounts to SPEs. The former Banca Italease undertook a similar obligation vis-à-vis Alba with regard to the loans in the non-banking sub-portfolio.
In execution of the above, Alba Leasing undertook to repay the principal amount of the junior notes relating to securitised loans originating from the banking channel to the former Banca Italease, after individual adjustments, in accordance with the rules and the priorities envisaged for each securitisation. The other payments that will be made by the SPEs to the former Banca Italease - related to the loans originating from the banking channel - will, as regards the portion related to the junior note and all other amounts subordinated to the same in the order of payments, pertain to Alba Leasing. With the exception of payments that will be made by the SPEs as remuneration for the junior notes, for the portion related to the securitised loans originating from the banking channel, all of the above refer to the period up to 31 March 2009.
By virtue of said agreement, in 2015 support was provided for the ITA 8 and ITA9 securitisations through the repurchase of loans in default, corresponding to euro 0.3 million and euro 3.5 million respectively.

Conditions of collateralisation and repurchase of loans relating to contracts in default
Following the cited "Agreement on securitised loans between Banca Italease and Alba Leasing" in September 2010, an agreement amending the servicing contract between the former Banca Italease (now Banco Popolare) and the SPEs was signed, on the basis of which the former Banca Italease is bound to provide credit support, when the Collateralisation Condition envisaged for the transaction is not met, at the end of each reference period. In this case, before the end of the reference period immediately following, the former Banca Italease will be bound to adopt one or more of the following solutions:

- provide credit support through the disbursement to the SPE, in accordance with the terms and conditions envisaged in the Credit Line Contract, of an amount equal to at least the negative difference for which the collateral condition has not been met, so that following the disbursement of the same, said condition is met ("Minimum *Collateralisation* Amount"); and/or
- submit an offer for the repurchase of the loans in default for an amount equal to at least the "Minimum *Collateralisation* Amount".

The liquidity may in any event be disbursed to the SPE respecting the Maximum Credit Line Amount, corresponding to euro 70 million for ITA 9, euro 25 million for Leasimpresa 2 and euro 30 million for ITA 8.
Over 2015, no disbursement of liquidity was made to the SPE with a view to meeting the cited collateralisation condition.

Financial support provided to the entity (IFRA 12, par. 15)

During the year no financial support other than that envisaged under the agreement was given.

Description of transactions

ITA 8

In October 2005, Mercantile Leasing S.p.a. (merged into Banca Italease S.p.a. in June 2012) and Banca Italease S.p.a., now Banco Popolare (following the merger by incorporation on 16 March 2015) sold a portfolio of loans resulting from lease contracts to the SPE Italfinance Securitisation Vehicle S.r.l. for euro 1,128 million; on 7 December 2005 the SPE issued four classes of rated notes placed with institutional investors and one class of junior unrated notes subscribed by the Originators. The notes are listed on the Luxembourg Stock Exchange. As regards this transaction, the Originator Banks, now only Banco Popolare, acted as Servicer and managed the loans.

Loans portfolio

Bank	Value 31/12/2015	Value 31/12/2014
Banco Popolare (former Banca Italease)	44,247	67,851

Issue characteristics

Class	Type	Issue value	Value as at 31/12/2015	Interest rate	Maturity	Rating Moody's/S&P(*)
A	Senior	959,000	15,252	Euribor 3 months + 0.15%	March 2023	A1/AA-
B	Mezzanine	83,000	2,785	Euribor 3 months + 0.38%	March 2023	A3/A-
C	Mezzanine	56,000	1,878	Euribor 3 months + 0.65%	March 2023	Baa2/BBB
D	Mezzanine	18,500	621	Euribor 3 months + 2.15%	March 2023	Baa3/BB
E	Junior	11,320	11,320	Euribor 3 months + 1% + Additional return	March 2023	unrated
	Total	**1,127,820**	**31,856**			

(*) rating as at 31 December 2015

Significant events during 2015

In June 2015, Moody's upgraded the Senior Notes, in particular:

- Series 1-A Notes rose from "Baa2" to "A1" in February;
- Series 1-B Notes rose from "Ba2" to "Baa1" in February, and from "Baa1" to "A3" in June;
- Series 1-C Notes rose from "Ba3" to "Baa3" in February, and from "Baa3" to "Baa2" in June;
- Series 1-D Notes rose from "Ba3" to "Ba1" in February and from "Ba1" to "Baa3" in June.

Accessory financial transactions

The SPE signed an "Interest Rate Swap" agreement with BNP Paribas to hedge against the risk of mismatch between the rates of the securitised lease contracts and the yield of the issued bonds.

ITABEI

Significant events during 2015

In September 2015, the Senior notes issued under the securitisation transaction ITABEI were fully redeemed. To date, only the Junior Notes remain, entirely subscribed by Banco Popolare.

As at 31 December 2015, the receivables of the SPE Erice Finance amounted to euro 139.0 million. The Junior Notes, entirely held by Banco Popolare with a nominal value of euro 5.2 million, euro 2.2 million of which refers to the non-banking sub-portfolio belonging to Banco Popolare and euro 3.0 million of which refers to the banking sub-portfolio, to which the provisions contained in the "Agreement on securitised loans" illustrated in the previous paragraph "Agreement on securitised loans between Banca Italease and Alba Leasing" apply.

ITA 9

In January 2007, Mercantile Leasing S.p.a. (merged into Banca Italease S.p.a. in June 2012) and Banca Italease S.p.a., now Banco Popolare (following the merger by incorporation on 16 March 2015) sold a portfolio of loans resulting from lease contracts to the SPE Italfinance Securitisation Vehicle 2 S.r.l. for euro 1,696 million. On 1 March 2007, the SPE issued four classes of rated notes that were placed with institutional investors and one class of unrated junior notes subscribed by the Originators. The notes are listed on the Luxembourg Stock Exchange. As regards this transaction, the Originator Banks, now only Banco Popolare, acted as Servicer and managed the loans.

Loans portfolio

Bank	Value 31/12/2015	Value 31/12/2014
Banco Popolare (former Banca Italease)	171,197	218,173

Issue characteristics

Class	Type	Issue value	Value as at 31/12/2015	Interest rate	Maturity	Rating Moody's/Fitch(*)
A	Senior	1,442,400	107,375	Euribor 3 months + 0.12%	January 2026	A3/AA
B	Mezzanine	125,000	21,145	Euribor 3 months + 0.28%	January 2026	Ba1/BBB
C	Mezzanine	84,300	14,256	Euribor 3 months + 0.55%	January 2026	Ba3/BB
D	Mezzanine	27,900	4,728	Euribor 3 months + 0.75%	January 2026	B1/B+
E	Junior	16,272	16,272	Euribor 3 months + 10% + Additional return	January 2026	unrated
	Total	**1,695,872**	**163,776**			

(*) rating as at 31 December 2015

Significant events during 2015
In June 2015, Moody's upgraded the Senior Notes, in particular:
- Series 1-A Notes rose from "Baa3" to "A3" in February;
- Series 1-B Notes rose from "Ba2" to "Ba1" in February;
- Series 1-C Notes rose from "B1" to "Ba3" in June;
- Series 1-D Notes rose from "B2" to "B1" in June.

Accessory financial transactions
The SPE signed an "Interest Rate Swap" agreement with BNP Paribas to hedge against the risk of mismatch between the rates of the securitised lease contracts and the yield of the issued bonds.

Leasimpresa 2

In June 2006, Leasimpresa S.p.a. (merged into Banca Italease S.p.a. in December 2006), now Banco Popolare (following the merger by incorporation of Banca Italease on 16 March 2015) sold a portfolio of loans resulting from lease contracts to the SPE Leasimpresa Finance S.r.l for euro 1,026 million; on 16 October 2006, the SPE issued three classes of rated notes placed with institutional investors and one class of junior unrated notes subscribed by the Originator. The notes are listed on the Luxembourg Stock Exchange. As regards this transaction, the Originator Bank, now Banco Popolare, acted as Servicer and managed the loans.

Loans portfolio

Bank	Value 31/12/2015	Value 31/12/2014
Banco Popolare	80,496	101,853

Issue characteristics

Class	Type	Issue value	Value as at 31/12/2015	Interest rate	Maturity	Rating Moody's/S&P(*)
A	Senior	931,500	34,494	Euribor 3 months + 0.13%	December 2025	A1/AA-
B	Mezzanine	57,200	4,480	Euribor 3 months + 0.26%	December 2025	A3/A
C	Mezzanine	10,300	807	Euribor 3 months + 0.55%	December 2025	Baa2/A
D	Junior	17,200	17,200	Euribor 3 months + 15% + Additional return	December 2025	unrated
	Total	**1,016,200**	**56,981**			

(*) rating as at 31 December 2015

Significant events during 2015
In 2015, Moody's upgraded the Senior Notes of the "Leasimpresa 2" transaction, in particular:
- Series 1-A Notes rose from "A3" to "A1" in February;
- Series 1-B Notes rose from "Baa2" to "Baa1" in February and from "Baa1" to "A3" in June;
- Series 1-C Notes rose from "Baa3" to "Baa2" in June.

In March 2015, Standard&Poor's upgraded the Senior Notes of the "Leasimpresa 2" transaction, in particular, the Series 1-C Notes changed from "BBB-" to "A".

Accessory financial transactions
The SPE signed an "Interest Rate Swap" agreement with BNP Paribas to hedge against the risk of mismatch between the rates of the securitised lease contracts and the yield of the issued bonds.

ITA 10, ITA 11 Quicksilver

For information on the ITA 10, ITA 11 and Quicksilver transactions, please refer to the content of the section entitled "Liquidity risk" in these Notes to the Financial Statements.

QUANTITATIVE INFORMATION

C.1 Banking group - Exposures resulting from main "proprietary" securitisations broken down by type of securitised asset and by type of exposure

Type of securitised asset/Exposure	Cash exposures					
	Senior		Mezzanine		Junior	
	Book value	Adjustments/ Recoveries	Book value	Adjustments/ Recoveries	Book value	Adjustments/ Recoveries
A. Fully derecognised						
Non performing assets:						
A.1 Bad loans			2,157	-	1,486	(262)
Performing assets						
A.2 Leasing	-	-	-	-	212,841	
B. Partially derecognised						
C. Not derecognised						
Performing assets:						
C.1 Residential mortgage loans	2,631	-	12,268	-	14,289	-
C.2 Non-residential mortgage loans	238,706	-	50,710	-	174,778	-
C.3 Leasing	-	-	-	-	190,820	-

Guarantees given and credit lines are omitted as not present.

The exposures that are fully derecognised relate to the junior notes held by the group and classified under "Loans to customers", following the cited "Agreement on securitised loans" signed in 2009 between the former Banca Italease and Alba Leasing.

C.2 Banking group - Exposures resulting from main "third-party" securitisations broken down by type of securitised asset and by type of exposure

Type of securitised asset/Exposure	Cash exposures					
	Senior		Mezzanine		Junior	
	Book value	Adjustments/ Recoveries	Book value	Adjustments/ Recoveries	Book value	Adjustments/ Recoveries
A.1 SUNRISE A 14-31 TV						
- consumer credit	17,180					
A.2 BANCAJA 6 A2 EUR /36						
- residential mortgages	4,732					
A.3 TDA IBERCAJA 35 TV						
- residential mortgages	2,936					
A.4 CEDULAS TDA EUR TV16						
- residential mortgages	5,990					
A.5 BNT PORT 14-42 TV						
- agricultural and livestock loans					70,973	(4,013)

Total exposure to these products amounts to euro 101.8 million (euro 113.6 million as at 31 December 2014), euro 17.2 million of which is classified in the "Financial assets available for sale" portfolio and euro 84.6 million of which under "Loans to customers".
For the exposure in "BN Port 14-42 TV", please refer to the content of the paragraph below.

Guarantees given and credit lines are omitted as not present.

C.3 Banking group - Shareholdings in special purpose entities for securitisation

The following paragraphs indicate which special purpose entities have been involved with companies of the Banking Group in structuring activities and in which the Group holds a shareholding.

More specifically, as regards the SPE created to conclude its own securitisation transactions; as described in "Part A – Accounting policies", "3. Scope of consolidation and methods", the separate equity of the same is consolidated insofar as the Group holds the contractual rights to manage the relevant activities of the entity and is exposed to the variable returns of the same, regardless of voting rights (with the exception of the securitisations made through the SPE Tiepolo Finance).

In addition, a shareholding is also held in "BNT Portfolio SPV". As this SPE was established in 2014 in order to finalise the securitisation of agrarian loans belonging to Banca della Nuova Terra, funded through the issue of a single tranche of notes for a nominal value of euro 397.8 million, subscribed by the Shareholder Banks of Banca della Nuova Terra, which include Banco Popolare (which has a 19.61% stake in the latter). Based on the agreements reached, the Parent Company subscribed the above-cited note for a nominal value of euro 84.6 million, recognised in the financial statements in the portfolio of "Loans to customers". As at 31 December 2015, the book value is equal to euro 71 million, net of total adjustments of euro 8.6 million (euro 4 million of which related to 2015) and of collections made.

The following table illustrates the overall assets and liabilities, as shown in the separate equity of the SPE.

Name of Securitisation / Name of SPE	Registered office	Consolidation	Assets			Liabilities		
			Loans	Debt securities	Other	Senior	Mezzanine	Junior
Tiepolo Finance S.r.l.	Lodi	Supervisory (*)	5,044		1,547			50,610
BNT Portfolio SPV srl	Milan	no	317,934		16,823			373,535
Bipielle Residential S.r.l.	Milan	Accounting	90,865		23,088	52,226	35,000	4,500
BP Mortgages Mar 2007	Milan	Accounting	316,676		43,122	217,779	57,935	14,571
BP Mortgages Jun 2007	Milan	Accounting	491,104		54,259	348,730	64,455	16,181
ITA 8 / Italfinance Securitization vehicle	Treviso	Accounting	44,247			15,252	5,285	11,320
ITA 9 / Italfinance Securitization vehicle 2	Treviso	Accounting	171,197			107,375	40,129	16,272
ITA 10 / Italfinance Securitization vehicle 2	Treviso	Accounting	123,847					127,937
ITA 11 / Italfinance Securitization vehicle 2	Treviso	Accounting	218,880					216,432
ITA 9 BEI / Erice Finance	Treviso	Accounting	136,082					5,200
Leasimpresa 2 / Leasimpresa Finance	Treviso	Accounting	80,496			34,494	5,287	17,200
Quick Silver / Pami Finance	Milan	Accounting	70,941					46,496

(*) The supervisory consolidation of the SPE relates only to the financial statements of the SPE and not to the separate equity of the securitisation

C.4 Banking group - Special purpose entities for securitisations not consolidated

No disclosure is provided as all of the SPEs for securitisation are consolidated in the accounts. As regards the Tieopolo transaction, for which the exemption of not recognising the loans sold was applied in accordance with IFRS 1, please refer to the information on separate equity shown in table C.6 below.

C.5 Banking group - Servicer activities – originated securitisations: collection of securitised loans and redemption of securities issued by the special purpose entity for securitisations

SPE	Securitised assets (end-of-period)		Loan collections in the year		Percentage of redeemed securities (end-of-period)					
					Senior		Mezzanine		Junior	
	Non performing	Performing	Non performing	Performing	Non performing assets	Performing assets	Non performing assets	Performing assets	Non performing assets	Performing assets
Tiepolo Finance	4,751		1,898		100%		100%			
ITA 8 / Italfinance Securitization vehicle	4,087	8,129	671	6,634		95%		100%		0%
ITA 9 / Italfinance Securitization vehicle 2	13,599	68,356	1,210	19,969		90%		87%		0%
ITA 10 / Italfinance Securitization vehicle 2	3,979	28,492	646	5,702		100%				34%
ITA 11 / Italfinance Securitization vehicle 2	13,154	55,685	2,303	10,189		100%				42%
ITA 9 BEI / Erice Finance	22,499	43,671	2,902	16,078		100%		100%		0%
Leasimpresa 2 / Leasimpresa Finance	21,765	43,640	3,315	22,811		95%		93%		0%
Quick Silver / Pami Finance	12,254	22,982	1,713	9,498		100%				82%

In accordance with the provisions of Circular no. 262, the amounts shown in the previous table relate to the role of Servicer in originated securitisation transactions in which the assets transferred are derecognised from the financial statements; as regards the transactions of the former Banca Italease, the amounts must be considered to refer to the banking sub-portfolio (see the paragraph above regarding the “Agreement on securitised loans”).

C.6 Banking group - Special purpose entities for securitisations consolidated

The following information only refers to SPEs of the Banking Group and a summary of the figures relating to the separate equities of the securitisation transactions.
The figures relating to securitisation transactions that are consolidated in the accounts are provided in table C.3 above.

Company name	Registered office
Tiepolo Finance S.r.l.	Lodi – Via Polenghi Lombardo no. 13
Tiepolo Finance II S.r.l.	Lodi – Via Polenghi Lombardo no. 13
Italease Finance S.p.A.	Milan – Via Sile no. 18

Summary table of securitised assets and issued securities (by single SPE owned by the Banking Group)

Tiepolo transaction (SPE: Tiepolo Finance S.r.l.)

	31/12/2015	31/12/2014
A. Securitised assets	**5,044**	**5,754**
1) Loans	5,044	5,754
- bad loans	5,044	5,754
- other loans		
2) Securities		
3) Other assets		
B. Use of available funds from loan management	**1,547**	**689**
1) Available funds on current account	1,384	526
2) Other loans		
3) Repurchase agreements		
4) Other assets	163	163
C. Issued securities	**50,500**	**50,500**
1) “Class A” securities		
2) “Class B” securities		
3) “Class C” securities	50,500	50,500
D. Loans received		
1) Securities lending		
2) Subordinated loan		
E. Other liabilities	**21,886**	**22,202**
1) Accrued liabilities	160	238
2) Other liabilities	21,726	21,964
F. Interest expense on issued securities	**264**	**381**
G. Fees and commissions borne by the transaction	**220**	**199**
1) Servicing fees	86	65
2) Other services	134	134
H. Other expenses	**292**	**963**
1) Other interest expense	119	155
2) Other expenses	123	105
3) Adjustments on loans	50	703
I. Interest generated by securitised assets		
L. Other revenues	**1,238**	**1,360**
1) Interest income	-	1
2) Recoveries on loans	1,238	1,359

Tiepolo 2 transaction closed on 02/11/2015 (SPE: Tiepolo Finance 2 S.r.l.)

	02/11/2015 (*)	31/12/2014
A. Securitised assets	**22,427**	**27,548**
1) Loans	22,427	27,548
- bad loans	22,427	27,548
- other loans		
2) Securities		
3) Other assets		
B. Use of available funds from loan management	**2,535**	**1,966**
1) Available funds on current account	2,535	1,941
2) Other loans		
3) Repurchase agreements		
4) Other assets	-	25
C. Issued securities	**-**	**301,030**
1) "Class A" securities		
2) "Class B" securities		
3) "Class C" securities	-	151,000
4) "Class D" securities	-	150,030
D. Loans received	**-**	**-**
1) Securities lending		
2) Subordinated loan		
E. Other liabilities	**60**	**106,536**
1) Accrued liabilities	-	2,349
2) Other liabilities	60	104,187
F. Interest expense on issued securities	**11,485**	**13,809**
G. Fees and commissions borne by the transaction	**335**	**262**
1) Servicing fees	282	197
2) Other services	53	65
H. Other expenses	**1,276**	**2,318**
1) Other interest expense		
2) Other expenses	279	608
3) Adjustments on loans	997	1,710
I. Interest generated by securitised assets	-	-
L. Other revenues	**416,051**	**3,129**
1) Interest income	8	85
2) Other revenues	416,388	3,030
3) Recoveries on loans	2,655	14

(*) The amounts refer to the closing date of the transaction; as at 31 December 2015, the residual assets and the liabilities are recognised in the company's Statement of Financial Position.

ITA 7 transaction closed during the year (SPE: Italease Finance S.p.A)

	31/12/2015	31/12/2014
A. Securitised assets	**-**	**30,625**
A1) loans	-	30,625
B. Use of available funds from loan management	**-**	**4**
B3) other	-	4
E. Other liabilities	**-**	**30,629**
F. Interest expense on issued securities	**3,096**	**578**
G. Fees and commissions borne by the transaction	**62**	**91**
G1) servicing fees	5	11
G2) other services		
- for corporate service	8	10
- for the representative of the security holders	11	10
- for payment services	5	5
- for quotation and rating services	-	20
- for computation agent service	33	35
H. Other expenses	**275**	**695**
- on swap basis	-	19
- for administrative procedures	109	113
- for capital losses	166	563
I. Interest generated by securitised assets	**560**	**1,073**
L. Other revenues	**2,874**	**290**
- recoveries	2,874	290

D. Disclosure on structured entities (other than companies for securitisations)

D.1 Structured entities consolidated

As at 31 December 2015, the only structured entity, other than SPE for securitisations, consolidated in the accounts (but not for supervisory purposes) is represented by the investment fund Gestielle Hedge Low Volatility, managed by a Group company, as described in “Part A – Accounting policies” in these notes to the financial statements.
The contribution to the consolidated financial statements amounts to euro 112.6 million in terms of total net assets and is represented by the imbalance of:

- assets of euro 194.9 million, euro 138.4 million of which is represented by UCIT units;
- liabilities of euro 82.3 million, shown under item “100. Other liabilities”, euro 62.9 million of which is the share of capital held by third parties.

Over the year, no form of support was given and no support is intended to be given to the cited structured entity.

D.2 Structured entities not consolidated in the accounts

D.2.1 Structured entities consolidated for supervisory purposes

As at 31 December 2015 there is no disclosure to make.

D.2.2 Other structured entities

The Group holds an interest in investment funds (funds and SICAV), primarily in order to meet its own investment needs. The total exposure of said investments amounts to euro 912.2 million, euro 138.4 million of which is represented by shares held in the consolidated fund called “Gestielle Hedge Low Volatility”, as illustrated in paragraph D.1 above. For further details, refer to the disclosure provided in the tables showing the breakdown of items 20, 30 and 40 of statement of financial position assets, contained in Part B of these notes to the financial statements.

The only structured entities non controlled by voting rights or similar, in which the Group’s involvement is considered to go beyond merely holding a stake, are retained to be the funds set in place and managed by the Group company Aletti Gestielle SGR, and are not consolidated as the Group acts as an “agent”.

As at 31 December 2015, the net asset value of the funds set in place and managed by the Group and not consolidated was euro 15,872.9 million.

The following table shows the total assets and liabilities of the Group in the above-illustrated structured entities.

Accounting portfolio	Book value of assets	Book value of liabilities	Maximum exposure to risk of a loss
Financial assets held for trading	69,610		69,610
Financial assets designated at fair value through profit and loss	3,672		3,672
Financial assets available for sale	194,641		194,641
Loans to customers	955,681		955,681
Total assets	**1,223,604**		**1,223,604**
Due to customers		1,807,047	
Debt securities issued		157,930	
Financial liabilities held for trading		1,894	
Other liabilities		264,932	
Total liabilities		**2,231,803**	

With regard to the table above, note that the maximum exposure to the risk of a loss, shown in the table does not consider the mitigation of the risks relating to the collateral underlying derivative contracts and securities lending recorded under assets which, as at 31 December 2015, showed a balance in the statement of financial position of euro 777.6 million. If said assets are excluded, the maximum exposure to the risk of a loss regards the investments held in UCIT units of euro 239.4 million and the positive balances of current accounts totalling euro 206.6 million.
Note also that during the year the Group did not provide, nor has any intention to provide, any financial support.

In addition, it should be noted that the Group manages and places investment funds, regardless of its equity investments. The Group's net revenues from these activities amounted to euro 372.2 million, euro 261.2 million of which referred to the placement of funds and SICAV managed by Group companies, as shown in the table below.

	2015
Net fee and commission income for managing collective portfolio	161,060
- of which for UCIT units managed by Aletti Gestielle SGR	*161,060*
Net fee and commission income for placing UCIT units	209,573
- of which for UCIT units managed by Aletti Gestielle SGR	*100,116*

For further details on the asset management of collective portfolios performed by the Group, please refer to the content of the Report on Operations, specifically the paragraphs entitled “Results by business segment” and “Performance of the main Group companies”.

E Sale transactions

A. Financial assets sold and not fully derecognised

QUALITATIVE INFORMATION

As at 31 December 2015, transfers that did not result in the derecognition from the financial statements of the underlying financial assets were represented by:

- securitisations of loans to customers (euro 1,096.5 million);
- Repurchase agreements on own securities, mostly classified in the portfolio of “Investments held to maturity”.

With regard to repurchase agreements, the reason why the security underlying the same was not “derecognised” is due to the fact that the bank substantially retains all of the risks and benefits associated to the security, as it has an obligation to repurchase it at term at a price established contractually. The securities transferred continue therefore to be recognised in the relative accounting portfolios; the consideration of the transfer is recognised under due to banks or to customers, depending on who the counterparty is. In this regard, note that the following tables do not show the repurchase agreements performed on securities that are not recognised in the financial statements, when the availability of the same relates to reverse repurchase agreements (refer to the content of the paragraph entitled “Other transactions” contained in Part B of these notes to the financial statements).

As regards the securitisation transactions illustrated in paragraph “C. Securitisation transactions”, the reason why the same are not “derecognised” is due to the subscription, by the Group, of the tranche of junior securities or of similar exposures, which entail a risk of initial losses for the same and, equally, the benefit associated to the return on the

portfolio of assets transferred. Following the transfer, the consideration received is recognised as a balancing entry to the recognition of a payable to the SPE, net of the tranche of securities subscribed or of uses in the form of liquid funds provided to the SPE as payments of the principal. The payable due to the SPE, recognised in this way, will decrease by virtue of the amounts collected by the originator acting as "servicer", and transferred to the same SPE.
Due to the consolidation of the SPE's assets, the latter liability is not shown in the consolidated financial statements; otherwise, the outstanding securities issued by the SPE and not subscribed by Group companies would be recorded under liabilities.

E.1 Banking group - Financial assets sold and not derecognised: book value and full value

Type/Portfolio	Financial assets held for trading			Financial assets designated at fair value through profit and loss			Financial assets available for sale			Investments held to maturity			Due from banks			Loans to customers			Total 31/12/2015	Total 31/12/2014
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C		
A. Cash assets	431,885	-	-	-	-	-	1,255,098	-	-	4,719,012	-	-	24,860	-	-	1,120,454	-	-	7,551,309	6,889,687
1. Debt securities	418,988	-	-	-	-	-	1,255,098	-	-	4,719,012	-	-	24,860	-	-	23,912	-	-	6,441,870	5,461,486
2. Equity instruments	12,897	-	-	-	-	-	-	-	-	X	X	X	X	X	X	X	X	X	12,897	36,023
3. UCIT units	-	-	-	-	-	-	-	-	-	X	X	X	X	X	X	X	X	X	-	-
4. Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,096,542	-	-	1,096,542	1,392,178
B. Derivatives	-	-	-	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	-	-
Total 31/12/2015	431,885	-	-	-	-	-	1,255,098	-	-	4,719,012	-	-	24,860	-	-	1,120,454	-	-	7,551,309	X
of which non performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	126,537	-	-	126,537	X
Total 31/12/2014	167,455	-	-	-	-	-	650,281	-	-	4,655,296	-	-	24,514	-	-	1,392,141	-	-	X	6,889,687
of which non performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	181,643	-	-	X	181,643

Key:
A = financial assets sold and fully recognised (book value)
B = financial assets sold and partially recognised (book value)
C = financial assets sold and partially recognised (full value)

E.2 Banking group - Financial liabilities associated with financial assets sold and not derecognised: book value

This table shows the liabilities recognised under “Due to customers” or “Due to banks” relating to transfers of financial assets that have not entailed a full derecognition from the financial statements.
More specifically, note that the liabilities associated to the assets transferred for securitisation transactions are included in “Due to customers”, insofar as they are transactions performed through SPEs, subject to consolidation, but not part of the Banking Group (in the consolidated financial statements, said liabilities are instead recognised under “Debt securities issued”).

Liability/Asset portfolio	Financial assets held for trading	Financial assets designated at fair value through profit and loss	Financial assets available for sale	Investments held to maturity	Due from banks	Loans to customers	Total
1. Due to customers	89,751	-	863,869	4,512,658	14,780	488,017	5,969,075
a) relating to fully recognised assets	89,751	-	863,869	4,512,658	14,780	488,017	5,969,075
b) relating to partially recognised assets	-	-	-	-	-	-	-
2. Due to banks	206,984	-	237,006	367,678	-	14,991	826,659
a) relating to fully recognised assets	206,984	-	237,006	367,678	-	14,991	826,659
b) relating to partially recognised assets	-	-	-	-	-	-	-
3. Debt securities issued	-	-	-	-	-	-	-
a) relating to fully recognised assets	-	-	-	-	-	-	-
b) relating to partially recognised assets	-	-	-	-	-	-	-
Total 31/12/2015	296,735	-	1,100,875	4,880,336	14,780	503,008	6,795,734
Total 31/12/2014	124,231	-	580,154	4,969,692	14,796	693,120	6,381,993

E.3 Banking group - Sale transactions associated with liabilities with exclusive recourse to the assets sold: fair value

This table shows the fair value of the assets and associated liabilities relating exclusively to securitisation transactions insofar as they are considered the only cases that the Group possesses in which the transferee, namely the SPE, has exclusive recourse to the assets transferred, as in reality they represent the only cash flows available for the payment of the securities issued.

Type/Portfolio	Financial assets held for trading		Financial assets designated at fair value through profit and loss		Financial assets available for sale		Investments held to maturity (fair value)		Due from banks (fair value)		Loans to customers (fair value)		Total 31/12/2015	Total 31/12/2014
	A	B	A	B	A	B	A	B	A	B	A	B		
A. Cash assets	-	-	-	-	-	-	-	-	-	-	**1,169,836**	-	**1,169,836**	**1,504,005**
1. Debt securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Equity instruments	-	-	-	-	-	-	X	X	X	X	X	X	-	-
3. UCIT units	-	-	-	-	-	-	X	X	X	X	X	X	-	-
4. Loans	-	-	-	-	-	-	-	-	-	-	1,169,836	-	1,169,836	1,504,005
B. Derivatives	-	-	X	X	X	X	X	X	X	X	X	X	-	-
Total assets	-	-	-	-	-	-	-	-	-	-	**1,169,836**	-	**1,169,836**	**1,504,005**
C. Liabilities related to	-	-	-	-	-	-	-	-	-	-	**488,017**	-	X	X
1. Due to customers	-	-	-	-	-	-	-	-	-	-	488,017	-	X	X
2. Due to banks	-	-	-	-	-	-	-	-	-	-	-	-	X	X
3. Debt securities issued	-	-	-	-	-	-	-	-	-	-	-	-	X	X
Total liabilities	-	-	-	-	-	-	-	-	-	-	**488,017**	-	**488,017**	**693,136**
Net Value as at 31/12/2015	-	-	-	-	-	-	-	-	-	-	**681,819**	-	**681,819**	**X**
Net Value as at 31/12/2014	-	-	-	-	-	-	-	-	**21**	-	**810,848**	-	**X**	**810,869**

Key:
A = Financial assets sold and fully recognised
B = Financial assets sold and partially recognised

B. Financial assets sold and fully derecognised with recognition of continuous involvement

The case in point is not present for the Group at the date of the financial statements.

E.4 Banking group - Covered bond transactions

Covered bond issue programme

QUALITATIVE INFORMATION

Strategic goals

The Covered Bonds issue is part of the Group's strategic plan, and represents a tool to diversify sources of funding, to reduce the relative cost and to extend the maturities of liabilities. In 2010, at Group level, a long-term programme was launched that envisaged the issue of Covered Bonds ("Residential CB"). The Programme was renewed and extended from the initial euro 5 billion to 10 billion in February 2011. On 13 December 2011, Banco Popolare's Board of Directors approved the implementation of a Commercial CB Programme, the total nominal value of which is euro 5 billion.
Under these Programmes, Banco Popolare acts as the Issuing Bank of the CB and, following the merger of several network banks in 2011, and of Credito Bergamasco, in 2014, also acts as the Bank Assigning the assets pursuant to art. 7-bis of Italian Law no. 130 of 30 April 1999 and as Lending Bank.

Programme structure

The Programmes are implemented through the assignment without recourse to BP Covered Bond S.r.l. (Special Purpose Entity which in 2015 obtained cancellation from the General list set forth in article 106 of the Consolidated Banking Law, and in which Banco Popolare holds a 60% stake) by several Banks of the Banco Popolare Group, Banca Popolare di Verona S.G.S.P S.p.A, Banca Popolare di Novara S.p.A., Banca Popolare di Lodi S.p.A., Cassa di Risparmio Lucca Pisa Livorno S.p.A. and Credito Bergamasco S.p.A., now all Banco Popolare Soc. Coop. ("Assigning Banks") of the relative monetary receivables relating to mortgage loans with the characteristics set forth in art. 2, paragraph 1, letter a) of Italian MEF (Mortgage Loans) Decree for the Residential CB Programme, while for the Commercial CB Programme, of residential and commercial landed loans and/or mortgage loans with the characteristics set forth in art. 2, paragraph 1, letters (a) and (b) of Italian MEF Decree.

Subordinated loan

In connection with the sale of the assets, the "Assigning Banks", now just Banco Popolare, granted, each for what is of direct concern, a Subordinated Loan in favour of the SPE in order to provide it with the necessary financial resources to acquire the relevant loans (except in the case in which the SPE pays directly for the assets purchased); the SPE must repay the subordinated loans on the last date of final repayment or the extended redemption date of the CB, in compliance with the applicable priority and within the limits of the funds available, without prejudice to the fact that, at each interest payment date, the subordinate loan may be repaid in advance provided that the principal amount of the loan is equal or higher than the residual debt of the Covered Bonds issued and that the tests contemplated by the regulations and by contract are observed. Interest is paid on the subordinated loans of the Residential CB Programme at a rate equal to the average interest rate of the CB Series issued, plus a periodic yield equal to the excess spread generated by the structure; for the Commercial CB Programme, the periodic yield is equal to the excess spread generated by the structure.

Bond Issues

The Programmes were structured so that Banco Popolare transferred the benefits and the costs associated with the issue of the CB to the Assigning Banks on the basis of its percentage share in the transaction. By virtue of the previous mergers, the contracts drawn up between Banco Popolare and the Assigning Banks were cancelled in order to transfer the benefits and costs relating to the issue of the CB to the latter.

Derivative Contracts

In relation to the issue of CB, the SPE currently has three derivative contracts on interest rates called "Mortgages Pool Swaps" and six contracts called "Covered Bond Swaps" (the latter only in the base of fixed-rate CB issues) to mitigate the interest rate risk related to the collections deriving from the cover pool and the coupon payments relating to the CB which must be made by the Issuer but which must be paid by the SPE in case of default of the Issuer. At consolidated level, the purpose of "Covered Bond Swaps" is to neutralise the exposure of the fixed-rate Covered Bond issue to interest-rate risk.

Guarantees

The SPE, in order to guarantee the repayment of the Covered Bonds should Banco Popolare not fulfil its obligations to pay, has issued an unconditional and irrevocable primary guarantee valid for separate assets for the benefit of the investors that will subscribe the Covered Bonds. The guaranteed amount is equal to total interest and principal that must be paid to the investors on each class of Covered Bond. The regulations require that the integrity of the guarantee should be ensured during the life of the Covered Bonds and to this end, the structure of the Programme contemplates a series of tests on the portfolio. The tests are carried out quarterly by the Group Finance Service, while the Risk Management Service verifies the same at least every six months. The accuracy of the tests is also verified, at the time of issue of the separate series of CB and subsequently on a quarterly basis, by an external party, the Asset Monitor which, in accordance with Supervisory Regulations, must be an Independent Auditor; the Internal Audit service verifies the adequacy of the checks made internally at least once a year. The management of the portfolio during the life of the Programme is regulated by a Cover Pool Administration Agreement, signed by the SPE, by Banco Popolare (as Assigning Bank and Issuer), by the Representative of Covered Bondholders and by the Asset Monitor.

Testing effectiveness

The following tests are conducted to assess the effectiveness of the overall portfolio and of the portfolio sold by each "Assigning Bank":

- the Nominal Value Test, which verifies that the nominal value of the residual loans in the portfolio sold is higher than the nominal value of the CB that have not been redeemed at that date;
- the NPV Test, which verifies that the present value of the residual loans in the portfolio sold is higher than the present value of the CB that have not been redeemed at that date;
- the Interest Coverage Test, which verifies that the interest collected and to be collected, net of the costs of the SPE, is higher than the interest to be paid to the holders of CB.

If the requirements of all of the tests are met, payments may be made in accordance with the "order of payment". In accordance with contractual documentation, the asset coverage test must also be conducted, with a view to maintaining a certain level of over-collateralisation, which is the maximum ratio between the CB issued and the assets sold. The infringement of the regulatory and contractual tests leads to an obligation for the "Assigning Banks", now only Banco Popolare, to add to the portfolio.

Collection and administrative management services

The collection and management of the loans sold is carried out by Banco Popolare, which acts as servicer; the amounts collected are paid into accounts in the name of the SPE opened with Banco Popolare (Interim Account Bank), and transferred on a daily basis to the accounts of the SPE opened with Banco Popolare (Transaction Account Bank). Banco Popolare also acts as administrative servicer, namely it provides administrative services and fulfils tax-related requirements on behalf of the SPE.

QUANTITATIVE INFORMATION

Commercial CB Programme

Over the course of previous years, the "Assigning Banks" sold the SPE, five portfolios of mortgage loans and to pay the purchase price of the mortgage loans (with the exception of a part of the third and the entire fourth and fifth portfolio, which the SPE paid for using the available liquidity deposited in its current accounts), the SPE utilised a Subordinated loan granted by the "Assigning Banks". On 25 August 2015, following the signature of the relative sales agreements, Banco Popolare sold a new portfolio (the sixth) comprised of eligible assets originating from commercial and residential landed and mortgage loans with a residual total debt of euro 262.2 million. To honour the purchase price of the sixth portfolio, made on the Guarantor Payment Date of 2 October 2015, the SPE utilised available liquidity deposited in its current accounts.

The table below shows the overall value of the loans sold to the SPE as at 31 December 2015:

Bank	Value as at 31/12/2015	Value as at 31/12/2014
Banco Popolare	2,059,980	2,134,200

The amounts indicated represent performing, unlikely to pay, non performing past due and bad loans, net of the relative write-down provisions, amortised cost, including mortgage loan instalments.

The table below shows non performing loans:

Bank	Value as at 31/12/2015	Value as at 31/12/2014
Banco Popolare	161,579	74,632

In 2015, the mortgage loans portfolio generated collections totalling euro 366.8 million, of which euro 334.4 million represented principal and euro 32.4 million represented interest.

Bonds issued by Banco Popolare

Banco Popolare issued four Series of CB under the Commercial CB Programme, listed on the Luxemburg Stock Exchange. The bonds were entirely subscribed by Banco Popolare and used as collateral in ECB refinancing operations. Overall, the bonds issued by Banco Popolare correspond to euro 3,400 million, of which euro 900 million refer to the First Series and euro 800 million to the Second Series, both redeemed on maturity as at 31 March 2014 and euro 200 million refer to the Third Series fully redeemed on maturity on 2 October 2015; therefore, securities issued and outstanding as at 31 December 2015 amounted to euro 1,500 million. In particular:

Issue date	Series	Notional value	Coupon	Maturity	Issue Price (flat quotation)	Moody's Rating
04/04/2014	4th Series	1,500,000	Eur 3M + 30 bps	02/07/2016	100.00	A3
		1,500,000				

Other information

In May 2015, Moody's increased the Programme rating from "Baa2" to "A3". In September 2015, the Prospectus for the Programme underwent its annual renewal. At the time of said renewal, some contractual amendments were made which included the replacement of Banco Popolare, London branch, with Banco Popolare, Italian branch, in the role of custodian bank holding the Transaction Account and the Cash Reserve Account.

Residential CB Programme

Over the course of previous years, the "Assigning Banks" sold the SPE nine portfolios of mortgage loans and, on 25 August 2015, following the signature of the relative sales agreements, Banco Popolare sold a new portfolio (the tenth) with a residual total debt of euro 1,082.1 million, comprised of residential and property mortgage loans. To pay the purchase price of the loans (with the exception of the entire sixth and ninth portfolios and a part of the seventh and the entire tenth portfolio, which the SPE paid using the available liquidity deposited in its current accounts), the SPE utilised a Subordinated revolving loan granted by the "Assigning Banks" for an amount equal to the purchase price of said portfolios.

The table below shows the overall value of the loans sold to the SPE as at 31 December 2015:

Bank	Value as at 31/12/2015	Value as at 31/12/2014
Banco Popolare	9,806,828	10,143,572

The amounts indicated represent performing, unlikely to pay, non performing past due and bad loans, net of the relative write-down provisions, amortised cost, including mortgage loan instalments.

The table below shows non performing loans:

Bank	Value as at 31/12/2015	Value as at 31/12/2014
Banco Popolare	698,891	322,442

In 2015, the mortgage loans portfolio generated collections totalling euro 1,632 million, of which euro 1,406.8 million represented principal and euro 225.2 million represented interest.

Bonds issued by Banco Popolare

As part of the Residential CB Programme, Banco Popolare issued nine Series of CB, listed on the Luxembourg Stock Exchange, and one unlisted Registered Covered Bond; these bonds were subscribed by institutional investors or by Banco Popolare.

Overall, the bonds issued by Banco Popolare amounted to euro 11,450 million (euro 1,000 million relates to the Ninth Series issued on 5 March 2015), of which euro 1,750 million refer to the Fifth Series redeemed on maturity as at 31 December 2013, euro 1,250 million refer to the Third Series redeemed on maturity as at 31 March 2014 and euro 1,250 million refer to the Second Series fully redeemed on maturity as at 30 September 2015; therefore, securities issued and outstanding as at 31 December 2015 amounted to euro 7,200 million. In particular:

Issue date	Series/Tranche	Notional value	Coupon	Maturity	Issue Price (flat quotation)	Fitch/ Moody's Rating
03/03/2010	1st Series 1st Tranche (1)	1,000,000	3.625%	31/03/2017	99.401	BB+/A2
05/08/2010	1st Series 2nd Tranche (2)	400,000	3.625%	31/03/2017	100.432	BB+/A2
24/01/2011	Registered CB (3)	100,000	5.250%	03/04/2029	96.590	BB+/A2
14/03/2011	4th Series 1st Tranche (4)	1,250,000	4.750%	31/03/2016	99.526	BB+/A2
20/10/2011	4th Series 2nd Tranche (2)	300,000	4.750%	31/03/2016	100.133	BB+/A2
05/04/2013	6th Series 1st Tranche (5)	150,000	4.000%	31/03/2023	99.482	BB+/A2
08/01/2014	7th Series 1st Tranche (6)	1,500,000	Eur 3M + 100 bps	31/03/2016	100.00	BB+/A2
19/09/2014	8th Series 1st Tranche (6)	1,500,000	Eur 3M + 100 bps	30/09/2017	100.00	BB+/A2
05/03/2015	9th Series 1st Tranche (7)	1,000,000	0.75% (*)	31/03/2022	99.917	
		7,200,000				

(1) On 30 September 2011, Banco Popolare purchased a nominal of euro 5.8 million and on 2 December 2011 a nominal of euro 8.8 million, on 4 July 2012 a nominal of euro 20 million, on 18 September 2012 a nominal of euro 3 million, on 21 September 2012 a nominal of euro 10 million, totalling overall euro 47.6 million.
(2) The bonds were entirely subscribed by Banco Popolare, which used them for a REPO transaction.
(3) The bonds were placed in the form of a private placement with market investors.
(4) On 16 November 2011, Banco Popolare purchased a nominal of euro 9 million and on 2 December 2011 a nominal of euro 8 million.
(5) The securities were subscribed by Banca Generali S.p.A.
(6) The bonds were entirely subscribed by Banco Popolare and used as collateral in refinancing operations.
(7) The securities were subscribed by institutional investors.
(*) interest rate of 0.803% only for the first coupon payable on 31 March 2016

Other information

In May 2015, Moody's increased the Programme rating from "A3" to "A2", while in September 2015, the agency Fitch downgraded the Programme rating from "BBB+" to "BB+". In September 2015, the Prospectus for the Programme underwent its annual renewal. At the time of said renewal, following the downgrading of Banco Popolare by the rating agency Fitch, several contractual changes were made, including the reduction of the minimum rating level of Banco Popolare envisaged by Fitch regarding (i) acting as custodian bank for certain accounts of the SPE; (ii) the appointment as Back-up Servicer; (iii) the subordinated loan repayment procedures. These amendments were approved by the Bondholder Representative Meeting held in August 2015 and by the other parties involved in the Programme. At the time of the annual renewal of the Prospectus, other contractual amendments were made which included the replacement of Banco Popolare, London branch, with Banco Popolare, Italian branch, in the role of custodian bank holding the Transaction Account.

Accounting representation

In the consolidated financial statements, all the companies taking part in Issue programmes ("Assigning Banks", now only Banco Popolare, Issuing Parent Company and SPE) are part of the Group and are consolidated line-by-line.
The accounting representation of the main asset items related to the issue of Covered Bonds is provided below:

- the mortgage loans sold by the Assigning Banks to the SPE continue to be recognised in the assets of the Statement of Financial Position under item 70 "Loans to customers", while the relative interest income is booked to the Income Statement under item 10 "Interest and similar income". As at 31 December 2015, the book value of mortgage loans under the Residential CB Programme was euro 9,806.8 million and euro 2,060 million under the Commercial CB Programme. This amount is subject to specific evidence among "Assets pledged to secure own liabilities and commitments" among Other information contained in Part B – Information on the Statement of financial position of these notes to the financial statements;
- the CB issued are recorded under debt securities issued (item 30 of Liabilities) and valued according to fair value hedge accounting rules with the hedging derivative of the interest-rate risk signed by the SPE ("Covered Bond Swap"). The bonds issued also comprise loan transactions through repurchase agreements on the series of repurchased Covered Bonds, in line with the clarifications provided in this regard by the Supervisory Body. The book value of the CB as at 31 December 2015 amounted to euro 3,947.4 million and refers to the

Residential CB Programme; note that the issues of the Commercial CB Programme are not shown as they have been fully repurchased and used as collateral for financing operations with the ECB, as illustrated previously.

F. Banking group - Credit risk measurement models

To measure the portfolio credit risk, the Risk Management Service avails itself of an econometric model fed by an extensive set of data and risk variables.

By resorting to Credit-VaR metrics, the model defines the distribution probability of losses in the loan portfolio for performing loans, cash loans and endorsement credits to resident retail and financial customers. The distribution is used for measuring the maximum potential loss along an annual timeframe and with a specific level of confidence.
In particular, to calculate the distribution, the model's processing engine uses a "MonteCarlo" simulation approach, which simulates a sufficiently high number of scenarios to produce a good empirical approximation of the theoretical distribution of loan portfolio losses.
The calculation of the maximum potential loss, which can be broken down in the classical Expected Loss and Unexpected Loss (Economic Capital), is affected by the concentration risk (generated by large exposures to single counterparts – name concentration – or types of peer counterparts in terms of geographical areas and/or industries, whose creditworthiness depends on one or more systematic factors – industry concentration) and by the systematic risk (generated by the impact of unexpected changes in macroeconomic factors on the probability of default of the single counterparts).
In addition to the loan portfolio concentration level, the impact of the above components on credit risk depends also on the structure of the correlation matrix of the probabilities of default, which is estimated by using a quantitative stress testing model (developed and updated in-house), which can link the decay rates of peer counterparts in terms of industry and geographical areas to a set of "first level" (international and national) and "second level" (regional) economic and financial factors.
Finally, the portfolio model is periodically stress tested to verify how sensitive the credit risk of the Group portfolio is to extreme changes (albeit plausible) of one (so called sensitivity analysis) or more (so called scenario analysis) economic and financial factors.

As at 31 December 2015, the expected operating loss, calculated on the scope of validation of Basel 3 (for which Banco Popolare has been authorised by the Bank of Italy to use internal rating systems to calculate capital requirements on credit risk) corresponded to 0.49% of the exposure in default, while total loss (expected and unexpected loss measured using the C-Var method with a confidence level of 99.9%) amounted to 1.82% of the exposure in default.

Internal models to estimate PD-Probability of Default and LGD-Loss Given Default have undergone a process of internal validation by the Risks Department and a third level control by the Audit Department: the outcome of these processes is illustrated in specific reports, submitted to the Corporate Bodies and to the Bank of Italy.

1.2 MARKET RISK

1.2.1 Interest rate risk and price risk - regulatory trading portfolio

QUALITATIVE INFORMATION

A. General aspects

Market risk is the risk that the Group may generate less revenues than expected, or suffer from the impairment of statement of financial position items or capital losses from financial positions held, due to sharp and adverse changes in market conditions, in particular interest rates, share prices, exchange rates, and the associated volatilities and correlations (generic risk), or due to events that may impair the issuer's redemption capability (specific risk). Market risks can materialize both with regard to the trading book, which includes trading instruments and the associated derivative instruments, and with regard to the banking book, which includes all financial assets and liabilities other than those included in the trading book.

The organisational model adopted by the Banco Popolare Group for the trading portfolios exposed to interest rate risk and price risk requires the centralisation:

- of the management of Treasury and of Proprietary Portfolio positions in Group Finance. The latter coordinates:
  - the management of short term liquidity and interest rate risk and exchange risk positions within the Group;

- the optimisation of the overall risk/return profile, by diversifying risks across different asset classes of financial instruments;
- in the subsidiary Banca Aletti of the risk positions and the operating flows associated with securities, currency, OTC derivative trading and other financial assets. In addition to this, there are the main interest rate risk exposures from the trading portfolio of Banca Aletti relating to operations both on money markets, and the associated listed or plain vanilla derivatives (covered by the Trading & Brokerage Service), both on the markets of listed and OTC derivatives, and OTC structured products (covered by the Structured Products Service).

Additional positions are assigned to the Finance Department of the Parent Company, relating to treasury bonds deposited as security, residual positions deriving from trading activities that cannot be immediately transferred to Banca Aletti because they do not meet the minimum amount requirements contemplated by market settlement systems. Finally, there are additional positions that, from an operating point of view, are considered an investment-trading, but from an accounting viewpoint are classified in the banking portfolio.

Group Finance Portfolio

Within the Group Finance of the Banco Popolare Group, we can identify two main types of trading operations (according to supervisory classifications):

- the investment portfolio of Banco Popolare that represents the major source of generic interest-rate risk and credit spread risk of the Parent Company, that are recorded in the IAS accounting category Held-For-Trading, and it is almost completely a bond portfolio. At the end of 2015, the bond portfolio of Banco Popolare had a nominal value of around euro 1,000 million, made up by about 85% of Financial securities and the remainder primarily by Italian Government and Corporate bonds. The total interest rate risk sensitivity (delta) at year-end, calculated assuming a parallel change in the interest-rate curve of 1 basis point, is about euro -100,000, and derives from a prevalence of exposures on the different nodes of the Euro interest rate curve.
  This portfolio also presents an overall exposure to credit spread risk of about euro -270,000 considering a 1 basis point shock. Around 85% of this exposure relates to Financial securities and the remainder primarily to Italian Government and Corporate bonds;
- the Banco Popolare Treasury portfolio contained no securities at the date of the financial statements.

The price risk on the share portfolio has an exposure that is the equivalent of below euro 15 million.

The Banco Popolare Group's Financial risk positions are monitored on a daily basis to verify their compliance with the operating thresholds set by the Board of Directors on the entire portfolio and on the single underlying assets.

Trading portfolio of Banca Aletti, held as part of its investment banking activities

In its capacity as Group investment bank, the subsidiary Banca Aletti holds a trading portfolio whose main exposures to the interest-rate risk are linked both to trading on the money market, the associated listed or plain vanilla derivatives, and that on the markets of derivatives and OTC structured product and listed derivatives, both covered by the Fixed Income Service.
Transactions in both plain vanilla and structured instruments and listed and unlisted derivatives, including trades on the secondary market of structured products issued or sold by the banks of the Group. The destructuring of complex transactions based on the underlying enables the centralised management of the interest rate, exchange rate and price risks within the specific offices of the Bank's Global Markets Department, which use sophisticated position keeping systems.
More specifically, the securities portfolio amounts to around euro 3,500 million, 46% of which is represented by Government bonds and 39% by securities issued by the Group, in particular for activities performed on the Group Securities Market.
The overall exposure to credit spread risk is around euro -200,000 considering a 1 basis point shock, resulting mainly from Government bonds;
The total interest rate risk sensitivity (delta) at year-end, net of long and short exposures on different currencies and yield curve nodes, is about euro 135,000, assuming a parallel 1 basis point yield curve movement.

The main exposures to the equity risk are related to trading on cash markets and associated listed or plain vanilla derivatives on the derivatives and OTC structured products market and the listed derivatives market covered by the Equity Currency and Commodity Service.
In particular, the scope includes equity portfolios with their listed derivatives, held for trading, for market making transactions on single Stock Futures and for transactions relating to specialist services (continuous exposure to purchase/sale proposals) as well as transactions in structured instruments and listed and unlisted derivatives. The destructuring of complex operations based on the underlying enables the centralised management of the interest rate, exchange rate and price risks within the specific Offices of the Function, which use a sophisticated position keeping system specialised in interest rate, exchange rate and price risks. The system is integrated with pricing models and risk measurement (Greeks) developed in-house and validated by the Parent Company's Risk Management Function. At year-

end, the total price risk exposure of the derivative portfolio of the Equity Currency and Commodity Service is equivalent to a short position of less than euro 10 million, net of hedges with derivatives and cash financial assets.

Banca Aletti's risk positions are monitored on a daily basis to verify their compliance with the operating thresholds set by the Board of Directors on the entire portfolio and on the single underlying assets.

Additional residual portfolios of Banco Popolare monitored and managed by Banca Aletti or by the Parent Company's Finance Department

The Internal Regulation on Risk Positions fixes the operational limits in terms of stock, interest-rate risk sensitivity, asset allocation with respect to the type of issuer and related creditworthiness, as well as concentration on single names and rating class. These ceilings are monitored by the Market Risk Function on a daily basis. Daily and period reports provide an account of this activity and of the held exposures.
For additional information, please refer to the specific paragraph below dealing with risk management and measurement processes.

B. Interest-rate risk and price risk management process and measurement methods

The function in charge of controlling the financial risk management for all the Banks of the Group with the aim of identifying the type of risks, define the methods to measure risks, control limits at strategic level and verify the consistency between trade limits and the risk/return targets assigned, is the Market Risk Function.
In particular, for the identification, measurement, management and operating control of the risk positions of Group Banks, the Parent Company's Finance Department and Banca Aletti make use of a sophisticated position keeping and risk control system that provide a constant control over exposure levels and over the compliance with the operating limits defined by the Parent Company's Board of Directors and the Boards of Directors of Group Banks.
Risk control for trading activities in listed and unlisted derivatives and in structured products is based on a specific application specialising in interest/exchange rate derivatives and equity instruments.
In case of very complex and innovative structures, these models are complemented by pricing and sensitivity measurement models developed in house and certified by the Risk Management Service of the Parent Company.
This position keeping system is automatically fed by market platforms and by the sales networks in case of operations in cash and in listed derivatives. It is constantly aligned with accounting procedures and guarantees the constant measurement and control of position indicators, sensitivity and operational results. The position keeping system is also closely integrated with the Value at Risk control systems, developed by the Market Risk Function.
Financial risks are monitored on a daily basis by using deterministic indicators (sensitivity to market risk factors) as well as probabilistic indicators (VaR).
In particular, these indicators are considered the most appropriate instruments to ensure an effective and precise measurement and control of market risks generated by exposures to complex derivatives, also from a regulatory standpoint.
Value at Risk (VaR), which indicates the maximum potential loss associated with market movements in unexceptional conditions, represents a synthetic risk measurement. The method used to calculate the VaR belongs to the historical simulation VaR models. The values are calculated with a confidence level of 99% and a time horizon of one day. The observation period is 250 days. The correlations used are those implicit in historical scenarios applied to estimate the empirical distribution of values in the trading portfolio.
The current model covers generic risk, with the interest-rate risk, exchange-rate risk, equity risk and specific risk both of debt securities (separately measured as specific VaR) and of equity instruments (included, with the generic component, in the estimate of the equity VaR).
VaR reports are prepared, through which monitoring is ensured at Group level, at single bank level, by organisational unit, and by trading portfolio.
Said reports are sent to the Bank Head Office, the Parent Company's Finance Department and Audit Department.
During 2015, the Group continued to constantly improve market risk management, from a technological and methodological point of view, as well as with regard to organisational processes.
The Group uses a validated internal model for the quantification of the minimum capital requirements for market risk. The validation of the internal model was obtained for the scope that includes interest rate risk, equity risk, exchange rate risk and credit spread risk, as well as the benefit of correlation between risks. Correlation and dividend risks are also included.
The capital requirement is also calculated by adding the Stressed VaR measured to the VaR. The former is based on the same methodological framework as the VaR, but it considers changes of the parameters in particularly stressed market circumstances. The period chosen considers the shocks recorded between 1 April 2008 and 31 March 2009.

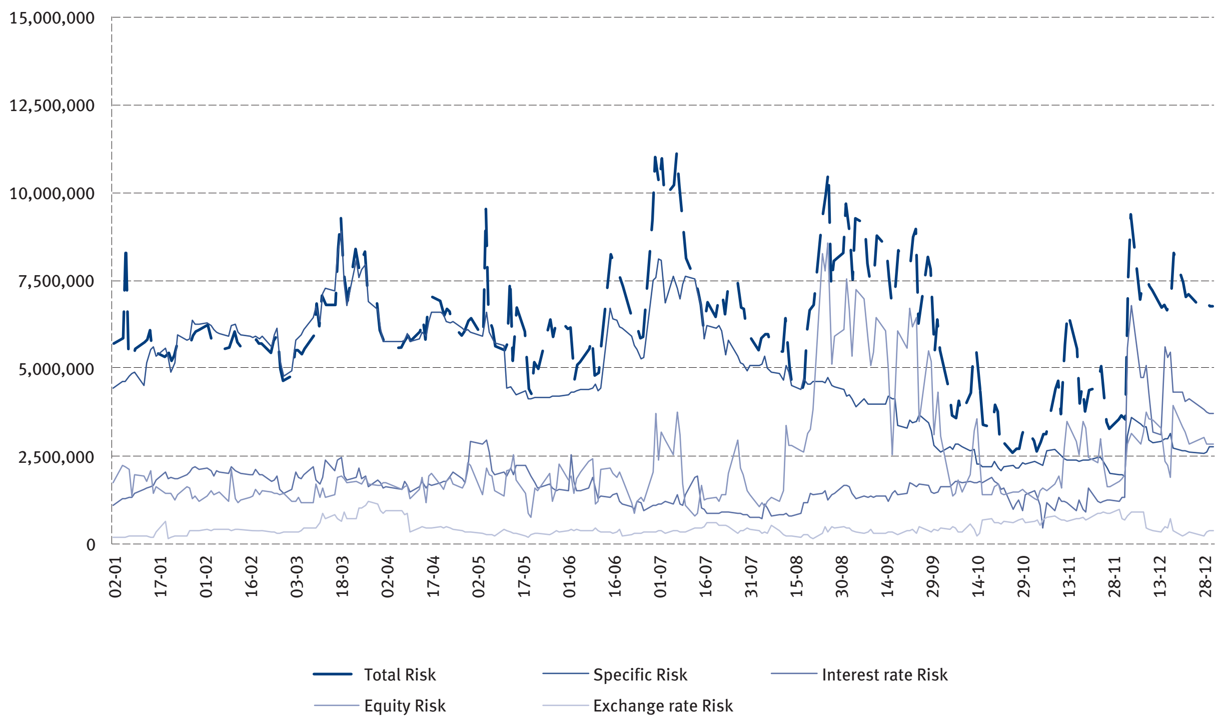
QUANTITATIVE INFORMATION

Regulatory trading portfolio: internal models and other sensitivity analysis methods

The Value at Risk (VaR) measurement considers interest rate risk, equity risk, exchange rate risk and credit spread risk, as well as the benefit of correlation between risks. Correlation and dividend risks are also included.

The graph and table below show the trend of VaR data for 2015, referring to the regulatory trading portfolio of the Banco Popolare Group.

Daily VaR and VaR by risk factor
BANCO POPOLARE GROUP: TRADING Portfolio



(in millions of euro)	2014	2015	average	maximun	minimum
Interest rate risk	0.993	3.728	1.776	6.793	0.455
Exchange rate risk	0.081	0.360	0.454	1.204	0.143
Equity risk	1.550	2.829	2.340	8.546	0.756
Dividends and Correlations	0.609	0.668	0.309	0.797	-0.003
Total uncorrelated	3.233	7.584			
Diversification effect	-0.653	-0.779			
Total Generic Risk	**2.580**	**6.805**	**3.520**	**10.618**	**1.438**
Specific Risk Debt Securities	**4.399**	**2.772**	**4.753**	**8.918**	**1.926**
Combined Risk	**5.813**	**6.759**	**6.214**	**11.136**	**2.599**

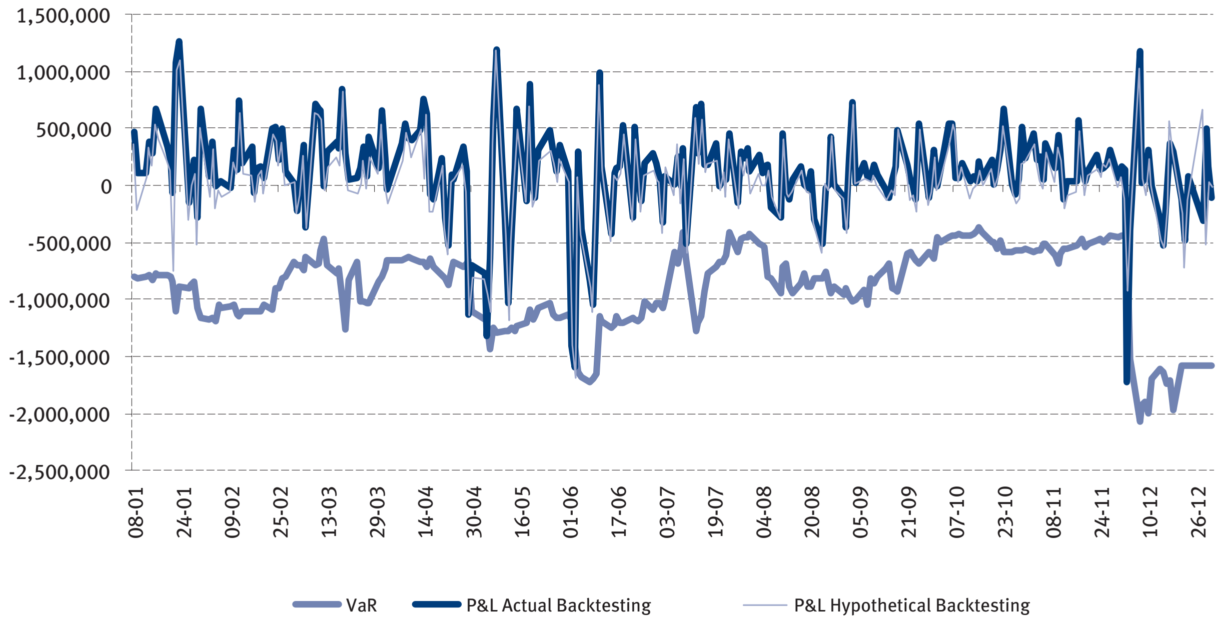
It can be seen that the most important risk component is the generic risk of debt securities and the generic and specific component of shares, due to the presence of positions in financial securities, Italian Government bonds and position in shares. Changes in these securities can be attributed to the Group's overall risk trend. More specifically, up until mid-August 2015, the risk depended on the specific risk component of debt securities, while subsequently market turbulence shifted the greater portfolio risk to the share component.

Following the validation of the internal model for the calculation of the capital requirement relating to market risks, backtesting is conducted on a daily basis, with a view to verifying the solidity of the VaR model adopted. These tests are conducted on the regulatory trading portfolio of Banco Popolare and of Banca Aletti.

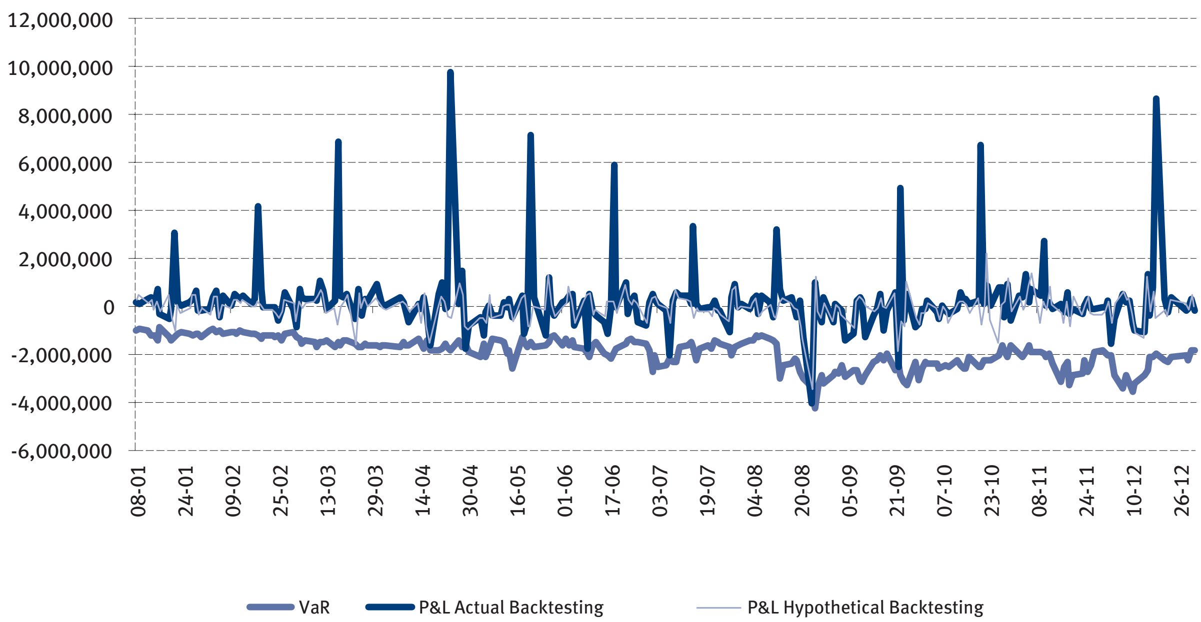
The graphs below show the backtesting relating to the VaR method, calculated on the generic risk of debt securities, generic and specific equity risk, interest rate risk and exchange rate risk.

For backtesting purposes, as envisaged by supervisory regulations in force, we used the equally-weighted VaR measurement instead of using a decay factor used in operational approaches.

Backtesting of Banco Popolare



Backtesting of Banca Aletti



Note that in the period in question, the number of exceptions (losses exceeding the VaR estimate) was higher than that which would have been recorded with the level of confidence used (the estimate at 99% implies that an exception is verified in 1% of the remaining cases: therefore over a 250 day period, this result is expected on 2-3 working days), due to sharp changes recorded for interest rates.

1.2.2 Interest rate risk and price risk – Banking portfolio

QUALITATIVE INFORMATION

A. General issues, management procedures and interest rate risk and price risk measurement methods

The interest rate risk borne by the Banco Popolare Group in correlation with its banking portfolio is mainly associated with the core activity performed by the bank acting as an intermediary in the process of transformation of maturities. In particular, the issue of fixed rate bonds, the granting of fixed rate commercial loans and funding from demand checking accounts represent a fair value interest rate risk; floating rate financial assets and liabilities represent a cash flow interest rate risk.
The Parent Company's Interest Rate and Liquidity Risks function is in charge of measuring and controlling the interest rate risk inherent in the banking portfolio, and it performs this function also on behalf of the banks and financial subsidiaries. This activity is performed on a monthly basis to verify that the limits in interest income or economic value of equity changes are complied with.
The structure in charge of managing the interest rate risk is the Parent Company's ALM function, which carries out this task also on behalf of the banks and subsidiary financial companies, and pursues the optimisation of the economic return from the bank's commercial activity in compliance with the set interest rate risk exposure limits.
In order to achieve its objective, this structure analyses exposure to interest rate risk by means of reports generated by the Asset & Liability Management procedure, to identify mismatches, in terms of repricing, between deposit and lending items, also in the light of off-balance sheet hedging transactions already set in place and to identify what new measures should be taken, if any.
Also in 2015, the Group reported a substantially closed structural mismatch, although slightly "asset-sensitive", partially mitigated by the profile of Release, which has a slightly "liability sensitive" risk profile.
As regards the methods used to estimate the risk of the banking portfolio, reference is made to what is indicated in a subsequent paragraph of this section dedicated to internal models and other analyses methods of sensitivity.
Alternative assets (funds of hedge funds) that are held for the strategic purpose of making the overall portfolio market neutral, are exposed to the price risk. We also have a portfolio consisting of minority interests, classified as financial assets available for sale.
As regards the methods used to estimate the risk of such assets, reference is made to what is indicated in the prior section whose subject matter is the regulatory trading portfolio, with reference to internal models and other analyses methods of sensitivity.

B. Fair value hedging

The risk management policy adopted by the Banco Popolare Group to comply with the requirements of the reference Regulations, seeks to stabilise net interest income and economic value in the event of interest rate changes. Over time, this has entailed hedging both fixed-rate and structured bond issues, transferring the risk to the market through specific hedges set up with OTC contracts (mainly IRS and interest rate options). Similarly, the Group has set in place, at different times, but for the same purpose, several macro hedges by means of OTC contracts to transform a part of fixed-rate loans disbursed to customers into floating rate transactions. All of these hedging transactions are performed through Banca Aletti.

As regards the accounting treatment of these hedging relations, the Group has adopted the fair value option for bond issues placed with ordinary customers, and the accounting rule of fair value hedges for bond issues placed with institutional investors and for loans to customers; both procedures seek to ensure a consistent accounting treatment with hedging derivatives, that are necessarily measured at fair value. For further details, reference is made to "Section A – Accounting policies" and to the comment to table "50. Financial liabilities designated at fair value through profit and loss" - "Part B - Information on the Statement of Financial position" of these notes to the financial statements.
The price risk of the alternative assets portfolio is monitored on a daily basis and is not hedged.

C. Cash flow hedging

In order to stabilise the cost of its floating rate deposits and reduce the asset mismatches, the Banco Popolare Group resorted to swap hedges called macro cash flow hedges.
The existing hedges have a total capacity in the notional amount of floating rate loans.

QUANTITATIVE INFORMATION

1. Banking portfolio: breakdown by residual maturity (by repricing date) of financial assets and liabilities

Currency of denomination: Euro

Type/Residual term	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 year and 5 years	Between 5 and 10 years	Over 10 years	Undefined term
1. Cash assets	**53,561,452**	**10,502,365**	**4,922,013**	**5,236,625**	**14,903,298**	**7,727,688**	**3,765,978**	**80,253**
1.1 Debt securities	79,371	1,054,686	1,369,580	2,410,525	7,807,973	5,886,435	1,481,746	-
- with early redemption option	-	137,689	85,432	-	26,804	21,893	62,767	-
- others	79,371	916,997	1,284,148	2,410,525	7,781,169	5,864,542	1,418,979	-
1.2 Loans to banks	369,025	1,717,006	4,715	52,066	326	68,872	-	-
1.3 Loans to customers	53,113,056	7,730,673	3,547,718	2,774,034	7,094,999	1,772,381	2,284,232	80,253
- current accounts	9,673,394	71,815	65,299	249,342	486,012	3,458	-	8,093
- other loans	43,439,662	7,658,858	3,482,419	2,524,692	6,608,987	1,768,923	2,284,232	72,160
- with early redemption option	32,287,287	2,939,984	1,634,374	497,538	3,101,673	1,499,053	2,266,504	-
- others	11,152,375	4,718,874	1,848,045	2,027,154	3,507,314	269,870	17,728	72,160
2. Cash liabilities	**44,011,082**	**19,221,939**	**3,314,163**	**2,804,638**	**25,632,766**	**1,918,255**	**238,308**	**-**
2.1 Due to customers	41,827,173	8,147,230	1,101,358	1,136,974	722,271	125,195	130,581	-
- current accounts	38,834,408	376,829	882,742	731,053	23,100	-	-	-
- other payables	2,992,765	7,770,401	218,616	405,921	699,171	125,195	130,581	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	2,992,765	7,770,401	218,616	405,921	699,171	125,195	130,581	-
2.2 Due to banks	2,127,983	1,148,657	545	136,147	12,537,815	94,308	4,858	-
- current accounts	517,842	-	-	-	-	-	-	-
- other payables	1,610,141	1,148,657	545	136,147	12,537,815	94,308	4,858	-
2.3 Debt securities	55,879	9,926,052	2,212,260	1,531,517	12,372,680	1,698,752	102,869	-
- with early redemption option	-	2,497,998	37,362	4,493	872,362	776	1,710	-
- others	55,879	7,428,054	2,174,898	1,527,024	11,500,318	1,697,976	101,159	-
2.4 Other liabilities	47	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	47	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ Long positions	-	-	-	20,685	-	-	-	-
+ Short positions	-	-	-	20,685	-	-	-	-
- Other derivatives								
+ Long positions	26,977	2,340,386	742,719	1,238,483	8,147,830	200,000	1,000,000	-
+ Short positions	749,684	9,288,239	1,130,007	50,243	1,303,222	600,000	575,000	-
4. Other "off-statement of financial position" transactions								
+ Long positions	2,113,305	3,082,648	101,549	46,901	295,048	63,241	6,955	-
+ Short positions	5,721,740	-	-	125	7,181	-	4,786	-

Currency of denomination: currencies other than the euro

Type/Residual term	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 year and 5 years	Between 5 and 10 years	Over 10 years	Undefined term
1. Cash assets	**214,254**	**399,681**	**106,736**	**10,296**	**118,430**	**33,909**	**15,851**	**-**
1.1 Debt securities	3,260	7,737	11,075	2,215	88,435	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	3,260	7,737	11,075	2,215	88,435	-	-	-
1.2 Loans to banks	73,514	24,105	3	915	-	82	-	-
1.3 Loans to customers	137,480	367,839	95,658	7,166	29,995	33,827	15,851	-
- current accounts	63,710	-	-	-	-	1	-	-
- other loans	73,770	367,839	95,658	7,166	29,995	33,826	15,851	-
- with early redemption option	1,811	1,011	268	-	-	-	-	-
- others	71,959	366,828	95,390	7,166	29,995	33,826	15,851	-
2. Cash liabilities	**1,196,922**	**94,040**	**7,427**	**7,303**	**105**	**923**	**-**	**-**
2.1 Due to customers	1,181,111	17,840	5,526	7,303	105	-	-	-
- current accounts	1,170,787	17,840	5,526	7,303	105	-	-	-
- other payables	10,324	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	10,324	-	-	-	-	-	-	-
2.2 Due to banks	15,811	76,025	1,901	-	-	-	-	-
- current accounts	164	-	-	-	-	-	-	-
- other payables	15,647	76,025	1,901	-	-	-	-	-
2.3 Debt securities	-	175	-	-	-	923	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	175	-	-	-	923	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ Long positions	927,200	3,648,137	7,797	531,633	6,988,135	318,472	-	-
+ Short positions	1,502,487	8,257,534	295,554	97,088	1,129,294	590,158	549,257	-
4. Other “off-statement of financial position” transactions								
+ Long positions	19,315	5,546	3,763	6	-	-	-	-
+ Short positions	28,134	1,837	-	-	-	-	1,340	-

2. Banking portfolio: internal models and other sensitivity analysis methods

The Group makes use of an Asset & Liability Management procedure to measure on a monthly basis the impact (“sensitivity”) from changes in the interest rate structure on the expected net interest, dividend and similar income and on the economic value of capital related to the banking portfolio.
With regard to the expected net interest, dividend and similar income, the ALM system estimates its changes on a one year horizon in the assumption of deterministic shocks of the interest rate curves (bps increases/decreases applied to all the interest rate curves as if it were a sudden, single and parallel change), and shocks to adjust to the forward rates implied in money market rates, and again shocks from projections that reflect alternative scenarios. Estimates are based on the assumption that the capital structure remains unchanged in terms of aggregate assets and liabilities, as well as in terms of financial characteristics (rates, spreads, duration).
With regard to the economic value of capital, the same assumptions on the interest rate curve changes are applied, measuring the change in present value of all transactions and comparing it with the value of own funds.
A third probability indicator was introduced in the capital adequacy assessment (ICAAP process), which measures the

value at risk based on the VaR methodology on a time horizon of 12 months and a confidence ratio of 99.9%. This indicator is subject to a maximum, also in terms of each individual company, and is monitored on a monthly basis.
Shown below are the main sensitivity data of the Group referring to 2015 compared with 2014, with regard to the banking book:

Risk ratios (%)	FY 2015				FY 2014	
	31 December	average	maximum	minimum	31 December	average
For shift of + 100 bp						
Financial margin at risk / Financial margin	6.6%	5.1%	7.2%	2.3%	1.0%	0.6%
Economic value at risk / Economic value of capital	-0.9%	-0.5%	0.4%	-1.4%	-0.2%	-1.0%
For shift of - 100 bp						
Financial margin at risk / Financial margin	0.2%	-0.3%	0.3%	-1.0%	-0.2%	-0.2%
Economic value at risk / Economic value of capital	-1.1%	-0.9%	0.3%	-1.5%	-1.6%	-0.4%

According to normal operating procedures, Banco Popolare conducts periodic stress tests (based on the value prospective) applying instant and parallel shocks to the interest rate curves for the currencies of the items in the banking portfolio. More specifically, on implementation of the ICAAP, the impact of extreme, but plausible, changes in risk factors on VaR is assessed, from the prospective of capital adequacy.

With regard to the banking portfolio, the Group also evaluates its exposure to the risk of default and to the migration of the rating class of debt securities classified as AFS, L&R and HTM using a method that envisages calculating the VaR Spread to include the Migration and Incremental Default Risk (IDR), to include the Default component, with a view to implementing the recommendations envisaged by the European Directive Fundamental Review dated March 2014.

The most important factor that impacted risk in 2015 was the increased volatility of credit spreads, which had repercussions on the specific debt securities risk component, in particular Government securities. Assets in the debt securities portfolio of the Banco Popolare Group totalled euro 18,850 million as at 31 December 2015, of which euro 16,500 million was represented by Italian Government securities.

Price risk monitoring and control activities for the funds of hedge funds banking portfolio are based on an internal VaR model. The risk is estimated by tying each fund to a combination of risk factors representing the management strategies (as well as a factor that can represent the relative specific risk component).
The price risk of the equity securities classified as assets available for sale is not subject to specific monitoring for the time being.

The “backtesting” results are not shown because the banking portfolio is valued at amortised cost and is therefore not covered by a specific process of evaluation of the management P&L, and therefore, of ex-post income components with which to compare the ex-ante risk estimates.

1.2.3 Exchange rate risk

QUALITATIVE INFORMATION

A. General issues, management procedures and exchange rate risk measurement methods

Exchange rate risk management is centralised at the Treasury for Group Finance operations and at the Equity Currency and Commodity Service for Banca Aletti. Exposures for Banco Popolare’s Treasury had a value of around euro 9 million, while with respect to Banca Aletti’s forex derivative trading, positions of under euro 1.5 million in value were recorded.

As regards the methods used to measure and control the exchange rate risk generated by the trading portfolio, reference is made to the section “Interest rate risk and price risk – Regulatory trading portfolio”. As with the other risks, the adopted methods are not used to calculate capital requirements.

B. Exchange rate risk hedging

Exchange rate risk positions are monitored on a daily basis and are hedged so as to meet the Risk limits provided for each function.

QUANTITATIVE INFORMATION

1. Breakdown by currency of assets and liabilities and of derivatives

Items	Currencies					
	Swiss Franc	US Dollar	GB Pound	Hong Kong Dollar	South African Rand	Other currencies
A. Financial assets	**27,647**	**879,679**	**121,546**	**3,051**	**238**	**27,486**
A.1 Debt securities	-	288,997	88,858	-	-	1
A.2 Equity instruments	-	29,177	-	-	-	-
A.3 Loans to banks	322	42,440	5,025	3,051	238	13,444
A.4 Loans to customers	27,325	519,065	27,663	-	-	14,041
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**53,655**	**14,147**	**5,413**	**-**	**-**	**8,444**
C. Financial liabilities	**51,765**	**794,819**	**106,322**	**20,089**	**1,087**	**228,653**
C.1 Due to banks	6	89,766	1,923	2	5	64
C.2 Due to customers	51,759	704,878	104,399	20,087	1,082	228,589
C.3 Debt securities	-	175	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**755**	**26,420**	**1,183**	**6**	**-**	**449**
E. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**
- Options	-	-	-	-	-	-
+ Long positions	48,047	380,042	3,986	-	-	7,121
+ Short positions	56,545	444,975	1,517	-	-	34,414
- Other derivatives	-	-	-	-	-	-
+ Long positions	33,062	802,451	165,899	21,512	9,070	455,570
+ Short positions	103,793	848,988	164,120	10,122	6,711	231,626
Total assets	**162,411**	**2,076,319**	**296,844**	**24,563**	**9,308**	**498,621**
Total liabilities	**212,858**	**2,115,202**	**273,142**	**30,217**	**7,798**	**495,142**
Mismatch (+/-)	**(50,447)**	**(38,883)**	**23,702**	**(5,654)**	**1,510**	**3,479**

2. Internal models and other sensitivity analysis methods

The exchange rate risks generated by the trading portfolio are monitored through an internal VaR model extensively described in section “Interest rate risk and price risk – Regulatory trading portfolio”, where the values assumed by this indicator are shown.

1.2.4 Derivative instruments

QUALITATIVE INFORMATION

Given the operations in derivatives, the Banco Popolare Group introduced specific and robust validation and control processes of the pricing models and the related market parameters.

Validation and control process of Market Parameters

The Banco Popolare Group adopted a Fair Value Policy defining the accounting rules to be used to value market parameters. To comply with this Policy, a strict process was put in place to count, validate and control the market parameters used to measure the market value and to estimate the risk of derivative positions. This process is carried out by the Parent Company’s Risk Management Service.

In particular, this process regulates:
- the constant update of the Parameter Manual, containing the main parameters used and their most significant features, and the definition of the source;
- the constant update of parameter control methods;

- the daily validation and control of the listed parameters, automatically fed by external info-providers;
- the daily validation and control of illiquid parameters, from an accounting and management viewpoint.

In order to support control activities, the Group introduced a state of the art application (fed by the front office system and, for benchmarking purposes, by alternative and highly specialised info-providers) to monitor over time the performance of the parameters, featuring the statistical analysis of variations and operating warnings.

Validation and control process of Pricing Models of OTC derivative products

The Banco Popolare Group deals with OTC derivative instruments, and in order to measure them, it uses quantitative pricing models in line with market best practices already available in the Front Office application, or, for particular structures, models developed by Banca Aletti's financial engineering.
In order to ensure a precise and strict control over the adoption of new pricing models – be they market or in-house developed models - a validation process is in place, with the following features:

- activation of the Model validation Group, made up of the heads of the various corporate functions and coordinated by the Parent Company's Risk Management Service;
- model validation based on strict consistency and robustness tests, conducted with the support of academic experts;
- official validation of new models by the Product Innovation Committee, with the collaboration of key corporate managers.

Note that, based on the current prudential policy pursued by the Group, innovative financial instruments can be entered only after a thorough analysis of the reliability and accuracy of their pricing models.

A limited number of OTC derivatives associated with matched trading, for which the related fair values are hardly reproducible by in-house developed theoretical models, due to their high complexity.
However, it is important to note that the Banco Popolare Group is not exposed to market risk in connection with these products, as matched trading does not ever entail the operator being exposed to risk positions. In order to correctly quantify the counterparty risk and give a correct accounting measurement, for these contracts the valuation is based upon information obtained from external contributors, through non-public sources. The percentage represented by these instruments will gradually decrease over time as contracts expire and due to the prudential policy cited above.

QUANTITATIVE INFORMATION

The table below illustrates the fair value of derivative positions of Banca Aletti (excluding forex futures transactions), with the corresponding pricing model in use. In its capacity as investment banking of the Banco Popolare Group, Banca Aletti manages the market risk associated with derivative trading.

Aggregate *(fair value in thousands of euro)*		**Number of Contracts/lots (in units)**	**Fair Value**	**Positive fair value**	**Negative fair value**
Total		**482,573**	**(5,366,506)**	**3,138,857**	**(8,505,363)**
of which:	Listed derivatives	473,519	(59,752)	252,706	(312,458)
of which:	Certificates measured with proprietary models of the Front Office system	15	(15,005)	-	(15,005)
of which:	Certificates measured with internal models developed by Banca Aletti's finance engineering	162	(5,310,608)	-	(5,310,608)
of which:	OTC derivatives measured with proprietary models of the Front Office system	5,211	364,068	2,408,641	(2,044,573)
of which:	OTC derivatives measured with internal models developed by Banca Aletti's finance engineering	3,660	(344,989)	475,844	(820,833)
of which:	OTC derivatives measured by external contributors	6	(220)	1,666	(1,886)

A. FINANCIAL DERIVATIVES

A.1 Regulatory trading portfolio: year-end notional values

Underlying assets/Type of derivative	Total 31/12/2015		Total 31/12/2014	
	Over the counter	Central Counterparties	Over the counter	Central Counterparties
1. Debt securities and interest rates	**78,491,277**	**25,718,167**	**111,998,799**	**15,119,027**
a) Options	39,644,393	2,861,732	49,897,048	61,774
b) Swap	38,846,884	20,141,790	62,101,751	12,005,998
c) Forward	-	-	-	-
d) Futures	-	2,714,645	-	3,051,255
e) Other	-	-	-	-
2. Equity instruments and share indices	**8,542,707**	**10,182,754**	**8,375,524**	**7,068,191**
a) Options	8,127,373	9,967,201	7,881,166	6,928,517
b) Swap	415,334	-	494,358	-
c) Forward	-	-	-	-
d) Futures	-	215,553	-	139,674
e) Other	-	-	-	-
3. Currencies and gold	**4,240,619**	**-**	**2,415,226**	**-**
a) Options	1,807,084	-	559,058	-
b) Swap	13,403	-	62,080	-
c) Forward	2,418,738	-	1,794,088	-
d) Futures	-	-	-	-
e) Other	1,394	-	-	-
4. Commodities	**-**	**-**	**-**	**-**
5. Other underlying assets	**-**	**-**	**-**	**-**
Total	**91,274,603**	**35,900,921**	**122,789,549**	**22,187,218**

Note that the column “Central counterparties” usually includes the notional amounts relating to Certificates issued by Banca Aletti and listed on the regulated market Sedex. More specifically:

- options on debt securities and interest rates: 31.2 million;
- options on equity instruments and share indices: 5,463.1 million.

A.2 Banking portfolio: year-end notional values

A.2.1 Hedging

Underlying assets/Type of derivative	Total 31/12/2015		Total 31/12/2014	
	Over the counter	Central Counterparties	Over the counter	Central Counterparties
1. Debt securities and interest rates	**18,243,024**	**-**	**16,137,426**	**-**
a) Options	-	-	125,000	-
b) Swap	18,243,024	-	16,012,426	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equity instruments and share indices	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currencies and gold	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**
5. Other underlying assets	**-**	**-**	**-**	**-**
Total	**18,243,024**	**-**	**16,137,426**	**-**

A.2.2 Other derivatives

Underlying assets/Type of derivative	Total 31/12/2015		Total 31/12/2014	
	Over the counter	Central Counterparties	Over the counter	Central Counterparties
1. Debt securities and interest rates	**12,138,380**	**-**	**15,206,596**	**-**
a) Options	20,685	-	20,685	-
b) Swap	12,117,695	-	15,185,911	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equity instruments and share indices	**-**	**-**	**10,000**	**-**
a) Options	-	-	10,000	-
b) Swap	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currencies and gold	**-**	**-**	**6,677**	**-**
a) Options	-	-	-	-
b) Swap	-	-	6,616	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	61	-
4. Commodities	**-**	**-**	**-**	**-**
5. Other underlying assets	**-**	**-**	**-**	**-**
Total	**12,138,380**	**-**	**15,223,273**	**-**

A.3 Financial derivatives: gross positive fair value – breakdown by products

Portfolios/Types of derivatives	Positive fair value			
	Total 31/12/2015		Total 31/12/2014	
	Over the counter	Central Counterparties	Over the counter	Central Counterparties
A. Regulatory trading portfolio	**1,515,232**	**437,258**	**2,081,865**	**309,929**
a) Options	620,756	254,242	705,512	194,270
b) Interest rate swap	871,388	182,581	1,348,067	115,502
c) Cross currency swap	46	-	4,203	-
d) Equity swap	1,206	-	2,328	-
e) Forward	21,825	-	21,755	-
f) Futures	-	435	-	157
g) Other	11	-	-	-
B. Banking portfolio - hedging derivatives	**426,570**	**-**	**579,196**	**-**
a) Options	-	-	-	-
b) Interest rate swap	426,570	-	572,464	-
c) Cross currency swap	-	-	6,732	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking portfolio - other derivatives	**329,091**	**-**	**470,770**	**-**
a) Options	95	-	650	-
b) Interest rate swap	328,996	-	470,059	-
c) Cross currency swap	-	-	61	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**2,270,893**	**437,258**	**3,131,831**	**309,929**

A.4 Financial derivatives: gross negative fair value - breakdown by products

Portfolios/Types of derivatives	Negative fair value			
	Total 31/12/2015		Total 31/12/2014	
	Over the counter	Central Counterparties	Over the counter	Central Counterparties
A. Regulatory trading portfolio	**1,507,797**	**5,857,013**	**2,054,047**	**3,917,930**
a) Options	787,655	5,780,511	1,036,184	3,875,692
b) Interest rate swap	692,898	76,067	996,074	42,081
c) Cross currency swap	1,193	-	-	-
d) Equity swap	1,420	-	312	-
e) Forward	24,622	-	21,477	-
f) Futures	-	435	-	157
g) Other	9	-	-	-
B. Banking portfolio - hedging derivatives	**990,562**	**-**	**590,722**	**-**
a) Options	-	-	-	-
b) Interest rate swap	990,562	-	590,722	-
c) Cross currency swap	-	-	-	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking portfolio - other derivatives	**53,681**	**-**	**71,031**	**-**
a) Options	-	-	-	-
b) Interest rate swap	53,681	-	70,707	-
c) Cross currency swap	-	-	324	-
d) Equity swap	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**2,552,040**	**5,857,013**	**2,715,800**	**3,917,930**

Note that in the options of the regulatory trading portfolio, the column “Central counterparties” usually includes the negative fair value of the Certificates issued by Banca Aletti and listed on the regulated market Sedex (euro 5,254.8 million).

A.5 OTC financial derivatives: regulatory trading portfolio – notional values, positive and negative gross fair values by counterparty - contracts not included in netting agreements

Contracts not included in netting agreements	Governments and central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other parties
1. Debt securities and interest rates							
- notional value	-	6,474	16,245	101,921	-	4,064,227	2,210,857
- positive fair value	-	109	658	876	-	165,462	1,588
- negative fair value	-	-	-	274	-	1,870	3,159
- future exposure	-	1	40	48	-	16,533	654
2. Equity instruments and share indices							
- notional value	-	-	-	-	-	2,304	4,919
- positive fair value	-	-	-	-	-	719	-
- negative fair value	-	-	-	-	-	-	27
- future exposure	-	-	-	-	-	184	-
3. Currencies and gold							
- notional value	-	-	19,818	492,962	-	890,252	78,990
- positive fair value	-	-	1	11,766	-	7,225	42
- negative fair value	-	-	205	2,049	-	14,982	71,001
- future exposure	-	-	198	4,930	-	6,281	112
4. Other securities							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

A.6 OTC financial derivatives: regulatory trading portfolio – notional values, positive and negative gross fair values by counterparty - contracts included in netting agreements

Contracts included in netting agreements	Governments and central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other parties
1. Debt securities and interest rates							
- notional value	-	-	60,476,539	11,296,404	-	318,611	-
- positive fair value	-	-	736,660	183,861	-	23,062	-
- negative fair value	-	-	845,672	193,571	-	1	-
2. Equity instruments and share indices							
- notional value	-	-	7,857,310	678,175	-	-	-
- positive fair value	-	-	322,487	27,978	-	-	-
- negative fair value	-	-	295,359	38,276	-	-	-
3. Currencies and gold							
- notional value	-	-	1,922,776	817,450	-	18,371	-
- positive fair value	-	-	10,336	22,239	-	166	-
- negative fair value	-	-	33,518	7,832	-	-	-
4. Other securities							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

A.7 OTC financial derivatives: banking portfolio – notional values, positive and negative gross fair values by counterparty – contracts not included in netting agreements

Contracts not included in netting agreements	Governments and central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other parties
1. Debt securities and interest rates							
- notional value	-	-	3,342,951	-	-	-	-
- positive fair value	-	-	52,368	-	-	-	-
- negative fair value	-	-	1	-	-	-	-
- future exposure	-	-	-	-	-	-	-
2. Equity instruments and share indices							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3. Currencies and gold							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
4. Other securities							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

A.8 OTC financial derivatives: banking portfolio – notional values, positive and negative gross fair values by counterparty – contracts included in netting agreements

Contracts included in netting agreements	Governments and central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other parties
1. Debt securities and interest rates							
- notional value	-	-	22,197,028	4,841,426	-	-	-
- positive fair value	-	-	527,747	175,546	-	-	-
- negative fair value	-	-	750,345	293,896	-	-	-
2. Equity instruments and share indices							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
3. Currencies and gold							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
4. Other securities							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

A.9 Residual life of OTC financial derivatives: notional values

Underlying assets/Residual life	Up to 1 year	Between 1 and 5 years	Over 5 years	Total
A. Regulatory trading portfolio	**24,283,582**	**55,845,907**	**11,145,114**	**91,274,603**
A.1 Financial derivatives on debt securities and interest rates	19,053,300	48,727,862	10,710,114	78,491,276
A.2 Financial derivatives on equity instruments and share indices	1,958,249	6,149,458	435,000	8,542,707
A.3 Financial derivatives on exchange rates and gold	3,272,033	968,587	-	4,240,620
A.4 Financial derivatives on other securities	-	-	-	-
B. Banking portfolio	**4,719,926**	**21,718,911**	**3,942,569**	**30,381,406**
B.1 Financial derivatives on debt securities and interest rates	4,719,926	21,718,911	3,942,569	30,381,406
B.2 Financial derivatives on equity instruments and share indices	-	-	-	-
B.3 Financial derivatives on exchange rates and gold	-	-	-	-
B.4 Financial derivatives on other securities	-	-	-	-
Total 31/12/2015	**29,003,508**	**77,564,818**	**15,087,683**	**121,656,009**
Total 31/12/2014	**41,534,719**	**97,152,300**	**15,463,229**	**154,150,248**

A.10 OTC financial derivatives: counterparty risk/financial risk - Internal models

Counterparty risk is defined as the risk that the counterparty in a transaction defaults before the final settlement of the cash flows of said transaction (EU Regulation 575/2013).
To calculate the capital requirement for counterparty risk on OTC Derivatives, the Banco Popolare Group used the "Market value method" (art. 274, EU Regulation 575/2013), while for operational and capital adequacy assessment purposes (ICAAP process), it uses an internal model to estimate the exposure to risk related to the Basel 2 component. This model is based on the use of internal market risk estimate methods to determine the potential short term evolution of the fair value of positions, and it incorporates the benefits of market correlations and the impacts of guarantee agreements. To calculate risk-weighted assets for future exposures determined in this way, Internal PD and LGD estimates and the IRB-related weighting formulas for credit risks are then applied, when available.
As regards calculating the exposure to risk on the remainder of trades exposed to counterparty risk (Security Financing Transactions, an internal model is not currently used. The calculation and the weighting of the exposure for capital absorption purposes are regulated by CRM rules - the integral method with regulatory adjustments. The weighting of the exposure depends on the merit class of the counterparty.
The additional risk components envisaged by Basel 3 against CVA Risk and that of trading with Central Counterparties, are measured using the standard methods envisaged by EU Regulation 575/2013.
As regards the Risk Appetite Framework, with specific regard to counterparty risk, a trigger threshold is established at Group level. In addition, specific operating limits are envisaged for individual companies (Banco Popolare and Banca Aletti). These risk indicators are monitored on a monthly basis.

B. CREDIT DERIVATIVES

B.1 Credit derivatives: year-end notional values

Types of transactions	Regulatory trading portfolio		Banking portfolio	
	on a single subject	on several subjects (basket)	on a single subject	on several subjects (basket)
1. Protection purchases				
a) Credit default products	250,000	-	-	-
b) Credit spread products	-	-	-	-
c) Total rate of return swaps	-	-	-	-
d) Others	-	-	-	-
Total 31/12/2015	**250,000**	**-**	**-**	**-**
Total 31/12/2014	**265,766**	**-**	**-**	**-**
2. Protection sales				
a) Credit default products	-	-	-	-
b) Credit spread products	-	-	-	-
c) Total rate of return swaps	-	-	-	-
d) Others	-	-	-	-
Total 31/12/2015	**-**	**-**	**-**	**-**
Total 31/12/2014	**-**	**-**	**-**	**-**

B.2 OTC credit derivatives: positive gross fair value – breakdown by products

Portfolios/Types of derivatives	Positive fair value	
	31/12/2015	31/12/2014
A. Regulatory trading portfolio	2,004	-
a) Credit default products	-	-
b) Credit spread products	-	-
c) Total rate of return swaps	-	-
d) Others	2,004	-
B. Banking portfolio	-	-
a) Credit default products	-	-
b) Credit spread products	-	-
c) Total rate of return swaps	-	-
d) Others	-	-
Total	**2,004**	**-**

B.3 OTC credit derivatives: negative gross fair value – breakdown by products

Portfolios/Types of derivatives	Negative fair value	
	31/12/2015	31/12/2014
A. Regulatory trading portfolio	7,614	10,198
a) Credit default products	5,512	10,198
b) Credit spread products	-	-
c) Total rate of return swaps	-	-
d) Others	2,102	-
B. Banking portfolio	-	-
a) Credit default products	-	-
b) Credit spread products	-	-
c) Total rate of return swaps	-	-
d) Others	-	-
Total	**7,614**	**10,198**

B.4 OTC credit derivatives: (positive and negative) gross fair values by counterparty – contracts not included in netting agreements

The case in point is not present for the Group; therefore, this table is omitted.

B.5 OTC credit derivatives: (positive and negative) gross fair values by counterparty – contracts included in netting agreements

Contracts included in netting agreements	Governments and central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other parties
Regulatory trading							
1. Protection bought							
- notional value	-	-	130,000	120,000	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	2,954	2,558	-	-	-
2. Protection sales							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
Banking portfolio							
1. Protection purchases							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
2. Protection sales							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

B.6 Residual life of OTC credit derivatives: notional values

Underlying assets/Residual life	Up to 1 year	Between 1 and 5 years	Over 5 years	Total
A. Regulatory trading portfolio	**140,000**	**110,000**	**-**	**250,000**
A.1 Credit derivatives with “qualified reference obligation”	-	35,000	-	35,000
A.2 Credit derivatives with “unqualified reference obligation”	140,000	75,000	-	215,000
B. Banking portfolio	**-**	**-**	**-**	**-**
B.1 Credit derivatives with “qualified reference obligation”	-	-	-	-
B.2 Credit derivatives with “unqualified reference obligation”	-	-	-	-
Total 31/12/2015	**140,000**	**110,000**	**-**	**250,000**
Total 31/12/2014	**50,000**	**215,766**	**-**	**265,766**

B.7 Credit derivatives: counterparty risk/financial risk – Internal models

The internal model used for estimating the counterparty risk of derivative instruments for management purposes is also applied to the credit derivatives in the portfolio.

C. FINANCIAL AND CREDIT DERIVATIVES

C.1 OTC financial and credit derivatives: net fair values and future exposure by counterparties

	Governments and central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other parties
1) Financial Derivatives - Bilateral agreements	**-**	**-**	**928,284**	**456,369**	**-**	**50,362**	**-**
- positive fair value	-	-	131,126	107,719	-	23,227	-
- negative fair value	-	-	538,402	272,067	-	-	-
- future exposure	-	-	123,517	37,415	-	1,954	-
- net counterparty risk	-	-	135,239	39,168	-	25,181	-
2) Credit Derivatives - Bilateral agreements	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
- net counterparty risk	-	-	-	-	-	-	-
3) “Cross product” agreements	**-**	**-**	**547,765**	**88,550**	**-**	**-**	**-**
- positive fair value	-	-	145,131	37,838	-	-	-
- negative fair value	-	-	68,472	-	-	-	-
- future exposure	-	-	166,876	25,347	-	-	-
- net counterparty risk	-	-	167,286	25,365	-	-	-

In line with the provisions contained in Circular no. 262, the item “Net counterparty risk” must be considered to refer to the balance of the positive fair value, plus future exposure, and any current value of real guarantee received.

1.3 BANKING GROUP - LIQUIDITY RISK

QUALITATIVE INFORMATION

A. General aspects, management processes and measurement methods of the liquidity risk

Liquidity risk is generated by the time mismatch between expected cash in- and out-flows even in a very short time horizon. In addition to the difficulty/impossibility of hedging such mismatches, the liquidity risk can also entail an interest rate risk caused by the need to raise/lend funds at unknown rates that could be potentially unfavourable.
In 2015, the Banco Popolare Group continued to make the standard periodic measurements of the liquidity profile and launched, in compliance with the relevant legislation, reporting on a monthly/quarterly basis on the LCR (Liquidity Coverage Ratio) and SF (Stable Funding) indicators envisaged by the provisions of Basel 3.
The Group’s liquidity risk limits system envisages a first-level control represented by the system that monitors and controls the cumulative liquidity mismatch on the basis of that recommended by the supervisory authority, and ten-day monitoring of operating liquidity - generated by mismatches of the banking portfolio as a whole - for the following timeframes: 14 days, 1 month, 3 months, 6 months and 12 months.
During 2015, intra-day second-level liquidity monitoring was also launched.
The Funding and Liquidity Function of the Group Finance Service is in charge of monitoring operating liquidity risk limits, according to the supervisory measurement system, as a first-level control; the Interest Rate and Liquidity Risk Function of the Risk Management Service is in charge of second-level controls, as well as monitoring mismatches of operating liquidity through the Asset & Liability Management procedure also used to measure interest rate risk.
The daily, precise and constant measurement of the counterbalancing capacity plays an important role in assessing the Group’s liquidity risk. The counterbalancing capacity is a reserve of rapidly available liquidity, corresponding to the financial asset instruments eligible for refinancing with the European Central Bank, after the required haircuts have been applied.
In addition to the stress scenarios used in calculating the LCR, whose method already required the application of stress scenarios, the Group conducts specific, periodic stress tests based on scenarios pertaining to the main financial statement items. These include scenarios constructed in line with the recommendations of the Basel Committee, the Financial Services Authority and a scenario based on reverse stress test logic (applied to retail demand funding).
In 2015, in line with the approach adopted by the banking sector in continental Europe, the Group made use of the new instruments made available by the European Central Bank in order to provide liquidity to the European banking system (TLTRO).

QUANTITATIVE INFORMATION

1. Time distribution of financial assets and liabilities by residual contract maturity. Currency of denomination: Euro

Item/Time bracket	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 month and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 year and 5 years	Over 5 years	Undefined Term
Cash assets	**25,778,473**	**513,165**	**422,848**	**1,960,286**	**2,650,048**	**4,804,617**	**10,222,256**	**30,582,886**	**27,194,753**	**460,785**
A.1 Government securities	45	-	-	52	-	1,245,000	3,768,316	6,412,535	6,479,493	-
A.2 Other debt securities	79,353	-	115,936	93,750	181,815	103,973	316,289	2,265,736	786,114	13,441
A.3 UCIT units	823,140	-	-	-	-	-	-	-	-	-
A.4 Loans	24,875,935	513,165	306,912	1,866,484	2,468,233	3,455,644	6,137,651	21,904,615	19,929,146	447,344
- Banks	362,920	244,822	49,780	770,746	254,962	15,690	53,194	2,538	70,166	367,091
- Customers	24,513,015	268,343	257,132	1,095,738	2,213,271	3,439,954	6,084,457	21,902,077	19,858,980	80,253
Cash liabilities	**42,465,287**	**1,800,930**	**518,818**	**5,470,678**	**4,893,165**	**2,421,362**	**3,397,090**	**33,154,931**	**3,120,696**	**17,505**
B.1 Deposits and current accounts	40,677,128	58,055	71,081	208,696	345,541	999,494	1,092,239	453,865	45,382	-
- Banks	666,305	-	17,688	159,624	-	-	8,015	-	-	-
- Customers	40,010,823	58,055	53,393	49,072	345,541	999,494	1,084,224	453,865	45,382	-
B.2 Debt securities	43,759	14,462	100,051	2,085,500	1,983,976	1,048,822	1,783,517	18,005,196	2,452,882	17,505
B.3 Other liabilities	1,744,400	1,728,413	347,686	3,176,482	2,563,648	373,046	521,334	14,695,870	622,432	-
"Off-statement of financial position" transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	20	334,090	76,104	74,081	686,682	249,255	210,934	1,576,447	36,554	-
- Short positions	-	469,786	276,660	76,637	560,330	199,271	136,250	386,179	5,769	-
C.2 Financial derivatives without exchange of capital										
- Long positions	2,379,789	-	-	-	3,762	14	1,330	-	-	-
- Short positions	7,185,970	-	-	-	-	10,346	12,858	-	-	-
C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds										
- Long positions	124,320	2,949,312	2,046	71,736	44,783	114,293	181,801	786,116	1,352,066	95,339
- Short positions	5,626,398	-	-	-	-	-	-	81	-	95,339
C.5 Financial guarantees given	11,138	-	36	1,648	588	3,318	4,553	14,989	60,340	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	5,512	-	-	-	-	-	-	-	-	-

2. Time distribution of financial assets and liabilities by residual contract maturity. Currency of denomination: Other currencies

Item/Time bracket	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 month and 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 year and 5 years	Over 5 years	Undefined Term
Cash assets	**218,979**	**6,535**	**34,533**	**88,608**	**148,844**	**61,898**	**63,753**	**565,287**	**93,868**	**-**
A.1 Government securities	3,260	-	-	-	-	7,737	5,585	1,207	295	-
A.2 Other debt securities	-	-	232	-	-	11,249	49,488	383,566	9,634	-
A.3 UCIT units	994	-	-	-	-	-	-	-	-	-
A.4 Loans	214,725	6,535	34,301	88,608	148,844	42,912	8,680	180,514	83,939	-
- Banks	76,710	225	194	23,672	16,976	3	915	-	82	-
- Customers	138,015	6,310	34,107	64,936	131,868	42,909	7,765	180,514	83,857	-
Cash liabilities	**1,227,855**	**11,495**	**21,221**	**64,008**	**19,753**	**8,684**	**7,386**	**10,548**	**168**	**-**
B.1 Deposits and current accounts	1,214,250	11,495	6,580	63,663	18,393	8,663	7,386	105	159	-
- Banks	1,782	11,032	6,436	49,655	7,746	1,909	-	-	-	-
- Customers	1,212,468	463	144	14,008	10,647	6,754	7,386	105	159	-
B.2 Debt securities	-	-	-	-	175	-	-	-	-	-
B.3 Other liabilities	13,605	-	14,641	345	1,185	21	-	10,443	9	-
"Off-statement of financial position" transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	544,869	270,463	90,344	536,220	143,837	91,339	252,653	66	-
- Short positions	-	307,715	73,349	79,466	661,572	217,714	134,525	290,784	18	146,120
C.2 Financial derivatives without exchange of capital										
- Long positions	53,552	-	-	-	-	-	-	-	-	-
- Short positions	432,769	-	37	-	-	-	-	95	-	-
C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	1,837
- Short positions	-	-	-	-	-	-	-	-	-	1,837
C.4 Irrevocable commitments to disburse funds										
- Long positions	4,302	-	31	-	2,950	469	35	5,020	2,575	12,767
- Short positions	13,121	15,030	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	1,340	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

As described in Part E – Section 1 – Risks of the Banking Group – 1.1 Credit Risk - C. Securitisation transactions, as a result of "originated securitisations" generated by Banks or Group Companies, Banco Popolare subscribed securities eligible for refinancing with the ECB or for repurchase agreements with market counterparties. The originated securitisations outstanding as at 31 December 2015 are shown below.

Originated securitisations

SPE	Originator	Securities issue date	Transaction	Type of securitisation
Originated securitisations not derecognised from the financial statements				
Banco Popolare Group				
BPL Mortgages S.r.l.	Banco Popolare (Banco Popolare and former Credito Bergamasco)	June 2014	BPL Mortgages 7	Performing residential and commercial mortgages
BPL Mortgages S.r.l.	Banco Popolare (Banco Popolare and former Credito Bergamasco)	March 2013	BPL Mortgages 6	Performing residential and commercial mortgages
BPL Mortgages S.r.l.	Banco Popolare (Banco Popolare and former Credito Bergamasco)	December 2012	BPL Mortgages 5	Performing residential mortgage loans
BPV Mortgages S.r.l.	Banco Popolare (former BPV, former BPN, former BPL and former Credito Bergamasco)	June 2009	BPV Mortgages	Performing residential mortgage loans
Former Italease Group				
Italfinance Securitization Vehicle 2 S.r.l	Banca Italease	January 2009	ITA 11	Performing leases
Pami Finance S.r.l	Banca Italease	October 2008	Quicksilver	Performing leases
Italfinance Securitization Vehicle 2 S.r.l	Banca Italease	May 2008	ITA 10	Performing leases

Significant events in 2015 relating to securitisation transactions

BPL Mortgages 5
In January 2015, the rating agency Moody's upgraded the Senior Note from "A2" to "Aa2".

BPL Mortgages 6
In January 2015, the rating agency Moody's upgraded the Senior Note from "A2" to "A1".

BPL Mortgages 7
In January 2015, the rating agency Moody's upgraded the Senior Note from "A2" to "A1" and the Mezzanine Note from "Baa2" to "A3" and, in July 2015, upgrading the Mezzanine Note from "A3" to "A1".

In July 2015, some amendments were made to the contractual documentation of the BPL Mortgages 5, BPL Mortgages 6 and BPL Mortgages 7 transactions to replace Banco Popolare, London branch, with Banco Popolare, Italian branch, in the role of Cash Account Bank relating to the Cash Reserve Account of those transactions.

The upgrade of the ratings of several securities of securitisation transactions of the SPEs BPL Mortgages S.r.l., BP Mortgages S.r.l. and Bipitalia Residential S.r.l. by Moody's in the first half of the year reflects the updating of the method applied to structured finance operations, which specifically implements the improvement in the valuation of country risk for Italy, announced by Moody's in January 2015.

BPV Mortgages
In February 2015, S&P, which had assigned the rating to the transaction, downgraded the Senior Class A Note from "BBB" to "BBB-".

Termination of Back-up Servicing agreement for securitisation transactions ITA10 and ITA11
In April 2015, following the total redemption of the Senior Notes for the ITA10 and ITA11 transactions, in agreement with Selmabipiemme Leasing (Back-Up Servicer for the transactions) and the Noteholders' Representative, the Back-Up Servicing agreement was terminated.

Securitisation of mortgage, landed, agricultural and other loans disbursed to small and medium enterprises (SME) – S.P.E. BPL Mortgages (June 2014)

The securitisation transaction was originated by Banco Popolare Soc. Coop and by Credito Bergamasco, now Banco Popolare (following the merger in June 2014) and entailed two stages: on 10 May 2014, the Originator Banks sold mortgage, landed, agricultural and other loans disbursed to small and medium enterprises (Small Business Enterprises - SME) to the SPE BPL Mortgages S.r.l. for a value of euro 1,801.3 million and on 30 June 2014, the SPE issued three classes of bonds.

In the transaction, the Originator Banks, now only Banco Popolare, acted as Servicers, managing the collection of the receivables; Banco Popolare also acted as Interim Account Bank and Cash Account Bank.

Loans portfolio

Bank	Value 31/12/2015	Portfolio % 31/12/2015	Value 31/12/2014	Portfolio % 31/12/2014	Value 11/05/2004	Portfolio % 11/05/2004
Banco Popolare	1,083,723	100%	1,418,462	100%	1,801,310	100%

The amounts indicated represent performing, unlikely to pay, non performing past due and bad loans, net of the relative write-down provisions, amortised cost, including mortgage loan instalments.

Issue characteristics

On 30 June 2014, three classes of ABS securities were issued: one class of rated senior notes and one class of rated mezzanine notes, both listed on the Irish Stock Exchange and one class of unrated unlisted junior notes; all classes of securities were subscribed by Banco Popolare. The securities had the following features: Class A Securities (senior notes), bonds with a yield linked to the 3-month Euribor plus 30 basis points spread per annum, issued at par for a nominal amount of 1,077.4 million (rating “A” DBRS and “A1” Moody’s, quarterly coupon, due November 2054); class B securities (mezzanine notes), bonds with a yield linked to the 3-month Euribor plus 80 basis points spread per annum, issued at par for a nominal amount of 269.3 million (rating “BBB (Low)” DBRS and “A1” Moody’s, quarterly coupon, due November 2054); class C securities (junior notes), bonds with a yield equal to the Additional Return, issued at par for a nominal amount of 448.9 million. The senior notes were used by Banco Popolare for refinancing operations with the European Central Bank; during the year around euro 393 million was repaid and the residual value as at 31 December 2015 was euro 389.8 million.

Accessory financial transactions

The structure of the transaction envisages the establishment of a Cash Reserve of euro 80.8 million, constituted - at the date of issue of the securities - mainly through the disbursement of a subordinated loan totalling euro 76.9 million by Banco Popolare.

Securitisation of landed, mortgage, agricultural and unsecured loans disbursed to small and medium enterprises (SME) – S.P.E. BPL Mortgages (March 2013)

The securitisation transaction was originated by Banco Popolare Soc. Coop and by Credito Bergamasco, now Banco Popolare (following the merger in June 2014) and entailed two stages: on 16 February 2013, the Originator Banks sold landed, mortgage, agricultural and unsecured loans disbursed to small and medium enterprises (Small Business Enterprises - SME) to the SPE BPL Mortgages S.r.l. for a value of euro 5,262.6 million and on 11 March 2013, the SPE issued two classes of bonds.
In the transaction, the Originator Banks, now only Banco Popolare, acted as Servicers, managing the collection of the receivables; Banco Popolare also acted as Interim Account Bank and Transaction account bank.

Loans portfolio

Bank	Value 31/12/2015	Portfolio % 31/12/2015	Value 31/12/2014	Portfolio % 31/12/2014	Value 16/02/2013	Portfolio % 16/02/2013
Banco Popolare	2,664,196	100%	3,294,492	100%	5,262,631	100%

The amounts indicated represent performing, unlikely to pay, non performing past due and bad loans, net of the relative write-down provisions, amortised cost, including mortgage loan instalments.

Issue characteristics

On 11 March 2013, two classes of ABS securities were issued: one class of rated senior notes listed on the Irish Stock Exchange and one class of unrated junior notes; both classes of securities were subscribed by Banco Popolare and by Credito Bergamasco, now Banco Popolare, for an amount proportional to the portfolio sold. The securities had the following features: Class A Securities (Senior notes), bonds with a yield linked to the 3-month Euribor plus 60 basis points spread per annum, issued at par for a nominal amount of 3,307.3 million (rating “A” DBRS and “A1” Moody’s, quarterly coupon, due November 2056); Class B securities (Junior notes), bonds with a yield equal to the Additional Return, issued at par for a nominal amount of 1,942.5 million. Following the merger by incorporation of Credito Bergamasco into Banco Popolare in 2014, both classes of notes are now subscribed by Banco Popolare. During the year senior notes worth euro 716.8 million were redeemed, and the residual value as at 31 December 2015 was euro 740.5 million. The senior notes were used by Banco Popolare for refinancing operations with the European Central Bank.

Accessory financial transactions

The structure of the transaction envisages the establishment of a Cash Reserve of around euro 157.5 million, constituted - at the date of issue of the securities - mainly through the disbursement of a subordinated loan totalling euro 151 million by Banco Popolare.

Securitisation of residential landed and mortgage loans – S.P.E. BPL Mortgages (December 2012)

The securitisation transaction was originated by Banco Popolare and Credito Bergamasco, now Banco Popolare (following the merger in June 2014) and involves the assignment of an initial portfolio and a further portfolio. On 17 November 2012, the Originator Banks sold an initial portfolio of performing residential landed and mortgage loans to the SPE BPL Mortgages S.r.l. for a value of euro 2,505.2 million and on 21 December 2012, the SPE issued two classes of bonds. On 9 March 2013 the Originator Banks assigned a second portfolio of residential mortgage loans for a value of euro 1,088 million, funded on 28 March 2013 ("Notes Increase Date") through the increase in the amount of principal of partly paid notes issued by the Company in December 2012.
In the transaction, the Originator Banks, now only Banco Popolare, acted as Servicers, managing the collection of the receivables; Banco Popolare also acted as Interim Account Bank and Transaction account bank.

Loans portfolio

Bank	Value 31/12/2015	Portfolio % 31/12/2015	Value 31/12/2014	Portfolio % 31/12/2014
Banco Popolare (*)	2,714,620	100%	3,019,656	100%

The amounts indicated represent performing, unlikely to pay, non performing past due and bad loans, net of the relative write-down provisions, amortised cost, including mortgage loan instalments.

Issue characteristics

On 21 December 2012, two classes of ABS securities were issued: one class of rated senior notes listed on the Irish Stock Exchange and one class of unrated junior notes; both classes of securities were subscribed by Banco Popolare and by Credito Bergamasco, now Banco Popolare, for an amount proportional to the portfolio sold. The securities had the following features: Class A Securities (Senior notes), bonds with a yield linked to the 1-month Euribor plus 30 basis points spread per annum, issued at par for a nominal amount of 1,701.3 million (rating "A" DBRS and "Aa2" Moody's, quarterly coupon, due October 2058); Class B securities (Junior notes), bonds with a yield equal to the Additional Return, issued at par for a nominal amount of 800.6 million. At the Notes Increase Date of 28 March 2013 the amount of securities subscribed by the Originator Banks was increased by an amount of euro 739.1 million for senior notes and euro 347.8 million for junior notes. Total senior notes issued and subscribed by the Originator Banks thus amounted to euro 2,440.4 million, while total junior notes issued and subscribed by the Originator Banks amounted to euro 1,148.5 million. Following the merger of Credito Bergamasco into Banco Popolare in 2014, both classes of notes are now fully subscribed by Banco Popolare. During the year senior notes worth euro 343.7 million were redeemed, and the residual value as at 31 December 2015 was euro 1,502 million. The senior notes were used by Banco Popolare for refinancing operations with the European Central Bank.

Accessory financial transactions

The structure of the transaction envisages the establishment of a Cash Reserve of euro 64 million, constituted mainly through the disbursement, which took place on 21 December 2012, of a subordinated loan totalling euro 60 million by the Originator Banks.

BPV Mortgages S.r.l. (June 2009)

Since the end of 2007, several network banks, Banca Popolare di Novara, Banca Popolare di Verona, Banca Popolare di Lodi, now Banco Popolare (following the merger in 2011) and Credito Bergamasco, now Banco Popolare (by virtue of the merger in 2014), sold several portfolios of performing residential mortgage loans to BPV Mortgages S.r.l.; at the end of the warehousing phase, the transaction was restructured in order to obtain a public rating. On the finalisation date of the transaction, the portfolios sold amounted to euro 1,044.9 million. The Originator Banks, now only Banco Popolare, acted as Servicers and managed the loan collection.

Loans portfolio

Bank	Value 31/12/2015	Portfolio % 31/12/2015	Value 31/12/2014	Portfolio % 31/12/2014	Residual debt 16/06/2009	Portfolio % 16/06/2009
Banco Popolare	**690,403**	**100%**	**742,007**	**100%**	**1,044,891**	**100%**

The amounts indicated represent performing, restructured, unlikely to pay, non performing past due and bad loans, net of the relative write-down provisions, amortised cost, including mortgage loan instalments.

Issue characteristics

On 16 June 2009, two classes of ABS securities were issued: senior notes listed on the Dublin Stock Exchange, entirely subscribed by Banco Popolare and used in a Repos transaction, and unrated junior notes, subscribed on a pro-rata basis by the Originator Banks, now just Banco Popolare. The securities had the following features: Class A Securities (senior), bonds with a yield linked to the 6-month Euribor plus 60 basis points spread per annum, issued at par for a nominal amount of 1,027.9 million (rating "BBB" Standard & Poor's, six-month coupon, due July 2054); the residual value of the bonds as at 31 December 2015 was euro 572 million; class B Securities (junior), bonds with a yield equal to the Additional Return, issued at par for a nominal amount of 128.4 million (unrated, due December 2054), subscribed on a pro-rated basis by the Originator Banks, now only Banco Popolare.

Accessory financial transactions

Upon issuing the notes, the SPE signed an "Interest Rate Swap" agreement with a third party, to hedge against the risk of mismatch between the rates of the securitised mortgages and the yield of the issued bonds. To hedge the risk of possible periods of illiquidity, the structure envisages a Credit Reserve of euro 20 million, which was fully used during last year, in relation to an increase in mortgage loans classified as in default and a Liquidity Reserve that as at 31 December 2015 amounted to around euro 8 million.

ITA10

In May 2008, Italease Network S.p.a (merged into Banca Italease S.p.a. in November 2010), Mercantile Leasing S.p.a. (merged into Banca Italease S.p.a. in June 2012) and Banca Italease S.p.a., now Banco Popolare (following the merger by incorporation on 16 March 2015) sold a portfolio of loans resulting from lease contracts to the SPE Italfinance Securitisation Vehicle 2 S.r.l. for euro 1,043 million.
On 13 May 2008, the SPE issued a class of senior rated notes for euro 830.7 million and a class of unrated junior notes for euro 212.3 million; both series were subscribed by the Originator Banks of the loans. In July 2012, the senior notes were fully redeemed. As at 31 December 2015, Banco Popolare holds junior notes with a nominal value of euro 127.9 million, 54 of which is guaranteed by Alba Leasing by virtue of the "Securitised loan agreement".
As regards this transaction, the Originator Banks (today Banco Popolare) acted as Servicer and managed the loans.

ITA11

In January 2009, Italease Network S.p.a (merged into Banca Italease S.p.a. in November 2010), Mercantile Leasing S.p.a. (merged into Banca Italease S.p.a. in June 2012) and Banca Italease S.p.a., now Banco Popolare (following the merger by incorporation on 16 March 2015) sold a portfolio of loans resulting from lease contracts to the SPE Italfinance Securitisation Vehicle 2 S.r.l. for euro 1,375 million.
On 21 January 2009, the SPE issued a class of senior rated notes for euro 1,031.6 million and a class of unrated junior notes for euro 343.9 million; both series were subscribed by the Originator Banks of the loans. In April 2013, the senior notes were fully redeemed. As at 31 December 2015, Banco Popolare holds junior notes with a nominal value of euro 216.4 million, 64.4 of which is guaranteed by Alba Leasing by virtue of the "Securitised loan agreement".
As regards this transaction, the Originator Banks (today Banco Popolare) acted as Servicer and managed the loans.

Quicksilver

In October 2008, Italeasing S.p.A. (merged into Banca Italease S.p.a. in December 2008), Mercantile Leasing S.p.a. (merged into Banca Italease S.p.a. in June 2012) and Banca Italease S.p.a., now Banco Popolare (following the merger by incorporation on 16 March 2015) sold a portfolio of loans resulting from lease contracts to the SPE Pami Finance S.r.l. for euro 847.7 million.
On 2 October 2008, the SPE issued a class of senior rated notes for euro 561.6 million and a class of unrated junior notes for euro 282.9 million; both series were subscribed by the Originator Banks of the loans. In June 2011, the senior notes were fully redeemed. As at 31 December 2015, Banco Popolare holds junior notes with a nominal value of euro 46.5 million, 23 of which is guaranteed by Alba Leasing by virtue of the "Securitised loan agreement".
As regards this transaction, the Originator Banks (today Banco Popolare) acted as Servicer and managed the loans.

1.4 BANKING GROUP - OPERATING RISKS

QUALITATIVE INFORMATION

A. General aspects, management processes and measurement methods of operating risk

Type of risk

Operating risk is the risk of suffering losses caused by inadequacy or failure attributable to procedures, human resources and internal systems, or caused by external events.
The strategic and reputational risks do not belong to this type of risk, while the legal risk is, considered as the risk of infringing laws and other regulations in force, of failing to comply with contract and extra-contract liabilities, as well as other litigations that may arise with counterparties in the course of business activities.

Risk sources

The main sources of operating risk are: the low reliability of operational processes - in terms of effectiveness/efficiency - internal and external frauds, operational mistakes, the qualitative level of physical and logical security, inadequate IT structure compared to the size of operations, the growing recourse to automation, the outsourcing of corporate functions, a limited number of suppliers, changes in strategies, incorrect personnel management and training policies and finally social and environmental impacts.

Risk management model and organisational structure

Also in compliance with the relevant regulations, the Banco Popolare Group adopted an operating risk management model that illustrates the management methods and the people involved in risk identification, measurement, monitoring, mitigation and reporting. In particular, the model refers to centralised oversight functions (governance and control functions) and decentralised oversight functions (coordinators and ORM contacts, which are specifically involved in the key processes of collecting operating loss data, continuously assessing the operating scenario and forecasting exposure to risk). This model is governed by specific Group Regulations approved by the Corporate Bodies.
For the operating risk identification and measurement phases, the Banco Popolare Group defined an internal method based on a quantitative and qualitative analysis along a VaR logic.
The quantitative assessment is based on internal loss data, gathered through a loss collection process. This data is combined with external loss data pertaining to the Italian banking scenario (inbound flows of the DIPO consortium, set up by the major Italian Banking Groups within the ABI - Italian Banking Association), and on data deriving from the risk self assessment, a structured process involving the heads of the various organisational structures. The purpose of this component is to complement the available quantitative data, in particular in case no historical loss data exist that may indicate the risk level associated with specific events (primarily related to low frequency and high impact events) or when certain corporate processes or operations are being revised in such a way as to change their risk exposure, and in general a prospective outlook is assigned to the global assessments. The qualitative findings of the continuous monitoring and assessment of the internal and external operating scenarios are also used in this process.
The Banco Popolare Group adopts a reporting model, organised in a management information system, addressed to Corporate Bodies and Top Management (significant losses and relative recoveries, overall risk assessment, capital absorption and risk management policies adopted and/or planned), and in an operating reporting system (operating losses recorded), with a view to adequately managing risk in the relative areas.
In order to calculate the capital requirement against operating risk, the Group adopted the standardized regulatory approach envisaged by supervisory provisions (combined with the basic method for companies not significant in size) up until the Supervisory report as at 31 March 2014.
In a letter dated 5 August 2014, the Bank of Italy approved the use of advanced supervisory methods (AMA – Advanced Measurement Approach), from the Supervisory Report dated 30 June 2014 for Banco Popolare companies, Banca Aletti, SGS BP and BP Property Management. The other Group companies adopt the BIA (Basic indicator approach) method for reporting, in line with the adoption of the combined use of AMA/BIA, which envisages for the latter, if they do not surpass established materiality thresholds, the permanent use of the basic method (PPU, partial permanent use). In this regard, in 2015, the Group completed the activities envisaged in the roll-out plan approved by the Regulator for the extension of AMA methods to Aletti Gestielle and to Banco Popolare’s Leasing Division (established in March 2015, following the merger of the former Banca Italease into the Parent Company). These activities are now being validated by the ECB, which conducted an on-site inspection in November 2015. Formal communication of the results of the validation of the roll-out plan are expected before the end of the first half of 2016.

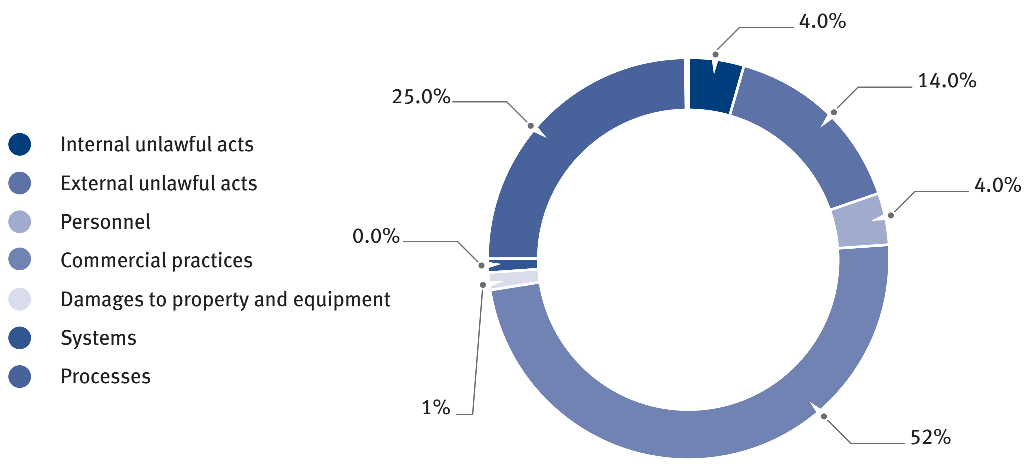
QUANTITATIVE INFORMATION

With regard to sources of operating risk, an analysis was conducted covering operating risk events, with gross losses greater than or equal to euro 200 (minimum reporting threshold), with a recording date on or before 1 January 2007.
The loss data in question, recorded in the Group’s Loss Collection operational archive, is broken down by type of event,

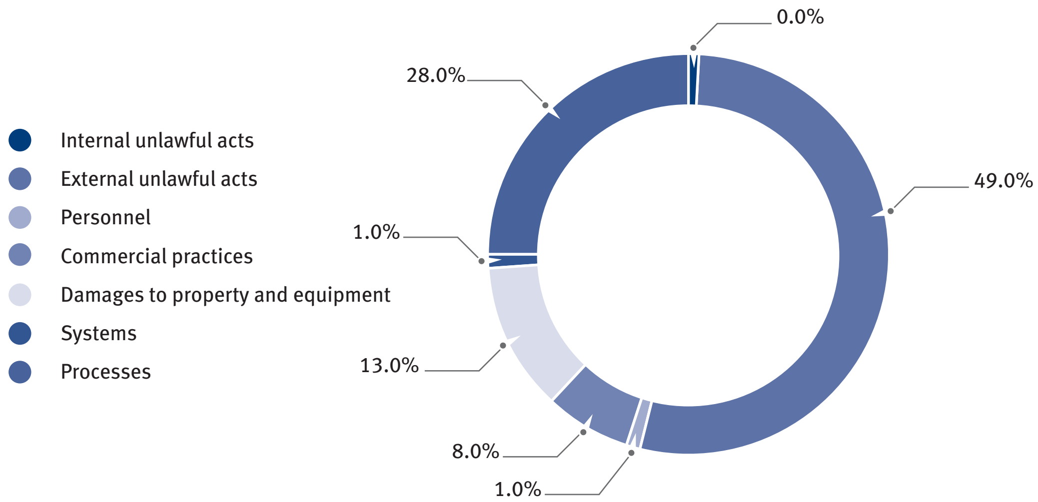
an can be filtered by impact and number of events, in line with the event classification scheme prescribed by the Regulator.

Percentage of operating losses by type of event (recording from 01 January 2007 – 31 December 2015)

Breakdown by impact on the income statements



Breakdown by number of events



Looking at the diagrams, we can see that the dominant categories in terms of gross loss having an impact on the income statement regard:

- commercial practices, with losses resulting from the non-fulfilment of professional obligations towards customers, or due to the nature or features of a product or service rendered;
- processes, with losses due to shortcomings in the settlement of transactions or in process management, as well as losses due to relations with commercial counterparties, sales agents and suppliers;
- external unlawful acts, with losses due to fraud, misappropriation or infringement of laws by parties external to the bank.

Section 2 - Insurance company risks

The Group has a 50% investment in the insurance companies AviPop Assicurazioni and Popolare Vita, given the bancassurance agreements signed with the Aviva Group and the Fondiaria SAI Group.
Said investments fall within the scope of consolidation of companies valued at equity and are shown in the consolidated assets under Investments in associates and companies subject to joint control.

With regard to this type of risks, the weight of the above companies on total consolidated assets is of little significance.

Section 3 - Other company risks

No significant additional risks are reported for the remaining companies falling within the consolidation scope that are neither part of the Banking Group nor of insurance companies. As regards the Group’s real estate companies, including those acquired following credit restructuring arrangements, note that the book value at which said real estate is recognised is consistent with the value stated in specific surveys and valuations.
The risk of impairment of real estate is in any event covered by a specific capital requirement - in terms of credit risk - which the Group calculates in accordance with regulatory methods. Furthermore, Risk Management uses internal operational methods to periodically check the adequacy of the regulatory capital requirement vis-à-vis real estate risk.

PART F - INFORMATION ON CONSOLIDATED SHAREHOLDERS’ EQUITY

Section 1 - Consolidated shareholders’ equity

A. QUALITATIVE INFORMATION

The Group’s shareholders' equity is made up of the sum of the balances of the following statement of financial position liabilities:

- Capital net of repurchased treasury shares
- Share premium reserve
- Reserves
- Valuation reserves
- Equity instruments
- Net income (loss).

The information concerning the methods followed by the Group to pursue its asset management objectives is provided in the following sub-section 2.3.

B. QUANTITATIVE INFORMATION

The consolidated shareholders’ equity as at 31 December 2015 totalled 8,546.7 million (of which 8,493.6 million pertaining to the Group and 53.1 million pertaining to minority shareholders) reporting a net increase of 470.4 million compared to the consolidated shareholders’ equity as at 31 December 2014 amounting to 8,076.3 million (of which 8,064.2 pertaining to the Group and 12.1 pertaining to minority shareholders).

B.1 Consolidated shareholders’ equity: breakdown by type of company

Shareholders’ equity items	Banking group	Insurance companies	Other companies	Netting and adjustments on consolidation	31/12/2015
Share Capital	6,163,047	-	14,598	(13,601)	6,164,044
Share premium reserve	-	-	761	(761)	-
Reserves	1,762,648	-	94,726	(61,011)	1,796,363
Equity instruments	-	-	-	-	-
(Treasury shares)	(2,483)	-	-	-	(2,483)
Valuation reserves:	177,038	-	390	(7)	177,421
- Financial assets available for sale	257,116	-	-	-	257,116
- Property and equipment	-	-	378	-	378
- Intangible assets	-	-	-	-	-
- Foreign investment hedges	-	-	-	-	-
- Cash flow hedges	(1,612)	-	-	-	(1,612)
- Exchange rate differences	-	-	-	-	-
- Non-current assets held for sale	-	-	-	-	-
- Actuarial gains (losses) on defined benefit pension plans	(63,506)	-	12	-	(63,494)
- Share of valuation reserves related to investments in associates carried at equity	(17,274)	-	-	(7)	(17,281)
- Special revaluation laws	2,314	-	-	-	2,314
Income (loss) for the year (+/-) attributable to the Group and to minority interests	407,875	-	(3,829)	7,343	411,389
Shareholders' equity	**8,508,125**	**-**	**106,646**	**(68,037)**	**8,546,734**

B.2 Valuation reserves of financial assets available for sale: breakdown

Assets/amounts	Banking group		Insurance companies		Other companies		Netting and adjustments on consolidation		Total	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	168,684	(6,852)	-	-	-	-	-	-	168,684	(6,852)
2. Equity instruments	92,902	(997)	-	-	-	-	-	-	92,902	(997)
3. UCIT units	12,318	(8,939)	-	-	-	-	-	-	12,318	(8,939)
4. Loans	-	-	-	-	-	-	-	-	-	-
Total 31/12/2015	**273,904**	**(16,788)**	**-**	**-**	**-**	**-**	**-**	**-**	**273,904**	**(16,788)**
Total 31/12/2014 (*)	**304,355**	**(27,323)**	**-**	**-**	**38**	**(1,570)**	**-**	**-**	**304,393**	**(28,893)**

(*) *The figures relating to the previous year have been restated to better represent the effects of consolidating the shares of funds held by the Group for a majority share of capital.*

B.3 Valuation reserves of financial assets available for sale: annual changes

	Debt securities	Equity instruments	UCIT units	Loans
1. Opening balance	**155,729**	**104,427**	**15,344**	**-**
2. Positive changes	**183,636**	**28,407**	**26,493**	**-**
2.1 Fair value increases	131,861	25,458	11,185	-
2.2 Transfer of negative reserves to the income statement	4,584	234	2,558	-
- due to impairment	-	234	-	-
- on disposal	4,584	-	2,558	-
2.3 Other changes	47,191	2,715	12,750	-
3. Negative changes	**(177,533)**	**(40,929)**	**(38,458)**	**-**
3.1 Fair value decreases	(47,288)	(1,116)	(12,687)	-
3.2 Losses on impairment	-	(1,612)	(2,792)	-
3.3 Transfer of positive reserves to the income statement: on disposal	(84,703)	(36,138)	(18,456)	-
3.4 Other changes	(45,542)	(2,063)	(4,523)	-
4. Closing balance	**161,832**	**91,905**	**3,379**	**-**

B.4 Valuation reserves for defined benefit plans: annual changes

	31/12/2015
1. Opening balance	**(75,101)**
2. Positive changes	**24,302**
2.1 Profits due to changes in financial assumptions	17,810
2.2 Other actuarial profits	4,697
2.3 Other changes	1,795
3. Negative changes	**(12,695)**
3.1 Losses due to changes in the financial assumptions	-
3.2 Other actuarial losses	(6,543)
3.3 Other changes	(6,152)
4. Closing balance	**(63,494)**

Section 2 - Own funds and capital adequacy ratios

2.1 Scope of application of regulations

From 1 January 2014, the new harmonised regulations for banks and investment companies contained in (EU) Regulation no. 575/2013 (“CRR”) and in directive no. 2013/36/EU (“CRD IV”) dated 26 June 2013 came into force. These transpose the standards defined by the Basel Committee for banking supervision (so-called Basel 3 framework) to the European Union.
The Regulations and the relative technical standards are directly applicable to national legislation and constitute the so-called “Single Rulebook”.

Note that the regulations contained in the Single Rulebook envisage a period of transition for the gradual introduction of several new rules (so-called “phase-in”).
In other words, during the Basel 3 transition period, several items will be calculated or deducted at different percentages for each year. Generally, a share is attributed to Common Equity Tier 1 (CET1), while the remainder of the aggregate is split between Additional Tier 1 (AT1) and Tier 2 (T2) capital, or attributed to Risk-Weighted Assets (RWA).

A gradual process of elimination (phase-out over a period of time extended to 2021 under the “grandfathering” system) is also envisaged for equity instruments that do not fully meet the calculation requirements of the new regulations.

The estimates of capital ratios that the Group is assumed to have at the end of the transition period are called “Basel 3 Fully Phased”.

With regard to the measurement of risk-weighted assets, note that the Banco Popolare Group is authorised to use the following methods based on its own internal models:

- internal system to measure credit risk relating to corporate and retail customers, according to the advanced approach (Advanced IRB), to calculate the relative consolidated and separate capital requirements.
  The model applies at individual level to Banco Popolare Soc. Coop.;
- internal model to measure market risk (generic and specific on equity instruments, generic on debt securities and position-related for UCIT units) to calculate the relative separate and consolidated capital requirements.
  The model applies at individual level to Banco Popolare Soc.Coop. and to Banca Aletti S.p.A.;
- internal model to measure operating risk to calculate the relative separate and consolidated capital requirements.
  The model applies at individual level to Banco Popolare Soc.Coop., to Banca Aletti S.p.A., to SGS Soc. Cons., and to BP Property Management Scarl.

As envisaged by regulations, in the provisions of its authorisation, the Supervisory Authority indicated the minimum consolidated level of capital requirement against credit, market, counterparty and operating risks as 85% (floor) of the capital requirement calculated according to the provisions of the Supervisory Instructions for banks in force up until 2006 (so-called “Basel 1”).

As required by Circular no. 285, the prudential scope of consolidation includes banking and financial companies and special purpose entities belonging to the Banking group. These companies are consolidated on a line-by-line basis.

There are no restrictions or constraints to the transfer of equity resources between companies of a Banking group.

Cooperative banks, regulated by the Consolidated Banking Law (“CBL”) are considered cooperative by art. 27, par. 1 of the CRR.

2.2. Own funds of the bank

A. QUALITATIVE INFORMATION

In accordance with the CRR and Circular no. 285, the amount of own funds held by a bank breaks down as follows: (i) common equity Tier 1; (ii) additional Tier 1; (iii) Tier 2;

Innovative and non-innovative equity instruments, hybrid capitalisation instruments and subordinated assets, held in other banking and financial companies not belonging to the Group, are deducted from said aggregates according to set percentages.
Equity investments, held in other banking and financial companies not belonging to the Group, and deferred tax assets (DTA) which are based on future profits and originate from temporary differences, are deducted to the extent of the percentage that exceeds specific exemption thresholds. The exempted percentage is weighted at 250% in RWA.

Also equity investments in insurance companies and subordinated liabilities issued by the same companies are deducted, if calculated by the issuer for regulatory capital purposes, as well as other elements linked to the calculation of capital requirements.

Specifically referring to portfolios for which credit risk is measured using internal models, the amount of expected losses exceeding total value adjustments (so-called shortfall) resulting from the comparison carried out separately with regard to "exposures in default status" and "other exposure" is also deducted.

Specific prudential filters are applied to safeguard the quality of the Own Funds and to reduce their potential volatility as a result of the adoption of international accounting standards IFRS/IAS.

Minority interests are admissible only to the extent of the amount covering third party risk. Up until 31 December 2017, the remaining percentage may be partially included in the calculation.

Communication regarding the prudential filters of the "Financial assets available for sale" portfolio

With effect from 30 June 2010, the Group had adopted the approach envisaged by the Bank of Italy Provision dated 18 May 2010, which allowed the share of valuation reserves relating to debt securities issued by the central government authorities of countries belonging to the European Union, held in the "Financial assets available for sale" portfolio to be excluded from the calculation of the regulatory capital.
More specifically, in alternative to the "asymmetrical" approach (complete deduction of net losses from Tier 1 capital and partial inclusion for the 50% of net gains in Tier 2 capital) already envisaged by Italian legislation, the above-mentioned Provision had acknowledged the possibility of fully neutralising the gains and losses recorded in revaluation reserves ("symmetrical" approach). This option could be exercised only if the option was extended to all the securities of the type held in the aforementioned portfolio, applied consistently by the Group and maintained constant over time.
In this regard, we announce that, pursuant to the issue note for the new Circular no. 285 of the Bank of Italy, the Banco Popolare Group has confirmed the exercise of this option. This option shall remain in force until the European Commission adopts new regulations approving the application of IFRS 9 in substitution of IAS 39.
As at 31 December 2015, the valuation reserve of the securities issued by Central Government authorities of countries belonging to the European Union, after tax, was a positive euro 131.9 million; if this approach had not been adopted, said change would have resulted in an increase of around euro 52.8 million in CET1, only 40% of which may be included in the calculation according to the transition regime introduced by (EU) Regulation no. 575/2013 of the European Parliament and Council ("CRR") and implemented with the Bank of Italy circular no. 285 of 17 December 2013, and approximately euro 39.6 million in "Tier 2 Capital", only 60% of half of the figure may be included in the calculation.

1. Common Equity Tier 1 capital (CET1)

CET1 is primarily made up of paid-up capital, share premium reserves, net of prudential filters and regulatory deductions.

The following main aggregates are deducted from CET1:
- goodwill and other intangible fixed assets,
- the surplus between expected losses and value adjustments (so-called shortfall),
- significant investments in the CET1 instruments of other parties in the financial sector (for the part exceeding the exemption threshold),
- deferred tax assets which are based on future profits and originate from temporary differences (for the part exceeding the exemption threshold).

2. Additional Tier 1 capital (AT1)

AT1 is primarily made up of innovative and non-innovative equity instruments, net of regulatory deductions.
Among the positive elements, it includes the eligible share of 4 innovative and non-innovative "preference share" equity instruments.
An early redemption option is present in all 4 equity instruments, after 10 years of the issuance, subject to the prior authorisation of the Bank of Italy.
One of them was issued through foreign subsidiaries set-up "ad hoc" (Special Purpose Entities).
The latter have signed special agreements with the Parent Company (on-lending) for the transfer of the collected sums, in similar conditions and with the same subordination constraints of placed securities.

All the innovative and non-innovative instruments of the Banco Popolare Group, existing as at 31 December 2015, are subject to transitional regulations (grandfathering clause) which means that they can continue to be calculated, reducing them by 10% each year, reaching zero as at 31 December 2021.

The following main aggregates are deducted from AT1 (for the remaining shares attributed to Tier 1 during the transition period and up to the full extent of AT1):

- the surplus between expected losses and value adjustments (so-called shortfall),
- significant investments in the CET1 instruments of other parties in the financial sector (for the part exceeding the exemption threshold),
- deferred tax assets which are based on future profits and originate from temporary differences (for the part exceeding the exemption threshold).

3. Tier 2 capital (T2)

Tier 2 capital is primarily made up of subordinated liabilities issued, to the extent of the eligible percentage according to the legislation referred to above, net of regulatory deductions.
The surplus between value adjustments and expected losses is also included in Tier 2, up to a percentage of 0.6% of RWA on the credit risks calculated according to internal models.

For all eligible liabilities, subordination requires that, in the event of liquidation or receivership, the holders of these securities be repaid only after all other creditors with higher claim have been repaid.
Early repayments, for all subordinated liabilities are subject to the prior authorisation of the Bank of Italy.
The main contractual characteristics of the above mentioned instruments are described in the following tables.

Financial instruments included in calculation of Additional Tier 1 capital (AT1): main contractual conditions

ISIN	Issuer	type	issue date	maturity date	currency	interest rate	special clauses	issued amount	contribution to regulatory capital	Method of repayment	coupon
XS0304963373	Banco Popolare Soc.Coop.	pref	21/06/2007	perpetual	euro	6.756% fixed yearly until June 2017 then 3m Euribor + 188 bp	no step up	104,950,000	104,800,000	After prior approval of the Bank of Italy, bullet repayment upon maturity or early redemption option after 10 years from issuance	Yearly
XS0304963290	Banco Popolare Soc.Coop.	pref	21/06/2007	perpetual	euro	6.156% fixed yearly until June 2017 then 3m Euribor + 228 bp	step up	51,450,000	51,250,000	After prior approval of the Bank of Italy, bullet repayment upon maturity or early redemption option after 10 years from issuance	Yearly
IT0004596109	Banco Popolare Soc.Coop.	pref	29/03/2010	perpetual	euro	9% fixed yearly until March 2020 then 3m Euribor + 665 bp	step up	25,000,000	25,000,000	After prior approval of the Bank of Italy, bullet repayment upon maturity or early redemption option after 10 years from issuance	Yearly
XS0255673070	BANCA ITALEASE CAPITAL TRUST	pref	06/06/2006	perpetual	euro	Floating 3m Euribor + 130 bp until June 2016 then 3m Euribor + 230 bp	step up	150,000,000	17,505,000	After prior approval of the Bank of Italy, bullet repayment upon maturity or early redemption option after 10 years from issuance	Quarterly
	Exclusion of eligibility under art. 28 of the Delegated Regulation (EU) no. 241/2014 of 7 January 2014 - ECB Authorisation 22 July 2015								-1,500,000		

Financial instruments included in calculation of Tier 2 capital (T2): main contractual conditions

ISIN	Issuer	type	issue date	maturity date	currency	interest rate	special clauses	issued amount	contribution to regulatory capital	Method of repayment	coupon
XS0256368050	Banco Popolare Soc.Coop.	sub	15/06/2006	15/06/2016	euro	3m Euribor + 40 bp until June 2011 then 3m Euribor + 100 bp	step up	107,800,000	9,702,720	early redemption option from 15 June 2011 after prior approval of the Bank of Italy	Quarterly
XS0276033510	Banco Popolare Soc.Coop.	sub	22/11/2006	22/11/2016	euro	3m Euribor + 45 bp until November 2011 then 3m Euribor + 105 bp	step up	137,700,000	24,645,813	early redemption option from 22 November 2011 after prior approval of the Bank of Italy	Quarterly
XS0284945135	Banco Popolare Soc.Coop.	sub	08/02/2007	08/02/2017	euro	3m Euribor + 35 bp until February 2012 then 3m Euribor + 95 bp	step up	81,650,000	-	early redemption option from 8 February 2012 after prior approval of the Bank of Italy	Quarterly
XS0451531346	Banco Popolare Soc.Coop.	sub	09/09/2009	09/09/2016	euro	5.70% fixed on a yearly basis	-	50,000,000	6,923,919	Bullet repayment upon maturity	yearly
XS0464464964	Banco Popolare Soc.Coop.	sub	12/11/2009	12/11/2016	euro	5.473% fixed on a yearly basis	-	141,502,000	24,551,797	Bullet repayment upon maturity	yearly
XS0504893701	Banco Popolare Soc.Coop.	sub	28/04/2010	28/04/2017	euro	4.75% fixed on a yearly basis	-	100,000,000	25,913,024	Bullet repayment upon maturity	yearly
XS0555834984	Banco Popolare Soc.Coop.	sub	05/11/2010	05/11/2020	euro	6% fixed on a yearly basis	-	710,027,000	683,101,824	Bullet repayment upon maturity	yearly
XS0632503412	Banco Popolare Soc.Coop.	sub	31/05/2011	31/05/2021	euro	6.375% fixed on a yearly basis	-	318,472,000	315,572,123	Bullet repayment upon maturity	yearly
IT0005120313	Banco Popolare Soc.Coop.	sub	30/07/2015	30/07/2022	euro	3m Euribor + 4.375%	-	499,930,000	499,930,000	Bullet repayment upon maturity subject to regulatory events	Quarterly
IT0004966823	Banco Popolare Soc.Coop.	sub	18/11/2013	18/11/2020	euro	5.5% fixed on a yearly basis	-	799,893,000	-	In 5 equal yearly instalments from 18 November 2016	yearly
XS0259400918	Banca Italease	sub	28/06/2006	28/06/2016	euro	3m Euribor + 55 bp until June 2011 then 3m Euribor + 115 bp	step up	125,000,000	12,026,521	early redemption option from 28 June 2011 after prior approval of the Bank of Italy	Quarterly
	Exclusion of eligibility under art. 28 of the Delegated Regulation (EU) no. 241/2014 of 7 January 2014 - ECB Authorisation 22 July 2015								-2,500,000		

The following aggregates are deducted from Tier 2 capital (for the residual amounts attributed to Tier 2 during the transition period):

- the surplus between expected losses and value adjustments (so-called shortfall),
- significant investments in the CET1 instruments of other parties in the financial sector (for the part exceeding the exemption threshold),
- deferred tax assets which are based on future profits and originate from temporary differences (for the part exceeding the exemption threshold).

Significant investments in the Tier 2 instruments of other parties in the financial sector are also deducted from Tier 2 capital.

B. QUANTITATIVE INFORMATION

BREAKDOWN OF OWN FUNDS		Total 31/12/2015	Total 31/12/2014
A.	Common Equity Tier 1 capital (CET1) before the application of prudential filters	8,380,937	8,014,895
	of which CET1 instruments subject to transitional provisions	-	-
B.	CET1 prudential filters (+/-)	(18,070)	(33,487)
C.	CET1 before items to be deducted and before the effects of the transitional regime (A +/- B)	8,362,867	7,981,408
D.	Items to be deducted from CET1	(2,824,899)	(2,555,027)
E.	Transitional regime - Impact on CET1 (+/-), including minority interest subject to transitional provisions	347,523	267,564
F.	Total Common Equity Tier 1 capital (CET1) (C - D +/- E)	5,885,491	5,693,945
G.	Additional Tier 1 capital (AT1) before items to be deducted and before the effects of the transitional regime	241,645	452,781
	of which AT1 instruments subject to transitional provisions	*193,430*	*442,803*
H.	Items to be deducted from AT1	-	-
I.	Transitional regime - Impact on AT1 (+/-), including instruments issued by subsidiaries and included in AT1 by virtue of transitional provisions	(241,645)	(264,502)
L.	Total Additional Tier 1 capital (AT1) (G - H +/- I)	-	188,279
M.	Tier 2 capital (T2) before items to be deducted and before the effects of the transitional regime	1,603,370	1,368,142
	of which T2 instruments subject to transitional provisions	*46,294*	*116,969*
N.	Items to be deducted from T2	(143,869)	(47,800)
O.	Transitional regime - Impact on T2 (+/-), including instruments issued by subsidiaries and included in T2 by virtue of transitional provisions	(224,141)	(185,210)
P.	Total Tier 2 capital (T2) (M - N +/- O)	1,235,360	1,135,132
Q.	Total own funds (F + L + P)	7,120,851	7,017,356

Common Equity Tier 1 Capital as at 31 December 2015, including the net income for the year, minus the amount proposed for distribution[1] amounts to euro 5,885.5 million, up compared to euro 5,693.9 million. In increase is mostly due to the sale of an equity investment corresponding to 13.88% of the share capital of Istituto Centrale Banche Popolari Italiane (ICBPI) and the disposal of the equity investment held in Arca SGR corresponding to 19.90% of share capital, as well as the profit recorded for the year.

Additional Tier 1 Capital fell to zero during the year, mainly due to the full early redemption of the equity instrument issued by Banca Popolare di Lodi Investor Trust III with an original nominal value of euro 500 million.

Tier 2 Capital as at 31 December 2015 amounted to euro 1,235.4 million, up against euro 1,135.1 million as at 31 December 2014. This increase is mainly due to the placement of a new subordinated bond with a nominal value of euro 499.9 million on 30 July 2015. This issue more than offset the annual reduction of the eligible subordinated liabilities in place at the beginning of the year, following the application of prudential supervisory rules.

Own funds therefore amounted to euro 7,120.9 million as at 31 December 2015, against euro 7,017.4 million recorded at the end of 2014.

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(1) Based on the provisions of Article 26, paragraph 2 of EU Regulation no. 575/2013 of 26 June 2013 (CRR), the inclusion of interim or year-end profits in Common Equity Tier 1 Capital (CET1) is subject to the prior permission of the competent authorities, which may be granted only where the profits have been verified by the independent auditors.
On the date of preparation of this Report, the European Central Bank has formally authorised Banco Popolare to include the net income for the current year at the end of the first half, in its calculation of Common Equity Tier 1 Capital. On today's date, Banco Popolare will send a specific notice to the European Central Bank in which it will request to be able to include the entire net income for the year, minus the share that will be proposed for distribution, in the calculation of CET1.

2.3 Capital Adequacy

A. QUALITATIVE INFORMATION

Under the prudential regulatory provisions, the total capital requirement is the sum of the capital requirements required as a result of the credit, counterparty, market and operating risks.
These requirements in turn are the result of the sum of the individual requirements of the companies belonging to the Supervisory Group, stripped of the intercompany relations.

Following prudential regulatory instructions referring to 30 June 2012, the Banco Popolare Group was authorised by the Bank of Italy to use internal systems (Advanced IRB) to calculate capital requirements for credit and market risks, as better illustrated in paragraph 2.1 above.
With regard to exposures other than measured by the new internal models, which originate from credit and counterparty and market risk, the Group continues to adopt the respective "standard approaches".

With regard to operating risk, the Group adopted the "combined approach", as most Group companies had obtained, as of 30 June 2014, authorisation to use advanced internal models (AMA), while the remaining minor companies used the "base approach".

The capital management policies of the Banco Popolare Group aim, on the one side, at guaranteeing that the capital base be consistent with the total risk measure, with regulatory constraints, with the target rating and with corporate development plans, and, on the other side, at optimising the capital makeup, namely the set of elements making up regulatory capital, by selecting a mix of suited financial instruments to minimise the cost of capital.

B. QUANTITATIVE INFORMATION

Categories/amounts		Unweighted amounts	Weighted/required amounts	Unweighted amounts	Weighted/required amounts
		31/12/2015	31/12/2015	31/12/2014	31/12/2014
A.	**Risk assets**				
A.1	**Credit and counterparty risk**				
	1. Standardized method	46,576,056	20,948,605	47,585,061	23,393,848
	2. Method based on internal ratings				
	2.1 Basic	-	-	-	-
	2.2 Advanced	72,570,694	16,500,118	74,490,574	16,947,779
	3. Securitisations	102,381	80,290	125,776	205,202
B.	**Regulatory capital requirements**				
B.1	**Credit and counterparty risk**		**3,002,321**		**3,243,746**
B.2	Credit valuation adjustment risk		**27,239**		**36,732**
B.3	Settlement risk		**-**		**-**
B.4	**Market risk**				
	1. Standardized method		51,920		67,983
	2. Internal models		140,406		91,996
	3. Concentration risk		-		-
B.5	**Operating risk**				
	1. Basic method		30,444		27,459
	2. Standardized method		-		-
	3. Advanced method		327,200		371,025
B.6	**Other calculation elements**				
B.7	**Total prudential requirements**		**3,579,530**		**3,838,941**
C.	**Risk assets and capital ratios**				
C.1	Risk-weighted assets		44,744,125		47,986,763
C.2	Common Equity Tier 1 capital/Risk-weighted assets (CET1 capital ratio)		13.15%		11.87%
C.3	Tier 1 capital/ Risk-weighted assets (Tier 1 capital ratio)		13.15%		12.26%
C.4	Total own funds/Risk-weighted assets (Total capital ratio)		15.91%		14.62%

In accordance with Chapter 2, paragraph 7 (Part of the Notes to the Separate Financial Statements, also applicable to the consolidated financial statements), of Circular no. 262 of the Bank of Italy ("Bank financial statements: layout and compilation rules"), in standardised methods, the "unweighted amounts" correspond to the value of the exposure including prudential filters, risk mitigation techniques and credit conversion factors.

As regards the method based on internal ratings, the "unweighted amounts" correspond to the value of the exposure "at the time of default" (EAD "Exposure At Default") and, in the case of guarantees given and commitments to disburse funds, they also take Credit Conversion Factors (CCF) into account.

The unweighted exposure to securitisations (A.1, point 3 in the table) is the sum of the nominal amounts of all junior, mezzanine and senior securities held in the portfolios of Group companies, net of the securities held relating to so-called originated securitisations.

As at 31 December 2015, risk-weighted assets amounted to euro 44.7 billion, falling significantly against euro 47.9 billion recorded at the end of 2014. This decrease is mainly due to the fall in credit and counterparty risks, with regard to both exposures measured using the standardised method (euro -2.4 billion), and to exposures whose risk is measured using internal models (euro -0.4 billion).

The minimum capital requirements for 2015 are as follows:

- a minimum common equity tier 1 ratio (Common Equity Tier 1 capital ratio: "CET1 ratio") of: 4.5% + 2.5% Capital Conservation Buffer: "CCB";
- a minimum Tier 1 capital ratio of: 6.0% + 2.5% of CCB;
- minimum total capital ratio of: 8% + 2.5% of CCB.

On 20 November 2015 the European Central Bank (ECB) notified Banco Popolare of the minimum capital ratios to be complied with by the bank on an ongoing basis. The decision is based on Article 16 of EU Regulation no. 1024 of 15 October 2013, which confers on the ECB the power to require any supervised bank to hold own funds in excess of the minimum capital requirements laid down by current regulations.
The minimum ratio required by the Regulator is a Common Equity Tier 1 ratio (CET1 ratio) of 9.55%.

Applying the transition rules in force at 31 December 2015, the capital ratios, including the profit for the year are as follows:

- Common Equity Tier1 (CET1) Ratio of 13.15%, up against the end of December 2014 (11.87%);
- Tier 1 Capital Ratio of 13.15%;
- Total Capital Ratio was 15.91%, up against the end of December 2014, amounting to 14.62%.

The current level of own funds enables Banco Popolare to fully comply with the Regulators' requirements, both with respect to the calculation rules currently applicable in the transition period, as well as when the new capital requirements shall apply in full.

The pro-forma CET1 ratio calculated on the basis of rules that will take effect at the end of the transitional period (so-called CET1 ratio fully phased) will be 12.4%.

PART G – BUSINESS COMBINATIONS REGARDING COMPANIES OR DIVISIONS

Section 1 - Transactions achieved during the year

1.1 Business combinations

As illustrated in the section of the Report on Operations on significant events during the year, in compliance with the resolution of the Parent Company's Executive Committee on 4 November 2014 and consequent settlement agreement, on 15 October 2015, Banco Popolare, which already held an equity investment of 23.19% in Immobiliare Marinai d'Italia, purchased the remaining 76.81% of the share capital of the latter from Compagnia Fiduciaria Nazionale S.p.A., thus becoming the sole shareholder.
The sale to Banco Popolare took place without any consideration, in line with the practically zero value of the net assets acquired.
The company, previously valued at equity, will therefore be consolidated on a line-by-line basis from 31 December 2015; the effect of the first time consolidation did not produce any differences between the book values and the fair values of the assets and liabilities recorded in the financial statements.

In addition to this transaction, as illustrated in the section of the Report on Operations regarding significant events occurring during the year, in March 2015, Banca Italease was merged by incorporation into the Parent Company Banco Popolare.

This transaction was accounted for with continuity of values, since this was a combination among companies under joint control, with accounting and fiscal effects backdated to 1 January 2015.

Section 2 - Business combinations after the reporting period

2.1 Business combinations

No business combination transactions were carried out outside the Group after the end of the year.

Section 3 – Retrospective adjustments

Since the economic effects of the allocation of the cost of the business combinations carried out during the period described above were recognised at the moment of acquisition of control of the entities being combined, it is not necessary to carry out the restatement of the interim reports before the reporting date of these financial statements.

PART H - TRANSACTIONS WITH RELATED PARTIES

1. Information on compensation to directors and executives with strategic responsibilities

This information relates to those who, directly or indirectly, have the power and the responsibility to plan, manage and control the business activities of Group companies.
The table below summarises the compensation paid to directors, statutory auditors and executives with strategic responsibilities (general managers and other executives meeting the above characteristics).
In total, 264 assignments were entrusted to 174 people (including 43 executives).

(in thousands of euro)	2015	2014
Total gross compensation FY 2014	**25,034**	**20,879**
of which:		
Non-executive directors and Statutory auditors	5,450	5,983
Non-employee executive directors	3,801	3,455
Employees	15,783	11,441
Short term benefits (e.g., car, lodging, accident insurance policy, medical assistance)	73	68
Post-employment benefits (e.g., pension fund, supplementary pension scheme)	64	75
Long-term benefits (if any)	-	-
Employee termination benefits (e.g., employee termination indemnities, other benefits)	-	-
Share-based payments (e.g., stock options/stock grants assigned during the year, share-based bonuses)	-	-

2. Information on transactions with related parties

Banco Popolare has adopted the “Applicable regulations of the notion of related parties pursuant to international accounting standard IAS 24”. These “Applicable regulations”, which are valid for Banco Popolare and for all Group companies, establish the following operating criteria to identify related parties:

a) Companies subject to significant influence and joint control: entities in which at least 20% of the voting rights that can be exercised during ordinary shareholders’ meetings are held, directly or indirectly, or 10%, if the shares are listed on regulated markets and any other company or body that can be qualified as a related party as per IAS 24 as indicated above;
b) Executives with strategic responsibilities: are qualified as such in addition to the members of the Board of Directors and the standing members of the Board of Statutory Auditors of the Parent Company and of Group companies, the General Manager, the Joint General Manager and/or Deputy General Managers, the heads of the Parent Company Departments and Divisions and the Executives who cover senior roles as per the Articles of Association; any additional department heads may be identified by the Board of Directors;
c) Close family members of executives with strategic responsibilities: only family members that are able to influence (or be influenced by) the Executive with strategic responsibilities in the relationship between the latter and Banco Popolare or Group companies. The following are presumed to be as such, unless otherwise declared in writing by the executive, under the latter’s own responsibility and containing adequate and analytical justification of the reasons that exclude any possible influence: spouses, common law spouses (including cohabitants whose status is not revealed in the family status certificate), offspring of the party, of the spouse or common law spouse, individuals dependent on the party, the spouse or common law spouse. Any other individual which the party believes may influence them (or be influenced by them) in their dealings with the bank or the other Group companies is also a related party;
d) Participative relations or strategic roles attributable to executives with strategic responsibilities and their close relatives: the following entities are considered to be related parties, those in which executives with strategic responsibilities or their close relatives: have control pursuant to Article 2359, paragraph 1 of the Italian Civil Code, or at least 20% of the voting rights which can be exercised during ordinary shareholders’ meetings, or 10% if the company has shares listed on organised markets, or they cover the office of Chairman of the Board of Directors, Managing Director or representative endowed with powers of authority.
e) Group pension funds: the pension funds for Group employees and any other related body;
f) Holders of a significant investment: Mutual Investment Funds, or any other expressly authorised party, who act as a shareholder and who possess an interest greater than 2% in the share capital of Banco Popolare. Parties not belonging to the Group who hold an interest greater than 2% in other Group companies are also considered to be related parties. The company’s Board of Directors can change this percentage both upwards and downwards, providing justification in relation to the significance of the investment/investment in an associate.

Financial and commercial transactions between subsidiary companies and those subject to significant influence and joint control.

Financial and commercial transactions with related parties fall within the sphere of ordinary operations and have been conducted as arm's length transactions.

The tables below indicate the statement of financial position and income statement transactions as at 31 December 2015 with the companies subject to significant influence, the joint ventures, management with strategic responsibilities (which include audit bodies) and other related parties.

(in thousands of euro)	Entities exercising significant influence (1)	Associated companies	Joint ventures	Executives with strategic responsibilitie s	Other related parties	Total	% of consolidate d total
Financial assets held for trading	-	3,662	-	-	27,379	31,041	0.49%
Financial assets available for sale	-	-	-	-	1,356	1,356	0.01%
Due from banks	-	-	-	-	5,793	5,793	0.21%
Loans to customers	-	1,570,470	-	10,607	144,263	1,725,340	2.20%
Other assets	-	8,690	-	12	24	8,726	0.08%
Due to banks	-	-	-	-	654,170	654,170	4.00%
Due to customers	-	195,198	-	20,445	449,552	665,195	1.24%
Debt securities issued	-	-	-	2,701	13,903	16,604	0.10%
Financial liabilities held for trading	-	-	-	-	2,151	2,151	0.03%
Financial assets and liabilities designated at fair value through profit and loss	-	-	-	1,329	7,905	9,234	0.08%
Other liabilities	-	5,141	-	401	749	6,291	0.13%
Guarantees given and commitments	-	118,328	-	185	74,194	192,707	1.84%

(1) Funds or other authorised parties who act as a Shareholder and who possess a shareholding greater than 2% of the share capital

(in thousands of euro)	Entities exercising significant influence (1)	Associated companies	Joint ventures	Executives with strategic responsibilities	Other related parties	Total	% of consolidate d total
Interest margin	-	13,275	-	52	(6,569)	6,758	0.43%
Net fee and commission income	-	176,385	-	28	518	176,931	12.41%
Administrative expenses/recoveries of expenses	-	1,621	-	(19,613)	(118)	(18,110)	0.74%
Other costs / revenues	-	671	-	21	-	692	0.48%

(1) Funds or other authorised parties who act as a Shareholder and who possess a shareholding greater than 2% of the share capital

Other transactions with other related parties

The table below discloses other transactions – supplies of goods and services and transactions on real estate – entered into with related parties, shown in the above table under "executives with strategic responsibilities" and "other related parties".

(in thousands of euro)	Purchases and sales of goods and services	Rentals receivable	Rentals payable
a) Directors	-	-	-
b) Executives with strategic responsibilities	-	9	-
c) Close family members of the parties in letters a) and b)	-	-	-
d) Subsidiary, associated company or subject to significant influence by the parties in letters a) and b)	406	1,833	-

Other information

With reference to paragraph 8 of art. 5 "Disclosures to the public on related party transactions" of the Consob Regulation containing provisions for related party transactions (adopted by Consob with resolution no. 17221 of 12 March 2010 and then amended with resolution no. 17389 of 23 June 2010), the following paragraphs illustrate the most important transactions conducted in 2015.

Covered Bond Issue Programme of the Banco Popolare Group - Assignment of the ninth portfolio of residential mortgage loans and issue of further series of Covered Bonds

The operation, approved by the Board of Directors on 28 April 2014, regards the sale of the ninth portfolio of residential mortgage loans to BP Covered Bond and the issue of subsequent series of securities for a maximum amount of around euro 2.5 billion, as part of the CB Programme. The sale will enable the liquid assets deposited in the accounts of the SPE (corresponding to around euro 1.5 billion) to be reduced, by increasing the residual debt of the cover pool, in order to meet the provisions of Italian legislation on CB, according to which the value of additional eligible assets (cash, deposits etc.) in the structure must not exceed 15% of the overall portfolio.
On 5 March 2015 the Ninth Series of CB was issued for an amount of euro 1 billion, fixed-rate coupon of 0.75 bps and maturity on 31 March 2022; the securities were all subscribed by institutional investors and central banks.

Commercial and Residential CB Programmes of the Banco Popolare Group - measures to increase the amount of additional eligible assets in the Cover Pool

On 14 July 2015, Banco Popolare's Board of Directors resolved:

a) under the Residential Covered Bond issue programme (the "Residential CB Programme"), on the:
   (i) sale of the tenth portfolio of residential mortgage loans and/or a portfolio of eligible securities to BP Covered Bond S.r.l and a residual principal amount totalling around euro 1 billion;
   (ii) issue of a further series of Covered Bonds (CB) - also by reopening the IX series issued in March 2015 - for a maximum amount of around euro 300 million by November 2015.
b) under the Commercial Covered Bond issue programme (the "Commercial CB Programme") on the:
   (i) sale of the sixth portfolio of residential and commercial mortgage loans and/or a portfolio of eligible securities to BP Covered Bond S.r.l with a residual debt in terms of principal amount totalling around euro 250 million;
   (ii) amendment to the relative contractual documentation to permit the sale of the securities.

Under the Residential CB Programme, on 25 August 2015, the sale by Banco Popolare to the SPE BP Covered Bond S.r.l of the tenth portfolio of eligible securities with a residual debt of around euro 1 billion was finalised; the payment of the purchase price, which took place on 30 September 2015, was funded by available liquidity deposited in current accounts opened with Banco Popolare.

With regard to the Commercial CB Programme, on the same date of 25 August 2015, Banco Popolare sold the SPE BP Covered Bond S.r.l the sixth portfolio of eligible securities with a residual debt of around euro 250 million; the payment of the purchase price, which took place on 2 October 2015, was funded by available liquidity deposited in current accounts opened with Banco Popolare.
The sale price of the two portfolios was calculated in accordance with the Supervisory Instructions of the Bank of Italy.

Issue Programme for Covered Bonds guaranteed by the Banco Popolare Group - unwinding of the BPL6 transaction and restructuring of the BPL7 transaction

On 15 December 2015, Banco Popolare's Board of Directors resolved to proceed with the unwinding of the securitisation transaction called BPL Mortgages Series 6 ("BPL6") and with the restructuring of the securitisation transaction called BPL Mortgages Series 7 ("BPL7").
In order to perform said transactions, the following measures were taken:

- the refund to Banco Popolare of the entire portfolio underlying the BPL6 transaction, the residual debt of which on the date of the resolutions was around euro 2.7 billion, and the subsequent early redemption of the remaining outstanding securities (the payment of the repurchase price will presumably be made on the first interest payment date of February 2016);
- the sale, under the BPL7 transaction, of a further portfolio of performing mortgage loans and unsecured loans with a total residual debt of around euro 2.6 billion (the "Subsequent Portfolio") euro 1.8 billion of which resulting from the unwinding of the BPL6 transaction and the remainder from new mortgage loans disbursed to SMEs originated by Banco Popolare;
- the return to Banco Popolare of non performing loans that were part of the BPL7 portfolio, estimated as around euro 0.17 billion;
- the issue, under the BPL7 transaction, of two or three new tranches of asset-backed securities (the "New Securities"):
  (i) a senior class with a minimum rating of "BBB-" from Moody's and DBRS rating agencies, and listed on the Dublin Stock Market (the "New Senior Securities");
  (ii) a junior class with no rating; and not listed, and, if necessary,
  (iii) a mezzanine class with a minimum rating of "BB" from Moody's and DBRS rating agencies, and listed on the Dublin Stock Market.

The subscription of the New Securities will mean that BP will have to open a further line of credit in favour of the SPE for a maximum amount of around euro 2.6 billion, maturing at the latest in 2054.
Furthermore, the rating agencies could request an increase of the balance of the Cash Reserve Account opened as part of the BPL7 transaction, corresponding to around euro 80.8 million and deposited at a Banco Popolare branch. This increase will be agreed with the rating agencies and the funding of the same could envisage the use of part of the amounts collected as interest with regard to the Subsequent Portfolio, which will be recorded in the period between the sale date of the Subsequent Portfolio and the date of issue of the New Securities, and/or a subordinated loan for an amount of around euro 100 million, which will be disbursed by Banco Popolare. The term of any subordinated loan will correspond to the legal maturity of the securitisation transaction (25 November 2054) and the relative remuneration will be the same as the subordinated loan already granted to the SPE at the time of establishment of the present Cash Reserve Account, namely the 3-month Euribor plus a spread of around 250 bps.
The objectives of the above-illustrated measures is to optimise the portfolios of the BPL6 and BPL7 transactions and to strengthen the Group's liquidity, insofar as the SPE would have a larger portfolio available to it, against which it could issue new senior and mezzanine securities, the use of which in lending transactions could generate a contribution to liquidity estimated to be around euro 1.7 billion, against the around 0.96 billion resulting from the sum of the liquidity contributions generated by the funding of senior BPL6 and BPL7 senior securities.

Issue by Banco Popolare Soc. Coop. of Bonds subscribed by Banca Aletti

The operation in question regards the issue of bonds of Banco Popolare, subscribed by Banca Aletti, using liquidity resulting from funding collected from the issue of Certificates.
The Banco Popolare bonds are issued at same spread as the funding of the Certificates issued by Banca Aletti, whose economic conditions, on each occasion, are in line with those applied to retail products for so-called "fresh" funding.
For the Banco Popolare Group, this transaction is part of a strategy to diversify sources of funding and to stabilise the liquidity profile, which makes it possible to meet customer requirements by extending the range of products.
As at 31 December 2015, Banco Popolare made 47 bond issues for a total of euro 3,166,461,000, against a ceiling of euro 4.5 billion, established by the framework resolution of 11 November 2014 and valid for the period between December 2014 and December 2015.
Following a board resolution dated 15 December 2015, the transaction in question was renewed, with an annual ceiling of euro 2.5 billion, valid for the period between December 2015 and December 2016.

Agos-Ducato S.p.A. – signature of new agreements with the Crédit Agricole Group

The transaction, resolved by the Board of Directors on 15 December 2015, regards a joint venture between Banco Popolare shareholders (a 39% share) and Crédit Agricole Consumer Finance S.A. (Crédit Agricole Group), and entailed, inter alia, the signature of a new Funding Agreement for 2016-2018 to support the funding needs of the investee company Agos-Ducato S.p.A.
In this regard, the above-mentioned investee company was also granted 2 credit lines for a total amount of euro 1,000 million: the first for euro 500 million expiring on 31 December 2018, the second for euro 500 million expiring on 30 June 2019.
The Agreement will take effect when the one currently in place expires, therefore the credit lines in question will take effect from 31 December 2015.

Release S.p.A. - revision of credit lines

This transaction, finalised in December 2015, regards the revision of the lines already granted by Banco Popolare to Release Spa, reducing the same from euro 2,513.33 million to 2,284.01 million, therefore reducing the agreed amount by euro 229.32 million.

Transaction to obtain liquidity

This transaction, approved by the Board of Directors on 31 March 2015 in the form of a framework agreement, regards transactions to obtain liquidity with Aletti Gestielle SGR S.p.A., inter alia, as counterparty. The transaction is part of a strategy to diversify sources of funding and to stabilise the liquidity profile by increasing and lengthening the maturities of funding. The transaction is expected to be completed through subscription of debt securities issued by the Banco Popolare Group, directly or through Banca Aletti, in the form of repurchase agreements, outright sales of issues of the Banco Popolare Group as part of the short-term international issues programme (Euro Commercial Paper - ECP, Euro Certificate of Deposit - ECD), deposits, in the form of time deposits and certificates of deposit including certificates issued by the Group's foreign branches for a maximum amount of euro 600 million.
As at 31 December 2015, there were 20 time deposit transactions in place with the counterparty indicated for a total of euro 474.1 million.

Merger by incorporation of Banca Italease Spa into Banco Popolare Soc. Coop.

On 9 March 2015, implementing the resolutions of the Extraordinary Shareholders' Meeting of Banca Italease SpA and of the Board of Directors of Banco Popolare - the latter approved pursuant to art. 2505, paragraph 2 of the Italian Civil Code and art. 33.2, paragraph 5 of the Articles of Association - following Banco Popolare's acquisition of 100% of the share capital of Banca Italease S.p.A., the deed of merger by incorporation of the subsidiary Banca Italease S.p.A. into the parent company Banco Popolare was entered into.
The merger, which did not result in any share exchange or issues of new shares by Banco Popolare, took effect as of 16 March 2015 in statutory terms, through the registration of the deed on the relevant company registers; while in accounting and fiscal terms, the effect of the merger was moved back to 1 January 2015.

PART I – SHARE-BASED PAYMENT AGREEMENTS

1. Description of share-based payments agreements

Share allocation plans addressed to executive members of the Management Board/Board of Directors and to executives of particular importance to the Banco Popolare Group

At a meeting held on 25 March 2011, the Supervisory Board approved the 2011 pay policies which, amongst other things, envisage the use of Banco Popolare shares as a form of payment of part of the bonus on achievement of the company objectives included in incentive systems. At a meeting held on 25 March 2011, the Management Board resolved to submit a share allocation plan addressed to employees and executives identified as among the “key personnel” to the approval of the Shareholders’ Meeting, based on the provisions of the Bank of Italy as regards remuneration and incentive policies for banks, within the 2011 incentive system, as well as the treasury shares purchase programme for the purposes of the Plan. On 30 April 2011, the Ordinary Shareholders’ Meeting approved the aforementioned Plan, assigning the Management Board all the powers necessary for effectively implementing the same and authorised the purchase of treasury shares to serve the Plan.

By implementing this Plan, Banco Popolare aimed to bring the manner in which bonuses of the incentive systems for employees and executives identified as belonging to the “key personnel” category are disbursed in line with the provisions of the Bank of Italy on remuneration and incentive policies for banks, with specific reference to the prevision that at least 50% of the bonus attributed under said systems must be paid in shares or related instruments.

Furthermore, the Plan seeks to converge management objectives with the interests of shareholders, rewarding the creation of value in the medium-long term by increasing the value of Banco Popolare’s shares, enhancing the loyalty of the Group’s strategic resources at the same time. Lastly, it is worth noting that under certain conditions, the Plan enables an economic benefit to be enjoyed by both employees - as shares are not subject to social security contributions - and the company, which is not bound to pay said social security contribution and therefore cuts costs.

Pursuant to art. 2357 of the Italian Civil Code, articles 132 of Italian Legislative Decree no. 58 of 24 February 1998 and 144-bis of the Issuers’ Regulations, as well as the provisions of (EC) Regulation no. 2273/2003 of 22 December 2003, between 3 and 6 October 2011, a total of 1,400,000 shares were purchased to serve the Plan, with an investment of euro 1,735,342.

Following the results achieved, which led to the activation of the incentive system, and the individual performance of the assignees, in a meeting held on 20 March 2012, the Board of Directors resolved to allocate a total of 1,143,733 shares. The portion of shares assigned to the short-term bonus, corresponding to an initial 683,327 shares (60% of the total), was made available with the allocation of 536,863 shares to 13 assignees in March 2014 (the reduced number of shares is due to the waiver of the Managing Director and of another employee who left the company). The portion of shares relating to the deferred bonus, corresponding initially to 460,406 shares (40% of the total), matured in 2015, as the specific parameters set in accordance with Supervisory instructions were met, and 34,128 shares will be made available to beneficiaries in 2016. The lower number of shares to be allocated with respect to the initial number is due to the grouping of the same (on 10 March 2014 at a ratio of one new share for every 10), to the waiver of the Managing Director and to the loss of the right to the shares of two members of staff that left the company.
The number of shares was calculated by taking the arithmetic average of the official prices of the share recorded in the month prior to 30 April 2011 as the unit reference price.

On 4 March 2015, the Board of Directors approved the 2015 remuneration policies, confirming the allocation to those classified as the “most important personnel” of a portion of the bonus resulting from the incentive system, of no less than 50% of the total, in the form of ordinary Banco Popolare shares.

Integration of existing Share allocation plans addressed to employees of the Banco Popolare Group as part of Company Bonuses for 2009-2010 and 2011 envisaged by the National Collective Labour Agreement

At a meeting held on 15 March 2013, the Board of Directors resolved to submit the integration of existing Share allocation plans addressed to employees of the Banco Popolare Group as part of the company bonuses envisaged by the national collective labour agreement for the credit sector relating to 2009-2010 and 2011, approved by the Shareholders’ Meeting on 24 April 2010 and on 21 April 2012 respectively, to the Ordinary Shareholders’ Meeting for approval, with a view to establishing the unitary valuation criterion for the Banco Popolare shares to be allocated free of charge as an additional bonus (“Additional Bonus”) to entitled employees. As part of said plans, approval had also been given for the allocation to each employee who maintained possession of the shares received as a bonus (“Bonus”) for three years from the date of assignment, of an additional amount of shares, corresponding to 5% of the monetary value of the part of the bonus paid in Shares.

On 20 April 2013, the ordinary Shareholders' Meeting approved the afore-mentioned integration and resolved to establish the unitary valuation criterion for the additional shares to be assigned to entitled employees as the arithmetic average of the official share prices recorded in the month prior to the date of assignment of the Additional Bonus.

The first free assignment of the additional amount of shares was made, as regards the 2009 company bonus, in June 2013. The number of shares to be allocated was established on 24 June 2013, on the basis of the arithmetic average of the official prices recorded in the month prior to the assignment of the bonus in question, as euro 1.070.

More specifically, a total of 233,774 shares were allocated to 3,261 Group employees, which represents almost all of the beneficiaries of the Bonus, in service as at the date of assignment of the Additional Bonus.

Note that, following resolutions passed by the Shareholders' Meeting on 1 March 2014, on 10 March 2014 Banco Popolare ordinary shares were grouped at a ratio of 1 new share for each 10 existing ordinary share.

In June 2014, the second allocation was made, relating to the 2010 company bonus (paid in June 2011). The number of shares allocated was established on 26 June 2014, on the basis of the arithmetic average of the official prices recorded in the month prior to the assignment of the bonus in question, as euro 13.8642.

More specifically, a total of 7,348 shares was allocated to 1,556 Group employees.

In June 2015, the third and last allocation was made, relating to the 2011 company bonus (paid in June 2012). The number of shares allocated was established on 26 June 2015, on the basis of the arithmetic average of the official prices recorded in the month prior to the assignment of the bonus in question, as euro 15.1394.

More specifically, a total of 4,966 shares was allocated to 1,215 Group employees.

The shares used for the Additional Bonus relating to the 2009 company bonus, paid in 2010, the 2010 company bonus, paid in 2011, and the 2011 company bonus, paid in 2012, were taken from the so-called "stock of shares" approved by the afore-mentioned Shareholders' Meeting, in an ordinary session on 20 April 2013.

PART L – SEGMENT REPORTING

Disclosure on operating segments was prepared in compliance with IFRS 8, which requires the operating segments to be identified on the basis of the systems used by Top Management to make operating decisions. Therefore, the identification of the operating segments and the disclosure presented in this paragraph are based on the internal reporting used by the Top Management in order to allocate resources to the different segments and assess their performance.

Criteria for the identification and aggregation of the operating segments

As regards criteria for the identification and aggregation of the operating segments, refer to the section in the report on operations called “Results by business area”

Segment results – income statement figures

31 December 2015	TOTAL	Commercial Network	Invest. Bank, Priv. Bank., Asset Man.	Leasing	Corporate Centre and Other	PPA & FVO
Interest margin	1,545,386	1,379,676	186,036	39,980	(60,306)	
Dividends and results from investments in associates carried at equity	141,479	-	-	-	141,479	
Financial margin	**1,686,865**	**1,379,676**	**186,036**	**39,980**	**81,173**	**-**
Net fee and commission income	1,425,410	1,344,214	69,263	(510)	12,443	-
Other net operating income	109,644	52,628	459	15,037	65,351	(23,831)
Net financial result	441,081	12,361	90,075	10	338,635	-
Other operating income	**1,976,135**	**1,409,203**	**159,797**	**14,537**	**416,429**	**(23,831)**
Operating income	**3,663,000**	**2,788,879**	**345,833**	**54,517**	**497,602**	**(23,831)**
Personnel expenses	(1,433,610)	(1,025,049)	(62,726)	(11,988)	(333,847)	-
Other administrative expenses	(804,860)	(779,069)	(65,154)	(43,380)	82,743	-
Net value adjustments on property and equipment and intangible assets	(166,362)	(21,138)	(651)	(48,634)	(92,326)	(3,613)
Operating expenses	**(2,404,832)**	**(1,825,256)**	**(128,531)**	**(104,002)**	**(343,430)**	**(3,613)**
Income (loss) from operations	**1,258,168**	**963,623**	**217,302**	**(49,485)**	**154,172**	**(27,444)**
Net value adjustments on loans (customers)	(803,933)	(637,222)	(53)	(143,914)	(22,744)	-
Net value adjustments on other assets	(54,181)	-	(5,006)	-	(49,175)	-
Net provisions for risks and charges	(50,791)	-	2,630	(1,798)	(51,623)	-
Recoveries (Losses) on investments in associates and companies subject to joint control and goodwill	-	-	(37)	(92)	129	-
Profits (Losses) on disposal of investments in associates and companies subject to joint control and other investments	(4,400)	-	(1)	(5,188)	2,053	(1,264)
Income (loss) before tax from continuing operations	**344,863**	**326,401**	**214,835**	**(200,477)**	**32,812**	**(28,708)**
Taxes on income from continuing operations	70,518	(109,467)	(70,556)	54,159	183,104	13,278
Income (loss) after tax on non-current assets held for sale	(7,280)	-	-	-	(7,280)	-
Minority interests	18,684	-	-	19,030	(346)	
Income (loss) for the year without FVO	**426,785**	**216,934**	**144,279**	**(127,288)**	**208,290**	**(15,430)**
Change in the Bank’s creditworthiness (FVO)	4,912	-	-	-	-	4,912
Taxes on change in the Bank’s creditworthiness (FVO)	(1,624)	-	-	-	-	(1,624)
FVO Impact	**3,288**	**-**	**-**	**-**	**-**	**3,288**
Parent Company’s net income (loss)	**430,073**	**216,934**	**144,279**	**(127,288)**	**208,290**	**(12,142)**

31 December 2014 (*)	TOTAL	Commercial Network	Invest. Bank, Priv. Bank., Asset Man.	Leasing	Corporate Centre and Other	PPA & FVO
Interest margin	1,551,913	1,540,415	161,799	38,715	(186,122)	(2,894)
Dividends and results from investments in associates carried at equity	90,066	-	-	-	90,066	
Financial margin	**1,641,979**	**1,540,415**	**161,799**	**38,715**	**(96,056)**	**(2,894)**
Net fee and commission income	1,379,724	1,361,504	22,733	(851)	(3,662)	-
Other net operating income	138,816	99,141	(928)	22,334	48,025	(29,756)
Net financial result (without FVO)	216,058	5,922	115,817	7	94,312	-
Other operating income	**1,734,598**	**1,466,567**	**137,622**	**21,490**	**138,675**	**(29,756)**
Operating income	**3,376,577**	**3,006,982**	**299,421**	**60,205**	**42,619**	**(32,650)**
Personnel expenses	(1,428,364)	(1,047,667)	(49,133)	(12,607)	(318,957)	-
Other administrative expenses	(643,133)	(772,836)	(51,978)	(50,609)	232,290	-
Net value adjustments on property and equipment and intangible assets	(191,697)	(22,967)	(772)	(66,048)	(98,228)	(3,682)
Operating expenses	**(2,263,194)**	**(1,843,470)**	**(101,883)**	**(129,264)**	**(184,895)**	**(3,682)**
Income (loss) from operations	**1,113,383**	**1,163,512**	**197,538**	**(69,059)**	**(142,276)**	**(36,332)**
Net value adjustments on loans (customers)	(3,561,431)	(3,234,896)	52	(261,779)	(64,808)	-
Net value adjustments on other assets	(39,828)	-	(10,677)	-	(29,151)	-
Net provisions for risks and charges	(39,305)	-	(5,953)	(4,451)	(28,901)	-
Recoveries (Losses) on investments in associates and companies subject to joint control and goodwill	(239,000)	-	(665)	83	(199,418)	(39,000)
Profits (Losses) on disposal of investments in associates and companies subject to joint control and other investments	2,345	-	5	(1,280)	3,664	(44)
Income (loss) before tax from continuing operations	**(2,763,836)**	**(2,071,384)**	**180,300**	**(336,486)**	**(460,890)**	**(75,376)**
Taxes on income from continuing operations	803,075	627,741	(60,109)	114,269	96,494	24,680
Income (loss) after tax on non-current assets held for sale	2,144	-	-	-	2,144	-
Minority interests	38,714	-	-	39,044	(330)	-
Income (loss) for the year without FVO	**(1,919,903)**	**(1,443,643)**	**120,191**	**(183,173)**	**(362,582)**	**(50,696)**
Change in the Bank's creditworthiness (FVO)	(38,828)		-	-	-	(38,828)
Taxes on change in the Bank's creditworthiness (FVO)	12,840		-	-	-	12,840
FVO Impact	**(25,988)**	**-**	**-**	**-**	**-**	**(25,988)**
Parent Company's net income (loss)	**(1,945,891)**	**(1,443,643)**	**120,191**	**(183,173)**	**(362,582)**	**(76,684)**

(*) The figures have been reclassified to provide a like-for-like comparison.

Segment results – statement of financial position figures

31 December 2015	Commercial Network	Invest. Bank, Priv. Bank., Asset Man.	Leasing	Corporate Centre and Other	PPA	Total
Loans to customers	64,552,712	1,363,933	4,426,439	8,078,550	-	78,421,634

31 December 2014 (*)	Commercial Network	Invest. Bank, Priv. Bank., Asset Man.	Leasing	Corporate Centre and Other	PPA	Total
Loans to customers	64,357,921	1,561,799	5,048,732	8,855,151	-	79,823,603

(*) The figures have been reclassified to provide a like-for-like comparison.

31 December 2015	Commercial Network	Invest. Bank, Priv. Bank., Asset Man.	Leasing	Corporate Centre and Other	PPA	Total
Due to customers, debt securities issued and financial liabilities designated at fair value through profit and loss	62,659,338	1,005,458	26,954	18,449,694	-	82,141,444

31 December 2014 (*)	Commercial Network	Invest. Bank, Priv. Bank., Asset Man.	Leasing	Corporate Centre and Other	PPA	Total
Due to customers, debt securities issued and financial liabilities designated at fair value through profit and loss	63,926,405	897,717	21,352	21,674,445	(6,451)	86,513,468

(*) The figures have been reclassified to provide a like-for-like comparison.

31 December 2015	Commercial Network	Invest. Bank, Priv. Bank., Asset Man.	Leasing	Corporate Centre and Other	PPA	Total
Investments in associates and companies subject to joint control subject to significant influence	-	34,288	125,260	1,005,750	1,026	1,166,324

31 December 2014	Commercial Network	Invest. Bank, Priv. Bank., Asset Man.	Leasing	Corporate Centre and Other	PPA	Total
Investments in associates and companies subject to joint control subject to significant influence	-	35,884	124,709	899,793	1,026	1,061,412

Note that the majority of the assets and operating income were generated in Italy, confirming the deep-seated presence in the national territory, considered to be the Group's primary sphere of operations. The weight of activities and operating income earned abroad is significantly below the threshold of 5%.

ATTACHMENTS

Reconciliation between the items in the consolidated income statement and the reclassified consolidated income statement schedule for 2015

	Reclassified income statement items *(in thousands of euro)*	2015	Reclassifications	Reclassified schedule
10	Interest and similar income	2,778,692	(25,800) g)	
20	Interest and similar expense	(1,207,506)		
	Interest margin			*1,545,386*
	Profits (losses) on investments in associates and companies subject to joint control		141,479 a)	
	Profits (losses) on investments in associates and companies subject to joint control carried at equity			*141,479*
	Financial margin			**1,686,865**
40	Fee and commission income	1,498,466		
50	Fee and commission expense	(73,056)		
	Net fee and commission income			*1,425,410*
220	Other operating expenses / income	364,697	(255,053) b)	
	Other net operating income			*109,644*
	Interest and similar expense			
70	Dividends and similar income	31,201		
80	Profits (losses) on trading	75,479		
90	Fair value adjustments in hedge accounting	1,427		
100	Profits (losses) on disposal or repurchase	378,854	(37,647) c)	
	Net losses / recoveries on impairment			
110	Profits (losses) on financial assets and liabilities designated at fair value	(3,321)	(4,912) d)	
	Net financial result			*441,081*
	Other operating income			**1,976,135**
	Operating income			**3,663,000**
180 a)	*Personnel expenses*	(1,423,372)	(15,773) f) 5,535 b)	*(1,433,610)*
180 b)	*Other administrative expenses*	(1,030,119)	15,773 f) 209,486 b)	*(804,860)*
200	Net value adjustments to / recoveries on property and equipment	(116,006)		
210	Net value adjustments to / recoveries on intangible assets	(65,378)	15,022 b)	
	Net value adjustments on property and equipment and intangible assets			*(166,362)*
	Operating expenses			**(2,404,832)**
	Income (loss) from operations			**1,258,168**
130	Net losses / recoveries on impairment	(920,771)		
	Profits (losses) on disposal or repurchase		37,647 c)	
	Net adjustments on loans to customers		-	*(803,933)*
	Net adjustments on receivables due from banks and other assets		25,010 b)	*(54,181)*
190	*Net provisions for risks and charges*	(76,591)	25,800 g)	*(50,791)*
240	Profits (losses) on investments in associates and companies subject to joint control	141,341	(141,341) a)	
260	Value adjustments on goodwill	-	- b)	
270	Profits (losses) on disposal of investments	(4,262)	(138) a)	
	Profits (Losses) on disposal of investments in associates and companies subject to joint control and other investments			*(4,400)*
	Income (loss) before tax from continuing operations		**-**	**344,863**
290	Taxes on income from continuing operations	68,894	1,624 d)	
	Taxes on income from continuing operations			*70,518*
310	Income (loss) after tax from discontinued operations	(7,280)		
	Income (loss) after tax from discontinued operations			*(7,280)*
330	Income (loss) attributable to minority interests	18,684		
	Income (loss) attributable to minority interests			*18,684*
	FVO Impact		**3,288** d)	**3,288**
	Parent Company's net income (loss)	**430,073**	**-**	**430,073**

The letters shown beside the column "Reclassifications" have been included for the purpose of better understanding of the reclassifications carried out.
With reference to the reconciliation provided above, please note that:

- the item **"Profits (losses) on investments in associates and companies subject to joint control carried at equity"** shows the portion of the economic results pertaining to investee companies carried at equity (included in item 240) totalling euro 141.5 million, and together with the interest margin, the aggregate is defined as the **"Financial margin"**;

- the item **"Other net operating income"** is represented by the financial statement item "220 Other operating expense/income", with the recoveries on indirect taxes, legal fees and other expenses, totalling euro 209.5 million, separated out, which, for reclassification purposes are shown in the item "Other administrative expenses" and separated out from the recovery of training costs of euro 5.5 million classified in "Personnel expenses". The aggregate of "Other net operating income" does not include the amortisation charges on costs for improvements to third party assets of euro 8.8 million (recognised in the reclassified item "Net value adjustments on property and equipment and intangible assets") and does include value adjustments to intangible assets with a definite useful life (client relationship) of euro 23.8 million (taken from item 210 of the official schedule). In addition, note that the positive impact recorded under other income from the consolidated SPE "Tiepolo Finance II", following the maturity of the securitisation transaction (31 October 2015), was reclassified under "Adjustments on receivables due from banks and other assets", to offset the negative impact recorded by the Parent Company on rights related to the Mezzanine security of the cited transaction. The effect of the aforementioned reclassifications was euro -255 million;
- the item **"Personnel expenses"** is represented by the financial statement item "180 a) Personnel expenses" and by several charges functionally related to personnel, amounting to euro 15.8 million, recognised in the statement of financial position under item 180 b) "Other administrative expenses" and by the recovery of training costs of euro 5.5 million, recorded under item "220 Other operating expense/income", as described above;
- the income statement item **"Net financial result"** includes dividends on shares classified under financial assets available for sale and financial assets held for trading (item 70), the "Profits (losses) on trading" (item 80), the "Fair value adjustments in hedge accounting (item 90), and the "Profits (losses) on financial assets and liabilities designated at fair value through profit and loss" (item 110). It also includes "Profits (losses) on disposal or repurchase" (item 100), with the exception of the profit of euro 37.6 million relating to the disposal of loans not represented by debt securities, classified in the operational aggregate "Net value adjustments on loans to customers". The net financial result is also represented after the impact of the FVO, which as at 31 December 2015 amounted to euro 4.9 million;
- the item **"Other administrative expenses"** is represented by the financial statement item 180 b), net of recoveries on indirect taxes, legal fees and other expenses, totalling euro 209.5 million, included in the item "220 Other operating expense/income", as described above, and of several charges functionally related to personnel, amounting to euro 5.5 million, recognised in the reclassified item "Personnel expenses";
- the item **"Net value adjustments on property and equipment and intangible assets"** equals the statement of financial position items 200 and 210, gross of the portion of amortisation on costs for improvements to third party assets, for euro 8.8 million, recognised in the item "220 Other operating expense/income" and net of the adjustments to intangible assets with definite useful lives (client relationship), grouped in the reclassified aggregate "Other net operating income", for euro 23.8 million. The overall effect of the aforementioned adjustments on the aggregate was a positive figure of euro 15 million;
- total **"Net adjustments on loans to customers"** and **"Net adjustments on receivables due from banks and other assets"** starts from item 130 of the income statement "Net losses / recoveries on impairment". Specifically, "Net adjustments on loans to customers" include the value adjustments on exposures classified in the portfolio of loans to customers, on guarantees, commitments and credit derivatives (included in the aforementioned item 130), and includes the gain on disposal of loans, amounting to euro 37.6 million (included in item 100). The aggregate "Net adjustments on receivables due from banks and other assets" includes the net adjustments for impairment of exposures classified in the portfolio "due from banks", "financial assets available for sale" and other transactions (included in item 130);
- **"Net provisions for risks and charges"** correspond to item 190 of the official income statement, after the removal of several allocations, corresponding to euro 25.8 million, related to the "interest margin" insofar as they relate to disputes, which regard interest accrued during the year or in previous years;
- the item **"Recoveries (losses) on investments in associates and companies subject to joint control and goodwill"** corresponds to item 260 of the official income statement and to item 240 net of the portion of the income statement results pertaining to investee companies carried at equity (totalling euro 141.3 million), recorded under the reclassified item "Profits (losses) on investments in associates and companies subject to joint control carried at equity";
- **"Profits (losses) on disposal of investments in associates and companies subject to joint control and other investments"** correspond to item 270 of the official income statement and to the net income on the disposal of investments carried at equity (which represents one of which of item 240 of the official income statement);
- **"FVO impact"**, which is a positive euro 3.3 million, includes the effect of the change in the creditworthiness of liabilities issued by the bank, measured at fair value, recognised under income statement item "110 Net income (loss) of financial assets and liabilities designated at fair value through profit and loss", a positive amount of euro 4.9 million, net of the related taxation in the negative amount of euro 1.6 million, reclassified from the income statement item "290 Taxes on income for the period from continuing operations".

Reconciliation between the items in the consolidated statement of financial position and the reclassified consolidated statement of financial position as at 31 December 2015

	Asset items *(in thousands of euro)*	31/12/2015	31/12/2014
10	Cash and cash equivalents	587,383	619,529
	Cash and cash equivalents	**587,383**	**619,529**
20	Financial assets held for trading	6,327,387	7,077,986
30	Financial assets designated at fair value through profit and loss	18,600	5,653
40	Financial assets available for sale	12,910,696	13,518,168
50	Investments held to maturity	7,779,168	4,948,433
80	Hedging derivatives	495,161	640,359
	Financial assets and hedging derivatives	**27,531,012**	**26,190,599**
60	Due from banks	2,817,832	5,058,816
	Due from banks	**2,817,832**	**5,058,816**
70	Loans to customers	78,421,634	79,823,603
	Loans to customers	**78,421,634**	**79,823,603**
100	Investments in associates and companies subject to joint control	1,166,324	1,061,412
	Investments in associates and companies subject to joint control	**1,166,324**	**1,061,412**
120	Property and equipment	2,132,633	2,139,962
	Property and equipment	**2,132,633**	**2,139,962**
130	Intangible assets	2,042,120	2,049,912
	Intangible assets	**2,042,120**	**2,049,912**
150	Non-current assets held for sale and discontinued operations	109,983	94,308
	Non-current assets held for sale and discontinued operations	**109,983**	**94,308**
90	Fair value change of financial assets in macro fair value hedge portfolios	76,675	99,024
140	Tax assets	2,999,403	3,707,169
160	Other assets	2,624,596	2,237,352
	Other assets	**5,700,674**	**6,043,545**
	Total assets	**120,509,595**	**123,081,686**

	Liability and shareholders' equity items *(in thousands of euro)*	31/12/2015	31/12/2014
10	Due to banks	16,334,739	17,383,317
	Due to banks	**16,334,739**	**17,383,317**
20	Due to customers	53,470,382	54,778,714
30	Debt securities issued	16,568,441	16,709,575
50	Financial liabilities designated at fair value through profit and loss	12,102,621	15,025,179
	Due to customers, debt securities issued and financial liabilities designated at fair value through profit and loss	**82,141,444**	**86,513,468**
40	Financial liabilities held for trading	7,573,981	6,059,513
60	Hedging derivatives	990,562	590,722
	Financial liabilities and hedging derivatives	**8,564,543**	**6,650,235**
110	Employee termination indemnities	334,613	377,847
120	Provisions for risks and charges	998,464	903,612
	Liability provisions	**1,333,077**	**1,281,459**
90	Liabilities associated with non-current assets held for sale and discontinued operations	342,265	-
	Liabilities associated with non-current assets held for sale and discontinued operations	**342,265**	**-**
70	Fair value change of financial liabilities in macro fair value hedge portfolios	457	943
80	Tax liabilities	355,475	388,712
100	Other liabilities	2,890,861	2,787,203
	Other liabilities	**3,246,793**	**3,176,858**
210	Minority interests	53,169	12,130
	Minority interests	**53,169**	**12,130**
	Shareholders' equity		
140	Valuation reserves	177,264	184,628
170	Reserves	1,795,715	2,263,234
180	Share premium reserve	-	1,471,870
190	Share capital	6,092,996	6,092,996
200	Treasury shares (-)	(2,483)	(2,618)
	- Capital and reserves	**8,063,492**	**10,010,110**
220	Net income (loss)	430,073	(1,945,891)
	- Net income (loss)	**430,073**	**(1,945,891)**
	Total liabilities and shareholders' equity	**120,509,595**	**123,081,686**

Reconciliation between the consolidated income statement for 2014 and the same restated for comparative purposes

	Income statement items *(in thousands of euro)*	31/12/2014	IFRS 5 reclassifications	31/12/2014 restated
10	Interest and similar income	3,262,657	(3,008)	3,259,649
20	Interest and similar expense	(1,706,144)	(654)	(1,706,798)
30	**Interest margin**	**1,556,513**	**(3,662)**	**1,552,851**
40	Fee and commission income	1,481,223	(4,294)	1,476,929
50	Fee and commission expense	(95,776)	(1,429)	(97,205)
60	**Net fee and commission income**	**1,385,447**	**(5,723)**	**1,379,724**
70	Dividends and similar income	35,460		35,460
80	Profits (losses) on trading	138,334	(105)	138,229
90	Fair value adjustments in hedge accounting	(6,797)		(6,797)
100	Profits (losses) on disposal or repurchase of:	39,905	-	39,905
	a) loans	(10,923)		(10,923)
	b) financial assets available for sale	53,767		53,767
	d) financial liabilities	(2,939)		(2,939)
110	Profits (losses) on financial assets and liabilities designated at fair value through profit and loss	(45,725)	253	(45,472)
120	**Net interest and other banking income**	**3,103,137**	**(9,237)**	**3,093,900**
130	Net losses / recoveries on impairment of:	(3,586,292)	-	(3,586,292)
	a) loans	(3,475,759)	-	(3,475,759)
	b) financial assets available for sale	(17,593)		(17,593)
	d) other financial activities	(92,940)		(92,940)
140	**Net income from banking activities**	**(483,155)**	**(9,237)**	**(492,392)**
170	**Net income from banking and insurance activities**	**(483,155)**	**(9,237)**	**(492,392)**
180	Administrative expenses:	(2,280,193)	5,928	(2,274,265)
	a) personnel expenses	(1,422,627)	3,967	(1,418,660)
	b) other administrative expenses	(857,566)	1,961	(855,605)
190	Net provisions for risks and charges	(39,455)	150	(39,305)
200	Net value adjustments to / recoveries on property and equipment	(143,767)	183	(143,584)
210	Net value adjustments to / recoveries on intangible assets	(108,018)	23	(107,995)
220	Other operating income (expenses)	362,538	(72)	362,466
230	**Operating expenses**	**(2,208,895)**	**6,212**	**(2,202,683)**
240	Profits (losses) on investments in associates and companies subject to joint control	89,950		89,950
260	Value adjustments on goodwill	(200,000)		(200,000)
270	Profits (losses) on disposal of investments	2,461		2,461
280	**Income (loss) before tax from continuing operations**	**(2,799,639)**	**(3,025)**	**(2,802,664)**
290	Taxes on income from continuing operations	815,082	833	815,915
300	**Income (loss) after tax from continuing operations**	**(1,984,557)**	**(2,192)**	**(1,986,749)**
310	Income (loss) after tax from discontinued operations	(48)	2,192	2,144
320	**Net income (loss)**	**(1,984,605)**	**-**	**(1,984,605)**
330	Income (loss) attributable to minority interests	38,714		38,714
340	**Parent Company's net income (loss)**	**(1,945,891)**	**-**	**(1,945,891)**

Reconciliation between the consolidated reclassified income statement for 2014 and the same restated for comparative purposes

Reclassified income statement items *(in thousands of euro)*	31/12/2014	IFRS 5 reclassifications	31/12/2014 restated
Interest margin	1,555,575	(3,662)	1,551,913
Profits (losses) on investments in associates and companies subject to joint control carried at equity	90,066	-	90,066
Financial margin	**1,645,641**	**(3,662)**	**1,641,979**
Net fee and commission income	1,385,447	(5,723)	1,379,724
Other net operating income	138,888	(72)	138,816
Net financial result (without FVO)	215,910	148	216,058
Other operating income	**1,740,245**	**(5,647)**	**1,734,598**
Operating income	**3,385,886**	**(9,309)**	**3,376,577**
Personnel expenses	(1,432,331)	3,967	(1,428,364)
Other administrative expenses	(645,094)	1,961	(643,133)
Net value adjustments on property and equipment and intangible assets	(191,903)	206	(191,697)
Operating expenses	**(2,269,328)**	**6,134**	**(2,263,194)**
Income (loss) from operations	**1,116,558**	**(3,175)**	**1,113,383**
Net adjustments on loans to customers	(3,561,431)	-	(3,561,431)
Net adjustments on receivables due from banks and other assets	(39,828)	-	(39,828)
Net provisions for risks and charges	(39,455)	150	(39,305)
Recoveries (Losses) on investments in associates and companies subject to joint control, goodwill and other intangible assets	(239,000)	-	(239,000)
Profits (Losses) on disposal of investments in associates and companies subject to joint control and other investments	2,345	-	2,345
Income (loss) before tax from continuing operations	**(2,760,811)**	**(3,025)**	**(2,763,836)**
Taxes on income from continuing operations	802,242	833	803,075
Income (loss) after tax from discontinued operations	(48)	2,192	2,144
Income (loss) attributable to minority interests	38,714	-	38,714
Net income (loss) without FVO	**(1,919,903)**	**-**	**(1,919,903)**
FVO Impact	**(25,988)**	**-**	**(25,988)**
Parent Company’s net income (loss)	**(1,945,891)**	**-**	**(1,945,891)**

Country by Country reporting

The Country by country reporting, introduced with art. 89 of Directive 2013/36/EU (“CRD IV”), assimilated into Italian law with the 4th update of the Bank of Italy circular no. 285 of 17 December 2013 (Part One, Heading III, chapter 2), envisages an annual obligation to provide information with reference to letters a), b), c), d), e) and f) of art. 89 of the CRD IV.

To this end, the information required is reported, broken down by each letter.

A) Name of companies established and nature of activities

The activities performed by the Banco Popolare Group are illustrated in the table below, which refers to that indicated in art. 317 of EU Regulation no. 575/2013 of the European Parliament and Council (CRR), supplemented with further specific activities.
These activities are grouped according to prevalence criteria, with the “business segments” which, in brief, refer to the internal operating structure of the Group and are referred to in the Report on Operations (paragraph “Results by business segment” and also in “Part L - Segment reporting” of the Notes to the Consolidated Financial Statements as at 31 December 2015.

Taken from CRR: par 4, art. 317, Table 2		Banco Popolare Group business segments			
Business line	List of activities	Commercial and distribution (Branch Networks)	Invest. Bank, Priv. Bank., Asset Man.	Leasing	Corporate Centre and Other
Financial business services (corporate finance)	Underwriting commitment for financial instruments or placement of financial instruments based on an irrevocable commitment	✔	✔		
	Services related to the underwriting commitment	✔	✔		
	Advice on investments	✔	✔		
	Research on investments and financial analysis and other forms of general advice regarding transactions in financial instruments	✔	✔		
Trading and sales	Trading on own behalf		✔		✔
	Receiving and sending orders regarding one or more financial instruments		✔		
	Order execution on behalf of customers		✔		
	Placement of financial instruments without an irrevocable commitment		✔		
	Management of multilateral trading systems		--		
Retail brokerage (Activities with natural persons or with SMEs that meet the criteria set forth in article 123 for the class of retail exposure)	Receiving and sending orders regarding one or more financial instruments	✔	✔		
	Order execution on behalf of customers	✔	✔		
	Placement of financial instruments without an irrevocable commitment	✔	✔		
Commercial banking services	Collection of deposits or other redeemable funds	✔			✔
	Securities lending transactions	✔			✔
	Financial leases	✔		✔	
	Issue of guarantees and unsecured guarantees	✔			✔
Retail banking (Activities with natural persons or with SMEs that meet the criteria set forth in article 123 for the class of retail exposure)	Collection of deposits or other redeemable funds	✔			
	Securities lending transactions	✔			
	Financial leases	✔		✔	
	Issue of guarantees and unsecured guarantees	✔			
Payments and settlements	Payment services	✔			
	Issue and management of payment instruments	✔			
Agency services	Custody and administration of financial instruments on behalf of customers, including custody and related services such as the management of cash/real guarantees		✔		✔
Asset management	Portfolio management		✔		
	Management of UCITS		✔		
	Other forms of portfolio management		✔		
Other support services and activities	Management of treasury and funding on own account				✔
	Portfolio management for investments in associates and companies subject to joint control				✔
	Management of IT activities				✔
	Management and maintenance of real estate assets				✔

With regard to the main content, the business segment:

- **"Commercial and Distribution"**, includes the management and sale of banking and financial products and services and loan brokerage activities addressed to both retail (private individuals and small businesses) and corporate customers. These activities are mostly conducted by the Parent Company Network Divisions;
- **"Investment Banking, Private Banking, Asset management"**, includes the structuring of financial products, access to regulated markets, the support and development of specialist financial services for private customers (e.g. individual portfolios) and the promotion and management of funds and SICAV. These activities are conducted by specialist Group companies, such as Aletti & C. Banca d'Investimento Mobiliare, Aletti Fiduciaria and Aletti Gestielle SGR;
- **"Leasing"**, includes the management and administration of financial lease agreements set in place by the former Banca Italease Group; more specifically, it includes activities relating to the agreements of the former Banca Italease S.p.A., which was incorporated into the Parent Company Banco Popolare S.c.a.r.l. in March 2015, and to Release S.p.A. and Italease Gestione Beni S.p.A.;
- **"Corporate Centre and Other"**, includes activities relating to the operational sphere, the governance processes of the various Group entities and business support. These activities are mostly conducted by the central structures of the Parent Company, by Società Gestione Servizi BP and by the Group's real estate companies.

To a marginal extent with respect to the Group's total volumes, certain retail activities included in the above classifications are also conducted by foreign subsidiaries: Banco Popolare Luxembourg SA (deposit collection and asset management, custodian bank services and specific services for institutional customers), Banca Aletti & C. (Suisse) SA (specialist financial services for private customers) and the London Branch of Banco Popolare (loans and services for Banco Popolare's companies). With reference to 31 December 2015, the weight of foreign activities was less than 5%, both in terms of total consolidated assets, and total consolidated income.

B) Turnover

The turnover refers to Net interest and other banking income, set forth in item 120 of the consolidated income statement, which as at 31 December 2015 amounted to euro 3,480.2 million (euro 3,093.9 million as at 31 December 2014 adjusted for comparative purposes). See in this regard the Consolidated Income Statement for 2015.

C) Number of employees on a full time equivalent basis

In terms of full time equivalent employees, the figure as at 31 December 2015 was 16,731 (17,147 as at 31 December 2014 adjusted for comparative purposes), also including CoCoPro contracts and Placements.

D) Profit or loss before tax

The Group's profit before tax corresponds to the sum of items 280 and 310 of the consolidated income statement, which is euro 342.5 million (euro -2,800.5 million as at 31 December 2014 adjusted for comparative purposes). See in this regard the Consolidated Income Statement for 2015.

E) Tax on profit or loss

The tax on the Group's profit for 2015 corresponds to the amount shown in item 290 of the consolidated income statement, which is a positive figure of euro 68.9 million (as at 31 December 2014, the figure was a positive euro 815.9 million). See in this regard the Consolidated Income Statement for 2015.

F) Public subsidies received

In 2015, the Banco Popolare Group received public subsidies for personnel training courses totalling euro 5,044.6 thousand.

In this regard, note that, as regards the subsidies in question, in compliance with the provisions envisaged for the preparation of this report, the operations undertaken with the central banks for the purpose of financial stability or operations whose objective is to facilitate the transmission mechanism of monetary policy are excluded.

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