shareholders' meeting

Modena, 17 April / 18 April 2015

AGENDA

Ordinary part:

1) presentation of the draft financial statements for 2014 and related reports; presentation of the consolidated financial statements; related resolutions;
2) appointment of seven Directors for the three-year period 2015-2017;
3) appointment of the Board of Statutory Auditors for the three-year period 2015-2017;
4) appointment of the Board of Arbiters for the three-year period 2015-2017;
5) appointment of a Director for the rest of the three-year period 2014-2016 to replace a Director who died in office;
6) proposal of the Directors' remuneration for 2015; related resolutions;
7) proposal of remuneration of the Board of Statutory Auditors for the three-year period 2015-2017; related resolutions;
8) presentation of the Remuneration Report pursuant to art. 123-*ter* of Legislative Decree 58 dated 24 February 1998, comprising the remuneration policies for 2015 of Banca popolare dell'Emilia Romagna Group and annual disclosure regarding implementation of remuneration policies for 2014; related resolutions;
9) proposal of the remuneration plan pursuant to art. 114-*bis* of Legislative Decree 58 dated 24 February 1998, implementing the remuneration policies for 2015 of Banca popolare dell'Emilia Romagna Group; related resolutions.

Extraordinary part:

1) proposal to amend articles 6, 24, 30, 32, 34, 37, 40, 41, 44, 45, 48 and 49 of the articles of association, and to repeal the present transitional implementation rules, replacing it with a new article 57; related resolutions.

banking group

GRUPPO BPER

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Banca popolare dell'Emilia Romagna

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parent company

Banca popolare dell’Emilia Romagna
Cooperative Bank with head office in Modena
Via San Carlo, 8/20
Tel. 0039059/2021111 –Fax 0039059/2022033 – Telex 510031/511204 emipop
Bank Registration no. 4932 – ABI code 5387-6
Parent Company of Banca popolare dell’Emilia Romagna Banking Group
Registered in the register of Banking Group with code 5387.6, since 7 August 1992
http://www.bper.it – E-mail: bper@pec.gruppobper.it.
Tax code, VAT number and Business Register no. 01153230360
Modena Chamber of Commerce no. 222528 Share capital as at 31/12/2014 € 1,443,925,305.00
Member of the Interbank Deposit Guarantee Fund
Ordinary shares listed on the MTA market

Directors and officers of the Parent Company at the date of approval of the financial statements

Board of Directors

Chairman:		Ettore Caselli
Deputy chairmen:	*	Alberto Marri
	*	Giosuè Boldrini
	*	Luigi Odorici
Chief Executive Officer:	*	Alessandro Vandelli
Directors:		Antonio Angelo Arru
		Mara Bernardini
		Giulio Cicognani
		Cristina Crotti
	*	Pietro Ferrari
		Elisabetta Gualandri
		Giovampaolo Lucifero
		Giuseppe Lusignani
		Valeriana Maria Masperi
		Giuseppina Mengano
		Daniela Petitto
	*	Deanna Rossi
		Angelo Tantazzi

* Members of the Executive Committee

Fioravante Montanari, a member of the Board of Directors of BPER and well-known businessman from Bologna, died on 29 September 2014. In expressing sincere condolences for his untimely death, the Board of Directors remember the professionalism, valuable contribution and support that he gave the Bank over the years.

Board of Statutory Auditors

Chairman:	Romano Conti
Acting Auditors:	Carlo Baldi
	Guglielmo Cacchioli
	Fabrizio Corradini
	Pier Paolo Ferrari
Substitute Auditors:	Luigi Fontana
	Luigi Attilio Mazzocchi

Board of Arbiters

Chairman:	Miranda Corradi
Members:	Federico Ferrari Amorotti Roberto Bernardi Vittorio Rossi Massimo Turchi
Substitute members:	Pier Luigi Cerutti Philip Bergamini

General Management

General Manager:	Fabrizio Togni
Deputy General Managers:	Eugenio Garavini Pierpio Cerfogli Gian Enrico Venturini

Manager responsible for preparing the company's financial reports

Manager responsible for preparing the company's financial reports:	Emilio Annovi

Independent Auditors

PricewaterhouseCoopers s.p.a.

Shareholders,
the recession that in recent years has caused a deterioration in companies' profitability did not come to an end in 2014. The only support there has been for the economy has come from export-oriented sectors, while domestic demand has remained weak, except for some positive signs on the part of residential mortgage loans; the prospects of a slow but gradual recovery in economic activity, which seemed to be on the cards in the early months of the year, have not matched expectations.

The economic situation is still difficult and conditioned by significant uncertainties, weak demand for productive investment continues to limit the possibility of a recovery in lending and despite a positive liquidity situation, the banking system's revenues are under strong pressure. In addition, credit quality continues to influence the banking system's earnings prospects, albeit to a lesser extent than in the recent past.

Despite these issues, the latter part of the year saw signs of progress on the political-institutional front and important structural innovations in the Euro-zone, which directly affected our country. We refer, in particular, to the transfer of the main Italian banks, including BPER, under the direct supervision of the European Central Bank, a historical transition that has been operational since 4 November 2014 after completion of the Comprehensive Assessment, and the important monetary policy decisions adopted by the ECB to inject liquidity into the system, staving off the impending risk of deflation. This progress projects onto the immediate future the hope of seeing these signs of improvement get stronger, though there are still many unknowns.

Our Bank is therefore included among the more relevant credit institutions for which the European Central Bank is now directly responsible as the Supervisory Authority. It is an important step towards greater harmonisation at European level, while at the same time recognising the importance that our Bank has assumed, also in continental terms, thanks to our implementation of a strong strategic growth plan. This transfer under the direct supervision of the European Central Bank was preceded by a detailed and complex process of analysis, which lasted about twelve months, carried out by the ECB in cooperation with the National Competent Authorities of the Member States participating in the Single Supervisory Mechanism. This process, known as the Comprehensive Assessment, was based on two pillars: a review of the quality of the assets in the financial statements and stress tests to check banks' resilience in differing macroeconomic scenarios, also of particular severity.

We are pleased to say that the results of this thorough assessment, released on 26 October, were very satisfactory, reflecting BPER's high level of capital strength. The gratifying result shows that BPER is still managing to address this complex historical phase with an increasing sense of responsibility, conscious of the role that it has to play in providing financial support for the economic development of the areas that it serves. The Bank's cooperative spirit means that our first objective is the quality of customer service, along with efficient business management.

Our staff deserve a mention as they, at all levels, have worked with great intensity and team spirit to make the Bank increasingly efficient and modern, simplifying the Group structure and making the most of all possible cost and revenue synergies.

Having successfully concluded the merger of the three central Italian banks with the parent company in 2013, a equally important effort was made in 2014 to implement a major project of internal reorganisation. Once again, everything went according to schedule, with the absorption on 24 November 2014 of three subsidiary banks - Banca Popolare del Mezzogiorno s.p.a., Banca della Campania s.p.a. and Banca Popolare di Ravenna s.p.a. - which coincided with the launch of BPER's new distribution model on the Italian mainland, based on nine Territorial Divisions, in turn split into thirty Territorial Areas, for a total of around 800 branches.

The BPER Group's main objectives are to maintain an adequate level of financial solidity, to strengthen traditional banking profitability and to hold down operating costs. It is not unreasonable to state, once again, that the resources and efforts that we have made to give us a Bank that confirms its status as one of the best and most important cooperatives in the country, have created a solid foundation that will help guide our organisation out of this difficult economic situation and to seize the opportunities of recovery that are slowly beginning to take shape.
Our Bank is very solid in terms of capital, it tends to be much admired in any comparison with other banks of a similar size and continues to improve in efficiency. Indeed, this will receive a further boost from the new three-year Business Plan for 2015-2017, which all of the Bank's structures have helped share and develop. So there are good prospects that BPER will be able to carry on growing in the future, with great satisfaction.

DIRECTORS' REPORT ON GROUP OPERATIONS

Banca popolare dell'Emilia Romagna Banking Group

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1. THE MACROECONOMIC CONTEXT

1.1 Background

The expansion of the world economy in 2014 was far from linear, starting with a modest first quarter, an acceleration during the summer, followed by another sluggish period towards the end of the year. Any recovery took place unevenly, with considerable differences between the various areas: emerging economies experienced a slowdown (compared with 2013), whereas industrialised nations saw a reduction in the gap between them and developing countries, thanks to the driving force of the USA. The key to the destiny of financial markets and their respective economies was again held by the Central Banks. Differing states of health among the various areas meant that some countries, the USA above all, began "tapering" their exceptional measures of ultra-loose monetary policy; other countries, mainly Japan and the Eurozone, had to continue down the road of unconventional monetary measures, strengthening them and combining them with reforms, which to tell the truth have not yet been particularly incisive, to get themselves out of the trap of debt and deflation.

In 2014, worldwide GDP rose by 3.3% y/y (IMF projections of January 2015), in line with 2013. Speaking of the main areas, the logical place to start is the USA. After a disappointing first quarter (real quarterly GDP down 2.1% on an annual basis), mainly due to particularly adverse weather conditions - a very severe winter - which blocked consumption and investment, the American economy has seen a steady acceleration with GDP growing at more than 4%. Improvements in the labour market, in terms of both falling unemployment and a steady improvement in the quality of the figures, the rise in the indicators of confidence of firms and households that have boosted consumption and investment, as well as a real estate market in reasonably good health, allowed the US economy to reach growth levels in the third quarter that had not been seen since September 2003, despite the weakness of foreign demand and the strength of the dollar, which put a brake on exports. Still low inflation has also allowed the Federal Reserve (America's Central Bank) to maintain a supportive monetary policy.

But if the US economy is smiling, the same cannot be said of Japan. Abenomics, the programme launched by Prime Minister Abe to support the economy and get it out of the doldrums of deflation, does not seem to have given the expected results so far. Too few structural reforms implemented, too little corporate investment and disappointing wage trends. The increase in VAT from 5% to 8% in April 2014 also helped scuttle consumer spending. The result was a GDP that fell by 6.7% in the second quarter of 2014 and 1.9% in the third (annualised quarterly figures). The Japanese government and the Central Bank took corrective action by launching new plans of fiscal and monetary stimulus but, beyond the palpable results in financial markets (a rise in the equity index and a decline in the yen), the uncertainty on the economic front is likely to remain.

There has been no lack of volatility in emerging nations. Above all, there have been considerable differences in growth between the various geographical areas following the sharp fall in the price of commodities (especially oil). The first to be obviously in difficulty is Russia (also because of the geopolitical tensions with Ukraine, which triggered off bilateral sanctions). It saw 2014 close with real GDP practically unchanged, but 2015 is expected to see a drop in GDP. The decline in commodities, and in crude oil above all, has also weighed on a number of South American countries (Venezuela, Colombia and Brazil), as well as on certain African countries (especially

Nigeria). China is still involved in a major long-term process of "restructuring the engines of growth" (i.e. switching from public investment and exports to domestic consumption), which needs to be rebalanced to make it more sustainable. This is reflected in a decline in the growth rate, which fell to 7.3% in the third quarter of 2014, a figure that any industrialised nation would envy, but for China, the lowest since September 2001.

As regards the Eurozone, the macroeconomic environment has seen a moderate rise in GDP (estimates for 2014 speak of +0.8%) after the slump of the last two years, which came about in a context of weak domestic demand, high unemployment, plant underutilisation and a steady decline in current inflation and future expectations. The CPI index in December even went below zero, recording a -0.2% y/y, heralding the Continent's entry into a state of deflation, as feared. Even though the ECB intervened on several occasions to stimulate demand on the part of companies and households, as well as lending to industrial concerns through more or less conventional monetary stimulus (reduction in the official "refi" refinancing rate, in the rate on deposits and marginal refinancing transactions, purchases of asset backed securities and covered bonds, and T-LTRO auctions), the economy is still struggling to recover. Lending, especially in the peripheral countries, is also struggling to recover and transmission mechanisms of monetary policy are poorly oiled. Some help is coming from America's strength, the interventionism of the ECB and the weakness of the Euro which in addition to stimulating exports by making them more competitive, also helps offset the deflationary effects of the collapse of crude oil prices through higher imported inflation. The hope is that these factors will act as a spark to ignite the Eurozone's engine.

Pending the official GDP data due in the early months of 2015, which ought to show an improvement, Italy has experienced 14 quarters of decidedly disappointing quarterly changes in GDP (only one with a positive sign). Recession erodes household consumption and corporate investment. Unemployment in November reached an all-time high (13.3%) even if the following month saw an improvement (12.7%), the real estate sector and the CPI (trend change) fell various times below zero, painting a deflationary picture (the average interest rate in 2014 came to +0.2%, which is the lowest level since 1959 according to *Il Sole 24 Ore*). The reforms that have been carried out have started to produce a small structural improvement, but they have not yet been able to reverse the cyclical trend, while public debt, which is still far too high, continues to dampen the growth prospects of the economy. Only at the end of 2014 did a ray of light appear, also thanks to the external factors listed above (devaluation of the Euro, the fall in crude oil prices and the ECB's ultra-expansionary policy) which leaves room for hope that in 2015 there will be an upward revision of the growth estimates made recently by the IMF (+0.4%).

(%)

	GDP			Inflation (annual average)			Unemployment (annual average)		
	2013	2014e	2015f	2013	2014e	2015f	2013	2014e	2015f
U.S.A.	2.2	2.4	3.6	1.5	1.6	1.1	7.4	6.2	5.3
Japan	1.6	0.1	0.6	0.3	2.7	1.2	4.0	3.3	34.2
European Monetary Union	(0.5)	0.8	1.2	1.3	0.4	(0.1)	11.9	11.6	11.2
Italy	(1.9)	(0.4)	0.4	1.2	0.2	(0.2)	12.2	12.8	12.8
Germany	0.2	1.5	1.3	1.6	0.8	0.3	5.2	5.0	5.0
France	0.3	0.4	0.9	1.0	0.6	(0.1)	10.3	10.2	10.1
Spain	(1.2)	1.4	2.0	1.5	(0.2)	(0.6)	27.0	24.7	22.9
UK	1.7	2.6	2.7	2.6	1.5	0.9	7.6	6.2	5.7
China	7.8	7.4	6.8	0.6	2.2	0.8	n.d.	n.d.	n.d.
India	5.0	5.8	6.3	6.5	8.0	6.9	n.d.	n.d.	n.d.

Key

e: estimate
f: forecast

Source: IMF for GDP figures, Prometeia for estimates and forecasts on inflation and unemployment.

1.2 Public-sector finance

The evolution of the trend in public finances included in the Document of Economics and Finance (DEF) of 30 September 2014 reflects the impact deriving from this update of the macroeconomic framework, taking into account the effects of the measures introduced by the Government after the 2014 DEF and considering the results of the monitoring of the public finances.
Note also how the transition to a new approach by the European System of Accounts (ESA 2010) represents another innovation with respect to the April DEF as the new system has revised the accounting policies for certain streams of revenue and expenditure in the accounts of public administrations and for GDP estimates, entailing major revisions of the final data of past years and a carry-over effect on the forecasts for future years.

Given the above, and based on what one can read in the note updating the DEF issued in September 2014, the government puts the deficit for 2014 at 3% of GDP, slightly worse than in 2013 (2.8%), with a primary surplus of 1.7% compared with 2% in 2013. In 2015, the headline deficit is expected to come in at 2.2% of GDP and then decrease gradually over the next three years.

In 2014 the stock of public debt is expected to be approximately 131.6% of GDP, which is significantly lower than estimated in the April DEF (134.9%), largely due to the revision of the GDP statistics for 2009-2013 by ISTAT following the adoption of ESA 2010. In fact, according to it, already in 2013, this ratio went from a final level of 132.6%, as reported in the DEF, to 127.9%, benefiting from a reduction almost entirely due to the revision of nominal GDP for that year.

Public-sector finance balance (% of GDP)	2013	2014e	2015f
Net borrowing	(2.8)	(3.0)	(2.9)
Borrowing	127.9	131.6	133.4

Key

e: estimate
f: forecast

Subsequently, on 28 October 2014, the Council of Ministers approved the adjustment to the DEF in 2014. This document was necessary in view of the observations made by the European Commission. Given the additional measures that the Italian government intends to take to strengthen the fiscal effort, the improvement in the deficit expected in 2015, compared with the above, comes to about 4.5 billion euro; this results in a nominal deficit of 2.6% of GDP and an improvement in structural net borrowing (again in 2015) slightly higher than 0.3 percentage points of GDP. Consistent with this, in 2015 the aim of the cash balance shown in the Update to the DEF 2014 and, consequently, the public debt, have been revised. Further details will be released with an amendment to the Budget (or "Stability Law") for 2015-2017.
The macroeconomic effects expected from the additional measures are not expected to alter substantially the forecasts presented in the Update to the DEF.

Source: "Update of the Document of Economics and Finance 2014" presented by Matteo Renzi, President of the Council of Ministers, and by Pier Carlo Padoan, Minister of Economy and Finance, on 30 September 2014.

1.3 The financial market and interest rates

The upward trend of international financial markets continued in 2014, albeit interspersed with periods of extreme volatility, in a macroeconomic environment made of low and uneven growth, and monetary policies which, although less and less convergent as the months went by, have been - at least in the major advanced economies - absolutely accommodating. And it has been precisely this huge monetary stimulus that has fed investors' risk appetite and encouraged the search for higher-yielding assets; The main stock markets have experienced more or less generalised increases, while yields on government bonds, having reached exceptionally low levels, have also pushed up the valuations of riskier assets such as emerging government bonds and corporate bonds. Essentially two major trends characterised the past year on financial markets:

- the strength of the US dollar, which has appreciated against all other major currencies;
- the collapse in the price of oil.

Of the **stock markets** that performed the best, in developed countries, it was the American index (S&P500 +11.39%): in the USA, the economy had a disappointing first quarter due to adverse weather conditions, but then showed strong signs of recovery, so much so that in late October the Fed terminated its third programme of Quantitative Easing, a manoeuvre that since September 2012 has greatly expanded the US Central Bank's balance sheet, bringing it to 4,500 billion dollars. Elsewhere, and with particular reference to **Japan and the Eurozone**, the recovery prospects for growth and inflation have turned a good deal more gloomy. Japan is back in recession yet again, whereas in December the Eurozone found itself face to face with the dreaded deflation, such that additional monetary policy stimulus was applied by the Japanese Central

Bank and, to a lesser extent, the ECB, especially during the last few months of 2014. While we wait to see if all these expansionary moves actually manage to trigger off growth and inflation, there have in any case been partial benefits for the markets: the Japanese equity index ended the year with a rise of more than 8%, whereas investors have proven decidedly cooler towards Europe (the Euro Stoxx 50 index posted a modest +1.20%, while the Italian FTSE MIB index ended the year with a mere +0.23%), because there were too many hesitations and political divisions within the ECB's board. Still on the subject of equity performances, it is worth mentioning the exploits of two major emerging nations, **China and India**, which saw their indices rise by 52.87% and 29.89% respectively.

On the subject of **bond markets**, yields on government bonds reached all-time lows in many Eurozone economies, even in those considered more fragile because of their not particularly brilliant public accounts. The abundant liquidity (certain or even just promised, but still discounted by the markets) and the frantic search for yield made investors forget about any kind of credit risk (country risk), and not even the re-emergence of the "Grexit spectre" at the end of the year managed to dent this trend. So if the German 10-year government bond rate closed the year at 0.54% gross, the Italian equivalent (10-year BTP) achieved a remarkably low yield of 1.89% (having been 4.12% at the beginning of 2014). Government bond yields have even fallen on the other side of the Atlantic, contrary to the forecasts of many leading analysts: even if it has not returned to its all-time low, US 10-year Treasuries closed 2014 at 2% gross, they also benefiting from the Fed's ultra-accommodative stance on monetary policy and the absence of any real inflationary pressure. Despite a reversal in the latter part of the year, even the riskier types of bonds (both investment grade and high yield corporate bonds, as well as emerging market bonds) ended 2014 with a gain, albeit very subdued compared with the initial part of the year when they looked far more promising. Lastly, with regard to interbank market rates, the past year has seen them remain at extremely low levels: the ECB's conventional expansionary monetary policy moves (especially the rate cut in September) made Euribor rates plunge, closing the year at all-time lows (0.078% for the 3-month Euribor and 0.171% for the 6-month rate).

The different approaches being taken by the world's major central banks - those already in place, but above all those expected in the future - have resulted in **drastic movements in exchange rates**. The US dollar, in particular, has appreciated against most other currencies, but of all the currencies of advanced economies, the one that has been affected the most is undoubtedly the Japanese yen. Even the main developing countries have seen their national currencies depreciate against the dollar, and in some cases international factors have interacted with specific vulnerabilities in individual companies. The depreciation of the Brazilian real, for example, took place in a context of uncertainty because of the presidential elections and the weakness of the general economic outlook, while the economic sanctions against Russia and escalation of the conflict in Ukraine (the most worrying source of geopolitical tension during 2014) have made the rouble fall by more than 80% against the dollar. And Russia, as a major energy exporter, is one (if not the main one) directly affected by the other major market movement that characterised the past year, as we mentioned at the beginning: the **collapse in oil prices.** In fact, during the course of 2014, and particularly in the second half of the year, America's WTI crude practically halved in value, losing almost 46%, reaching the price of 53 dollars per barrel, unthinkable only a few months earlier. The main reason behind this collapse is undoubtedly to be found in the trend of supply and demand: demand is stagnant and is unlikely to recover strongly in the short term. Supply, on the other hand, has been rising steadily, as demonstrated by the fact that several oil-producing countries increased their output considerably during 2014; of these, the most important is undoubtedly the United States which, thanks to the phenomenal growth in shale oil, has become one of the largest producers of "black gold" in the world. OPEC countries (led by Saudi

Arabia) could have put a brake on this decline in oil prices, but only if they had decided to cut production, as they have done on other occasions in the past, but it did not happen (and underlying geopolitical reasons cannot be excluded).

1.4 The banking system and domestic interest rates

In 2014, the **domestic banking system** had to face a year that not only featured a weak and uncertain phase in the economy, but also required implementation of the first pillar of the Banking Union: **Supervision solely by the ECB**. In fact, the Single Supervisory Mechanism (SSM) was introduced in November 2014, by which the Frankfurt-based institute officially took over the task of being the sole supervisor of the Eurozone's banking system with fifteen Italian banks initially involved. In anticipation of this, the ECB carried out a **Comprehensive Assessment** which included above all an Asset Quality Review of banks' balance sheets; and not surprisingly, various Italian banks preferred to come to this appointment after having strengthened their capital ratios, mainly thanks to increases in capital. The results of this Comprehensive Assessment by the ECB, which were published at the end of October, showed that the Italian banks generally had a weaker capital position than those of other European countries; at the end of 2013, the overall capital shortfall amounted to Euro 9.7 billion; indeed, nine of the fifteen Italian banks would not have passed the exam in 2014 if they had not carried out capital increases (thanks to which the shortfall in the end only involved two banks). What contributed significantly to this capital deficiency on the part of the Italian banks was a combination of the hefty write-down of assets imposed after the Asset Quality Review (easily the heftiest of all the banking systems subjected to Comprehensive Assessment), and a level of capitalisation at the end of 2013 that on average was one of the lowest of all the banks included in the sample.

All these uncertainties related to the review and monitoring of the system by supranational institutions, combined with a macroeconomic context, especially in the Eurozone, that has disappointed any expectation of recovery, have led to investors moving out of financial sector shares throughout Europe (the sector index fell by 4.89% in 2014), but they have not affected the Italian banking sector that much: indeed, on the Milan Stock Exchange, the benchmark index for the banking sector gained 6.80%.

In the first nine months of 2014, the results of the main Italian banking groups showed signs of improvement in their income statements, though not all were confirmed in the final figures for the entire year: the main impact will probably come from provisioning policies on the loan portfolio, as the ECB has requested (in terms of credit assessment) the adoption of prudential criteria and invited banks quite explicitly to recognise as much as possible of these adjustments in the 2014 results.

Analysing the various aspects of banking in greater detail, the statistics tell us that in 2014 there continued to be a gradual improvement in the **trend of loans to the private sector**, though it is still contracting; weak lending continues to be evident especially in Italy, but at least the gap versus the Eurozone average has narrowed. As regards our country, the decline in lending is particularly pronounced for the business sector (-2.6%), while loans to households saw the pace of contraction stabilise (-0.5%).

On the demand side, 2014 showed signed of an improvement in corporate borrowing after several poor years, but this was limited to larger companies with long-term loans, whereas the indicators of demand from SMEs are still negative. Households have also increased their demand for loans, both for home purchase and, albeit to a lesser extent, for consumer credit and other types of loans.

On the **supply** side, the banking system has seen more accommodating criteria, especially in the last quarter of 2014. This is thanks, in particular, to a better liquidity position (supported by unconventional measures of monetary policy), increased competition and a more favourable outlook for certain sectors of the economy. All of this reflected significantly on the average interest rate on loans (through a reduction in the margin charged by banks), which gradually fell during the year. The rate applied to new loans for businesses fell significantly, especially for loans above Euro 1 million, although 2014 still saw a narrowing of the spread versus interest rates on smaller loans. More favourable conditions were also recorded in terms of both the amount and duration of the loans granted. The conditions offered to households also improved, particularly on loans for the purchase of property, while the consumer credit segment remained stable. This was reflected in a reduction in pricing also for households.

The negative trend in the quality of the loan portfolio remains, however, with the ratio of non-performing loans to total loans coming closer and closer to 10%.

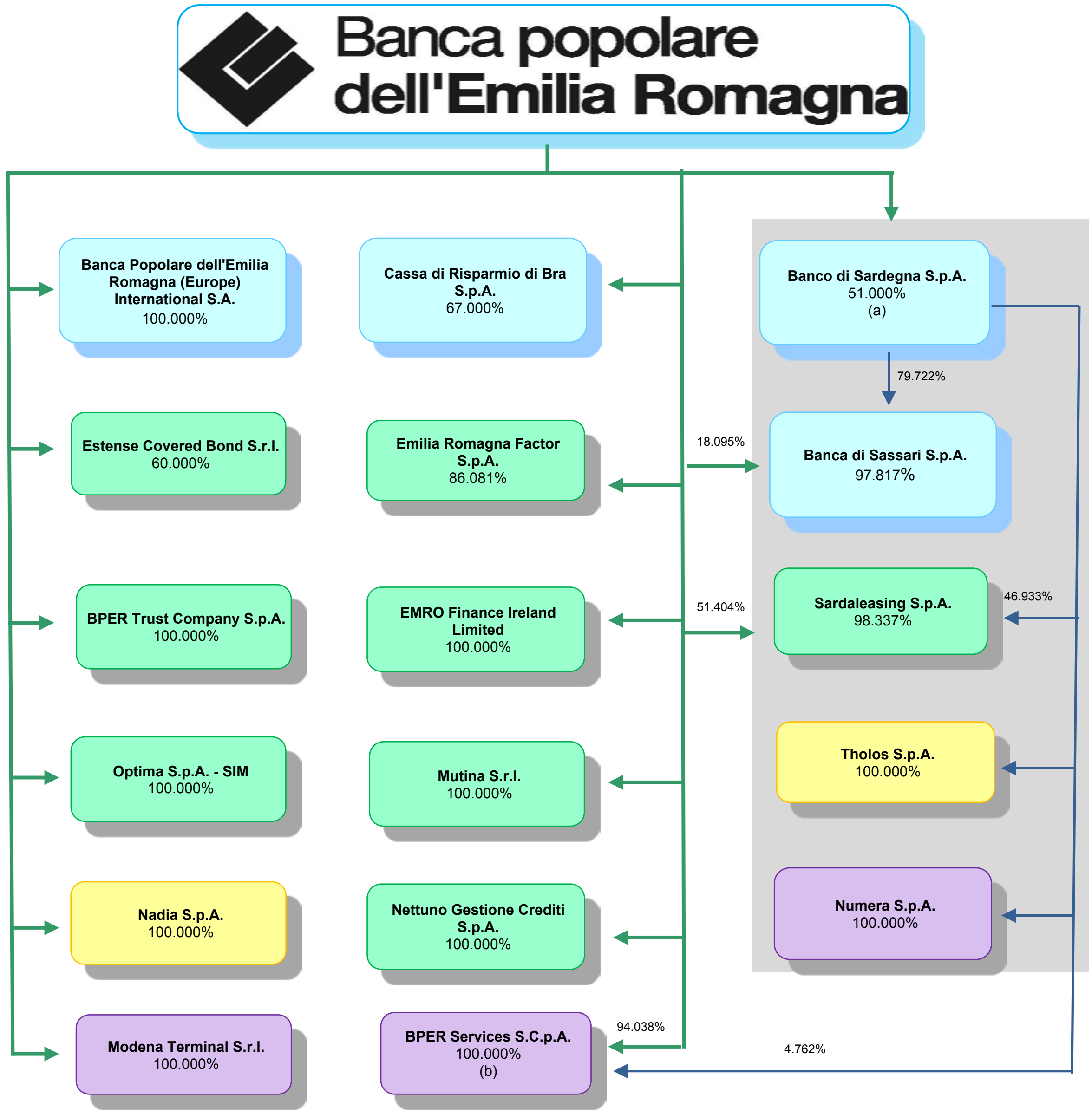
In 2014, **bank deposits** fell by approximately Euro 134 billion. There was a particular contraction in time deposits, repos and bond issues. Current account deposits, in the other hand, did well, with an increase of more than Euro 63 billion during the year. At the end of 2014, deposits accounted for 60% of total funding, up 4.4% from the end of 2013.

Faced with a reduction in funding, 2014 showed an increase (of almost Euro 30 billion) in capital, reserves and provisions. Banks have reduced their stock of loans by around Euro 17 billion, their reserves with the Eurosystem by Euro 6 billion, their securities portfolios by almost Euro 68 billion and, to a marginal extent, their international assets.

Lastly, **bank spreads** fell to around 375 bps at the year-end, due to the continued decline in bank interest rates (on both deposits and loans) during 2014.

2.1 Group structure as at 31 December 2014

The Group structure as at 31 December 2014 is as follows.



GRUPPO BPER

a) Equivalent to 50.583% of the entire Capital Stock consisting of ordinary, preferred and savings shares, the latter being non voting shares.

b) The following Companies also are shareholders of BPER S.C.p.A :
- Banca di Sassari S.p.A. (0.400%).
- Optima S.p.A. SIM (0.400%) e
- Sardaleasing S.p.A. (0.400%).

In addition to the above members of the banking group, the scope of consolidation also includes the following subsidiaries of:
- the Parent Comapny: Melior Valorizzazioni Immobili S.r.l. (100.000%), Adras S.p.A. (100.000%) and Italiana Valorizzazioni Immobiliari S.r.l. (100.000%) and Polo Campania S.r.l. (100.000%),
- Nadia S.p.A.: Galilei Immobiliare S.r.l. (100.000%), which are not members of the banking group, since they do not contribute directly to its activities.

2.2 Introduction

Despite the extremely difficult economic environment and the impact of some important extraordinary items, especially in the last quarter, the year closed with a positive result for the Group of Euro 29.8 million (Euro 16.1 million at 31 December 2013).

It is worth remembering that in 2014 the European Supervisory Authorities carried out an extremely severe asset quality review and stress test, the outcome of which confirmed the excellent level of capital solidity achieved by the BPER Group, also compared with its peers, showing a significant capital surplus of Euro 630 million compared with the minimum requirements. Moreover, the year featured a number of important events, such as the Euro 750 million increase in capital and a further acceleration in the Group's rationalisation and simplification, with the Parent Company absorbing another three banks (Banca della Campania s.p.a., Banca Popolare del Mezzogiorno s.p.a. and Banca Popolare di Ravenna s.p.a.). The main objective of the operational decisions taken in recent years - also in anticipation of the European Single Supervisory Mechanism (SSM) which was introduced last November - was to achieve a solid level of capital. The huge effort made to date should allow BPER to cope with the challenges expected in the future with a certain degree of confidence, thanks to a series of development and streamlining projects outlined in the new 2015-2017 Strategic Plan.

As regards the figures in the income statement, note that in the summary versions that follow in paragraph 2.4, reference is made to the reclassified consolidated financial statements[1] in which indirect tax recoveries, which are allocated for accounting purposes to *"Other operating income"*, have been reclassified as a reduction in the related costs.

The following results are particularly significant:

- **The profit from current operations before tax** for the year amounts to Euro 58.2 million (-12.96% compared with 2013);
- **Operating profit** equal to Euro 2,217.4 million, down by 1.31% on 2013, mainly because of a decrease in *"Other operating charges/income"*. In particular:
  - **net interest income** is stable (+0.14%) at a time when the spread stayed largely the same, given that the cost of funding and the yield on assets both fell simultaneously;
  - **net commission income** is slightly down (-1.09%), negatively affected by the drop in the lending component (-5.27%) and positively affected by the significant increase in the part attributable to indirect deposits and insurance policies (+8.52%);
  - a good **net trading result** up 20.53% on 2013;
  - a drop in **"Other operating charges/income"** (-49.82%), mainly because of a 25.08% decline in rapid preliminary investigation fees during the year.
- **Operating costs** are stable (+0.21%) compared with the previous year, remaining much the same both for personnel (-0.10%) and for administrative expenses (-0.24%), whereas depreciation and amortisation are up (+6.64%);
- **Net adjustments to loans** are up by 3.99% compared with the end of 2013 and coverage of doubtful loans is slightly up to 40.66% (+ 332 bps on December 2013; +104 bps on September 2014). Cost of credit of 185 bps for the year, an increase compared with 168 bps in 2013.

[1] *Paragraph 2.4 below provides the reconciliation required by CONSOB communication DEM/6064293 of 28 July 2006.*

In the balance sheet:

- volumes are down compared with 31 December 2013, both for **loans to customers** (Euro 43,919.7 million; -5.58%) and for **direct deposits** (Euro 46,183.1 million; -1.36%), with a loans/deposits ratio of 95.10% (99.35% at 31 December 2013);
- on the other hand, **indirect deposits** (Euro 28,197.8 million) turned in a good performance, with a significant increase (+6.07%) mainly for assets under management (+13.74%) and in the stock of life insurance policies (Euro 3,048.4 million: +20.62%).

The capital, liquidity and leverage ratios are all well over the regulatory limits, where defined:

- Common Equity Tier 1 (CET1) ratio under the transitional (or "Phased in") arrangements of 11.26%, calculated according to the standardized approach for the measurement of credit and market risk and net of the result for the year;
- CET1 ratio under full application (or "Fully Phased") of 10.91%;
- Total capital ratio phased in of 12.24%.
- very positive leverage indicators:
    - transitional arrangements (Phased in) of 7.2%;
    - full application (Fully Phased) of 6.9%.
- liquidity requirements well over 100%, so considerably above the minimum requirements of Basel 3:
    - Liquidity Coverage Ratio (LCR) of 125%;
    - The Net Stable Funding Ratio (NSFR), which at 30 September 2014 came to 118%, is reckoned to be around the same figure at 31 December 2014.

2.3 Performance ratios

	31.12.2014	31.12.2013
Financial ratios		
Structural ratios (%)		
net loans to customers/total assets	72.41%	75.32%
net loans and advances to customers/direct deposits from customers	95.10%	99.35%
financial assets/total assets	16.99%	14.74%
fixed assets/total assets	2.12%	2.06%
goodwill/total assets	0.63%	0.62%
direct deposits/total assets	86.83%	88.48%
deposits under management/indirect deposits	46.12%	43.01%
financial assets/tangible equity[2]	2.06	2.16
total tangible assets[3]/tangible equity	12.00	14.52
net interbank lending/borrowing (in thousands of Euro)	(4,770,260)	(6,232,938)
number of employees	11,593	11,718
number of national bank branches	1,273	1,307
Profitability ratios (%)		
ROE	0.33%	0.18%
ROTE	0.37%	0.20%
ROA (net profit/total assets)	0.05%	0.03%
Cost/income ratio[4]	56.89%	56.03%
Net adjustments to loans and advances/net loans to customers	1.85%	1.68%
Basic EPS	0.041	0.020
Diluted EPS	0.041	0.021
Risk ratios (%)		
net doubtful loans/net loans to customers	14.86%	13.76%
net non-performing loans/net loans to customers	6.42%	5.33%
net watchlist loans/net loans to customers	6.60%	6.74%
adjustments to doubtful loans/gross doubtful loans	40.66%	37.34%
adjustments to non-performing loans/gross non-performing loans	56.55%	54.97%
adjustments to watchlist loans/gross watchlist loans	19.01%	18.17%
adjustments to performing loans/gross performing loans	0.56%	0.56%

[2] *Tangible equity = total shareholders' equity net of intangible assets.*
[3] *Total tangible assets = total assets net of intangible assets*
[4] *The cost/income ratio has been calculated on the basis of the layout of the reclassified income statement (operating expenses/operating income); when calculated on the basis of the layouts provided by Circular no. 262 of the Bank of Italy the cost/income ratio is at 57.73% (55.47% at December 31, 2013).*

	31.12.2014	31.12.2013
Capital and liquidity ratios[5]		
Core Tier 1 ratio		8.56%
Total Capital ratio		11.87%
Common Equity Tier 1 ratio (CET1 ratio) - Phased in	11.26%	9.15%
Tier 1 ratio (T1 ratio) - Phased in	11.29%	
Total Capital ratio (TC ratio) - Phased in	12.24%	
Common Equity Tier 1 ratio (CET1 ratio) - Fully Phased[6]	10.91%	
Leverage ratio - Phased in	7.2%	
Leverage ratio - Fully Phased	6.9%	
Liquidity Coverage Ratio (LCR)	125%	
Net stable funding ratio (NSFR)[7]	118%	
Non-financial ratios		
Productivity ratios (in thousands of Euro)		
direct deposits per employee	3,983.71	3,995.58
loans and advances to customers per employee	3,788.47	3,969.51
assets managed per employee	1,121.71	975.66
assets administered per employee	1,310.60	1,292.96
core revenues per employee[8]	171.01	169.67
net interest and other banking income per employee	187.14	183.60
operating costs per employee	108.03	101.84

[5] Capital and liquidity ratios as at 31 December 2014 have been calculated without taking into account the net profit for the year and the benefits of internal models (pre-validation of the AIRB models began at the end of January 2015).
[6] Common Equity Tier 1 ratio ("CET1")- Fully Phased = calculated net of the portion of net profit realised during the year that is attributable to equity. Fully Phased CET1 estimated according to the new Basel 3 regulations at January 2019.
[7] The NSFR is calculated as at 30 September 2014; as at 31 December 2014, it is expected to be around the same value.
[8] Core revenues = net interest income + net commission income.

2.4 Summary schedules

In accordance with CONSOB's requirements contained in Communication DEM/6064293 of 28 July 2006, we provide details of aggregations and reclassifications compared to the standard income statement format provided in the Bank of Italy's Circular no. 262/2005:

- "*Net result from financial activities"* includes items 80, 90, 100 and 110 in the standard reporting format;
- indirect tax recoveries, allocated for accounting purposes to item 220 *"Other operating charges/income",* have been reclassified as a reduction in the related costs under *"Other administrative expenses"* (Euro 125,403 thousand at 31 December 2014 and Euro 116,458 thousand at 31 December 2013);
- *"Net adjustments to property, plant and equipment and intangible assets"* includes captions 200 and 210 in the standard reporting format*;*
- *"Net impairment adjustments to AFS and HTM financial assets"* includes captions 130 b) and 130 c) in the reporting format;
- *"Gains (losses) on equity investments, disposal of investments and adjustments to goodwill"* includes captions 240, 260 and 270 in the reporting format.

The numbers corresponding to the item in the financial statements have been given next to each entry on order to facilitate reconciliation of the items in the reporting format required by Circular no. 262/2005 with the reclassified income statement.

Reclassified consolidated income statement by quarter as at 31 December 2014

(in thousands of Euro)

		31.12.2014	31.12.2013	Change	%change
10+20	Net interest income	1,291,809	1,289,989	1,820	0.14
40+50	Net commission income	690,664	698,258	(7,594)	-1.09
70	Dividends	19,392	24,086	(4,694)	-19.49
80+90+100+110	Net trading income	167,665	139,109	28,556	20.53
220	Other operating charges/income	47,865	95,393	(47,528)	-49.82
	Operating income	**2,217,395**	**2,246,835**	**(29,440)**	**-1.31**
180 a)	Payroll	(786,687)	(787,479)	792	-0.10
180 b)	Other administrative costs	(404,386)	(405,348)	962	-0.24
200+210	Net adjustments to property, plant, equipment and intangible assets	(70,386)	(66,002)	(4,384)	6.64
	Operating costs	**(1,261,459)**	**(1,258,829)**	**(2,630)**	**0.21**
	Net operating income	**955,936**	**988,006**	**(32,070)**	**-3.25**
130 a)	Net impairment adjustments to loan	(812,734)	(781,585)	(31,149)	3.99
130 b)+c)	Net impairment adjustments to financial assets available for sale and held to maturity	(40,347)	(58,433)	18,086	-30.95
130 d)	Net impairment adjustments to other financial assets	(5,138)	(36,529)	31,391	-85.93
	Net impairment adjustments	**(858,219)**	**(876,547)**	**18,328**	**-2.09**
190	Net provisions for risks and charges	(38,782)	(29,910)	(8,872)	29.66
240+260+270	Gains (losses) from equity instruments, on disposal of investments and adjustment to goodwill	(770)	(14,725)	13,955	-94.77
280	**Profit (loss) from current operations before tax**	**58,165**	**66,824**	**(8,659)**	**-12.96**
290	Income taxes on current operations for the period	(28,384)	(51,968)	23,584	-45.38
310	Profit (loss) after tax on non-current assets held for sale	-	1,258	(1,258)	-100.00
320	**Net profit (loss) for the period**	**29,781**	**16,114**	**13,667**	**84.81**
330	Net profit (loss) pertaining to minority interests	(14,984)	(8,938)	(6,046)	67.64
340	**Profit (loss) for the period pertaining to the Parent Company**	**14,797**	**7,176**	**7,621**	**106.20**

Consolidated reclassified income statement by quarter as at 31 December 2014

Captions		1st quarter 2014	2nd quarter 2014	3rd quarter 2014	4th quarter 2014	31.12.2014	1st quarter 2013	2nd quarter 2013	3rd quarter 2013	4th quarter 2013	31.12.2013
10+20	Net interest income	329,820	328,639	320,040	313,310	1,291,809	311,115	326,081	326,987	325,806	1,289,989
40+50	Net commission income	171,450	174,028	169,012	176,174	690,664	171,289	175,522	172,675	178,772	698,258
70	Dividends	574	17,617	115	1,086	19,392	575	22,415	540	556	24,086
80+90+100+110	Net trading income	63,300	46,389	20,323	37,653	167,665	14,656	68,209	15,494	40,750	139,109
220 (*)	Other operating charges/income	18,666	11,133	5,851	12,215	47,865	30,964	24,573	20,102	19,754	95,393
	Operating income	**583,810**	**577,806**	**515,341**	**540,438**	**2,217,395**	**528,599**	**616,800**	**535,798**	**565,638**	**2,246,835**
180 a)	Payroll	(196,796)	(201,099)	(180,006)	(208,786)	(786,687)	(198,440)	(208,169)	(185,171)	(195,699)	(787,479)
180 b) (*)	Other administrative costs	(96,338)	(103,322)	(97,940)	(106,786)	(404,386)	(97,702)	(100,767)	(98,176)	(108,703)	(405,348)
210 + 220	Net adjustments to property, plant and equipment and intangible assets	(16,357)	(16,613)	(17,015)	(20,401)	(70,386)	(15,039)	(15,462)	(15,742)	(19,759)	(66,002)
	Operating costs	**(309,491)**	**(321,034)**	**(294,961)**	**(335,973)**	**(1,261,459)**	**(311,181)**	**(324,398)**	**(299,089)**	**(324,161)**	**(1,258,829)**
	Net operating income	**274,319**	**256,772**	**220,380**	**204,465**	**955,936**	**217,418**	**292,402**	**236,709**	**241,477**	**988,006**
130 a)	Net impairment adjustments to loans	(211,820)	(204,972)	(163,296)	(232,646)	(812,734)	(161,628)	(278,131)	(151,624)	(190,202)	(781,585)
130 b)+c)	Net impairment adjustments to financial assets available for sale and held to maturity	(466)	(3,189)	(680)	(36,012)	(40,347)	(670)	(2,528)	(1,423)	(53,812)	(58,433)
130 d)	Net impairment adjustments to other financial transactions	(2,424)	(614)	(3,115)	1,015	(5,138)	(5,468)	(19,390)	(2,244)	(9,427)	(36,529)
	Net impairment adjustments	**(214,710)**	**(208,775)**	**(167,091)**	**(267,643)**	**(858,219)**	**(167,766)**	**(300,049)**	**(155,291)**	**(253,441)**	**(876,547)**
190	Net provisions for risks and charges	(6,658)	(12,976)	(8,036)	(11,112)	(38,782)	(5,318)	(13,060)	(1,700)	(9,832)	(29,910)
240+260+270	Gains (Losses) on disposal of investments and adjustments to goodwill	(972)	(2,770)	2,273	699	(770)	83	(8,161)	4,004	(10,651)	(14,725)
	Profit from current operations before income tax	**51,979**	**32,251**	**47,526**	**(73,591)**	**58,165**	**44,417**	**(28,868)**	**83,722**	**(32,447)**	**66,824**
290	Income taxes on current operations for the period	(20,760)	(20,922)	(14,258)	27,556	(28,384)	(30,509)	(5,374)	(41,426)	25,341	(51,968)
310	Profit (loss) after tax on non-current assets held for sale	-	-	-	-	-	1,525	(1,082)	815	-	1,258
320	**Net profit (loss) for the period**	**31,219**	**11,329**	**33,268**	**(46,035)**	**29,781**	**15,433**	**(35,324)**	**43,111**	**(7,106)**	**16,114**
330	Net profit (loss)pertaining to minority interests	(2,947)	(3,701)	(8,067)	(269)	(14,984)	(1,041)	(532)	(7,441)	76	(8,938)
340	**Profit (loss) for the period pertaining to the Parent Company**	**28,272**	**7,628**	**25,201**	**(46,304)**	**14,797**	**14,392**	**(35,856)**	**35,670**	**(7,030)**	**7,176**

3. SIGNIFICANT EVENTS AND STRATEGIC TRANSACTIONS

3.1 Increase in the Parent Company's share capital for payment

On 7 June 2014, the Extraordinary Shareholders' Meeting approved the proposal to increase the share capital on a cash basis and in various tranches, to be completed by 31 December 2014, for up to a maximum of Euro 750 million, including any share premium, through the issue of new BPER ordinary shares with a nominal value of Euro 3 each, to be offered in the form of a rights issue to those entitled to them under art. 2441 of the Italian Civil Code. The Shareholders' Meeting therefore:

a) gave the Board of Directors the broadest possible powers to decide:
   I. the issue price of the newly issued ordinary shares, including any share premium, taking into account, among other things, market conditions, the price performance of the Company's shares, its economic and financial results, as well as market practice for similar operations, nearer the time of the offer. The issue price will be determined by applying, according to market practice for similar operations, a discount to the theoretical ex-rights price ("TERP") of the ordinary shares, calculated using current methods, based on the official market price on the trading day prior to the final decision or, if available, based on the official market price on the same day as the final decision is made. The issue price of each ordinary share, taking into account any share premium, cannot be lower than its par value (Euro 3);
   II. as a result of the provisions of paragraph (i), the portion of the price attributable to share capital, the maximum number of shares to be issued and the option allocation ratio, making any roundings that may be necessary;
   III. the timing for the execution of the increase in capital, in particular for the launch of the offering prior to the final deadline of 31 December 2014, and the subsequent offer of any unexercised rights to the market at the end of the subscription period. If by 31 December 2014, the increase in capital is not fully subscribed, the share capital will be increased by an amount equal to the subscriptions received;
b) approved the amendment, already authorised by the Bank of Italy, to art. 6 of the articles of association, by inserting a new paragraph 10, which lays down the terms of the increase in capital.

For the increase in capital, Citigroup Global Markets Limited, J.P. Morgan Securities plc and Mediobanca s.p.a. – Banca di Credito Finanziario s.p.a. will act as Joint Global Coordinators and Joint Bookrunners, having signed a pre-underwriting agreement with BPER on 6 May 2014. In it, they have taken a commitment to guarantee - in standard terms and conditions for this type of operation - the subscription of the increase in capital for any portion not exercised at the end of the offer, up to a maximum of Euro 750 million.

On 19 June 2014, the Board of Directors has set the subscription price for newly issued ordinary shares at Euro 5.14 each, of which Euro 3 is the par value and Euro 2.14 the share premium.

The capital increase consists of a maximum of 145,850,334 BPER ordinary shares with a par value of Euro 3, with regular dividend rights (1 January 2014) and with the same characteristics as the BPER ordinary shares currently outstanding, for a maximum of Euro 749,670,717, including the share premium.

The Board has therefore set the option ratio at 7 newly issued ordinary shares for every 16 BPER ordinary shares held.

The subscription price has been determined on the basis of the resolution passed by the Extraordinary Shareholders' Meeting, applying a discount of 26.5% on the theoretical ex-rights price (TERP) of BPER ordinary shares of Euro 7.8005, calculated on the basis of the official market price on 19 June 2014.
The option rights for the subscription of newly issued BPER shares have been exercised, subject to forfeiture, from 23 June 2014 to 18 July 2014 included (the "Offer Period"). The option rights have also been traded on the Stock Exchange from 23 June 2014 to 11 July 2014, included.
The rights offer of 145,850,334 newly issued ordinary shares of BPER, launched on 23 June 2014, was completed on 18 July 2014. During the offer period, 332,615,536 rights were exercised for the subscription of 145,519,297 Shares, equal to 99.77% of the Shares on offer, for a total of Euro 747,969,187.
This means that at the end of the Offer Period there were 756,656 unexercised rights for the subscription of 331,037 BPER ordinary shares, for a total of Euro 1,701,530. These option rights were offered by BPER to the market under art. 2441, third paragraph, of the Italian Civil Code through Equita SIM s.p.a. on 23 July 2014 and were all sold at a price of Euro 0.55 each, realising a total of Euro 416,160.80.
The increase in capital was therefore fully realised on 28 July 2014 with the exercise of 333,372,192 rights and the issue of 145,850,334 new shares, with the following balance sheet effects, recorded in July 2014:

- Euro 437,551,002 to share capital (Euro 3 per share);
- Euro 312,119,714.76 to the share premium reserve (Euro 2.14 per share);
- Euro 378,322.92 to the share premium reserve for the profit realised from the sale of rights other than those relating to paper shares.

Taking costs (Euro 20 million) and taxes (Euro 5.5 million) into account, the increase in capital therefore had an overall impact on equity of around Euro 735.7 million, which boosted our capital ratios by 172 bps at 30 September 2014.
This increase in capital was designed to further strengthen the Group's capitalisation, even though it was already very solid, and was carried out:

- so as not to worry too much about the Asset Quality Review and subsequent Stress Tests, which the European Central Bank was carrying out at a European level as part of its Comprehensive Assessment (for further details, please refer to paragraph "Single Supervisory Mechanism – Comprehensive Assessment)";
- to optimise its capital structure;
- to increase the Group's financial flexibility in terms of funding cost;
- to allow a gradual return to a dividend distribution policy.

The increase in capital allowed the BPER Group to continue pursuing its strategy of organic growth at the service of its customers. In addition, the capital base achieved in this way helped to improve BPER's competitiveness in its chosen territories through a structural plan of action outlined in the new Strategic Plan that was presented at the beginning of 2015.

3.2 Strategic transactions

Merger of Immobiliare Reiter s.p.a. with Nadia s.p.a.

On 14 January 2014, the Board of Directors of Nadia s.p.a. approved the merger plan for Immobiliare Reiter s.p.a. to be absorbed by Nadia s.p.a. On 4 February 2014, the shareholders' resolutions regarding the merger were recorded in the Modena Companies Register.

The transaction was completed on 18 March 2014 with the registration of the merger deed in the Modena Companies Register, with effect for tax and accounting purposes from 1 January 2014.

Merger of ABF Leasing s.p.a. with Sardaleasing s.p.a.

On 5 March 2014, the Boards of Directors of Banca popolare dell'Emilia Romagna s.c. and Banco di Sardegna s.p.a. have passed a resolution to start the process of ABF Leasing s.p.a.'s absorption by Sardaleasing s.p.a.

This transaction forms part of the activities envisaged in the 2012-2014 Business Plan of the BPER Group, aimed at simplification of the organisation and of management and maximisation of operational and managerial efficiency within the leasing sector with the creation of a specialised hub to serve the needs of the BPER Group's entire distribution network.

The deal was subject to approval of the merger plan by the Boards of Directors and subsequently by the Extraordinary Shareholders' Meetings of the two companies involved in the merger. The exchange ratio has been determined by the boards of directors of the companies taking part in the mergers with the help of an independent financial advisor, under a joint mandate by the companies involved in the merger: it has been set at 546 ordinary shares of Sardaleasing s.p.a. for every 100 ordinary shares of ABF Leasing s.p.a.

On 18 June 2014, Banco di Sardegna s.p.a. sold 57,909 shares of Sardaleasing s.p.a. to BPER for a total of Euro 3,321 thousand.

The merger of ABF Leasing s.p.a. with Sardaleasing s.p.a. took place on 24 June 2014 (effective from 30 June 2014 and with effect for tax and accounting purposes from 1 April 2014). At the end of the transaction:

- Sardaleasing s.p.a. increased its share capital by Euro 42,301,350 by issuing 819,000 ordinary shares which were granted to BPER, the sole shareholder of ABF Leasing s.p.a.;
- BPER acquired direct control of the company with 50.96%, with Banco di Sardegna s.p.a. maintaining a 46.93% interest. This means that there are still three non-Group shareholders with a total of 2.11%.

Merger of Banca Popolare del Mezzogiorno s.p.a., Banca della Campania s.p.a. and Banca Popolare di Ravenna s.p.a. with Banca popolare dell'Emilia Romagna s.c.

On 27 May 2014, the Board of Directors of Banca popolare dell'Emilia Romagna s.c. ("BPER" or the "Merging Company") and the Boards of Directors of Banca Popolare del Mezzogiorno s.p.a. ("BPMZ"), Banca della Campania s.p.a. ("BCAM"), Banca Popolare di Ravenna s.p.a. ("BPRA"), have approved a merger plan for the absorption of BPMZ, BCAM and BPRA (the "Companies Being Merged") by BPER.

Even though this project was not originally included in the BPER Group's 2012-2014 Business Plan, it represents an important step in its integration. It aims to achieve further simplification and rationalisation of the Group's organisational structure and governance, while also improving operational efficiency, permitting easier monitoring and control of risks, as well as cost synergies.

The merger, authorised by the Bank of Italy under art. 57 of Legislative Decree no. 385/93, took place in simplified form according to art. 2505-*bis* of the Italian Civil Code, as the Merging Company holds more than 90% of the Companies Being Merged.

The Boards of Directors of the companies taking part in the merger, assisted by independent advisors, decided on the following share exchange ratios:

- 1.21 BPER ordinary shares for every BPMZ ordinary share;
- 1.93 BPER ordinary shares for every BCAM ordinary share;
- 2.60 BPER ordinary shares for every BPRA ordinary share.

The shareholders of the Companies Being Merged, other than BPER, had the right to have their shares bought by the Merging Company under art. 2505-*bis* of the Italian Civil Code. They also had a right of withdrawal for all or part of the shares held, pursuant to art. 2437 et seq of the Italian Civil Code.

The liquidation value of the shares has been set, in accordance with law, at Euro 9.20 per BPMZ ordinary share, Euro 16.80 per BCAM ordinary share and Euro 21.80 per BPRA ordinary share.

These are the amounts paid to shareholders of the Companies Being Merged as consideration for exercising their put option, based on the same criteria.

Pursuant to authorisation granted by the Bank of Italy on 30 July 2014, the merger plan for Banca Popolare del Mezzogiorno s.p.a., Banca della Campania s.p.a. and Banca Popolare di Ravenna s.p.a. to be absorbed by Banca popolare dell'Emilia Romagna s.c. was filed and recorded at the Modena Companies Register on 31 July 2014. On 16 September 2014, the Parent Company's Board of Directors approved the merger of these three banks with BPER, after the same decision had been taken by the shareholders of the banks involved.

The resolution of BPER, in the form of a public deed pursuant to art. 2505 *bis* paragraph 2 of the Italian Civil Code, was adopted by its Board of Directors as applications from Members to justify the request for adoption of the resolution by the Shareholders' Meeting were not received in sufficient number within the prescribed period, in accordance with art. 2505 *bis* paragraph 3 of the Italian Civil Code.

The deed of merger of Banca Popolare del Mezzogiorno s.p.a., Banca della Campania s.p.a. and Banca Popolare di Ravenna s.p.a. with Banca Popolare dell'Emilia Romagna s.c. was signed on 17 November 2014 and registered in the relevant Companies Registries of the banks taking part in the merger.

The merger took legal effect on 24 November 2014, when the merger deed was recorded by BPER on the Companies Register, but took retroactive effect for tax and accounting purposes from 1 January 2014.

As a result of this operation, the shares of the Merged Companies were cancelled and the shareholders other than the Merging Company were given in exchange newly issued BPER shares, with regular dividend rights; consequently, BPER's capital was raised by Euro 4,891,326 by issuing 1,630,442 new ordinary shares, bringing it to Euro 1,443,925,305 represented by 481,308,435 ordinary shares with a par value of Euro 3.00 each.

3.3 Single Supervisory Mechanism - Comprehensive Assessment

BPER is one of the Italian banks subject to the ECB's **Single Supervisory Mechanism** ("**SSM**") from 4 November 2014 and one of those that were submitted to the **Comprehensive Assessment** ("**CA**") carried out by the ECB in cooperation with the Competent National Authorities (for Italy, the Bank of Italy).

The CA process is split into three stages:

I. **Supervisory Risk Assessment (SRA)** to assess the underlying risk factors, including those of liquidity, leverage and financing cost, in both quantitative and qualitative terms;
II. **Asset Quality Review (AQR)** to improve the transparency of banks' exposures through an analysis of the quality of banks' assets, credit-based or otherwise, including checks on the adequacy of the valuation and guarantees, and of the related provisions;
III. **Stress Tests** to check the future resilience of banks' financial statements over the period 2014-2016, in both an ordinary and an adverse (or "stressed") scenario; this stage was performed in close collaboration with the European Banking Authority (EBA).

The Comprehensive Assessment had three main objectives:

- transparency: improving the quality of information available on the situation of banks;
- correction: identify and take corrective action where necessary;
- reinforcement of confidence: ensure all stakeholders that banking institutions are fundamentally sound and reliable.

In December 2013 - January 2014, the BPER Group took part in Phase 1 of the AQR, and in particular:

- it took part in the SRA, providing information on the BPER Group's main risk profiles;
- it has prepared the required qualitative information which describes the quality of the BPER Group's organisational structure, reference market and key internal processes in the field of credit and loans;
- it has prepared the aggregate quantitative information on the size and proportion of non-performing loans present in its own AQR portfolios recorded in the Banking Book (loans and other assets) in order to select the asset classes that were then subject to AQR (the so-called "Portfolio Selection").

The BPER Group has therefore been involved in the AQR, which began in February 2014 and continued until July 2014. The AQR was divided into several stages, or workblocks, namely:

- filling in a questionnaire on processes, internal regulations and accounting procedures ("**Processes, Policies and Accounting Template**" (PP&A));
- the preparation of the **Loan Tape**: a matrix containing figures as of 31 December 2013 and 31 December 2012 on credit exposures belonging to the significant portfolios identified by the Authorities during Phase 1.
  As part of the planning for this stage, the BPER Group focused on creating the Loan Tape and checking the quality and integrity of the figures ("Data Integrity Validation"), by mapping the information sources and inputting data to the matrix for banks that are aligned for IT purposes (BPER, Banco di Sardegna s.p.a., Banca di Sassari s.p.a., Banca Popolare di Ravenna s.p.a., Banca Popolare del Mezzogiorno s.p.a. and Banca della Campania s.p.a.) and for Legal Entities that are not so aligned.
  This preparatory work started by the Group for the Comprehensive Assessment involved several central functions of the Parent Company, and of the Regional Divisions and Credit Departments of BPER Group banks, the latter in particular for the correct application of the specific customer segmentation introduced by the ECB for the AQR and for the identification of so-called "forborne exposures";
- the **Credit File Review,** an on-site audit of a sample of credit exposures detected according to statistical criteria of sampling on retail portfolios selected for the AQR, coordinated and carried out mainly by the Bank of Italy's Inspectors. This stage was carried out according to the criteria defined by the regulator in the so-called "Phase 2 Manual - AQR", a methodological manual for the various stages of this activity published in the Spring of 2014, to verify correct classification of performing and non-performing exposures and the adequacy of the specific provisions made for the individual positions examined;
- **"Collateral Real Estate Valuation**", designed to verify the proper valuation of the properties lodged as collateral for the positions involved in the Credit File Review, both with reference to the criteria by which valuations were made (compared with international quality standards) and the value attributed to the properties, again based on guidelines and criteria defined by the AQR Manual;

- the sample results of the Credit File Review and Collateral Valuation stages were subsequently projected over the remainder of the selected portfolios by using methods of statistical inference, which are also described in the AQR manual ("**Projection of Findings**");
- **"Collective Provision Analysis"**: verification of the level of the collective provision, carried out also by applying a quantitative model and verification methodologies provided by the ECB.

It should be noted that the entire AQR exercise was performed by the inspection team at the Bank, with subsequent control activities ("Quality Assurance") performed both locally and centrally by the same Supervisory Authority.

European Stress Tests were performed at the same time, starting in May 2014, and coordinated by the EBA in cooperation with the ECB for the banks included in the SSM. This exercise is also divided into various stages: to start with, information has to be sent to the European Supervisory Authorities (EBA and ECB) through the National Authority, which took place at the end of May 2014 (a process known as "Advance Data Collection"); then the banks have to carry out a so-called "bottom-up" analysis in accordance with the methodological instructions and calculation models provided by the same authorities; this took place at the end of June 2014. In July-September 2014, a comprehensive verification and feedback ("**Quality Assurance**") exercise was carried out by the National and European Authorities on these figures and analyses.
The Stress Tests, spread over a period of three years (2014-2016), were conducted under the assumption of static financial statements, i.e. without considering the actions already proposed in business plans but not yet implemented, based on BPER's current business model, and under strict methodological hypotheses, defined in the methodological note published by the EBA at the end of April 2014. The impact was evaluated in terms of Common Equity Tier 1 ratio (CET1) with respect to two hypothetical scenarios, which are differentiated by increments in certain critical areas: the CET1 must be higher than 8% in the "baseline" scenario and above 5.5% in the "adverse" scenario.

Lastly, in September 2014, the ECB carried out the final stage, the so-called "**join up**", which involved combining the results of the AQR with those of the Stress Tests. During the course of this process the databases referring to 31 December 2013 were integrated to determine:
- the recalculation of the Common Equity Tier 1 ratio ("AQR – Adjusted CET1 ratio");
- the adjustment of performing and non-performing loans and the risk parameters of the portfolios selected as part of the AQR for the recalculation (on a centralised basis by the ECB) of the bank's position over the three-year time horizon of the Stress Test, in both the baseline and adverse scenarios.

In the event of failure to pass the Stress Test, *"banks should make up for the capital shortfall within six or nine months of disclosure of the results of the in-depth assessment";* the duration of the remedy period and the type of instrument to be used will also depend on the type of shortcomings that have been identified, according to whether they concern the AQR, rather than the Stress Test, and depending on the scenario in which these shortcomings were detected (i.e. in the baseline or adverse scenario). Remedial measures will obviously include any capital interventions (such as increases in capital, issue of Additional Tier 1 capital, etc.) already carried out by the banks during 2014.

On 26 October 2014, the ECB and EBA announced the results of the Asset Quality Review and Stress Tests that they had performed in view of the entry into force of the Single Supervisory Mechanism (SSM) on 4 November 2014. This exercise involved 130 large banks at a European level and lasted around 12 months.

The main objectives of this assessment were to increase the transparency of banks' financial statements by improving the quality of information made available and to strengthen investor confidence by ensuring the solidity and reliability of the European banking system.

At a European level, the Comprehensive Assessment overall revealed a capital shortfall of about Euro 25 billion involving 25 banks, of which 9 Italian, including BPER. However, this result does not consider the capital strengthening measures carried out by the banks in 2014 which, if taken into account, reduce the number of banks that have not achieved the minimum capital requirements to 13; these banks do not include BPER, as the capital measures taken in 2014 have resulted in a significant capital excess compared with the requirements of the European Central Bank.

Overall, the BPER Group showed an adequate level of capital solidity, significantly exceeding the minimum threshold of capitalisation (a Common Equity Tier 1 ratio or CET1 ratio of at least 8%) required for the Asset Quality Review and Stress Tests in the baseline scenario, and showing a very low capital shortfall compared with the minimum threshold for the CET1 ratio of 5.5% as a result of the Stress Tests in the adverse scenario. BPER will not therefore have to carry out any capital transactions.
Compared with the "adverse" stress test scenario for 2016, the Bank showed a capital excess of more than Euro 630 million thanks to the steps taken to strengthen the capital, without taking into account the potential benefits likely to come from the validation of internal models (AIRB).

Summary table of the results of the Comprehensive Assessment:

	Results published by the ECB						Excess/ Shortfall with regards to AQR after the main capital strengthening measures (2) (3)	Results including other capital strengthening measures	
	Excess/Shortfall from AQR	Excess/Shortfall from baseline ST	Excess/Shortfall from adverse ST	Min. excess/Max. shortfall	Main capital strengthening measures (1)	Excess/Shortfall after the main capital strengthening measures		Other capital strengthening measures	Final Excess/ Shortfall after all capital strengthening measures
	A	B	C	D = min(A,B,C)	E	F = D+E	G = A+E	H	I = D+E+H
€/million	161.8	149.4	-127.6	-127.6	759.1	631.5	920.9	0	631.5
bps	37	33	-28	-28	169	140	212	0	140

The main capital strengthening measures (E) include: The € 750 million increase in capital and the € 9 million (net of tax) gain on the BPER Group's stake in the Bank of Italy.
(1): the value in bps calculated using the RWA figure for the "adverse" scenario in 2016.
(2): the value in bps calculated using the post-AQR RWA figure.
(3): the value in bps calculated as the sum of A + E, where E is recalculated on the basis of post-AQR RWA (175 bps).

The CA establishes minimum capital requirements that are higher than minimum regulatory level of 4.5%: namely, 8% for the AQR and stress test in the baseline scenario; 5.5% for the stress test in the adverse scenario.

The result of the Asset Quality Review (AQR) is reported below:

Result of the Asset Quality Review (AGR)		Result of the Comprehensive Assessment (CA)	Result of the CA INCLUDING the main capital strengthening measures (*)
CET1 ratio at 31 December 2013 (including net profit/loss of 2013)	(%)	9.15%	10.90%
Overall impact of the AQR	Change (bps)	-78	-78
CET1 ratio adjusted for AQR	(%)	8.37%	10.12%

(*) The main capital strengthening measures include: the € 750 million increase in capital and the € 9 million (net of tax) gain on the BPER Group's stake in the Bank of Italy.

The CET1 ratio after the AQR is equal to 8.37%, well above the minimum threshold of 8% set by the ECB even before the main measures to strengthen capital (10.12% including such measures).

Result of the Stress Test after "joining up" with the AQR:

Result of the Stress Test				
BASELINE SCENARIO	**2013**	**2014**	**2015**	**2016**
CET1 ratio (%)	8.38%	8.45%	8.37%	8.33%
Capital shortfall (%)	0%	0%	0%	0%
Capital shortfall (€/million)	0.00	0.00	0.00	0.00
ADVERSE SCENARIO	**2013**	**2014**	**2015**	**2016**
CET1 ratio (%)	8.38%	6.92%	6.09%	5.22%
Capital shortfall (%)	0%	0%	0%	0.28%
Capital shortfall (€/million)	0.00	0.00	0.00	127.60

In the "adverse" stress scenario, the CET1 ratio showed a marginal shortfall of 28 bps (Euro 127.6 million) in the worst case to 2016, compared with the minimum requirement of 5.5% (CET1 ratio of 5.22%) based on the application of default assumptions and extreme economic/financial projections, with low probability of occurrence.
This value is very small when compared with the capital strengthening measures already completed, which lead to a capital excess of more than € 630 million (CET1 ratio of 6.90%, rising to 7.02% if we consider the fewer deductions for equity investments), and without considering the potential positive effects to be derived from the validation of internal models (AIRB).

On 7 November 2014, under art. 114, paragraph 5 of Legislative Decree 58/98, CONSOB formally requested the banks involved to include in their interim report at 30 September 2014 certain information about the results of the Comprehensive Assessment carried out by the BCE, with particular regard to the results of the Asset Quality Review (AQR) and the related accounting effects.
BPER promptly supplied the requested information, in the same way that it has regularly given CONSOB other information requested on 11 November 2014 under art.115 of the Decree

concerning, in particular, the impact on the accounts and Group accounting policies as a result of the outcomes and analysis criteria adopted in the AQR.

On 30 January 2015 , again with reference art.114 of the Decree, CONSOB required banks to issue a press release at the time of approval of the preliminary results at 31 December 2014, with information on the accounting effects of the quantitative results of the AQR, which should then be repeated in the Annual Financial Report at 31 December 2014.
On 10 February 2015, BPER included the required information in a press release issued just after approval of the preliminary results of the BPER Group at 31 December 2014, which are summarised below:

a) As regards the Credit File Review (CFR), it should be noted that the amount of adjustments accounted for in total by the Group in 2014, on the scope of the loan positions sampled, amounted to Euro 264.4 million, compared with adjustments arising from the AQR of Euro 184.85 million; the total adjustments recorded by the Group in 2014 are therefore Euro 79.5 million higher than those that emerged from the AQR. The coverage ratio for these positions at 31 December 2014 is 18.6%, a significant increase from 11% at the end of 2013.
b) As regards the results of the statistical Projection of Findings (PF) of the CFR, we would like to add that compared with the Euro 138.95 million arising from the AQR - despite the fact that the approach used in this exercise was extremely prudent and in this case exclusively statistical in nature, therefore with no direct accounting impact - as part of the scope analysed by the AQR, net of specific positions identified by the CFR, there were analytical provisions at 31 December 2014 of Euro 336 million, so far more than the shortfall shown here. The coverage ratio of these positions at 31 December 2014 is 8.8%, a significant increase compared with 5.6% at the end of 2013.
c) Lastly, as regards the Collective Provision Analysis (CPA), in line with the prudential criteria underlying the entire Comprehensive Assessment, the European Supervisory Authority used a model (the so-called "Challenger Model") that was applied exclusively to the Corporate portfolio, based on specific methodologies and parameters that referred to rates of deterioration only for 2013 and to losses calculated on a shorter time series than the one that we use for Loss Given Default (LGD), which meant that they did not coincide with the method used by the Bank to determine its collective provision, which is based on regulatory models ("through-the-cycle" Probability of Default and LGD). These models are used by the Bank in its day-to-day handling of credit and they are the basis of the pre-validation AIRB for prudential purposes begun recently together with the European Supervisory Authority. In numerical terms, the shortfall that resulted from the AQR came to around Euro 155.87 million, on a portfolio - only involving corporate customers, as we said - that at 31 December 2013 had coverage of 0.74%. It should also be emphasised, again with respect to the extremely prudent approach adopted, that no compensation was made against surplus coverage in other types of portfolios. As regards preparation of the 2014 financial statements, we would point out that we have been involved in recalibrating the various internal rating models used by BPER with reference to the Large Corporate, Corporate SMEs, Long-term Property SMEs and Retail SMEs segments, to extend the time series up to 30 June 2014. The above recalibration, taking into account that the updated temporal perimeter led to a deterioration in the average PD, showed higher provisions for approximately Euro 30 million, of which Euro 6 million related to Retail SMEs. The level of coverage for the Corporate sector (excluding Retail SMEs) is equal to 0.83%, with an annual increase of 8 bps, also taking into account that, during the year,

the internal ratings of the performing positions improved significantly for the transfer of the worst positions to loans in default.

d) As regards the outcome of the Level 3 fair value exposure review analysis, the results that emerged as part of the AQR are not significant (Euro 0.6 million).

With reference to the measures taken and planned to overcome the "qualitative issues" that emerged from the AQR and the decisions made with regard to reviewing procedures, models and accounting practices used in the classification and valuation of credit assets and certain areas of the financial statements, the following table provides a detailed breakdown.
In December 2014 and January 2015, the Board of Directors of the Parent Company approved a series of updates of the Group's internal regulations, particularly in the field of issues concerning credit, with specific reference to the "Group regulation of the process of monitoring the management of credit quality":

- Transposition of the definition of "*cured from Non Performing Exposures* (*NPE*)", taken from the AQR Manual, thus formalising what was already applied in the internal IT control procedure called Web Credit Management (WCM). By mid 2015, we will also release a new application for the control and management of problem loans, called PEG (Electronic Management) that will deal, among other things, with transfers between the categories of Performing Exposures (PE) and Non Performing Exposures (NPE).
- Introduction of some new regulations consistent with the Implementing Technical Standards (ITS) of the European Banking Authority (EBA), particularly on forbearance. Activities are underway for further implementations to the IT procedures for a more structured process of identifying forborne positions, also to implement the recent updates to national regulations on this subject.
- Insertion of loss trigger events for the Corporate segment which had not yet been incorporated into internal regulations. By the end of the year, we expect to complete procedural interventions to allow as much as possible the automatic detection of such events, maintaining in the meantime and in any case, constant attention to such phenomena in expert mode.
- In January 2015, we also prepared updates to the internal regulations on the periodic monitoring of the composition of groups of related customers. Testing is also in progress on the latest updates of the computer applications involved (in particular the Electronic Loan Dossier), which are available to banks that are aligned with the Group's information system. Full alignment, with a regular exchange of data with the banks and other companies in the Group that are not aligned with the information system, is scheduled in the coming months, before the end of the first half of 2015.

In the field of hedge accounting, also taking into account the Group's limited operations in this area and in line with the guidelines contained in the new version of IFRS 9, the Parent Company has put in place adequate processes for effectiveness tests, completing the installation of a computer procedure, designed to allow a middle office function a more structured and effective control over their execution.

Also in the field of Group processes, we would point out that there are already tools for estimating and calculating the cash flows of the borrowers, used for example in transactions with the Large Corporate segment or for Specialized Lending. In order to broaden the methodological and operational approach, we acquired a special application to be included systematically in the credit process, particularly in the PEF; this type of project development was also foreseen in the planning of the new 2015-2017 Strategic Plan. Along with this application, which is expected to be released in the coming months, the internal policy on this issue will at the same time be strengthened and improved.

Still on the subject of internal lending processes, we are currently improving and innovating the entire process of acquiring valuations of properties lodged as collateral, according to the path already commenced at the start of 2014 in the AQR exercise and now on track for its completion.

As we said, the above matters relate to various activities aimed at improving internal policies and procedures, particularly to make loan management and governance more efficient and effective, especially with regard to those that are doubtful. We can confirm that, during the year, there have been no direct impacts on accounting practices or the parameters of the models used in the assessment of assets, apart from the ordinary updates and recalibrations, which has already been explained together with the accounting impacts connected to the positions and portfolios subject to the AQR (Credit File Review, Projection of Findings and Collective Provision Analysis).

Lastly, as regards the effects of the outcome of the Comprehensive Assessment with reference to the specific obligations regarding the additional capital required by the ECB, please refer to the specific section dedicated to Own Funds and capital ratios, in Chapter 6 "Results of operations", as well as in Chapter 10, "Significant subsequent events and outlook for operations."

3.4 The Group's 2012-2014 Business Plan

The Group's 2012-2014 Business Plan , approved on 13 March 2012 and now terminated, had as one of its objectives the development of adequate profitability that was sustainable over time, to be achieved through:

- greater efficiency and revenue growth;
- containment of the cost base;
- strengthening the Group's operating machine, in accordance with the strong local presence that has always been a characteristic of the BPER Group.

The most important projects realised worth mentioning include:

- planning and implementing integration with a view to simplifying and streamlining the Group's organisational and governance structure, as well as developing the leasing business. In this regard, the following transactions took place: the integration of Meliorbanca s.p.a. into the Parent Company (which took place in 2012); the merger of Cassa di Risparmio della Provincia dell'Aquila s.p.a. (CARISPAQ), Banca Popolare di Lanciano e Sulmona s.p.a. (BPLS) and Banca Popolare di Aprilia s.p.a. (BPA) with the Parent Company, which took place on 27 May 2013; the combination of Sardaleasing s.p.a. and ABF Leasing s.p.a., which took place in June 2014;
- 24 November 2014 saw the absorption of three Group banks (Banca Popolare del Mezzogiorno s.p.a., Banca della Campania s.p.a. and Banca Popolare di Ravenna s.p.a.) by the Parent Company;
- the introduction of a new model of governance for the Parent Company (already concluded in 2012), with the establishment of the roles of Chief Risk Officer (CRO), Chief Lending Officer (CLO), Chief Operating Officer (COO) and Chief Financial Officer (CFO) to enhance risk control and strengthen credit management;
- the optimisation and rationalisation of Group branches (34 branches were closed between December 2013 and December 2014, of which 14 belonged to the Parent Company); during the three years of the Plan 60 branches were closed at Group level (figure net of the entry of Cassa di Risparmio di Bra s.p.a. into the scope of consolidation);

- enhancement of the multi-channel strategy through the evolution of digital channels and broadening the range of customer services;
- implementation of the Basel 2 Programme, commenced by the BPER Group in 2007, for completion of the Internal Rating Based (IRB) system in terms of organisation, methodology and IT. The programme is now in the final stages, pending the validation by the Supervisory Body of internal models that are already fully implemented;
- Collective Agreement for the staff. On 9 April 2013, the Bank completed the process of verifying, together with the Trade Unions, the Personnel Manoeuvre included in the Group Framework Agreement signed on 15 September 2012 to simplify the Group's organisation and reduce overall operating costs in a structural manner. The main objective of the agreement was to reduce the workforce by 450 people, through voluntary application to join the redundancy incentive plan and access to the banking sector's Solidarity Fund for income support. At the end of this verification process, the acceptance period was extended by four months, until 31 October 2016, with a consequent increase in the number of members.

The projections included in the 2012-2014 Business Plan took into account a macroeconomic scenario that was significantly different from what actually took place because of the prolonged downturn in the economic cycle and tensions on credit and financial markets that were reflected in a decline in demand for loans and a sharp deterioration in the quality of the loan portfolio. Despite this context, the BPER Group was able to maintain a satisfactory level of revenues that were positively influenced by higher contributions from financial activities, which offset lower revenues from core business activities, adversely affected by lower volumes of deposits and loans. In addition, the BPER Group has been able to hold down the cost base in terms of operating profitability, whereas there is a significant difference in the net result, due to significantly higher adjustments to loan than expected.
Lastly, on 10 February 2015, the Board of Directors of Bank approved the new 2015-2017 Strategic Plan, details of which are provided in the section "Significant subsequent events and outlook for operations."

BPER redraws its distribution network with nine Regional Divisions on the Italian mainland
The Board of Directors of Banca popolare dell'Emilia Romagna s.c. met on 16 September 2014 and approved an organisational reconfiguration that was activated at the same time as the mergers of Banca della Campania s.p.a., Banca Popolare del Mezzogiorno s.p.a. and Banca Popolare di Ravenna s.p.a., which took place on 24 November 2014.
Under this reconfiguration, the Parent Company's distribution structure on the mainland is divided into nine Regional Divisions, as follows:

- Territorial Division of Lombardy and Triveneto, based in Milan;
- Territorial Division of West Emilia, based in Reggio Emilia;
- Territorial Division of Central Emilia, based in Modena;
- Territorial Division of Tuscany-Emilia, based in Bologna;
- Territorial Division of Romagna, based in Ravenna;
- Territorial Division of Lazio, based in Rome;
- Territorial Division of the Adriatic, based in Lanciano;
- Territorial Division of Campania, based in Avellino;
- Territorial Division of Southern Italy, based in Crotone.

This evolution of the distribution structure on the mainland has the dual objective of consolidating the Bank's traditional roots in the areas served and optimising customer service, while pursuing improvements in operating efficiency through a further process of simplification.
The new organisational model envisages that the Regional Divisions will have ample operating autonomy, a reinforcement of the business area and a redesign of the decision-making process in the disbursement of loans to respond more and more rapidly and effectively to customers' needs.
This profound transformation forms part of the ongoing process of developing the 2015-2017 Business Plan, the objective being to achieve maximum efficiency and quality of the services that we offer, combined with the values reflected in our closeness to the customer, a fundamental characteristic of BPER.

3.5 Structured finance transactions

The guidelines of the 2012-2014 Business Plan highlighted the importance of maintaining an adequate liquidity profile. Accordingly, various initiatives were planned with a view to diversifying the forms of medium/long term financing, initially through refinancing operations with the European Central Bank, and by means of placement of bonds on the domestic and international market.
In this context, the following actions were completed during the period considered by the Business Plan:

- the issue of a long-term programme of **Guaranteed Bank Bonds (Covered Bonds)** for a total of Euro 5 billion, intended for institutional investors, with the approval of the base prospectus by the Luxembourg "*Commission de Surveillance du Secteur Financier*" on 30 November 2011, subsequently updated periodically. After two retained issues used for refinancing transactions with the European Central Bank, a new bond issue, the third of the programme, was carried out on 15 October 2013 for Euro 750 million, all of which was placed on the domestic and international market; on 24 February 2014, this issue was reopened for a further Euro 250 million, again entirely placed on the market. On 1 July 2014, we carried out the fourth sale of assets from the so-called "cover pool", thereby creating the conditions for a further bond issue which was then finalised in early 2015 with value date 22 January 2015; Euro 750 million were placed on the domestic and international market. At the same time, on 12 January 2015, early repayment of the second retained issue was commenced;
- completion of a **securitisation of loans to SMEs**, similar to the Estense Finance operation carried out in 2009. In particular, in 2012 it was decided to sell and securitise loans issued by BPER, acquiring on subscription all of the securities originated by the operation, in order to have available additional instruments eligible for refinancing with the ECB. The loans involved in the sale were performing loans made to SMEs for a total of Euro 2.2 billion. The buyer was Estense S.M.E. s.r.l., a special purpose vehicle which issued Senior securities (Class A) for Euro 1.5 billion, rated "A-"/"A" (low) by Standard & Poor’s and DBRS respectively, and Junior securities (Class B), which are unrated, for Euro 0.7 billion. In February 2013, the Senior issue became available for refinancing operations with the ECB, once it had obtained eligibility from the Central Bank of Luxembourg. The Senior Security is currently amortising according to expectations and the residual nominal capital after the payment date in December 2014 amounts to Euro 606.4 million;

- a "**multi-originator securitisation**" of lease receivables was carried out jointly by Sardaleasing s.p.a. and ABF Leasing s.p.a. (absorbed by Sardaleasing s.p.a. on 24 June 2014) through the sale without recourse of a portfolio of performing lease receivables, selected according to specific objective criteria, in a lump sum to a special purpose vehicle (SPV) called MULTI LEASE AS s.r.l. The sale of the receivables was formalised on 1 February 2013 and published in the Official Gazette no. 16 of 7 February 2013. The total value of the loans sold was approximately Euro 1,018 million. The SPV financed the purchase price of the receivables by issuing:
  - Senior Class A securities of Euro 625.9 million, ISIN IT0004895733, rating: S&P's "A" and Fitch "A-", listed on the Dublin Stock Exchange and recognised as eligible by the Irish Central Bank;
  - Junior Class B1 securities, of Euro 168.4 million, ISIN IT0004895741, unrated and unlisted, subscribed by the seller, formerly ABF Leasing s.p.a., now Sardaleasing s.p.a.;
  - Junior Class B2 securities of Euro 223.4 million, ISIN IT0004895774, unrated and unlisted, subscribed by the seller Sardaleasing s.p.a.

  The aim was to raise funds for the benefit of the entire Banking Group, at competitive costs, through refinancing with the ECB.

  The Senior Security is currently amortising according to expectations and the residual nominal capital after the payment date in July 2014 amounts to Euro 352.5 million.

  We would also like to inform you that a new payment date took place in January 2015.

Targeted Long Term Refinancing Operations – T-LTRO

On 5 June 2014, the executive Council of the European Central Bank (ECB) approved refinancing operations aimed at the longer term (Targeted Long Term Refinancing Operations - T-LTRO) to be carried out for a period of two years from September 2014, through eight quarterly auctions. This initiative aims to improve the functioning of the mechanism for transmitting monetary policy to the real economy, by supporting the process of granting credit.

The amount set aside was around Euro 1,000 billion - of which Euro 200 billion belongs to Italy - which will be provided by the ECB to banks in the form of liquidity, on condition that these funds were passed on to households and businesses in the form of loans.

Banks were initially assigned a ceiling by way of T-LTRO for an amount equal to 7% of the total amount of loans to the non-financial private sector (excluding home purchase loans to households) in the Eurozone (so-called "eligible loans") outstanding at 30 April 2014. As part of the first two T-LTROs, scheduled for the months of September and December 2014, the counterparties had the possibility each time to activate a loan for an amount that could not exceed the initial ceiling on a cumulative basis.

In addition, for each of the auctions after the first two (between March 2015 and June 2016), all counterparties may request an additional ceiling equal to three times the difference between the amount of the net eligible total loans granted (in the period between 1 May 2014 and the respective date of award of reference) and a set reference value ("Benchmark"), net of the amount previously borrowed under the auction during the period commencing from March 2015.

The interest rate on the main refinancing operations of the Eurosystem in place at the time of issue will be applied to T-LTROs for the duration of each operation, with the exception of the first two, to which a fixed spread of +10 bps will be applied. Interest will be paid in arrears at the time the loan is repaid.

Under the T-LTRO programme, BPER decided to take part in the first auction for the maximum amount that the Group can apply for in the first two auctions, i.e. Euro 2 billion. This operation, for

which the issue date was 24 September 2014 and the maturity 26 September 2016, will be at a fixed rate of 0.15%.
All of the T-LTROs will expire in September 2018. They will also have to be repaid early, in September 2016, by those banks whose net eligible loans are lower than their benchmark for the period 1 May 2014 - 30 April 2016.
If the credit trend in September 2016 is in line with the benchmark, the banks will be able to keep the cash obtained from the ECB until the expiry date, or decide autonomously to go ahead with early repayment of all or part of the money.

3.6 Recovery of doubtful loans: securitisations and other financial transactions

Avia Pervia transaction

The multi-originator securitisation of Avia Pervia s.r.l. (the SPV held 9.9% by BPER), carried out by Group banks, excluding Cassa di Risparmio di Bra s.p.a., continued during 2014. This transaction consists of three stages:

- a **"Pre-Issue Stage"**, which began in November 2012 and ended in May 2013. During this period, each Group bank sold without recourse to the SPV an initial portfolio of loans for a total of Euro 878.1 million. 70% of the portfolios acquired (the "up-front purchase price") was financed by the SPV issuing on 17 May 2013 a series of asset-backed securities, unrated and unlisted, which will be fully subscribed by the originators, while the other 30% (the "deferred purchase price") was financed by means of a credit line granted by the selling banks.
- A **"Revolving Period"** between the issue date and February 2017, during which each Bank will sell additional portfolios of non-performing loans to the SPV. The total amount of the portfolios acquired will be financed with the same criteria described above. During this period, recoveries from the portfolios previously purchased, less recovery and operating costs, will be used by the Company to repay the various securities.
- An **"Amortisation Period"**, which runs from the end of the "Revolving Period", in which it will not be possible to buy new portfolios of loans or issue new securities, where recoveries arising from the portfolios previously purchased, less recovery and operating costs, will be used by the Company to repay the various securities.

The first "Revolving" sale foreseen for the "Revolving Period" was carried out in January 2014 for a total of Euro 378 million, financed for Euro 264.6 million through the issue of ABS securities and for Euro 113.4 million through credit lines provided by the selling Banks.
In February and August 2014, with the amounts collected on securitised positions, the SPV repaid ABS securities to Group banks for a total of Euro 94 million.
As mentioned previously, the transaction is considered as a type of multi-originator securitisation, which involves the Banks as both originators and investors.
Consequently, as the risks and benefits of the portfolios have not been transferred, these loans have not been reversed out of the assets of the Group banks.
The management of items in dispute has been assigned to the originator banks themselves (as sub-servicers) coordinated by a Group company, Nettuno Gestione Crediti s.p.a. (as the master servicer).
Efficient management of non-performing loans should enable the Group to take extraordinary measures to reduce the stocks of such positions, while also optimising the direct costs involved in managing them.

Originator bank	Number of positions	Nominal value (GBV)	Sale proceeds	Up-front purchase price	Deferred purchase price
Banca popolare dell'Emilia Romagna s.c.	1,236	2,068.7	797.3	558.1	239.2
Banco di Sardegna s.p.a.	553	848.8	260.0	182.0	78.0
Banca popolare del Mezzogiorno s.p.a. (*)	88	97.6	41.4	29.0	12.4
Banca della Campania s.p.a. (*)	151	254.7	80.6	56.4	24.2
Banca Popolare di Ravenna s.p.a. (*)	75	89.7	48.1	33.7	14.4
Banca di Sassari s.p.a.	53	65.1	28.7	20.1	8.6
TOTAL	**2,156**	**3,424.6**	**1,256.1**	**879.3**	**376.8**

(*)the three originator banks were absorbed in 2014 by BPER, the Parent Company.

Artemisia transaction

During the first half of 2014, the Parent Bank made a sale without recourse of a portfolio of non-performing loans to Artemisia SPV s.r.l., which as the SPV for the operation will finance the purchase through an issue of ABS securities, fully subscribed by the investment company Blackstone l.p.

The portfolio sold refers to 1,004 residential mortgage loans, secured by a voluntary mortgage on property, previously distributed by Systema Mutui s.p.a., an external network of promoters, and paid out mainly between 2007 and 2009 by Meliorbanca s.p.a. (merged with BPER in 2012), now classified as non-performing for a total nominal value at 31 December 2013 of Euro 164 million and sold for Euro 41.8 million.

At 30 June 2014, these loans still featured under assets in the Bank's balance sheet, as the payment of the sale price depended on the SPV receiving authorisation to issue ABS securities. So, as of that date, when valuing the loans, account was taken of the sale price (or "consideration"), booking Euro 27.4 million (the difference between that price and the net book value at 31 December 2013) to the income statement caption 130 a) "*Net impairment adjustments to loans*".

The decision to sell these non-performing loans was taken because of their complete lack of homogeneity, also in terms of quality, compared with the traditional characteristics of residential mortgages provided through the BPER Group's network, because, as we said, they originated through an external network to mainly non-Group customers. The sale, which already had an impact on the income statement at 30 June 2014 of Euro 18.4 million (net of tax), is in any case to be considered positive in light of its overall economic convenience, by virtue of the savings in terms of operating, administrative and legal costs, the yield on the cash received, and the possibility of these loans deteriorating even more further in the future, bearing in mind the time it may take to recover them.

On 10 July 2014, following the authorisation to issue ABS securities, the special purpose vehicle Artemisia SPV s.r.l. made payment of the consideration of Euro 41.8 million against the simultaneous transfer of the receivables at their gross book value at 31 December 2013.

The amount resulting from the difference between the sale price and the net book value at 31 December 2013, equal to Euro 29 million, has been reallocated to the income statement under caption 100 a) *"Losses on the sale of loans",* keeping the writeback of Euro 1.6 million from the recovery of the discounting effect of non-performing loans sold, under caption 130 of the income statement.

Securis Real Estate Fund

In 2013, Sardaleasing s.p.a. made two separate contributions of properties for a total of Euro 15.2 million to the **Securis Fund** managed by Beni Stabili Gestioni S.G.R. s.p.a. These were mainly distressed assets that became available because the users defaulted).

In addition, in January 2014 the company obtained a seat on the Fund's Advisory Board, which analyses the most important aspects of property management and makes it possible to enhance the properties' value to the full.

On 30 June 2014, after approval by the Parent Company BPER, **a third contribution of 25 properties** was formalised (some of which not yet available, but legal action has been brought for their recovery) for a value appraised by CB Richard Ellis of Euro 22 million, compared with a book value (net of provisions on loans) of Euro 24.1 million, i.e. realising a total loss of Euro 2.1 million. The ratio between the selling price and the net book value is 91.4%.

However, in most cases, the exposures were backed by **guarantees** issued by Group banks and/or credit consortia for a total of Euro 2.4 million; so from an operating point of view, there were no negative effects on the income statement of Sardaleasing s.p.a. at 30 June 2014.

A further contribution (the fourth) to the Securis Fund of 45 properties for a total of Euro 27.1 million was formalised on 23 December 2014. Based on appraisals carried out by Patrigest s.p.a. as an independent expert, the net book value of the 45 properties was Euro 26.9 million. The ratio between the selling price and the net book value is 100.91%

On the package of loans underlying the properties sold, there were guarantees issued by banks or credit consortia for a total of more than Euro 27 thousand.

3.7 Other significant events

Group Management:

Shareholders' Meeting of the Parent Company: new appointments

The following Directors were appointed at the Shareholders' Meeting held on 12 April 2014 for the three-year period 2014-2016: Alberto Marri, Giuseppe Lusignani (independent), Fioravante Montanari, Mara Bernardini (independent), Cristina Crotti (independent) and Giovampaolo Lucifero.

The Meeting also appointed as a Director, for the rest of the period 2012-2014, Alessandro Vandelli, already co-opted with Board resolution of 17 December 2013.

Following the Shareholders' Meeting, on 15 April 2014, the Board of Directors of BPER resulting from the appointments made by the Shareholders' Meeting, unanimously appointed Alessandro Vandelli as the new Chief Executive Officer, with effect from 16 April 2014 (and he ceased to be Deputy General Manager as of the same date). Luigi Odorici was appointed Deputy Chairman of the Bank, along with Alberto Marri and Giosuè Boldrini.

From 1 April 2014, General Management was integrated by two new Deputy General Managers and is now made up of:

- Fabrizio Togni, General Manager;
- Eugenio Garavini, Senior Deputy General Manager;
- Pierpio Cerfogli and Gian Enrico Venturini, Deputy General Managers.

Board of Directors of the Parent Company

Fioravante Montanari, a member of the Board of Directors of BPER and well-known businessman from Bologna, died on 29 September 2014. In expressing sincere condolences for his untimely death, the Board of Directors remember the professionalism, valuable contribution and support that he gave the Bank over the years.

BPER's Chairman, Ettore Caselli, heads up Assopopolari

BPER's Chairman Ettore Caselli has been appointed chairman of Associazione Nazionale fra le Banche Popolari. The appointment was approved on 10 July 2014 by the Board of Directors of the association that brings together 72 cooperative banks for a total of 9,200 branches and around 1,300,000 members.

Affiliated companies

Banca della Nuova Terra s.p.a.

On 29 April 2014, Banca della Nuova Terra s.p.a. ("BNT"), 30.37% held by the Parent Company, signed a contract with a securitisation vehicle called BNT Portfolio SPV s.r.l., set up in accordance with Law 130/1999. The contract involves a without-recourse sale *en bloc* of a large part of the existing and future portfolio of performing and non-performing loans resulting from loan contracts granted and/or held by BNT, for Euro 397 million, plus accrued interest of Euro 465 thousand.

The notes, issued by the SPV in a single tranche, were subscribed by the member banks of BNT to an extent substantially in proportion to their respective interests (BPER subscribed Euro 131 million of securities, which on 31 December 2014 had a fair value of Euro 123.6 million).

As a consequence, BNT repaid Euro 200 million of outstanding bonds early and closed all of the short-term credit lines granted by the member banks, which were drawn down for a total of Euro 173 million. BPER was repaid Euro 45 million of bonds, in addition to Euro 45 million of short-term loans, thereby reducing its direct exposure to BNT.

Alba Leasing s.p.a.

The increase in capital of the affiliate Alba Leasing s.p.a., reserved for Credito Valtellinese s.c., excluding option rights, took place on 30 July 2014, effective 1 August 2014, as approved on 30 June 2014 by its Shareholders' Meeting, through the contribution in kind of the leasing business. As a result, BPER's interest in Alba Leasing s.p.a. decreased from 36.43% to 33.50%.

Lastly, it should be noted that the subsidiary closed its accounts at 30 September 2014 with a profit of Euro 1.5 million, an important sign that the reorganisation and rationalisation of the operating structure, as well as the review of the service model for the distribution network, as foreseen in the 2013-2015 Business Plan, are producing results as expected.

Early settlement of liabilities backed by a guarantee from the Italian State

During the fourth quarter, BPER (from 10 October 2014) and Cassa di Risparmio di Bra s.p.a. (from 7 November 2014) fully discharged the three bonds secured by the guarantee of the Italian Republic for a total of Euro 1.3 billion, issued pursuant to art. 8 of Decree Law 201/2011, converted with amendments into Law 214/2011; from that date, the State guarantee was extinguished.

The securities, which were all subscribed at the issue date by BPER, have never been placed on the market.

Company name	ISIN Code	Outstanding	Number of debt securities	Issue date	Maturity date	Nominal fixed interest rate
BPER 2012-2015 4%	IT0004803489	Euro 850,000,000	8,500	23/03/2012	23/03/2015	4.00%
BPER 2012-2017 4.40%	IT0004803075	Euro 400,000,000	4,000	23/03/2012	23/03/2017	4.40%
CRBRA 23/02/2012-2015	IT0004801608	Euro 50,000,000	1,000	23/02/2012	23/02/2015	4.50%

JESSICA Sardegna Urban Development Fund

In 2012, the Sardinia Region activated a new tool for community investment, JESSICA (Joint European Support for Sustainable Development in City Areas), to support initiatives for urban regeneration through the formula of the public-private partnership. It is a tool, created in 2006 by a joint initiative of the European Commission and the EIB, in collaboration with the Council of Europe Development Bank (CEB), designed to encourage investment in urban areas by promoting the revolving use of European Structural Funds for projects of urban development, made available to the Regions of EU Member States, to foster the creation of public-private partnerships. The endowment of resources comes from the FERS funds of the Sardinia Region relating to Axis 3 (Energy) and Axis 5 (Urban Development).

As part of the JESSICA Sardinia initiative, two funds have been set up to enable the transfer of resources from the EIB to the managing entity: the Energy Urban Development Fund, with an endowment of Euro 33.1 million, and the Urban Development Fund (UDF), also with an endowment of Euro 33.1 million, the latter managed by Banco di Sardegna s.p.a. in partnership with Sinloc (Sistemi iniziative locali) s.p.a. The two Funds can invest with equity, loans and/or guarantees in the structures that carry out urban development works included in the regional P.I.S.U. (Piani Integrati di Sviluppo Urbano - Integrated Urban Development Plans) and P.A.E.S. (Piani di Azione per l'Energia Sostenibile - Sustainable Energy Action Plans).

With the operating agreement signed in July 2012 with the European Investment Bank (EIB) at the Regional Planning Centre of the Sardinia Region, the EIB provides the UDF a term loan of Euro 33.1 million (subject to increases), qualified as "*funding for a specific transaction*" within the meaning of Article 2447 *decies* of the Italian Civil Code.

The resources acquired get invested on a revolving basis in urban transformation projects (tourism infrastructure, local public transport etc.), which can be associated with approximately Euro 99 million of co-financing from Banco di Sardegna s.p.a. directly on selected projects.

Three loans were entered into at 31 December 2014:

- The first contract was signed on 18 December 2013 with a public transport company for the purchase of 12 state-of-the-art trolley buses, for a total of Euro 7.2 million, of which Euro 6.8 was funded by the endowment of the JESSICA Fund. An initial disbursement, equal to 5% of the overall amount, was made in December 2014.
- The second contract was signed on 15 April 2014 with a gas distribution company, for the construction and operation of a natural gas distribution network, in the form of syndicated loan for a total of Euro 17 million, of which Euro 7 million was funded by JESSICA. Disbursements of the second loan have been made for a total of Euro 4 million: Euro 3.5 during the first half of 2014 and another Euro 0.9 million in the third quarter of 2014.
- The third loan was signed on 18 December 2014 with an SPV whose shareholder structure includes a company that manages passenger terminals, a cruise ship company and a company that operates in travel and tourism, for the implementation and management of the new cruise terminal in Cagliari. The total is equal to Euro 320 thousand, almost entirely funded by the JESSICA Fund (Euro 300 thousand).

The following table shows simplified accounts for the JESSICA Urban Development Fund at 31 December 2014.

Balance sheet

(in Euro)

Assets	31.12.2014	31.12.2013
60. Due from banks	27,332,686	4,161,459
150. Other assets	85,457	139,419
Total assets	**27,418,143**	**4,300,878**

(in Euro)

Liabilities and shareholders' equity	31.12.2014	31.12.2013
10. Due to banks	27,775,466	4,777,880
100. Other liabilities	20,199	-
200. Net profit (loss) for the period	(377,522)	(477,002)
Total liabilities and shareholders' equity	**27,418,143**	**4,300,878**

Income statement

(in Euro)

Captions	31.12.2014	31.12.2013
10. Interest and similar income	192,535	20,857
30. **Net interest income**	**192,535**	**20,857**
40. Commission income	49,041	**-**
50. Commission expense	(619,098)	(497,859)
60. **Net commission income**	**(570,057)**	**(497,859)**
290. **Net profit (loss) for the period**	**(377,522)**	**(477,002)**

4.1 The Group's market positioning

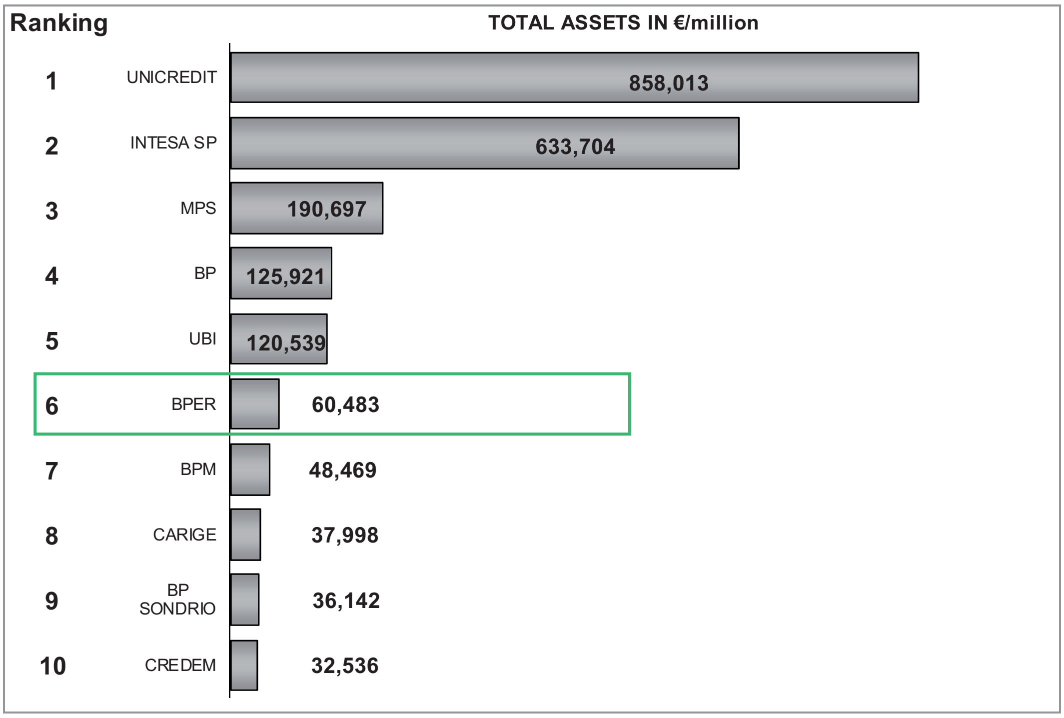
The BPER Group operates mainly in the traditional banking sector, i.e. loans and deposits and providing credit to customers, who are mainly represented by households and small and medium-sized businesses through the parent company BPER, which operates throughout the country, except in Piedmont, which is covered by Cassa di Risparmio di Bra s.p.a., and in Sardegna, which is covered by Banco di Sardegna s.p.a. and Banca di Sassari s.p.a. At 31 December 2014, the Group's network consisted of **1,273 branches** located in 18 Italian regions, as well as a branch office in the Grand Duchy of Luxembourg, with a domestic market share of 4.07% at 31 October 2014.

Through a network of companies, the Group offers a wide range of services to its customers in Corporate and Investment banking, Private Banking and Wealth Management, as well as a series of financial products including leasing and factoring.

On the Italian banking scene, the BPER Group **ranks sixth** by total assets, deposits and loans. The BPER Group is the third largest cooperative banking group in terms of total assets.

POSITIONING WITH RESPECT TO COMPETITORS

Figures at 30 September 2014 (total assets in Euro/mln)



Source: Accounts of banking groups

Within the national banking system, the Group's market share of loans to customers at 31 October 2014 comes to 2.56%, slightly down on the same period in 2013, when it stood at 2.60%. There has been a decrease in the Group's market share of large corporate loans over the twelve months (3.13% compared with 3.27% the previous year) and loans to SMEs (3.53% compared with 3.62% in October 2013); the market share of loans to households (2.11% versus 2.12% y/y) remained more or less stable.

The Group's share of deposits at the end of October 2014 was in decline compared with the same period in 2013 (2.50% versus 2.59% y/y). The decline was more pronounced for deposits from SMEs (from 4.60% at the end of October 2013 to 4.52%). Deposits from households were also down (2.25% versus 2.30% the previous year).

4.2 Commercial policies

Processes

In 2010, the BPER Group launched a process to strengthen its ability to listen to its customers by developing **internal models of customer satisfaction** for different customer segments, with the aim of reinforcing the central status of the customer's perspective in the Group's marketing efforts. Following the review of Retail and Corporate customers of Banca popolare Emilia Romagna s.c., in July we commenced a Customer Satisfaction survey on the Corporate macro segment, addressed to customers of the BPER Group as a whole.
At the same time, for those customers who activated the SMART WEB and SMART MOBILE services, we launched a new survey of customer satisfaction and of the online experience, with the aim of continuing the process of listening to customer needs and analysing their level of satisfaction.

In addition, during the second half of 2014, we continued the **multi-channel strategy** project and the process of **revamping the direct channels** which the BPER Group started with the 2012-2014 Business Plan to renew and enhance the Group's presence in electronic channels and improve the user experience for customers.

In the second half of the year, we continued to **rationalise the network** throughout the Group's territory in line with the objectives of the Business Plan. This included the merger of Banca della Campania s.p.a., Banca Popolare del Mezzogiorno s.p.a. and Banca Popolare di Ravenna s.p.a. with Banca popolare dell'Emilia Romagna s.c. In anticipation of this extraordinary transaction, steps were taken to further rationalise the commercial offer.

Distribution agreements

With regard to the distribution agreements in the insurance sector, note that we have adhered to the Memorandum of Understanding signed by ABI, Assofin and 14 consumer associations concerning the placement of insurance policies to consumers as optional add-ons to mortgages and other loans. Adherence in order to:

- promote the distribution to the banks and intermediaries of transparent conduits in the offer to consumers of life and mixed insurance policies as optional add-ons to mortgages and other loans;
- foster freedom of choice among customers, increasing the level of awareness about the type of products and services marketed by the Bank.

In terms of asset management, activities continued following the execution of the **"Contract of Association in Participation"** signed with Arca SGR s.p.a., which aims to further improve the quality of advisory services provided to customers.

As regards the home financing segment, on the other hand, the Bank has signed an agreement with Auxilia Finance S.r.l., a loan broker, in order to activate a new channel for the placement of home loans nationwide.

Products

As envisaged in the 2012-2014 Business Plan, the process of implementing a platform specifically for the product catalogue was begun, with a view to managing and rationalising all of the products and services that the Group has to offer.

We have created **new products and services** for customers, including:

- improved current accounts for individuals, effective 24 November 2014, to respond more effectively to the needs of the various target groups of customers (new customers, young people, households) and to offer simple and clear products with easily perceptible features and benefits. The new offer includes:
  - Conto BPER Prova: the account dedicated to new customers with particularly advantageous conditions for the first 12 months;
  - Conti BPER Young: a new line dedicated to young people aged 13 to 27 years with two types of account and a savings deposit;
  - Conti BPER, BPER Web, BPER Più: three basic package accounts with fees that rise according to the number and type of transactions and services included.
- *PAY UP WE LOVE SPORT*, a new prepaid customizable card dedicated to sports associations interested in offering a benefit to their players, relatives or fans;
- the expansion of personal loans offered through the new Prestito Giovani (loans to young people) aims to respond fully and effectively to the needs of customers between the ages of 18 and 35. This is a simple, inexpensive product that completes the range of loans that target young people (along with the Libri Zero and Computer Zero loans for books and PCs) that can be used to finance their studies (BA or MA) or as generic loan for young workers;
- the aid advanced to the victims of the flood in the province of Modena in January 2014 (only private individuals and condominiums);
- a technology platform that since 2 October 2014 carries the toll free number of the BPER Group's Customer Service Department (800.22.77.88). This makes it possible to offer customers our *SMART CONTACT* phone banking service that allows *SMART WEB* customers to perform simple operations or ask for information about their financial or trading situation without having to access their *SMART WEB* internet banking account or go to a branch;
- "BPER CBI", the new Corporate Banking platform (with "Mini" and "Small" profiles), since November, with new graphics and product features, integration and simplification of the commercial offer and guaranteed security in giving transaction instructions through the use of so-called "strong authentication" based on an OTP (One Time Password) token ;
- the availability of the new "Bollettini CBILL" bill paying service, with effect from 18 December 2014, to SMART WEB customers with an instruction profile (except for DISPO IBAN). The service, sponsored by the CBI Consortium, allows the companies involved (such as ENEL) to issue their bills through an alternative circuit to that of the Italian Post Office. SMART WEB customers will be able to see the bills issued by member companies and decide which to look at and pay directly through their bank account;
- the offer of more services linked to online products, integrating the Electronic Invoicing service already available on the WEB CBI and CBI WEB PLUS Corporate Banking platforms with the introduction of the sales cycle (loading, signing and sending the invoice). This in order to meet new customer requirements resulting from Decree Law 66/2014 which made electronic invoicing mandatory in dealing with the entire Public Administration and automated the system of monitoring receivables that suppliers are owed by the public sector;

- an agreement, valid from November, in favour of the members and employees of the Cassa Forense (pension fund of the legal profession) and employees of the Bars and Law Societies to reserve them particularly favourable conditions on a range of banking concessions;
- BPER Group membership of the new "Foundation for Financial Education and Savings", created to develop a culture of savings and economic legality in Italy.

4.3 Lending policies

Lending policies are one of the main mechanisms for managing risk in the loan portfolio, in line with:

- the macroeconomic scenario expected in 12 months' time;
- the Group's risk objectives;
- the targets of the commercial budget;
- Regulations for the I.C.A.A.P. (Internal Capital Adequacy Assessment Process).

The policies that derive from this are aimed at ensuring consistency over time between the operations and optimisation of the risk-return profile of loans, local economic growth and support for the territory, as well as being based on compliance with current legislation and a healthy and prudent style of management.

With reference to the 2014 Guidelines for target asset allocation of performing exposures of BPER Group banks , drivers have been set for the development and management of loans in relation to:

- economic sectors (going to identify areas that are "in", where lending is to be developed, areas of excellence with unique characteristics, exporters above all, to be selected carefully and expertly; sectors that are "out" i.e. still in crisis and with a high degree of risk);
- risk segments (with a strong focus on Retail, given that it offers a better risk return/capital absorption ratio);
- internal ratings (providing guidance on the development of low-risk counterparties and management guidelines on the other);
- geographical areas (through the identification of areas or districts characterized by lower risk, development potential or specific entrepreneurial excellence on which to acquire new customers and develop loans).

Internally developed systems for measuring credit risk and an in-depth knowledge of the territory have helped us lay down detailed credit policy objectives in terms of both quality and quantity.

With reference to the macroeconomic environment in 2014, it should be noted that, despite signs of a slight improvement in the first half, the second half of the year showed a worsening trend that led to Italy closing the period in recession for the third consecutive year. In this situation, the Group maintained its credit policy approach in order to optimise the risk-return ratio of the portfolio, focusing more on Households and SMEs operating in sectors with growth expectations and a high degree of internationalisation, such as Agro-industry and Mechanical Engineering.

In this regard, during the year, the Group established appropriate credit ceilings dedicated to this type of customer to stimulate fresh demand for loans.

The Group also confirmed its participation in initiatives based on ABI agreements both for businesses (**"Agreement for Credit 2013"**) and for individuals (**"Mortgage Solidarity Fund"**). The Group also signed up for numerous initiatives to suspend loans in various areas hit by natural disasters.

4.4 Information technology and organisation

During the course of 2014, BPER Services s.cons.p.a. performed its duties involving the management and development of procedures and IT activities, while also acting as back office for BPER and other companies belonging to the Group.
The main activities carried out by its **Systems Division** during 2014 are summarised in the following points:

- **ICT Facility Evolution** - preparation of the plan of action to implement and strengthen the Group's Information and Communication Technology;
- **ECB Comprehensive Assessment/Asset Quality Review and Stress Test** - construction and population of the data architecture and analysis tools (for example: Database AQR, T2, T4Web, Tool Inspection, Diagnostics, etc.) to support the assessment of the quality of the assets in the financial statements, with particular reference to credit and financial exposures (Asset Quality Review). In compliance with the deadlines set, population and delivery of the data models required by the European Central Bank. Performed data integration and IT activities to support assessment of the capacity of Group banks to absorb any macroeconomic shocks (Stress Test);
- **Increase in capital** – preparation of applications for the forwarding of communications to customers, management and support for the monitoring of requests to subscribe BPER's increase in capital;
- **"Renzi" Decree -** adaptation of the Finance area's applications;
- **Video communications -** room preparation and equipment supply and installation for video communications;
- **Central IT infrastructure (mainframe) –** evolution of the central infrastructure of the Group's information systems;
- **Departmental IT infrastructure -** upgrade of the departmental infrastructure of IT systems through the installation of two database machines in support of Customer Relationship Management and Data Warehouse. Substitution of the technology for the provision of network disks for use by end users and for storing images of cheques and contracts, with the adoption of storage apparatuses that allow an increase in processing power and three times the storage capacity;
- **Enhancing the flexibility of testing platform -** activation of the new firewall. The solution increases the flexibility of the platform and facilitates execution of the test applications;
- **Branch customer platform** - implementation of the new branch customer platform based on the Microsoft Windows 7 operating system;
- **Upgrading of the multichannel platform -** the platform used to support multi-channel distribution has been enhanced with new servers and additional disc space, based on the estimated growth in the use of IT services shared with the Sales Department. Real-time monitoring of the multi-channel systems was activated with the aim of increasing the capacity to react in case of delays in the delivery of services or any malfunction;

- **New SEPA/PSD** - completed the creation of direct debits (SDD) and the functions used in managing the reporting of SEDA charges in order to ensure alignment with Regulation 260/2012 of the European Parliament;
- **FATCA -** completed analyses to adjust to the new US legislation entitled "Foreign Account Tax Compliance Act (FATCA)". Functions have been made available to guide customer management with new account relationships as required by law. Application development activities have been commenced to handle cases of pre-existing relationships;
- **Global Custody -** definition of operational, contractual and IT models for the migration of securities custody services and securities settlement toward ICBPI Global Custody. Italian operations successfully migrated in the first half of 2014. During the second half of 2014, we completed the Development phase and initiated the Certification process (known as the "User Acceptance Test") for International operations;
- **Paperless (The Green Bank) -** a technology suite has been activated to support the "Advanced Electronic Signature" that will allow customers who sign up for the service to dematerialise their paper documentation at source (teller receipts in 2014 follow in 2015 by contracts and forms in general), with a reduction in costs and benefits in terms of efficiency and lower operational risk. The "Certified Mail" system (PEC) was launched with the inauguration of a mail-box dedicated to mass communications with customers and, in the first "pilot" area, of branch PEC mailboxes linked to the corporate email;
- **BPER Group mergers** – IT interventions were carried out to support BPER's absorption of three Group banks (Banca Popolare del Mezzogiorno s.p.a., Banca della Campania s.p.a. and Banca Popolare di Ravenna s.p.a.) as foreseen in the 2012-2014 business plan;
- **Merger of ABF Leasing s.p.a. with Sardaleasing s.p.a.** – IT interventions carried out to support the incorporation of ABF Leasing s.p.a. in Sardaleasing s.p.a.;
- **Knowledge Management** - the new single platform terminated for the management of Group regulations with simultaneous revision of the rules on operations/use of content;
- **New intranet** - The project addresses the creation of a single point of access to software applications available to Group internal users. Activation will be progressive throughout the Group during the first quarter 2015;
- **New Contact Center -** project completed for the activation of a new Contact Center platform to strengthen the B2C channel to customers. The introduction of this new platform has enabled integration with the CRM, using a new automated response component (IVR), the possibility for customers to issue instructions (either self service or assisted by an operator) and the execution of promotional activities through the telephone channel (outbound campaigns);
- **Standardisation of asset management** - the new ISO 20022 standard format has been adopted for the transmission/receipt of information with counterparties. The new method of communication with "All Funds" (a counterparty) was activated in 2014; scheduled activation during 2015 with the counterparties Arca SGR s.p.a. and Etica SGR s.p.a.;
- **Integration of CRM & PiCo -** completed the integration between the CRM and the PiCo/MiFID Questionnaire systems in the Finance area;
- **EMIR -** carried out interventions required for 2014 related to the input for the Trade Repository;
- **Gold trading -** developed an application to allow trading of physical gold with customers;
- **Management Accounting & Control –** implementation of the new "RDB Web" portal to access Management Accounting & Control data and specific reporting package;

- **Overdrafts –** refinement of the "Integrated Authorization System (IAS)" application for the management and monitoring of the authorisations to overdraw current accounts;
- **Commercial Retrocessions -** developed an application to help manage and monitor the requests for retrocession fees already charged to customers, in exchange for discounts or special treatment;
- **Endorsement Credits -** implementation of a new application that meets the needs of operations for complete and automated management of endorsement credits; the launch of the new application is scheduled for February 2015;
- **Lending Efficiency** - introduced a series of software improvements to make the lending sector more efficient, with a view to streamlining the input of transactions and improving response times to the branches;
- **Guarantor's Log for Privacy II** - the Log for access to data on banking transactions of our customers has been developed and fed by all sections of the bank's information system affected by this legislation; the Log is made available through a specific application;
- **Prepaid and charge cards** – cards can be either anonymous or registered and have been grouped into three macro categories (IBAN Cards, Standard Prepaid Cards, Payup 4 Y Cards); the project made it possible to streamline and speed up the process of configuring products, issuing and managing the cards by the branches;
- **Monitoring the production flows of payment cards** - implementation of an application that allows control of materiality for the production of payment cards and makes it possible to measure the supply of the components of the cards;
- **Small Business Internet Banking and Sales Wizard -** the features that allow full operation by sole traders and professionals and opening a current account via internet banking were released on the "SMART WEB" internet banking application**.**

The following initiatives were started during 2014 and will progress during 2015:

- **New sales platform -** the branch sales process assessment phase was completed during the course of 2014. The work carried out made it possible to define a plan of release of the new sales platform which will be implemented in stages during 2015, through which the platform will be made available to the network for the sale of the following products: Current Account, SmartWeb, Charge Cards, Credit/Prepaid Cards, Securities Deposit Account and FEA;
- **Service Quality Path -** optimisation/re-engineering of the processes underlying the provision of IT services to users (managing anomalies, requests for information, provision of hardware and software, access to the information system). Automation of these various processes through a single management system. Improvement in the monitoring and governance of third parties involved in providing IT services;
- **Adaptation to new European Supervisory Provisions** - software interventions to ensure adaptation to the new European Supervisory Provisions for the management of accounting data and prudential supervision (EBA Reports - FINREP and Corep), recording of historical losses on default positions (Circular no. 284 issued by the Bank of Italy), the new measurements of fair value (IFRS 13) and Basel 3 reports on the liquidity ratios of the BPER Group;
- **New Business Intelligence platform -** completed migration to the new version of the Oracle OBIEE 11g application for commercial reporting in use at BPER's CRM Office. There are several ongoing projects to create dashboards and specific reporting systems soon to be introduced to the sales network and to the lending area.

With regard to interventions due to **regulatory changes,** we completed the steps required for alignment with the provisions of the 15th update to **Bank of Italy Circular no. 263** for the purpose of strengthening internal control systems; approval of the Regulatory Body was completed in January 2015. Because of its complexity, it was split into project areas:

- Analysis of IT risk;
- Data Governance and Data Quality;
- ICT Governance;
- Security of payment systems on the internet;
- ICT Security;
- Business Continuity.

4.5 Group human resources

Group Human Resources Department

The end of the three year period of the Business Plan has led to a strengthening of the **new Group Human Resources Department**, formed in 2013, and the expansion of the areas of responsibility entrusted to it. Particular efforts have been made to integrate the staff who have joined BPER as a result of the mergers that took place in 2013 and 2014 and the subsequent interventions on the central and peripheral organisational structure. The activities needed to ensure proper dialogue between the various functions, spread over a large part of the country and which now have to report also to the Group Human Resources Department, have been particularly intense. As regards the Italian mainland, we are working hard to pursue integration among the staff of the various central and territorial departments, blending the history of several banks into the future of a single bank. The work performed together with other Group banks has also been intense and productive.

Staff search and selection

Also during the course of 2014, in line with the provisions of the Group three-year business plan, the **recruitment of external resources** took place on a quota basis strongly focused on any needs that could not be postponed and which could not find an adequate solution, in terms of the skills needed to cover the role, in the use of internal resources already in the Group.
The policy to contain the headcount at Group level also benefited in 2014 from significant intra-Group mobility, which was achieved through secondments, leave and transfers between companies.

In other words, most of the few people recruited from outside the Group were hired to fill specialised needs related to the evolution of mandatory regulations, whereas staff replacements were limited as much as possible.

Depending on the nature of the staff positions that need to be filled and the type of person required, recourse was had to the following **contractual opportunities** offered by current law:

- permanent contracts for hiring candidates with specialist skills (with personal negotiation of entry salary and position, in order to preserve internal balances as much as possible, also from a remuneration point of view, and in general to maintain a good "corporate climate");
- apprenticeship contracts were used for junior members of staff, generally lasting a number of years;

- in other cases (such as a temporary replacement), short-term contracts were used, mainly under temping contracts and, marginally, under fixed-period contracts.

Lastly, it is worth remembering that, as in previous years, staff selection at the various Group banks and companies was normally managed with the qualified technical support of the Group Search and Selection Office.

Management and Development

Work continued the implementation of the projects foreseen in the 2012-2014 Business Plan. We would highlight in particular:

- the objectives of a gradual **reduction in headcount** were achieved and the number of staff in the various structures is in fact now lower than what was foreseen in the Business Plan. Various adjustments are still being made to complete and refine the organisational restructuring;
- finalisation of the **"Divisional Model"**: the new organisational model has been introduced and the management activity related to understanding and governing the change that this project has determined is still continuing;
- **evolution of the organisational structure:** work continued on the internal reorganisation of numerous structures, where possible repositioning resources in line with these organisational changes, paying the utmost attention to skills and ensuring that career paths were respected. The aim of combining efficiency and effectiveness of work processes with attention to the protection of individual people often made it possible to reach the best compromise between needs that are not always immediately compatible;
- the **new Management Model**: the diagnosis and development of staff skills and potential continues. Training projects have been launched for the HR managers of the companies recently absorbed;
- the **Mobility Centre:** following the trade union agreement of 15 September 2012, which provided for measures to support intragroup mobility, confirmed in these aspects by the one signed by the Company and the Trade Unions on 17 December 2014, the project was continued by the Mobility Centre whose mission is to optimise and maximise the transfer of resources at Group level so as to meet the numerous needs arising from the new organisational structure, the centralisation of certain functions and the offer of retirement incentives, all with a view to keeping new recruitment within certain quotas. The activity is complex and involves going through a change, both physical and cultural, that helps members of staff understand the logic of geographical mobility. The results to date are in line with the efforts made to achieve them and are consistent with the managerial guideline chosen in full respect for individual freedom and hence the logic of voluntary acceptance of mobility;
- ongoing implementation of the **"Equal Opportunities Project"**.

The Group's headcount at 31 December 2014 came to **11,593 people** (in addition to 27 on leave). The decrease of 125 compared with 31 December 2013 relates to a large extent to those who left under the agreement signed with the Trade Unions for voluntary redundancies and the "Solidarity Fund".

These results, which are in line with the objectives laid down in the 2012-2014 Business Plan, were also achieved through careful management of staff turnover, implementing the plans to centralise employees and put them in a condition to work more efficiently.

Cost control and remuneration policies

During 2014, in addition to the ordinary activities of monitoring and forecasting of trends in staff costs, specific activities have been undertaken to limit a part of these costs.
As regards **remuneration policies**, in 2014 the Bank of Italy issued new instructions to implement the European directive that will entail a number of changes compared with what happened in previous years. These changes will have an impact mainly from 2015.
The Planning Unit, in consultation with other relevant corporate functions, supports the Corporate Bodies in defining the remuneration policies with analyses and monitoring of the Group and the banking system as a whole, ensuring that they are implemented in line with what was approved by the shareholders' Meeting.

Training

Numerous training courses were given during 2014 with a view to developing the technical, regulatory, behavioural and management skills of BPER Group resources. These courses highlighted **legal and regulatory issues**, such as anti-money laundering, the MiFID legislation, transparency, updating the Organisation, Management and Control Model under Decree 231/01 and the State-Regions Agreement in connection with Law 81/06. Specific courses have also been designed and delivered for the maintenance of IVASS certifications.
With regard to management development training, the classroom part of the MBBA Master's degree at SDA Bocconi linked to the second edition of **BPERAcademy**, dedicated to "talents", began during the period. "Talent" means those, already in a position of responsibility within the company, who are evaluated by the Group Human Resources Department, with the aid of a skills assessment, as potentially able to fill highly complex managerial positions. The current edition of BPERAcademy involves 30 people from across the Group and, in addition to participation in the SDA Bocconi MBBA Master's degree, it provides the BEC (Cambridge University) certification in English and individual coaching sessions to strengthen management skills.
The twelfth edition of the **Banking Master's degree** was also completed. This is a twelve-month course for 50 high potential deputy branch managers within the Group.
Branch managers and heads of General Management offices took part in management courses to strengthen their leadership skills and team spirit.
Private Bankers received training related to the EFPA (European Financial Planning Association) and AIPB (Associazione Italiana Private Banking) certifications.
The members of staff who handle the Corporate Area market and Territorial Division have been involved in a technical training course certified by the Università Cattolica.
With the aim of maintaining a high qualitative level of training initiatives and to reconcile it as much as possible with what they cost, framework agreements (on behalf of the Group) have been stipulated with training providers to deliver courses on various topics.

Group Labour Relations Office

With regard to the Group's labour relations, procedures continued in connection with some of the most important extraordinary transactions provided for in the 2012-2014 Business Plan, as part of a transparent and constructive dialogue between the parties.
This exchange of ideas again made it possible to sign agreements that were a source of mutual satisfaction, while being aware of the increasing difficulty in the management and governance of the complexity caused by the difficult economic, social and political situation, aggravated by the continuing fallout resulting from the complex confrontation on renewal of the national labour contract (which ultimately led to the interruption of labour relations in the banking sector at all levels).

Key events worth mentioning because of their importance were the **trade union agreements** on the subject of:

- the merger of Banca della Campania s.p.a., Banca Popolare del Mezzogiorno s.p.a. and Banca Popolare di Ravenna s.p.a.
  In the tradition of dialogue that has always characterised the BPER Group's industrial relations, this agreement fosters the overall evolution of the Parent Company's distribution network, made up of 9 Territorial Divisions, and of the consortium company Gruppo Bper Services s.cons.p.a. in order to create operational efficiency and boost cost synergies and economies of scale.
  Among other things, the agreement provides for a voluntary early retirement plan or access to the Solidarity Fund, depending on the accrual of pension rights as of 31 December 2018, for about 100 people, reserved for the staff of the merged banks and to Parent Company staff in certain geographical areas. The closing date for departures will be 30 June 2015.
  The one-off charges relating to these redundancies, in the case of 100% acceptance, are estimated at approximately Euro 14 million, before tax. The overall structure of these interventions is designed to ensure harmonisation of the regulations governing second level negotiations of the companies involved. Once fully introduced, the redundancy plan will save payroll costs of around Euro 8 million gross per year;
- Merger of ABF Leasing s.p.a. with Sardaleasing s.p.a.;
- BPER's increase in capital.

Agreements were also signed in the field of:

- the variable element of remuneration (e.g. the agreements on the corporate social bonus) signed at the various Group entities;
- funded training and the over 55 project;
- extension of staff secondment to certain Group entities (BPER Services s.cons.p.a. and Optima s.p.a. SIM);
- video recording and video surveillance;
- working hours;
- rationalisation of the branch networks of BPER, Banco di Sardegna s.p.a., Banca della Campania s.p.a. and Banca Popolare del Mezzogiorno s.p.a.;
- centralisation of General Management functions (control hub at Banco di Sardegna and reorganisation of the Group's Technical and Property Unit);
- privacy;
- regulation of the Pension Fund and of the Supervisory Body.

There are also numerous **trade union procedures** currently in existence: discussions with the Trade Union has been suspended because of the interruption of labour relations decided by the Unions following cancellation of the National Labour Contract communicated by ABI.
Among these, we would highlight: the evolution of consortium company BPER Services and the reorganisation of certain General Management structures at both Parent Company and Group Company level.

The continuation and development of the important **Welfare Project** within the Group: the activity launched in 2013 was, in fact, further developed at the Parent Company through the implementation of additional content on the Company's Welfare Portal. The areas that were

developed included health, welfare, food and gift stamps, staff conditions, conventions, "a ribbon at work" (dedicated to mothers).
The Welfare Plan was launched in other Group entities to help increase colleagues' involvement and sense of belonging, to satisfy, as far as possible, the different needs of each employee, and to strengthen the Group's image and the values that distinguish it.

4.6 Environment

Communication

During 2014, the corporate and product advertising strategy went through an important **review of product communication** with the main objectives being to strengthen the identity of the commercial offering, to give support to the marketing campaigns of 2014 and to simplify and streamline media advertising at the point of sale.
All new campaigns in 2014 are linked by the new graphical line that involves a visual look with recurring elements, the positioning of logos with a weight and a position that goes in the direction of giving more strength and visibility to the BPER Group and a headline with the product name and the key message of the commercial proposal.
The restyling process covers all material for use at the branches (posters, flyers and brochures) and all material for external media planning (print ads in newspapers, billboards, video and audio spots for TV, radio and internet). The objective is to align all product communication material aimed at customers.
Three **communication campaigns** ("Loan Spread 2.10%", "Arca Tutto Tondo" and "Conto Ti Premio") inaugurated the new approach to commercial communication. These campaigns were sustained by integrated planning that included spots and screenviews on ATMs, billboards, ads in major national and local newspapers, spots on national radio and local television (in northern and central Italy) and a dedicated promotional web page, in addition to the usual advertising media at branches and on websites.
Construction and design work has started on the campaign to launch **bperestero.it**, the web platform dedicated to all SMEs who want to explore new markets by initiating a process of internationalisation and who need a guide that informs them and accompanies them each step of the way (action, strategy, service).
"**Carta Corrente – Amplifica la tua libertà**", a promotional campaign with prizes to facilitate the activation of a Current Account Card by youngsters aged between 18 and 27 years, took place during the year.
A Group **Commercial and Digital Communication Office** was set up in late November 2014. This office is responsible for defining the entire strategy for corporate and product advertising and it has been assigned the task of coordinating and defining standards of visual identity.

Institutional communication

The institutional campaign on the **increase in capital** that began on 23 June 2014 was designed and launched during the period.
The objective is to communicate and explain to Members, Shareholders and potential new investors the reasons for strengthening the Bank's capital.
The communication campaign was developed with integrated planning on the following channels: poster and flyer advertising for branches, a customer Q&A document at branches, ads in major national and local newspapers, spots on Radio24 and local radios in Emilia Romagna, a

dedicated banner on the Group's website (www.gruppobper.it) and a dedicated section in it and on www.bper.it, as well as banners on external websites and direct e-mailing to shareholders.
A corporate communication campaign dedicated to the merger of Banca della Campania s.p.a., Banca Popolare del Mezzogiorno s.p.a. and Banca Popolare di Ravenna s.p.a. was designed and implemented in the second half of the year.
The aim was to accompany customers and the market in the direction of this important change, while reassuring them that we would maintain the core values of the BPER Group, such as attention to the local area, the quality of our relationship with customers and profound integration with the local communities.
The concept of the campaign featured the strengths that distinguish the relationship with customers: the name, the people and the territory. These elements then inspired the content, style and tone of the messages to customers, to communicate values that underline the support to local communities and the continuity guaranteed by the presence of the Bank's people.

Multichannel

In the second half of 2014 we launched on the web "**SMARTY_CONTONLINE**", the first current account of the Group that can be opened by the customer completely online without having to go to a branch. It is addressed to all those who do not yet have a current account with a BPER Group bank, who want to operate independently when and where they want. Along with the current account, they are also offered an ATM card, a prepaid card and a service called "D+" that allows them to hold money on deposit for a certain period of time. In this way, the new customer can start to manage their personal finances independently.
In November, following the merger of the mainland banks with BPER, an plan was introduced for all activities to prepare the customers of the absorbed banks and holders of "**SMART - la Multicanalità"** for their transfer to BPER. Specific web surfing paths were designed and made available to inform customers about what would happen and how their use of SMART services would not change substantially.
With the aim of continuously improving the Group's digital services and bringing them closer to customers' needs, we started a second customer satisfaction survey dedicated to holders of "SMART WEB" and "SMART MOBILE" to establish the level of **digital customer satisfaction** and direct the development of the various online solutions.

Web communication

In 2014, digital communication gave rise to several **online communication initiatives**, mainly to raise visibility and inform customers of the new opportunities that the Group was offering them and to create brand awareness of the Group online.
These initiatives focused not only on commercial offerings like "Loan Spread 2.10%" and "Conto Ti premio", but also on corporate communications in support of the increase in capital.
The online campaigns used complete media planning, starting from display campaigns all the way to keyword campaigns. We also built platforms that allowed users to make direct contact with their branch. The results achieved were significant, also in terms of brand awareness.

Media Relations

The ongoing activity of the Media Relations Office has been aimed principally at communicating the value of the mergers and of the important institutional transitions that the Group went through during 2014, in particular:

- the **Shareholders' Meeting** that on 12 April 2014 approved significant changes to the articles of association regarding the participation of shareholders, appointed six directors for the three-year period 2014-2016 and one director for the rest of the period 2012-2014. At the end of the meeting there was a press conference with high participation on the part of press, radio and television journalists from the most important agencies and national and local newspapers;

- media relations activities (interviews with top management, distribution of press releases and dissemination of their content) relating to the presentation on 5 March 2014 of the **financial statements** at 31 December 2013 and the meeting of the Board of Directors on 6 May 2014 which approved the separate results of BPER and the consolidated results of the Group at 31 March 2014 and approved to **strengthen its capital ratios** by means of a cash increase in capital for up to a maximum of Euro 750 million;
- the **press conference** on 16 April 2014, where Alessandro Vandelli was presented to the national and local media as Luigi Odorici's replacement as BPER's Chief Executive Officer as of that date;
- the **Extraordinary Shareholders' Meeting** that on 7 June 2014 approved the proposal to increase the share capital on a cash basis;
- the three **round tables** organised in the spring together with Poligrafici Editoriale (QN-il Resto del Carlino-La Nazione-Il Giorno) in Milan, Rimini and Bologna on "How to create value for the local economy", with considerable participation on the part of the general public;
- the **awards ceremony** (on 23 January 2014) of the competition for young artists "Prima Pagina Art Price", sponsored by BPER in the "Artefiera" event held in Bologna;
- the press conference at the **Modena Polyclinic** for the presentation of a charity initiative (purchase of medical equipment) supported by BPER;
- the press conferences that illustrated the spring cycle of the **"Incontri con l'autore"** event, sponsored by the Bank, which saw the involvement at the Forum Guido Monzani of Modena of the most important names in contemporary Italian literature, in the presence of a large audience;
- the publication in February and April of the **BXVOI magazine**, distributed in the paper version to all shareholders and constantly updated in the online version on the corporate website;
- the publication of numerous articles, stories, interviews and insights dedicated to BPER from **national newspapers** such as: Il Corriere della Sera ("Corriere Economia"), Il Sole 24 Ore, QN-il Resto del Carlino and Milano Finanza, as well as from major local newspapers;
- the initiative organised by BPER on 16 May 2014 with the participation of the General Manager, Fabrizio Togni, to meet entrepreneurs from Abruzzo and Molise in L'Aquila. Interviews (especially with the "Il Centro" newspaper) were also carried out, as well as numerous television and web reports;
- the media relations activities, with interviews of BPER top management by the Class-CNBC television station, at the time of the **Forex Conference** in February in Rome and the "**Final Considerations"** of the Governor of the Bank of Italy on 30 May 2014, again in Rome;
- organisation of the "**Evening of Good Wishes**" on 16 and 17 December 2014 at the Auditorium Forum Monzani in Modena;
- the press conference at the Library of the General Manager's Office in Modena where the "**Social Collaboration**" agreement between BPER and the Marco Biagi Foundation of the University of Modena and Reggio Emilia was presented and signed;
- inauguration of the BPER's **new Milan branch**;

- the press conferences at **Crotone** and **Matera** relating to merger of Banca Popolare del Mezzogiorno s.p.a. and Banca della Campania s.p.a.;
- the **Photo Prize** organised together with *QN/Il Resto del Carlino*.

From a quantitative point of view, there were over **24,000 articles** (in the press and on the web) mentioning the BPER Group, Banca popolare dell'Emilia Romagna s.c. or a Group bank, with the main topics being:

- corporate life and governance of BPER;
- institutional news;
- initiatives in favour of customers and the territory;
- changes in the presence and structure of the Group;
- initiatives concerning corporate social responsibility.

Banca popolare dell'Emilia Romagna s.c. was **mentioned on national and local television** about 750 times during 2014.

The media relations activity of the External Relations Office made efforts to enhance the dual role that characterises BPER: that of large national banking group and that of local bank with a strong vocation at the service of businesses and households. This involved a series of meetings with journalists from national and local newspapers, as well as those from press agencies, accompanied by frequent telephone contacts to maintain, extend, and improve collaborative relationships.
The office has also worked on the websites www.bper.it and www.gruppobper.it, updating the contents of the sections in its sphere of competence.

Corporate Social Responsibility (CSR)

During the year, Corporate Social Responsibility activities handled by the External Relations and CSR Office, focused on the following matters:

- the creation of BPER's second "**Sustainability Report"** which was presented at the Shareholders' Meeting in April 2014. This report does not set out to be a genuine sustainability report, but to act as a summary of one that allows the reader, in a few pages, to appreciate the Parent Company's efforts on behalf of its stakeholders in 2013. The brochure is available in print at BPER branches and electronically on www.bper.it, along with a video presentation. The 2014 report contains some new features: the materiality matrix, studies on Financial Education, the Charity Trust, Arms Policy, the prevention of Pathological Gambling, as well as a check on the achievement of the objectives set for 2013. This report ends with a list of links and e-mail addresses to enhance the process of interaction with stakeholders;
- **Microcredit:** in addition to the relationship with **PerMicro** s.p.a. and **MxIT** (Microcredito per l'Italia Impresa Sociale s.p.a.), the "**Avere credito**" project, promoted by Fondazione CR Carpi and the "***Fides et Labor***" initiative of the Diocese of Carpi are also available at local level in the Carpi area;
- as regards measures to prevent **Pathological Gambling** , a double event was organised at the Forum Monzani entitled "**Fate il nostro gioco!**", in collaboration with the CNA and the Municipality of Modena, as part of the "Club imprese modenesi per la RSI" project. The event on 20 February 2014 saw the participation of 550 high school students in the morning and 650 people in the evening. Two young Turin science communicators from the company "Taxi 1729" explained - in an appealing way - the calculation of the

probabilities associated with gaming and betting, showing that, in the end of the day, gambling doesn't pay;

- support for **training apprenticeships** for youngsters in Italy and abroad (managed by Uniser Onlus), which are a further evolution of the scholarships granted by the Bank to deserving young people, in order to create good jobs;
- activation at Group level of **financial education** classes (promoted by the "Patti Chiari" Consortium), addressed to students of junior high schools ("The Junior Economic Footprint"). The CSR function also prepared and held lessons for high school students that focused on "Education on Conscious Consumption and Saving";
- the organisation along with Etica SGR s.p.a. of the **conference** entitled **"Investire per bene – la finanza non è un gioco"**, which was held in Modena on 19 June 2014. The topic was investment with respect for human rights, which had an excellent response in terms of participation and appreciation;
- participation in the "**Reggio Emilia alliance for a society without mafias**" (as the only member bank together with Banca Popolare Etica s.c.p.a.), a local multistakeholder entity for the supervision and defence of legality;
- the preparation and teaching of the lesson on CSR in the various editions of the "**Ethics in BPER**" training course aimed at employees, who showed considerable appreciation for the contents;
- participation as representatives of the BPER Group in **Working Groups** (ABI, Patti Chiari, Forum for Sustainable Finance, Fondazione Giordano dell'Amore, Club Imprese modenesi per la RSI, Centro Servizi per il Volontariato di Modena etc.) on the theme of Sustainability, Microfinance and financial inclusion;
- participation in the **Provincial Laboratory of Reggio Emilia Companies for CSR** that led to a project called "Financial Education in favour of the local territory", which was explained at the conference organised by the Chamber of Commerce of Reggio Emilia on 10 July 2014;
- the production and in-house distribution of **reports summarising** studies of trends, forecasts, social and economic matters by external bodies, particular in the field of CSR, in order to grasp the dynamics taking place in society and in the territory where the Group operates;
- the realisation of the 2013 **Report on the Arms Industry** (FY 2012), in compliance with the relevant Group Guidelines on dealings with the Armed Forces and arms manufacturers. Through this report, for the first time, the BPER Group explains with maximum transparency a sensitive and controversial topic, indicating the number of companies covered by the policy, the funding they have used and details of payments tracked for the purposes of Law 185/90;
- membership of the "**Carbon Disclosure Project**" (CDP) by filling in a detailed questionnaire by the Group's Technical and Property Unit; this document details the tons of CO_2 saved by BPER in 2013 and its targets for 2014, with a view to continuously improving the environmental sustainability of the Bank. CDP is an international independent non-profit organisation of global importance, which provides companies and cities with the only global system for measuring, publishing, managing and sharing key environmental information. CDP acts on behalf of 767 institutional investors that manage assets totalling 92,000 billion dollars, collecting information from companies on their greenhouse gas emissions, the steps they have taken to manage the risks and opportunities related to climate change and water resource management. CDP today

manages the largest worldwide database on climate change, water and forest resources, and makes it available to support political, strategic and investment choices;

- publication of the **guide to "Pathological gamblers and banking services"** (a first at national level), together with the Reggio Emilia non-profit "Papa Giovanni XXIII", L.A.G. in Vignola and the Centro Servizi per il Volontariato di Modena;
- adoption of the Decree issued by the Ministry of the Economy and Finance (MEF) and the Ministry of Economic Development (MISE), which sets out the obligations of banks towards firms that have a **Legality Rating**.

5.1 Composition of the Group as at 31 December 2014

The BPER Group, registration no. 5387.6, has been registered pursuant to art. 64 of Legislative Decree 385 dated 1 September 1993 since 7 August 1992.

Set out below is a list of Banks and Companies included in the scope of consolidation at 31 December 2014, split between subsidiary Banks and Companies (consolidated line-by-line) and associate Banks and Companies (consolidated under the equity method).

Details are also provided of the percentage held by the Group[9], with further specific information provided, where necessary, by means of footnotes.

a) Companies consolidated on a line-by-line basis:

1) Banca popolare dell'Emilia Romagna s.c., based in Modena (Parent Company);
2) Banca Popolare dell'Emilia Romagna (Europe) International s.a., based in the Grand Duchy of Luxembourg (100%)[10];
3) Banco di Sardegna s.p.a., based in Cagliari, which is held as follows: 51% of ordinary shares, 60.724% of preference shares and 46.010% of savings shares (without voting rights, listed on the Italian Stock Exchange), representing 50.583% of total capital;
4) Banca di Sassari s.p.a., based in Sassari (97.817%)[11];
5) Cassa di Risparmio di Bra s.p.a., based in Bra (Cuneo) (67%);
6) EMRO Finance Ireland limited, based in Dublin (Ireland), Irish investment company (100%);
7) Nadia s.p.a., based in Modena, property company (100%);
8) Modena Terminal s.r.l., based in Campogalliano (Modena), the activities of which are the storage of goods, the storage and ageing of cheeses and the cold storage of meat and perishable products (100%);
9) BPER Services s.cons.p.a., based in Modena, IT services consortium (100%)[12];
10) Mutina s.r.l., based in Modena, used as a vehicle for the securitisation of receivables (100%);
11) Nettuno Gestione Crediti s.p.a., based in Bologna, provider of debt recovery services (100%);
12) Emilia Romagna Factor s.p.a, based in Bologna, a factoring company (86.081%);
13) Optima s.p.a. SIM, based in Modena, investment broker (100%);
14) Sardaleasing s.p.a., based in Sassari, leasing company (98.337%)[13];
15) Numera s.p.a., based in Sassari, IT company and subsidiary of Banco di Sardegna s.p.a. which holds 100% of share capital;

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[9] *unless otherwise specified, the percentage shown refers to the Parent Company.*
[10] *following the merger of Banca Popolare di Ravenna s.p.a., the Parent Company has acquired full control of the company.*
[11] *held by: Banco di Sardegna s.p.a. (79.722%) and the Parent Company (18.095%).*
[12] *held by: the Parent Company (94.038% of which 1.200% following the absorption of Banca Popolare del Mezzogiorno s.p.a., Banca della Campania s.p.a. and Banca Popolare di Ravenna s.p.a., which owned 0.400% each), Banco di Sardegna s.p.a. (4.762%), Banca di Sassari s.p.a. (0.400%), Optima s.p.a. SIM (0.400%) and Sardaleasing s.p.a. (0.400%).*
[13] *held by: the Parent Company (51.404%) and Banco di Sardegna s.p.a. (46.933%).*

16) Tholos s.p.a., based in Sassari, property company and subsidiary of Banco di Sardegna s.p.a. which holds 100% of share capital;
17) Estense Covered Bond s.r.l. based in Conegliano (Treviso), a vehicle for the issue of Guaranteed Bank Bonds under art. 7 *bis* of Law 130/99 (60%);
18) BPER Trust Company s.p.a., based in Modena, with the role of trustee for trusts established by customers, as well as providing advice on trust matters (100%).

In addition to the above members of the banking group, the scope of consolidation also includes the following direct and indirect subsidiaries that are not members of the Banking group, since they do not contribute directly to its activities, but are fully consolidated:

- Melior Valorizzazioni Immobili s.r.l. (100%);
- Italiana Valorizzazioni Immobiliari s.r.l. (100%);
- Adras s.p.a. (100%);
- Polo Campania s.r.l. (100%)[14];
- Galilei Immobiliare s.r.l. wholly owned by Nadia s.p.a.

b) Companies consolidated under the equity method

1) Cassa di Risparmio di Fossano s.p.a., based in Fossano (Cuneo) (23.077%);
2) Cassa di Risparmio di Saluzzo s.p.a., based in Saluzzo (Cuneo) (31.019%);
3) Cassa di Risparmio di Savigliano s.p.a., based in Savigliano (Cuneo) (31.006%);
4) Banca della Nuova Terra s.p.a., based in Milan (30.369%);
5) Alba Leasing s.p.a., based in Milan (33.498%);
6) CO.BA.PO. - Consorzio Banche Popolari s.con., based in Bologna (23.587%);
7) Sofipo Fiduciaire s.a., based in Lugano, held by Banca Popolare dell'Emilia Romagna (Europe) International s.a. which holds 30% of share capital;
8) CONFORM - Consulenza Formazione e Management s.c.a.r.l., based in Avellino (49.410%)[15];
9) Sintesi 2000 s.r.l., based in Milan (33.333%);
10) CAT progetto Impresa Modena s.c.r.l., based in Modena (20%);
11) Resiban s.p.a., based in Modena (20%);
12) Unione Fiduciaria s.p.a., based in Milan (24%);
13) Atriké s.p.a., based in Modena (45%);
14) Sarda Factoring s.p.a., based in Cagliari (21.484%)[16];
15) Emil-Ro Service s.r.l., based in Bologna (25%)[17];
16) Brozzu e Cannas in liquidazione s.r.l., based in Sassari, held by Adras s.p.a. which holds 50% of the share capital;
17) Compagnia Finanziaria Olbia Produce s.r.l., based in Sassari, held by Adras s.p.a. which holds 50% of the share capital.

[14] following the merger of Banca della Campania s.p.a. the Parent Company has acquired full direct control of the company.
[15] held by: the Parent Company (46.430% of which 5.950% following the merger of Banca della Campania s.p.a.) and Banco di Sardegna s.p.a. (2.980%).
[16] held by: Banco di Sardegna s.p.a. (13.401%) and the Parent Company (8.083%).
[17] held by: the Parent Company (16.667%) and Emilia Romagna Factor s.p.a. (8.333%).

5.2 Changes in the scope of consolidation

Companies consolidated on a line-by-line basis

- the merger of Immobiliare Reiter s.p.a. with Nadia s.p.a. was completed on 18 March 2014 with effect for tax and accounting purposes from 1 January 2014;
- the merger of ABF Leasing s.p.a. with Sardaleasing s.p.a. was completed on 24 June 2014 (effective from 30 June 2014 and with effect for tax and accounting purposes from 1 April 2014). On 14 November 2014, the Parent Company acquired from an external shareholder 8,000 shares of Sardaleasing s.p.a. for a value of Euro 459 thousand, now holding direct control of the company with 51.404%. For the purpose of calculating the consolidated result, the scope of consolidation includes ABF Leasing s.p.a. with its results at 31 March 2014 and Sardaleasing s.p.a. directly from 1 April 2014 post merger; whereas the latter's first quarter figures were included in the sub-consolidation of Banco di Sardegna S.p.A., which had control of it until 31 March 2014;
- the merger of Banca Popolare del Mezzogiorno s.p.a., Banca della Campania s.p.a. and Banca Popolare di Ravenna s.p.a. with the Parent Company was completed on 24 November 2014. The merger took effect for tax and accounting purposes from 1 January 2014.

These changes that affect the scope of consolidation are disclosed in the first part of this report.

The following changes also took place in the Parent Company's interest in certain subsidiary banks and companies during the period:

- Banco di Sardegna s.p.a.: the Parent Company's previous holding of 50.448% was raised to 50.583% after buying savings shares on the market;
- Banca di Sassari s.p.a.: formerly held 18.008% by the Parent Company, it rose to 18.095% following various purchases from shareholders%;
- Emilia Romagna Factor s.p.a.: formerly held 69.258% by the Parent Company, it rose to 86.081% following purchases from shareholders.

Companies consolidated under the equity method

- The Extraordinary General Meeting of the sponsoring members of CONFORM - Consulting and Training Management S.c.a.r.l. held on 3 July 2014 approved a bonus increase in capital for a total of Euro 113 thousand.

6.1 Balance sheet aggregates

The more important consolidated accounting aggregates and captions are presented below on a comparative basis with the figures at 31 December 2013, in thousands of Euro, indicating the changes between periods in absolute and percentage terms.

ASSETS

(in thousands of Euro)

Assets	31.12.2014	31.12.2013	Change	%change
10. Cash and cash equivalents	450,766	488,522	(37,756)	-7.73
20. Financial assets held for trading	1,033,286	1,117,939	(84,653)	-7.57
30. Financial assets designated at fair value through profit and loss	110,249	149,899	(39,650)	-26.45
40. Financial assets available for sale	6,944,927	6,630,062	314,865	4.75
50. Financial assets held to maturity	2,213,497	1,207,868	1,005,629	83.26
60. Due from banks	1,709,298	1,587,781	121,517	7.65
70. Loans to customers	43,919,681	46,514,738	(2,595,057)	-5.58
80. Hedging derivatives	36,744	3,751	32,993	879.58
100. Equity investments	257,660	250,970	6,690	2.67
120. Property, plant and equipment	1,028,931	1,022,430	6,501	0.64
130. Intangible assets	498,009	491,215	6,794	1.38
of which: goodwill	380,416	380,416	-	-
140. Tax assets	1,361,322	1,184,567	176,755	14.92
a) current	181,989	145,989	36,000	24.66
b) deferred	1,179,333	1,038,578	140,755	13.55
b1) of which L. 214/2011	1,018,156	893,224	124,932	13.99
150. Non-current assets and disposal groups held for sale	2,817	2,817	-	-
160. Other assets	1,085,733	1,105,493	(19,760)	-1.79
Total assets	**60,652,920**	**61,758,052**	**(1,105,132)**	**-1.79**

In the following tables, the detailed information about the Parent Company with the figures at 31 December 2013 take into account the merger of the three Group Banks (Banca della Campania s.p.a., Banca Popolare del Mezzogiorno s.p.a. and Banca Popolare di Ravenna s.p.a.), carried out on 24 November 2014, with effect for tax and accounting purposes from 1 January 2014.
These figures have not been audited by PricewaterhouseCoopers s.p.a., the independent auditors.

LOANS TO CUSTOMERS

(in thousands of Euro)

Captions	31.12.2014	31.12.2013	Change	% change
Current accounts	6,514,397	7,677,086	(1,162,689)	-15.14
Mortgage loans	24,895,887	25,558,514	(662,627)	-2.59
Repurchase agreements	122,893	47,395	75,498	159.30
Debt securities	391,870	269,669	122,201	45.32
Other transactions	11,994,634	12,962,074	(967,440)	-7.46
Net customer loans	**43,919,681**	**46,514,738**	**(2,595,057)**	**-5.58**

Loans to customers, net of adjustments, amount to Euro 43,919.7 million (Euro 46,514.7 million as at 31 December 2013) and are down since the start of the year (-5.58%).
Current accounts are down by about € 1,162.7 million (-15.14%), as are mortgages, down by Euro 662.6 million (-2.59%), and other financing transactions, mainly "bullet" loans, which have fallen by € 711 million (-24.17%); there has been an increase in repurchase agreements for Euro 75.5 million and in debt securities of € 122.2 million (+45.32%).

The average interest rate for the year on loans to customers amounted to 3.50%, a decrease of about 9 bps compared with the previous year's average rate.
The spread between lending and deposit rates of banking relationships with customers came to 2.30%, up compared with 2013 (2.15%).
The overall gap between the average annual rate of return on interest-bearing assets and the average annual cost of interest-bearing liabilities amounts to 2.12%, up on last year (when it was 2.07%).

(in thousands of Euro)

Captions	31.12.2014	31.12.2013	Change	% change
Gross doubtful loans	**10,998,439**	**10,213,929**	**784,510**	**7.68**
Non-performing loans	6,487,495	5,504,590	982,905	17.86
Watchlist loans	3,577,168	3,831,386	(254,218)	-6.64
Restructured loans	724,581	512,501	212,080	41.38
Past due loans	209,195	365,452	(156,257)	-42.76
Gross performing loans	**37,603,529**	**40,341,356**	**(2,737,827)**	**-6.79**
Total gross exposure	**48,601,968**	**50,555,285**	**(1,953,317)**	**-3.86**
Adjustments to doubtful loans	**4,471,566**	**3,814,311**	**657,255**	**17.23**
Non-performing loans	3,668,419	3,025,614	642,805	21.25
Watchlist loans	679,967	696,195	(16,228)	-2.33
Restructured loans	106,292	70,920	35,372	49.88
Past due loans	16,888	21,582	(4,694)	-21.75
Adjustments to performing loans	**210,721**	**226,236**	**(15,515)**	**-6.86**
Total adjustments	**4,682,287**	**4,040,547**	**641,740**	**15.88**
Net doubtful loans	**6,526,873**	**6,399,618**	**127,255**	**1.99**
Non-performing loans	2,819,076	2,478,976	340,100	13.72
Watchlist loans	2,897,201	3,135,191	(237,990)	-7.59
Restructured loans	618,289	441,581	176,708	40.02
Past due loans	192,307	343,870	(151,563)	-44.08
Net performing loans	**37,392,808**	**40,115,120**	**(2,722,312)**	**-6.79**
Total net exposure	**43,919,681**	**46,514,738**	**(2,595,057)**	**-5.58**

The adjustments relate to performing loans for Euro 210.7 million (Euro 226.2 million at 31 December 2013; -6.86%), giving a coverage ratio of 0.56% (same as last year).
Adjustments to doubtful loans amount to Euro 4,471.6 million (Euro 3,814.3 million at 31 December 2013; +17.23%) with a coverage ratio of 40.66% (37.34% at 31 December 2013). The total coverage ratio is 9.63% versus 7.99% at 31 December 2013. If we take into account the direct write-downs of non-performing loans involved in bankruptcy proceedings for Euro 1,318.4 million (Euro 1,454.3 million at 31 December 2013), the coverage ratio increases to 12.02% (10.57 % at 31 December 2013). The total actual value of the claim for non-performing loans comes to Euro 7,805.9 million (Euro 6,958.9 million at 31 December 2013) and the effective coverage ratio comes to 63.89% (64.38% at 31 December 2013). Making the same considerations, the effective coverage of doubtful loans amounts to 47.01% (45.15% at 31 December 2013).

(in thousands of Euro)

Loans to customers	31.12.2014		31.12.2013		% gross change	% net change	% coverage ratio
	Gross	Net	Gross	Net			
1. Banca popolare dell'Emilia Romagna s.c.	37,618,793	34,276,875	38,894,411	36,042,786	-3.28	-4.90	8.88
2. Bper (Europe) International s.a.	211,885	211,825	195,671	194,972	8.29	8.64	0.03
3. Banca di Sassari s.p.a.	1,391,928	1,270,186	1,377,898	1,271,908	1.02	-0.14	8.75
4. Banco di Sardegna s.p.a.	7,840,175	6,890,772	8,336,455	7,466,448	-5.95	-7.71	12.11
5. Cassa di Risparmio di Bra s.p.a.	1,154,577	1,054,484	1,227,179	1,167,898	-5.92	-9.71	8.67
Total banks	**48,217,358**	**43,704,142**	**50,031,614**	**46,144,012**	**-3.63**	**-5.29**	**9.36**
Other companies and consolidation adjustments	384,610	215,539	523,671	370,726	-26.56	-41.86	43.96
Total	**48,601,968**	**43,919,681**	**50,555,285**	**46,514,738**	**-3.86**	**-5.58**	**9.63**

The comparative figures of Banca popolare dell'Emilia Romagna s.c. include those of the Group banks absorbed on 24 November 2014: Banca Popolare di Ravenna s.p.a. (Euro 2,124,920 thousand gross and Euro 2,022,651 thousand net), Banca della Campania s.p.a. (Euro 2,791,207 thousand gross and Euro 2,536,673 thousand net) and Banca Popolare del Mezzogiorno s.p.a. (Euro 2,761,356 thousand gross and Euro 2,590,742 thousand net).

Doubtful loans (non-performing loans, watchlist loans, restructured loans and past due loans for more than 90 days) indicated here, relate solely to the portfolio of "*Loans to customers*". Their net amount of Euro 6,526.9 million (+1.99%) is equal to 14.86% of total net loans to customers (13.76% as at 31 December 2013), whereas, on a gross basis, it is equal to 22.63% (20.20% as at 31 December 2013).

In detail, net non-performing loans amount to Euro 2,819.1 million (+13.72%), net watchlist loans to Euro 2,897.2 million (-7.59%), net restructured loans amount to Euro 618.3 million (+40.02%) and net past due loans total Euro 192.3 million (-44.08%).

The coverage ratio is satisfactory and suitable for the portfolio's level of risk: the coverage ratio of total doubtful loans comes to 40.66% versus 37.34% at the end of 2013, an increase of 332 bps, as a result of the strict application of an extremely conservative approach to the assessment of credit.

If we take into account the direct write-downs of non-performing loans involved in bankruptcy proceedings for Euro 1,318.4 million (Euro 1,454.3 million at 31 December 2013), the effective coverage ratio comes to 47.01% (45.15% as at 31 December 2013).

(in thousands of Euro)

Doubtful loans	31.12.2014		31.12.2013		% gross change	% net change	% coverage ratio
	Gross	Net	Gross	Net			
1. Banca popolare dell'Emilia Romagna s.c.	7,633,373	4,435,209	7,057,176	4,365,389	8.16	1.60	41.90
2. Bper (Europe) International s.a.	60	-	10,189	9,490	-99.41	-100.00	100.00
3. Banca di Sassari s.p.a.	261,922	148,212	242,508	143,170	8.01	3.52	43.41
4. Banco di Sardegna s.p.a.	2,065,181	1,149,145	2,014,306	1,176,315	2.53	-2.31	44.36
5. Cassa di Risparmio di Bra s.p.a.	252,360	156,099	200,333	144,893	25.97	7.73	38.14
Total banks	**10,212,896**	**5,888,665**	**9,524,512**	**5,839,257**	**7.23**	**0.85**	**42.34**
Other companies and consolidation adjustments	785,543	638,208	689,417	560,361	13.94	13.89	18.76
Total	**10,998,439**	**6,526,873**	**10,213,929**	**6,399,618**	**7.68**	**1.99**	**40.66**
Direct write-downs of non-performing loans	1,318,437	-	1,454,301	-	-9.34	n.s.	100.00
Adjusted total	**12,316,876**	**6,526,873**	**11,668,230**	**6,399,618**	**5.56**	**1.99**	**47.01**

The comparative figures of Banca popolare dell'Emilia Romagna s.c. include those of the Group banks absorbed on 24 November 2014: Banca Popolare di Ravenna s.p.a. (Euro 310,004 thousand gross and Euro 218,036 thousand net), Banca della Campania s.p.a. (Euro 694,369 thousand gross and Euro 452,855 thousand net) and Banca Popolare del Mezzogiorno s.p.a. (Euro 423,939 thousand gross and Euro 267,186 thousand net).
Note that Cassa di Risparmio di Bra s.p.a., unlike the rest of the Group, does not accrue interest on arrears for individual debt positions, proceeding in fact to their total direct write-down. If we take this figure at 31 December 2014, which relates to outstanding positions of Euro 10,344 thousand, the restated level of coverage comes to 40.58%, compared with 38.14% as shown in the table.

The **non-performing loans** shown here relate solely to the portfolio of "*Loans to customers*". Their net amount of Euro 2,819.1 million (+13.72%) comes to 6.42% of total net loans to customers (5.33% at 31 December 2013), whereas, on a gross basis, the ratio of non-performing loans to total *"Loans to customers"* comes to 13.35% (10.89% at 31 December 2013).
The coverage ratio of non-performing loans comes to 56.55% compared with 54.97% in December 2013: an increase of 158 bps.
If we take account of the direct write-downs made to non-performing loans involved in bankruptcy procedures for Euro 1,318.4 million (Euro 1,454.3 million at 31 December 2013), the total actual value of the claim for non-performing loans comes to Euro 7,805.9 million (Euro 6,958.9 million at 31 December 2013) and the effective coverage ratio is 63.89% (64.38% at 31 December 2013).

(in thousands of Euro)

Non-performing loans	31.12.2014		31.12.2013		% gross change	% net change	% coverage ratio
	Gross	Net	Gross	Net			
1. Banca popolare dell'Emilia Romagna s.c.	4,387,776	1,814,821	3,753,902	1,657,140	16.89	9.52	58.64
2. Bper (Europe) International s.a.	-	-	-	-	-	-	-
3. Banca di Sassari s.p.a.	167,870	70,195	150,236	64,277	11.74	9.21	58.18
4. Banco di Sardegna s.p.a.	1,391,093	588,679	1,151,701	459,973	20.79	27.98	57.68
5. Cassa di Risparmio di Bra s.p.a.	113,689	40,085	53,727	23,068	111.60	73.77	64.74
Total banks	**6,060,428**	**2,513,780**	**5,109,566**	**2,204,458**	**18.61**	**14.03**	**58.52**
Other companies and consolidation adjustments	427,067	305,296	395,024	274,518	8.11	11.21	28.51
Total	**6,487,495**	**2,819,076**	**5,504,590**	**2,478,976**	**17.86**	**13.72**	**56.55**
Direct write-downs of non-performing loans	1,318,437	-	1,454,301	-	-9.34	n.s.	100.00
Adjusted total	**7,805,932**	**2,819,076**	**6,958,891**	**2,478,976**	**12.17**	**13.72**	**63.89**

The comparative figures of Banca popolare dell'Emilia Romagna s.c. include those of the Group banks absorbed on 24 November 2014: Banca Popolare di Ravenna s.p.a. (Euro 131,966 thousand gross and Euro 73,138 thousand net), Banca della Campania s.p.a. (Euro 373,821 thousand gross and Euro 185,057 thousand net) and Banca Popolare del Mezzogiorno s.p.a. (Euro 231,106 thousand gross and Euro 107,781 thousand net).
With reference to Cassa di Risparmio di Bra s.p.a. and the comment on doubtful loans made in the previous point with reference to the accounting treatment of interest on arrears, note that at 31 December 2014 outstanding positions were written down directly by Euro 10,344 thousand; the restated coverage ratio of non-performing loans comes to 67.68%

The **watchlist loans** shown here relate solely to the portfolio of *"Loans to customers"*. Their net amount of Euro 2,897.2 million (-7.59%) comes to 6.60% of total net loans to customers (6.74% at 31 December 2013), whereas, on a gross basis, the ratio of watchlist loans to total "*Loans to customers*" comes to 7.36% (7.58% at 31 December 2013).
The coverage of watchlist loans has increased compared with the end of 2013 and comes to 19.01% compared with 18.17% at 31 December 2013.

(in thousands of Euro)

Watchlist loans	31.12.2014		31.12.2013		% gross change	% net change	% coverage ratio
	Gross	Net	Gross	Net			
1. Banca popolare dell'Emilia Romagna s.c.	2,517,949	1,995,833	2,637,285	2,121,940	-4.52	-5.94	20.74
2. Bper (Europe) International s.a.	60	-	10,189	9,490	-99.41	-100.00	100.00
3. Banca di Sassari s.p.a.	80,797	67,226	79,038	66,670	2.23	0.83	16.80
4. Banco di Sardegna s.p.a.	585,709	483,019	769,055	629,998	-23.84	-23.33	17.53
5. Cassa di Risparmio di Bra s.p.a.	119,436	98,191	100,449	77,830	18.90	26.16	17.79
Total banks	**3,303,951**	**2,644,269**	**3,596,016**	**2,905,928**	**-8.12**	**-9.00**	**19.97**
Other companies and consolidation adjustments	273,217	252,932	235,370	229,263	16.08	10.32	7.42
Total	**3,577,168**	**2,897,201**	**3,831,386**	**3,135,191**	**-6.64**	**-7.59**	**19.01**

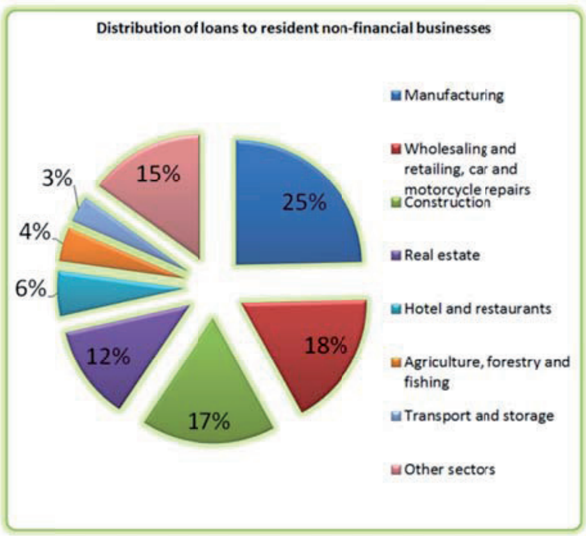
The comparative figures of Banca popolare dell'Emilia Romagna s.c. include those of the Group banks absorbed on 24 November 2014: Banca Popolare di Ravenna s.p.a. (Euro 143,967 thousand gross and Euro 115,223 thousand net), Banca della Campania s.p.a. (Euro 299,952 thousand gross and Euro 248,532 thousand net) and Banca Popolare del Mezzogiorno s.p.a. (Euro 175,669 thousand gross and Euro 143,548 thousand net).

The table and graph below show the amount of loan disbursements to resident non-financial companies at the year end, broken down by the debtors' industry sector according to the Bank of Italy's ATECO classification.

(in thousands of Euro)

Distribution of loans to resident non-financial businesses	31.12.2014	31.12.2013	%	% change
A. Agriculture, forestry and fishing	1,238,511	1,223,112	2.82	1.2[illegible]
B. Mining and quarrying	60,066	70,718	0.14	-15.0[illegible]
C. Manufacturing	6,936,487	7,526,697	15.79	-7.8[illegible]
D. Provision of electricity, gas, steam and air-conditioning	661,235	685,735	1.51	-3.5[illegible]
E. Provision of water, sewerage, waste management and rehabilitation	299,892	359,306	0.68	-16.5[illegible]
F. Construction	4,869,579	5,634,415	11.09	-13.57
G. Wholesaling and retailing, car and motorcycle repairs	4,902,495	5,376,756	11.16	-8.82
H. Transport and storage	958,033	1,061,597	2.18	-9.76
I. Hotel and restaurants	1,642,828	1,777,176	3.74	-7.56
J. Information and communication	336,830	418,367	0.78	-19.49
K. Finance and insurance	377,878	504,389	0.86	-25.08
L. Real estate	3,406,966	3,614,291	7.76	-5.74
M. Professional, scientific and technical activities	941,473	997,220	2.14	-5.59
N. Rentals, travel agencies, business support services	590,251	603,534	1.34	-2.20
O. Public administration and defence, compulsory social security	17,330	9,644	0.04	79.70
P. Education	27,646	32,648	0.06	-15.32
Q. Health and welfare	449,271	456,779	1.02	-1.64
R. Arts, sport and entertainment	216,905	204,328	0.49	6.16
S. Other services	226,773	251,721	0.52	-9.91
Total loans to resident non-financial businesses	**28,160,449**	**30,808,433**	**64.12**	**-8.59**
Loans to non-resident, non-financial businesses	128,581	127,567	0.29	0.79
Total loans to non-financial businesses	**28,289,030**	**30,936,000**	**64.41**	**-8.56**
Individuals and other not included above	10,529,182	10,669,270	23.97	-1.31
Financial businesses	2,737,444	2,697,225	6.23	1.49
Securities	391,870	269,669	0.90	45.32
Governments and other public entities	1,961,973	1,933,482	4.47	1.47
Insurance companies	10,182	9,092	0.02	11.99
Total loans	**43,919,681**	**46,514,738**	**100.00**	**-5.58**

The table shows the amount of loan disbursements to resident non-financial companies at the year end, broken down by the debtors' industry sector according to the Bank of Italy's ATECO classification.
Compared with the total of loans granted, the sectors that have fallen the most are those to the construction industry, down by € 764.8 million (-13.57%); commerce, down by € 474.3 million (-8.82%), manufacturing, down by € 590.2 million (-7.84%) and real estate, down by Euro 207.3 million (-5.74%).



FINANCIAL ASSETS AND EQUITY INVESTMENTS

(in thousands of Euro)

Captions	31.12.2014	31.12.2013	Change	% change
Financial assets held for trading	1,033,286	1,117,939	(84,653)	-7.57
- of which: derivatives	*243,468*	*190,953*	*52,515*	*27.50*
Financial assets designated at fair value through profit and loss	110,249	149,899	(39,650)	-26.45
Financial assets available for sale	6,944,927	6,630,062	314,865	4.75
Financial assets held to maturity	2,213,497	1,207,868	1,005,629	83.26
Total financial assets	**10,301,959**	**9,105,768**	**1,196,191**	**13.14**

Financial assets amount to Euro 10,302 million, including Euro 9,410.1 million of debt securities (91.34% of the total): of these, Euro 6,740.3 million relate to sovereign States and Central Banks, Euro 2,223.3 million to Banks.
There was a significant increase in "Financial assets held to maturity" of Euro 1,005.6 million (+83.26%), with the aim of supporting the interest margin and to make it less exposed to fluctuations in interest rates, in a foreseeable scenario of particularly low risk-free rates even for an extended period, and in "Financial assets available for sale" of € 314.9 million (+4.75%).
For their characteristics, most of the securities in portfolio, being highly liquid, are eligible for use as collateral for refinancing transactions on the institutional market or with the European Central Bank.
Equities come to Euro 385.8 million (3.74% of the total), inclusive of Euro 342 million of stable equity investments classified in the AFS portfolio; equities held for trading are totally marginal.
"Financial assets held for trading" include financial derivatives of Euro 243.5 million (+27.50%) made up of Euro 55.4 million (-41.08%) of derivatives linked to debt securities classified in "Financial assets designated at fair value through profit and loss" and in "Financial liabilities designated at fair value through profit and loss" (fair value option) and forward transactions in foreign currencies (traded with customers and/or used in managing the foreign exchange position), interest rate and foreign exchange derivatives intermediated with customers, derivatives related to securitisations and other operational hedging derivatives. At 31 December 2014 the Group has not entered into any of the "long-term structured repo transactions" mentioned in the document issued jointly by the Bank of Italy, CONSOB and IVASS on 8 March 2013.
Against the "Financial assets available for sale" of Euro 6,944.9 million, there are positive net valuation reserves for a total of Euro 211.3 million, net of the related tax effect, as a result of the sum of positive reserves relating to debt securities, equities and UCITS of Euro 218.5 million and negative reserves of Euro 7.2 million; the net reserve only for government bonds was a positive Euro 97.9 million.

(in thousands of Euro)

Financial assets	31.12.2014	31.12.2013	Change	% change
1. Banca popolare dell'Emilia Romagna s.c.	8,811,024	7,668,027	1,142,997	14.91
2. Bper (Europe) International s.a.	50,371	65,810	(15,439)	-23.46
3. Banca di Sassari s.p.a.	89	9,808	(9,719)	-99.09
4. Banco di Sardegna s.p.a.	1,028,597	927,608	100,989	10.89
5. Cassa di Risparmio di Bra s.p.a.	133,660	190,764	(57,104)	-29.93
Total banks	**10,023,741**	**8,862,017**	**1,161,724**	**13.11**
Other companies and consolidation adjustments	278,218	243,751	34,467	14.14
Total	**10,301,959**	**9,105,768**	**1,196,191**	**13.14**

The comparative figures of Banca popolare dell'Emilia Romagna s.c. include those of the Group banks absorbed on 24 November 2014: Banca Popolare di Ravenna s.p.a. (Euro 79,063 thousand), Banca della Campania s.p.a. (Euro 106,139 thousand) and Banca Popolare del Mezzogiorno s.p.a. (Euro 194,346 thousand), net of intercompany balances (Euro 28,392 thousand). The same adjustment was made to "Other companies and consolidation adjustments"

Istituto per il Credito Sportivo, a company owned by Banco di Sardegna s.p.a. ("Banco"), was put into receivership on 28 December 2011. Following the initiative taken by the special commissioners, aimed at obtaining a redetermination of the legal nature of a fund contributed by the Government and the revision of the resolutions for the distribution of profits, an interministerial decree was issued on 6 March 2013 which began the procedure for cancelling its articles of association. Moreover, on 25 September 2013, a writ of summons was notified to the Bank by the Civil Court of Cagliari, where the case is pending, under which Istituto per il Credito Sportivo requires repayment of the differences between the earnings for the years 2005-2010 and those due under its previous articles of association. The interministerial decree of 6 March 2013 has been challenged by Banco di Sardegna and the other participating banks. The measures that eliminated the resolutions regarding the distribution of profits taken since 2005 have also been challenged and directives to recalculate the Government's participation in the Entity have been issued. On 26 March 2014, the Administrative Tribunal of Lazio heard the appeal against cancellation of the articles of association.
Subsequently, by notice dated 9 April 2014, the special commissioners notified the launch of the procedure to end the management by commissioner. It should also be noted that the interministerial decree of 24 January 2014 published in the Official Gazette on 19 April 2014 approved the new articles of association of Istituto per il Credito Sportivo, according to which Banco di Sardegna's interest in the share capital of Istituto per il Credito Sportivo had been reduced from 2.7% to 0.468%. Banco di Sardegna, together with the other participating banks, promptly challenged this last measure.
With regard to the administrative dispute, it should be noted that the Administrative Tribunal of Lazio, appointed to handle this case, with judgements filed on 16 May 2014 and 3 June 2014, which was promptly appealed against, rejected the requests of Banco di Sardegna and the other private shareholders.
Taking this into account, as well as the full force and immediate effect of the new articles of association, in the preparation of the financial statements at 31 December 2014, we proceeded to change the representation of Banco di Sardegna's interest in Istituto per il Credito Sportivo by reducing the book value of the company shown under AFS financial assets and the simultaneous reversal of a portion of the related reserve (Euro 20.3 million) for Euro 16.6 million.
With regard to the requests for restitution of dividends, the Bank, as mentioned above, has initiated legal action in its defence and at present the opinion is that it is only exposed to a possible risk. For this reason, no provisions have been made for risks and charges.

(in thousands of Euro)

Captions	31.12.2014	31.12.2013	Change	% change
Equity investments	257,660	250,970	6,690	2.67

This caption relates to significant equity investments (i.e. non-Group companies subject to significant influence, represented by holdings of 20% or more of their share capital); these interests are measured using the equity method. Worth noting is the write-down of the interest in Banca della Nuova Terra s.p.a. for Euro 3.2 million following an impairment test. The portion relating to goodwill comes to Euro 21.4 million, the same as at 31 December 2013.

FIXED ASSETS

(in thousands of Euro)

Captions	31.12.2014	31.12.2013	Change	% change
Intangible assets	498,009	491,215	6,794	1.38
of which: goodwill	*380,416*	*380,416*	-	-

Intangible assets include amounts of goodwill for a total of Euro 380.4 million, as follows:

(thousands of Euro)

Goodwill	31.12.2014	31.12.2013
1. Group companies	**380,416**	**349,884**
1.1 Banks	**91,734**	**156,080**
- Banca Popolare di Ravenna s.p.a. (*)	-	6,876
- Banca Popolare del Mezzogiorno s.p.a. (*)	-	6,124
- Banca della Campania s.p.a. (*)	-	51,346
- Banco di Sardegna s.p.a.	82,256	82,256
- Banca di Sassari s.p.a.	4,904	4,904
- Cassa di Risparmio di Bra s.p.a.	4,574	4,574
1.2 Parent Company BPER	**280,236**	**185,358**
- Purchase of UNICREDIT branches (***)	83,650	53,118
- Meliorbanca s.p.a.	104,685	104,685
- Banca CRV - Cassa di Risparmio di Vignola s.p.a.	2,272	2,272
- Banca Popolare di Lanciano e Sulmona s.p.a.	1,655	1,655
- Banca Popolare di Aprilia s.p.a.	10,151	10,151
- CARISPAQ - Cassa di Risparmio della Provincia dell'Aquila s.p.a.	13,477	13,477
- Banca Popolare di Ravenna s.p.a. (*)	6,876	-
- Banca Popolare del Mezzogiorno s.p.a. (*)	6,124	-
- Banca della Campania s.p.a. (*)	51,346	-
1.3 Other companies	**8,446**	**8,446**
- ABF Leasing s.p.a. (**)	-	1,657
- Sardaleasing s.p.a.	1,657	-
- Emilia Romagna Factor s.p.a.	6,769	6,769
- Estense Covered Bond s.r.l.	2	2
- Adras s.p.a.	18	18
2. Other goodwill	**-**	**30,532**
- Purchase of UNICREDIT branches (***)	-	30,532
Total	**380,416**	**380,416**

(*) absorbed by BPER on 24 November 2014.
*(** absorbed by Sardaleasing s.p.a. on 24 June 2014.*
(***) of which Euro 30,532 relating to the former Banca Popolare del Mezzogiorno s.p.a., merged with BPER on 24 November 2014.

(in thousands of Euro)

Captions	31.12.2014	31.12.2013	Change	% change
Property, plant and equipment	1,028,931	1,022,430	6,501	0.64
including owned land and properties	*943,915*	*937,207*	*6,708*	*0.72*

INTERBANK AND LIQUIDITY POSITION

(in thousands of Euro)

Net interbank position	31.12.2014	31.12.2013	Change	% change
A. Due from banks	**1,709,298**	**1,587,781**	**121,517**	**7.65**
1. Current accounts and deposits	1,110,054	928,658	181,396	19.53
2. Reverse repurchase agreements	31,735	-	31,735	n.s.
3. Debt securities	139,923	226,471	(86,548)	-38.22
4. Other	427,586	432,652	(5,066)	-1.17
B. Due to banks	**6,479,558**	**7,820,719**	**(1,341,161)**	**-17.15**
Total (A-B)	**(4,770,260)**	**(6,232,938)**	**1,462,678**	**-23.47**

The following table gives details of such operations with the ECB. The overall reduction of the principal portion compared with 31 December 2013 amounts to Euro 1,170 million and is due to the partial refund, for € 2,420 million, of the LTRO maturing in January 2015, to the partial refund, for € 750 million, of the LTRO maturing in February 2015, and, conversely, to the subscription of Euro 2,000 million of new T-LTROs at the first auction in September.

(in millions of Euro)

Refinancing transactions with the European Central Bank	Capital	Maturity
1. Long-Term Refinancing Operation (LTRO) December 2011	65	Jan-15
2. Long-Term Refinancing Operation (LTRO) February 2012	1,310	Feb-15
3. Targeted Long Term Refinancing Operation (T-LTRO) September 2014	2,000	Sep-18
Total	**3,375**	

At 31 December 2014, the Central Treasury held significant resources relating to securities eligible for refinancing at the European Central Bank, of an overall amount, net of margin calls, of Euro 11,508 million (Euro 12,354 million at 31 December 2013). The available portion amounts to Euro 4,633 million (Euro 3,926 million at 31 December 2013).
Having obtained the necessary authorisations and passed the relevant resolutions, all of the liabilities secured by the Italian State Guarantee issued by the Parent Company and Cassa di Risparmio di Bra s.p.a., for a nominal value of Euro 1,250 million and Euro 50 million, respectively, were extinguished during the fourth quarter of 2014.

(in million of Euro)

Counterbalancing Capacity	Nominal value	Guarantee value	Restricted portion	Available portion
Eligible securities and loans		**11,508**	**6,875**	**4,633**
1 Securities as collateral for own and third-party commitments		443	443	
2 Securities subject to funding repurchase agreements		3,017	3,017	
3 Securities and loans not transferred to the Pooling Account		2,993	-	2,993
4 Securities and loans transferred to the Pooling Account		5,055	3,415	1,640
of which:				
Own debt guaranteed by the Italian Government	*-*	*-*		
Own securitisations	*1,770*	*1,506*		
Guaranteed Bank Bonds issued by the Bank	*300*	*260*		
Collaterized Bank Assets (A.BA.CO.)	*1,442*	*751*		

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities and shareholders' equity	31.12.2014	31.12.2013	Change	%change
10. Due to banks	6,479,558	7,820,719	(1,341,161)	-17.15
20. Due to customers	33,964,259	33,681,447	282,812	0.84
30. Debt securities in issue	10,518,262	10,186,690	331,572	3.25
40. Financial liabilities held for trading	243,210	198,059	45,151	22.80
50. Financial liabilities designated at fair value through profit and loss	1,700,614	2,952,035	(1,251,421)	-42.39
60. Hedging derivatives	12,986	37,825	(24,839)	-65.67
80. Tax liabilities	118,794	134,873	(16,079)	-11.92
a) current	5,263	12,405	(7,142)	-57.57
b) deferred	113,531	122,468	(8,937)	-7.30
100.Other liabilities	1,527,412	1,520,458	6,954	0.46
110. Provision for termination indemnities	221,919	208,390	13,529	6.49
120. Provisions for risks and charges	355,775	305,796	49,979	16.34
a) pensions and similar commitments	145,078	120,859	24,219	20.04
b) other provisions	210,697	184,937	25,760	13.93
140. Valuation reserves	186,840	139,472	47,368	33.96
170. Reserves	2,301,760	2,267,929	33,831	1.49
180. Share premium reserve	930,077	624,156	305,921	49.01
190. Share capital	1,443,925	1,001,483	442,442	44.18
200. Treasury shares	(7,259)	(7,272)	13	-0.18
210. Minority interests	639,991	678,816	(38,825)	-5.72
220. Profit (loss) for the period	14,797	7,176	7,621	106.20
Total liabilities and shareholders' equity	**60,652,920**	**61,758,052**	**(1,105,132)**	**-1.79**

BORROWING

(in thousands of Euro)

Captions	31.12.2014	31.12.2013	Change	% change
Current accounts and demand deposits	27,487,204	26,180,264	1,306,940	4.99
Restricted deposits	2,968,817	3,739,385	(770,568)	-20.61
Repurchase agreements	1,062,767	1,370,635	(307,868)	-22.46
Other short-term loans	2,445,471	2,391,163	54,308	2.27
Bonds	8,319,682	9,774,082	(1,454,400)	-14.88
- subscribed by institutional customers	1,248,417	1,005,312	243,105	24.18
- subscribed by ordinary customers	7,071,265	8,768,770	(1,697,505)	-19.36
Certificates of deposit	3,899,194	3,364,643	534,551	15.89
Direct customer deposits	**46,183,135**	**46,820,172**	**(637,037)**	**-1.36**
Indirect deposits (off-balance sheet figure)	28,197,815	26,583,759	1,614,056	6.07
- of which managed	13,004,015	11,432,828	1,571,187	13.74
- of which administered	15,193,800	15,150,931	42,869	0.28
Customer funds under management	**74,380,950**	**73,403,931**	**977,019**	**1.33**
Bank borrowing	6,479,558	7,820,719	(1,341,161)	-17.15
Funds under administration or management	**80,860,508**	**81,224,650**	**(364,142)**	**-0.45**

Direct customer deposits of Euro 46,183.1 million show a decrease of 1.36% compared with December 31, mainly due to current accounts, which are down by Euro 1,454.4 million (-14.88%), bonds, down by Euro 770.6 million (-20.61%) and restricted deposits, down by Euro 307.9 million (-22.46%). On the other hand, there was an increase in current accounts of € 1,306.9 million (+4.99%) and certificates of deposit of € 534.6 million (+15.89%).
Indirect customer deposits, marked to market, come to Euro 28,197.8 million, up on 31 December 2013 (+6.07%). The total nominal value of indirect borrowing of Euro 21,180.3 million has decreased by 2.85% since 31 December 2013. Total funds administered or managed by the Group, including deposits from banks (Euro 6,479.6 million) amount to Euro 80,860.5 million, a slight decrease of 0.45% compared with 31 December 2013.

Group banks' average cost of borrowing from customers during the year was 1.20%, which is down by around 24 basis points on last year (1.44%).

Against total interest-bearing liabilities, the cost incurred came to 1.07%, a decrease of 23 bps compared with 2013.

(in thousands of Euro)

Direct deposits	31.12.2014	31.12.2013	Change	% change
1. Banca popolare dell'Emilia Romagna s.c.	34,347,737	35,220,777	(873,040)	-2.48
2. Bper (Europe) International s.a.	578,532	442,126	136,406	30.85
3. Banca di Sassari s.p.a.	1,407,685	1,375,262	32,423	2.36
4. Banco di Sardegna s.p.a.	9,239,256	9,291,257	(52,001)	-0.56
5. Cassa di Risparmio di Bra s.p.a.	1,077,613	1,063,294	14,319	1.35
Total banks	**46,650,823**	**47,392,716**	**(741,893)**	**-1.57**
Other companies and consolidation adjustments	(467,688)	(572,544)	104,856	-18.31
Total	**46,183,135**	**46,820,172**	**(637,037)**	**-1.36**

The comparative figures of Banca popolare dell'Emilia Romagna s.c. include those of the Group banks absorbed on 24 November 2014: Banca Popolare di Ravenna s.p.a. (Euro 1,988,329 thousand), Banca della Campania s.p.a. (Euro 3,772,962 thousand) and Banca Popolare del Mezzogiorno s.p.a. (Euro 3,161,069 thousand), net of intercompany balances (Euro 2,151,719 thousand). The same adjustment was made to "Other companies and consolidation adjustments".

Direct deposits include subordinated liabilities:

(in thousands of Euro)

Captions	31.12.2014	31.12.2013	Change	% change
Convertible subordinated liabilities	-	32,464	(32,464)	-100.00
Non-convertible subordinated liabilities	1,291,794	1,463,455	(171,661)	-11.73
Total subordinated liabilities	**1,291,794**	**1,495,919**	**(204,125)**	**-13.65**

Convertible subordinated liabilities:
The bond loan assigned to Fondazione Banco di Sardegna as part payment for the sale of the ordinary shares representing the "controlling interest" in Banco di Sardegna s.p.a. was repaid entirely on 1 January 2014.
There are therefore no convertible subordinated liabilities outstanding at 31 December 2014.
Non-convertible subordinated liabilities:
The decrease relates primarily to the partial repayment of the BPER 4.75% 2011-2017 loan for a nominal amount of Euro 140 million.

(in thousands of Euro)

Indirect deposits	31.12.2014	31.12.2013	Change	% change
1. Banca popolare dell'Emilia Romagna s.c.	25,229,874	23,364,075	1,865,799	7.99
2. Bper (Europe) International s.a.	515,956	650,576	(134,620)	-20.69
3. Banca di Sassari s.p.a.	357,795	327,152	30,643	9.37
4. Banco di Sardegna s.p.a.	2,914,531	2,954,373	(39,842)	-1.35
5. Cassa di Risparmio di Bra s.p.a.	488,347	577,603	(89,256)	-15.45
Total banks	**29,506,503**	**27,873,779**	**1,632,724**	**5.86**
Other companies and consolidation adjustments	(1,308,688)	(1,290,020)	(18,668)	1.45
Total	**28,197,815**	**26,583,759**	**1,614,056**	**6.07**

The comparative figures of Banca popolare dell'Emilia Romagna s.c. include those of the Group banks absorbed on 24 November 2014: Banca Popolare di Ravenna s.p.a. (Euro 1,193,181 thousand), Banca della Campania s.p.a. (Euro 1,199,014 thousand) and Banca Popolare del Mezzogiorno s.p.a. (Euro 1,015,711 thousand).

Indirect deposits do not include the placement of insurance policies, which shows a good increase compared with 31 December 2013 (+20.62%), mainly due to the life insurance business.

(in thousands of Euro)

Bancassurance	31.12.2014	31.12.2013	Change	% change
Insurance policy portfolio	**3,048,358**	**2,527,332**	**521,026**	**20.62**
- of which: life sector	*2,970,545*	*2,450,530*	*520,015*	*21.22*
- of which: non-life sector	*77,813*	*76,802*	*1,011*	*1.32*

SHAREHOLDERS' EQUITY

(in thousands of Euro)

Captions	31.12.2014	31.12.2013	Change	% change
Consolidated shareholders' equity	**4,870,140**	**4,032,944**	**837,196**	**20.76**
- of which: net profit (loss) for the period	*14,797*	*7,176*	*7,621*	*106.20*
- of which: shareholders' equity excluding net profit (loss) for the period	*4,855,343*	*4,025,768*	*829,575*	*20.61*

(in thousands of Euro)

Captions	31.12.2014	31.12.2013	Change	% change
Minority interests	**639,991**	**678,816**	**(38,825)**	**-5.72**
- of which: net profit pertaining to minority interests	*14,984*	*8,938*	*6,046*	*67.64*
- of which: shareholders' equity excluding net profit pertaining to minority interests	*625,007*	*669,878*	*(44,871)*	*-6.70*

(in thousands of Euro)

Captions	31.12.2014	31.12.2013	Change	% change
Total shareholders' equity	5,510,131	4,711,760	798,371	16.94

This figure is made up of liability captions 140, 170, 180, 190, 200, 210 and 220.

(in thousands of Euro)

Shareholders' equity	31.12.2014	31.12.2013	Change	% change
1. Banca popolare dell'Emilia Romagna s.c.	4,620,159	3,834,564	785,595	20.49
2. Bper (Europe) International s.a.	50,260	46,910	3,350	7.14
3. Banca di Sassari s.p.a.	238,170	236,829	1,341	0.57
4. Banco di Sardegna s.p.a.	1,143,542	1,135,471	8,071	0.71
5. Cassa di Risparmio di Bra s.p.a.	76,668	84,266	(7,598)	-9.02
Total banks	**6,128,799**	**5,338,040**	**790,759**	**14.81**
Other companies and consolidation adjustments	(633,465)	(633,456)	(9)	0.00
Total	**5,495,334**	**4,704,584**	**790,750**	**16.81**
Net profit for the year	14,797	7,176	7,621	106.20
Total shareholders' equity	**5,510,131**	**4,711,760**	**798,371**	**16.94**

6.2 Own Funds and capital ratios

The new harmonised rules for banks and investment companies contained in Regulation (EU) no. 575/2013 (CRR) and in the 2013/36/UE Directive (CRD IV) approved on 26 June 2013 and published in the Official Journal of the European Union the next day, entered into force on 1 January 2014.
The new regulatory framework, which is the only set of rules that seeks to harmonise prudential regulations of the Member States of the European Community, was made applicable in Italy by the Bank of Italy's Circular no. 285, published on 17 December 2013 and subsequent updates. The first report sent to the Supervisory Authority was dated 31 March 2014.
The regulatory framework provides that Own Funds and risk-weighted assets are to be calculated with reference to the scope of consolidation for supervisory purposes, which is different from the one foreseen by the accounting standards, i.e. excluding companies not formally included in the Banking Group (Melior Valorizzazioni Immobili s.r.l., Italiana Valorizzazioni Immobiliari s.r.l., Adras s.p.a., Galilei Immobiliare s.r.l. and Polo Campania s.r.l.) and the companies that do not exceed the limits foreseen in art. 19 of the CRR (Mutina s.r.l., Nettuno Gestione Crediti s.p.a., Estense Covered Bond s.r.l. and BPER Trust Company s.p.a.). In the scope of consolidation for supervisory purposes, the companies that have been excluded are treated in the same way as the banks and companies subject to significant influence and consolidated under the equity method.

In this context, the capital ratios at 31 December 2014, calculated on the basis of the standardised approach, i.e. without the potential benefits of adopting advanced models for measuring credit risk (AIRB), for which pre-validation officially commenced at the end of January 2015, have been calculated taking into account these new regulations and the clarifications and interpretations endorsed to date.

The following table shows the BPER Group's capital ratios and the minimum capital adequacy requirements for regulatory purposes at 31 December 2014, calculated under the transitional ("Phased in") arrangements for 2014 and net of the portion of net profit realised during the year that is attributable to equity.

(in millions of Euro)

	31.12.2014	01.01.2014	Change	% change
Common Equity Tier 1 - CET1	4,581.3	3,968.0	613	15.46
Additional Tier 1 - ATI	10.8	23.1	(12)	-53.25
Tier 1	**4,592.1**	**3,991.1**	**601**	**15.06**
Tier 2 - T2	390.0	1,046.2	(656)	-62.72
Total Own Funds	**4,982.1**	**5,037.3**	**(55)**	**-1.10**
Total Risk-weighted assets (RWA)	**40,691.6**	**43,351.4**	**(2,660)**	**-6.14**
CET1 Ratio (CET1/RWA)	**11.26%**	**9.15%**	**211 bps**	
Tier 1 Ratio (Tier 1/RWA)	**11.29%**	**9.21%**	**208 bps**	
Total Capital Ratio (Total Own Funds/RWA)	**12.24%**	**11.62%**	**62 bps**	
RWA/Total assets	**67.09%**	**70.20%**	**(311 bps)**	

The values shown at 1 January 2014 have been estimated with reference to the figures at 31 December 2013, implementing the new legislation that came into force on 1 January 2014 and used for the Comprehensive Assessment (AQR and Stress Test).

The significant increase in CET1 compared with 1 January 2014, which is confirmed in the comparison with 30 June 2014, was primarily attributable to the increase in capital of Euro 750

million completed in July, net of Euro 14.4 million of related costs and tax effects, which accounts for around 172 bps.
Tier 2 Capital, on the other hand, is down because of the exclusion of certain subordinated items issued in 2012 and 2013 (a total of € 322 million at 31 December 2014) following a recent interpretation regarding their computability, which is stricter than the previous one.
Because of the combined effect of these changes in the balance sheet and the decline in risk-weighted assets, the ratios are showing a significant increase.

The capital ratios are all well above the minimum thresholds requested by the ECB at 31 December 2014 under the transitional arrangements for 2014, namely 7%, 8% and 10.5%, respectively.
They are also well above the minimum thresholds adjusted to take into account the specific obligations for additional Own Funds imposed by the ECB in 2015 (9% for the CET1 ratio and 11% for the Total Capital ratio). Reference should be made to the section "Significant subsequent events and outlook for operations", which talks about the communication received from the ECB.

Note that the BPER Group uses different methods for calculating risk-weighted assets, which are summarised below:

- **credit risk** - for all Group entities, credit risk is assessed using the standardized approach to determine the related individual and consolidated capital requirement;
- **credit down-rating risk** - the standardized approach (TSA) is used;
- **market risk** - the standardized approach is used for assessing market risk (general and specific risk on equities, general risk on debt securities and positioning risk for units in investment funds) to determine the related individual and consolidated capital requirement;
- **operational risk** - operational risk measurement uses the standardised approach (TSA).

Own Funds regulations (transitional provisions): Prudential filters for AFS reserves relating to debt securities issued by the central administrations of EU countries

With the publication of Circular no. 285 of 17 December 2013 and subsequent amendments, the Bank of Italy implemented the new harmonised framework for banks and investment firms contained in the European Community's CRR no. 575 and Capital Requirements Directive no. 36 (CRD IV) of 26 June 2013, which entered into force on 1 January 2014.
Part 2 of the document, which deals with the implementation of CRR, details the national discretions exercised in respect of the transitional provisions, including, in the last paragraph of Section 2 of Chapter 14, the fact that banks cannot be included in any element of Own Funds, unrealised profits or losses, relating to exposures to the central administrations classified under "*Financial assets available for sale*" of IAS 39 endorsed by the EU (treatment applicable until the Commission adopts a regulation based on EC Regulation no. 1606/2002 which approves the IFRS that replaces IAS 39).
This measure is in line with what is granted to intermediaries until 31 December 2013, pursuant to the Supervisory Authority's provisions of 18 May 2010 regarding prudential filters, and provides for the option to disregard gains and losses, as though the securities were valued at cost, as an alternative to allocation to Own Funds.
On 28 January 2014, the Parent Company BPER agreed to exercise this option and immediately (before the 31 January 2014 deadline) informed the Supervisory Authority of its decision, which is valid for the entire Banking Group.
Use of this option, continuing the choice made in the past which was effective until 31 December 2013, is applied uniformly by all banks and other companies of the Group subject to prudential

supervision, and is extended to all securities issued by central administrations contained in the *"Financial assets available for sale (AFS)"* portfolio; this will be maintained over time until the rule is applicable in the above terms.
Accordingly, commencing from the 31 March 2014 reporting date, the reserves arising from the measurement of these securities were no longer included in the determination of Own Funds.

6.3 Reconciliation of consolidated net profit/shareholders' equity

Consolidated net profit comprises the sum of the Group's interest in the net profits (losses) at 31 December 2014 of the following Group banks and companies included in the scope of consolidation.

(in thousands of Euro)

Reconciliation of consolidated net profit	31.12.2014
Banca popolare dell'Emilia Romagna s.c.	**15,449**
Other Group companies:	**24,971**
Bper (Europe) International s.a.	*1,849*
Banco di Sardegna s.p.a. (consolidated value)	*18,096*
Cassa di Risparmio di Bra s.p.a.	*(6,645)*
Nadia s.p.a.	*(413)*
BPER Services s.cons.p.a.	*1*
EMRO Finance Ireland limited	*5,667*
Mutina s.r.l.	*-*
Nettuno Gestione Crediti s.p.a.	*630*
Optima s.p.a. SIM	*3,402*
Modena Terminal s.r.l.	*(336)*
Emilia Romagna Factor s.p.a.	*3,775*
Estense Covered Bond s.r.l.	*-*
A.B.F. Leasing s.p.a. (*)	*465*
Sardaleasing s.p.a. (**)	*707*
Melior Valorizzazioni Immobili s.r.l.	*(1,316)*
BPER Trust Company s.p.a.	*(118)*
Galilei Immobiliare s.r.l.	*(50)*
Italiana Valorizzazioni Immobiliari s.r.l.	*(74)*
Adras s.p.a.	*1*
Polo Campania s.r.l.	*(670)*
Total Group share	**40,420**
Consolidation adjustments	(25,623)
Consolidated net profit (loss) for the period	**14,797**

(*) A.B.F. Leasing s.p.a. contributed to the result for the period up to 31 March 2014 as a result of its merger with Sardaleasing s.p.a., which was effective for tax and accounting purposes from 1 April 2014.
(**) Sardaleasing s.p.a. contributed directly to the result for the period from 1 April 2014 following the absorption of A.B.F. Leasing s.p.a. and the consequent transfer under the direct control of the Parent Company. The first quarter is included in the sub-consolidation of Banco di Sardegna s.p.a. which held control up to that date.

As required by current regulations, the following statement is presented with regard to the position at 31 December 2014:

Reconciliation of the shareholders' equity and results of the Parent Company with the related consolidated amounts

	Increase (decrease)	
	Net profit for the period	Shareholders' equity
AMOUNTS RELATING TO THE PARENT COMPANY	**15,449**	**4,635,608**
DIFFERENCES between the shareholders' equity of companies consolidated on a line-by-line basis (net of minority interests) and the book value of the related equity investments held by their parent companies, as follows:	26,692	217,330
- adjustments to goodwill related to consolidated companies	-	
- elimination of intercompany profits and losses	*1,004*	
- share of the results of fully consolidated companies, net of tax effect	*25,688*	
DIVIDENDS collected from companies consolidated on a line-by-line basis or stated under the equity method	(30,014)	-
DIFFERENCE between book value and the interest in shareholders' equity (including results for the year) of companies carried at equity	2,670	17,202
NET PROFIT FOR THE PERIOD AND SHAREHOLDERS' EQUITY OF THE PARENT COMPANY AS AT 31.12.2014	**14,797**	**4,870,140**
NET PROFIT FOR THE PERIOD AND SHAREHOLDERS' EQUITY OF MINORITY INTERESTS	14,984	639,991
TOTAL CONSOLIDATED NET PROFIT FOR THE PERIOD AND SHAREHOLDERS' EQUITY AS AT 31.12.2014	**29,781**	**5,510,131**
TOTAL CONSOLIDATED NET PROFIT FOR THE PERIOD AND SHAREHOLDERS' EQUITY AS AT 31.12.2013	**16,114**	**4,711,760**

6.4 Income statement aggregates

(in thousands of Euro)

Captions	31.12.2014	31.12.2013	Change	%change
10. Interest and similar income	1,908,288	2,060,585	(152,297)	-7.39
20. Interest and similar expense	(616,479)	(770,596)	154,117	-20.00
30. Net interest income	**1,291,809**	**1,289,989**	**1,820**	**0.14**
40. Commission income	739,119	751,186	(12,067)	-1.61
50. Commission expense	(48,455)	(52,928)	4,473	-8.45
60. Net commission income	**690,664**	**698,258**	**(7,594)**	**-1.09**
70. Dividends and similar income	19,392	24,086	(4,694)	-19.49
80. Net trading income	16,533	48,113	(31,580)	-65.64
90. Net hedging gains (losses)	1,074	(592)	1,666	-281.42
100. Gains/losses on disposal or repurchase of:	164,299	165,578	(1,279)	-0.77
a) loans	(29,959)	(929)	(29,030)	--
b) financial assets available for sale	194,546	162,054	32,492	20.05
d) financial liabilities	(288)	4,453	(4,741)	-106.47
110. Net results on financial assets and liabilities designated at fair value	(14,241)	(73,990)	59,749	-80.75
120. Net interest and other banking income	**2,169,530**	**2,151,442**	**18,088**	**0.84**
130. Net impairment adjustments to:	(858,219)	(876,547)	18,328	-2.09
a) loans	(812,734)	(781,585)	(31,149)	3.99
b) financial assets available for sale	(40,347)	(58,433)	18,086	-30.95
d) other financial assets	(5,138)	(36,529)	31,391	-85.93
140. Net profit from financial activities	**1,311,311**	**1,274,895**	**36,416**	**2.86**
180. Administrative costs:	(1,316,476)	(1,309,285)	(7,191)	0.55
a) payroll	(786,687)	(787,479)	792	-0.10
b) other administrative costs	(529,789)	(521,806)	(7,983)	1.53
190. Net provision for risks and charges	(38,782)	(29,910)	(8,872)	29.66
200. Net adjustments to property, plant and equipment	(43,765)	(43,730)	(35)	0.08
210. Net adjustments to intangible assets	(26,621)	(22,272)	(4,349)	19.53
220. Other operating charges/income	173,268	211,851	(38,583)	-18.21
230. Operating costs	**(1,252,376)**	**(1,193,346)**	**(59,030)**	**4.95**
240. Profit (loss) from equity investments	(837)	(14,948)	14,111	-94.40
260. Adjustments to goodwill	-	(112)	112	-100.00
270. Gains (losses) on disposal of investments	67	335	(268)	-80.00
280. Profit (loss) from current operations before tax	**58,165**	**66,824**	**(8,659)**	**-12.96**
290. Income taxes on current operations for the period	(28,384)	(51,968)	23,584	-45.38
300. Profit (loss) from current operations after tax	**29,781**	**14,856**	**14,925**	**100.46**
310. Profit (loss) after tax on non-current assets held for sale	-	1,258	(1,258)	-100.00
320. Net profit (loss) for the period	**29,781**	**16,114**	**13,667**	**84.81**
330. Net profit (loss) pertaining to minority interests	(14,984)	(8,938)	(6,046)	67.64
340. Profit (loss) for the period pertaining to the Parent Company	**14,797**	**7,176**	**7,621**	**106.20**

Consolidated income statement by quarter as at 31 December 2014

Captions	1st quarter 2014	2nd quarter 2014	3rd quarter 2014	4th quarter 2014	31.12.2014	1st quarter 2013	2nd quarter 2013	3rd quarter 2013	4th quarter 2013	31.12.2013
10. Interest and similar income	494,548	489,785	470,618	453,337	1,908,288	522,914	522,451	510,407	504,813	2,060,585
20. Interest and similar expense	(164,728)	(161,146)	(150,578)	(140,027)	(616,479)	(211,799)	(196,370)	(183,420)	(179,007)	(770,596)
30. Net interest income	**329,820**	**328,639**	**320,040**	**313,310**	**1,291,809**	**311,115**	**326,081**	**326,987**	**325,806**	**1,289,989**
40. Commission income	184,023	186,210	182,429	186,457	739,119	184,746	188,519	186,320	191,601	751,186
50. Commission expense	(12,573)	(12,182)	(13,417)	(10,283)	(48,455)	(13,457)	(12,997)	(13,645)	(12,829)	(52,928)
60. Net commission income	**171,450**	**174,028**	**169,012**	**176,174**	**690,664**	**171,289**	**175,522**	**172,675**	**178,772**	**698,258**
70. Dividends and similar income	574	17,617	115	1,086	19,392	575	22,415	540	556	24,086
80. Net trading income	4,290	5,646	4,406	2,191	16,533	8,317	12,041	12,516	15,239	48,113
90. Net hedging gains (losses)	231	91	513	239	1,074	(280)	74	15	(401)	(592)
100. Gains/losses on disposal or repurchase of:	67,761	32,660	25,636	38,242	164,299	24,834	73,324	14,338	53,082	165,578
a) loans	107	59	(29,716)	(409)	(29,959)	36	(723)	(528)	286	(929)
b) financial assets available for sale	67,430	32,784	55,393	38,939	194,546	23,417	74,004	12,641	51,992	162,054
d) financial liabilities	224	(183)	(41)	(288)	(288)	1,381	43	2,225	804	4,453
110. Net results on financial assets and liabilities designated at fair value	(8,982)	7,992	(10,232)	(3,019)	(14,241)	(18,215)	(17,230)	(11,375)	(27,170)	(73,990)
120. Net interest and other banking income	**565,144**	**566,673**	**509,490**	**528,223**	**2,169,530**	**497,635**	**592,227**	**515,696**	**545,884**	**2,151,442**
130. Net impairment adjustments to:	(214,710)	(208,775)	(167,091)	(267,643)	(858,219)	(167,766)	(300,049)	(155,291)	(253,441)	(876,547)
a) loans	(211,820)	(204,972)	(163,296)	(232,646)	(812,734)	(161,628)	(278,131)	(151,624)	(190,202)	(781,585)
b) financial assets available for sale	(466)	(3,189)	(680)	(36,012)	(40,347)	(670)	(2,528)	(1,423)	(53,812)	(58,433)
d) other financial assets	(2,424)	(614)	(3,115)	1,015	(5,138)	(5,468)	(19,390)	(2,244)	(9,427)	(36,529)
140. Net profit from financial activities	**350,434**	**357,898**	**342,399**	**260,580**	**1,311,311**	**329,869**	**292,178**	**360,405**	**292,443**	**1,274,895**
180. Administrative costs:	(322,923)	(336,813)	(309,651)	(347,089)	(1,316,476)	(323,000)	(340,128)	(312,633)	(333,524)	(1,309,285)
a) payroll	(196,796)	(201,099)	(180,006)	(208,786)	(786,687)	(198,440)	(208,169)	(185,171)	(195,699)	(787,479)
b) other administrative costs	(126,127)	(135,714)	(129,645)	(138,303)	(529,789)	(124,560)	(131,959)	(127,462)	(137,825)	(521,806)
190. Net provision for risks and charges	(6,658)	(12,976)	(8,036)	(11,112)	(38,782)	(5,318)	(13,060)	(1,700)	(9,832)	(29,910)
200. Net adjustments to property, plant and equipment	(10,402)	(10,253)	(10,192)	(12,918)	(43,765)	(10,081)	(10,155)	(10,190)	(13,304)	(43,730)
210. Net adjustments to intangible assets	(5,955)	(6,360)	(6,823)	(7,483)	(26,621)	(4,958)	(5,307)	(5,552)	(6,455)	(22,272)
220. Other operating charges/income	48,455	43,525	37,556	43,732	173,268	57,822	55,765	49,388	48,876	211,851
230. Operating costs	**(297,483)**	**(322,877)**	**(297,146)**	**(334,870)**	**(1,252,376)**	**(285,535)**	**(312,885)**	**(280,687)**	**(314,239)**	**(1,193,346)**
240. Profit (loss) from equity investments	(973)	(2,792)	2,270	658	(837)	(5)	(8,200)	3,790	(10,533)	(14,948)
260. Adjustments to goodw ill	-	-	-	-	-	-	-	-	(112)	(112)
270. Gains (losses) on disposal of investments	1	22	3	41	67	88	39	214	(6)	335
280. Profit (loss) from current operations before tax	**51,979**	**32,251**	**47,526**	**(73,591)**	**58,165**	**44,417**	**(28,868)**	**83,722**	**(32,447)**	**66,824**
290. Income taxes on current operations for the period	(20,760)	(20,922)	(14,258)	27,556	(28,384)	(30,509)	(5,374)	(41,426)	25,341	(51,968)
300. Profit (loss) from current operations after tax	**31,219**	**11,329**	**33,268**	**(46,035)**	**29,781**	**13,908**	**(34,242)**	**42,296**	**(7,106)**	**14,856**
310. Profit (loss) after tax on non-current assets held for sale	-	-	-	-	-	1,525	(1,082)	815	-	1,258
320. Net profit (loss)	**31,219**	**11,329**	**33,268**	**(46,035)**	**29,781**	**15,433**	**(35,324)**	**43,111**	**(7,106)**	**16,114**
330. Net profit (loss) pertaining to minority interests	(2,947)	(3,701)	(8,067)	(269)	(14,984)	(1,041)	(532)	(7,441)	76	(8,938)
340. Profit (loss) for the period pertaining to the Parent Company	**28,272**	**7,628**	**25,201**	**(46,304)**	**14,797**	**14,392**	**(35,856)**	**35,670**	**(7,030)**	**7,176**

The following are the key figures from the consolidated income statement at 31 December 2014, suitably compared with the previous year's figures. When they refer to the Parent Company in the detailed information, they take into account the mergers of the three subsidiaries Banca della Campania s.p.a., Banca Popolare del Mezzogiorno s.p.a. and Banca Popolare di Ravenna s.p.a. on 24 November 2014, with effect for tax and accounting purposes from 1 January 2014.
These figures have not been audited by PricewaterhouseCoopers s.p.a., the independent auditors.

Net interest income comes to Euro 1,291.8 million, an increase of 0.14% (Euro 1,290 million at 31 December 2013). The result was mainly influenced by the benefits arising from the steps taken to reduce the cost of funding in the second half of the year and the simultaneous decrease in asset yields brought about by the trend in market rates and lower returns on the securities portfolio. Compared with the previous quarter, net interest income is down (-2.10%) given the decrease in market rates and in volumes of deposits and loans, which have continued to fall.

(in thousands of Euro)

Net interest income	31.12.2014	31.12.2013	Change	% change
1. Banca popolare dell'Emilia Romagna s.c.	933,239	929,424	3,815	0.41
2. Bper (Europe) International s.a.	2,947	3,217	(270)	-8.39
3. Banca di Sassari s.p.a.	52,043	51,687	356	0.69
4. Banco di Sardegna s.p.a.	219,651	218,135	1,516	0.69
5. Cassa di Risparmio di Bra s.p.a.	26,417	22,712	3,705	16.31
Total banks	**1,234,297**	**1,225,175**	**9,122**	**0.74**
Other companies and consolidation adjustments	57,512	64,814	(7,302)	-11.27
Total	**1,291,809**	**1,289,989**	**1,820**	**0.14**

The comparative figures of Banca popolare dell'Emilia Romagna s.c. include those of the Group banks absorbed on 24 November 2014: Banca Popolare di Ravenna s.p.a. (Euro 60,407 thousand), Banca della Campania s.p.a. (Euro 110,516 thousand) and Banca Popolare del Mezzogiorno s.p.a. (Euro 102,355 thousand), net of intercompany balances (Euro -475 thousand). The same adjustment was made to "Other companies and consolidation adjustments".

Net commission income, Euro 690.7 million, decreased slightly (-1.09% on 31 December 2013). There has been a good performance in net commission income on indirect deposits and bancassurance business (+8.52% compared with 31 December 2013), whereas there has been a decline in net commission income on loans and guarantees (-5.27%).

(in thousands of Euro)

Net commission income	31.12.2014	31.12.2013	Change	% change
Trading in currency/financial instruments	6,588	6,964	(376)	-5.40
Indirect deposits and insurance policies	145,390	133,979	11,411	8.52
Credit cards, collections and payments	154,853	155,021	(168)	-0.11
Loans and guarantees	354,158	373,855	(19,697)	-5.27
Other commissions	29,675	28,439	1,236	4.35
Total net commission income	**690,664**	**698,258**	**(7,594)**	**-1.09**

The **net result from trading activities (including dividends)** is income of Euro 187.1 million, up on 31 December 2013 (Euro 163.2 million). The key elements in forming this result, which benefited from the favourable performance of financial markets, have been profits on the sale of financial assets, especially government bonds held in the AFS portfolio. Note that despite these sales, positive reserves on government bonds remain very high (Euro 97.9 million compared with Euro 50.8 million at 31 December 2013). The result also includes a loss on the sale in July of a portfolio of residential mortgage loans for € 29 million. Dividends are positive (Euro 19.4 million), as are net gains on financial assets which amount to Euro 12 million, while application of the fair value option to liabilities resulted in a negative amount of Euro 19.7 million (negative for Euro 84.3 million at 31 December 2013).

(in thousands of Euro)

Net trading income (including dividends)	31.12.2014	31.12.2013	Change	% change
Dividends	19,392	24,086	(4,694)	-19.49
Gain on disposal of financial assets and loans	170,738	171,545	(807)	-0.47
Gains on financial assets	19,434	30,553	(11,119)	-36.39
Losses on financial assets	(7,390)	(6,725)	(665)	9.89
Fair value option	(19,660)	(84,291)	64,631	-76.68
Other revenues (losses)	4,543	28,027	(23,484)	-83.79
Total	**187,057**	**163,195**	**23,862**	**14.62**

Net interest and other banking income amount to Euro 2,169.5 million, an increase compared with 2013 (+0.84%).

(in thousands of Euro)

Net interest and other banking income	31.12.2014	31.12.2013	Change	% change
1. Banca popolare dell'Emilia Romagna s.c.	1,599,925	1,599,119	806	0.05
2. Bper (Europe) International s.a.	5,705	6,556	(851)	-12.98
3. Banca di Sassari s.p.a.	97,813	96,307	1,506	1.56
4. Banco di Sardegna s.p.a.	370,148	340,677	29,471	8.65
5. Cassa di Risparmio di Bra s.p.a.	53,278	46,899	6,379	13.60
Total banks	**2,126,869**	**2,089,558**	**37,311**	**1.79**
Other companies and consolidation adjustments	42,661	61,884	(19,223)	-31.06
Total	**2,169,530**	**2,151,442**	**18,088**	**0.84**

Net adjustments to loans and other financial assets amount to Euro 858.2 million, a decrease on 2013 (-2.09%).

Net adjustments to loans amount to Euro 812.7 million (+3.99%). The level of coverage for doubtful loans, of 40.66%, has improved significantly compared with the end of 2013 (+332 bps), as a consequence of the strict application of an extremely conservative approach to credit assessment, and is consistent with the Asset Quality Review. The adjustments made on "*Financial assets available for sale*" amount to Euro 40.3 million (-30.95% compared with 31 December 2013) and refer to the identification of impairment losses, consistent with the accounting policies adopted by the Group, recorded for Euro 39.5 million on the equity portfolio and Euro 0.8 million on the UCITS portfolio. These adjustments include a Euro 32 million impairment write-down of Release s.p.a. shares, in application of an extremely conservative approach to the valuation of financial assets.

(in thousands of Euro)

Net impairment adjustments to loans (caption 130 a)	31.12.2014	31.12.2013	Change	% change
1. Banca popolare dell'Emilia Romagna s.c.	626,531	625,804	727	0.12
2. Bper (Europe) International s.a.	(639)	312	(951)	-304.81
3. Banca di Sassari s.p.a.	20,821	18,465	2,356	12.76
4. Banco di Sardegna s.p.a.	92,576	75,386	17,190	22.80
5. Cassa di Risparmio di Bra s.p.a.	44,261	35,688	8,573	24.02
Total banks	**783,550**	**755,655**	**27,895**	**3.69**
Other companies and consolidation adjustments	29,184	25,930	3,254	12.55
Total	**812,734**	**781,585**	**31,149**	**3.99**

The comparative figures of Banca popolare dell'Emilia Romagna s.c. include those of the Group banks absorbed on 24 November 2014: Banca Popolare di Ravenna s.p.a. (Euro 24,819 thousand), Banca della Campania s.p.a. (Euro 29,185 thousand) and Banca Popolare del Mezzogiorno s.p.a. (Euro 22,220 thousand).

The total cost of credit at 31 December 2014 comes to 185 bps (168 bps at 31 December 2013).

The **net profit from financial activities** of Euro 1,311.3 million is up by 2.86% on 31 December 2013.

Operating costs, net of other operating charges/income, amount to Euro 1,252.4 million, 4.95% up.
The increase is mainly attributable to the decrease in "*Other operating charges/income*" (less than Euro 38.6 million; -18.21%) mainly affected by the reduction in rapid preliminary investigation fees for Euro 19.1 million, in addition to the Euro 7 million paid under a Court order following an unfavourable second degree judgement, which is likely to be recovered on appeal.

Payroll costs amount to Euro 786.7 million, virtually unchanged from last year (-0.10%).
This caption also includes extraordinary costs for incentives and the solidarity fund for the two periods (Euro 9.6 million in 2014 and Euro 11.2 million in 2013).

Other administrative costs amount to Euro 529.8 million, an increase of 1.53%; net of the recovery of taxes allocated to *"Other operating charges/income"*, equal to Euro 125.4 million (Euro 116.5 million at 31 December 2013), and other administrative expenses (Euro 404.4 million) were essentially unchanged from last year (-0.24%).

Net provisions for risks and charges (Euro 38.8 million) are up by Euro 8.9 million.

There has been an increase of 6.64% in **net impairment losses on tangible and intangible assets** (Euro 70.4 million).

(in thousands of Euro)

Operating costs	31.12.2014	31.12.2013	Change	% change
1. Banca popolare dell'Emilia Romagna s.c.	890,163	831,021	59,142	7.12
2. Bper (Europe) International s.a.	3,565	3,877	(312)	-8.05
3. Banca di Sassari s.p.a.	71,874	69,715	2,159	3.10
4. Banco di Sardegna s.p.a.	237,267	240,670	(3,403)	-1.41
5. Cassa di Risparmio di Bra s.p.a.	21,731	21,524	207	0.96
Total banks	**1,224,600**	**1,166,807**	**57,793**	**4.95**
Other companies and consolidation adjustments	27,776	26,539	1,237	4.66
Total	**1,252,376**	**1,193,346**	**59,030**	**4.95**

The comparative figures of Banca popolare dell'Emilia Romagna s.c. include those of the Group banks absorbed on 24 November 2014: Banca Popolare di Ravenna s.p.a. (Euro 52,065 thousand), Banca della Campania s.p.a. (Euro 116,500 thousand) and Banca Popolare del Mezzogiorno s.p.a. (Euro 90,049 thousand), net of intercompany balances (Euro 472 thousand). The same adjustment was made to "Other companies and consolidation adjustments".

The **profit from current operations before tax** amounts to Euro 58.2 million (Euro 66.8 million in at 31 December 2013).

Income taxes for the year amount to Euro 28.4 million with an effective tax rate of 48.80%, significantly lower than last year. This is due above all to the positive effects of applying the so-called "ACE deduction" to the increase in capital carried out by the Parent Company in July 2014 and the tax step-up on the goodwill shown in the separate financial statements of the Group banks absorbed in 2014.

The **overall result**, net of taxes and including the result of the assets held for sale, was a profit of Euro 29.8 million (Euro 16.1 million at 31 December 2013).

The **profit pertaining to minority interests** amounts to Euro 15 million (Euro 8.9 million at 31 December 2013).

The **net profit attributable to the Parent Company**, net of minority interests, is Euro 14.8 million (Euro 7.2 million at 31 December 2013).

(in thousands of Euro)

Net profit	31.12.2014	31.12.2013	Change	% change
1. Banca popolare dell'Emilia Romagna s.c.	15,449	13,828	1,621	11.72
2. Bper (Europe) International s.a.	1,849	1,690	159	9.41
3. Banca di Sassari s.p.a.	4,021	4,013	8	0.20
4. Banco di Sardegna s.p.a.	32,327	11,273	21,054	186.76
5. Cassa di Risparmio di Bra s.p.a.	(9,918)	(8,971)	(947)	10.56
Total banks	**43,728**	**21,833**	**21,895**	**100.28**
Other companies and consolidation adjustments	(28,931)	(14,657)	(14,274)	97.39
Total	**14,797**	**7,176**	**7,621**	**106.20**

The comparative figures of Banca popolare dell'Emilia Romagna s.c. include those of the Group banks absorbed on 24 November 2014: Banca Popolare di Ravenna s.p.a. (Euro 2,507 thousand), Banca della Campania s.p.a. (Euro 12,694 thousand) and Banca Popolare del Mezzogiorno s.p.a. (Euro 23,506 thousand), net of intercompany balances (Euro 12,090 thousand). The same adjustment was made to "Other companies and consolidation adjustments" .

6.5 Group employees

Employees	31.12.2014	31.12.2013	Change
1. Banca popolare dell'Emilia Romagna s.c.	8,127	8,211	(84)
2. Bper (Europe) International s.a.	17	17	-
3. Banca di Sassari s.p.a.	542	549	(7)
4. Banco di Sardegna s.p.a.	2,380	2,421	(41)
5. Cassa di Risparmio di Bra s.p.a.	188	198	(10)
Total banks	**11,254**	**11,396**	**(142)**
Other Companies	339	322	17
Total	**11,593**	**11,718**	**(125)**

The number of employees of Banca Popolare Emilia Romagna s.c. at 31 December 2013 includes 468 relating to Banca Popolare di Ravenna s.p.a., 1,062 relating to Banca della Campania s.p.a. and 922 relating to Banca Popolare del Mezzogiorno s.p.a., the Group companies merged on 24 November 2014.
The number of employees indicated for each bank takes account of staff seconded to other Group companies.
In particular, BPER's employees at 31 December 2014 include 894 persons seconded to the Group, of which 840 are with BPER Services s.cons.p.a.; staff that at 31 December 2013 numbered 744 and 701, respectively, considering the employees of the banks absorbed by the Parent Company during the year.

6.6 Geographical organisation of the Group

Branches	31.12.2014	31.12.2013	Change
1. Banca popolare dell'Emilia Romagna s.c.	816	830	(14)
2. Banca di Sassari s.p.a.	55	57	(2)
3. Banco di Sardegna s.p.a.	374	392	(18)
4. Cassa di Risparmio di Bra s.p.a.	28	28	-
Total commercial banks	**1,273**	**1,307**	**(34)**
5. Bper (Europe) International s.a.	1	1	-
Total	**1,274**	**1,308**	**(34)**

The number of branches of Banca popolare dell'Emilia Romagna s.c. at 31 December 2013 includes 71 of Banca Popolare di Ravenna s.p.a., 130 of Banca della Campania s.p.a. and 114 of Banca Popolare del Mezzogiorno s.p.a., Group Companies merged on 24 November 2014.

The merger of Banca Popolare di Ravenna s.p.a., Banca Popolare del Mezzogiorno s.p.a. and Banca della Campania s.p.a. completed a major reorganisation project designed to consolidate the Group's presence in these various areas. The merger coincided with the launch of BPER's new distribution model on the Italian mainland, based on nine Territorial Divisions, in turn split into thirty Territorial Areas, which include 793 main branches and 23 small branches, for a total of 816. The list of Territorial Divisions is as follows:

- **The LOMBARDY and TRIVENETO Territorial Division**, based in Milan, has 3 Territorial Areas (Milan, Padua, Verona) and 78 branches;
- **The EMILIA WEST Territorial Division**, based in Reggio Emilia, has 2 Territorial Areas (Reggio Emilia and Parma) and 70 branches;
- **The EMILIA CENTRE Territorial Division**, based in Modena, has 3 Territorial Areas (Carpi, Modena/Sassuolo and Vignola) and 78 branches;
- **The TUSCAN-EMILIAN Territorial Division**, based in Bologna, has 3 Territorial Areas (Bologna City, Bologna and Tuscany, Ferrara) and 73 branches;
- **The ROMAGNA Territorial Division**, based in Ravenna, has 3 Territorial Areas (Cesena, Ravenna and Rimini) and 83 branches;

- **The LAZIO Territorial Division**, based in Rome, has 2 Territorial Areas (Rome and Aprilia) and 60 branches;
- **The ADRIATICA Territorial Division**, based in Lanciano, has 4 Territorial Areas (Lanciano, L'Aquila, Campobasso and Pescara) and 112 branches;
- **The CAMPANIA Territorial Division**, based in Avellino, has 5 Territorial Areas (Salerno North, Salerno South, Avellino/Benevento, Naples/Caserta and Foggia) and 127 branches;
- **The SOUTHERN ITALY Territorial Division**, based in Crotone, has 5 Territorial Areas (Basilicata, Calabria North, Calabria South, Apulia and Sicily) and 112 branches.

7.1 Risk management

The BPER Group defines the risk assumption and governance policies by issuing **guidelines** approved by the Parent Company's Board of Directors, that are applicable to all organisational units of the Parent Company and other Group companies; these regulate the management and control process, which is designed to cope with the risks to which they are exposed, as well as the roles of the bodies and functions involved.

The **risk governance model** is a series of corporate governance procedures and management and control mechanisms designed to handle the risks to which the BPER Group is exposed. It forms part of the more general framework of the Group Internal Control system (governed by the "Guidelines for the Group Internal Control system", updated to June 2014 in line with the new Regulations for the prudential supervision of banks - 15th update of Circular no. 263 of the Bank of Italy), which seeks to ensure management based on efficiency, effectiveness, fairness and consistency with the strategies and declared risk appetite of the Group.

The risk governance model, designed to reflect the relevant legislation, is based on the following principles

- **pervasiveness**: the Group assigns a fundamental role in the management and control of risk to the Corporate bodies of the Parent Company and of Group Companies. in particular, the Parent Company exercises a role of guidance and coordination in the design and implementation of the Group's risk governance model;
- **proportionality**: in applying the rules, depending on the size and operational characteristics of the unit concerned, the Group has established an organisational solution that reflects the parent company centralised approach with the aim of making the introduction of the risk governance model more efficient and effective. As regards the specific characteristics of individual Group companies, there is provision for the identification of Contacts who report from a functional point of view to the relevant people at the Parent Company;
- **appropriateness**: the Group has identified a plan that allows for the introduction of progressively more advanced methodologies and tools for measuring and evaluating risks.

In line with the relevant regulations, the Corporate Bodies have a central role in the process of risk governance, providing for certain responsibilities with regard to the design, implementation, evaluation and external communication, as part of the development of the Group's system of internal controls.

The Parent Company's Board of Directors therefore performs the **strategic supervision function** at Group level, intervening in all phases envisaged by the model and, by issuing strategic directives, involving the Boards of Directors of the individual Group banks and companies for the activities that are their responsibility, i.e.:

- it grants powers to the Chief Executive Officer to implement the strategic guidelines, RAF and risk governance policies established by the Board at the time that the Group's internal control system was designed;
- it receives, either directly or through the Chief Executive Officer, the information flows it needs to ensure the compliance and adequacy of the internal control system during the periodic assessments.

The various bodies of the Parent Company with delegated powers (i.e. the Executive Committee, Chief Executive Officer and General Management, in other words those with appropriate powers to carry on the functions of day-to-day management) perform the **management function** in all stages of the model. Added to these are the delegated bodies of the individual Companies that ensure implementation of management's strategies and policies at their own level.
The Parent Company's Board of Statutory Auditors performs the **control function** in the evaluation stage, assisted by the statutory auditors of the individual Companies that monitor the compliance of their specific systems of risk management and control.

Risk governance is also assisted by the articulated and consolidated system of Group Committees, which meet on a regular basis (also expanded to include the General Management of Group banks), monitoring of the overall risk profile of the Group and contributing, together with the Parent Company's Board of Directors, to the definition of the risk management policies.

The following tasks are generally assigned to the Committees:

- to communicate and share information on changes in the Group's risk profile;
- to implement the function of guidance and coordination entrusted to the Parent Company;
- to support the competent Corporate Bodies in the area of risk management;
- to identify and propose strategic guidelines and policies for the management of Group risk.

In particular, the Risks Committee, a body with advisory and consultative functions, assists the corporate bodies of the Parent Company in the management and control of risks pursuing the preservation of the corporate value of the Group, in the definition of guidelines and policies on the Group's risk appetite, in determining the policies for accepting, managing and mitigating risks, in the preparation of management reporting on risks and development and monitoring of the system of operating limits.

Risk management also actively involves the **Capital Management function**, particularly as regards capital planning to cover overall internal capital, as defined in the Internal Capital Adequacy Assessment Process (ICAAP), as well as the evaluation of the capital resources required for the development of strategic transactions and business evolution.

Decentralised at the individual Group companies there are people who act as "**Contacts**" for all of the second level control functions, for the following purposes:

- overseeing operations in line with the Parent Company's duties of guidance and coordination, taking into account specific local aspects and the type of business carried on by individual Group companies;
- ensuring effective operational links between the Parent Company and each Group company.

As regards the identification of risks that could have significant negative impacts on the Group's capital base and earnings, the **Group risk map** illustrates the Group's position relative to Pillar 1 and Pillar 2 risks, in a current and future perspective, and is defined and developed as a structured process on a centralised basis by the Parent Company, with the involvement of the individual Group companies.

As regards the risk governance and control process, through the organisational units of the Group Risk Management Department (for measurable risks and those that are non-measurable but not allocated to other functions to control), the Group has laid down specific **risk policies** that explain:

- the governance model in terms of roles and responsibilities of the persons involved in risk governance and control;
- processes and metrics for measuring/evaluating, managing and controlling risk;
- a system of delegated powers and operational limits/monitoring thresholds designed to contain risk.

The policies therefore enable the strategic decisions taken with regard to the governance of risks to be translated into operational decisions about such risks, consistent with the Group's risk appetite.

With respect to **reporting**, the Group has prepared an organic set of periodic reports to ensure the provision of adequate information to the Corporate Bodies of the Parent Company and the Group banks about their risk exposure. The analyses contained in these reports are discussed in the various committees and are the basis of the assessment of capital adequacy, subsequently brought to the attention of Parent Company's Board of Directors.

A self-assessment of the business situation (known as a "**gap analysis**") was carried out at the end of 2013 in accordance with the 15th update of the Bank of Italy's Circular no. 263/2006. The activities related to the adaptation project continued during 2014, in accordance with the Supervisory Authority's timetable.

With regard to **credit risk**, the measurements made by the internal rating system are used for management reporting purposes; in particular:

- on a quarterly basis we elaborate the Credit Risk Book, which is the basic information support for the Credit Risk Committee and contains detailed reports at a consolidated and individual company level;
- a summary report is prepared on a monthly basis, including the monitoring of supervisory thresholds set for credit risk;
- a network reporting tool is available, characterised by different views of the loan portfolio, with different levels of aggregation (branch, area, General Management, Bank and Group) and hierarchical visibility cones.

Important activities in 2014 concerning the Basel 2 project included the following:

- updating of the rating assignment process, for the Individuals and Small Business segments;
- updating performance and retail acceptance models;
- recalibration of the Large Corporate model;
- refinement of the parallel running system (for the calculation of capital requirements using the standardised approach and an Internal Rating Based (IRB) approach;
- update of the LGD model, lengthening the time series being analysed.

The advanced methodologies (IRB) based on internal ratings have long been used as part of the process of defining capital adequacy (ICAAP), whereas they have to be ratified by the Supervisory Authority before they can be used for measuring capital requirements.

For regulatory purposes, in 2014 the Group continued to apply the **standardised approach** for credit risk: for the commercial banks, we used external ratings provided by ECAI (external agencies that assess creditworthiness), which are recognised by the Supervisory Authority for the "Central Administrations" and "Companies and other entities" segments.

For the **management of financial risks**, plans are in place for an analytical reporting system. Guidance on management policies for market risk (VaR - Value at Risk), interest rate risk (ALM) and liquidity risk (operational and structural) is provided by the Extended ALCO Committee, the Liquidity Committee and the Finance Committee.

As regards the governance of **operational risk**, at the conclusion of the project started in 2012 for the adoption of the Traditional Standardised Approach (TSA) for calculating the capital requirement for operational risk, in October 2013 the BPER Group sent the Bank of Italy a communication to say that it had adopt this approach for the banks that were aligned with the Parent Company's information system and applied to the figures at 31 December 2013. Since the end of 2014, this approach has been applied in full to the entire Group.
The model of operational risk governance and management adopted by the BPER Group, designed to identify, assess, monitor, mitigate and report operational risks to the appropriate hierarchical levels, is formalised in specific internal rules. It provides for the centralised management of operational risk at the Parent Company by the Credit and Operational Risk Department, which has a Contact of the Group Risk Management Department in place at all Group banks and companies.
The Group has specific criteria for allocating the relevant indicator to the lines of business foreseen in the regulations.
The operational risk management and measurement system adopted by the BPER Group is ensured by:

- **LDC process*:*** a system for collecting and recording loss events resulting from operational risks;
- **control risk self assessment methodology:** measurement of exposures subject to operational risk;
- **system of reporting and communication** to the Board of Directors and Senior Management, together with procedures to undertake appropriate mitigation actions based on the information flows sent.

Integrated analysis of the loss data collection and self assessment make it possible to identify areas of vulnerability in which operating losses are more concentrated, in order to understand the underlying causes and highlight the opportunity for corrective action, also by means of insurance cover (external transfer of risk).

7.2 Disclosure of exposures to sovereign debt held by listed companies

With **Communication DEM/11070007 of 5 August 2011 CONSOB** pointed out that on 28 July 2011 the European Securities Markets Authority (ESMA) published Document no. 2011/266 on the disclosures concerning sovereign debt (i.e. bonds issued by central and local governments and by government entities, as well as loans granted to them) to be included in annual and interim financial statements prepared by listed companies that have adopted International Accounting Standards (IAS/IFRS).
As a result of the increased interest of markets in sovereign debt, ESMA has stressed the need for greater transparency on the subject in financial statements of European listed issuers that apply IAS/IFRS.
With its document, which does not have any independent prescriptive authority, ESMA has tried to assist issuers in preparing disclosures on sovereign debt that fully comply with the related principles.
In accordance with these instructions, the following is a summary of the relevant information on exposures of the Banca popolare dell'Emilia Romagna Group to the aggregate in question.

Debt securities

Issuer	Rating	Cat	Nominal value	Book value	Fair value	AFS Reserves	%
Governments:			**5,966,327**	**6,740,261**	**6,874,802**	**143,678**	**99.82%**
Italy	BBB+		**5,857,990**	**6,617,143**	**6,749,416**	**136,677**	**97.99%**
		HFT	396,896	442,197	442,197	#	
		CFV	10,000	12,057	12,057	#	
		AFS	4,151,094	4,677,018	4,677,018	136,677	
		HTM	1,300,000	1,485,871	1,618,144	#	
		L/R	-	-	-	#	
UK	AA+		**38,516**	**42,245**	**42,245**	**3,846**	**0.63%**
		HFT	-	-	-	#	
		CFV	-	-	-	#	
		AFS	38,516	42,245	42,245	3,846	
		HTM	-	-	-	#	
		L/R	-	-	-	#	
U.S.A.	AAA		**16,473**	**24,756**	**24,756**	**1,446**	**0.37%**
		HFT	-	-	-	#	
		CFV	-	-	-	#	
		AFS	16,473	24,756	24,756	1,446	
		HTM	-	-	-	#	
		L/R	-	-	-	#	

Issuer	Rating	Cat	Nominal value	Book value	Fair value	AFS Reserves	%
Germany	AAA		**3**	**3**	**3**	**-**	**0.00%**
		HFT	3	3	3	#	
		CFV	-	-	-	#	
		AFS	-	-	-	-	
		HTM	-	-	-	#	
		L/R	-	-	-	#	
Spain	BBB+		**15,000**	**15,475**	**16,331**	**257**	**0.23%**
		HFT	-	-	-	#	
		CFV	-	-	-	#	
		AFS	10,000	10,465	10,465	257	
		HTM	5,000	5,010	5,866	#	
		L/R	-	-	-	#	
Austria	AAA		**13,642**	**13,881**	**13,881**	**607**	**0.21%**
		HFT	4,642	4,729	4,729	#	
		CFV	-	-	-	#	
		AFS	9,000	9,152	9,152	607	
		HTM	-	-	-	#	
		L/R	-	-	-	#	
Ireland	A-		**8,000**	**9,552**	**9,552**	**833**	**0.14%**
		HFT	-	-	-	#	
		CFV	-	-	-	#	
		AFS	8,000	9,552	9,552	833	
		HTM	-	-	-	#	
		L/R	-	-	-	#	
Portugal	BB+		**10,000**	**10,255**	**11,667**	**-**	**0.15%**
		HFT	-	-	-	#	
		CFV	-	-	-	#	
		AFS	-	-	-	-	
		HTM	10,000	10,255	11,667	#	
		L/R	-	-	-	#	
European Union	AAA		**27**	**31**	**31**	**-**	**0.00%**
		HFT	27	31	31	#	
		CFV	-	-	-	#	
		AFS	-	-	-	-	
		HTM	-	-	-	#	
		L/R	-	-	-	#	
Australia	AAA		**6,676**	**6,920**	**6,920**	**12**	**0.10%**
		HFT	-	-	-	#	
		CFV	-	-	-	#	
		AFS	6,676	6,920	6,920	12	
		HTM	-	-	-	#	
		L/R	-	-	-	#	

Issuer	Rating	Cat	Nominal value	Book value	Fair value	AFS Reserves	%
Other public entities:			**12,393**	**12,367**	**13,157**	**-**	**0.18%**
Italy	-		**2,393**	**2,394**	**2,658**	**-**	**0.04%**
		HFT	17	17	17	#	
		CFV	-	-	-	#	
		AFS	-	-	-	-	
		HTM	-	-	-	#	
		L/R	2,376	2,377	2,641	#	
France	-		**10,000**	**9,973**	**10,499**	**-**	**0.15%**
		HFT	-	-	-	#	
		CFV	-	-	-	#	
		AFS	-	-	-	-	
		HTM	10,000	9,973	10,499	#	
		L/R	-	-	-	#	
Total debt securities			**5,978,720**	**6,752,628**	**6,887,959**	**143,678**	**100.00%**

The individual percentages shown in the above table may not agree with the total because of roundings.

Loans

Issuer	Rating	Cat	Nominal value	Book value	Fair value	AFS Reserves	%
Governments:			**1,591,704**	**1,591,704**	**1,591,704**	**-**	**81.13%**
Italy	BBB+		**1,591,704**	**1,591,704**	**1,591,704**	**-**	**81.13%**
		HFT				#	
		CFV				#	
		AFS					
		HTM				#	
		L/R	1,591,704	1,591,704	1,591,704	#	
Other public entities:			**370,269**	**370,269**	**391,480**	**-**	**18.87%**
Italy	-		**364,671**	**364,671**	**385,882**	**-**	**18.59%**
		HFT				#	
		CFV				#	
		AFS					
		HTM				#	
		L/R	364,671	364,671	385,882	#	
Algeria	-		**5,598**	**5,598**	**5,598**	**-**	**0.29%**
		HFT				#	
		CFV				#	
		AFS					
		HTM				#	
		L/R	5,598	5,598	5,598	#	
Total loans			**1,961,973**	**1,961,973**	**1,983,184**	**-**	**100.00%**

The individual percentages shown in the above table may not agree with the total because of roundings.
The ratings indicated are those of Fitch Rating at 31 December 2014.

Based on their book value, repayment of these exposures is distributed as follows:

	on demand	until 1 year	1 to 5 years	over 5 years	Total
Debt securities	-	797,043	3,332,189	2,623,396	6,752,628
Loans	186,026	320,691	379,352	1,075,904	1,961,973
Total	**186,026**	**1,117,734**	**3,711,541**	**3,699,300**	**8,714,601**

7.3 Main litigation and legal proceedings pending

Tax disputes

EMRO Finance Ireland ltd

With reference to the subsidiary EMRO Finance Ireland ltd, on 19 July 2011 the tax police notified an official report of findings to the Irish Company at the end of an audit relating to the tax years 2005-2009.

On 12 March 2012, the Modena Tax Office filed a notice of assessment, which is not enforceable, relating to tax years 2005 and 2006, in which they contest the company's foreign status, involving total taxes of Euro 11.2 million.

Management, with the support of authoritative legal advice, considers that there are all the elements to appeal against this assessment and does not consider it likely that this matter will have negative consequences.

In any case, at the end of April 2012 the Irish company filed a proposal to come to a settlement in order to assess possible alternatives to litigation, starting with the inclusion in taxable income of very minor amounts in relation to the activity carried on by EMRO Finance Ireland ltd, while confirming their absolute conviction that they had acted correctly. Following the negative outcome of the settlement, the Company filed an appeal with the Modena Tax Commission.

In December 2012, the company received a tax bill for part of the taxes contained in the notices of assessment for 2005 and 2006, against which the company obtained a stay of execution from the Provincial Tax Commission of Modena filed on 5 March 2013.

The hearing was held on 23 September 2013 and, with a ruling dated 17 November 2014, the Provincial Tax Commission of Modena fully upheld EMRO's appeal and as a result ordered the total cancellation of both years' assessments.

On 18 December 2013, the Modena Tax Office filed an enforceable notice of assessment relating to tax year 2007, in which they contest the company's foreign status, involving total taxes of Euro 3.5 million, plus interest and penalties. The Irish company also filed an appeal against this notice of assessment.

Disputes of the former Em.Ro. popolare s.p.a.

Following a tax audit on 2008 and 2009, on 23 December 2013, the Provincial Directorate of the Modena Tax Office sent BPER, in its dual role as the merging company of Em.Ro. popolare s.p.a. and the consolidating company pursuant to art. 117 et seq. of the Consolidated Income Tax Law, a notice of assessment pursuant to art. 40 *bis* of D.P.R. no. 600/73 and related sanctions in relation to the 2008 tax period, disputing the tax relevance of changes in exchange rates on financial assets denominated in foreign currency, considered fiscally relevant by the former

subsidiary pursuant to art. 110 paragraph 2 of the Consolidated Income Tax Law and assessing a higher taxable income of Euro 1,923.3 thousand.
The tax claim amounts to Euro 528 thousand, by way of tax plus penalties and interest.
Considering the reasoning of the Tax Authorities to be unfounded, the Bank protected its case by filing an appeal before the Provincial Tax Commission of Modena. The hearing before the Commission was held on 2 September 2014 and we are still waiting for the judgement to be announced.
At the date of preparation of these financial statements, an amount of € 300 thousand has been set aside to cover any penalties that may be due.

Disputes of the former Banca della Campania s.p.a.

On 30 December 2014, as a result of the tax audit on direct taxes carried out on what was then Banca di Campania s.p.a. on the tax years 2009 and 2010, the Regional Directorate of the Revenue Agency for the Campania Region sent tax assessments to recover higher taxes for a total of Euro 600 thousand, plus interest and penalties, to BPER in its dual capacity as the Merging Company of Banca della Campania and Consolidating Company under art. 117 et seq. of the Income Tax Code.
The dispute relates to the deduction of negative items of income in alleged breach of the accruals principle.
At the date of preparation of these financial statements, a provision of Euro 207 thousand has been set aside to cover any penalties that may be due.

Investigation into what the media have labelled the "Parioli scam"

It should be noted that certain individuals, who are suspects in the investigation into what the media have labelled the "Parioli scam," held accounts, also by means of companies held by them, with a Rome branch of CARISPAQ, from 27 May 2013 absorbed by the Group,
In this context it should be noted that CARISPAQ has been cited as being responsible in civil proceedings no. 14545/2011 R.G.T. before the Court of Rome in a panel, IX Criminal Chamber, in which Gianfranco Lande stands accused of alleged conspiracy to carry out fraud as well as other crimes against property, unauthorised financial practices and trying to obstruct the supervisory functions; crimes committed through companies controlled by Lande, some of which had current accounts at a Rome branch of CARISPAQ. In this regard, it should be noted that CARISPAQ has been cited for third-party liability by 249 persons.
28 June 2012, the Court of Rome condemned Gianfranco Lande to 9 years and 8 months in prison and a fine of Euro 20,000.
CARISPAQ was also ordered, jointly and severally with the defendant, to pay damages in favour of plaintiffs, to be paid in separate proceedings, as well as reimbursement of the legal expenses incurred by the plaintiffs, as quantified by the Court. The Court rejected all requests for a provisional award.
It followed that, according to the judgement, CARISPAQ was not currently required to pay any sum. CARISPAQ had appeal against the sentence on 20 March 2013 before the Court of Appeal of Rome. In fact, the first degree judgement affirms the Bank's responsibility on a questionable legal basis and never applied against a private entity, given that it has no indirect liability for the facts ascribed to Lande.
In second degree, the Assistant Attorney General at the Court of Appeal of Rome, at the hearing on 12 November 2013, insisted on excluding civil parties and civil liability (BPER) from the trial. The main reason for the exclusion of civil parties is related to the fact that the injured parties with respect to the criminal conduct involved in the offences of which the defendant is accused cannot be found in the so-called investors.

On 17 December 2013, the Rome Court of Appeal, as part of the appeal process initiated also by BPER against the sentence imposed by the Court of Rome against Lande for illegal financial activities, and CARISPAQ, now BPER, as being legally liable for the latter, revoked the first degree judgement against BPER in terms of legal liability, as mentioned previously, and decided to offset the legal costs unlike what was decided in the previous first degree sentence.

An appeal was filed immediately against this decision with the Supreme Court only by Lande's defence council and by EGP, responsible under civil law, whereas all of the plaintiffs except two have desisted from this initiative. The Supreme Court, in its judgement of 3 February 2015, rejected the appeal of the two plaintiffs and deferred the matter to the Civil Court of Appeal solely for the purpose of reviewing the rulings in favour of the plaintiffs, with the exception of the CONSOB, only in connection with the sentence against Gianfranco Lande to pay damages. As a consequence, all of the civil rulings that excluded liability on the part of BPER are now definitive.

The criminal proceedings involving the managers at the time of CARISPAQ's branch no. 1 in Rome, for different criminal offences, as specified below, relating to the management of the current account belonging to the company E.I.M. and attributable to Mr. Lande, are currently in progress.

In particular, one of them is charged with participation in unauthorised financial practices; the other two, on the other hand, are charged with a less serious offence under art. 55 of Legislative Decree 231/2007, for having violated the obligations of full and truthful identification prescribed by the regulations against money laundering.

Various people have registered as civil plaintiffs in these proceedings. Most of them had already signed up as civil plaintiffs in the first trial against Mr. Lande. Also in this case, BPER was sued as the merging company of CARISPAQ, as legally liable for the "deeds of its employees," pursuant to art. 2049 of the Italian Civil Code. Our defence has been entrusted to the law firm that is assisting us in this matter. During the preliminary hearing, BPER's defence strongly contested the same civil liability being cited in two cases, to answer (at least in part) for the same facts. This is contrary to the principle that it is impossible to initiate a new civil action (albeit in the context of criminal proceedings) when the same parties have already proposed the same action (again making use of Criminal Procedure) in a trial that (at the time) had already culminated in the judgement of first degree, as this constitutes an undue duplication of the matters being discussed (*regiudicande* in legal jargon). This in application of art. 75 of the Code of Criminal Procedure.

A different opinion was held by the GUP (judge of the preliminary hearing) of the Court of Rome, who, by order dated 1 July 2013, admitted all of the civil plaintiffs who requested it and stated that CARISPAQ/BPER could legitimately be sued for civil liability.

The Bank has duly appeared as defendant, contesting both the issue of the inadmissibility of the plaintiff's filings and the fact that it is not possible to duplicate the requests for compensation already made in Lande's trial. These requests were, however, rejected by the Court, mainly because the condemnation of civil liability, already pronounced in the first lawsuit, was not yet definitive.

At the first hearing set for trial, on 5 February 2014, the Court of Rome, in a panel, declared that it did not have jurisdiction and deferred the hearing to 8 April 2014 at the Single-Member Court, Fifth Section, chaired by Laura D'Alessandro. By order issued in the subsequent hearing on 4 June 2014, various civil parties were excluded from the trial as it was impossible to trace the alleged damage suffered by them to the investments made by the company that had current accounts with CARISPAQ because of the conduct of the defendants.

It should also be noted that some of those alleged to have been damaged by Lande's conduct, some of whom did not present themselves as plaintiffs in these criminal proceedings, have sued the Bank under civil law for reimbursement of the damage suffered, even in the absence of any causal link between the damage alleged by the plaintiffs and any illegal acts or irregularities carried out by CARISPAQ, where definitively established. These civil proceedings are still at the preparatory stage.

For an assessment of the potential financial and economic impacts that could arise from this situation, during the preparation of these consolidated financial statements, CARISPAQ, now BPER following its merger, has over time obtained a number of legal opinions from the law firms that assist it in the various trials and *pro veritate* opinions prepared by a respected professional totally unrelated to the Bank's defence, as well as contributions from another respected professional.

In particular, a detailed study has been made of the merits of the judgement of conviction issued against the bank, in the light of the rules and principles applicable in our legal system with regard to passive legitimation of third-party liability and compensation for damages in criminal proceedings. Particular attention has been given to issues relating to the lack of a causal link between the alleged damage and the conduct of CARISPAQ.

These assessments are now comforted also by the judgement of the Supreme Court of 3 February 2015.

Given the above, it is currently believed that there is only a remote possibility that the bank will suffer adverse consequences as a result of this matter; consequently, in accordance with IAS 37, it was decided not to make any provision.

Judgement of the Court of Modena

You are reminded that the Court of Modena, in its judgement of 24 February 2012, cancelled the shareholders' resolution of 16 April 2011 for partial renewal of the Board of Directors of BPER, which appointed as Directors for the three-year period 2011-2013 Piero Ferrari, Alberto Marri, Giuseppe Lusignani, Fioravante Montanari, Erminio Spallanzani and Manfredi Luongo.

The Bank appealed against this judgement, serving notice on 19 June 2012 and highlighting the serious argumentative gaps in it, also with reference to key legal questions.

In the appeal proceedings, at the hearing of 16 January 2013, the Bologna Court of Appeal set the date for the next hearing on 21 October 2014 (subsequently postponed to 11 October 2016) for the statement of conclusions.

8. THE INTERNAL CONTROL SYSTEM

8.1 Introduction

The Board of Directors of the Parent Company[18] has laid down internal control guidelines for the entire BPER Group by issuing and implementing the **"Guidelines for the Group internal control system"**, recently updated, in particular with the implementation of the adjustments to the new Regulations for the prudential supervision of banks (15th update of Circular no. 263/2006 of the Bank of Italy).

This system is to be understood as a set of activities organised to:

- improve profitability;
- protect its financial strength;
- ensure compliance with internal and external regulations and codes of conduct;
- promote transparency towards the market by managing the risks taken on by the Group and, more in general, to ensure that the business is run in accordance with the Group's strategies and declared risk appetite.

"Internal control system of the company" (and, therefore, specific to each company of the Group, including the Parent Company) means the set of rules, functions, structures, resources, processes and procedures **("structure of the internal control system")** designed to ensure that people's "behaviour" is aligned with set standards **("functioning of the internal control system")**.

The Parent Company provides the Group with an internal control system that permits effective control over the strategic choices of the Group as a whole, and balanced management of the individual components as required by the new Supervisory provisions (Circular no. 263/2006, Title V, Chapter 7).

In particular, the Parent Company is responsible for the governance, design and implementation of the "Group internal control system".

The internal control system includes the activities carried out for the Group (as part of the Parent Company's guidance and coordination role), the activities carried out for BPER (as an individual bank) and the activities carried out for individual Group companies (in an outsourcing context).

The structure of the internal control system is assessed ("structure assessment") by ensuring that the decisions made in terms of rules, procedures and organisational structures are consistent with the requirements of laws and regulations ("compliance assessment") and/or industry standards of reference for the goals set and the operations put in place ("adequacy assessment").

So the overall evaluation of the internal control system is based on "assessments of the structure" and "functional tests".

The internal control system is designed, implemented and evaluated with reference to the "risk map" that identifies the risks, present and potential, to which the Group is or might be exposed.

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[18] *Throughout the chapter, any reference to the Board of Directors or the Chief Executive Officer or any other Corporate Bodies are to be understood as referring to the Parent Company BPER, unless otherwise specified.*

8.2 Risk management (RAF)

The Risk Appetite Framework (RAF) forms part of the Group's internal control system and acts as a frame of reference, in terms of methodologies, processes, policies, controls and systems, designed to establish, communicate and monitor the Group's risk appetite, this being understood as the set of values that reflect the Group's risk objectives (or "risk appetite"), tolerance thresholds ("risk tolerance")/related operational limits and the maximum assumable risk ("risk capacity").
In this ambit, the Group has developed a specific process of managing the Risk Appetite Framework, within which are defined the roles and responsibilities of the Corporate Bodies and Functions involved, adopting coordination mechanisms to permit effective integration of risk appetite in day-to-day operations. In particular, the Group manages to link up the RAF, business model, strategic plan, ICAAP and budget in a coherent way.
The Group's risk appetite is expressed:

- in specific areas of analysis defined in accordance with the Supervisory Provisions (capital adequacy, liquidity and measures that reflect risk capital or economic capital) and the expectations and interests of other Group stakeholders;
- through synthetic indicators (RAF metrics) that represent regulatory constraints and the risk profile defined in accordance with the capital adequacy verification process and risk management processes. The RAF metrics are defined at Group level and can be adapted to individual risks of strategic importance for the Bank and other relevant analysis axes identified in the strategic planning process.

More specifically, the RAF management process is split into the following stages:

- set up of the RAF structure: definition of the elements that express the Group's level of risk appetite for measurable and non-measurable risks;
- calibration of measurements for RAF metrics: definition of the calibration rules for RAF metrics and quantification of the levels of risk appetite, risk capacity and risk tolerance, consistent with management's decision in terms of strategic planning and economic/financial forecasting;
- formalisation and approval of the decisions taken within the ambit of the RAF in the Risk Appetite Statement (RAS), which is subject to periodic update;
- declension of the RAF metrics by type of risk or other relevant analysis axes to transfer the levels of risk appetite and risk tolerance to the corporate structures involved in taking on the risk so as to direct operations in a consistent manner;
- monitoring and managing threshold overruns by verifying the trend in the risk profile compared with the risk tolerance, operational limits and risk capacity and consequent activation of measures to reduce any overruns;
- periodic communication and reporting on the evolution of the risk profile compared with the risk appetite, risk tolerance and risk capacity thresholds and on implementation of diversified action plans according to the purpose of the communication and the recipients in terms of the corporate bodies/functions of the Company and the Group.

8.3 Development of the internal control system

The Parent Company manages the Group's internal control system through a cyclical process that involves the following phases:
1. design;
2. implementation;
3. measurement;
4. communicating outside the Group.

The steps involved in the development process and the related responsibilities of the Corporate Bodies are explained below[19].

Design of the internal control system

The Board of Directors of the Parent Company defines and approves:

- the internal control system of the Parent Company and the Group, ensuring that it is consistent with the strategic guidelines and risk appetite established in the RAF and that it is able to reflect the various types of risk as they evolve and interact;
- the risk objectives, the threshold of tolerance (where identified) and the process of risk governance, to ensure that risks are properly governed and effective control maintained over all strategic decisions of the Group as a whole, along with balanced management of the individual components;
- the remedies needed to restore a normal situation after any overrun of the tolerance thresholds;
- the criteria for identifying significant transactions to be submitted to the risk control function;
- system standards for carrying out all activities.

More specifically, the Board of Directors, with the assistance of the Control and Risks Committee and on proposal of BPER's CEO, establishes and approves for the Group as a whole and for its components:

- the business model, being aware of the risks to which this model exposes the Company and understanding the ways in which risks are identified and assessed; in this context it approves the adoption of internal risk measurement for the determination of capital requirements;
- the corporate control functions, specifying their duties and responsibilities within the Group, the procedures for coordination and collaboration and the information flows between these functions and between them and the Corporate Bodies;
- further internal information flow mechanisms to ensure that the corporate bodies and control functions are fully aware of the various risk factors and have the ability to govern them;
- formalised coordination and liaison procedures between Companies and the Parent Company for all areas of operation;
- the ICAAP process, identifying the roles and responsibilities assigned to functions and business structures, ensuring consistency with the RAF and rapid adjustment in relation to significant changes in strategic lines, organisational structure and operational context of reference;

[19] *Corporate Bodies include all bodies with strategic supervision, management and control functions. The definition of Corporate Body also includes the sub-committees of the Board of Directors ("Board Committees").*

- policies and processes for the measurement of assets, financial instruments in particular, verifying that they always remain appropriate; it also establishes the Bank's maximum exposure to financial instruments or products that are uncertain or difficult to measure;
- the process for the development and validation of internal risk measurement;
- the process for approving new products and services, the launch of new activities, entering new markets (known collectively as Product Approval);
- Group policy for outsourcing business functions.

Lastly, the Board of Directors ensures that:

- implementation of the RAF is consistent with the approved levels of risk appetite and risk tolerance (where identified);
- the strategic plan, the RAF, the ICAAP, budgets and internal control system are consistent, bearing in mind any developments in the internal and external conditions in which the Group operates;
- the amount and the allocation of capital and liquidity held are consistent with the risk appetite, risk governance policies and risk management process.

Lastly, the Board of Directors appoints and dismisses the heads of the corporate control functions and the manager responsible, after consultation with the Control and Risk Committee, Nominations and Remuneration Committee, the Board of Statutory Auditors and the Chief Executive Officer[20].

The Board of Directors of Group companies:

- defines any additions that have to be made to the internal control system of their respective entities, in accordance with the coordination and liaison procedures established by the Parent Company;
- acknowledges and approves the risk appetite of its own company, which has to be consistent with the level of risk of the Group.

Implementation of the internal control system

The Board of Directors gives the CEO adequate powers and resources to implement the strategic guidelines, the RAF and risk governance policies defined by the Board of Directors of the Parent Company in the design of the internal control system and is responsible for taking all the necessary steps to ensure that the organisation and its internal control system comply with the principles and requirements laid down in regulatory provisions, monitoring compliance on an ongoing basis.

For this purpose, the CEO, for the Group as a whole and for its components:

- ensures that the responsibilities and duties of the various corporate structures and functions involved in risk assumption and management processes are clearly assigned and potential conflicts of interest are avoided;
- ensures that the activities carried out by the functions and structures involved in the internal control system are carried out by qualified personnel with an adequate degree of independence of judgement and with adequate experience and knowledge for the tasks to be performed;
- carries out any initiatives and interventions needed to ensure the overall reliability of the internal control system on an ongoing basis;

[20] *The Chief Executive Officer only intervenes for the appointment of the heads of Internal Audit, Compliance and Risk Control.*

- takes corrective action or makes adjustments as necessary in the event of weaknesses or anomalies being found, or following the introduction of significant new products, activities, services or processes;
- defines and oversees implementation of the risk management process. In this context, the CEO establishes operating limits for the assumption of various types of risk, in line with the risk appetite, explicitly taking account of the results of stress tests and developments in the economic situation;
- examines the more significant transactions subject to an unfavourable opinion by the risk control function and, if appropriate, authorises them; informs the Board of Directors and the Board of Statutory Auditors about these transactions;
- implements the ICAAP process, ensuring that it is developed in accordance with the strategic guidelines and the risk profile identified in the RAF;
- designs and implements the Group's training programmes to raise awareness among employees about the responsibility for risks so as not to limit the process of risk management to specialists or to the control functions;
- defines internal information flow mechanisms to ensure that the Corporate Bodies and control functions are fully aware of the various risk factors and have the ability to govern them and the assessment of compliance with RAF;
- as part of the RAF, where a tolerance threshold is defined, authorises overruns of the risk appetite within the limit represented by the tolerance threshold and gives prompt notice to the Board of Directors, identifying the management actions needed to bring the risk back down to below the set objective;
- ensures that risks deriving from new operations are fully assessed and that these risks are consistent with the risk appetite, and that the Bank is able to manage them;
- ensures that the risk management process is consistent with the risk appetite and risk governance policies, also taking into account the evolution of the internal and external conditions in which the Bank operates;
- issues instructions to ensure that internal risk measurement systems are developed according to the chosen strategies and are integrated into decision-making processes and operational management.

More specifically, for the Group, the CEO issues instructions to define and render operational:

- mechanisms for the integration of information systems and processes of data management, in order to ensure the reliability of consolidated figures;
- regular information flows to permit effective implementation of the various forms of control over all members of the Group;
- procedures to ensure, at a centralised level, an effective standard process of Group risk management, involving a single register, or several registers providing they can be easily linked, for the various companies in the Group;
- systems for monitoring financial flows, credit reports and other relations between members of the Group;
- controls over the achievement of objectives in terms of information security and business continuity as defined for the entire Group and for the individual members of the Group.

The Board of Directors of each Group bank and company gives a mandate to the appropriate internal functions to implement the decisions made by the Parent Company during the design phase.

Assessment of the internal control system

As part of its strategic supervisory function, the Board of Directors:

- receives from the **corporate control functions and other control functions** the information flows foreseen for a full awareness of the various risk factors and the ability to govern them;
- periodically assesses the adequacy and effectiveness of the RAF and the compatibility between actual risk and the risk objectives;
- periodically assesses, with the assistance of the Control and Risk Committee, the adequacy and compliance of the Group's internal control system[21], identifying possible improvements and defining the steps needed to correct any weaknesses.

In addition, with regard to internal risk measurement systems for the determination of capital requirements, the Board of Directors:

a) periodically verifies the choices of model made to ensure that they remain valid over time, approving significant changes to the system and carrying out overall supervision to ensure that it functions properly;
b) monitors, with the assistance of the relevant functions, effective use of internal systems for management purposes and their compliance with regulatory requirements;
c) reviews at least once a year the results of the validation process and passes a formal resolution, with the approval of the Board of Statutory Auditors, by which it certifies compliance with the requirements for the use of internal measurement systems.

The Board of Directors of each Group company, including the Parent Company, periodically assesses the internal control system[22].

The function responsible for providing support in assessing the effectiveness of the overall internal control system, company-wide, is the Internal Audit Department.

The Boards of Statutory Auditors of the Parent Company and of Group companies, each to the extent of its own responsibilities, carry out the assessment of the internal control system foreseen by law and the articles of association and have the responsibility of ensuring the completeness, suitability and functionality of the internal control system and of the RAF. The results of these assessments are brought to the attention of the respective Boards of Directors.

The Board of Directors receives, either directly or through the CEO, the information flows required to gain a full awareness of the various risk factors and the ability to govern them, as well as to plan and implement interventions to ensure the compliance and adequacy of the Internal Control System.

External communication on the internal control system

The Board of Directors of each Group company, especially that of the Parent Company as regards the Group internal control system, ensures that information on the internal control and risk management system is given in all cases foreseen by law, guaranteeing the correctness and completeness of the information provided. In this context, it is important to make the disclosures to the general public required by the "Third Pillar". For this, the Board of Directors of the Parent

[21] *The New Regulations for Prudential Supervision - Circular no. 263 of the Bank of Italy, Title V, Chapter 7, Section II, paragraph 2 "ensure that: […] b) the internal control system and corporate structure are consistently in line with the principles mentioned in Section I and the control functions satisfy the requirements and comply with the provisions of Section III. In the event of weaknesses or anomalies, it promotes timely adoption of appropriate corrective measures and assesses their effectiveness".*

[22] *a) Italian Civil Code - art. 2381 - "The Board of Directors ... omissis ... evaluates the adequacy of the organisational, administrative and accounting structure of the company on the basis of the information received".*

c) Code of Conduct for Listed Companies - Standard 8.P.3. "The Board of Directors assesses the effectiveness of the system of internal control with respect to the characteristics of the business".

Company assigns control responsibilities and duties to the Corporate Bodies and the various functions involved in the different stages in the handling of such information.

8.4 Levels of control envisaged by the Supervisory Authority

As part of the Group internal control system, the following control functions are identified at the levels provided for in the New Supervisory Instructions for Banks:

- **Third-level controls:** designed to identify violations of procedures and regulations and to assess periodically the completeness, suitability, functionality (in terms of efficiency and effectiveness) and reliability of the internal control system and information systems (ICT audit), with a set timing in relation to the nature and intensity of the risks involved.
  They are conducted on an ongoing basis, periodically or at random, by various structures that are independent of production, including spot checks. This activity is entrusted to the **Group Internal Audit Department**.
- **Second-level controls ("risk and compliance controls"):** the second level control functions have been developed and identified with the following objectives:
  - to check on an ongoing basis that company procedures are consistent with the goal of prevention of money laundering and financing of terrorism. This activity is entrusted to the **Group Anti-Money Laundering Unit**;
  - to help define the methods of measurement/assessment of the risk of non-compliance, to identify suitable procedures for the prevention of identified risks and to ask for them to be adopted. This activity is entrusted to the **Group Compliance Unit**;
  - to help establish methods of measuring risk, ensure compliance with the limits assigned to the various operating functions and check the consistency of operations in the individual production areas with the risk/return objectives assigned to them, to monitor systematically the performance of individual credit positions, in order to verify the correctness and effectiveness of the action taken by the functions in charge of managing them and the accuracy of their accounting treatment. These activities are entrusted to various functions of the **Group Risk Management Unit**;
  - to carry out qualitative and quantitative ratification of internal risk measurement systems adopted by the Parent Company. This activity is entrusted to the **Ratification Office**, a staff function for the Group Risk Management Unit.
- **First-level controls ("line controls")**: designed to ensure that operations are carried out properly. They are performed by the production structures themselves (e.g. hierarchical, systematic and random controls), also through units dedicated exclusively to control duties that report to the heads of the operating structures or carried out as part of the back office activities; as far as possible, they are incorporated into IT procedures.

8.5 Control roles and duties attributed to Group functions

8.5.1 Internal Audit

The mission of the Group Internal Audit Department is to control - also by means of spot checks - the regular running of operations and the evolution of risks and to evaluate the completeness, suitability, functionality and reliability of the organisational structure, business processes and reliability of the internal control system and IT system, risk management and other business processes. The Group Internal Audit Department brings to the attention of the Corporate Bodies any improvements that can be made, especially to the RAF and the risk management process, as well as to the instruments used to measure and control them. It makes recommendations to the Corporate Bodies on the basis of its audit results.

The Group Internal Audit Department helps the Corporate Bodies and Units pursue their objectives in the field of internal control, contributing to the development of a corporate culture that appreciates the control function throughout the Group. In this field, it can accept consulting assignments on issues of particular importance for its mission, within the limits of its annual planning. However, consultancy services must in no way compromise its independence.

In general terms, the Group's internal control system provides for the centralisation of the second and third level Control Functions of the Italian Group companies at the Parent Company, as provided by the "Group Guidelines - Internal Control System".

However, as regards Group Companies based abroad, this centralised model is partially waived in consideration of the complexity and delicacy of operations run in a different regulatory environment. In this case, it is possible to activate organisational models that enhance the specific nature of the context in which these companies operate, for each control function required by local regulations, as requested by the Supervisory Authority or by the Parent Company.

In particular, as far as the Italian Group banks are concerned, this centralisation through outsourcing to the Parent Company has been gradually reduced; in particular, following the absorption of 3 banking subsidiaries (Banca della Campania s.p.a., Banca popolare del Mezzogiorno s.p.a. and Banca Popolare di Ravenna s.p.a.) pursuant to the 2012-2014 Business Plan and centralisation within the Parent Company (from July 2014) of the Inspectorate functions of Banco di Sardegna s.p.a. and Banca di Sassari s.p.a., in order to strengthen the current control model, the only exception at 31 December 2014 is Cassa di Risparmio di Bra s.p.a. This bank will adopt the control model within the time frames established by the Parent Company.

Specifically, the Group Internal Audit Department:

- for companies that have an Internal Audit function that has been outsourced to the Parent Company, performs the control activities foreseen for BPER, according to the audit plan approved by the Board of Directors. For the performance of the outsourced activities, the Group Internal Audit Department has the support of the contacts of the Internal Audit function identified at Group Companies;
- for companies that do not have an Internal Audit function, the analyses and assessments performed by the Parent Company's control function are carried out to fulfil the responsibilities allocated to the Parent Company as part of its Group guidance and coordination role and not to fulfil the responsibility of individual Group companies.

Lastly, with reference to those subsidiaries that do not form part of the Banking Group, but which are included in the scope of consolidation, in accordance with its obligations of guidance, coordination and control, the Parent Company assesses the breadth and depth of the Group's internal control system, defining for these companies the structure of the control system considered most suitable and appropriate in accordance with the principles of proportionality and cost effectiveness. These assessments are consistent with the strategic decisions of the Parent Company and are formulated on the basis of their degree of riskiness, as determined by the Parent Company's corporate control functions.

The subsequent new organisational structure of the Department is made up of two offices in staff functions for the Head of Department, three operational offices (Internal Audit, Group Inspectorate and Banco di Sardegna s.p.a. Inspectorate) and the related underlying organisational structures.

8.5.2 Group Risk Management Department

The organisational structure of the Group Risk Management functions of second level was revised during 2014 in accordance with the 15th update of the Bank of Italy's Circular no. 263/2006, starting on 1 July 2014, providing for, in particular:

- direct reporting to the CEO of the Group Compliance Unit and the Group Anti-Money Laundering Unit;
- simultaneous identification of the Group Risk Management Department as the Risk Control function and identification of the Chief Risk Officer as the person in charge of it;
- restructuring of the Group Risk Management Department within which there remain the risk control function, the validation function and the credit control unit;
- review of the document entitled "Regulation of the Group Risk Management Department" from 7 August 2014.

In November 2014, the Group Rating Office was also included in the scope of the Group Risk Management Department as a staff function for the Chief Risk Officer; later, in January 2015, this structure was transferred to the Group Credit Control Unit, which was renamed the Credit Control and Rating Attribution Unit. This was to promote operational synergies and a better use of skills and of the information provided to the functions, making it possible to streamline processes and improve efficiency.

The Group Risk Management Department now reports directly to the Parent Company's Chief Executive Officer and is broken down into the following Organisational Units:

- Model Ratification Office and RAF and Reporting Office, as staff functions for the Chief Risk Officer;
- Financial Risk Department;
- Credit and Operational Risk Department;
- Credit Control Unit and Group Rating Attribution.

The Group Risk Management Department, as the **Group's risk control function**, aims to collaborate in the definition and implementation of the Risk Appetite Framework and the related risk governance policies, through an adequate risk management process.

An integral part of its mission is to ensure adequate reporting to the Corporate Bodies of the Parent Company and Group companies.

In line with its mission, the Group Risk Management Department extends its area of responsibility to all of the companies included in the scope of consolidation, because the Group Guidelines - Internal control system provide for centralised management of the risk control function at the Parent Company and Group Companies that have this function, outsource it to the Parent Company; for this reason, the mission of the Group Risk Management Department is carried out as part of the Parent Company's guidance and coordination activity as an outsourcer for Group banks and companies.

The Group Risk Management Department operates at Group Companies through a Contact (who functionally reports to it) identified at the various Group companies.

The responsibilities of the Group Risk Management Department are entrusted to the Chief Risk Officer (CRO), who relies on the support of the organisational units, whether staff or line functions, which hierarchically report to them in the exercise of the following responsibilities:

- within the ambit of the Risk Appetite Framework, proposing the quantitative and qualitative parameters necessary for its definition, both in the normal course of business and in situations of stress, ensuring their adequacy over time in relation to changes in the internal and external context;

- proposing risk governance policies within its sphere of competence and oversees their implementation, ensuring that the various stages of the risk management process are consistent with the Risk Appetite Framework ;
- preparing, through the organisational units of the Group Risk Management Department, the Group's policies on risk governance (limited to the sections relating to risk management and exposure/operational limits) for measurable and non-measurable risks not within the sphere of competence of other control functions;
- developing methodologies and tools for risk identification and measurement/assessment, ensuring their adequacy over time through the development and application of indicators designed to highlight anomalous situations and inefficiencies. In particular:
  - defining common metrics of operational risk assessment that are consistent with the RAF, in coordination with the Compliance Function, the ICT function and the Business Continuity function;
  - defining methods to evaluate and control reputational risk, in coordination with the Compliance function and the corporate functions that are most exposed to this type of risk;
  - assisting the Corporate Bodies in the assessment of strategic risk by monitoring significant variables;
- monitoring the actual risk profile assumed in relation to the risk objectives defined in the RAF, collaborating in the definition of operating limits for the assumption of various types of risk and constantly verifying their adequacy and compliance;
- preparing the ICAAP report and carrying out the self-assessment process, identifying the corrective actions to be taken;
- checking the adequacy and effectiveness of the measures taken to correct weaknesses in the risk management process;
- validating the internal systems of risk measurement, ensuring compliance with the instructions issued by the Supervisory Authority for this process, as well as consistency with the operational needs of the company and the evolution of the market;
- giving preventive advice on the consistency of more significant transactions with the RAF;
- analysing the risks deriving from new products/services and from entering into new business segments;
- checking that individual credit exposures are monitored correctly; this activity focuses on elements with a discretionary content and on correct application of the models adopted by the Group. To this end, the risk control function identifies early warning indicators which promptly report abnormal monitoring by the front line, and helps to define the rules of classification, assessment and allocation, taking the responsibility for monitoring compliance.

In addition, the Group Risk Management Department:

- takes part in the definition of the Group's strategy, assessing the relative impact on risk;
- takes part in deciding on strategic changes to the Group's internal control system.

8.5.3 Anti-Money Laundering

The task of the Group Anti-Money Laundering Unit is:

- to prevent and combat money laundering and financing of terrorism through the reporting of suspicious transactions and the execution of continuing control activities (**Anti-Money Laundering control**);
- to check that the IT and organisational procedures adopted by Group companies are consistent with laws and regulations, as well as self-regulation in the field of money laundering and financing of terrorism (**Anti-Money Laundering function**).

The organisational model adopted by the Group provides for centralised management at the Parent Company of the anti-money laundering function and supervision of the Italian Group companies subject to money laundering regulations. Full implementation of this organisational model was completed with the centralisation of the anti-money laundering function at the Parent Company also on the part of Banco di Sardegna s.p.a. and the companies falling within its scope of consolidation with effect from 1 July 2014.

As regards the Parent Company's **guidance and coordination activities**, performed for all Group companies subject to anti-money laundering regulations - for foreign Companies, only with regard to matters of identification and knowledge of customers and monitoring of reports on suspicious transaction - the Group Anti-Money Laundering Unit has the following **responsibilities:**

- it identifies and evaluates the Group's exposure to the risk of money laundering and financing of terrorism;
- it identifies any risk of non-compliance with anti-money laundering legislation to which the Group is exposed, continuously examining the rules applicable to the Group and assessing their impact on Group Companies;
- it carries out an annual assessment of the main risks of non-compliance with anti-money laundering and counter-terrorism laws at Group level, and reports to the Corporate Bodies of the Parent Company, indicating any critical situations and making proposals for the planning of related management measures to counter any weaknesses that may have emerged and to address any new non-compliance risks that have been identified ("Report of the Group on the risk of non-compliance with anti-money laundering and anti-terrorism laws"). For foreign companies, it reports any critical issues arising from the opinions expressed and data provided by the relevant Corporate Functions;
- it proposes, in collaboration with the Compliance function, the Group's policy on compliance risk management;
- it defines the methods, processes and tools that must be followed in performing the activities of the Anti-Money Laundering function and uses the reports defined in coordination with other control functions (corporate or otherwise);
- for companies that have not outsourced the function to the Parent Company (foreign companies), it establishes the minimum control objectives and checks their application, depending on the risks that have been identified and assessed;
- it ensures adequate reporting on the outcome of its activities to the Corporate Bodies, highlighting the main non-compliance issues and events of particular risk as they emerge;
- it proposes organisational and procedural changes to the guidance and coordination processes with a view to:
    - preventing and combating the commission of crimes of money laundering;

    - ensures adequate control over the non-compliance risks that have been identified and monitors that it is carried out;
- it supports the Group Delegate in examining and evaluating, from a Group perspective, the reports filed and the transactions reported to the Bank of Italy's Financial Information Office by the consolidated banks and companies that have outsourced AML control to the Parent Company. This type of support is also provided with reference to reports filed and transactions reported to the competent local authorities by the Group's foreign companies; to this end, the Anti-Money Laundering Unit receives adequate information flows from these companies;
- it supports the CEO of the Parent Company or the person appointed by him in assessing whether Group companies (in Italy and abroad) should open correspondent accounts with the corresponding authorities of "non-equivalent" non-EU countries;
- it checks authorisations to open ongoing relationships with "politically exposed persons" in Group companies (both Italian and foreign).

Among other activities, the Unit also:
- helps the Company Delegate in the **assessment and investigation of reports** of suspicious transactions pursuant to art. 41 of Legislative Decree no. 231/07 coming from the network and central offices, sending them to the Financial Intelligence Unit if found to have some basis, otherwise dropping them;
- helps the Company Delegate in identifying suspicious transactions that were not picked up by the structures in charge of day-to-day dealings with customers or not extracted by the automatic detection procedures;
- performs centralised checks on the Branches and Central Offices to detect potentially abnormal situations that merit specific investigation into proper fulfilment of due diligence and risk profiling of customers, detection and reporting of potentially suspicious transactions and limiting the use of cash and bearer securities; performs specific checks on the correct input to the **Single IT Archive (SITA)** to comply with the obligation that the SITA be kept properly in accordance with art. 36 et seq. of Legislative Decree 231/07, and to allow the detection of potentially suspicious transactions that could involve money laundering;
- forwards to the Ministry of Economy and Finance the **communications on infringements** of the rules regarding the use of cash and bearer securities as per art. 49 of Legislative Decree 231/07;
- manages relations with the Financial Intelligence Unit, the Investigative Authorities and the Judicial Authorities whenever there is need for in-depth investigation or discussion about the anti-money laundering and anti-terrorism legislation.

8.5.4 Compliance

The Compliance Unit's task is to ensure the adequacy of internal procedures to prevent the violation of external rules (e.g. laws and regulations) and self-regulation (e.g. codes of conduct) applicable to the Group's companies.
With reference to the procedures adopted under art. 15 of the Regulations of the Bank of Italy and CONSOB pursuant to art. 6, subsection 2-*bis* of Legislative Decree 58 dated 24 February 1998 (the Consolidated Law on Finance), the Unit also carries out regular checks on the effective application ("functioning") of the procedures and the measures taken to resolve any weaknesses.

The Group Compliance Unit assists the Corporate Bodies and Organisational Units of Group Companies in pursuing the objectives of compliance by promoting the spread of a corporate culture based on fairness in behaviour as an essential element for a company to function properly. In addition, the Group Compliance Unit assesses the risk of non-compliance arising from innovative projects that the Group intends to undertake, including the launch of new products or services, and operating in new markets or with new types of customers.

The Group Compliance Unit, as part of the management of compliance risk, works - directly or through Special Units - on regulations that concern the entire banking activity, with the exception of those for which there are dedicated corporate functions and other control functions.

In line with its mission, the Group Compliance Unit extends the scope of its guidance, control and coordination activities to all Group companies. Centralised management of the compliance function at the Parent Company for all Italian Group companies that have that function. For Group companies based in foreign countries, the Group Compliance Unit only provides guidance and coordination.

As part of the guidance and coordination activity exercised by the Parent Company on behalf of the Group Companies, the Group Compliance Unit has the following responsibilities:

- it identifies non-compliance risks, at Group level, examining the standards applicable to the Group on an ongoing basis and assessing their impact on Group companies;
- it establishes, depending on the risks that have been identified and assessed, the minimum control objectives foreseen for the Companies concerned, and verifies that the planning of Compliance activities of the individual companies that did not outsource this function to the Parent Company applies them;
- it ensures adequate reporting on the outcome of its activities to the Corporate Bodies, promptly highlighting the main non-compliance issues and events of particular risk as they emerge;
- it proposes organisational and procedural changes to the guidance and coordination processes and to the processes of the companies that do not have this function, in order to ensure adequate control over the non-compliance risks that have been identified and to monitor that it is carried out.

8.6 Line controls

Line controls (so-called "first-level controls") are designed to ensure that operations are carried out properly; these controls also include those that contribute to the creation of an internal accounting control system, understood as a set of controls that form part of the individual administrative and accounting procedures in order to have reasonable assurance that the recording and processing of data and the production of information have been performed correctly. They are performed by the same operating structures (e.g. hierarchical controls) or incorporated into procedures, or carried out as part of back-office activities.

8.7 Other control functions

Manager responsible for preparing the company's financial reports

Law 262/2005 (Savings Protection Law) established the role of *Manager responsible for preparing the company's financial reports* ("Manager Responsible"), with responsibility, among other things, for ensuring the "*reliability of the financial reporting process*".

The regulations governing the Manager Responsible are contained in Section V *bis* of the Legislative Decree no. 58 dated 24 February 1998 concerning the preparation of accounting documents and by art. 154-*bis* which sets out the general regulations regarding the designation, duties and powers of the Manager Responsible; as well as the civil and criminal responsibilities that the appointment involves.

The BPER Group's Manager responsible for preparing the Company's financial reports, who is Emilio Annovi, manager of the Group Head Office Administration and Financial Reporting Department is identified within the Group as a control function and, as laid down in the Guidelines for the Group internal control system, he is responsible for the design, implementation and maintenance of the "**Financial reporting control model**" to be applied to the Parent Company and, with reference to the procedures for the preparation of consolidated financial statements, to the Banks and Companies included in the scope of consolidation. With respect to the above scope, the Manager Responsible ensures that administrative and accounting procedures have been prepared.
The financial reporting control model is a set of requirements to be met for proper management and control of the risks of unintentional errors and fraud in financial reports. It is up to the Manager Responsible to ensure that it is adopted.

It follows that in the BPER Group the responsibility for the proper management and control of the risks of unintentional errors and fraud in financial reports, also taking into account the regulatory framework that assigns specific responsibilities to the Manager Responsible, is assigned, not only to the Corporate Bodies, but above all to the Manager Responsible.

The financial reporting control model is represented by a "body of law" made up as follows:

- The policy for the management of the risks of unintentional errors and fraud in financial reporting;
- The regulations governing the Manager Responsible and the Group Financial Reporting Monitoring and Control Office;
- The regulations governing the Manager responsible for preparing the Company's financial reports of the sub-holding company Banco di Sardegna and his staff;
- Regulation of the Contact Person of the Manager responsible for preparing the Company's financial reports;
- The Organisational Procedures and Manuals governing the process of managing the Financial Reporting Control Model;
- The Procedure and Manual of the Contact of the Manager Responsible.

In order to perform his duties, the Manager Responsible has at his disposal the Parent Company resources of the Office for the monitoring and control of Group's financial reporting, which reports to him.
In running the Financial Reporting Control Model, the Contact of the Manager Responsible appointed at each Bank and Company in the scope of consolidation is also a key figure within the Group, and as required in the regulations mentioned earlier, he functionally reports to the Parent Company's Manager Responsible. Functional dependence relates to the methodologies, tools, reporting system and work processes for performing the Contact's duties. The responsibilities identified in the specific regulations relate to three areas: representation, information link and operational support.

There are also specific regulations for the relationship with the Manager Responsible at the listed sub-holding company Banco di Sardegna s.p.a. and the related Contacts.

Supervisory Body pursuant to Legislative Decree 231/01

The Parent Company, in compliance with arts. 6 and 7 of Legislative Decree 231/01, adopted a Model of Organisation and Management in order to prevent the commission and/or the attempted commission of the types of offence provided for in this Decree. In accordance with this law, the Parent Company has therefore set up its own Supervisory Body (known as the Supervisory Board) with the task of supervising the functioning and observance of the Model of Organisation and Management.

The Supervisory Board is composed of five members:

- two non-executive and independent directors;
- two employees of the Parent Company, with appropriate skills, especially of a legal/organisational nature, who do not have operational duties in the Bank;
- an external consultant with the necessary professional skills.

The Supervisory Board carries out its supervision and ensures compliance with the Model of Organisation and Management, by:

- detecting any changes in the "risk map";
- checking compliance with procedures in the area of activities considered to be sensitive to commission of the offences mentioned in Legislative Decree 231/01;
- activating and/or performing internal investigations in coordination with the control functions;
- planning training activities for the staff about legal developments, or about any legislative changes that could affect the nature of the offences mentioned in Legislative Decree 231/01;
- requesting the identification of appropriate procedures to protect new types of activities that could be classified as sensitive;
- requesting updates to existing procedures, if the business could be materially affected by changes in the risks included in the scope;
- reporting proven infringements of the instructions;
- coordinating activities by the Parent Company of the Supervisory Boards of subsidiaries, fostering an exchange of information, knowledge or methodologies;
- getting Group banks to adopt the main regulatory documents that constitute the Organisational and Management Model, subject to limited and necessary adjustments.

The Supervisory Board is also the recipient of specific information flows, given that the employees, Statutory Auditors and the Directors are required to send the following documents to the Supervisory Board, as specified in the Model of Organisation and Management:

- provisions or news from the Judicial Police, or any other authority, indicating that they are carrying out an investigation for the offences mentioned in Legislative Decree 231/01, also against unknown persons, involving the Parent Company, its employees or members of the Corporate Bodies (Board of Directors, Supervisory Board and Board of Statutory Auditors);
- requests for legal assistance by directors, statutory auditors and/or employees in the event of the initiation of proceedings for offences under Decree 231/01;
- routine reports identified by the Supervisory Board, prepared by the heads of specialised functions (Manager responsible for preparing the company's financial reports, Internal

Audit, Anti-Money Laundering, Compliance, Risk Management, Financial Reporting Monitoring Office, etc.);
- information relating to the start of disciplinary proceedings and their progress and any penalties imposed, in the event of circumstances considered relevant under Legislative Decree 231/01;
- organisational/procedural changes that have an impact on the Model of Organisation and Management;
- reporting the onset of other types of risk;
- the system of delegation of powers and/or functions adopted by the Parent Company, and any modifications of a structural nature made to it.

Lastly, the Supervisory Board is also informed by reports received in accordance with pre-established procedures from the persons required to comply with the Model and the Code of Ethics (Shareholders, Statutory Auditors, Directors, Employees, Independent Auditors, members of the Supervisory Board, Persons who are not employees, but who work and are under the control and direction of BPER, Persons who, even if external to the Bank, work for or with the Parent Company, and any other person or entity who has dealings with the Parent Company for purposes of the report), about events that could give rise to liability under Legislative Decree 231/01.
The Supervisory Board reports immediately in case of necessity to the Board of Directors and reports every six months to it and the Board of Statutory Auditors on its activities and on the situation of the Parent Company with respect to the obligations referred to in Legislative Decree 231/01.

Within this context, the Parent Company has issued specific guidelines and distributed various regulatory documents, as well as instructions for coordinating the adoption of the Model of Organisation and Management as per Legislative Decree 231/01 by the individual Group banks and by BPER Services s.cons.p.a., in compliance with the provisions of Legislative Decree 231/01 and in accordance with its specific responsibilities.

9. OTHER INFORMATION

9.1 Treasury shares

No quotas or shares in Group companies are held through trust companies or other third parties; furthermore, such parties were not used during the period to buy or sell shares or quotas in Group companies.

The carrying amount of the Group's interest in the treasury shares held by consolidated companies, classified as a deduction from shareholders' equity caption 200, is Euro 7,259 thousand, of which Euro 7,257 thousand relates to BPER shares held by the Parent Company, while the other Euro 2 thousand refer to shares in Banca di Sassari s.p.a. held by that bank. The table below shows the details at 31 December 2014.

	Number of shares	Total par value	Group interest
Banca popolare dell'Emilia Romagna s.c.	455,458	1,366,374	7,257,112
Banca di Sassari s.p.a.	25,351	30,421	2,333
Total as at 31.12.2014	**480,809**	**1,396,795**	**7,259,445**
Total as at 31.12.2013	**480,742**	**1,396,715**	**7,272,395**

9.2 Ratings as at 31 December 2014

International Rating Agency	Issue date	Long-term	Short-term	Outlook
Standard & Poor's	18 December 2014	BB-	B	Stable
Fitch Ratings	10 July 2014	BB+	B	Negative

Standard & Poor's

On 18 December 2014, Standards & Poor's revised its long-term rating from "BB" to "BB-" as a result of Italy's sovereign rating being lowered on 5 December; in the meantime, BPER short-term rating was confirmed at "B". The outlook improved from "negative" to "stable", reflecting Standard & Poor's belief that BPER's current ratings already incorporate most of the risks that could affect the Bank's performance as a result of the weak economic conditions in Italy.

Fitch Ratings

On 10 July 2014, as part of various rating changes on mid-sized Italian banks, Fitch confirmed its long-term rating and its short-term rating at "BB+" and "B" respectively. The outlook remains negative.
The viability rating was revised to "bb" from "bb+", while the support rating and support rating floor were confirmed at "3" and "BB+", respectively.

9.3 Inspections by the Supervisory Authorities on Group banks and companies

CONSOB

With a Communication dated 31 October 2012, the Parent Company sent CONSOB the approved action plan, in accordance with the terms indicated by it, to resolve the issues raised as a result of the inspection that began on 13 April 2011 and ended on 17 February 2012. By letter dated 26 April 2013, CONSOB asked for further clarification on the contents of the above-mentioned communication, to which Banca popolare dell'Emilia Romagna s.c. has responded with its communication of 24 June 2013. This type of communication has continued in 2014, by sending a letter on 10 March 2014 that summarises the additional steps taken to implement these improvement initiatives.

With a subsequent letter sent on 19 September 2014, CONSOB summoned the management of Banca popolare dell'Emilia Romagna s.c. to examine certain profiles worthy of study with regard to the model adopted for the provision of services and investment activities. Following the meeting held on 23 October 2014, the Bank sent CONSOB a report on 10 December 2014 minuting the topics that had been discussed.

Bank of Italy

On 10 March 2014, in compliance with the European regulatory requirements, the Supervisory Authority carried out an Asset Quality Review of the BPER Group as part of the Comprehensive Assessment prior to starting up the Single Supervisory Mechanism.

In the early days of August 2014, the Supervisory Authority completed the collection of records and documents necessary for the investigation.

This was already discussed in the section of this report entitled "Significant events and strategic transactions".

9.4 Intercompany and related-party transactions

Relations between the various companies included within the scope of consolidation and with associates and related parties were all of a routine nature and were conducted properly.

For details, as required by art. 2497 *bis* of the Italian Civil Code and by the CONSOB Communication DEM 6064293 dated 28 July 2006, reference should be made to **Part H** of these Explanatory notes.

In accordance with CONSOB's Regulation 17221/10 and subsequent amendments, issued on the subject of related-party transactions, the BPER Group has adopted specific internal rules to ensure transparency and substantial and procedural correctness of transactions with related parties.

In this context, on 13 November 2012 BPER approved the "**Group Regulations for the management of transactions with related parties and associated persons**", which was subsequently implemented by all of the Group banks and other Companies as well. These Regulations, which have been in force since 31 December 2012, and updated on 12 November 2013, also comply with the Bank of Italy's requirements in terms of "Risk activities and conflict of interest versus related parties" as contained in the 9th update on 12 December 2011 of Circular no. 263 dated 27 December 2006.

The document is published on BPER's website www.bper.it, in the "Related Parties" section and on the websites of the other Group banks.

In deference to the Bank of Italy's recommendations, the Parent Company has approve the documents entitled: "**Group policy on controls over risk activities and conflicts of interest with related parties**", in effect from 31 December 2012, which was announced at the Shareholders' Meeting held on 20 April 2013, as well as the "**Group regulations for the monitoring of prudential limits on risk activities with related parties**", approved on 13 December 2012 and revised on 24 June 2014.

Note that on 31 December 2014, the only Group bank that is listed and therefore required to observe CONSOB Regulation 17221/10, in addition to the Parent Company, is Banco di Sardegna s.p.a.

Without prejudice to the disclosure requirements of IAS 24, the following is a summary of transactions with related parties, for which it is considered necessary to provide information under Regulation 17221/10.

a) More significant individual transactions concluded during the reference period:

No.	Company that initiated the transaction	Name of the transaction counterparty	Nature of the relationship with the related party	Object of the transaction	Consideration for each transaction completed (Euro/000)	Other information
1	Banca popolare dell'Emilia Romagna s.c.	EMRO Finance Ireland ltd.	Directly controlled subsidiary	Mixed credit line	400,000	Transaction exempt from market disclosure (art. 14.2 of CONSOB Regulation 17221)
2	Banca popolare dell'Emilia Romagna s.c.	Banca Popolare del Mezzogiorno s.p.a.	Directly controlled subsidiary	Merger (*)	3,861,809 (total assets)	Transaction exempt from market disclosure (art. 14.2 of CONSOB Regulation 17221)
3	Banca popolare dell'Emilia Romagna s.c.	Banca della Campania s.p.a.	Directly controlled subsidiary	Merger (*)	4,447,604 (total assets)	Transaction exempt from market disclosure (art. 14.2 of CONSOB Regulation 17221)
4	Banca popolare dell'Emilia Romagna s.c.	Emilia Romagna Factor s.p.a.	Directly controlled subsidiary	Mixed credit line	665,000	Transaction exempt from market disclosure (art. 14.2 of CONSOB Regulation 17221)
5	Banca Popolare di Ravenna s.p.a.	Banca popolare dell'Emilia Romagna s.c.	Direct parent company	Purchases and sales of government Bonds and bank/corporate bonds with the Parent Company: framework resolution	500,000	Information document published on 26 May 2014
6	Banco di Sardegna s.p.a.	Banca popolare dell'Emilia Romagna s.c.	Direct parent company	Purchases and sales of government Bonds and bank/corporate bonds with the Parent Company: framework resolution	6,000,000	Information document published on 5 May 2014

No.	Company that initiated the transaction	Name of the transaction counterparty	Nature of the relationship with the related party	Object of the transaction	Consideration for each transaction completed (Euro/000)	Other information
7	Banco di Sardegna s.p.a.	Banca popolare dell'Emilia Romagna s.c.	Direct Parent company	Transactions in foreign exchange, spot and forward transactions with the Parent Company: framework resolution	2,000,000	Information document published on 5 May 2014
8	Banco di Sardegna s.p.a.	Banca popolare dell'Emilia Romagna s.c.	Direct parent company	Debit and credit cash deposits in Euro and foreign currency and repurchase agreements with the Parent Company: framework resolution	1,500,000	Information document published on 5 May 2014
9	Banco di Sardegna s.p.a.	Banca popolare dell'Emilia Romagna s.c. Group banks and Companies	Direct parent company and Group companies	Repo transactions in government securities with the Parent Company and Group banks and Companies: framework resolution	1,500,000	Information document published on 5 May 2014
10	Banco di Sardegna s.p.a.	Banca popolare dell'Emilia Romagna s.c.	Direct parent company	Subscription to bonds issued by the Parent Company: framework resolution	1,000,000	Information document published on 5 May 2014
11	Banco di Sardegna s.p.a.	Banca popolare dell'Emilia Romagna s.c.	Direct parent company	Interest rate and foreign exchange derivatives entered into with the Parent Company: framework resolution	1,000,000	Information document published on 5 May 2014
12	Banca popolare dell'Emilia Romagna s.c.	Sardaleasing s.p.a.	Directly controlled subsidiary	Mixed credit line	525,000	Transaction exempt from market disclosure (art. 14.2 of CONSOB Regulation 17221)

No.	Company that initiated the transaction	Name of the transaction counterparty	Nature of the relationship with the related party	Object of the transaction	Consideration for each transaction completed (Euro/000)	Other information
13	Banca popolare dell'Emilia Romagna s.c.	Sardaleasing s.p.a.	Directly controlled subsidiary	Renewal of credit line	285,000	Transaction exempt from market disclosure (art. 14.2 of CONSOB Regulation 17221)
14	Banca popolare dell'Emilia Romagna s.c.	Banca della Campania s.p.a.	Directly controlled subsidiary	Demand deposits for borrowing	300,000	Transaction exempt from market disclosure (art. 14.2 of CONSOB Regulation 17221)
15	Banca popolare dell'Emilia Romagna s.c.	Banca della Campania s.p.a.	Directly controlled subsidiary	Demand deposits for lending	270,000	Transaction exempt from market disclosure (art. 14.2 of CONSOB Regulation 17221)
16	Banca popolare dell'Emilia Romagna s.c.	Sardaleasing s.p.a.	Directly controlled subsidiary	Renewal of mixed credit line	725,000	Transaction exempt from market disclosure (art. 14.2 of CONSOB Regulation 17221)
17	Banca popolare dell'Emilia Romagna s.c.	Banca della Campania s.p.a.	Directly controlled subsidiary	Demand deposits for borrowing	360,000	Transaction exempt from market disclosure (art. 14.2 of CONSOB Regulation 17221)
18	Banca popolare dell'Emilia Romagna s.c.	Banco di Sardegna s.p.a.	Directly controlled subsidiary	Credit line	400,000	Transaction exempt from market disclosure (art. 14.2 of CONSOB Regulation 17221)
19	Banca popolare dell'Emilia Romagna s.c.	Banca della Campania s.p.a.	Directly controlled subsidiary	Demand deposits for lending	250,000	Transaction exempt from market disclosure (art. 14.2 of CONSOB Regulation 17221)
20	Banca popolare dell'Emilia Romagna s.c.	Alba Leasing s.p.a.	Direct associated company	Renewal of mixed credit line	570,000	Transaction exempt from market disclosure (art. 14.2 of CONSOB Regulation 17221)

(*)Mergers (including the operation with Banca Popolare di Ravenna s.p.a., even if classified as "less significant").

With regard to the overall merger of Banca Popolare del Mezzogiorno s.p.a. and Banca della Campania s.p.a. with the Parent Company (to which we would add Banca Popolare di Ravenna s.p.a., even if it is classified as a less significant transaction), it was carried out in simplified form pursuant to art. 2505-*bis* of the Italian Civil Code.

b) other individual transactions with related parties as defined under article 2427, second paragraph, of the Italian Civil Code, entered into in the reporting period, that have materially impacted the financial position and results of the company

As regards other transactions with related parties, according to the CONSOB Regulation 17221/10, we would mention the absorption of Banca Popolare di Ravenna s.p.a. (BPRA) by the Parent Company; also for this transaction, which was completed at the same time as the two mergers mentioned in the previous point, we refer for further details to the extensive information already given in the previous chapters of this Report.
Note that this transaction qualifies as "less significant".

Lastly, there was the merger of Immobiliare Reiter s.p.a. with Nadia s.p.a., which was completed on 18 March 2014, and the merger of ABF Leasing s.p.a. with Sardaleasing s.p.a. on 24 June 2014.

c) changes or developments in related-party transactions disclosed in the last annual report that have had a material effect on the financial position or results of the companies during the period

During the year, there have been no changes or developments in the related-party transactions described in the last annual report that would have an effect on the financial position or results of the Company.

9.5 Information on atypical, unusual or non-recurring transactions

During 2014 there were no atypical or unusual transactions, as defined by CONSOB Communication DEM 6064293 dated 28 July 2006.
Nor were there any non-recurring transactions during the year.

9.6 Remuneration policies

The remuneration policies of the entire BPER Group were established during 2014 in accordance with the regulatory requirements.
In particular, in an increasingly sophisticated regulatory environment, the Group has adjusted its policies to the new rules on staff remuneration.
In confirming and consolidating the pillars of its policy, the Group carried out a review of remuneration systems to ensure alignment with the standards and expectations of stakeholders, also with reference to 2015.
In light of the foregoing and in accordance with the provisions of CONSOB on remuneration policies, we prepared a "Remuneration Report pursuant to art. 123-*ter* of Legislative Decree 58 of

24 February 1998, comprising the remuneration policies for 2015 of the BPER Group and the annual disclosure regarding implementation of the remuneration policies for 2014".

This document, which consists of two complementary sections and is accompanied by the certification pursuant to paragraph 2 of article 154-*bis* of the CFA of the Manager responsible for preparing the company's financial reports, summarises the following information:

I. 2015 Remuneration Policies of the BPER Group: this section defines the model adopted by the Group in relation to policies that will be implemented with reference to 2015;

II. 2014 Annual Remuneration Report: this section contains the main results (only for BPER) relating to:

a) Part 1: the items that make up the remuneration, including the conditions applied in the event of the resignation or termination of employment;

b) Part 2: with particular regard to members of the boards of directors and statutory auditors, general managers and any other managers with strategic responsibilities, it provides a detailed list of the compensation paid in 2014 for any purpose and in any form by the Company, its subsidiaries and affiliates.

Together with this document, the "Proposed remuneration plan pursuant to art. 114-*bis* of Legislative Decree 58 dated 24 February 1998, implementing the remuneration policies for 2014 of the BPER Group" will also be presented to the Shareholders' Meeting, along with a document to provide information on the proposal to adopt the Phantom Stock Plan pursuant to article 84-*bis* of the Issuers' Regulations and in accordance with the instructions contained in schedule 7 of Appendix 3A.

The Plan provides for a cash bonus that is determined on the basis of the quoted market price of BPER's shares, and is defined as a Phantom Stock Plan, as it is not based on physical delivery of the underlying securities, but on the payment in cash of sums of money corresponding to the value of the underlying shares on specified dates that are decided ex-ante.

Both documents will be published on the Parent Bank's website as required by law, together with other documents relating to items on the agenda for the Shareholders' Meeting.

9.7 CONSOB Communication no. 0003907/2015 on the issues of particular importance in financial reports as at 31 December 2014

On 19 January 2015, CONSOB distributed the Communication in question, which tells listed companies the areas to be highlighted with particular emphasis in their 2014 and subsequent financial statements. The Communication follows a similar document published by ESMA (European Securities and Markets Authority) on 28 October (ESMA/2014/1309).

The document in question does not introduce new regulatory requirements but specifies the issues that, in the Regulators' opinion, should be given priority in terms of transparency of information to be provided in financial reports currently being prepared.

The areas considered most significant are:

- **the application of international accounting standards relating to the preparation and submission of consolidated financial reports** (IFRS 10 and 12). The BPER Group provides, above all, ample disclosure on the scope of consolidation in Part A.1 of the Explanatory notes, in the section entitled "Scope of consolidation"; in the other parts of the Explanatory notes involved in this topic, the Group has also provided additional information on equity investments in accordance with the requirements of IFRS 12;

- **the financial reporting of joint agreements** (IFRS 11 and 12). The BPER Group does not have any Joint Agreements;
- **the recognition and measurement of deferred tax assets** (IAS 12). The standard draws attention, in particular, to the completeness of the information to be provided, as well as information on the assessment of sustainability of the recognition of deferred tax assets. In this regard, specific detailed tables have been included in the appropriate parts of the Explanatory notes providing supplementary disclosures compared with the standard information required by the Bank of Italy's Circular no. 262/2005 ("Banks' financial statements: layout and preparation");
- **impairment tests on non-financial assets, with particular regard to goodwill and intangible assets with indefinite useful lives** (IAS 36). The BPER Group provides disclosure on this matter both in Part A.2 of the Explanatory notes, in the chapters entitled "Method for determining the extent of impairment" and "Business combinations: allocation of purchase cost", and in the other parts of Explanatory notes, where the various items involved in this topic are discussed.

In line with the views expressed by ESMA, CONSOB has also drawn the attention of those preparing the financial statements to ensure correct application of the rules laid down in IAS 1 and IAS 8, with reference to the accounting impacts of the Asset Quality Review carried out by the European Central Bank (ECB) and the need to provide a specific disclosures on them in the Explanatory notes. We can confirm that these circumstances do not apply to the BPER Group.

10. SIGNIFICANT SUBSEQUENT EVENTS AND OUTLOOK FOR OPERATIONS

10.1 Significant events subsequent to 31 December 2014

BPER successfully places a new issue of a 7-year covered bond for Euro 750 million

On 13 January 2015, Banca popolare dell'Emilia Romagna s.c. launched and successfully placed a new public issue of guaranteed bank bonds for an amount of Euro 750 million with a maturity of seven years, as part of the Group's covered bond programme of Euro 5 billion. The issue was priced at a level equal to the mid-swap rate +42 basis points with a coupon of 0.875%, payable in arrears on 22 January of each year from 2016. The maturity is 22 January 2022.

Decree Law 3 of 24 January 2015

Decree 3 (urgent measures for the banking system and investment) was published on 24 January 2015 (Official Gazette 19), requiring among other matters the transformation of cooperative banks into companies with liability limited by shares (s.p.a.) if their total assets exceed Euro 8 billion (on a consolidated basis if the bank is the parent of a banking group). This Decree, which envisages compliance within 18 months of the entry into force of the enabling instructions issued by the Bank of Italy pursuant to art. 29 of Legislative Decree 385/1993, is subject to the normal procedure of conversion into law.

Banca popolare dell'Emilia Romagna s.c. falls within the scope of the cooperative banks covered by this law.

Inspections by the Supervisory Authorities

On 5 February 2015, an inspection pursuant to art. 54 and 68 of Legislative Decree 385/1993 began at BPER. The purpose is to evaluate the "Compliance with the rules on transparency of transactions and fairness in dealings with customers and combating money laundering".

BPER thinks that it is reasonable to consider this inspection as a routine visit by the Supervisory Authority, especially as similar inspections, in terms of topic and scope, have been carried out or are currently underway at other Italian banks.

Approval of the new 2015-2017 Business Plan

On 10 February 2015, the Board of Directors of Banca popolare dell'Emilia Romagna s.c. approved the new 2015-2017 Business Plan, which will steer the Group's activities over the next three years.

The new Business Plan of the BPER Group provides for solid and sustainable value creation to be distributed to its shareholders on a stable basis, the targets for 2017 being: a ROTE (Return On Tangible Equity) of 9% and € 400 million of net profit, a CET1 ratio of 12% and a Dividend payout ratio of more than 30%.

The Plan, which was created with close involvement on the part of all of the Bank's staff involved in a single, shared programme of change (called "BECOMING BPER"), is based on three main pillars, which should give it strong, balanced leverage:

- sustainable growth in revenues;
- simplification and efficiency in the management of the operational machine;
- optimizing management of the risk profile.

The Plan is designed to meet the needs and demands of the Group's stakeholders (Customers, Local Communities, Shareholders, Supervisory and Control Authorities, Regulators and Employees) with precise lines of action based on quality and simplicity.
The Plan also foresees an efficient and prudent use of liquidity and capital to ensure the sustainability of the results in a macroeconomic context which is still highly volatile, even if it is showing some signs of improvement. In addition, the implementation of further measures to improve capital efficiency (to start with, the adoption of internal models for credit risk assessment, i.e. AIRB), will permit strategic flexibilities that will help to create value for the shareholders and maintain the sustainability of the business model.

The ECB informs BPER of the specific capital requirements for the BPER Group

At CONSOB's request, BPER announced on 26 February 2015 that it had received a communication from the ECB about its decision on the requirements of additional Own Funds and of specific capital ratios pursuant to art. 16 of EU Regulation 1024/2013.
Based on the financial situation and risk profile of the BPER Group and the results of the Asset Quality Review (AQR) and Stress Test, the ECB has established minimum limits for the Common Equity Tier 1 (CET1) ratio of 9% and for the Total Capital ratio of 11%.
The capital ratios at 31 December 2014, calculated on the basis of the standardised approach for credit and market risk according to the new Basel 3 regulations in force since 1 January 2014, net of the portion of net profit realised during the year that is attributable to equity, are as follows:

- Common Equity Tier 1 (CET1) ratio (Phased in) of 11.26%;
- Total Capital (TC) ratio (Phased in) of 12.24%.

The consolidated capital ratios at 31 December 2014, calculated on the basis of the standardised approach for credit and market risk, are therefore well above the required minimum levels.

Investigations by the Tax Police at Banco di Sardegna s.p.a.

On 2 March 2015, a search and seizure warrant issued by the Public Prosecutor at the Court of Cagliari was served on Banco di Sardegna s.p.a.
The investigation stems from the preliminary findings made on corporate financial statements for the years 2011 and 2012 as a result of the inspection report prepared by the Supervisory Inspectorate of the Bank of Italy - notified on 31 August 2012 - at the end of the inspection carried out at the Bank during the first half of 2012.
The Bank is providing the investigators with its full collaboration.

Subscription of the share capital of Release s.p.a.

The Extraordinary General Meeting of Release s.p.a. held on 26 February 2015 resolved to proceed with an increase in capital of Euro 300,000,000 in order to ensure that the company can continue operating as a going concern and compliance with the limits set by law on major risks.
On 2 March 2015, BPER exercised its option on 32,520,000 shares due in proportion to the interest currently held in the company's capital (10.84%), with a payment of Euro 32.5 million.

10.2 Outlook for operations

2015 opens with a prospect of gradual recovery, with the economy expected to improve slowly. In fact, the Italian economy's growth expectations and the end of the recession reflect the benefits that ought to come from a number of positive factors, including the significant decline in oil prices during the second half of last year, the severe weakening of the Euro that will help exports and the beneficial effects on the public accounts that should derive from the Quantitative Easing launched by the ECB at the beginning of 2015, designed to keep the cost of money very low for a prolonged period of time. The combined effects of these and other factors, such as the growth linked to EXPO 2015 which is taking place in Italy, should help to promote economic recovery, not only in terms of exports, but also in terms of domestic demand, which should have a positive impact on lending to businesses and households.

For the current year, the prospects for profitability are expected to improve, even though the Group's traditional banking activity is still conditioned by the limited trend in volumes intermediated for customers and by the still very low level of market interest rates that will keep the interest margin under pressure, while a positive contribution to revenues is expected to come from fees and commissions. 2015 is the first year of the Business Plan during which we will make the scheduled investments and the first non-recurring costs, which will produce benefits over the entire three-year period. The cost of credit is expected to be significantly better than in 2014.

Modena, 3 March 2015

The Board of Directors
The Chairman
Ettore Caselli

CONSOLIDATED FINANCIAL STATEMENTS

Banca popolare dell'Emilia Romagna Banking Group

The consolidated financial statements have been translated from the Italian into English language solely for the convenience of international readers.

Consolidated balance sheet as at 31 December 2014

(in thousands of Euro)

Assets	31.12.2014	31.12.2013
10. Cash and cash equivalents	450,766	488,522
20. Financial assets held for trading	1,033,286	1,117,939
30. Financial assets designated at fair value through profit and loss	110,249	149,899
40. Financial assets available for sale	6,944,927	6,630,062
50. Financial assets held to maturity	2,213,497	1,207,868
60. Due from banks	1,709,298	1,587,781
70. Loans to customers	43,919,681	46,514,738
80. Hedging derivatives	36,744	3,751
100. Equity investments	257,660	250,970
120. Property, plant and equipment	1,028,931	1,022,430
130. Intangible assets	498,009	491,215
of which: goodwill	380,416	380,416
140. Tax assets	1,361,322	1,184,567
a) current	181,989	145,989
b) deferred	1,179,333	1,038,578
b1) of which L. 214/2011	1,018,156	893,224
150. Non-current assets and disposal groups held for sale	2,817	2,817
160. Other assets	1,085,733	1,105,493
Total assets	**60,652,920**	**61,758,052**

Liabilities and shareholders' equity	31.12.2014	31.12.2013
10. Due to banks	6,479,558	7,820,719
20. Due to customers	33,964,259	33,681,447
30. Debt securities in issue	10,518,262	10,186,690
40. Financial liabilities held for trading	243,210	198,059
50. Financial liabilities designated at fair value through profit and loss	1,700,614	2,952,035
60. Hedging derivatives	12,986	37,825
80. Tax liabilities	118,794	134,873
a) current	5,263	12,405
b) deferred	113,531	122,468
100.Other liabilities	1,527,412	1,520,458
110. Provision for termination indemnities	221,919	208,390
120. Provisions for risks and charges	355,775	305,796
a) pensions and similar commitments	145,078	120,859
b) other provisions	210,697	184,937
140. Valuation reserves	186,840	139,472
170. Reserves	2,301,760	2,267,929
180. Share premium reserve	930,077	624,156
190. Share capital	1,443,925	1,001,483
200. Treasury shares	(7,259)	(7,272)
210. Minority interests	639,991	678,816
220. Profit (loss) for the period	14,797	7,176
Total liabilities and shareholders' equity	**60,652,920**	**61,758,052**

Consolidated income statement as at 31 December 2014

(in thousands of Euro)

Captions	31.12.2014	31.12.2013
10. Interest and similar income	1,908,288	2,060,585
20. Interest and similar expense	(616,479)	(770,596)
30. Net interest income	**1,291,809**	**1,289,989**
40. Commission income	739,119	751,186
50. Commission expense	(48,455)	(52,928)
60. Net commission income	**690,664**	**698,258**
70. Dividends and similar income	19,392	24,086
80. Net trading income	16,533	48,113
90. Net hedging gains (losses)	1,074	(592)
100. Gains/losses on disposal or repurchase of:	164,299	165,578
a) loans	(29,959)	(929)
b) financial assets available for sale	194,546	162,054
d) financial liabilities	(288)	4,453
110. Net results on financial assets and liabilities designated at fair value	(14,241)	(73,990)
120. Net interest and other banking income	**2,169,530**	**2,151,442**
130. Net impairment adjustments to:	(858,219)	(876,547)
a) loans	(812,734)	(781,585)
b) financial assets available for sale	(40,347)	(58,433)
d) other financial assets	(5,138)	(36,529)
140. Net profit from financial activities	**1,311,311**	**1,274,895**
180. Administrative costs:	(1,316,476)	(1,309,285)
a) payroll	(786,687)	(787,479)
b) other administrative costs	(529,789)	(521,806)
190. Net provision for risks and charges	(38,782)	(29,910)
200. Net adjustments to property, plant and equipment	(43,765)	(43,730)
210. Net adjustments to intangible assets	(26,621)	(22,272)
220. Other operating charges/income	173,268	211,851
230. Operating costs	**(1,252,376)**	**(1,193,346)**
240. Profit (loss) from equity investments	(837)	(14,948)
260. Adjustments to goodwill	-	(112)
270. Gains (losses) on disposal of investments	67	335
280. Profit (loss) from current operations before tax	**58,165**	**66,824**
290. Income taxes on current operations for the period	(28,384)	(51,968)
300. Profit (loss) from current operations after tax	**29,781**	**14,856**
310. Profit (loss) after tax on non-current assets held for sale	-	1,258
320. Net profit (loss) for the period	**29,781**	**16,114**
330. Net profit (loss) pertaining to minority interests	(14,984)	(8,938)
340. Profit (loss) for the period pertaining to the Parent Company	**14,797**	**7,176**

	Earnings per share (Euro) 31.12.2014	Earnings per share (Euro) 31.12.2013
Basic EPS	0.041	0.020
Diluted EPS	0.041	0.021

Statement of consolidated comprehensive income

(in thousands of Euro)

		31.12.2014	31.12.2013
10.	**Net profit (loss) for the period**	**29,781**	**16,114**
	Other income items, net of income taxes, without release to the income statement		
40.	Defined benefit plans	(30,752)	(12,984)
60.	Portion of the valuation reserves of equity investments carried at equity	556	4,308
	Other income items, net of income taxes, with release to the income statement		
90.	Cash-flows hedges	13,040	2,481
100.	Financial assets available for sale	61,538	(53,585)
130.	**Total other elements of income (net of income taxes)**	**44,382**	**(59,780)**
140.	**Total comprehensive income (Captions 10+130)**	**74,163**	**(43,666)**
150.	Total comprehensive income pertaining to minority interests	14,041	13,602
160.	**Consolidated comprehensive income attributable to the Parent Company**	**60,122**	**(57,268)**

Statement of changes in consolidated shareholders' equity

(in thousands of Euro)

	Balance as at 31.12.13	Changes in opening balances	Balance as at 1.1.14	Allocation of prior year results		Changes during the year									Shareholders' equity as at 31.12.2014	
						Changes in reserves	Transactions on shareholders' equity							Comprehensive income as at 31.12.2014		
				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 participatory interests		Group	Minority interests
Share capital:	**1,094,754**	**-**	**1,094,754**	**-**	**-**	**14,088**	**442,442**	**-**	**-**	**-**	**-**	**-**	**(6,397)**	**-**	**1,443,925**	**100,962**
a) ordinary shares	1,094,754	-	1,094,754	-	-	14,088	442,442	-	-	-	-	-	(6,397)	-	1,443,925	100,962
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	**684,473**	**-**	**684,473**	**-**	**-**	**(14,577)**	**305,921**	**-**	**-**	**-**	**-**	**-**	**(1,803)**	**-**	**930,077**	**43,937**
Reserves:	**2,734,011**	**-**	**2,734,011**	**16,114**	**-**	**(17,310)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,301,760**	**431,055**
a) from profits	2,490,771	-	2,490,771	16,114	-	(523,929)	-	-	-	-	-	-	-	-	1,673,448	309,508
b) other	243,240	-	243,240	-	-	506,619	-	-	-	-	-	-	-	-	628,312	121,547
Valuation reserves:	**189,682**	**-**	**189,682**	**-**	**-**	**1,831**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**44,382**	**186,840**	**49,055**
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Treasury shares	**(7,274)**	**-**	**(7,274)**	**-**	**-**	**-**	**20**	**(7)**	**-**	**-**	**-**	**-**	**-**	**-**	**(7,259)**	**(2)**
Net profit (loss) for the period	**16,114**	**-**	**16,114**	**(16,114)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**29,781**	**14,797**	**14,984**
Group shareholders' equity	**4,032,944**	**-**	**4,032,944**	**-**	**-**	**451,690**	**748,383**	**(7)**	**-**	**-**	**-**	**-**	**(422,992)**	**60,122**	**4,870,140**	**-**
Minority interests	**678,816**	**-**	**678,816**	**-**	**-**	**(467,658)**	**-**	**-**	**-**	**-**	**-**	**-**	**414,792**	**14,041**	**-**	**639,991**

	Balance as at 31.12.12	Changes in opening balances	Balance as at 1.1.13	Allocation of prior year results		Changes during the year									Shareholders' equity as at 31.12.2013	
						Changes in reserves	Transactions on shareholders' equity							Comprehensive income as at 31.12.2013		
				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 participatory interests		Group	Minority interests
Share capital:	**1,098,431**	**-**	**1,098,431**	**-**	**-**	**(1,072)**	**3,318**	**-**	**-**	**-**	**-**	**-**	**(5,923)**	**-**	**1,001,483**	**93,271**
a) ordinary shares	1,098,431	-	1,098,431	-	-	(1,072)	3,318	-	-	-	-	-	(5,923)	-	1,001,483	93,271
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	**691,714**	**-**	**691,714**	**-**	**-**	**(7,205)**	**4,694**	**-**	**-**	**-**	**-**	**-**	**(4,730)**	**-**	**624,156**	**60,317**
Reserves:	**2,768,717**	**-**	**2,768,717**	**(32,598)**	**-**	**(2,108)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,267,929**	**466,082**
a) from profits	2,702,649	-	2,702,649	(32,598)	-	(179,280)	-	-	-	-	-	-	-	-	2,024,689	466,082
b) other	66,068	-	66,068	-	-	177,172	-	-	-	-	-	-	-	-	243,240	-
Valuation reserves:	**244,056**	**-**	**244,056**	**-**	**-**	**5,406**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(59,780)**	**139,472**	**50,210**
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Treasury shares	**(7,268)**	**-**	**(7,268)**	**-**	**-**	**-**	**4**	**(10)**	**-**	**-**	**-**	**-**	**-**	**-**	**(7,272)**	**(2)**
Net profit (loss) for the period	**(32,598)**	**-**	**(32,598)**	**32,598**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**16,114**	**7,176**	**8,938**
Group shareholders' equity	**4,062,727**	**-**	**4,062,727**	**-**	**-**	**9,204**	**8,016**	**(10)**	**-**	**-**	**-**	**-**	**10,275**	**(57,268)**	**4,032,944**	**-**
Minority interests	**700,325**	**-**	**700,325**	**-**	**-**	**(14,183)**	**-**	**-**	**-**	**-**	**-**	**-**	**(20,928)**	**13,602**	**-**	**678,816**

Consolidated cash flow statement

Indirect method

(in thousands of Euro)

A. Operating activities	31.12.2014	31.12.2013
1. Cash generated from operations	**1,105,621**	**1,179,321**
- net profit (loss) for the period	14,797	7,176
- net gains/losses from financial assets held for trading and financial assets/liabilities designated at fair value through profit and loss	7,086	50,078
- gains (losses) from hedging activities	(1,074)	592
- net adjustments for impairment	858,219	876,659
- impairment/write-backs to property, plant and equipment and intangible assets	70,386	66,002
- net provisions for risks and charges and other costs/income	127,053	113,491
- unsettled taxes	28,384	51,968
- impairment/write-backs to disposal groups, net of tax effect	-	(1,258)
- other adjustments	770	14,613
2. Cash generated/absorbed by financial assets	**1,285,174**	**(584,103)**
- financial assets held for trading	100,826	504,535
- financial assets designated at fair value through profit and loss	22,130	(46,457)
- financial assets available for sale	(294,104)	(2,066,579)
- loans to customers	1,782,627	754,747
- due from banks: on demand	(519,095)	195,618
- due from banks: other receivables	397,274	471,121
- other assets	(204,484)	(397,088)
3. Cash generated/absorbed by financial liabilities	**(2,083,503)**	**(24,595)**
- due to banks: on demand	(22,405)	104,226
- due to banks: other debts	(1,318,756)	447,032
- due to customers	282,812	1,392,959
- debt securities in issue	331,572	(861,096)
- financial liabilities held for trading	45,151	(18,805)
- financial liabilities designated at fair value through profit and loss	(1,256,596)	(942,256)
- other liabilities	(145,281)	(146,655)
Net cash generated/absorbed by operating activities	**307,292**	**570,623**

B. Investing activities	31.12.2014	31.12.2013
1. Cash generated by	**140,066**	**96,579**
- sale of equity investments	-	30,698
- sale of financial assets held to maturity	127,584	61,732
- sale of property, plant and equipment	12,282	4,149
- sale of intangible assets	200	-
2. Cash absorbed by	**(1,232,926)**	**(675,705)**
- purchase of equity investments	-	(25,501)
- purchase of financial assets held to maturity	(1,142,038)	(459,752)
- purchase of property, plant and equipment	(57,262)	(86,198)
- purchase of intangible assets	(33,626)	(46,111)
- purchase of lines of business	-	(58,143)
Net cash generated/absorbed by investing activities	**(1,092,860)**	**(579,126)**

C. Financing activities	31.12.2014	31.12.2013
- issue/purchase of treasury shares	748,376	8,006
Net cash generated/absorbed by financing activities	**748,376**	**8,006**
Net cash generated/absorbed in the period	**(37,192)**	**(497)**

RECONCILIATION

Captions	31.12.2014	31.12.2013
Cash and cash equivalents at beginning of the period	488,522	488,873
Net increase (decrease) in cash and cash equivalents	(37,192)	(497)
Cash and cash equivalents: effect of change in exchange rates	(564)	146
Cash and cash equivalents at end of the period	**450,766**	**488,522**

CONSOLIDATED EXPLANATORY NOTES

Banca popolare dell'Emilia Romagna Banking Group

Key to abbreviations in tables:

FV: fair value
FV*: fair value excluding variations due to changes in the creditworthiness of the issuer since the issue date
NV: nominal or notional value
BV: book value
L_1: Fair value hierarchy - Level 1
L_2: Fair value hierarchy - Level 2
L_3: Fair value hierarchy - Level 3

#: not applicable

A.1 – GENERAL INFORMATION

Section 1 – Declaration of compliance with International Financial Reporting Standards

The consolidated financial statements for the year ended 31 December 2014 have been prepared in accordance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), endorsed by the European Commission, as provided by EU Regulation no. 1606 dated 19 July 2002, and currently in force, including the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC).

Reference was also made, where necessary, to the "Framework for the preparation and presentation of financial statements" and to the documents prepared by the Italian Accounting Body (OIC) and the Italian Banking Association (ABI).
In the absence of a standard or interpretation specifically applicable to a particular transaction, the Parent Company makes use of the professional opinion of its own staff, in particular the Group Administration and Reporting Department, to develop a rule for accounting recognition that makes it possible to provide reliable financial information and to ensure that the financial statements give a true and fair view of the financial position, result of operations and cash flows of the Group, reflecting the economic substance of the transaction and its key aspects.
In formulating these accounting rules, reference has been made as far as possible to International Accounting Standards and interpretations dealing with similar or comparable matters.
As part of its guidance and coordination activity, the Parent Company requires the other Group banks and companies to apply the Group's own accounting recognition rules, in the right circumstances.

Section 2 - Basis of preparation

In terms of technical format and layout, the consolidated financial statements have been prepared in accordance with **Circular no. 262/2005** and subsequent amendments, and with CONSOB resolution no. 11971 dated 14 May 1999 and subsequent amendments.
The financial statements also reflect the requirements of the Italian Civil Code, as amended following the reform of company law (Decrees no. 5 and 6 dated 17 January 2003, and subsequent amendments, including Decree no. 310 dated 28 December 2004), and the enabling instructions issued for art. 9 of Decree no. 38/2005.
The financial statements consist of the consolidated balance sheet, the consolidated income statement, the statement of consolidated comprehensive income, the statement of changes in consolidated shareholders’ equity, the consolidated cash flow statement and these Explanatory notes. Figures are expressed in thousands of Euro. They are accompanied by the Directors’ Report on Group Operations.

The general criteria underlying the preparation of the financial statements are presented below in accordance with **IAS 1**:

- **Going Concern:** assets, liabilities and off-balance sheet transactions are measured in the context of continuity over time.

- **Accrual Basis of Accounting:** costs and revenues are recognised in accordance with the matching principle, regardless of when they are settled.
- **Materiality and Aggregation:** each material class of similar items is presented separately in the financial statements. Items that are dissimilar in terms of their nature or use are only aggregated if they are individually immaterial.
- **Offsetting:** assets and liabilities, income and expenses are not offset unless required or permitted by a standard or an interpretation, or by the Bank of Italy's regulations for the preparation of financial statements.
- **Frequency of Disclosures:** information must be prepared annually or more frequently; if an entity changes its accounting reference date, the reason must be indicated together with the fact that the information provided is not comparable.
- **Comparative Information:** comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements, unless required otherwise by a standard or an interpretation.
- **Consistency of Presentation:** the presentation and classification of items is maintained over time to ensure that information is comparable, unless specified otherwise in new accounting standards or their interpretations, or unless a change is required to improve the meaningfulness and reliability of the amounts reported. The nature of changes in account presentation or classification is described, together with the related reasons; where possible, the new criterion is applied on a retroactive basis.

The description of the accounting policies adopted in relation to the principal financial statement aggregates is presented in sufficient detail to identify the principal assumptions and assessments made for the preparation of the financial statements.

The notes and attachments provide additional information to help to provide a complete, true and fair view of the company's situation, even if such information is not expressly required by the regulations.
Even when required by the regulations, the Explanatory notes does not distinguish between information on the Group and that relating to Other businesses, given that the amounts relating to the latter are immaterial.

The scope of consolidation does not include insurance companies.

Uncertainties in the use of estimates

The preparation of financial statements requires recourse to estimates and assumptions that may affect the amounts recorded in the balance sheet and the income statement. as well as the information about contingent assets and liabilities disclosed in the financial statements. The development of such estimates involves the use of available information and the adoption of subjective assessments, partly based on historical experience, in order to make reasonable assumptions for the recognition of operating events. By their nature, the estimates and assumptions used may change from period to period and, accordingly, it may be that the actual amounts recorded in the financial statements in subsequent periods are significantly different as a consequence of changes in the subjective assessments made.

The principal situations in which management is required to make **subjective assessments** include:

- quantification of the losses arising from the impairment of loans and, in general, other financial assets;

- determination of the fair value of financial instruments for disclosure purposes; in particular, the use of measurement models to determine the fair value of financial instruments that are not listed in active markets;
- quantification of the provisions for employee benefits and the provisions for risks and charges;
- estimates and assumptions about the recoverability of deferred tax assets.

Current income taxes are calculated using an estimate of current taxable income. Current tax receivables and payables are recognised at the amount that is expected to be recoverable from/payable to the tax authorities applying current fiscal regulations, or those substantially approved, at the accounting reference date and the estimated tax rates for the year.
Deferred tax receivables and payables are recorded at the tax rates expected to be applicable in the year when the liability will be paid or the credit recovered, in accordance with tax laws ruling or substantially ruling at the year end, taking into account whether there is likely to be sufficient taxable income in the future, in accordance with IAS 12.

Section 3 - Scope of consolidation and methodology

The international accounting standards referred to when preparing the consolidated financial statements, when the circumstances arise, are IFRS 3 "Business Combinations" (issued with EC Regulation no. 495/2009), IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint agreements", IAS 27 "Separate Financial Statements", IAS 28 "Investments in associates and joint ventures" (all issued with EC Regulation no. 1254/2012 and in force since 1 January 2014).
Adopting IFRS 10 did not require the BPER Group to change its scope of consolidation.

Consolidation principles

The BPER Group's consolidated financial statements include the balance sheet and income statement of the Parent Company and of its direct and indirect subsidiaries; they include subsidiaries operating in sectors dissimilar from that of the Parent Company and vehicle companies (special purpose vehicles or SPVs)[23], when they fulfil the requirements for effective control, whether or not there is an equity interest.
The new concept of control (IFRS 10 § 6) is based on the simultaneous presence of three elements:

- the power to direct the relevant activities, i.e. the activities of the investee that significantly affect its returns;
- exposure to variable returns arising from the activity of the investee;
- the exercise of power to influence the returns.

Subsidiaries are companies in which the Parent Company, directly or indirectly, owns more than half of the voting rights. However, the concept of control is considered to exist when at the same time the investor has power over the investee. There has to be a correlation between the powers and returns, which occurs when the investor holds valid rights that give it the ability to direct the relevant activities of the investee or have a significant effect on its returns.
Structured entities are also consolidated, when effective control requirements are met, regardless of whether there is an equity interest. Please refer to Part E, Section D "Information on structured entities (other than securitisation companies)" of these Explanatory notes.

[23] *The consolidation of SPVs has the same effects as consolidation on a line-by-line basis.*

Jointly controlled companies are those in which the voting rights and control of economic activities are shared equally by the Parent Company, directly and indirectly, and by another external entity. An equity investment is also considered as subject to joint control when, in the absence of an equal share of voting rights, control over the company's economic activities and strategies are shared with other parties under contractual agreements. The BPER Group does not include any jointly controlled entities at 31 December 2014.

Associates are companies subject to significant influence, in which the Parent Company, directly or indirectly, holds at least a fifth of the voting rights (including "potential" rights to vote) and which has the power to take part in deciding the financial and operating policies. Associated companies are also those in which - despite a lower share of voting rights - the Parent Company has the power to take part in deciding the financial and operating policies under a particular legal relationship, such as, for example, participation in shareholder agreements.

Consolidation methodology

Subsidiaries are consolidated on a line-by-line basis, while jointly controlled entities and non-controlling interests in which the Group exercises significant influence are accounted for using the equity method.

The methods adopted for consolidation on a line-by-line basis are as follows:

- assets, liabilities and equity and income statement items are combined on a line-by-line basis;
- debit and credit balances, off-balance sheet transactions and income and costs arising from transactions between consolidated companies are eliminated;
- the shareholders' equity and net profit attributable to minority interests in the consolidated companies are classified separately in the balance sheet (as a liability) and the income statement;
- on first-time consolidation, the carrying value of the equity investments in companies consolidated on a line-by-line or proportional basis is eliminated against the shareholders' equity in these companies (or the portion of shareholders' equity that the equity investments concerned represent). The acquisition of interests in companies is recorded using the "purchase method" defined in IFRS 3, with the recognition of the assets, liabilities and contingent liabilities of purchased companies at their fair value at the time of acquisition, i.e. at the time that effective control over them is obtained. Accordingly, the results of a subsidiary purchased during the year are consolidated from the date of acquisition. Similarly, the results of a subsidiary that is sold are consolidated until the date that control is lost;
- any excess of the carrying value of the equity investments referred to above with respect to the interest held in their shareholders' equity, as adjusted to reflect the fair value of assets and liabilities, is classified as goodwill among "*Intangible assets*", while any shortfall is credited to the income statement;
- any changes in the interest held in equity investments are booked as transactions on capital. Any difference between the value of equity investments to be adjusted and the fair value of the consideration paid (or received) has to be booked directly as a change in shareholders' equity and suitably allocated to minority interests;
- the fairness of the value recorded for goodwill is tested at least once a year (or whenever there is evidence of impairment), as required by IAS 36. To meet regulatory requirements, the cash-generating unit to which goodwill is allocated has to be identified. Write-downs

reflect the difference between the book value of goodwill and its recoverable value, if lower, as represented by the fair value of the cash generating unit, less costs to sell, or, if higher, its value in use. Any adjustments are recorded in the income statement.

Under the equity method:

- the book value of significant equity investments held by the parent bank or by other group companies is compared with the related interest in the shareholders' equity of these associated companies carried at equity. Any excess book value - identified on initial consolidation - is included in the carrying value of the investment. Changes in shareholders' equity subsequent to first-time consolidation are classified in caption 240 of the consolidated income statement as "*Losses (income) from investments*", to the extent that they relate to their net profit or losses, while other changes are recognised as a direct adjustment of shareholders' equity;
- if there is evidence that a significant investment in an associate may be impaired, its recoverable amount is estimated with reference to the present value of future cash flows, including the expected proceeds from the future sale of the investment. If the recoverable amount is lower than the carrying amount, the related difference is charged to the income statement.

1. Investments in subsidiaries

Name	Operational head office	Registered head office	Type of relationship (1)	Share capital in Euro	Nature of holding		% voting rights (2)
					Parent company	% held	
1. Banco di Sardegna s.p.a.	Sassari	Cagliari	1	155,247,762	B.P.E.R.	50.583	51.000
2. Banca di Sassari s.p.a.	Sassari	Sassari	1	74,458,607	B. Sard.	79.722	
					B.P.E.R.	18.095	
3. Cassa di Risparmio di Bra s.p.a.	Bra	Bra	1	27,300,000	B.P.E.R.	67.000	
4. Bper (Europe) International s.a.	Luxembourg	Luxembourg	1	30,667,500	B.P.E.R.	100.000	
5. EMRO Finance Ireland ltd.	Dublin	Dublin	1	155,000	B.P.E.R.	100.000	
6. Nadia s.p.a.	Modena	Modena	1	87,000,000	B.P.E.R.	100.000	
7. BPER Services s.cons.p.a.	Modena	Modena	1	10,920,000	B.P.E.R.	94.038	
					B. Sard.	4.762	
					Optima	0.400	
					B.S.S.	0.400	
					Sardaleasing	0.400	
8. Sardaleasing s.p.a.	Milan	Sassari	1	93,951,350	B.P.E.R.	51.404	
					B. Sard.	46.933	
9. Optima s.p.a. S.I.M.	Modena	Modena	1	13,000,000	B.P.E.R.	100.000	
10. Tholos s.p.a.	Sassari	Sassari	1	17,015,995	B. Sard.	100.000	
11. Numera s.p.a.	Sassari	Sassari	1	2,065,840	B. Sard.	100.000	
12. Mutina s.r.l.	Modena	Modena	1	10,000	B.P.E.R.	100.000	
13. Nettuno Gestione Crediti s.p.a.	Bologna	Bologna	1	1,500,000	B.P.E.R.	100.000	
14. Modena Terminal s.r.l.	Campogalliano	Campogalliano	1	8,000,000	B.P.E.R.	100.000	
15. Emilia Romagna Factor s.p.a.	Bologna	Bologna	1	36,393,940	B.P.E.R.	86.081	
16. Galilei Immobiliare s.r.l.	Modena	Modena	1	100,000	Nadia	100.000	
17. Melior Valorizzazioni Immobili s.r.l.	Milan	Milan	1	10,000	B.P.E.R.	100.000	
18. Estense Covered Bond s.r.l.	Conegliano	Conegliano	1	10,000	B.P.E.R.	60.000	
19. BPER Trust Company s.p.a.	Modena	Modena	1	500,000	B.P.E.R.	100.000	
20. Polo Campania s.r.l.	Avellino	Avellino	1	110,000	B.P.E.R.	100.000	
21. Adras s.p.a.	Milan	Milan	1	1,954,535	B.P.E.R.	100.000	
22. Italiana Valorizzazioni Immobiliari s.r.l.	Milan	Milan	1	2,000,000	B.P.E.R.	100.000	

The "% of voting rights" column is only filled in cases where the actual share of votes exercisable at the Ordinary Shareholders' Meeting is different from the share held in the company's share capital.

Key

(1) *Type of relationship:*
1 = Majority of votes at the ordinary shareholders' meeting.
(2) *Voting rights at ordinary shareholders' meeting, distinguishing between actual and potential.*

2. Significant assessments and assumptions made when determining the scope of consolidation

As regards the companies included in the scope of consolidation, no facts and circumstances took place during 2014 that might change our assessment of possession of control, joint control or significant influence.
For further details about changes in the scope of consolidation in 2014, please refer to the Directors’ Report on Group Operations under "Scope of consolidation of the BPER Group".

3. Investments in subsidiaries with significant minority interests

Minority interests are considered significant based on the materiality of total equity compared with the equivalent consolidated figure.

3.1 Minority interests, voting rights of third parties and dividends distributed to third parties

Name	% Minority interests	% Voting rights of third parties (1)	Dividends distributed to third parties
1. Banco di Sardegna s.p.a.	49.417	49.000	2,079
2. Cassa di Risparmio di Bra s.p.a.	33.000	33.000	-
3. Banca di Sassari s.p.a.	2.183	2.183	35
4. Emilia Romagna Factor s.p.a.	13.919	13.919	503
5. Sardaleasing s.p.a.	1.663	1.663	-

For consolidation purposes, we used the Consolidated financial statements of the sub-holding company Banco di Sardegna and its subsidiaries (including Banca di Sassari s.p.a. and the first quarter of Sardaleasing s.p.a.).

Key

(1) *Voting rights at ordinary shareholders' meeting.*

3.2 Investments with significant minority interests: accounting information

Name	Total assets	Cash and cash equivalents	Financial assets	Property, plant and equipment and intangible assets	Financial liabilities	Shareholders' equity	Net interest income	Net interest and other banking income
1. Banco di Sardegna s.p.a.	10,846,707	114,657	10,204,453	217,210	9,355,538	1,175,869	219,651	370,148
2. Cassa di Risparmio di Bra s.p.a.	1,443,373	14,478	1,375,142	14,685	1,333,456	66,750	26,417	53,278
3. Banca di Sassari s.p.a.	1,754,413	15,141	1,627,099	39,793	1,411,486	242,190	52,043	97,813
4. Emilia Romagna Factor s.p.a.	750,522	2	736,393	5,891	623,342	81,657	12,576	19,560
5. Sardaleasing s.p.a.	3,057,439	5	2,954,894	18,509	2,840,802	143,130	36,742	36,629

(cont.)

Name	Operating costs	Profit (Loss) from current operations before tax	Profit (Loss) from current operations after tax	Profit (Loss) after tax on non-current assets held for sale	Net profit (loss) (1)	Other elements of income, net of income taxes (2)	Compre-hensive income (3)= (1)+(2)
1. Banco di Sardegna s.p.a.	(237,267)	41,496	32,327	-	32,327	644	32,971
2. Cassa di Risparmio di Bra s.p.a.	(21,731)	(12,955)	(9,918)	-	(9,918)	1,373	(8,545)
3. Banca di Sassari s.p.a.	(71,874)	5,548	4,021	-	4,021	(1,121)	2,900
4. Emilia Romagna Factor s.p.a.	(7,772)	6,185	4,386	-	4,386	(4)	4,382
5. Sardaleasing s.p.a.	(15,184)	1,849	677	-	677	(254)	423

The amounts provided are before intercompany eliminations.

4. Significant restrictions

At the banks and companies that make up the BPER Group's scope of consolidation, there are no significant restrictions as foreseen by IFRS 12 § 13.

5. Other information

The financial statements used for the line-by-line consolidation are those prepared and approved by the individual companies at 31 December 2014. These financial statements have been prepared in accordance with IAS/IFRS by the individual banks and financial companies subject to Bank of Italy supervision, as well as by EMRO Finance Ireland ltd. All of the other Group companies that are subject to local accounting principles have had to prepare accounting schedules in compliance with international accounting standards used in the preparation of the consolidated situation.
The financial statements for the year ended 31 December 2014, if available, have been used as reference for the companies consolidated under the equity method. An exception has been made for CONFORM – Consorzio Formazione Manageriale s.c.a.r.l., CAT Progetto Impresa Modena s.c.a.r.l., CO.BA.PO. – Consorzio Banche Popolari dell'Emilia Romagna, Atrikè s.p.a. and Unione Fiduciaria s.p.a., for which the 2013 financial statements (the latest to be approved) have been used. The 2014 half-year financial statements have been used for Sarda Factoring s.p.a., Resiban s.p.a., Cassa di Risparmio di Saluzzo s.p.a., Cassa di Risparmio di Savigliano s.p.a. and SO.FI.PO. The quarterly report at 30 September 2014 has been used for Alba Leasing s.p.a. and Banca della Nuova Terra s.p.a.

Alongside the criteria used to determine the scope of consolidation for accounting purposes, it should be remembered that for supervisory reporting purposes, while remaining within the same criteria, the scope of consolidation only includes banks/companies that form part of the Banking Group and those that meet the requirements of art. 19 of EU Regulation 575/2013 (CRR). The following companies have therefore been excluded from the scope of consolidation for supervisory purposes: Melior Valorizzazioni Immobili s.r.l., Italiana Valorizzazioni Immobiliari s.r.l., Adras s.p.a., Galilei Immobiliare s.r.l., Polo Campania s.r.l., Mutina s.r.l., Nettuno Gestione Crediti s.p.a., Estense Covered Bond s.r.l. and BPER Trust Company s.p.a.

Section 4 - Subsequent events

These draft consolidated financial statements were approved on 3 March 2015 by the Board of Directors of Banca popolare dell'Emilia Romagna s.c.
Reference is made to the detailed information provided in the "Significant events and forecast for operation in 2015" section of the Directors' Report on Group Operations.

Section 5 - Other aspects

Amendments to accounting standards endorsed by the European Commission

As required by IAS 8, the following table shows the new international accounting standards or amendments to standards already in force, whose application is mandatory from 2014.

EC Approval Regulation	Title	In force from years beginning
1254/2012	Regulation that adopts IFRS 10, IFRS 11, IFRS 12, IAS 27 and IAS 28 The objective of IFRS 10 is to provide a single model for the consolidated financial statements. This new standard replaces IAS 27 Consolidated and Separate Financial Statements and SIC 12 - Special Purpose Entities (aka "special purpose vehicles"). IFRS 11 establishes principles for financial reporting by entities that are party to joint control arrangements and replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities - Non-Monetary Contributions by Venturers. IFRS 12 combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. As a result of these new IFRS, the IASB also issued IAS 27 Revised and IAS 28 Revised.	1 January 2014
1256/2012	Amendments to IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities The changes to IFRS 7 also resulted in amendments to IAS 32, providing additional guidance so as to reduce inconsistencies in the practical application of the Standard.	1 January 2014
313/2013	Guide to transitional provisions (Amendments to IFRS 10, 11 and 12) The amendments provide for a simpler transition to IFRS 10, IFRS 11 and IFRS 12, limiting the requirement to provide adjusted comparative information only to the previous comparative period. In addition, for information relating to structured entities that are not consolidated, the amendments suppress the requirement to present comparative information for periods prior to the date on which IFRS 12 is applied for the first time.	1 January 2014

EC Approval Regulation	Title	In force from years beginning
1174/2013	EU Commission Regulation 1174/2013 of 20 November 2013, published in the Official Journal L 312 of 21 November 2013 adopts Investment Entities (Amendments to IFRS 10, 12 and IAS 27) The purpose of the amendments to IFRS 10 is to require investment entities to measure subsidiaries at fair value through profit or loss rather than consolidating them, so as to better reflect their business model. IFRS 12 provides for the submission of specific information about the subsidiaries of the investment entities mentioned above. The amendments to IAS 27 eliminate the possibility for investment entities to opt for measuring investments in certain subsidiaries at cost or at fair value in their separate financial statements.	1 January 2014
1374/2013	EU Commission Regulation 1374/2013 of 20 December 2013, published in Official Journal L 346 of 19 December 2013, adopts Additional information on the recoverable value of non-financial assets (Amendment to IAS 36) The amendments are intended to clarify that the information to be provided about the recoverable amount of the assets, when this value is based on the fair value net of disposal costs, concern only those assets whose value has decreased.	1 January 2014
1375/2013	EU Commission Regulation 1375/2013 of 20 December 2013, published in Official Journal L 346 of 19 December 2013 adopts Novation of derivatives and continuation of hedge accounting (Amendment to IAS 39) The changes are intended to cover situations in which a derivative designated as a hedging instrument is subject to novation by a counterparty to a central counterparty as a result of legislation or regulations. Hedge accounting can therefore continue regardless of the novation, which would not be permitted without the amendment.	1 January 2014

The following table shows the new international accounting standards or amendments to standards already in force, whose application is mandatory from 1 January 2015 or later date (if the financial statements do not coincide with the calendar year). The Group has decided not to take advantage of the possibility of early implementation.

EC Approval Regulation	Title	In force from years beginning
634/2014	Regulation that adopts IFRIC 21 - Levies This interpretation deals with both the recognition of a liability for the payment of a levy in the case where the liability falls within the scope of IAS 37 and the recognition of a liability for the payment of a levy whose timing and amount are uncertain.	1 January 2015
1361/2014	EU Commission Regulation 1361/2014 of 18 December 2014, published in the Official Journal L 365 of 19 December 2014, amends the following international accounting and financial reporting standards: IFRS 3, IFRS 13 and IAS 40 The intention of the amendments is to clarify that IFRS 3 should not be applied when accounting for a joint venture; the amendment to IFRS 13 clarifies that the references to financial assets and liabilities should be read as applicable to all contracts covered by IFRS 9, while the amendment to IAS 40 specifies that the standard determines whether a property is to be considered for functional use or for investment, not to determine whether the property in question is a business combination.	1 January 2015

Documents of the Supervisory Authority

The rules set by the Basel Committee on Banking Supervision regarding capital adequacy (First Pillar) and disclosure (Third Pillar) ("Basel 3") were introduced into the EU from 1 January 2014. Their purpose is to strengthen the banks' capacity to absorb shocks arising from financial and economic stress, improve risk management and corporate governance and strengthen banking disclosure.

The contents of Basel 3 have been converted into European law through two legislative instruments:

- **EU Regulation no. 575/2013 ("CRR")**, which governs the prudential supervisory requirements of the First Pillar and the rules of public disclosure of the Third Pillar;
- **Directive 2013/36/EU ("CRD IV")**, which lays down the conditions for access to banking, freedom of establishment and freedom to provide services, the supervisory review process and capital reserves.

CRR and CRD IV are accompanied by Regulatory Technical Standards (RTS) and Implementing Technical Standards (ITS) approved by the European Commission on the proposal of the European Supervisory Authorities ("ESAs"), which integrate and give effect to the first level Community legislation.

The regulation and the technical standards are directly applicable in the national legal systems, without any need for transposition, and constitute the so-called Single Rulebook; the rules contained in the Directive, however, have to be transposed into national law.

In order to implement and facilitate application of the new EU guidelines, as well as to achieve an overall revision and simplification of the supervisory rules for banks in our country, the Bank of Italy issued **Circular no. 285 of 17 December 2013** (and subsequent amendments) "Regulations for the prudential supervision of banks" which:

- incorporates the provisions of CRD IV, implementation of which is the responsibility of the Bank of Italy under the Consolidated Banking Act;
- indicates the manner in which national powers of discretion granted by the EU regulations to national authorities are to be exercised;
- outlines a comprehensive, organic and rational regulatory framework, integrated with the EU provisions of direct application, in order to facilitate its use by operators during the transitional period.

The Supervisory Authority also issued **Circular no. 286 of 17 December 2013** (and subsequent amendments) "Instructions for the preparation of reporting requirements for banks and securities firms" that implements both the CRR and the ITS prepared by the European Banking Authority (EBA) and adopted by the European Commission (the so-called "COREP" or Common Reporting system), which lays down the format for harmonised reporting (own funds, credit and counterparty risk, market risk, operational risk, large exposures, recognition of mortgage losses, overall capital position, monitoring of liquidity and financial leverage) and non-harmonised reporting (related parties).

On 22 December 2014, the Bank of Italy published its **3rd update of Circular no. 262/2005 "Banks' financial statements: layout and preparation".**

This update includes news on disclosure introduced by IFRS 12 "Disclosure of Interests in Other Entities" and the information in the Explanatory notes, Part F "Information on shareholders' equity", Section 2 "Own Funds and Ratios" has been changed to reflect the news introduced by EU Regulation no. 575/2013 of the European Parliament and Council of 26 June 2013 ("CRR

Regulations") and Directive no. 2013/36/EU of the European Parliament and Council of 26 June 2013 ("CRD IV Directive").
With reference to IFRS 12, the main innovations regard disclosure of:

- "significant assessments and assumptions" used to determine whether there is a situation of exclusive control, joint control or significant influence over another entity;
- the composition of the group;
- subsidiaries with significant interests in third parties;
- significant restrictions on the ability to use the assets or liquidate the liabilities of subsidiaries;
- the nature and risks associated with consolidated structured entities (such as SPVs);
- the consequences of changes in interests in subsidiaries that may or may not involve a loss of control;
- companies jointly controlled or subject to significant influence that are material for the intermediary that is the reporting entity;
- the nature and extent of the interests in unconsolidated structured entities and associated risks.

Details of renegotiated performing exposures granted by banking intermediaries to customers in financial difficulty (so-called "forborne exposures") should also be given, together with certain additional information on liquidity risk and the fair value of derivatives.

On 20 January 2015, CONSOB approved Communication no. 0003907 of 19 January 2015, which tells listed companies the areas to be highlighted with particular emphasis in the 2014 financial statements. The Communication follows a similar document published by ESMA (European Securities and Markets Authority) on 28 October (ESMA/2014/1309).
Please refer to the Directors' Report on Group Operations under "Other information".

Domestic tax group election

Commencing from 2007, BPER has elected to establish a domestic tax group, which was introduced by Decree no. 344/2003 and subsequent amendments and is governed by arts. 117-129 of the Consolidated Income Tax Law.
Under this optional arrangement, which is binding for three years, the subordinate members transfer their results to the parent, for fiscal purposes only, which then calculates the consolidated taxable income or tax loss.
The effects of the tax consolidation are reported in the "*Other assets - due from members of the tax group*" caption, as the matching entry for the IRES provisions classified as "*Current tax liabilities*" by the above group companies, gross of withholdings and the advances paid.
The "*Other liabilities - due to members of the tax group*" caption represents the matching entry for the IRES advances withheld from and paid by the above group companies, which are classified as "*Current tax assets*" following their transfer to the consolidating company.
In 2014, the scope of consolidation was extended to include Cassa di Risparmio di Bra s.p.a., while ABF Leasing s.p.a. was merged with Sardaleasing s.p.a., and Banca della Campania s.p.a., Banca Popolare di Ravenna s.p.a. and Banca Popolare del Mezzogiorno s.p.a. were absorbed by BPER; the total scope of the companies involved is therefore now as follows:

Consolidated companies	2012	2013	2014	2015	2016
Banca di Sassari s.p.a.		x	x	x	
Banco di Sardegna s.p.a.		x	x	x	
Cassa di Risparmio di Bra s.p.a.			x	x	x
Optima s.p.a. SIM		x	x	x	
Emilia Romagna Factor s.p.a.			x	x	x
Sardaleasing s.p.a.	x	x	x		
BPER Trust Company s.p.a.		x	x	x	

Audit

The consolidated financial statements are audited, as required by Decree no. 58 dated 24 February 1998, by **PricewaterhouseCoopers s.p.a.** which was appointed for the period 2008-2016 at the Shareholders' Meeting held on 10 May 2008.

1 - Financial assets held for trading

Recognition

Financial assets represented by debt or equity instruments are initially recognised on the settlement date, while derivative contracts are recognised on the date of signature.

In particular, any changes in the fair value of the asset to be received between the settlement date and the earlier arrangement date are recognised at the time of settlement, in the same way in which the asset acquired is recorded.

After initial recognition, financial assets held for trading are measured at their fair value; unless stated otherwise, this is represented by the consideration paid for the transaction, without considering any related costs or income attributable to them, which are recorded directly in the income statement.

Embedded derivatives (instruments whose characteristics satisfy the definition of a "derivative") embedded in but not closely correlated with hybrid financial instruments, and classified in financial asset or liability categories other than assets or liabilities measured at fair value, are separated from the host contract, reclassified to this category and measured at fair value. The related host contract is measured on the basis applicable to the category in which it is classified.

Classification

The Group classifies as "*Financial assets held for trading*" those financial instruments that are held with a view to generating short-term profits deriving from variations in their prices. This category includes the derivative instruments that are not held for hedging purposes.

Measurement

After initial recognition, financial assets held for trading are measured at their fair value. If the fair value of a financial asset becomes negative, it is accounted for as a financial liability.

The VaR techniques used to determine fair value are described in point 21 within this part of the Explanatory notes.

As an exception, if the fair value of equity instruments and the related derivatives cannot be reliably determined using the above guidelines, they are valued at cost.

Derecognition

Financial assets are derecognised on expiry of the contractual rights over the related cash flows or when the financial asset is sold with the transfer of essentially all the related risks and benefits.

If the Group sells a financial asset classified in its own trading portfolio, it derecognises the asset on the date it is transferred (the settlement date).

Securities received as part of a transaction that contractually provides for their subsequent sale and securities delivered as part of a transaction that contractually provides for their repurchase are not recorded or eliminated from the financial statements.

Recognition of components affecting the income statement

The positive elements of income comprising interest on securities and similar revenues, as well as the differentials and margins from derivative contracts classified as financial assets held for trading, but operationally linked with the financial assets and liabilities measured at fair value (under the fair value option), are recorded in the interest captions of the income statement on an accruals basis.

The differentials and margins from other derivative contracts classified in the trading portfolio are recorded as "*Net trading income*".

Gains and losses realized on sale or redemption and unrealised gains and losses deriving from changes in the fair value of the trading portfolio are classified as "*Net trading income*", except for amounts relating to derivative contracts that are operationally linked to assets or liabilities measured at fair value, which are classified as "*Net results on financial assets and liabilities designated at fair value*".

2 - Financial assets available for sale

Recognition

Financial assets represented by debt or equity instruments are initially recognised on the settlement date, while loans are recognised on the payout date.

Financial assets available for sale are initially recorded at fair value; unless stated otherwise, this is represented by the consideration paid for the transaction, including any directly-attributable transaction costs or income. Assets reclassified from *"Financial assets held to maturity"* are recognised at their fair value at the time of transfer.

Classification

This category comprises the financial assets, other than derivatives, that have not been classified in the other categories envisaged by IAS 39 and do not represent interests in subsidiaries, joint ventures or associates.

Measurement

Subsequent to initial recognition, assets available for sale continue to be measured at their fair value. The techniques for determining fair value are described in point 21 in this part of the Explanatory notes.

As an exception, if the fair value of equity instruments cannot be determined reliably, they are valued at cost.

An impairment test is performed at each reporting date to check if there is any objective evidence of a reduction in value.

If subsequently the reasons for impairment cease to apply, the amounts concerned are written back without causing the value of the asset to exceed the amortised cost that would have been reported in the absence of earlier adjustments.

Derecognition

Financial assets are derecognised on expiry of the contractual rights over the related cash flows or when the financial asset is sold with the transfer of essentially all the related risks and benefits.

Recognition of components affecting the income statement

The return on financial instruments, determined using the effective interest method ("amortised cost" basis), is recognised as income on an accruals basis, while gains or losses deriving from changes in fair value are recorded in a specific "equity reserve" until the financial asset is derecognised or a loss in value is recorded. The corresponding amount is included in the statement of comprehensive income.

Dividends are recognised when the right to collect them is established.

On derecognition or when a loss in value is recorded, the accumulated gains or losses are released from the related reserves to the income statement as, respectively, "*Gains/losses on disposal or repurchase*" or "*Net impairment adjustments*". If the reasons for recognising a reduction in value cease to apply as a result of subsequent events, the amounts concerned are written back to the income statement, if they relate to loans or debt securities, and to shareholders' equity if equity instruments are concerned.

3 - Financial assets held to maturity

Recognition

Financial assets are initially recognised on the settlement date. At the time of initial recognition, the financial assets classified in this category are recorded at their fair value, including any directly-attributable costs and revenues.
If transferred to this category from *"Assets available for sale*", the fair value of the financial assets at the time of transfer is taken to be their new amortised cost.

Classification

This category is used to record the debt instruments with payments that are fixed or determinable at fixed intervals which the Bank intends and is able to retain until they mature.
Investments are reclassified as *financial assets held for sale* if the intention or ability to retain them changes and it is no longer appropriate to classify them in this category. In the case of not-insignificant sales or reclassifications of investments held to maturity (part of a portfolio of financial assets held to maturity) that do not meet any of the conditions set out in paragraph 9 of IAS 39, any residual investment held to maturity is reclassified as a *"Financial asset available for sale*".

Measurement

Subsequent to initial recognition, *"Financial assets held to maturity*" are measured at amortised cost.
An impairment test is performed at each reporting date to check if there is any objective evidence of a reduction in value. In the event of impairment, the amount of the loss is measured as the difference between the book value of the assets and the present value of the estimated recoverable cash flows, discounted using the original effective interest rate.
If the reasons for recognising a reduction in value cease to apply as a result of subsequent events, the amounts concerned are written back. The carrying amount after the writeback does not exceed the amortised cost that would have been recognised had the impairment losses not been recorded.

Derecognition

Financial assets are derecognised on expiry of the contractual rights over the related cash flows, or when they are sold with the transfer of essentially all the related risks and benefits of ownership.

Recognition of components affecting the income statement

The positive elements of income comprising interest and similar income are recorded in the interest captions of the income statement, on an accruals basis, using the effective interest method.
Gains and losses on assets held to maturity are recorded in the income statement when the assets are derecognised or suffer a loss in value.
Any write-downs in value are charged to the *"Net impairment adjustments*" caption of the income statement. If the reasons for recognising a reduction in value cease to apply as a result of subsequent events, the amounts concerned are written back to the income statement.

4 – Loans

Recognition

Loans are initially recognised on the payout date or, in the case of debt securities, on the settlement date, with reference to the fair value of the financial instrument concerned. This is represented by the amount paid out, or the subscription price, including costs/revenues that are both directly attributable to the individual loans and identifiable from the start of the transaction, even if they are settled at a later time. Costs with the above characteristics are excluded if they are reimbursable by the borrower or represent routine internal administrative costs.

Agreements involving the forward repurchase or resale of securities are recorded in the financial statements as funding or lending transactions. In particular, spot sales with forward repurchases are recorded as a payable for the spot amount collected, while spot purchases with forward resales are recorded as a loan for the spot amount paid.

Classification

Loans form part of the broadest category of financial instruments and consist of relationships under which the Bank has a right to the cash flows deriving from the loan.

This caption includes loans to customers and deposits with banks, either made directly or acquired from third parties and not listed on active markets, which involve payments that are either fixed or determinable.

The loans caption also includes loans, repurchase agreements, finance leases (which are accounted for under the "financial method", in accordance with IAS 17,) and securities subscribed for at the time of issue or private placement and not listed on active markets, with payments that are fixed or determinable.

Measurement

After initial recognition, loans are valued at their amortised cost, corresponding to the initially recognised amount less principal repayments, net impairment adjustments and amortisation - calculated using the effective interest method - of the difference between the amount paid out and the amount repayable on maturity, which is generally attributable to the costs/income directly allocated to the individual loans.

The effective interest rate is the rate that discounts the flow of estimated payments over the expected duration of the loan back to its initial net book value, inclusive of directly-related costs and revenues. In financial terms, this method of recognition distributes the economic effect of these costs and revenues over the expected residual life of the loan.

The amortised cost method is not used in relation to short-term loans (up to 12 months), since the effect of discounting would be negligible. These loans are stated at historical cost.

Costs and revenues relating to loans without a fixed term or repayable on demand are recorded directly in the income statement.

Loans are assessed at the end of each accounting period to identify any objective evidence, arising from events subsequent to initial recognition, that their value may be impaired. This includes positions classified as non-performing, watchlist, restructured, past due or doubtful loans in compliance with current Bank of Italy regulations, which are consistent with IAS.

The amount of the adjustment of each balance is equal to the difference between its carrying value at the time of measurement (amortised cost) and the present value of expected future cash flows.

The estimate of expected cash flows comes from assessing the position analytically for non-performing loans, for watchlist loans with exposures above the thresholds set by as internal procedures, and restructured loans. For watchlist loans with exposures above the thresholds set

by as internal procedures and past due loans, expected cash flows are calculated using a forfeit approach, based on the operational version of LGD.
The adjustments are recorded in the income statement.
The original value of loans is reinstated in subsequent periods, to the extent that the reasons for the adjustments made cease to apply, on condition that this assessment is objectively linked with events that took place subsequent such adjustments.
The reversal of the impairment loss may not exceed the amortised cost of the loan had the impairment not been recognised in the past.
Loans and advances, for which no impairment was identified on an individual basis, have been subjected to measurement as a whole, to estimate the implicit risk component.
This assessment is made on a case-by-case basis with reference to the risk parameters (Probability of Default - PD, and Loss Given Default - LGD) generated by the internal models. Any additional write-downs or write-backs are determined separately at the end of each reporting period, with reference to the entire portfolio of performing loans at that time.

Derecognition

Loans sold are only derecognised if the disposal involved the transfer of essentially all the risks and benefits associated with the loan. Conversely, if the risks and benefits relating to loans that have been sold are retained, these continue to be reported as assets in the balance sheet, even if legal ownership of the loans has been effectively transferred.
Even if the transfer of essentially all the risks and benefits cannot be demonstrated, loans are derecognised if no form of control over them has been retained. By contrast, the partial or total retention of such control means that the related loans are reported in the balance sheet to the extent of the residual involvement, as measured by the exposure to changes in the value of the loans sold and to changes in their cash flows.
Lastly, loans sold are derecognised, despite retention of the contractual rights to collect the related cash flows, if there is a parallel commitment to pay all such flows and only these to third parties.

Recognition of components affecting the income statement

The positive elements of income comprising interest and similar income are recorded in the interest captions of the income statement, on an accruals basis, using the effective interest method. Default interest, which may be provided by contract, is recognised in the income statement only when actually collected.
The costs/revenues attributable to short-term loans, as defined above, are recorded directly in the income statement.
Write-downs and any write-backs are recorded in the "*Net impairment adjustments"* caption of the income statement.
Profits and losses from the sale of loans are classified in the "*Gains/losses on disposal or repurchase of loans and advances*" caption.

Securitised loans

In accordance with the applicable product breakdown, loans also include securitisation loans (after 1 January 2002 that do not satisfy the IAS 39 requirements for derecognition (see paragraph 24 - Derecognition of financial assets).
The corresponding amounts received for the sale of securitised loans, net of the securities issued and other forms of credit support that may be held in portfolio (retained risk), are recognised in liability caption 10. *"Due to banks"* and 20.*"Due to customers"*.

Both assets and liabilities are measured at amortised cost and the interest is recorded in the income statement. In the event of losses due to impairment of securitised assets that have not been subject to derecognition from the financial statements, such losses are recorded in income statement caption 130 a) *"Net impairment adjustments to loans".*

5 - Financial assets designated at fair value through profit and loss

Recognition

These financial assets are initially recognised on the settlement date.

On initial recognition, these financial assets are recorded at their fair value, as represented - unless specified differently - by the consideration paid for the transaction without considering the costs or revenues attributable to the instrument, which are recorded directly in the income statement.

Classification

"Financial assets designated at fair value through profit and loss" include the financial assets, not held for trading, that meet at least one of the following criteria:

- classification in this category eliminates "accounting asymmetries";
- they are part of groups of assets managed together whose performance is measured at fair value, as part of a documented risk-management strategy;
- they contain separable embedded derivatives.

Measurement

Subsequent to initial recognition, financial assets continue to be measured at their fair value. The techniques for determining fair value are described in point 21 in this part of the Explanatory notes.

Derecognition

Financial assets are derecognised on expiry of the contractual rights over the related cash flows or when the financial asset is sold with the transfer of essentially all the related risks and benefits.

If the Bank sells a financial asset at fair value, it derecognises the asset on the date it is transferred (the settlement date).

Securities received as part of a transaction that contractually provides for their subsequent sale and securities delivered as part of a transaction that contractually provides for their repurchase are not recorded or eliminated from the financial statements.

Recognition of components affecting the income statement

The positive elements of income represented by interest income are recorded in the interest captions of the income statement on an accruals basis.

Gains and losses realized on sale or redemption and unrealized gains and losses deriving from changes in the fair value of the portfolio are classified in the "*Net results on financial assets and liabilities at designated at fair value through profit and loss*" caption.

6 - Hedging derivatives

Recognition

Hedges are arranged to neutralise losses that may be incurred in relation to a given element or group of elements, as a consequence of a given risk, via profits that would be earned on another element or group of elements should that particular risk crystallise. There are two types of hedge:

- fair value hedges: arranged to hedge the exposure to changes in the fair value of a balance sheet caption;
- cash flow hedges: arranged to hedge the exposure to changes in future cash flows attributable to specific balance sheet captions.

Classification

Financial instruments are designated as hedges when the relationship between the hedged and the hedging instrument is adequately documented and formalised, if the hedge is effective both at the start and prospectively throughout its life.

Measurement

Hedging derivatives are measured at their fair value.

Specific tests are performed to verify the effectiveness of hedging transactions. The effectiveness of a hedge depends on the extent to which changes in the fair value of the hedged instrument, caused by changes in the risk factor addressed by the hedge, are offset by changes in the value of the hedging instrument. In order to be effective, the hedge must be made with a counterparty outside the Group.

The method of accounting for the gains and losses deriving from changes in fair value depends on the type of hedge:

- fair value hedge: the change in the fair value of the hedged element representing the hedged risk is recognised in the income statement, together with the change in the fair value of the derivative instrument; any difference, which represents the ineffective portion of the hedge, determines the consequent net economic effect.
- cash-flow hedge: to the extent that the hedge is effective, changes in the fair value of the derivative are recognised in shareholders' equity; they are only recognised in the income statement when changes in the cash flows from the hedged item need to be offset, or when the hedge becomes ineffective.

Effectiveness is established when changes in the fair value of (or cash flows from) the hedging instrument, caused by the hedged risk factor, almost entirely offset those of the hedged instrument (the percentage limits fall in the range from 80% to 125%).

Effectiveness is checked each month for operational purposes and on every official reporting date for accounting purposes, using:

- prospective tests that justify the application of hedge accounting, by demonstrating the expected effectiveness of the hedge;
- retrospective tests that show the effectiveness of the hedge during the period under review. In other words, they measure by how the actual results differ from the "perfect" hedge.

Derecognition

If transactions do not meet the effectiveness test, hedge accounting - as described above - is terminated and the derivative contract is reclassified as an instrument held for trading, with recognition of the related impacts in the income statement. Hedge accounting is also terminated in the following situations:

- the hedged item is sold and redeemed;

- the hedging transaction is revoked prior to the expiry date;
- the hedging instrument expires, is sold, terminated or exercised.

Recognition of components affecting the income statement

Income elements are allocated to the relevant income statement captions on the following basis:

- differentials earned on derivatives that hedge interest-rate risk (and the interest on the hedged positions) are allocated to the "*interest and similar income*" or "*interest and similar expense*" captions;
- capital gains and losses deriving from the measurement of hedging instruments and the positions covered by fair value hedges are allocated to the "*net hedging gains (losses)*" caption;
- capital gains and losses deriving from measurement of the effective part of "cash flow hedges" are allocated to a special equity reserve "*cash flow hedges*", net of the related deferred tax effect. Gains and losses relating to the ineffective part of such hedges are recorded in the "*Net hedging gains (losses)*" caption of the income statement.

7 - Equity investments

Recognition

Equity investments are recognised on the settlement date. Equity investments are recorded at cost on initial recognition, including any costs and revenues directly attributable to the transaction.

Classification

This caption includes:

- associates carried under the equity method, adjusting the initial cost of recognition for changes in net equity, including gains and losses realised by the associated company; companies in which at least 20% of the voting rights are held and those where the size of the investment guarantees influence over governance are considered associates;
- jointly controlled companies, which are also accounted for under the equity method;
- other investments with a low value, which are carried at cost.

Measurement

Under IAS 28 and IFRS 11, equity investments in subsidiaries, joint ventures and associated companies can be carried at cost in the separate financial statements, or at fair value pursuant to IAS 39. The Group has measured them at cost; on consolidation, they are valued under the equity method.

If there is evidence that an investment in an associate may be impaired, its recoverable amount is estimated with reference to the present value of future cash flows, including the expected proceeds from the future sale of the investment.

If the recoverable amount is lower than the carrying amount, the related difference is charged to the income statement.

If the reasons for making the impairment adjustment cease to apply as a result of an event subsequent to the write-down, the related write-back is credited to the income statement without exceeding the amount of the write-down previously recorded.

Derecognition

Equity investments are derecognised on expiry of the contractual rights over the related cash flows or when the investment is sold with the transfer of essentially all the related risks and benefits of ownership.

Recognition of components affecting the income statement

Dividends are recorded in the "*Dividends and similar income*" caption when the right to collection is established.

Any write-downs/write-backs relating to the impairment of equity investments and gains or Losses on the disposal of equity investments are recorded in the "*Profit (loss) from equity investments*" caption.

8 - Property, plant and equipment

Recognition

Property, plant and equipment are initially recorded at purchase price, including all directly statements attributable costs of purchasing and bringing the asset to working condition.

Expenditure on improvements that will generate future economic benefits is added to the value of the assets concerned, while routine maintenance costs are charged to the income statement.

Classification

Property, plant and equipment comprise land, property used for operating purposes, installations, furniture, furnishings and all types of equipment.

These are tangible assets that will be used for more than one accounting period and which are held for use in the production of business or the supply of goods and services, for rental to third parties or for administrative purposes.

This caption also includes assets held under finance lease contracts, even though the lessor remains the legal owner.

Measurement

Property, plant and equipment, including investment property, are carried at cost less accumulated depreciation and any accumulated impairment losses.

Property, plant and equipment are systematically depreciated over their useful lives[24], on a straight-line basis, except for:

- land acquired separately or included in the value of property, since it has an indefinite useful life. The value of land included in property is deemed to be separable from the value of buildings; the allocation of value between land and buildings is based on independent appraisals carried out solely in relating to free-standing buildings;
- works of art, since the useful life of a work of art cannot be estimated and its value normally appreciates over time.

If there is any evidence at a reporting date that the value of an asset may be impaired, its carrying value is compared with its recoverable value, being its fair value net of any selling costs or its value in use, as represented by the present value of the cash flows generated by the asset, whichever is greater.

Any adjustments are recorded in the income statement.

If the reasons for recognising an impairment loss cease to apply, the loss can be written back but without exceeding the carrying value that the asset would have had (net of depreciation) if no impairment losses had been recognised in prior years.

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[24] *The relevant section of the Explanatory Notes, Part B, includes a table with the useful life of the main fixed asset categories.*

Derecognition

Property, plant and equipment are derecognised on disposal, or when the assets concerned are permanently taken out of use and no further economic benefits are expected from their disposal.

Recognition of components affecting the income statement

Both the depreciation determined on a straight-line basis and any net impairment adjustments are recorded in the "*Net adjustments to property, plant and equipment*" caption of the income statement.

Disposal gains and losses are however recorded in the "*Gains (losses) on disposal of investments*" caption.

9 - Intangible assets

Recognition

Intangible assets other than goodwill are initially recognised at cost, as represented by the purchase price paid plus any directly-related costs incurred to obtain use of the assets concerned.

Goodwill may be recognised as an intangible asset when the positive difference between the acquisition cost of an equity interest (including related charges) and the fair value of the net assets acquired, including those identified as part of the purchase price allocation (PPA), is representative of the investee's ability to generate income in the future (goodwill).

If the difference is negative (badwill) or the goodwill is not justified by the investee's ability to generate income in the future, the difference is recognised in the income statement.

Classification

Intangible assets are identifiable, non-monetary assets without physical form that are expected to generate economic benefits.

The qualifying characteristics of intangible assets are:

- identifiability;
- control over the resources concerned;
- expectation of economic benefits.

In the absence of any one of the above characteristics, the acquisition or internal production costs are expensed in the year incurred.

Goodwill is represented by the difference between the acquisition cost of an equity investment and the fair value, at the acquisition date, of the assets and other balance sheet items acquired.

Other intangible assets are recognised if they are identifiable and reflect legal or contractual rights.

Measurement

An intangible asset with an indefinite useful life, such as goodwill, is not amortised, but is tested periodically for impairment. An impairment test is performed annually, or whenever there is an indication of impairment. In the case of goodwill, the cash generating unit to which it has been allocated is tested for impairment. If the carrying amount of the CGU, inclusive of goodwill, exceeds its recoverable amount, an impairment loss is recognised up to the amount of the goodwill recorded. The recoverable amount is the higher of the cash-generating unit’s fair value, net of any selling costs, or its related value in use. Any resulting impairment loss is recognised in the income statement and the reversal thereof is prohibited.

In contrast to the treatment of goodwill, the cost of intangible assets with a finite useful life is amortised on a straight-line basis or by use of the reducing balance method based on the flow of economic benefits expected from the asset. If there is any evidence of impairment, it is envisaged that an asset would be assessed for impairment by comparing its fair value to its carrying amount. An estimate of recoverable value is made if there is any evidence of asset impairment at the reporting date. The impairment loss, expensed to income, is the difference between the carrying value of an asset and its recoverable amount, if the latter is lower.

Derecognition

Intangible assets are derecognised on retirement and when no further economic benefits are expected.

Recognition of components affecting the income statement

Both the amortisation charge and any net impairment adjustments to intangible assets other than goodwill are recorded in the "*Net adjustments to intangible assets*" caption of the income statement.

Disposal gains and losses are however recorded in the "*Gains (losses) on disposal of investments*" caption.

Adjustments to the value of goodwill are recorded in the "*Goodwill impairment*" caption.

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

Recognition and classification

Non-current assets and groups of assets/liabilities subject to a disposal process are classified in asset caption 150 "*Non-current assets and disposal groups held for sale*" and liability caption 90 "*Liabilities associated with non-current assets held for sale*", when such sale is deemed to be highly likely.

Measurement

These assets and liabilities are measured at the lower of their carrying value, determined in accordance with IFRS, or their fair value, less costs to sell.

Recognition of components affecting the income statement

Income and charges (net of tax effect) relating to discontinued operations are classified in the "*Net profit/loss from non-current assets and disposal groups held for sale*" caption of the income statement.

11 - Current and deferred taxation

Recognition and classification

Current taxation comprises the net balance of income tax payable for the year and the current tax receivable due from the tax authorities consisting of advances and other withholding tax credits or other tax credits recoverable by future offset.

Current tax assets also include tax credits for which a request for reimbursement has been made to the tax authorities.

Deferred taxes represent the income taxes recoverable in future periods as a result of deductible temporary differences (deferred tax assets), and the income taxes payable in future periods as a result of taxable temporary differences (deferred tax liabilities).

Measurement

Deferred tax assets, representing the future tax benefit deriving from deductible temporary differences and tax losses carried forward, are recognised to the extent that their recovery is highly likely.

The Group recognises the effects of current and deferred taxation by applying, respectively, the current tax rates and the theoretical tax rates in force when the related temporary differences "reverse".

Recognition of components affecting the income statement

Changes in tax assets and liabilities are normally recorded in the "*Income taxes on current operations*" caption.

As an exception, those deriving from transactions recognised directly in equity are treated in the same way, and those deriving from business combinations are included in the calculation of goodwill.

12 - Provisions for risks and charges

Recognition

The provisions for risks and charges cover liabilities whose timing and extent are uncertain, when all the following conditions are met:

- a current obligation exists at the balance sheet date, deriving from a past event. The origin of the obligation must either be legal (deriving from a contract, regulation or the provisions of law) or implicit (arising when the business causes third parties to expect that commitments will be met, even if these do not fall into the category of legal obligations);
- a financial outflow is likely;
- the extent of the obligation can be estimated reliably.

Classification

This caption includes the provisions relating to long-term benefits and post-employment benefits governed by IAS 19, discussed in point 17 below, and the provisions for risks and charges governed by IAS 37.

Measurement

Where the time element is significant, the provisions are discounted using current market rates. Provisions are charged to the income statement.

Recognition of components affecting the income statement

Provisions for risks and charges and the related write-backs, including the effects of the passage of time, are classified in the "*Net provisions for risks and charges*" caption.

13 - Debts and debt securities in issue

Recognition

The initial recognition of these financial liabilities takes place on receipt of the amounts collected or on issue of the debt securities.

These liabilities are initially recognised at their fair value, usually corresponding to the amount collected or the issue price, plus any additional costs/proceeds directly attributable to the

individual funding transaction or issue that are not reimbursed by the creditor. This does not include internal administrative costs.
Structured instruments are considered to include compound debt instruments linked to equities, foreign currencies, credit instruments or indices. If such instruments are not classified as Financial Liabilities designated at fair value through profit and loss, the embedded derivative is separated from the primary contract and represents a "derivative" in its own right, if the separation criteria are satisfied. The embedded derivative is recorded at its fair value, while the value of the primary contract represents the difference between the total amount collected and the fair value of the embedded derivative.
The issue of instruments convertible into shares in the Bank involves the recognition, on the issue date, of both a financial liability and an equity element. In particular, the value of a financial liability with the same cash flows but without conversion rights is deducted from the overall value of the instrument. The residual value is then attributed to the equity element of the convertible bond.

Classification

"Due to banks", *"Due to customers"* and *"Debt securities in issue"* comprise the various forms of interbank and customer funding. These captions also include liabilities recognised by the lessee under finance leases, as well as funding through certificates of deposit and debt securities in issue, net of any repurchases, not classified as *"Financial liabilities designated at fair value through profit and loss"*.

Measurement

Following initial recognition, financial liabilities are valued at amortised cost.
As an exception, short-term liabilities (up to 12 months) are measured at the amount collected and any costs are charged to the income statement, since the effect of the time factor is insignificant.
Any separated embedded derivatives are measured at fair value and the related changes are recorded in the income statement.

Derecognition

Financial liabilities are derecognised when they expire or are settled.
The repurchase of debt securities in issue in prior periods results in their derecognition.
The difference between the carrying amount of the liability and the amount paid to repurchase it is recorded in the income statement.
The renewed placement of treasury securities subsequent to their repurchase is deemed to represent a new issue, with the recognition of a new placement price, without any effect on the income statement.

Recognition of components affecting the income statement

The negative elements of income represented by interest and similar expense are recorded in the interest captions of the income statement on an accruals basis, using the effective interest method.
Costs/revenues relating to short-term payables are recorded directly in the income statement.
The difference between the book value of a liability and the amount paid to settle it is recorded in the "*Gains/losses on disposal/repurchase*".

14 - Financial liabilities held for trading

Recognition

The criteria applied for the recognition of financial assets held for trading (see Section 1 above) are adopted, with suitable modifications.

Classification

This caption includes the negative fair value adjustment of trading derivatives and the fair value of the liabilities deriving from "technical shorts" generated by trading in securities.

Measurement

The criteria applied for the measurement of financial assets held for trading (see Section 1 above) are adopted, with suitable modifications.

Derecognition

The criteria applied for the derecognition of financial assets held for trading (see Section 1 above) are adopted, with suitable modifications.

Recognition of components affecting the income statement

The criteria applied for the recognition of income components of financial assets held for trading (see Section 1 above) are adopted with suitable modifications.

15 - Financial liabilities designated at fair value through profit and loss

Recognition

These liabilities are initially recognised at fair value, net of transaction costs or revenues.

Classification

This caption includes the financial liabilities to be measured at fair value through the income statement, if one of the following conditions are met:

- classification in this category eliminates "accounting asymmetries";
- they are part of groups of liabilities managed together whose performance is measured at fair value, as part of a documented risk-management strategy;
- they contain separable embedded derivatives.

Measurement

Subsequent to initial recognition, financial liabilities continue to be measured at their fair value. The techniques for determining fair value are described in point 21 in these Explanatory notes.

Derecognition

Financial liabilities designated at fair value through profit and loss are derecognised when they expire or are settled.
The repurchase of debt securities in issue in prior periods results in their derecognition.
The renewed placement of treasury securities subsequent to their repurchase is deemed to represent a new issue, with the recognition of a new placement price, without any effect on the income statement.

Recognition of components affecting the income statement

The negative elements of income represented by interest are recorded in the interest captions of the income statement on an accruals basis.

The results of measurement are recorded in the "*Net result on financial assets and liabilities designated at fair value*" caption, together with the profits and losses arising on settlement.

16 - Currency transactions

Recognition

On initial recognition, foreign currency transactions are recorded in the reporting currency, by translating the foreign currency amounts using the exchange rates prevailing on the transaction dates.

Measurement

At each reporting date, the amounts originally denominated in a foreign currency are measured as follows:

- monetary items are translated using the closing rate for the period;
- non-monetary items carried at historical cost are translated using the exchange rate on the date of the transaction;
- non-monetary items carried at fair value are translated using the closing rate for the period.

Classification

These comprise all assets and liabilities not denominated in euro.

Derecognition

The criteria applying to the balance sheet captions concerned are used. The exchange rate applying on the settlement date is used.

Recognition of components affecting the income statement

Exchange differences deriving from the settlement of monetary items or from the translation of monetary items using rates other than the initial translation rate, or the closing rate at the end of prior periods, are recorded in the income statement for the period in which they arise.
When gains or losses relating to a non-monetary item are recorded in shareholders' equity, the related exchange differences are also recorded in shareholders' equity. Conversely, when gains or losses are recorded in the income statement, the related exchange differences are also recorded in the income statement.

17 - Employee benefits

Classification

Employee benefits, excluding short-term amounts such as wages and salaries, comprise:

- post - employment benefits;
- other long-term benefits.

Post-employment benefits are, in turn, sub-divided into defined-contribution plans and defined benefit plans, depending on the nature of the benefits envisaged:

- under defined contribution plans, the employer makes fixed contributions and has no legal or constructive obligation to make further contributions if the fund does not hold sufficient assets to pay all employee benefits;

- defined benefit plans are all post-employment benefit plans other than defined contribution plans.

Pursuant to Law no. 296 dated 27 December 2006 (2007 Finance Law):

- the TFR earned from 1 January 2007 by is deemed to be a defined contributions plan for which no actuarial calculations are required;
- the TFR already earned at the dates indicated above, on the other hand, continues to be treated as a defined benefits plan, although such benefits have already been fully earned. As a consequence, the actuarial value of the liability must be redetermined at every accounting date subsequent to 31 December 2006.

Other long-term benefits comprise employee benefits that are not due entirely within twelve months of the end of the year in which employees accumulated their right to them.

Recognition and measurement

The value of a defined-benefit obligation is represented by the present value of the future payments necessary to settle the obligations deriving from work performed by employees in the current and prior years.

This present value is determined using the "Projected Unit Credit Method".

The employee benefits included as other long-term benefits, such as long-service bonuses that are paid on reaching a pre-determined level of seniority, are recorded for an amount determined at the reporting date using the "Projected Unit Credit Method".

The provision for termination indemnities is recorded as a separate liability, while the other post-employment benefits and long-term benefits are recorded among the provisions for risks and charges.

Recognition of components affecting the income statement

Service costs are recorded as payroll costs, together with the related accrued interest.

Actuarial gains and losses (remeasurements) relating to post-employment, defined benefit plans are recorded in shareholders' equity in the year they are identified. These actuarial gains and losses are reported in the "Statement of comprehensive income", as required by IAS 1.

The actuarial gains and losses (remeasurements) relating to other long-term benefits are recognised in full as part of payroll costs in the year in which they arise. On this last point, the Group has standardised the orientation expressed by the National Institute of Actuaries in Circular no. 35 dated 21 December 2012, valid with effect from the measurements carried out at 31 December 2012. This document confirmed the guidelines already issued with the previous Circular dated 22 May 2012, in which it was expected that the component represented by interest cost had to be calculated using the rate of the curve corresponding to the duration of the liability, instead of the 1-year rate of the same curve used up to 31 December 2011. This change in methodology has resulted in an adjustment to past accounting balances, which is reflected, for financial reporting purposes, in the column entitled "*changes in opening balances*" in the statement of changes in consolidated shareholders' equity at 31 December 2012.

18 - Income statement: Revenues

Revenues are the gross inflow of economic benefits arising in the course of ordinary activities of a business, when those inflows result in increases in equity, other than increases relating to contributions from shareholders (IAS 18).

Revenues are recognised at the fair value of the consideration received or receivable, when it can be reliably estimated.
When the result of a rendering of services can be estimated reliably, the revenues associated with the transaction are recognised using the percentage of completion at the balance sheet date.

The outcome of a transaction can be estimated reliably when all of the following conditions are met:

a) the amount of the revenues can be reliably measured;
b) it is probable that the economic benefits associated with the transaction will flow to the business;
c) the stage of completion of the transaction at the balance sheet date can be reliably measured;
d) the costs incurred for the transaction and the costs to complete it can be reliably calculated.

Revenues are recognised in the accounting period in which the services are provided and when it is probable that the economic benefits associated with the transaction will flow to the company.
However, when there is uncertainty about the collectability of an amount already included in revenue, the uncollectible amount, or the amount whose recovery is no longer probable, is recognised as an expense, rather than as an adjustment to the original revenue.

Revenues arising from third-party use of the entity's assets yielding interest and dividends are recognised on the basis of the following criteria:

a) interest is recognised using the effective interest method;
b) dividends are recognised when the shareholders' right to receive payment is determined.

19 - Income statement: Costs

Costs are recognised at the same time as the related revenues according to the principle of matching revenues and costs. If the correlation between costs and revenues is only generic and indirect, the costs are recorded over several years according to a systematic method of distribution in accordance with the accrual principle. Costs that by nature are not associated with revenues are recognised immediately in the income statement.

Marginal costs and revenues directly attributable to the acquisition of an asset or issue of a financial liability measured at amortised cost are recognised in the income statement together with the interest on the financial asset or liability using the effective interest method.

20. Other information

– *Treasury shares*

Any treasury shares held are stated at purchase cost and classified, with negative sign, in the "*Treasury shares*" caption. Profits or losses deriving from their subsequent sale are recorded as changes in shareholders' equity in the "*Share premium*" caption.

– Leasehold improvements

These costs have been classified as "*Other assets*", since they cannot be recorded as part of "*Property, plant and equipment*", as required by Bank of Italy instructions.
The related amortisation is recorded in the "*Other operating charges/income*" caption.

- Internal recognition rules

Transfer of securities from "Equity investments" to other portfolios.

All BPER Group companies, with the exception of Banco di Sardegna s.p.a., being listed, are not required to prepare consolidated financial statements, taking advantage of the exception foreseen in IFRS 10 § 4. For this reason, in the separate financial statements of the individual companies, the securities included in "*Equity investments*" are accounted for "at cost", as indicated in IAS 27 § 10.
If there is a need to transfer an interest that has been accounted for as an "*Equity investment*" to one of the IAS 39 portfolios, to be carried out at the fair value of the asset at the time of the transfer, this generates a difference between the fair value and the "cost" recorded previously.
In accordance with the provisions of IAS 27 and IAS 28 § 3, the difference between the cost and fair value of the security when it is first recorded in the new portfolio is recognised in the income statement.

Transfer of securities from other portfolios to "Equity investments"

Similarly to what is stated in the previous paragraph, in the case of a transfer of interests from the portfolios governed by IAS 39 to qualifying interests, and therefore consolidated line by line or under the equity method, in accordance with the provisions of IAS 27 and 28, the transaction is treated as a sale and subsequent repurchase, with recognition of any effects in the income statement.

21 - Techniques for the determination of fair value

Paragraph 9 of IFRS 13 defines fair value as "*the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date*".
When determining whether the fair value at initial recognition equals the transaction price, it is necessary to take into account factors specific to the transaction and to the asset and liability. It follows that, if the transaction price (consideration) differs from fair value, the difference should be recognised in the income statement.
It is also established that fair value includes transport costs, but excludes transaction costs.
In addition to the measurement of stand-alone financial instruments at fair value, the Group may also measure groups of similar assets and liabilities at fair value, where it is permitted to do so.
Measurement at fair value assumes that the transaction to sell an asset or transfer a liability takes place in a **principal market**, defined as the market with the greatest volume and level of trading for the asset or liability to be measured. In the absence of a principal market, reference should be made to the most advantageous market, which is the market that maximises the amount that would be received to sell an asset or minimises the amount that would be paid to transfer a liability, after taking into account transaction costs.

Identification of active markets

The process for measurement of fair value starts with determining whether there is an active market with regularly available quoted prices.

In order to consider a market as active, BPER Group takes account of the following factors:

- number of participants;
- frequency of price quotations and updates thereto;
- presence of a bid-ask spread;
- width of the bid-ask spread;
- trading volume.

Whether a financial instrument qualifies as traded on an active market can only be determined through extensive research of all the existing markets in order to identify the principal or most advantageous market, taking into account "*all information that is reasonably available*" (IFRS 13 § 17). This needs to be done for each financial instrument for which the fair value has to be determined.

To determine whether, based on the information that is available, a market can be considered to be active, the Group assesses the importance and relevance of factors that include the following:

a) low level of recent trading activity;
b) available prices are not current;
c) available prices vary significantly over time or between market-makers;
d) it can be demonstrated that indices that previously had a close correlation with the fair value of an asset or a liability no longer have this correlation based on recent indications of fair value of that asset or liability;
e) presence of a significant increase in the embedded risk premiums, or default rates, of the transactions being considered or in quoted prices;
f) presence of a wide bid-ask spread or of a significant increase therein;
g) significant decline in the level of trading activity;
h) lack of publicly available information.

If compliance with the necessary requirements is verified periodically, a financial instrument can be considered to be traded on an active market. Within the possible markets, a search is undertaken to identify the principal market or, in the absence of a principal market, the most advantageous market.

Fair value is determined with reference to:

- the closing bid price for assets held or liabilities to be issued;
- the closing ask price for liabilities already issued or assets to be purchased.

Closing bid and ask prices are the bid and ask prices referred to by the entity that regulates the market on which an instrument is traded.

In the absence of reference bid and ask prices, the last price set by the entity which regulates the market could be taken, provided that this price has the following features: advertised, liquidity, prompt adaptation to changing conditions and availability as envisaged by the standards.

For assets and liabilities with offsetting positions in market risks, the average of the bid and ask price can be used, provided that this is commonly used by market participants and is consistent with the objective of measuring fair value in accordance with IFRS 13.

In the case of open-end mutual funds, the Net Asset Value (NAV) is considered to be the most representative of the fair value of the instrument. No adjustments are made to the NAV to take into account the interval between the date redemption is requested and the actual redemption date.

In the case of listed closed-end funds, the fair value is derived from the market quotation.
With regard to foreign shares, if these are listed on regulated stock exchanges, then they are considered to be traded in an active market. The price provided for this type of share, if the bid-ask spread is not available, is the last price. On the contrary, equity trading in OTC markets is not considered to take place in an active market.
Listed derivatives are measured using the last prices supplied by the clearing house.

Financial instruments listed in inactive markets are reported as "unlisted" for the purpose of preparing the tables in the Explanatory notes.

With regard to bonds not listed on regulated markets, in view of the role played by the Bank in the institutional market for financial instruments, the Bloomberg Professional system has been identified as an active market for front office operations, if the prices recorded therein have the appropriate features mentioned above.

Identification of the fair value of financial instruments not listed on active markets
If the market for a financial instrument does not meet the conditions required to qualify as an active market, the fair value of the instrument is determined through the use of valuation techniques.
Valuation techniques indicated by international accounting standards are:

- market approach: this uses prices and other relevant information generated by market transactions involving comparable assets;
- cost approach: this reflects the amount that would be required currently to replace the service capacity of an asset ("current replacement cost");
- income approach: this converts future cash flows or income and expenses to a single current amount.

For Group purposes, the following valuation techniques are valid:

1) market approach for identical or comparable assets and liabilities;
2) use of matrix pricing;
3) present value techniques;
4) option pricing models;
5) the multi-period excess earnings method.

These techniques may be used if:

- they maximise the use of market data, while minimising the use of Bank estimates and assumptions;
- they reasonably reflect how the market expects the price to be determined;
- the fair value measurement is determined on the basis of the value indicated by current market expectations and the risk and yield of the instrument being valued;
- they reflect the assumptions that market participants would use when pricing an asset or liability;
- they are consistent with commonly accepted methodologies;
- they are periodically subjected to verification and calibration to verify their capability to determine a fair value in line with actual trading prices for the instrument being valued.

In summary, the Group's preference is to adopt a market approach for the determination of fair value, even if an active market does not exist. Only in the event that it is not possible to apply the above valuation techniques, quantitative valuation methods may be used.

It is apparent that regulations governing valuation techniques do not authorise a neutral and objective use of quantitative methods. However, their use should be understood to be the development by the Bank of an internal process that matches the fair value measurement with a price at which an instrument could be exchanged in a market transaction at current conditions.

As part of this process, it would thus appear necessary to give priority to the use of recent transaction prices (prices on non-active markets, prices provided by third-party participants), or the prices of similar instruments. In this context, quantitative methods can provide a benchmark to supplement, or correct, any differences between the instrument being valued and that observed in the market, or to reflect the impact of changes in the economic environment on market transactions.

Valuation techniques used to measure fair value are applied consistently. A change in a valuation technique or its application is appropriate if the change results in a measurement that is equally or more representative of fair value in the circumstances. That might be the case if any of the following events take place:

- new markets develop;
- new information becomes available;
- information previously used is no longer available;
- valuation techniques improve;
- market conditions change.

Valuation techniques

Specific techniques are applied in relation to particular types of financial instrument, in order to correctly identify their characteristics.

Equities

For all unlisted shares, the valuation rules set out above apply. Failing this, they are measured at cost.

For unlisted shares, other than equity investments, the methods used the most for fair value measurement fall into the following categories:

- discounted cash flow;
- the use of multiples.

These methods require the availability of a significant amount of data to estimate future cash flows generated by a company or to identify the correct market multiples. They use uncertain estimates of various parameters (cash flows, dividends, beta, risk premium, cost of capital, asset values, etc.), the measurement of which is subjective and which do not always reflect market conditions. This leads to a valuation of a distribution of theoretical fair values. Where it is not possible to reliably determine the fair value with the above methods, securities and instruments are measured at cost.

As an alternative to the valuation techniques above, the value of the share may be based on book value, computed as the ratio between equity and the number of issued ordinary shares.

Plain vanilla debt securities

With regard to plain vanilla debt securities, the valuation technique applied is discounted cash flow analysis. There are three steps:

- mapping of cash flows: recognition of the cash flows expected from the instrument and their distribution of the duration of the contract;
- selection of the discounting curve, having regard for the risk factors affecting the cash flows;
- calculation of the present value of the instrument at the measurement date.

Having identified the cash flows, the appropriate discounting curve is calculated using the discount rate adjustment approach, which takes account of both rate risk and credit risk. This information is used to calculate the instrument's fair value, as the sum of the present values of its cash flows.

Structured debt securities

Given the non-determinant nature of the future cash flows from structured securities, their fair value is calculated by breaking them down into a portfolio of elementary instruments using the replica portfolio technique. The fair value of the structured product is obtained by summing the individual values obtained for elementary instruments comprising the product.

As from 2013, the Group started issuing protection certificates). They combine two financial instruments:

- a zero coupon bond;
- an option which seeks to replicate the performance of an underlying asset and to protect, partially or completely, the amount invested.

The methods used for the calculation of fair value are similar to those described above for structured debt securities.

Derivatives

The fair value of derivatives is determined using quantitative models that differ depending on the type of instrument concerned. In particular, a distinction is made between:

- over-the-counter (OTC) options represented by either stand-alone options or options embedded in complex financial instruments. Pricing techniques include:
  - options with payoff that can be calculated precisely, priced using models generally accepted by the market (e.g. Black & Scholes and variants);
  - options with payoff that cannot be calculated precisely, usually priced using "Montecarlo" simulation techniques;
- interest rate swaps (IRS): the fair value of IRS is determined using net discounted cash flow analysis. In the case of a structured IRS, the instrument is decomposed into a "plain" component and an optional component ("building blocks"), so that their separate values can be determined and summed.

Forward currency transactions

These transactions are measured with reference to the forward rates at period end for maturities corresponding to those of the contracts to be priced.

Balance sheet items measured at amortised cost

Loans and receivables and held to maturity investments are measured at amortised cost and their fair value is determined for disclosure purposes only.

The fair value of loans with a contractual duration of less than twelve months is estimated to be their book value; the fair value of other loans is obtained by discounting the contract cash flows, net of the expected losses determined with reference to the credit rating of the borrower, using the corresponding rate curve for their maturities.

Credit Valuation Adjustment (CVA) and Debit Valuation Adjustment (DVA)

Current regulations state that the pricing of a derivative, in addition to being based on market factors, should also reflect the credit risk of the counterparty determined by a Credit Valuation Adjustment (CVA) and a Debit Valuation Adjustment (DVA).

To assess the credit risk of the counterparty, BPER Group adopts the following methodology.

The term Credit Valuation Adjustment (CVA) refers to an adjustment in order to properly reflect the credit risk of the derivative counterparty made on the valuation of an OTC derivative (with a positive current exposure) transaction entered into by the Bank with an external counterparty and may be considered to be the market value of a potential loss amount derived from changes in market prices, due to a worsening of the credit or default risk of the counterparty.

Conversely, the term Debit Valuation Adjustment (DVA) refers to an adjustment in order to properly reflect the own default risk of the Bank made on the valuation of an OTC derivative (with a negative current exposure) entered into by the Bank with an external counterparty, that is, the market value of a potential gain derived from changes in market prices, due to a worsening of the credit or default risk of the Bank.

For the quantification of a CVA and a DVA, under certain conditions, IFRS 13 refers to a calculation that must be made by netting set or by counterparty and, thus, based on net exposure and not at individual contract level. In addition, it is necessary to consider whether any collateral has been provided or if there are any netting agreements.

BPER Group currently makes use of bilateral agreements for the netting of derivative contracts, in accordance with which the reciprocal mark to market receivable and payable positions are offset automatically on a daily basis, leading to a single net balance, without any novation: this results in margin settlement being made solely by the net creditor. The foregoing has led to a considerable reduction in exposure to credit risk and, consequently, the impact of CVAs and DVAs on fair value.

In particular, for BPER Group, there are two factors that mitigate the impact on fair value of credit risk:

- the signing of ISDA (International Swaps and Derivatives Association, the international industry standard on OTC derivatives) agreements with the main corporate and all the institutional counterparties to OTC derivatives. In respect of the institutional counterparties (with the exception of the subsidiary EMRO Finance Ireland) the related CSA (Credit Support Annex) was also executed in order to cover the provision of collateral and to further reduce current exposure and consequent risks;
- the entry into force of the new EMIR (European Market Infrastructure Regulation) platform, in respect of the exclusion from the scope of CVAs and DVAs of derivatives entered into on that platform/market. On the basis of assessments made, it is likely that most derivative transactions will go through the new system as they mainly consist of derivatives that are eligible for that purpose.

IFRS 13 does not indicate a specific methodology for the calculation of CVAs and DVAs, but it requires the use of valuation techniques that, on the one hand, must be appropriate for the data available and, on the other hand, maximise the use of observable market data.

With reference to the above, in order to align with best market practices, it was decided to use bilateral CVA methodology that considers the presence of two components to the calculation, with the aim of including the potential loss/gain arising from changes in the credit risk of the counterparty/Bank, but taking into account the joint probability of default by counterparties.

Market parameters

The following types of yield curve are used:

- par swap curves;
- bond curves derived from baskets of bonds;
- corporate curves by issuer, rating, and sector.

The following are derived from the par curves:

- zero coupon curves;
- forward rate curves;
- discount factor curves.

The zero coupon rate curves are obtained using the bootstrapping technique. These are used to extrapolate the discount factors used to determine the present value of the cash flows generated by the financial instruments to be priced. The forward rates are implicit in the zero coupon curve are determined with reference to the non-arbitrage theory.

The issuer curves are obtained by adding to the par swap rates the spreads that reflect the credit rating of the instrument's issuer. These are used to price unlisted bonds.

Bond curves are calculated based on baskets of government bonds. Prices of the basket bonds, as well as the curves generated by them, are updated in real-time.

The credit rating curve of the BPER Group is obtained by creating a basket of issues by banking issuers that have similar characteristics and ratings. This is used to price all issued bonds.

The prices thus obtained are applied daily to organised systems of trading for the bonds issued by the Group banks (MELT-HIMTF) that are reflected in the fair value valuation in the financial statements.

Volatility and other parameters

Volatilities and correlations are used principally to price unlisted derivatives. The volatilities are classified as follows:

- historical volatilities, estimated as the standard deviation of a time series of daily observations of the logarithm of the yields of the underlying concerned;
- contributed volatilities, obtained from information providers;
- implicit volatilities, obtained from the market prices of listed options.

With regard to the correlations, multi-variant derivatives are priced using historical correlations.

Additional information

IFRS 13 requires an entity to "*disclose information that helps users of its financial statements assess both of the following*:

a) *for assets and liabilities that are measured at fair value on a recurring or non-recurring basis in the statement of financial position after initial recognition, the valuation techniques and inputs used to develop those measurements;*
b) *for recurring fair value measurements using significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income for the period*".

BPER Group has a procedure in place to:

- identify transfers between levels;
- analyse and document the reasons for such transfers;

- monitor and control the reliability of the fair value of financial instruments.

In particular, for assets and liabilities measured at fair value on a recurring and non-recurring basis, adequate disclosure is made of:

- the fair value measurement at the end of the reporting period, and for non-recurring fair value measurements, the reasons for the measurement;
- the level of the fair value hierarchy within which the fair value measurements are categorised in their entirety (Level 1, 2 or 3);
- for assets and liabilities categorised within Level 2 or 3, a description of the valuation techniques and inputs used and the reasons for any changes in valuation techniques used.

The Group provides, for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis, the amounts of any transfers between Level 1 and Level 2 of the fair value hierarchy, the reasons for those transfers and the policy for determining when transfers between levels are deemed to have occurred, while, for those categorised on a recurring basis within Level 3 of the fair value hierarchy, a reconciliation is provided from the opening balances to the closing balances.
Information is also provided on the policy for determining when transfers between fair value hierarchy levels are deemed to have occurred.

For assets or liabilities categorised within Level 3 of the fair value hierarchy, the following disclosures are provided:

- quantitative information about the significant unobservable inputs used in the fair value measurement;
- for recurring fair value measurements, the amount of the total gains or losses for the period included in profit or loss that is attributable to the change in unrealised gains or losses relating to those assets and liabilities held at the end of the reporting period, and the line item(s) in profit or loss in which those unrealised gains or losses are recognised;
- a description of the valuation processes used for recurring and non-recurring fair value measurements;
- a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement.

For financial assets and liabilities measured at amortised cost (not thus measured at fair value, but with fair value disclosure obligations) the following information is provided:

- the fair value hierarchy level;
- a description of the valuation techniques adopted for Levels 2 and 3, as well as the inputs used;
- if there has been any change in the valuation technique, a description of the change and the reason for it.

For own financial liabilities measured at fair value with credit enhancement (e.g. inseparable guarantees), information is provided on the existence of credit enhancement and the impact thereof on the determination of the fair value of the liability.

The application of the fair value option to loans and receivables and financial liabilities requires disclosure of the change in fair value attributable solely to changes in the credit risk associated with the instrument.
As mentioned, the risk factors are included in the discount curve using the discount rate adjustment approach.
This approach involves making separate and independent estimates of the various risk components (rate risk and credit risk), so that the partial fair value can be determined considering the changes in just one risk factor.

The following factors are considered in relation to credit risk:

- the risk-free market rate observed at the valuation date;
- the credit spread observed at the initial recording date or the previous valuation date;
- the credit spread observed at the valuation date.

The market fair value at the measurement date is compared with the fair value calculated using the credit risk observed at the initial recording date (or, alternatively, at the previous valuation date). This makes it possible to determine the changes in fair value due solely to changes in credit risk on a cumulative or periodic basis.

Fair value hierarchy

The Group classifies its financial assets and liabilities by decreasing degree of fair value quality on the basis of the following principles:

- Fair value Level 1. Measurement is based on the price of the financial instrument concerned, being a quoted price in an active market.
- Fair value Level 2. Measurement is not based on quoted prices in active markets for the financial instrument concerned, but on meaningful prices obtained from non-active markets or reliable infoproviders, or on prices determined using an appropriate valuation technique largely based on observable market parameters, including credit spreads, derived from quotations of instruments that are substantially similar in terms of risk factors considered. The objective of the use of valuation techniques is to reaffirm the aim of obtaining a closing price at the valuation date from the point of view of a market participant that holds the financial instrument.
- Fair value Level 3. Measurement is based on various inputs that include subjective parameters, that is, parameters whose value cannot be derived from quoted prices observable in active markets. Since the parameters are not observable directly in the market, it follows that the value is required to make estimates and assumptions.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorised within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group has set out[25]:

- the analyses to be performed in the event of changes in valuation techniques used to measure fair value;
- the policy for determining when transfers between fair value hierarchy levels are deemed to have occurred and which is constantly adhered to.

[25] *Reference should be made to the Group's regulatory framework, which comprises Guidelines, Group Regulations and methodological manual.*

As a general principle, to be allocated to Level 1 of the fair value hierarchy, if there is a quoted price in an active market for an asset or a liability, that price should be used without adjustment when measuring fair value. In fact, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

An allocation to Levels 2 and 3 depends on how the inputs used for the fair value measurement of an asset or liability are categorised within different levels of the fair value hierarchy: in those cases, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Assessing the significance of a particular input to the entire measurement requires judgement, taking into account factors specific to the asset or liability.

The availability of relevant inputs and their relative subjectivity might affect the selection of appropriate valuation techniques.

22 - Method for determining the extent of impairment

Financial assets

At each reporting date, financial assets not classified as at fair Value through Profit or Loss are subjected to an impairment test to verify if there is any objective evidence for believing that their carrying amount may not be fully recoverable.
Value is impaired if there is objective evidence that future cash flows will be lower than the originally estimated contractual amounts; the related loss must be quantified in a reliable manner and associated with actual events rather than just expected events.
Impairment is measured in detail for those financial assets for which there is specific evidence of a impairment adjustment, and on an overall basis for other financial assets.

Pursuant to IAS 39, whenever the fair value of equities classified as available for sale is significantly lower than their purchase cost, or remains lower for an extended period, the Bank recognises an impairment loss with allocation of the negative valuation reserve to the income statement.
In particular, the Bank recognises as objective evidence of impairment situations in which fair value is less than 50% of purchase cost or remains below purchase cost for 24 consecutive months.

If fair value is impaired, detailed analysis is performed to determine the reasons for the loss and identify any difficulties faced by the issuer, such as:

- significant financial problems or possibility of court-supervised arrangements;
- announcement/implementation of financial restructuring plans;
- significant changes with an adverse effect on the technological, economic or regulatory environment in which the issuer operates.

If the above analysis causes the Group to believe that impairment exists, the related fair value equity reserve is posted to the income statement.
See paragraph 4 - "Loans" for detailed information about the treatment of loans.

Equity investments

The Bank's equity investments are also subjected to impairment testing. In particular, the impairment test is performed on an annual basis and involves the determination of recoverable value, being the greater of fair value less selling costs or value in use.

The measurement methodology used to calculate fair value less costs to sell was described in an earlier section of this report.

Value in use represents the present value of the cash flows expected to derive from the assets subject to impairment testing; this involves estimating the cash flows expected from the asset, possible changes in the timing and/or extent of such flows, the time value of money, and the price that remunerates the specific risks associated with the asset, together with such other factors as the size of the market for the asset, which might affect operators' assessments of the quality of the expected cash flows.

The estimate of value in use, being the present value of the cash flows expected to derive from the asset determined using a Discounted Cash Flow (DCF) method such as the DDM configured for banks Excess Capital Method identifies the value of a business in relation to its ability to generate cash flow and thus its financial solidity.

Value in use is therefore determined by discounting the cash flows identified in the business plan, the time horizon for which must be sufficiently long for "fair" forecasts to be made; in financial practice, the time period covered by the forecast flows is at least three years. Where business plans are not prepared directly by the investees, long-term inertia-based plans are developed based on the companies' results and financial position, as well as market projections.

Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets with a finite useful life are subjected to impairment testing if there is evidence that their carrying amounts may no longer be recoverable. Recoverable value is determined with reference to the fair value of the property, plant and equipment or intangible asset, net of disposal costs, or to its value in use if this can be determined and exceeds fair value.

The fair value of property is usually determined by appraisal. Impairment is only recognised if fair value less costs to sell, or value in use, is lower than the related carrying amount for an extended period.

23 - Business combinations: allocation of purchase cost

Introduction

The process of allocation of the purchase price for business combinations is described below, while details of such transactions are provided in Part G of the Explanatory notes.

Fair value of the assets and liabilities acquired

When accounting for a business combination, the Bank determines the fair value of the assets, liabilities and contingent liabilities acquired. Such amount is only identified separately if, at the acquisition date, the following criteria are met:

- in the case of assets other than intangible assets, it is likely that the purchaser will obtain any future economic benefits;
- in the case of liabilities other than contingent liabilities, it is likely that their settlement will require the use of resources capable of producing economic benefits;
- in the case of an intangible asset (IAS 38) or a contingent liability (IAS 37), the related fair value can be measured in a reliable manner.

Identification of intangible assets

Depending on the characteristics of the business acquired, an analysis is performed to identify any unrecorded assets that should be recognised separately, for example customer-related (client relationship) intangibles, or marketing-related (brand name) intangibles.

Customer-related intangible assets: these are recognised as intangible assets when they are separable and can be measured reliably, even though they may not always derive from contractual rights such as marketing-related intangibles.
This category includes:

- client lists: these comprise all the information held about clients (database containing: names, addresses, transaction history, demographic information etc.) that has a recognised market value, on condition that it can be rented or exchanged; Such information cannot be treated as an intangible asset if it is considered so confidential that the combination agreement forbids its sale, rental or exchange in other forms;
- contracts with clients and the client relationships established as a consequence: contracts with clients satisfy the contractual/legal requirement for the recognition of an intangible asset, even if the combination contract forbids their sale or transfer separately from the business acquired; this category also includes long-established contacts with clients, even if there is no formal contract, and all other non-contractual relationships that can be separated and measured on their own;
- non-contractual relations with clients: this category includes all intangible assets that, being separable and transferable independently of the business acquired, may be valued individually and recognised as intangibles.

Marketing-related intangible assets: trademarks, commercial names, service brands, collective names and quality marks that derive from contractual rights or which are usually separable. Such assets reflect the collection of productive conditions that are economically correlated with the commercial name, the relationship with the market, and the reach of distribution.
An intangible asset must be measured initially at cost. If acquired as part of a business combination, its cost is its fair value at the time control is obtained.
Fair value, in this context, reflects market expectations about the likelihood that the owner will obtain the future economic benefits deriving from the asset. The entity must assess the probability of obtaining future economic benefits using reasonable and justifiable assumptions that reflect management's best estimate of the economic conditions that will apply over the useful life of the asset.
The accounting standards do not specify the methodology to be used to measure the fair value of such assets but, among the possible alternatives, preference is given to those making reference to observable market prices. Failing this, the accounting standards allow the use of valuation models that include assumptions which are generally used and recognised by the market.
The fair value of customer-related intangible assets is determined by discounting the profit flows generated by deposits over the expected residual period of the relationships outstanding at the time of acquisition.
In general, brands are valued using market methods and well as methods based on the flows deriving from their management or a royalty recognised by the market.

Determination of goodwill

Goodwill represents the unallocated amount of purchase cost, being the excess of the cost of the business combination over the net fair value of the identifiable assets, liabilities and contingent

liabilities acquired (including those intangibles and contingent liabilities that satisfy the requirements for recognition in the financial statements).
This represents the consideration recognised by the purchaser in exchange for the future economic benefits deriving from assets that cannot be identified individually and recognised separately. In substance, this includes the value of the expected synergies, the corporate image of the company acquired, its know how, its professionalism, its procedures and other non-specific factors.
The goodwill acquired as a result of a business combination must not be amortised. The Group verifies each year, or whenever there is evidence of possible impairment, that the recorded value of goodwill has not been impaired (impairment test).

24 - Derecognition of financial assets

Derecognition involves the elimination of a previously recognised financial asset from the balance sheet.
Before assessing whether the conditions for derecognition of financial assets exist, according to IAS 39, one has to ascertain whether these conditions are to be applied to such assets in their entirety or whether they can refer to only part of them.
The essential condition for full derecognition of a financial asset is the extinction of its contractual rights, either because they expire naturally or because the rights to the cash flows resulting from such assets are transferred to a third party outside the Group.
The elimination of a financial asset is subject to verification that all of the risks and rewards of ownership of the rights have actually been transferred. In the case of transfer of substantially all of the risks and rewards, the transferred asset (or group of assets) can be derecognised and the rights and obligations relating to the transfer have to be recognised separately as assets or liabilities.
Conversely, in the event that the risks and rewards are retained, the asset (or group of assets) transferred has to continue being recognised. In this case, one has to recognise a liability equal to the amount received as consideration for the transfer and subsequently recognise all revenues and expenses accruing on the liability.
The main types of transactions that, under these rules, do not permit the derecognition of a financial asset are securitisations of receivables, repurchase agreements and securities lending.

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

A.3.1 Financial assets reclassified: book value, fair value and effects on overall profitability

Type of financial instrument	Source portfolio	Destination portfolio	Book value as at	Fair value as at	Income elements without transfer (before tax)		Income elements recorded in the year (before tax)	
			31.12.2014	31.12.2014	measured	other	measured	other
Debt securities	Financial assets held for trading	Due from banks	19,767	19,478	993	320	-	536
Debt securities	Financial assets held for trading	Loans to customers	-	-	(59)	83	-	91
Debt securities	Financial assets available for sale	Due from banks	22,796	16,516	83	349	-	554
Debt securities	Financial assets available for sale	Loans to customers	69,875	67,834	8,119	598	1,679	1,399
UCITS units	Financial assets held for trading	Financial assets available for sale	2,117	2,117	(452)	-	(452)	-

A.3.2 Financial assets reclassified: effect on overall profitability before transfer

No financial assets were reclassified during the period.

A.3.3 Transfer of financial assets held for trading

No financial assets were reclassified during the period.

A.3.4 Effective interest rate and cash flows expected from reclassified assets

No financial assets were reclassified during the period.

A.4 – INFORMATION ON FAIR VALUE

QUALITATIVE INFORMATION

A.4.1 Fair value Levels 2 and 3: valuation techniques and inputs used

A description of the valuation techniques and inputs used has been disclosed in Chapter 21 of Part A.2 of these Explanatory notes "Techniques for the determination of fair value".

A.4.2 Measurement process and sensitivity

Assets and liabilities categorised within Level 3 of the fair value hierarchy mainly consist of:

- connected derivatives, in that they offset each other and which originate from securitisations, classified as "*Financial assets held for trading*" and "*Financial liabilities held for trading*";
- a limited number of equity investments measured at cost or under the equity method and in UCITS units measured at *NAV* classified as "*Financial assets designated at fair value through profit and loss*";
- minority equity investments, often held to preserve links with the territory or for the development of commercial relationships (measured mainly on the basis of the book value of shareholders’ equity of the companies in question or at cost), as well as UCITS units (usually at *NAV*), with both classified as "*Financial assets available for sale*";
- investments in asset-backed securities primarily made by the subsidiary EMRO Finance Ltd, classified as "*Due from banks*" and "*Loans to customers*" following reclassification in 2008 from "*Financial assets available for sale*".

For the latter, the related sensitivity is provided below:

Financial asset/liability	Non-observable parameter	Change in parameter	Sensitivity (in thousands)
Investments in asset-backed securities	Credit spread	+25 bps	(915)

For the other positions which have just been illustrated, given the use of valuation techniques involving the use of estimates, the measurement thereof is incapable of being significantly impacted by changes in inputs.

A.4.3 Fair value hierarchy

A description of the fair value hierarchy has been disclosed in Part A.2 of these Explanatory notes in Chapter 21 "Techniques for the determination of fair value".

A.4.4 Other information

Reference should be made to Chapter 21 of Part A.2 of these Explanatory notes "Techniques for the determination of fair value" for further information on fair value.

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

Financial assets/Liabilities designated at fair value	31.12.2014			31.12.2013		
	L1	L2	L3	L1	L2	L3
1. Financial assets held for trading	470,604	530,518	32,164	676,963	423,844	17,132
2. Financial assets designated at fair value through profit and loss	73,651	26,583	10,015	102,973	36,415	10,511
3. Financial assets available for sale	6,140,825	334,382	469,720	5,740,227	410,648	479,187
4. Hedging derivatives	-	36,744	-	-	3,751	-
5. Property, plant and equipment	-	-	-	-	-	-
6. Intangible assets	-	-	-	-	-	-
Total	**6,685,080**	**928,227**	**511,899**	**6,520,163**	**874,658**	**506,830**
1. Financial liabilities held for trading	41	213,506	29,663	47,562	132,195	18,302
2. Financial liabilities designated at fair value through profit and loss	-	1,700,614	-	-	2,952,035	-
3. Hedging derivatives	-	12,986	-	-	37,825	-
Total	**41**	**1,927,106**	**29,663**	**47,562**	**3,122,055**	**18,302**

Transfers of assets from Level 1 to Level 2 of the fair value hierarchy during the year amounted to € 1,514 thousand and those from Level 2 to Level 1 amounted to € 4,325 thousand.
The former are due to a loss of significance of the prices quoted in the principal market, while, for the latter, the dealer market showed an improvement in the negotiability of the instruments in terms of volumes and in the width and depth of the prices quoted.

Key

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

A.4.5.2 Period changes in assets measured 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, plant and equipment	Intangible assets
1. Opening balance	**17,132**	**10,511**	**479,187**	**-**	**-**	**-**
2. Increases	**15,553**	**1,970**	**98,562**	**-**	**-**	**-**
2.1 Purchases	431	920	70,166	-	-	-
2.2 Profits posted to:	15,114	554	4,524	-	-	-
2.2.1 Income Statement	15,114	554	1,549	-	-	-
- of which: gains	15,112	357	-	-	-	-
2.2.2 Shareholders' equity	#	#	2,975	-	-	-
2.3 Transfers from other levels	-	-	-	-	-	-
2.4 Other increase	8	496	23,872	-	-	-
3. Decreases	**521**	**2,466**	**108,029**	**-**	**-**	**-**
3.1 Sales	434	250	29,645	-	-	-
3.2 Redemptions	-	1,326	3,727	-	-	-
3.3 Losses posted to:	81	888	54,862	-	-	-
3.3.1 Income Statement	81	888	26,093	-	-	-
- of which: losses	81	888	25,826	-	-	-
3.3.2 Shareholders' equity	#	#	28,769	-	-	-
3.4 Transfers to other levels	-	-	-	-	-	-
3.5 Other decreases	6	2	19,795	-	-	-
4. Closing balance	**32,164**	**10,015**	**469,720**	**-**	**-**	**-**

There were no transfers of assets to or from Level 3 of the fair value hierarchy in the year.

A.4.5.3 Period changes in liabilities measured 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	**18,302**	**-**	**-**
2. Increases	**12,546**	**-**	**-**
2.1 Issues	-	-	-
2.2 Losses posted to:	12,546	-	-
2.2.1 Income Statement	12,546	-	-
- of which: losses	-	-	-
2.2.2 Shareholders' equity	#	#	-
2.3 Transfers from other levels	-	-	-
2.4 Other increase	-	-	-
3. Decreases	**1,185**	**-**	**-**
3.1 Redemptions	-	-	-
3.2 Buybacks	-	-	-
3.3 Profits posted to:	1,185	-	-
3.3.1 Income Statement	1,185	-	-
- of which: gains	1,185	-	-
3.3.2 Shareholders' equity	#	#	-
3.4 Transfers to other levels	-	-	-
3.5 Other decreases	-	-	-
4. Closing balance	**29,663**	**-**	**-**

There were no transfers of liabilities to or from Level 3 of the fair value hierarchy in the year.

A.4.5.4 Assets and liabilities not measured at fair value or at fair value on a non-recurring basis: breakdown by fair value levels

Assets/Liabilities not measured at fair value or at fair value on a non-recurring basis	31.12.2014				31.12.2013			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets held to maturity	2,213,497	2,242,709	154,999	-	1,207,868	1,194,209	85,512	-
2. Due from banks	1,709,298	-	135,579	1,569,375	1,587,781	-	204,733	1,373,053
3. Loans to customers	43,919,681	-	163,551	47,806,609	46,514,738	-	153,990	46,979,278
4. Investment property, plant and equipment	292,999	-	-	323,353	287,575	-	-	326,925
5. Non-current assets and disposal groups held for sale	2,817	-	-	-	2,817	-	-	-
Total	**48,138,292**	**2,242,709**	**454,129**	**49,699,337**	**49,600,779**	**1,194,209**	**444,235**	**48,679,256**
1. Due to banks	6,479,558	-	-	6,479,558	7,820,719	-	-	7,820,719
2. Due to customers	33,964,259	-	-	33,964,259	33,681,447	-	-	33,681,447
3. Debt securities in issue	10,518,262	1,116,003	5,680,376	3,899,194	10,186,690	765,255	6,133,839	3,364,643
4. Liabilities associated with non-current assets held for sale	-	-	-	-	-	-	-	-
Total	**50,962,079**	**1,116,003**	**5,680,376**	**44,343,011**	**51,688,856**	**765,255**	**6,133,839**	**44,866,809**

Key

BV = Book value
L1 = Level 1
L2 = Level 2
L3 = Level 3

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

There were no differences at 31 December 2014 between the value of transactions and their corresponding fair values.

Part B – INFORMATION ON CONSOLIDATED BALANCE SHEET

Section 1- Cash and cash equivalents
Caption 10

1.1 Cash and cash equivalents: breakdown

	31.12.2014	31.12.2013
a) Cash	450,766	488,522
b) Demand deposits with Central Banks	-	-
Total	**450,766**	**488,522**

Section 2 – Financial assets held for trading
Caption 20

2.1 Financial assets held for trading: breakdown by sector

Description/Amounts	31.12.2014			31.12.2013		
	L1	L2	L3	L1	L2	L3
A. Cash assets						
1. Debt securities	385,688	319,119	26	617,105	256,846	36
1.1 Structured securities	3,300	1,358	-	187	1,154	-
1.2 Other debt securities	382,388	317,761	26	616,918	255,692	36
2. Equities	39,112	68	1	20,616	1	-
3. UCITS units	45,804	-	-	32,382	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	**470,604**	**319,187**	**27**	**670,103**	**256,847**	**36**
B. Derivatives						
1. Financial derivatives	-	211,331	32,137	6,860	166,997	17,096
1.1 Trading	-	155,968	32,137	6,860	73,034	17,096
1.2 Connected with the fair value option	-	55,363	-	-	93,963	-
1.3 Other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 Trading	-	-	-	-	-	-
2.2 Connected with the fair value option	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
Total B	**-**	**211,331**	**32,137**	**6,860**	**166,997**	**17,096**
Total A+B	**470,604**	**530,518**	**32,164**	**676,963**	**423,844**	**17,132**

The financial derivatives connected with the fair value option are mainly associated with debt securities classified as financial liabilities designated at fair value through profit and loss (liability caption 50).

2.2 Financial assets held for trading: breakdown by issuer/borrower

Description/Amounts	31.12.2014	31.12.2013
A. Cash assets		
1. Debt securities	**704,833**	**873,987**
a) Governments and Central Banks	446,960	551,787
b) Other public entities	17	20
c) Banks	226,597	288,674
d) Other issuers	31,259	33,506
2. Equity instruments	**39,181**	**20,617**
a) Banks	9,514	4,510
b) Other issuers	29,667	16,107
- insurance companies	2,912	1,505
- financial companies	40	31
- non-financial companies	26,715	14,571
- other	-	-
3. UCITS units	**45,804**	**32,382**
4. Loans	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other parties	-	-
Total A	**789,818**	**926,986**
B. Derivative instruments		
a) Banks	138,914	120,645
- fair value	138,914	120,645
b) Customers	104,554	70,308
- fair value	104,554	70,308
Total B	**243,468**	**190,953**
Total (A+B)	**1,033,286**	**1,117,939**

2.3 Financial assets held for trading: change in the period

	Debt securities	Equity instruments	UCITS units	Loans	31.12.2014
A. Opening balance	**873,987**	**20,617**	**32,382**	**-**	**926,986**
B. Increases	**12,754,651**	**60,135**	**15,560**	**-**	**12,830,346**
B.1 Purchases	12,699,366	56,959	12,984	-	12,769,309
B.2 Positive changes in fair value	11,277	1,874	2,576	-	15,727
B.3 Other changes	44,008	1,302	-	-	45,310
C. Decreases	**12,923,805**	**41,571**	**2,138**	**-**	**12,967,514**
C.1 Sales	12,625,181	39,300	1,115	-	12,665,596
C.2 Repayments	217,664	-	-	-	217,664
C.3 Negative changes in fair value	3,088	1,975	977	-	6,040
C.4 Tranfers to other portfolios	-	-	-	-	-
C.5 Other changes	77,872	296	46	-	78,214
D. Closing balance	**704,833**	**39,181**	**45,804**	**-**	**789,818**

Section 3 – Financial assets designated at fair value through profit and loss

Caption 30

3.1 Financial assets designated at fair value through profit and loss: breakdown by sector

Description/Amounts	31.12.2014			31.12.2013		
	L1	L2	L3	L1	L2	L3
1. Debt securities	16,541	24,838	388	39,406	34,871	357
1.1 Structured securities	-	4,000	-	-	4,177	-
1.2 Other debt securities	16,541	20,838	388	39,406	30,694	357
2. Equity instruments	3	465	4,151	1,724	476	3,897
3. UCITS units	57,107	1,280	5,476	61,843	1,068	6,257
4. Loans	-	-	-	-	-	-
4.1 Structured	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total	**73,651**	**26,583**	**10,015**	**102,973**	**36,415**	**10,511**
Cost	**69,100**	**26,270**	**13,835**	**93,534**	**37,948**	**13,182**

Financial assets designated at fair value through profit and loss: use of the fair value option

Description	31.12.2014	31.12.2013
a) Natural hedges using derivatives	14,901	35,522
b) Natural hedges using other financial instruments	-	-
c) Other cases of accounting mismatches	-	-
d) Financial instruments managed and measured at fair value	91,348	110,200
e) Structured products with embedded derivatives	4,000	4,177
Total	**110,249**	**149,899**

3.2 Financial assets designated at fair value through profit and loss: breakdown by borrower/issuer

Description/Amounts	31.12.2014	31.12.2013
1. Debt securities	**41,767**	**74,634**
a) Governments and Central Banks	12,057	29,979
b) Other public entities	-	-
c) Banks	10,856	21,047
d) Other issuers	18,854	23,608
2. Equity instruments	**4,619**	**6,097**
a) Banks	-	734
b) Other issuers:	4,619	5,363
- insurance companies	-	-
- financial companies	-	-
- non-financial companies	4,619	5,363
- other	-	-
3. UCITS units	**63,863**	**69,168**
4. Loans	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other parties	-	-
Total	**110,249**	**149,899**

Analysis of UCITS units

Description	31.12.2014	31.12.2013
1. Equities	998	1,034
2. Property - closed end	7,451	11,006
3. Equities - open end	7,191	6,414
4. Balanced - open end	-	-
5. Bonds - open end	2,002	922
6. Equities - closed end	3,049	2,244
7. Speculative securities	8,509	16,376
8. Bonds - short term	-	-
9. Bonds - long term	19,075	26,789
10. Other	15,588	4,383
Total	**63,863**	**69,168**

3.3 Financial assets designated at fair value through profit and loss: change in the period

	Debt securities	Equity instruments	UCITS units	Loans	31.12.2014
A. Opening balance	**74,634**	**6,097**	**69,168**	**-**	**149,899**
B. Increases	**6,765**	**534**	**19,730**	**-**	**27,029**
B.1 Purchases	2,304	-	16,935	-	19,239
B.2 Positive changes in fair value	2,155	254	1,693	-	4,102
B.3 Other changes	2,306	280	1,102	-	3,688
C. Decreases	**39,632**	**2,012**	**25,035**	**-**	**66,679**
C.1 Sales	6,887	2,001	18,966	-	27,854
C.2 Repayments	28,678	-	4,660	-	33,338
C.3 Negative changes in fair value	91	10	1,249	-	1,350
C.4 Other changes	3,976	1	160	-	4,137
D. Closing balance	**41,767**	**4,619**	**63,863**	**-**	**110,249**

Section 4 – Financial assets available for sale
Caption 40

4.1 Financial assets available for sale: breakdown by sector

Description/Amounts	31.12.2014			31.12.2013		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**6,105,478**	**334,382**	**10,177**	**5,729,456**	**410,648**	**11,121**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	6,105,478	334,382	10,177	5,729,456	410,648	11,121
2. Equity instruments	**2,702**	**-**	**339,249**	**6,731**	**-**	**399,776**
2.1 Valued at fair value	2,702	-	289,088	6,731	-	270,785
2.2 Valued at cost	-	-	50,161	-	-	128,991
3. UCITS units	**32,645**	**-**	**120,294**	**4,040**	**-**	**68,290**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**6,140,825**	**334,382**	**469,720**	**5,740,227**	**410,648**	**479,187**

Financial assets available for sale are measured at fair value on the basis described in Part A of the Explanatory notes.
Debt securities mainly relate to investments made in government bonds with the aim of returning to a more balanced asset sensitivity structure.
Equity instruments are represented by stable equity investments. The UCITS units consist of closed-end real estate and investment funds.

4.2 Financial assets available for sale: breakdown by borrower/issuer

Description/Amounts	31.12.2014	31.12.2013
1. Debt securities	**6,450,037**	**6,151,225**
a) Government and Central Banks	4,780,108	5,181,399
b) Other public entities	-	-
c) Banks	1,456,521	829,579
d) Other issuers	213,408	140,247
2.Equity instruments	**341,951**	**406,507**
a) Banks	180,135	196,253
b) Other issuers:	161,816	210,254
- insurance companies	55,332	62,809
- financial companies	51,771	84,290
- non-financial companies	54,613	62,970
- other	100	185
3. UCITS units	**152,939**	**72,330**
4. Loans	**-**	**-**
a) Government and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other parties	-	-
Total	**6,944,927**	**6,630,062**

There are no equities issued by entities classified as non-performing or watchlist.

4.3 Micro-hedged financial assets available for sale

	31.12.2014	31.12.2013
1. Financial assets covered by specific fair value hedges	**-**	**-**
a) Interest rate risk	-	-
b) Price risk	-	-
c) Foreign exchange risk	-	-
d) Credit risk	-	-
e) Multiple risks	-	-
2. Financial assets covered by specific cash flow hedges	**271,680**	**378,502**
a) Interest rate risk	271,680	378,502
b) Foreign exchange risk	-	-
c) Other	-	-
Total	**271,680**	**378,502**

4.4 Financial assets available for sale: change in the period

	Debt securities	Equity instruments	UCITS units	Loans	31.12.2014
A. Opening balance	**6,151,225**	**406,507**	**72,330**	**-**	**6,630,062**
B. Increases	**6,760,803**	**22,043**	**97,924**	**-**	**6,880,770**
B.1 Purchases	6,217,565	8,462	94,157	-	6,320,184
B.2 Positive changes in fair value	195,420	460	3,292	-	199,172
B.3 Write-backs	-	-	-	-	-
- posted to income statement	-	#	-	-	-
- posted to shareholders' equity	-	-	-	-	-
B.4 Transfers from other portfolios	-	-	-	-	-
B.5 Other changes	347,818	13,121	475	-	361,414
C. Decreases	**6,461,991**	**86,599**	**17,315**	**-**	**6,565,905**
C.1 Sales	5,447,395	24,862	10,041	-	5,482,298
C.2 Repayments	764,819	455	3,227	-	768,501
C.3 Negative changes in fair value	2,378	55,167	3,672	-	61,217
C.4 Impairment write-downs	-	208	-	-	208
- posted to income statement	-	208	-	-	208
- posted to shareholders' equity	-	-	-	-	-
C.5 Transfers to other portfolios	-	-	-	-	-
C.6 Other changes	247,399	5,907	375	-	253,681
D. Closing balance	**6,450,037**	**341,951**	**152,939**	**-**	**6,944,927**

Section 5 – Financial assets held to maturity
Caption 50

5.1 Financial assets held to maturity: breakdown by sector

	31.12.2014				31.12.2013			
	BV	FV			BV	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	2,213,497	2,242,709	154,999	-	1,207,868	1,194,209	85,512	-
- Structured securities	-	-	-	-	-	-	-	-
- Other	2,213,497	2,242,709	154,999	-	1,207,868	1,194,209	85,512	-
2. Loans	-	-	-	-	-	-	-	-

The increase of € 1,005.6 million (+83.26%), mainly relating to government debt securities, is designed to support net interest income and reduce its exposure to interest rate fluctuations, still in a foreseeable scenario of exceptionally low risk-free rates for a long time to come.

Key

FV = fair value
BV = book value

5.2 Financial assets held to maturity: breakdown by issuer/borrower

Type of transaction/Amounts	31.12.2014	31.12.2013
1. Debt securities	**2,213,497**	**1,207,868**
a) Governments and Central Banks	1,501,136	810,095
b) Other public entities	9,973	-
c) Banks	529,313	387,165
d) Other issuers	173,075	10,608
2. Loans	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other entities	-	-
Total	**2,213,497**	**1,207,868**
Total fair value	**2,397,708**	**1,279,721**

5.4 Financial assets held to maturity: changes in the period

	Debt securities	Loans	31.12.2014
A. Opening balance	**1,207,868**	**-**	**1,207,868**
B. Increases	**1,203,162**	**-**	**1,203,162**
B.1 Purchases	1,142,038	-	1,142,038
B.2 Write-backs	-	-	-
B.3 Transfers from other portfolios	-	-	-
B.4 Other changes	61,124	-	61,124
C. Decreases	**197,533**	**-**	**197,533**
C.1 Sales	-	-	-
C.2 Repayments	127,584	-	127,584
C.3 Adjustments	-	-	-
C.4 Transfers to other portfolios	-	-	-
C.5 Other changes	69,949	-	69,949
D. Closing balance	**2,213,497**	**-**	**2,213,497**

Section 6 – Due from banks
Caption 60

6.1 Due from banks: breakdown by sector

Type of transaction/Amounts	Total 31.12.2014				Total 31.12.2013			
	BV	FV			BV	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Due from Central Banks	**119,094**	**-**	**-**	**119,094**	**180,065**	**-**	**-**	**180,065**
1. Restricted deposits	-	#	#	#	-	#	#	#
2. Reserve requirement	119,094	#	#	#	180,065	#	#	#
3. Repurchase agreements	-	#	#	#	-	#	#	#
4. Other	-	#	#	#	-	#	#	#
B. Due from banks	**1,590,204**	**-**	**135,579**	**1,450,281**	**1,407,716**	**-**	**204,733**	**1,192,988**
1. Loans	1,450,281	-	-	1,450,281	1,181,245	-	-	1,181,245
1.1. Current accounts and demand deposits	733,829	#	#	#	214,734	#	#	#
1.2. Restricted deposits	376,225	#	#	#	713,924	#	#	#
1.3. Other loans	340,227	#	#	#	252,587	#	#	#
- Repurchase agreements	31,735	#	#	#	-	#	#	#
- Finance leases	42	#	#	#	59	#	#	#
- Other	308,450	#	#	#	252,528	#	#	#
2. Debt securities	139,923	-	135,579	-	226,471	-	204,733	11,743
2.1 Structured securities	-	#	#	#	-	#	#	#
2.2 Other debt securities	139,923	#	#	#	226,471	#	#	#
Total	**1,709,298**	**-**	**135,579**	**1,569,375**	**1,587,781**	**-**	**204,733**	**1,373,053**

Key

FV = fair value
BV = book value

6.3 Finance leases

Finance lease instalments due: timing of instalments

Time bands	Present Value 31.12.2014	Present Value 31.12.2013
Up to 3 months	5	10
Between 3 months and 1 year	13	13
Between 1year and 5 years	24	36
Beyond 5 years	-	-
Total	**42**	**59**

Section 7 – Loans to customers
Caption 70

7.1 Loans to customers: breakdown by sector

Type of transaction/Values	31.12.2014					
	Book value			Fair value		
	Performing loans	Doubtful loans		L1	L2	L3
		Purchased	Other			
Loans	**37,004,014**	**-**	**6,523,797**	**-**	**-**	**47,566,239**
1. Current accounts	5,423,601	-	1,090,796	#	#	#
2. Repurchase agreements	122,893	-	-	#	#	#
3. Mortgage loans	21,478,910	-	3,416,977	#	#	#
4. Credit cards, personal loans and assignments of one-fifth of salary	1,230,310	-	72,385	#	#	#
5. Finance leases	2,237,009	-	561,322	#	#	#
6. Factoring	678,148	-	26,281	#	#	#
7. Other loans	5,833,143	-	1,356,036	#	#	#
Debt securities	**388,794**	**-**	**3,076**	**-**	**163,551**	**240,370**
8. Structured securities	-	-	-	#	#	#
9. Other debt securities	388,794	-	3,076	#	#	#
Total	**37,392,808**	**-**	**6,526,873**	**-**	**163,551**	**47,806,609**

Type of transaction/Values	31.12.2013					
	Book value			Fair value		
	Performing loans	Doubtful loans		L1	L2	L3
		Purchased	Other			
Loans	**39,846,816**	**-**	**6,398,253**	**-**	**-**	**46,862,660**
1. Current accounts	6,565,170	-	1,111,916	#	#	#
2. Repurchase agreements	47,395	-	-	#	#	#
3. Mortgage loans	22,228,585	-	3,329,929	#	#	#
4. Credit cards, personal loans and assignments of one-fifth of salary	1,277,847	-	68,110	#	#	#
5. Finance leases	2,353,863	-	571,561	#	#	#
6. Factoring	695,859	-	22,188	#	#	#
7. Other loans	6,678,097	-	1,294,549	#	#	#
Debt securities	**268,304**	**-**	**1,365**	**-**	**153,990**	**116,618**
8. Structured securities	-	-	-	#	#	#
9. Other debt securities	268,304	-	1,365	#	#	#
Total	**40,115,120**	**-**	**6,399,618**	**-**	**153,990**	**46,979,278**

The sub-caption "Other loans" of performing loans includes € 2,231 million of bullet loans (-24.17%), € 2,133 million of advances on invoices subject to collection (-5.99%), € 799 million of import/export advances (+1.01%), € 102 million of credit assignment (-23.88%) and € 568 million of other miscellaneous entries (+4.80%).

7.2 Loans to customers: breakdown by issuer/borrower

Type of transaction/Values	31.12.2014			31.12.2013		
	Performing loans	Doubtful loans		Performing loans	Doubtful loans	
		Purchased	Other		Purchased	Other
1. Debt securities	**388,794**	**-**	**3,076**	**268,304**	**-**	**1,365**
a) Governments	-	-	-	-	-	-
b) Other public entities	7,410	-	-	7,701	-	-
c) Other issuers	381,384	-	3,076	260,603	-	1,365
- non-financial companies	9,788	-	888	-	-	866
- financial companies	254,355	-	2,188	143,843	-	499
- insurance companies	117,241	-	-	116,760	-	-
- other	-	-	-	-	-	-
2. Loans to	**37,004,014**	**-**	**6,523,797**	**39,846,816**	**-**	**6,398,253**
a) Governments	1,591,704	-	-	1,513,505	-	-
b) Other public entities	363,524	-	6,745	419,511	-	466
c) Other parties	35,048,786	-	6,517,052	37,913,800	-	6,397,787
- non-financial companies	22,643,510	-	5,645,520	25,442,161	-	5,493,839
- financial companies	2,570,256	-	167,188	2,571,883	-	125,342
- Insurance companies	10,182	-	-	9,092	-	-
- other	9,824,838	-	704,344	9,890,664	-	778,606
Total	**37,392,808**	**-**	**6,526,873**	**40,115,120**	**-**	**6,399,618**

7.3 Loans to customers: hedged assets

	31.12.2014	31.12.2013
1. Loans subject to micro-hedging of fair value	**22,903**	**23,771**
a) Interest rate risk	22,903	23,771
b) Price risk	-	-
c) Foreign exchange risk	-	-
d) Credit risk	-	-
e) Other risks	-	-
2. Loans subject to micro-hedging of cash flow	**-**	**-**
a) Interest rate risk	-	-
b) Foreign exchange risk	-	-
c) Other	-	-
Total	**22,903**	**23,771**

7.4 Finance leases

Finance lease instalments due: timing of instalments

Time bands	Present Value 31.12.2014	Present Value 31.12.2013
up to 3 months	85,808	72,559
between 3 months and 1 year	198,552	212,152
between 1 year and 5 years	1,423,582	928,475
beyond 5 years	1,090,389	1,712,238
Total	**2,798,331**	**2,925,424**

Section 8 – Hedging derivatives
Caption 80

8.1 Hedging derivatives: breakdown by type and level

	FV 31.12.2014			NV	FV 31.12.2013			NV
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives	**-**	**36,744**	**-**	**1,346,458**	**-**	**3,751**	**-**	**480,605**
1) Fair value	-	36,357	-	1,288,958	-	3,319	-	473,105
2) Cash flows	-	387	-	57,500	-	432	-	7,500
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**36,744**	**-**	**1,346,458**	**-**	**3,751**	**-**	**480,605**

The cash flow hedge agreements have the following expiry dates: notional value of € 7.5 million in 2015 and € 50 million in 2021.
The related cash flows will impact the income statement up to the relevant expiration dates.

Key

FV = fair value
NV = notional value
L1 = Level 1
L2 = Level 2
L3 = Level 3

8.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge (book value)

Operation/Type of hedge	Fair value						Cash flows		Foreign investments
	Specific					General	Specific	General	
	Interest rate risk	Exchange risk	Credit risk	Price risk	Multiple risks				
1. Financial assets available for sale	-	-	-	-	-	-	387	-	-
2. Loans	-	-	-	-	-	-	-	-	-
3. Financial assets held to maturity	-	-	-	-	-	-	-	-	-
4. Portfolio	-	-	-	-	-	-	-	-	-
5. Other operations	-	-	-	-	-	-	-	-	-
Total assets	**-**	**-**	**-**	**-**	**-**	**-**	**387**	**-**	**-**
1. Financial liabilities	36,357	-	-	-	-	-	-	-	-
2. Portfolio	-	-	-	-	-	-	-	-	-
Total liabilities	**36,357**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Expected transactions	-	-	-	-	-	-	-	-	-
2. Portfolio of financial assets and liabilities	-	-	-	-	-	-	-	-	-

Section 9 – Remeasurement of financial assets backed by general hedges

Caption 90

There are no amounts in this section.

Section 10 – Equity investments
Caption 100

10.1 Equity investments: disclosure of holding

Name	Registered head office	Operational head office	Type of rela-tionship	Currency	Share capital	Nature of holding		% voting rights
						Parent company	% held	
A. Investments in companies under joint control								
B. Companies subject to significant influence								
1 Alba Leasing s.p.a.	Milan	Milan	8	Eur	357,953,058	B.P.E.R.	33.498	
2 Atriké s.p.a.	Modena	Modena	8	Eur	120,000	B.P.E.R.	45.000	
3 Banca della Nuova Terra s.p.a.	Milan	Milan	8	Eur	50,000,000	B.P.E.R.	30.369	
4 Brozzu e Cannas s.r.l. in liquidation	Sassari	Sassari	8	Eur	10,400	Adras	50.000	
5 Cassa di Risparmio di Fossano s.p.a.	Fossano	Fossano	8	Eur	31,200,000	B.P.E.R.	23.077	
6 Cassa di Risparmio di Saluzzo s.p.a.	Saluzzo	Saluzzo	8	Eur	33,280,000	B.P.E.R.	31.019	
7 Cassa di Risparmio di Savigliano s.p.a.	Savigliano	Savigliano	8	Eur	33,085,179	B.P.E.R.	31.006	
8 CAT Progetto Impresa Modena s.c.r.l.	Modena	Modena	8	Eur	90,000	B.P.E.R.	20.000	
9 CO.BA.PO Consorzio Banche Popolari dell'Emilia Romagna	Bologna	Bologna	8	Eur	17,734	B.P.E.R.	23.587	
10 Compagnia Finanziaria Olbia Produce s.r.l.	Sassari	Sassari	8	Eur	10,400	Adras	50.000	
11 CONFORM Consulenza Formazione e Management	Avellino	Avellino	8	Eur	200,000	B.P.E.R.	46.430	
			8			B. Sard.	2.980	
12 Emil-Ro Service s.r.l.	Bologna	Bologna	8	Eur	93,600	B.P.E.R.	16.667	
			8			Emil-Ro Factor	8.333	
13 Resiban s.p.a.	Modena	Modena	8	Eur	165,000	B.P.E.R.	20.000	
14 Sarda Factoring s.p.a.	Cagliari	Cagliari	8	Eur	9,027,079	B. Sard.	13.401	
			8			B.P.E.R.	8.083	
15 Sintesi 2000 s.r.l.	Milan	Milan	8	Eur	75,000	B.P.E.R.	33.333	
16 Sofipo Fiduciaire s.a.	Lugano	Lugano	8	Chf	2,000,000	B.P.E.R. Europe	30.000	
17 Unione Fiduciaria s.p.a.	Milan	Milan	8	Eur	5,940,000	B.P.E.R.	24.000	

The figure for share capital is provided as extra information as required by CONSOB Communication DEM/6064293 dated 28 July 2006.
The "% of voting rights" column is only filled in cases where the actual share of votes exercisable at the Ordinary Shareholders' Meeting is different from the share held in the company's share capital.

Key

Type of relationship
8 = associated company

10.2 Significant equity investments: book value, fair value and dividends received

Name	Book value	Fair value	Dividends received
A. Investments in companies under joint control			
B. Companies subject to significant influence			
1 Alba Leasing s.p.a.	133,577		-
2 Banca della Nuova Terra s.p.a.	12,822		-
3 Cassa di Risparmio di Fossano s.p.a.	43,164		665
4 Cassa di Risparmio di Saluzzo s.p.a.	28,326		-
5 Cassa di Risparmio di Savigliano s.p.a.	29,613		-
6 Sarda Factoring s.p.a.	2,039		-
7 Unione Fiduciaria s.p.a.	6,431		155
Total	**255,972**		**820**

See Part A of the Explanatory notes for an explanation of how these figures were calculated.

Equity investments are considered significant based on the materiality of total assets compared with the equivalent consolidated figure.

Other investments, which are not considered significant, are reported in Table 10.4.

10.3 Significant equity investments: accounting information

Name	Cash and cash equivalents	Financial assets	Non-financial assets	Financial liabilities	Non-financial liabilities	Total revenues	Net interest income
A. Investments in companies under joint control							
B. Companies subject to significant influence							
1 Alba Leasing s.p.a.	#	4,249,987	247,136	4,108,525	24,150	136,930	#
2 Banca della Nuova Terra s.p.a.	#	424,397	13,820	386,805	5,110	16,657	#
3 Cassa di Risparmio di Fossano s.p.a.	#	1,775,419	39,090	1,665,136	34,781	83,810	#
4 Cassa di Risparmio di Saluzzo s.p.a.	#	1,049,655	31,025	1,016,025	28,289	51,451	#
5 Cassa di Risparmio di Savigliano s.p.a.	#	1,282,313	44,313	1,295,089	36,617	54,629	#
6 Sarda Factoring s.p.a.	#	58,057	1,690	49,388	1,134	2,780	#
7 Unione Fiduciaria s.p.a.	#	39,541	16,258	21,912	8,644	31,025	#

(cont.)

Name	Net adjust-ments to property, plant and equip-ment and intangible assets	Profit (Loss) from current operations before tax	Profit (Loss) from current operations after tax	Profit (Loss) after tax on non-current assets held for sale	Net profit (loss) (1)	Other elements of income, net of income taxes (2)	Compre-hensive income (3)= (1)+(2)
A. Investments in companies under joint control							
B. Companies subject to significant influence							
1 Alba Leasing s.p.a.	#	(22,647)	(16,476)	-	(16,476)	160	(16,316)
2 Banca della Nuova Terra s.p.a.	#	(11,696)	(8,591)	-	(8,591)	83	(8,508)
3 Cassa di Risparmio di Fossano s.p.a.	#	19,376	11,897	-	11,897	5,870	17,767
4 Cassa di Risparmio di Saluzzo s.p.a.	#	(6,106)	(5,465)	-	(5,465)	1,882	(3,583)
5 Cassa di Risparmio di Savigliano s.p.a.	#	1,304	76	-	76	3,079	3,155
6 Sarda Factoring s.p.a.	#	41	3	-	3	-	3
7 Unione Fiduciaria s.p.a.	#	2,709	920	-	920	-	920

The balance sheet and income statement figures refer to the latest approved financial statements. For further information, please refer to the attachment entitled "Summary of key figures from the latest approved financial statements of significant investments".

Reconciliation of accounting information with the book value of significant equity investments as required by paragraph B14 b) IFRS 12

Name	Shareholders' equity	Attributable share	Goodwill (formerly positive/negative differences in shareholders' equity)	Book value
A. Investments in companies under joint control				
B. Companies subject to significant influence				
1 Alba Leasing s.p.a.	398,766	133,577	-	133,577
2 Banca della Nuova Terra s.p.a.	42,221	12,822	-	12,822
3 Cassa di Risparmio di Fossano s.p.a.	124,034	28,623	14,541	43,164
4 Cassa di Risparmio di Saluzzo s.p.a.	80,972	25,117	3,209	28,326
5 Cassa di Risparmio di Savigliano s.p.a.	80,070	24,826	4,787	29,613
6 Sarda Factoring s.p.a.	9,229	1,983	56	2,039
7 Unione Fiduciaria s.p.a.	32,332	7,760	(1,329)	6,431

For the values and parameters, see Part A.1 of these Explanatory notes, Section 3, Chapter 5 "Other information".
The goodwill relating to and included in the value of significant equity investments (formerly positive/negative differences in shareholders' equity) amounts to € 21,411 thousand. The residual amount, € 147 thousand, relates to Resiban s.p.a., not attributable to significant investments.
***Alba Leasing s.p.a.** was founded in 2010 on the initiative of some of the major Italian cooperative banks and is the fifth largest leasing company in Italy with more than 23,000 active customers all over the country. It is a company that specialises in finance leases, which are distributed by the BPER Group through its branch network.*
***Banca della Nuova Terra s.p.a.**, parent company of the Banca della Nuova Terra Group, is one of the main reference banks of the agro-industrial sector. Its activity focuses on medium-long term agricultural loans for the purchase, expansion or restructuring of companies. Its products are distributed through a network of member banks, including branches of the BPER Group.*
***Cassa di Risparmio di Fossano s.p.a.** is a Piedmontesecredit institution that offers a wide range of banking services.*
***Cassa di Risparmio di Saluzzo s.p.a.** promotes initiatives to protect and enhance the local environment in which it operates and focuses on a direct and personal relationship with customers.*
***Cassa di Risparmio di Savigliano s.p.a.**, active in Piedmont, aims to increase the spread of credit among small entrepreneurs, artisans and farmers.*
***Sarda Factoring s.p.a.** provides financing services and hedging of business risk to companies in Sardinia.*
was founded by a group of cooperative banks and offers trust services, consultancy, organisational and IT services for financial intermediaries.

10.4 Equity investments not considered significant: accounting information

Name	Book value of equity investments	Total assets	Total liabilities	Total revenues	Profit (Loss) from current operations after tax	Profit (Loss) after tax on non-current assets held for sale	Net profit (Loss) (1)	Other elements of income, net of income taxes (2)	Comprehensive income (3)= (1)+(2)
Investments in companies under joint control									
Companies subject to significant influence	**1,688**	**5,607**	**4,595**	**3,129**	**(600)**	**-**	**(600)**	**-**	**(600)**

10.5 Equity investments: changes in the period

	31.12.2014	31.12.2013
A. Opening balance	**250,970**	**269,094**
B. Increases	**13,041**	**29,864**
B.1 Purchases	-	25,501
B.2 Write-backs	-	-
B.3 Revaluation	-	-
B.4 Other changes	13,041	4,363
C. Decreases	**6,351**	**47,988**
C.1 Sales	-	30,698
of which: business combinations	-	29,268
C.2 Adjustments	3,508	12,658
C.3 Other changes	2,843	4,632
D. Closing balance	**257,660**	**250,970**
E. Total revaluations	**-**	**-**
F. Total adjustments	**154,310**	**150,802**

"Adjustments" refer to the impairment test carried out on Banca della Nuova Terra s.p.a. (€ 3,233 thousand) and Atriké s.p.a.(€ 4 thousand), and the write-downs of the investment in Brozzu e Cannas s.r.l. in liquidation (€ 105 thousand) and Sofipo Fiduciaire s.a. (€ 166 thousand).
Other changes include the Group's portions of the positive or negative results of affiliates and the consolidation entries under the equity method

Section 11 – Technical reserves carried by reinsurers

Caption 110

There are no amounts in this section.

Section 12 – Property, plant and equipment
Caption 120

12.1 Property, plant and equipment used for business purposes: breakdown of assets valued at cost

Description/Amounts	31.12.2014	31.12.2013
1. Assets owned	**731,841**	**730,630**
a) land	169,378	169,603
b) buildings	481,538	475,814
c) furniture	35,298	38,111
d) electronic systems	19,879	19,251
e) other	25,748	27,851
2. Assets purchased under finance leases	**4,091**	**4,225**
a) land	-	-
b) buildings	4,091	4,215
c) furniture	-	-
d) electronic systems	-	-
e) other	-	10
Total	**735,932**	**734,855**

The Group has opted to measure both assets used in the business and investment property at cost.

12.2 Investment property: breakdown of assets valued at cost

Description/Amounts	Total 31.12.2014				Total 31.12.2013			
	Book value	Fair value			Book value	Fair value		
		L1	L2	L3		L1	L2	L3
1 Assets owned	**292,999**	**-**	**-**	**323,353**	**287,575**	**-**	**-**	**326,925**
a) land	97,846	-	-	106,707	93,770	-	-	109,077
b) buildings	195,153	-	-	216,646	193,805	-	-	217,848
2. Assets purchased under finance leases	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
Total	**292,999**	**-**	**-**	**323,353**	**287,575**	**-**	**-**	**326,925**

12.5 Property, plant and equipment used in business: changes in the period

	Land	Buildings	Furniture	Electronic systems	Other	31.12.2014
A. Opening gross amount	**169,603**	**672,235**	**186,370**	**170,570**	**192,038**	**1,390,816**
A.1 Total net write-downs	-	192,206	148,259	151,319	164,177	655,961
A.2 Opening net amount	**169,603**	**480,029**	**38,111**	**19,251**	**27,861**	**734,855**
B. Increases	**3,665**	**40,273**	**5,044**	**7,604**	**6,844**	**63,430**
B.1 Purchases	-	7,945	4,502	7,604	6,091	26,142
B.2 Capitalised improvement expenditure	-	3,234	-	-	-	3,234
B.3 Write-backs	-	-	-	-	-	-
B.4 Positive changes in fair value posted to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive exchange rate adjustments	-	-	-	-	-	-
B.6 Transfer from properties held for investment	449	18,392	-	-	-	18,841
B.7 Other changes	3,216	10,702	542	-	753	15,213
C. Decreases	**3,890**	**34,673**	**7,857**	**6,976**	**8,957**	**62,353**
C.1 Sales	504	10,318	884	187	193	12,086
C.2 Depreciation	-	14,848	6,450	6,789	8,744	36,831
C.3 Impairment charges posted to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Negative changes in fair value posted to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange rate adjustments	-	-	-	-	-	-
C.6 Trasfer to:	2,888	6,526	-	-	-	9,414
a) property, plant and equipment held for investment	2,888	6,526	-	-	-	9,414
b) non-current assets held for sale	-	-	-	-	-	-
C.7 Other changes	498	2,981	523	-	20	4,022
D. Closing net balance	**169,378**	**485,629**	**35,298**	**19,879**	**25,748**	**735,932**
D.1 Total net write-downs	-	208,893	153,682	155,378	171,924	689,877
D.2 Closing gross amount	**169,378**	**694,522**	**188,980**	**175,257**	**197,672**	**1,425,809**

12.6 Investment property: changes in the period

	31.12.2014	
	Land	Buildings
A. Opening gross amount	**93,770**	**223,362**
A.1 Total net write-downs	-	29,557
A.2 Opening net amount	**93,770**	**193,805**
B. Increases	**7,820**	**35,833**
B.1 Purchases	4,800	26,320
B.2 Capitalised improvement expenditure	-	302
B.3 Positive changes in fair value	-	-
B.4 Write-backs	-	-
B.5 Exchange gains	-	-
B.6 Transfers from assets used in business	2,888	6,526
B.7 Other changes	132	2,685
C. Decreases	**3,744**	**34,485**
C.1 Sales	48	148
C.2 Depreciation	-	4,097
C.3 Negative changes in fair value	-	-
C.4 Impairment changes	-	2,837
C.5 Exchange losses	-	-
C.6 Transfers to other asset portfolios:	449	18,392
a) property used in business	449	18,392
b) non-current assets held for sale	-	-
C.7 Other changes	3,247	9,011
D. Closing net balance	**97,846**	**195,153**
D.1 Total net write-downs	-	46,254
D.2 Closing gross amount	**97,846**	**241,407**
E. Measured at fair value	**106,707**	**216,646**

As a result of impairment testing carried out in compliance with IAS 36, the carrying value of certain properties has been written down, recognising a loss of € 2,837 thousand.

Depreciation is calculated with reference to the estimated useful lives of the assets concerned, commencing from when they enter into service. The useful lives of the principal categories of property, plant and equipment are summarised below:

Category	Useful life
Land	not depreciated
Property	based on the useful lives identified from specific appraisals
Office furniture and machines	100 months
Furnishings	80 months
Lifting equipment	160 months
Motor vehicles	48 months
Alarm systems	40 months
IT hardware	60 months

Section 13 – Intangible assets
Caption 130

13.1 Intangible assets: breakdown by type

Description/Amounts	31.12.2014		31.12.2013	
	Limited duration	Unlimited duration	Limited duration	Unlimited duration
A.1 Goodwill	**#**	**380,416**	**#**	**380,416**
A.1.1 attributable to the Group	#	380,416	#	380,416
A.1.2 attributable to minority interests	#	-	#	-
A.2 Other intangible assets	**117,593**	**-**	**110,799**	**-**
A.2.1 Carried at cost:	117,593	-	110,799	-
a) Intangible assets generated internally	10	-	21	-
b) Other assets	117,583	-	110,778	-
A.2.2 Carried at fair value:	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**117,593**	**380,416**	**110,799**	**380,416**

"Other intangible assets" include € 16,000 thousand representing the value of the client relationships identified on final allocation of the purchase price paid for the former Unicredit branches and € 2,126 thousand representing the value of core deposits identified on final allocation of the purchase price for the acquisition of Cassa di Risparmio di Bra s.p.a. in February 2013. The useful life of both intangible assets is estimated as 18 years.
The remaining "Other intangible assets" mainly comprise applications software measured at cost and amortised on a straight-line basis over a period, not exceeding five years, that depends on the degree of obsolescence involved.
Details of the goodwill recorded in the consolidated financial statements is provided in table 13.3.1.

13.2 Intangible assets: changes in the period

	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		31.12.2014
		Lim.	Unilm.	Lim.	Unilm.	
A. Opening balance	**464,052**	**51**	**-**	**255,094**	**-**	**719,197**
A.1 Total net write-downs	83,636	30	-	144,316	-	227,982
A.2 Opening net amount	**380,416**	**21**	**-**	**110,778**	**-**	**491,215**
B. Increases	**-**	**-**	**-**	**33,698**	**-**	**33,698**
B.1 Purchases	-	-	-	33,626	-	33,626
B.2 Increases in intangible assets generated internally	#	-	-	-	-	-
B.3 Write-backs	#	-	-	-	-	-
B.4 Positive changes in fair value	-	-	-	-	-	-
- posted to shareholders' equity	#	-	-	-	-	-
- posted to income statement	#	-	-	-	-	-
B.5 Exchange gains	-	-	-	-	-	-
B.6 Other changes	-	-	-	72	-	72
C. Decreases	**-**	**11**	**-**	**26,893**	**-**	**26,904**
C.1 Sales	-	-	-	200	-	200
C.2 Adjustments	-	10	-	26,611	-	26,621
- Amortisation	#	10	-	26,611	-	26,621
- Write-downs	-	-	-	-	-	-
+ posted to shareholders' equity	#	-	-	-	-	-
+ posted to income statement	-	-	-	-	-	-
C.3 Negative changes in fair value	#	-	-	-	-	-
- posted to shareholders' equity	#	-	-	-	-	-
- posted to income statement	#	-	-	-	-	-
C.4 Transfer to non-current assets held for sale	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Other changes	-	1	-	82	-	83
D. Closing net balance	**380,416**	**10**	**-**	**117,583**	**-**	**498,009**
D.1 Total net value adjustments	83,636	40	-	157,766	-	241,442
E. Closing gross amount	**464,052**	**50**	**-**	**275,349**	**-**	**739,451**

All intangible assets are stated at cost.

Key

Lim. : finite useful life
Unilm. : indefinite useful life

13.3 Other information

13.3.1 Goodwill

The items of goodwill recorded in the financial statements are summarised in the following table:

Goodwill	31.12.2014	31.12.2013
1. Group companies	**380,416**	**349,884**
1.1 Banks	**91,734**	**156,080**
- Banca Popolare di Ravenna s.p.a. (*)	-	6,876
- Banca Popolare del Mezzogiorno s.p.a. (*)	-	6,124
- Banca della Campania s.p.a. (*)	-	51,346
- Banco di Sardegna s.p.a.	82,256	82,256
- Banca di Sassari s.p.a.	4,904	4,904
- Cassa di Risparmio di Bra s.p.a.	4,574	4,574
1.2 Parent Company BPER	**280,236**	**185,358**
- Purchase of UNICREDIT branches (***)	83,650	53,118
- Meliorbanca s.p.a.	104,685	104,685
- Banca CRV - Cassa di Risparmio di Vignola s.p.a.	2,272	2,272
- Banca Popolare di Lanciano e Sulmona s.p.a.	1,655	1,655
- Banca Popolare di Aprilia s.p.a.	10,151	10,151
- CARISPAQ - Cassa di Risparmio della Provincia dell'Aquila s.p.a.	13,477	13,477
- Banca Popolare di Ravenna s.p.a. (*)	6,876	-
- Banca Popolare del Mezzogiorno s.p.a. (*)	6,124	-
- Banca della Campania s.p.a. (*)	51,346	-
1.3 Other companies	**8,446**	**8,446**
- ABF Leasing s.p.a. (**)	-	1,657
- Sardaleasing s.p.a.	1,657	-
- Emilia Romagna Factor s.p.a.	6,769	6,769
- Estense Covered Bond s.r.l.	2	2
- Adras s.p.a.	18	18
2. Other goodwill	**-**	**30,532**
- Purchase of UNICREDIT branches (***)	-	30,532
Total	**380,416**	**380,416**

(*) absorbed by BPER on 24 November 2014.
(**) merged with Sardaleasing s.p.a. on 24 June 2014.
(***) of which Euro 30,532 relating to the former Banca Popolare del Mezzogiorno s.p.a., merged with BPER on 24 November 2014.

During the year, no business combinations were carried out that provided for the recognition of goodwill under assets.

IMPAIRMENT TEST

With reference to the general principles for the performance of impairment tests on goodwill recorded in the financial statements, as discussed in Part A of the Explanatory notes, account is taken herewith of the parameters used and the outcome of the measurement process in respect of the more significant components.

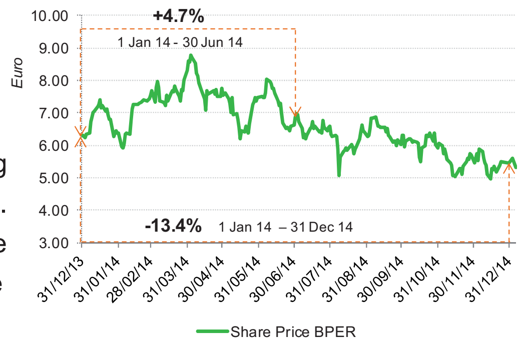
Testing for impairment is performed annually, normally during the preparation of the financial statements. If during the first half of the year there are signs that the assumptions used in the impairment tests carried out at the end of the previous year, suggesting that there may be a permanent loss in value (i.e. "impairment"), the tests are repeated using the updated information at the time that the consolidated interim financial report at 30 June is being prepared.

The economic and financial crisis and the national political situation continue to fuel the uncertainty that characterises the Italian system with negative repercussions in all fields; on the other hand, there appear to have materialised the first faint signs of recovery, though they are far from heralding a stable recovery. The state of the economy continues to evolve and is still predominantly negative on the domestic front, which is characterised by a high level of uncertainty as regards the economic outlook.

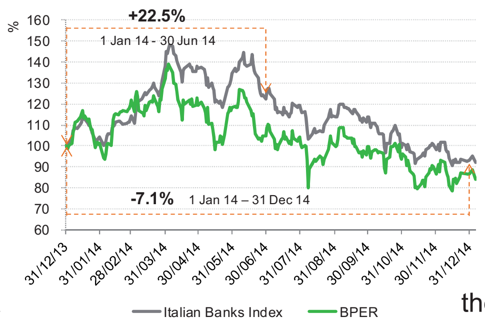
According to IAS 36, in determining whether an asset may be impaired, various external and internal indicators should be considered.

As regards external sources relevant for BPER's particular situation, we saw:

- an upward trend in BPER's share price in the first half of 2014 (at 30 June 2014 the stock had gained 4.7% since the beginning of the year), followed by a downward trend in the second half, possibly because of the increase in capital and the tensions and uncertainties relating to the stress tests being carried out by the European Central Bank. Indeed, at the end of December 2014, the share was 13.4%[26] down on the start of the year.



- As can be seen from the chart, the trend in BPER's share price has been broadly in line with the performance of the index of listed Italian banks (not including BPER), though it turned in a better performance than the index in the early part of the year (certain periods in January and February 2014). In line with the trend recorded by BPER's stock, the index at the end of June 2014 gained about 22.5% from the start of the year, followed by a negative trend in the second half, closing 2014 with an overall decline of 7.1%.

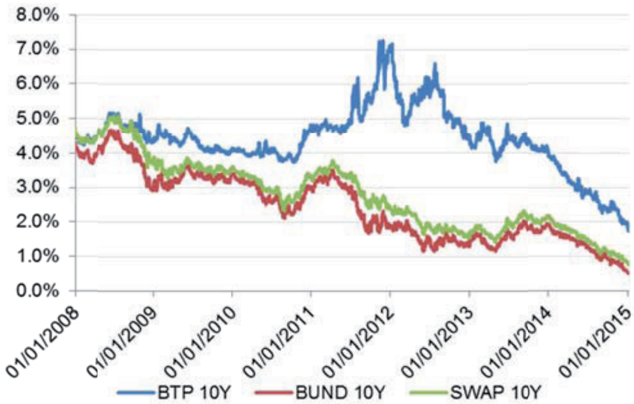


[26] *Source: Bloomberg Professional - Average daily price of BPER stock. The change at 30 June 2014 and 31 December 2014 is calculated on the price at 31 December 2013.*

- As already reported in previous years, in 2014, BPER's ratio of market capitalisation to shareholders' equity was in line with the average reported for listed Italian banks. In the course of 2014, BPER's capitalisation was consistently lower than its net equity, with the ratio rising in the first half due to high share prices, then falling in the third quarter compared with 31 December 2013, as can be seen from the table.

Share capital/ Book value of equity	31-Dec-13	30 Jun-14	30 Sept -14
UNICREDIT SPA	0.67x	0.75x	0.70x
INTESA SANPAOLO	0.66x	0.85x	0.87x
BANCA MONTE DEI PASCHI SIENA	0.34x	0.71x	0.50x
BANCO POPOLARE SCARL	0.30x	0.45x	0.42x
UBI BANCA SCPA	0.43x	0.56x	0.54x
BANCA POPOL EMILIA ROMAGNA	**0.58x**	**0.78x**	**0.60x**
BANCA POPOLARE DI MILANO	0.41x	0.66x	0.61x
BANCA CARIGE SPA	0.62x	1.08x	0.85x
CREDITO EMILIANO SPA	0.90x	0.97x	0.91x
PICCOLO CREDITO VALTELLINESE	0.33x	0.36x	0.40x
BANCA POPOLARE DI SONDRIO	0.67x	0.81x	0.64x
Average excluding BPER	**0.53x**	**0.72x**	**0.64x**

- As shown in the graph, the historical analysis of the trend in the yield on 10-year Italian government bonds and the equivalent yield on German government bonds with an equal duration has shown a rising gap between the two values since the second half of 2008. The yield on German government bonds has followed the same trend of 10-year swap rates. Both these last two rates can be considered risk free. The yield spread between Italian government bonds and the risk-free rate - an indication of the country risk attributable to Italy - after a marked increase between the second half of 2011 and the first half of 2012, gradually fell, reaching 130 bps at the end of 2014 compared with the German Bund and 110 bps compared with the swap rate.



The presence of signs that the assumptions made for impairment testing at the end of the previous year may no longer apply has been also analysed, particularly the assumptions used to calculate the discount rate (K_e) and profit forecast (budget and business plans) of the Companies or Cash Generating Units (CGUs) in question. With respect to internal indications, this year there was again a reduction in earnings caused by the ongoing economic downturn, characterised by a deterioration in credit quality, which had a significant impact on the results of the various entities.
In conclusion, even if there have been the first weak positive signals at macroeconomic level and country system, such as the stabilisation of the spread at the lowest level seen in four years and some indicators of positive growth, there is still a high degree of uncertainty that has been reflected in the profitability of companies and business units of the entire Group.
Accordingly, impairment tests have been performed on the carrying amounts of goodwill, as required by international accounting standards.

Goodwill to be tested

According to IAS 36, impairment tests should be performed by comparing the book value of an asset with its recoverable amount, whereby the recoverable amount is the higher of its net selling price and its value in use. When the recoverable amount of an individual asset cannot be measured, the recoverable amount of the CGU to which the asset belongs should be estimated. A

CGU is the smallest group of assets that generates cash inflows in an autonomous manner. Since goodwill is not an asset that generates cash inflows autonomously, the CGUs benefiting from the goodwill arising from a business combination should be identified for the purposes of impairment testing and the goodwill should be allocated to these CGUs.
To test for impairment, goodwill arising from a business combination - i.e. the difference between the net fair value of assets acquired and purchase price paid - should be allocated, at the acquisition date, to each cash generating unit of the purchaser, or groups of cash generating units, which are expected to benefit from the synergies from the combination, irrespective of whether other assets or liabilities of the business acquired are assigned to those units or groups of units.

Due to the characteristics of the individual entities (small/medium-sized local banks, focused mainly on retail activities), BPER Group’s federal model (organised by geographical area) is gradually being superseded, though in the meantime it still governs the segment reporting system (based on individual Legal Entities), with each bank being identified as a separate CGU. The goodwill recorded in the consolidated balance sheet at 31 December 2014, which refers to each of the subsidiaries, was tested with reference to the cash flows potentially distributable by each entity to which the goodwill has been allocated.

Bank	Goodwill
BPER	280.2
CR Bra s.p.a.	4.6
Banco di Sardegna s.p.a.	82.3
Banco di Sassari s.p.a. (held by BPER)	4.9

Amounts in millions of Euro

We would also point out that, based on the Group's strategic guidelines, various Group banks were merged with the Parent Company BPER in 2014, following the absorption of Meliorbanca s.p.a. in 2012, giving rise to total goodwill in the Parent Company's separate financial statements of Euro 280.2 million.
From an accounting point of view, the mergers resulted in the transfer of the assets and liabilities of the absorbed companies to BPER's separate financial statements and the resulting effect was thus a transfer from the consolidated financial statements to the separate financial statements of the goodwill pertaining to the former subsidiaries. For this reason, the goodwill recorded in BPER's separate financial statements has increased, given that it includes, in addition to the goodwill pertaining to the former UNICREDIT branches and CR Vignola s.p.a., the goodwill pertaining to the entities absorbed in 2013 and 2014.
Given that the absorbed Legal Entities have ceased to exist, the reporting system is that of BPER and, accordingly, the impairment test was carried out on the entire amount of goodwill, taking account of preliminary and forecast results and financial position for the surviving company that absorbed the various entities.

Measurement methodology

In the absence of comparable market transactions that would allow the identification of a reliable net selling price, recoverable value was determined based on value in use, estimated by discounting future cash flows.

The valuation method proposed by IAS 36 is that which is known as the Discounted Cash Flow (DCF) method. This method estimates the value in use of an asset by discounting the expected cash flows, determined on the basis of financial projections for the asset being valued. In the case of banks and financial institutions in general, free cash flow means distributable cash flow taking account of capital restrictions imposed by the Regulatory Authorities or considered reasonable for the coverage of risk that is typical for the asset in question. Accordingly, future cash flows are identifiable as flows that could potentially be distributed after meeting the minimum constraints for allocation of capital. In the specific case of financial institutions, the relevant valuation method is the Dividend Discount Model or Excess Capital Method, represented by the following formula:

$$W = \sum_{i=0}^{n} CF_i (1 + k_e)^{-i} + TV(1 + k_e)^{-n}$$

where:

W	*= value in use*
CF_i	*= cash flow available for distribution over time i*
i	*= reference year of cash flow*
n	*= period of time covered by the financial projections*
K_e	*= discount rate*
TV	*= terminal value: this corresponds to the present value of a perpetuity calculated on the basis of a cash flow sustainable in the long term with a constant growth rate of g.*

Discount rate for cash flows

Value in use is estimated by discounting cash flows at a rate that considers the current market rates relating to both the element of time value and country risk, as well as specific risks related to the asset in question.

The discount rate was estimated using the Capital Asset Pricing Model (CAPM). The CAPM expresses a linear relationship in terms of market balance between the return on an investment and its systematic risk. In detail, the return on an investment is calculated as the sum of the risk-free rate (expression of the time value of money) and the premium for the average risk recognised by the market for the company being valued.

The discount rate was estimated as 8.63%, considering the following parameters:

- Risk free rate: this represents the time value of money corresponding to the return on a risk-free investment usually represented by government bonds. The general structure of the CAPM refers to a risk-free rate, but makes no reference to the period of time to be considered. The approach that prevailed for the valuation process was to select a rate of return on long-term government bonds (generally 10-year bonds). As shown in the graph of the trend in yields on Italian and German government bonds mentioned previously, in the latter period the yield on Italian government bonds reduced the gap compared with German government bonds, which are considered risk free securities because of their characteristics, showing a trend that highlights a condition of sufficient stability to consider averages over short periods, but not yet precise period-end observations given their volatility, even though it is much reduced. For this reason, the 3-month average yield on 10-year BTPs has been taken into consideration.
- Equity Market Premium (EMP): the market risk premium is the difference between the return on a diversified portfolio of risky investments available on the market and the yield on a risk-free bond. It should be borne in mind that the risk premium is generally associated with the long-term. Since this represents, in fact, the additional return over the risk free rate that an investor requires to invest in a portfolio of risky assets, it should not be linked to short-term market fluctuations. Specifically, we used a market risk premium based on the national context, as used in valuations by various operators and confirmed

by the estimates shown in recent broker reports. We used an EMP of 5.50%, 50 bps higher than the previous year, partly to compensate for the reduction in the risk free rate.

- Beta: specific investment risk. A beta expresses the correlation between the return on a single risky investment and the return on a market portfolio. A coefficient equal to one indicates that the investment being considered follows the exact trend of the market portfolio, while a beta greater than one identifies an "aggressive" investment, the yield of which may vary to a greater extent than that on the market return. A beta lower than one corresponds to a "defensive" investment; in this case variations in the investment yield are less sensitive. In this specific case, what has been used is an average beta taken from a sample of small-medium sized banks focused mainly on traditional retail banking, over an observation period that eliminates or limits any particular fluctuations.

The following table provides a comparison with the discount rate used for impairment tests at previous year ends.

Discount rate	Dec-12	Dec-13	Dec-14
Risk free rate	5.47%	4.33%	2.35%
Equity risk premium	5.00%	5.00%	5.50%
Beta	0.86	1.00	1.14
Cost of capital	**9.77%**	**9.34%**	**8.63%**

Prospective cash flows

The Dividend Discount Model is based on prospective cash flows with reference to projections for a 5 year period comprised of three stages:

- 2014 - preliminary consolidated and individual figures for each subsidiary bank;
- 2015-2017 - financial forecasts prepared on the basis of estimates provided by the Banks from an inertial point of view (with adjustments reflecting the figures in the Plan), used in developing the 2015-2017 Strategic Plan;
- 2018-2019 – for these years, the financial projections were developed in a context of inertial growth in order to identify sustainable long-term normalised income.

The Terminal Value has been estimated by considering a normalised flow generated by income in the last year of the projections, net of physiological capital absorption and by applying a nominal growth rate of 2%, substantially in line with expected long-term inflation.
Distributable cash flows were calculated assuming a Common Equity Tier I target in line with the latest Supervisory Provisions.
The tables below show the average growth rate assumptions for deposits and profitability indicators in respect of the projections used to estimate the value in use.

Bank	CAGR 2014-2019			Profitability ratios to 2019		
	Loans	Direct deposits	Indirect deposits	Net interest and other banking income/ V.H.	Net adjustments to loans	Operating costs/ V.H.
BPER	0.43%	1.37%	3.26%	1.50%	0.65%	0.90%
CR Bra s.p.a.	5.90%	2.48%	0.16%	1.72%	0.80%	0.62%
Banco di Sardegna s.p.a.	1.41%	0.23%	3.00%	1.73%	0.60%	1.15%
Banco di Sassari s.p.a.	2.80%	0.13%	3.00%	3.13%	0.65%	2.14%

VH = Volumes handled (loans+total deposits)

Results of impairment tests

An impairment tests requires a comparison between the recoverable amount of the CGU to which goodwill has been allocated and its carrying amount.

More specifically, the carrying amount was calculated as the sum of the portion of shareholders' equity at 31 December 2014 in proportion to the investment held and goodwill recorded in the consolidated financial statements attributable to each individual bank.

With regard to the goodwill recognised in the Parent Company's separate financial statements, the carrying amount was calculated as the sum of BPER's estimated shareholders' equity at 31 December 2014, inclusive of the impact of the absorption of various entities.

In accordance with applicable accounting standards, goodwill must be adjusted when the carrying amount of the CGU to which it has been allocated exceeds the recoverable amount, which in this case is assumed to be equal to the value in use.

The following table compares goodwill with the delta between the value in use of the CGU and its book value. The difference is higher than the goodwill, so the test did not indicate any need to record impairment losses at the reporting date.

Bank	Goodwill	Value in use of the CGU	Book value of the CGU	Difference
BPER	280.2	5,266.4	4,764.7	501.7
CR Bra s.p.a.	4.6	79.8	51.6	28.2
Banco di Sardegna s.p.a.	82.3	709.8	666.2	43.6
Banco di Sassari s.p.a. (BDS)	4.9	291.3	199.2	92.1
Total Group banks	372.0	6,347.3	5,681.7	665.6

Amounts in millions of Euro

In addition, the wide margin found for CR Bra s.p.a. makes it possible to confirm the value of specific intangibles with a finite life identified following the Purchase Price Allocation.

Sensitivity analysis

It should be noted that the principal parameters utilised in the measurement model, such as cash flow and discount rate, can be influenced, even significantly, by developments in the general economic environment, especially in the current situation of market volatility and of uncertainty as to future economic prospects. The effect that these changes could have on cash flow projections and on the main financial assumptions applied could therefore render future results substantially different from those presented in these financial statements.

For this reason, it was considered useful to perform sensitivity analysis to assess the impact on the value estimates and therefore on the results of the impairment test, of changes in the key parameters on which the valuation model was based. In particular, changes in the discount rate and normalised cash flow for the last period of the projections (used to estimate the terminal value) were considered alternately until the changes resulted in the value in use equalling the carrying amount, as reported in the following table.

Bank	Ke limit rate	Reduction of final flow
BPER	9.89%	-21.90%
CR Bra s.p.a.	10.89%	-33.30%
Banco di Sardegna s.p.a.	9.76%	-19.80%
Banco di Sassari s.p.a.	16.40%	-74.50%

Second level impairment test

When the market capitalisation is lower than the carrying amount of equity, it is useful to perform a second level impairment test, even if there are costs not allocated to the individual CGUs and corporate assets; this is done to support the reasonableness of the results achieved with the impairment test carried out on the individual CGUs to which goodwill has been allocated.

The second level impairment test makes it possible to compare the estimated value in use at a consolidated level with the Group's equity resulting from the preliminary figures at 31 December 2014.

In line with the first level impairment test, the valuation method used is the Dividend Discount Model, assessing the Group as a single CGU. This approach is preferable when there are consolidated economic projections and in the presence of a Group with various lines of business that are reasonably similar in nature.

Estimates of potentially distributable cash flows were based on consolidated financial projections and then the excess/deficit with respect to Basel 3 capital requirements was added/subtracted and applied to the specific case on the basis of the indications coming from the Supervisory Authority; more specifically, starting with the Group's estimated shareholders' equity at 31 December 2014, a Common Equity Tier I capital of 9% was considered in view of the ECB's decision for the BPER Group regarding minimum limits of CET1 ratio, which are reported in detail in other parts of these consolidated financial statements.

The estimated cash flows were discounted at a rate of 10.32%. This rate was estimated using the beta of the BPER Group equal to 1.45, while all other parameters were considered equal to those used to estimate the discount rate used in the impairment test of the individual CGUs. The use of a different rate is justified by the fact that the BPER Group as a whole represents a higher systemic risk than a banking entity with strong roots in a limited geographical area and focused mainly on traditional activities aimed at retail customers.

On the basis of these assumptions, the value in use of the entire BPER Group, Euro 5,001.8 million, is higher than the carrying amount of Euro 4,798.5 million by Euro 203.3 million, which confirms that there has been no impairment of the overall goodwill of Euro 380.4 million recorded in the consolidated financial statements.

A sensitivity analysis was also performed, alternating changes in the discount rate and normalised cash flow for the last period of the projections (used to estimate the Terminal Value) until the changes resulted in the BPER Group's value in use equalling the carrying amount. The sensitivity analysis highlights the following:

Bank	Ke limit rate	Reduction of final flow
BPER Group	10.82%	-8.70%

Section 14 – Tax assets and liabilities
Asset caption 140 and liability caption 80

14.1 Deferred tax assets: breakdown

	IRES	IRAP	Total
Adjustments to loans to customers	777,658	59,881	837,539
Write-downs of equity investments and securities	17,604	5,196	22,800
Goodwill	150,292	30,383	180,675
Personnel provisions	59,196	-	59,196
Endorsement credits, revocatory action during bankruptcy proceedings and outstanding lawsuits	52,590	3,788	56,378
Depreciation of property, plant and equipment and amortisation of intangible assets	9,210	580	9,790
Other deferred tax assets	12,378	577	12,955
Total	**1,078,928**	**100,405**	**1,179,333**

14.2 Deferred tax liabilities: breakdown

	IRES	IRAP	Total
Gains on disposal of lines of business	2,963	-	2,963
Gains from the sale of shares and bonds	53,490	14,636	68,126
Equity investments	476	176	652
Payroll costs	2,076	-	2,076
Other deferred tax liabilities	35,418	4,296	39,714
Total	**94,423**	**19,108**	**113,531**

14.3 Changes in deferred tax assets (with contra-entry to income statement)

	31.12.2014	31.12.2013
1. Opening balance	**999,418**	**804,420**
2. Increases	**273,935**	**292,619**
2.1 Deferred tax assets recognised during the year	271,119	288,926
a) relating to prior years	-	-
b) due to changes in accounting policies	-	-
c) write-backs	-	-
d) other	271,119	288,926
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	2,816	3,693
of which: business combinations	-	3,529
3. Decreases	**149,786**	**97,621**
3.1 Deferred tax assets derecognised during the year	136,516	59,636
a) reversals	135,098	57,955
b) written down as no longer recoverable	-	-
c) due to changes in accounting policies	-	-
d) other	1,418	1,681
3.2 Reduction in tax rates	-	-
3.3 Other decreases	13,270	37,985
a) transformation of tax credits referred as per L. 214/2011	3,499	2,573
b) other	9,771	35,412
4. Closing balance	**1,123,567**	**999,418**

14.3.1 Changes in deferred tax assets as per Law 214/2011 (with contra-entry to income statement)

	31.12.2014	31.12.2013
1. Opening balance	**893,224**	**715,316**
2. Increases	**239,958**	**249,200**
3. Decreases	**115,026**	**71,292**
3.1 Reversals	104,022	32,574
3.2 Transformations into tax credits	3,499	2,573
a) arising from losses	3,499	2,000
b) arising from tax losses	-	573
3.3 Other decreases	7,505	36,145
4. Closing balance	**1,018,156**	**893,224**

The transformation mentioned in point 3.2.a) was made in light of the provisions of Decree Law 225/2010, converted with amendments into Law 10/2011. In particular, article 2, paragraphs 55-56, provides that in the event of a loss for the year, deferred tax assets recorded in the financial statements relating to adjustments to loans as well as those relating to goodwill and other intangible assets (DTA) are transformed into a tax credit. The transformation runs from the date of approval of the financial statements and takes place for an amount equal to the loss for the year multiplied by the ratio between the DTA and net equity before the loss for the year. With effect from the tax period of transformation, negative components corresponding to the DTA transformed into tax credits are not deductible.
Law 214/2011 also introduced the provision of transformation of DTA into tax credits also in the event of a tax loss for IRES purposes.
Subsequently, Law 214/2013 (Stability Law 2014) extended the conversion of IRAP DTA relating to the impairment of loans and the value of goodwill and other intangible assets, also in the case of "negative net value of production".
The rules mentioned above therefore ensure the recovery of the DTA in the case of a loss in the statutory accounts, even if a tax loss is recorded, explaining the reasons that justify full recognition in the balance sheet.
The residual DTA, of € 161.2 million, represent assets whose recovery is linked to the presence of future taxable income. In this regard it should be noted that the tax consolidation with BPER as consolidator has never presented a negative result over the past years and the minor companies excluded from the tax consolidation do not report deferred tax assets on tax losses carried forward if they are showing losses for tax purposes. The 2015-2017 Business Plan also confirmed the forecast of future taxable income.

14.4 Changes in deferred tax liabilities (with contra-entry to income statement)

	31.12.2014	31.12.2013
1. Opening balance	**28,554**	**29,547**
2. Increases	**2,390**	**3,633**
2.1 Deferred tax liabilities recognised during the year	2,176	2,922
a) relating to prior years	111	22
b) due to change in accounting policies	-	-
c) other	2,065	2,900
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	214	711
of which: business combinations	-	711
3. Decreases	**5,090**	**4,626**
3.1 Deferred tax liabilities derecognised during the year	3,756	3,816
a) reversals	1,857	1,709
b) due to change in accounting policies	-	-
c) other	1,899	2,107
3.2 Reduction in tax rates	-	-
3.3 Other decreases	1,334	810
4. Closing balance	**25,854**	**28,554**

14.5 Changes in deferred tax assets (with contra-entry to shareholders' equity)

	31.12.2014	31.12.2013
1. Opening balance	**39,160**	**39,163**
2. Increases	**25,742**	**8,284**
2.1 Deferred tax assets recognised during the year	16,773	8,024
a) relating to prior years	-	-
b) due to changes in accounting policies	-	-
c) other	16,773	8,024
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	8,969	260
3. Decreases	**9,136**	**8,287**
3.1 Deferred tax assets cancelled during the year	8,505	7,805
a) reversals	8,475	7,346
b) written down as no longer recoverable	-	-
c) due to changes in accounting policies	-	-
d) other	30	459
3.2 Reduction in tax rates	-	-
3.3 Other decreases	631	482
4. Closing balance	**55,766**	**39,160**

14.6 Changes in deferred tax liabilities (with contra-entry to shareholders' equity)

	31.12.2014	31.12.2013
1. Opening balance	**93,914**	**93,653**
2. Increases	**72,227**	**42,536**
2.1 Deferred tax liabilities recognised during the year	53,651	39,106
a) relating to prior years	-	-
b) due to change in accounting policies	-	-
c) other	53,651	39,106
2.2 New taxes or increase in tax rates	-	-
2.3 Other increases	18,576	3,430
3. Decreases	**78,464**	**42,275**
3.1 Deferred tax liabilities cancelled during the year	18,767	42,272
a) reversals	18,765	42,171
b) due to change in accounting policies	-	-
c) other	2	101
3.2 Reduction in tax rates	-	-
3.3 Other decreases	59,697	3
4. Closing balance	**87,677**	**93,914**

Section 15 – Non-current assets and disposal groups held for sale and associated liabilities

Asset caption 150 and liability caption 90

15.1 Non-current assets and disposal groups classified as held for sale: breakdown by asset type

	31.12.2014	31.12.2013
A. Individual assets		
A.1 Financial assets	-	-
A.2 Equity investments	-	-
A.3 Property, plant and equipment	2,817	2,817
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total A	**2,817**	**2,817**
of which valued at cost	2,817	2,817
of which valued at fair value level 1	-	-
of which valued at fair value level 2	-	-
of which valued at fair value level 3	-	-
B. Assets groups classified as held for sale		
B.1 Financial assets held for trading	-	-
B.2 Financial assets designated at fair value through profit and loss	-	-
B.3 Financial assets available for sale	-	-
B.4 Financial assets held to maturity	-	-
B.5 Due from banks	-	-
B.6 Loans to customers	-	-
B.7 Equity investments	-	-
B.8 Property, plant and equipment	-	-
B.9 Intangible assets	-	-
B.10 Other assets	-	-
Total B	**-**	**-**
of which valued at cost	-	-
of which valued at fair value level 1	-	-
of which valued at fair value level 2	-	-
of which valued at fair value level 3	-	-

	31.12.2014	31.12.2013
C. Liabilities associated with individual assets held for sale		
C.1 Payables	-	-
C.2 Securities	-	-
C.3 Other liabilities	-	-
Total C	**-**	**-**
of which valued at cost	-	-
of which valued at fair value level 1	-	-
of which valued at fair value level 2	-	-
of which valued at fair value level 3	-	-
D. Liabilities associated with groups of assets held for sale		
D.1 Due to banks	-	-
D.2 Due to customers	-	-
D.3 Debt securities in issue	-	-
D.4 Financial liabilities held for trading	-	-
D.5 Financial liabilities designated at fair value through profit and loss	-	-
D.6 Provisions	-	-
D.7 Other liabilities	-	-
Total D	**-**	**-**
of which valued at cost	-	-
of which valued at fair value level 1	-	-
of which valued at fair value level 2	-	-
of which valued at fair value level 3	-	-

Pursuant to IFRS 5, the assets reclassified to this caption are those for which an approved disposal plan was in place and negotiations with potential buyers were at an advanced stage at the balance sheet date.
For the current year, this item includes a property belonging to the Parent Company.

Section 16 – Other assets
Caption 160

16.1 Other assets: breakdown

	31.12.2014	31.12.2013
Taxes withheld on interest, withholdings and tax credits on dividends, advance taxation	113,614	75,199
Amounts recoverable from the tax authorities for higher taxes paid for previous years and related accrued interest	11,387	19,727
Sundry amounts to be charged to customers	484,633	466,686
Bank charges to be debited to customers or banks	53,333	50,412
Cheques being processed	6,619	6,511
Cheques drawn on other banks	116,465	136,679
Items relating to securities transactions	23,191	69,030
Items in transit with branches	304	371
Leasehold improvement expenditure	15,410	19,230
Gold, silver and precious metals	236	236
Accrued income and prepaid expenses	33,688	34,846
Other items for sundry purposes	226,853	226,566
Total	**1,085,733**	**1,105,493**

BPER has recorded as "Other items for sundry purposes" receivable positions, acquired following the absorption of Banca della Campania s.p.a., totalling € 3.4 million that originated from payments made to third parties on the basis of court orders; action is currently being taken for their recovery. For each of these issues, we have checked that collection is "virtually certain", as required by IAS 37. Recognition of these items has been the subject of specific approval by the Board of Directors, as well as by the Board of Statutory Auditors and Independent Auditors.

LIABILITIES AND SHAREHOLDERS' EQUITY

Section 1 – Due to banks
Caption 10

1.1 Due to banks: breakdown by type

Type of transaction/Members of the group	31.12.2014	31.12.2013
1. Due to Central Banks	**3,395,954**	**4,608,359**
2. Due to banks	**3,083,604**	**3,212,360**
2.1 Current accounts and demand deposits	340,943	318,538
2.2 Restricted deposits	64,689	68,335
2.3 Loans	2,675,571	2,789,372
2.3.1 Repurchase agreements	2,069,389	2,186,226
2.3.2 Other	606,182	603,146
2.4 Payables for commitments to repurchase own equity instruments	-	-
2.5 Other payables	2,401	36,115
Total	**6,479,558**	**7,820,719**
Fair value - level 1	-	-
Fair value - level 2	-	-
Fair value - level 3	6,479,558	7,820,719
Total fair value	**6,479,558**	**7,820,719**

The net interbank position is negative for € 4,770 million. The Directors' Report on Group Operations provides further details on this.

Section 2 – Due to customers
Caption 20

2.1 Due to customers: breakdown by sector

Type of transaction/Members of the group	31.12.2014	31.12.2013
1. Current accounts and demand deposits	27,487,204	26,180,264
2. Restricted deposits	2,968,817	3,739,385
3. Loans	2,780,795	2,941,623
3.1 repurchase agreements	1,062,767	1,370,635
3.2 other	1,718,028	1,570,988
4. Payables for commitments to repurchase own equity instruments	-	-
5. Other payables	727,443	820,175
Total	**33,964,259**	**33,681,447**
Fair value - level 1	-	-
Fair value - level 2	-	-
Fair value - level 3	33,964,259	33,681,447
Total fair value	**33,964,259**	**33,681,447**

2.5 Finance lease payables

Total minimum future payments for lease transactions

Time bands	Present Value 31.12.2014	Present value 31.12.2013
Up to 3 months	33	34
Between 3 months and 12 months	103	105
Between 1 and 5 years	610	589
Beyond 5 years	371	534
Total	**1,117**	**1,262**

Section 3 – Debt securities in issue
Caption 30

3.1 Debt securities in issue: breakdown by sector

Type of security/Amounts	31.12.2014				31.12.2013			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. Bonds	6,619,068	1,116,003	5,680,376	-	6,822,047	765,255	6,133,839	-
1.1 structured	50,510	-	50,902	-	9,224	-	9,177	-
1.2 other	6,568,558	1,116,003	5,629,474	-	6,812,823	765,255	6,124,662	-
2. Other securities	3,899,194	-	-	3,899,194	3,364,643	-	-	3,364,643
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	3,899,194	-	-	3,899,194	3,364,643	-	-	3,364,643
Total	**10,518,262**	**1,116,003**	**5,680,376**	**3,899,194**	**10,186,690**	**765,255**	**6,133,839**	**3,364,643**

Bonds include subordinated bonds issued by the Group totalling € 698,379 thousand, as analysed in table 3.2 below.
The "Level 3" column of point 2.2 reports the nominal value of certificates of deposit, the fair value of which has not been disclosed since these are short-term transactions.
Embedded derivatives that satisfy the conditions laid down in IAS 39 at the issue date for separation from the host contract at 31 December 2014 show a net negative fair value of € 4,028 thousand, recorded in liability caption 40.

3.2 Analysis of caption 30 "Debt securities in issue": subordinated securities

	Book value 31.12.2014	Nominal value 31.12.2014	Book value 31.12.2013	Nominal value 31.12.2013
B.P.E.R. subordinated convertible bond 2.75%, 2001-2013	-	-	31,660	31,233
B.P.L.S. subordinated convertible bond 4.50%, 2008-2013	-	-	804	-
Total convertible bonds	**-**	**-**	**32,464**	**31,233**
EMTN B.P.E.R. subordinated non-convertible bond floating rate 3-month Euribor +100 bps, 2006-2016	67,750	67,766	74,553	74,596
EMTN B.P.E.R. subordinated non-convertible bond floating rate 3-month Euribor +95 bps, 2007-2017	156,466	156,301	171,936	171,737
Lower Tier II B.P.E.R. subordinated non-convertible bond floating rate 3-month Euribor +130 bps, 2008-2014	-	-	19,990	20,000
Lower Tier II B.P.E.R. subordinated non-convertible bond 4.75%, 2012-2018	319,693	320,000	400,065	400,000
Lower Tier II B.P.E.R. subordinated non-convertible bond 5.81%, 2013-2020	12,565	11,945	12,565	11,945
Cassa di Risparmio di Bra s.p.a. floating-rate subordinated bond 2008-2015 nom. 10,000,000	9,853	9,847	9,893	9,923
Cassa di Risparmio di Bra s.p.a. fixed-rate Lower Tier II subordinated bond 2010-2017 amortising 4%	6,062	5,966	8,073	7,946
Cassa di Risparmio di Bra s.p.a. fixed-rate Lower Tier II subordinated bond 2011-2021 amortising nom. 7,000,000	7,031	6,945	6,995	6,915
Cassa di Risparmio di Bra s.p.a. subordinated bond 2012-2020 amortising 5.25%	5,117	5,000	5,100	5,000
Cassa di Risparmio di Bra s.p.a. floating-rate irredeemable Tier I subordinated bond	-	-	10,004	10,000
Lower Tier II CARISPAQ subordinated non-convertible bond floating rate, 2010-2020	4,273	4,250	4,275	4,250
Total non convertible bonds	**588,810**	**588,020**	**723,449**	**722,312**
Lower Tier II B.P.E.R. subordinated non-convertible bond floating rate 3-month Euribor +130 bp, 2008-2014 floating rate V tranche	20,069	20,000	-	-
Lower Tier II B.P.E.R. subordinated non-convertible bond 4.75%, 2012-2018 I tranche	89,500	80,000	-	-
Total expired non-convertible bonds (*)	**109,569**	**100,000**	**-**	**-**
Total bonds	**698,379**	**688,020**	**755,913**	**753,545**

(*)Tranches of loans maturing 31 December 2014 for which accounting confirmation from ICBPI (Istituto Centrale delle Banche Popolari Italiane s.p.a.) was received on 2 January 2015.

On 19 December 2014, Cassa di Risparmio di Bra s.p.a. issued a subordinated Lower Tier II bond with amortisation and call option at a fixed rate of 5.30%, for € 13 million, fully subscribed by the Parent Company.
In December 2014, the Parent Company acquired the entire floating rate irredeemable Tier I bond, issued by Cassa di Risparmio di Bra s.p.a. in March 2012, directly from the subscriber.

3.3 Analysis of caption 30 "Debt securities in issue": micro-hedged securities

	31.12.2014	31.12.2013
1. Payables with fair value micro-hedge	**1,296,623**	**517,872**
a) interest rate risk	1,296,623	517,872
b) foreign exchange risk	-	-
c) multiple risks	-	-
2. Payables with cash flow micro-hedge	**-**	**-**
a) interest rate risk	-	-
b) foreign exchange risk	-	-
c) multiple risks	-	-
Total	**1,296,623**	**517,872**

Section 4 – Financial liabilities held for trading
Caption 40

4.1 Financial liabilities held for trading: breakdown by sector

Type of transaction/ Members of the group	31.12.2014					31.12.2013				
	NV	FV			FV*	NV	FV			FV*
		L1	L2	L3			L1	L2	L3	
A. Cash liabilities										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	68	41	15	-	56	45,263	47,533	-	-	47,533
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	#	-	-	-	-	#
3.1.2 Other bonds	-	-	-	-	#	-	-	-	-	#
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	#	-	-	-	-	#
3.2.2 Other	-	-	-	-	#	-	-	-	-	#
Total A	**68**	**41**	**15**	**-**	**56**	**45,263**	**47,533**	**-**	**-**	**47,533**
B. Derivatives										
1. Financial derivatives	-	-	213,491	29,663	-	-	29	132,195	18,302	-
1.1 For trading	#	-	207,077	29,663	#	#	29	125,279	18,302	#
1.2 Connected with the fair value option	#	-	2,386	-	#	#	-	6,136	-	#
1.3 Other	#	-	4,028	-	#	#	-	780	-	#
2. Credit derivatives	-	-	-	-	-	-	-	-	-	-
2.1 For trading	#	-	-	-	#	#	-	-	-	#
2.2 Connected with the fair value option	#	-	-	-	#	#	-	-	-	#
2.3 Other	#	-	-	-	#	#	-	-	-	#
Total B	**#**	**-**	**213,491**	**29,663**	**#**	**#**	**29**	**132,195**	**18,302**	**#**
Total (A+B)	**#**	**41**	**213,506**	**29,663**	**#**	**#**	**47,562**	**132,195**	**18,302**	**#**

The caption "cash liabilities" concerns the balance of "technical shorts" generated by capital market transactions. The financial derivatives connected with the fair value option are mainly associated with debt securities classified as financial liabilities designated at fair value through profit and loss (liability caption 50).

Key

FV = fair value
FV = fair value excluding variations due to changes in the credit worthiness of the issuer since the issue date*
NV = nominal or notional value
L1 = Level 1
L2 = Level 2
L3 = Level 3

Section 5 – Financial liabilities designated at fair value through profit and loss

Caption 50

5.1 Financial liabilities designated at fair value through profit and loss: breakdown by sector

Type of security/Amounts	31.12.2014					31.12.2013				
	NV	FV			FV*	NV	FV			FV*
		L1	L2	L3			L1	L2	L3	
1. Due to banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Structured	-	-	-	-	#	-	-	-	-	#
1.2 Other	-	-	-	-	#	-	-	-	-	#
2. Due to customers	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Structured	-	-	-	-	#	-	-	-	-	#
2.2 Other	-	-	-	-	#	-	-	-	-	#
3. Debt securities	**1,637,545**	**-**	**1,700,614**	**-**	**1,705,354**	**2,867,014**	**-**	**2,952,035**	**-**	**2,977,927**
3.1 Structured	-	-	-	-	#	-	-	-	-	#
3.2 Other	1,637,545	-	1,700,614	-	#	2,867,014	-	2,952,035	-	#
Total	**1,637,545**	**-**	**1,700,614**	**-**	**1,705,354**	**2,867,014**	**-**	**2,952,035**	**-**	**2,977,927**

The cumulative change in fair value attributable to the change in credit risk mounts to € 4,740 thousand; this change had a negative effect during the year of € 9,190 thousand.

Key

FV = fair value
FV = fair value excluding variations due to changes in the credit worthiness of the issuer since the issue date*
NV = nominal or notional value
L1 = Level 1
L2 = Level 2
L3 = Level 3

Financial liabilities designated at fair value through profit and loss: use of the fair value option

Description/Amounts	31.12.2014		
	Due to banks	Due to customers	Debt securities
Natural hedges using derivatives	-	-	1,700,614
Natural hedges using other financial instruments	-	-	-
Other accounting mismatches	-	-	-
Financial instruments managed and measured at fair value	-	-	-
Structured products with embedded derivatives	-	-	-
Total	**-**	**-**	**1,700,614**

5.2 Analysis of caption 50 "Financial liabilities designated at fair value through profit and loss": subordinated securities

	Book value 31.12.2014	Nominal value 31.12.2014	Book value 31.12.2013	Nominal value 31.12.2013
Lower Tier II B.P.E.R. subordinated non-convertible bond 5.20%, 2008-2014	-	-	72,100	70,000
Lower Tier II B.P.E.R. subordinated 2008-2014 non-convertible bond 5.90% V tranche	-	-	20,453	20,000
Lower Tier II B.P.E.R. subordinated non-convertible bond, amortizing 5.12%, 2009-2015	5,273	5,000	10,589	10,000
Lower Tier II B.P.E.R. subordinated non-convertible bond 4.35%, 2010-2017	11,191	10,800	14,321	14,400
Lower Tier II B.P.E.R. subordinated non-convertible bond 4.94%, 2010-2017	31,761	30,600	40,676	40,800
Lower Tier II B.P.E.R. subordinated non convertible bond 4.75%, 2011-2017	437,248	418,003	581,867	556,257
Total non-convertible bonds	**485,473**	**464,403**	**740,006**	**711,457**
Lower Tier II B.P.E.R. subordinated 2008-2014 non-convertible bond 5.20% V tranche	70,910	70,000	-	-
Lower Tier II B.P.E.R. subordinated 2008-2014 non-convertible bond 5.90% V tranche	20,590	20,000	-	-
Lower Tier II B.P.E.R. subordinated non-convertible bond 4.35%, 2010-2017 II tranche	4,226	3,600	-	-
Lower Tier II B.P.E.R. subordinated non-convertible bond 4.94%, 2010-2017 II tranche	12,216	10,200	-	-
Total expired non-convertible bonds (*)	**107,942**	**103,800**	**-**	**-**
Total bonds	**593,415**	**568,203**	**740,006**	**711,457**

(*) Tranches of loans maturing 31 December 2014 for which accounting confirmation from ICBPI (Istituto Centrale delle Banche Popolari Italiane s.p.a.) was received on 2 January 2015.

5.3 Financial liabilities designated at fair value through profit and loss: changes in the year

	Due to banks	Due to customers	Debt securities in issue	31.12.2014
A. Opening balance	**-**	**-**	**2,952,035**	**2,952,035**
B. Increases	**-**	**-**	**226,143**	**226,143**
B.1 Issues	-	-	-	-
B.2 Sales	-	-	23,416	23,416
B.3 Positive changes in fair value	-	-	9,345	9,345
B.4 Other changes	-	-	193,382	193,382
C. Decreases	**-**	**-**	**1,477,564**	**1,477,564**
C.1 Purchases	-	-	67,710	67,710
C.2 Redemptions	-	-	1,290,036	1,290,036
C.3 Negative changes in fair value	-	-	4,170	4,170
C.4 Other changes	-	-	115,648	115,648
D. Closing balance	**-**	**-**	**1,700,614**	**1,700,614**

Section 6 – Hedging derivatives
Caption 60

6.1 Hedging derivatives: breakdown by type and by levels

	Fair value 31.12.2014			NV	Fair value 31.12.2013			NV
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives	**-**	**12,986**	**-**	**184,929**	**-**	**37,825**	**-**	**412,572**
1) Fair value	-	4,200	-	19,929	-	2,613	-	97,572
2) Cash flows	-	8,786	-	165,000	-	35,212	-	315,000
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**12,986**	**-**	**184,929**	**-**	**37,825**	**-**	**412,572**

The cash flow hedge agreements have the following expiry dates: notional value of € 115 million in 2017 and € 50 million in 2023.
The related cash flows will impact the income statement up to the relevant expiration dates.

Key

NV = nominal or notional value
L1 = Level 1
L2 = Level 2
L3 = Level 3

6.2 Hedging derivatives: analysis by hedged portfolio and type of hedge

Operation/Type of hedge	Fair value						Cash flows		Foreign investments
	Specific					General	Specific	General	
	Interest rate risk	Exchange risk	Credit risk	Price risk	Multiple risks				
1. Financial assets available for sale	-	-	-	-	-	#	8,786	#	#
2. Loans	4,200	-	-	#	-	#	-	#	#
3. Financial assets held to maturity	#	-	-	#	-	#	-	#	#
4. Portfolio	#	#	#	#	#	-	#	-	#
5. Other operations	-	-	-	-	-	#	-	#	-
Total assets	**4,200**	**-**	**-**	**-**	**-**	**-**	**8,786**	**-**	**-**
1. Financial liabilities	-	-	-	#	-	#	-	#	#
2. Portfolio	#	#	#	#	#	-	#	-	#
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Expected transactions	#	#	#	#	#	#	-	#	#
2. Portfolio of financial assets and liabilities	#	#	#	#	#	-	#	-	-

Section 7 – Remeasurement of financial liabilities backed by general hedges

Caption 70

There are no amounts in this section.

Section 8 – Tax liabilties

Caption 80

See asset section 14.

Section 9 – Liablilities associated with non-current assets held for sale

Caption 90

See asset section 15.

Section 10 – Other liabilities
Caption 100

10.1 Other liabilities: breakdown

	31.12.2014	31.12.2013
Amounts due to banks	13,458	18,257
Amounts due to customers	609,150	506,575
Net adjustments on collection of receivables for third parties	344,266	337,400
Staff emoluments and related social contributions	32,979	39,917
Amounts due to third parties for coupons, securities and dividends to be collected	25,112	56,663
Amounts due to the tax authorities on behalf of customers and personnel	115,341	116,322
Bank transfers for clearance	53,259	143,969
Advances for the purchase of securities	402	769
Due to suppliers	148,846	125,242
Third-part payments as surety for loans	51	40
Repayment to be made to INPS	17	350
Provisions for guarantees given	52,462	66,701
Pension fund liabilities	1	-
Items in transit	33,726	18,458
Accrued expenses and deferred income	23,033	23,618
Other liabilities to third parties	75,309	66,177
Total	**1,527,412**	**1,520,458**

Section 11 – Provision for termination indemnities

Caption 110

11.1 Provision for termination indemnities: change in the period

	31.12.2014	31.12.2013
A. Opening balance	**208,390**	**223,324**
B. Increases	**23,562**	**8,270**
B.1 Provisions	6,013	4,657
B.2 Other increases	17,549	3,613
of which: business combinations	-	3,511
C. Decreases	**10,033**	**23,204**
C.1 Payments made	10,031	22,719
C.2 Other decreases	2	485
D. Closing balance	**221,919**	**208,390**
Total	**221,919**	**208,390**

11.2 Other information

The following tables detail the changes in the provision for termination indemnities, as well as the principal demographic and financial assumptions made in order to quantify the provision using the Projected Unit Credit Method (articles 64 to 66 of IAS 19); lastly, table 11.2.3 presents the comparative information required by law.

11.2.1 Changes in termination indemnities during the period

Description/Amounts	31.12.2014	31.12.2013
A. Opening balance	**208,390**	**223,324**
B. Increases	**23,562**	**8,270**
1. Pension cost relating to current work	71	133
2. Financial charges	5,942	4,524
3. Contribution to the plan by employees	-	-
4. Actuarial losses	16,942	-
5. Translation differences	-	-
6. Pension cost of prior work	-	-
7. Other changes	607	3,613
C. Decreases	**10,033**	**23,204**
1. Benefits paid	10,031	22,719
2. Pension cost of prior work	-	-
3. Actuarial gains	-	320
4. Translation differences	-	-
5. Reductions	-	-
6. Positions closed	-	-
7. Other changes	2	165
D. Closing balance	**221,919**	**208,390**

11.2.2 Description of the principal actuarial assumptions

Principal actuarial assumptions/%	31.12.2014	31.12.2013
Discount rates	0.85%	2.63%
Expected increase in remuneration	n/a	n/a
Turnover	1.83%	1.47%
Inflation rate	1.60%	2.10%
Interest rate adopted for the calculation of interest cost	2.64%	1.65%

In addition to the average data included in the table, the approach taken to identify the principal actuarial assumptions is described below:

- Discount rates: the curve of "Euro Composite AA" rates for prime corporate securities listed in the Euro market on the measurement date has been used.
- Turnover: time series analysis (last three years) of the phenomena giving rise to the terminations and adjustments to take account of any "anomalies" that occurred in the past. The assumptions made about turnover took account of grade, seniority, age and gender.
- Inflation rate: with reference to the first assumption, the inflationary scenario was inferred from the "Document of Economics and Finance 2014", by adopting an IPCA index of 1.3% for 2015, 1.5% for 2016 and 1.6% from 2017 onwards.
- Interest Cost: it was calculated at a rate that reflected the duration of the liability.

11.2.3 Comparative information: history of the plan

Description/Amounts	31.12.2014	31.12.2013
1. Present value of provisions (+)	221,919	208,390
2. Fair value of assets servicing the plan (-)	-	-
3. Plan (surplus) deficit (±)	221,919	208,390
4. Adjustments to plan liabilities based on historical experience - actuarial (gains)/losses	16,942	(320)
5. Adjustments to plan assets based on historical experience	-	-

The adjustments based on historical experience solely comprise actuarial gains and losses.

Section 12 – Provisions for risks and charges
Caption 120

12.1 Provisions for risks and charges: breakdown

Item/Components	31.12.2014	31.12.2013
1. Pensions and similar commitments	145,078	120,859
2. Other provisions for risks and charges	210,697	184,937
2.1 legal disputes	116,550	94,842
2.2 personnel expenses	78,460	73,931
2.3 other	15,687	16,164
Total	**355,775**	**305,796**

12.2 Provisions for risks and charges: change in the period

Items/Components	31.12.2014	
	Pensions and similar commitments	Other Provisions
A. Opening balance	**120,859**	**184,937**
B. Increases	**29,745**	**91,561**
B.1 Provisions	9	85,097
B.2 Changes due to the passage of time	3,267	903
B.3 Changes due to variations in the discount rate	24,516	122
B.4 Other changes	1,953	5,439
C. Decreases	**5,526**	**65,801**
C.1 Utilisations during the year	5,526	50,850
C.2 Changes due to variations in the discount rate	-	-
C.3 Other changes	-	14,951
D. Closing balance	**145,078**	**210,697**

The changes due to variations in the discount rate also include actuarial gains and losses, considering not just interest rate movements, but also other demographic and financial factors, where applicable.
With regard to disputes relating to Group banks and Companies, please refer to the explanations in paragraph 7.3 "Main litigation and legal proceedings pending" in the Directors' Report on Group Operations.

12.3 Defined-benefit pension plans

12.3.1 Features of the pension plans and related risks

The pension plans cover Banca popolare dell'Emilia Romagna s.c., referred to in the individual financial statements, and Cassa di Risparmio di Bra s.p.a., as detailed below.

The latter's is an in-house defined-benefit plan bank, it is not a separate legal entity and its assets are held together with those of the Bank.

Its purpose is to provide a supplementary pension to the state pension paid by INPS, but solely to employees that had already retired as of 1 October 1998, given that the actuarial liability payable to "active" members at that date had been paid out.
At the measurement date, the related headcount consisted of 26 persons, of whom 15 are direct beneficiaries and 11 are indirect.

12.3.2. Cassa di Risparmio di Bra s.p.a. - Changes in the plans during the year

Description/Amounts	Cassa di Risparmio di Bra s.p.a.	
	31.12.2014	31.12.2013
Opening balance	**386**	**-**
A. Increases	**109**	**411**
1. Pension cost relating to current work	-	-
2. Financial charges	9	12
3. Contribution to the plan by employees	-	-
4. Actuarial losses	100	16
5. Translation differences	-	-
6. Pension cost of prior work	-	-
7. Other changes	-	383
B. Decreases	**(25)**	**(25)**
1. Benefits paid	(25)	(25)
2. Pension cost of prior work	-	-
3. Actuarial gains	-	-
4. Translation differences	-	-
5. Reductions	-	-
6. Positions closed	-	-
7. Other changes	-	-
Closing balance	**470**	**386**

Si ricorda che gli utili e le perdite attuariali vengono rilevati in una riserva di patrimonio netto.

12.3.3. Cassa di Risparmio di Bra s.p.a. - Information on fair value of assets servicing the plan

As already reported, the staff pension fund is an in-house defined-benefit plan and its assets are held together with those of the Bank.

12.3.4 Cassa di Risparmio di Bra s.p.a. - Description of the principal actuarial assumptions

The demographic assumptions made for the measurement were based on RG48 tables to arrive at the probability of death of retired staff by gender.
The financial assumptions adopted were:

- expected average annual rate of inflation of 1.3% for 2015, 1.5% for 2016 and 1.6% for 2017;
- annual discount rate as per the EUR composite AA curve that, under IAS rules, represents a return in line with the probable average life of the fund in question.

For the revaluation rate, the equalisation method as per Law no. 448/98 has been applied.

12.3.5 Cassa di Risparmio di Bra s.p.a. - Information on the amount, timing and uncertainty of cash flows

Funds	31.12.2014		+25 bps inflation rate		-25 bps inflation rate	
	DBO	Service Cost	DBO	Service Cost	DBO	Service Cost
Fund Section A	470	-	483	-	458	-

Funds	31.12.2014		+25 bps discount rate		-25 bps discount rate	
	DBO	Service Cost	DBO	Service Cost	DBO	Service Cost
Fund Section A	470	-	458	-	484	-

Service cost and duration of the plan	
Service cost 2014	-
Duration of the plan (years)	11.5

12.3.6 Cassa di Risparmio di Bra s.p.a. - Multi-employer plans

At 31 December 2014 there were no multi-employer plans in place.

12.3.7 Cassa di Risparmio di Bra s.p.a. - Defined benefit plans that share risks between entities under common control

At 31 December 2014 there were no plans of this type.

12.3.8. Cassa di Risparmio di Bra s.p.a. - Comparative information: history of the plan

Description/Amounts	Defined-benefit pension plans 31.12.2014
1. Present value of provisions (+)	470
2. Fair value of assets servicing the plan (-)	-
3. Plan (surplus) deficit (±)	470
4. Adjustments to plan liabilities based on historical experience - actuarial (gains)/losses	100
5. Adjustments to plan assets based on historical experience	-

The adjustments based on historical experience solely comprise actuarial gains and losses.

12.4 Provisions for risks and charges - other provisions

12.4.1 Legal disputes

	31.12.2014	31.12.2013
Opening balance	**94,842**	**86,681**
Charge for the year	40,837	31,061
Other increases	1,202	5,866
Other decreases	(8,199)	(14,128)
Utilisation during the year	(12,132)	(14,638)
Closing balace	**116,550**	**94,842**

There are no contingent liabilities for which it was not possible to record appropriate risk-related provisions in the 2014 financial statements.

Personnel charges relate to specific benefits granted to employees based on their length of service, the provisions for which are governed by IAS 19.

The changes are shown in the following table as an aid to understanding the phenomenon.

12.4.2 Personnel charges

Description/Amounts	Other personnel provisions	
	31.12.2014	31.12.2013
Opening balance	**73,931**	**57,328**
A. Increases	**44,467**	**48,742**
1. Pension cost relating to current work	33,240	22,402
2. Financial charges	639	1,320
3. Contribution to the plan by employees	-	-
4. Actuarial losses	2,377	3,570
5. Translation differences	-	-
6. Pension cost of prior work	-	-
7. Other changes	8,211	21,450
B. Decreases	**39,938**	**32,139**
1. Benefits paid	39,176	26,864
2. Pension cost of prior work	-	-
3. Actuarial gains	-	-
4. Translation differences	-	-
5. Reductions	-	-
6. Positions closed	-	-
7. Other changes	762	5,275
Closing balance	**78,460**	**73,931**

The figure for "Pension cost relating to current work" (A.1) includes extraordinary provisions for redundancy incentives and the Solidarity Fund for € 9,639 thousand, following the agreement with the Trade Unions on 15 September 2012 and 17 December 2014, as foreseen in the 2012-2014 Business Plan.

The provision for charitable donations is classified together with the provisions for other risks and charges.

The changes are shown in the following table as an aid to understanding the phenomenon.

12.4.3 Other provisions

Captions	31.12.2014		31.12.2013	
	Other provisions	Provision for charitable donations	Other provisions	Provision for charitable donations
A. Opening balance	**14,603**	**1,561**	**30,098**	**2,389**
B. Allocation net profit	-	570	-	1,100
C. Provisions	4,511	-	7,663	-
D. Uses	(4,492)	(1,066)	(23,158)	(1,928)
E. Residual balance	**14,622**	**1,065**	**14,603**	**1,561**

Section 13 – Technical reserves
Caption 130

There are no amounts in this section.

Section 14 – Redeemable shares
Caption 150

There are no amounts in this section.

Section 15 – Shareholders' equity
Caption 140, 160, 165, 170, 180, 190, 200 e 220

15.1 "Share capital" and "Treasury shares": breakdown

“Share capital” relates solely to the Parent Company. Share capital is represented solely by ordinary shares with a par value of Euro 3 (three) each.

Treasury shares: breakdown Company	Number	Nominal value
Banca popolare dell’Emilia Romagna s.c.	455,458	1,366
Banca di Sassari s.p.a.	25,351	30
Total	**480,809**	**1,396**

The shares indicated with reference to Banca di Sassari s.p.a. are treasury shares held by the bank.

15.2 Share capital - number of shares of the Parent company: change in the period

Caption/Types	Ordinary	Other
A. Shares in issue at the beginning of the year	**333,827,659**	**-**
- fully paid	333,827,659	-
- not fully paid	-	-
A.1 Treasury shares (-)	(455,458)	-
A.2 Shares in issue: opening balance	**333,372,201**	**-**
B. Increases	**147,480,776**	**-**
B.1 New share issues	147,480,776	-
- for payment:	*147,480,776*	-
- on business combinations	-	-
- on conversion of bonds	-	-
- exercise of warrants	-	-
- other	147,480,776	-
- bonus issues:	-	-
- to employees	-	-
- to directors	-	-
- other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other changes	-	-
C. Decreases	**-**	**-**
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-	-
C.3 Disposal of businesses	-	-
C.4 Other changes	-	-
D. Shares in issue: closing balance	**480,852,977**	**-**
D.1 Treasury shares (+)	455,458	-
D.2 Shares in issue at the end of the year	481,308,435	-
- fully paid	481,308,435	-
- not fully paid	-	-

The issue of 147,480,776 shares refers for 145,850,334 shares to the capital increase resolved by the Extraordinary Shareholders' Meeting of 7 June 2014 carried out in July and 1,630,442 shares for capital increases in support of mergers carried out by BPER on 24 November 2014: Banca Popolare di Ravenna s.p.a. (145,012), Banca della Campania s.p.a. (191,253) and Banca Popolare del Mezzogiorno s.p.a. (1,294,177).

Section 16– Minority interests
Caption 210

16.1 Analysis of caption 210 "Minority interests"

Name	31.12.2014	31.12.2013
Equity investments in consolidated companies with significant minority interests	**639,462**	**678,276**
1. Banco di Sardegna (*)	569,846	559,294
2. Cassa di Risparmio di Bra s.p.a.	23,894	26,714
3. Banca Popolare di Ravenna s.p.a. (**)	-	39,217
4. Banca Popolare del Mezzogiorno s.p.a. (**)	-	17,539
5. Banca della Campania s.p.a. (**)	-	11,250
6. Sardaleasing s.p.a. (***)	34,355	-
7. Emilia Romagna Factor s.p.a.	11,367	24,262
Other equity investments	**529**	**540**
Total	**639,991**	**678,816**

(*) consolidation of the sub-holding company Banco di Sardegna and its subsidiaries (including Banca di Sassari s.p.a.).
(**) absorbed by BPER on 24 November 2014.
(***) in the first half, the Parent Company acquired direct control over the company following the merger of ABF Leasing s.p.a. with Sardaleasing s.p.a., previously held by Banco di Sardegna s.p.a.

To determine the relevance of minority interests, see Part A of these Explanatory notes.
Minority interests not considered significant have been recognised under "Other investments".

Other information

1. Guarantees given and commitments

Operations	31.12.2014	31.12.2013
1) Financial guarantees	456,147	610,223
a) Banks	73,040	69,932
b) Customers	383,107	540,291
2) Commercial guarantees	2,538,761	2,845,926
a) Banks	81,133	94,363
b) Customers	2,457,628	2,751,563
3) Irrevocable commitments to disburse loans	787,477	994,722
a) Banks:	5,590	18,941
- certain to be called on	5,392	18,829
- not certain to be called on	198	112
b) Customers:	781,887	975,781
- certain to be called on	112,530	78,499
- not certain to be called on	669,357	897,282
4) Commitments underlying credit derivatives: protection sale	-	-
5) Assets used to guarantee the commitments of third parties	14,120	15,120
6) Other commitments	11	71,856
Total	**3,796,516**	**4,537,847**

Financial guarantees given to banks include a commitment towards the Interbank Deposit Guarantee Fund, not yet subject to resolutions for specific disbursements for an amount of € 71,802.9 thousand, of which € 2,697 thousand relating to guarantees for Banca Tercas s.p.a.

2. Assets used to guarantee own liabilities and commitments

Portfolios	31.12.2014	31.12.2013
1. Financial assets held for trading	407,950	459,626
2. Financial assets designated at fair value through profit and loss	7,162	14,346
3. Financial assets available for sale	4,277,745	5,086,199
4. Financial assets held to maturity	1,359,002	889,382
5. Due from banks	206,441	42,651
6. Loans to customers	7,867,030	4,380,047
7. Property, plant and equipment	-	-

Type of assets used to guarantee own liabilities and commitments

	31.12.2014
1. Assets sold as part of covered bonds	2,022,718
2. Securities and deposits acting as collateral for derivative transactions	194,535
2. Securities guaranteeing securitisations	29,833
3. Securities guaranteeing treasury transactions	2,652,246
4. Loans guaranteeing treasury transactions	5,378,495
5. Securities guaranteeing the issue of bankers' drafts	8,826
6. Securities guaranteeing repurchase agreements	3,008,699
7. Loans sold guaranteeing the related funding	451,799
8. Securities guaranteeing the funding of subsidised loans	378,179

The amounts indicated at point 4 include:
- € 1,017,336 thousand relating to mortgage loans sold as part of the Estense Finance self-securitisation transaction,
- € 1,324,526 thousand relating to mortgage loans sold as part of the Estense SME self-securitisation transaction,
- € 606,815 thousand relating to mortgage loans sold as part of covered bond issues,
- € 213,275 thousand relating to mortgage loans sold as part of the Dedalo Finance and Icaro Finance self-securitisation transactions;
- € 780,182 thousand relating to mortgage loans sold as part of the Multi Lease self-securitisation,
which have not been eliminated from the balance sheet as they do not qualify for derecognition. Operationally, the instruments provided as a guarantee are represented by the Senior Notes originated by the six transactions and the Covered Bonds that were issued.
€ 28 million of securities coming from reverse repurchase agreements were lodged in guarantee for the guaranteed funding transactions (repurchase agreements).

5. Administration and trading on behalf of third parties

Type of services	31.12.2014
1. Trading in financial instruments on behalf of third parties	**-**
a) purchases	-
1. settled	-
2. unsettled	-
b) sales	-
1. settled	-
2. unsettled	-
2. Asset management	**2,851,403**
a) individual	2,851,403
b) collective	-
3. Custody and administration of securities	**83,504,992**
a) third-party securities on deposit: associated with activities as a custodian bank (excluding portfolio management)	-
1. securities issued by consolidated companies	-
2. other securities	-
b) third party securities held in deposits (excluding segregated accounts): other	33,981,629
1. securities issued by consolidated companies	8,787,222
2. other securities	25,194,407
c) third-party securities in custody with others	31,975,111
d) own securities in custody with others	17,548,252
4. Other transactions	**10,886,663**

6. Financial assets subject to offsetting in the financial statements, or subject to framework agreements for offsetting or similar arrangements

Technical forms	Gross amount of financial assets (a)	Amount of the financial assets offset in the financial statements (b)	Net amount of financial assets shown in the financial statements (c = a-b)	Related amounts not subject to offsetting in the financial statements		Net amount (f=c-d-e) 31.12.2014	Net amount (f=c-d-e) 31.12.2013
				Financial instruments (d)	Cash deposits received as collateral (e)		
1. Derivatives	205,480	-	205,480	147,146	22,606	35,728	12,352
2. Repurchase agreements	154,628	-	154,628	154,628	-	-	-
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total 31.12.2014	**360,108**	**-**	**360,108**	**301,774**	**22,606**	**35,728**	**#**
Total 31.12.2013	**186,124**	**-**	**186,124**	**147,527**	**26,245**	**#**	**12,352**

The amounts shown in the table relate to standard master agreements such as ISDA (International Swaps and Derivatives Association) and CSA (Credit Support Annex) agreements for derivatives and GMRA (Global Master Repurchase Agreement) for repurchase agreement transactions.
Under the agreements executed using the ISDA standard, offsetting of OTC derivative contracts is permitted in the event of default of either party to the agreement and, for almost all institutional counterparties, the terms of the CSA provide for cash collateral that is revised regularly based on the contracts' underlying value.
Repurchase agreement transactions entered into with institutional counterparties are governed by the GMRA standard, which, in addition to the delivery of the securities pertaining to the transactions, provide for cash collateral that is revised regularly based on the value of the securities.
None of the amounts shown has been offset in the financial statements as the amounts in question do not meet the requirements of paragraph 42 of IAS 32.
The gross amounts (a) shown in the table relate to € 168,736 thousand of derivatives recorded under caption 20 "Financial assets held for trading" and € 36,744 thousand recorded under caption 80 "Hedging derivatives"; related financial instruments (d) consist of derivatives recorded under caption 40 "Financial liabilities held for trading" and under caption 60 "Hedging derivatives", whereas cash deposits received (e) are recorded under caption 10 "Due to banks" and in the caption 20 "Due to customers".
The gross amounts (a) shown in the table relating to repurchase agreement transactions are recorded under caption 60 "Due to banks" at an amount of € 31,735 thousand and under caption "70 Due to customers" at an amount of € 122,893 thousand; related financial instruments (d) represent the value of the securities pertaining to the transactions.

7. Financial liabilities subject to offsetting in the financial statements, or subject to framework agreements for offsetting or similar arrangements

Technical forms	Gross amount of financial liabilities (a)	Amount of financial liabilities offset in the financial statements (b)	Net amount of financial liabilities shown in the financial statements (c = a-b)	Related amounts not subject to offsetting in the financial statements		Net amount (f=c-d-e) 31.12.2014	Net amount (f=c-d-e) 31.12.2013
				Financial instruments (d)	Cash deposits received as collateral (e)		
1. Derivatives	238,621	-	238,621	145,521	91,306	1,794	5,528
2. Repurchase agreements	3,094,225	-	3,094,225	3,094,195	29	1	8
3. Securities lending	-	-	-	-	-	-	-
4. Other operations	-	-	-	-	-	-	-
Total 31.12.2014	**3,332,846**	**-**	**3,332,846**	**3,239,716**	**91,335**	**1,795**	**#**
Total 31.12.2013	**3,676,852**	**-**	**3,676,852**	**3,595,582**	**75,734**	**#**	**5,536**

With regard to the types of master agreements, the points made in respect of the previous table apply here as well. None of the amounts shown has been offset in the financial statements as the amounts in question do not meet the requirements of paragraph 42 of IAS 32.
The gross amounts (a) shown in the table relate to € 225,635 thousand of derivatives recorded under caption 40 "Financial liabilities held for trading" and € 12,986 thousand recorded under caption 60 "Hedging derivatives; related financial instruments (d) consist of derivatives recorded under caption 20 "Financial assets held for trading" and under caption 80 "Hedging derivatives", whereas cash deposits made (e) are recorded under caption 60 "Due from banks" and under caption 70 "Loans to customers".
The gross amounts (a) shown in the table relating to repurchase agreement transactions are recorded under caption 10 "Due to banks" at an amount of € 2,068,401 thousand and under caption "Due to customers" at an amount of € 1,025,823 thousand; related financial instruments (d) represent the value of the securities pertaining to the transactions, whereas cash deposits made (e) are recorded under caption 60 "Due from banks".

8. Securities lending

Type of lender/use	To guarantee own financing operations	Sold	Subject to repurchase agreements	Other	31.12.2014
a) Banks	-	-	-	-	-
b) Public entities	-	-	87,034	-	87,034
c) Non-financial businesses	-	-	-	-	-
d) Financial businesses	-	-	-	-	-
e) Insurance companies	-	-	-	-	-
f) Other	-	-	1,747	-	1,747
Total	**-**	**-**	**88,781**	**-**	**88,781**

Part C – INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

Section 1 - Interests
Captions 10 and 20

1.1 Interest and similar income: breakdown

Captions/Technical forms	Debt securities	Loans	Other transactions	31.12.2014	31.12.2013
1. Financial assets held for trading	14,812	-	37,805	52,617	76,470
2. Financial assets designated at fair value through profit and loss	1,585	-	-	1,585	2,985
3. Financial assets available for sale	131,148	-	-	131,148	154,787
4. Financial assets held to maturity	50,251	-	-	50,251	45,170
5. Due from banks	3,729	14,452	-	18,181	25,219
6. Loans to customers	12,029	1,633,911	-	1,645,940	1,747,395
7. Hedging derivatives	#	#	7,152	7,152	8,327
8. Other assets	#	#	1,414	1,414	232
Total	**213,554**	**1,648,363**	**46,371**	**1,908,288**	**2,060,585**

Interest on loan exposures, classified as impaired, amounts to € 209,380 thousand, being the amounts shown in the "Loans" column relating to "Loans to customers", plus € 255 thousand shown in the "Debt securities" column. Default interest accrued in the period, but which has been fully written down, amounts to € 42,529 thousand.

1.2. Interest and similar income: differentials on hedging transactions

Captions/Amounts	31.12.2014	31.12.2013
A. Positive differentials on hedging transactions	43,213	19,790
B. Negative differentials on hedging transactions	(36,061)	(11,463)
C. Balance (A-B)	**7,152**	**8,327**

1.3 Interest and similar income: other information

1.3.1 Interest income on foreign currency assets

	31.12.2014	31.12.2013
Interest income on foreign currency assets	12,605	10,837

1.3.2 Interest income on finance lease transactions

	31.12.2014	31.12.2013
Interest income on finance lease transactions	78,260	82,210

1.4 Interest and similar expense: breakdown

Captions/Technical forms	Debts	Securities	Other transactions	31.12.2014	31.12.2013
1. Due to Central Banks	7,075	#	-	7,075	25,796
2. Due to banks	10,660	#	-	10,660	14,545
3. Due to customers	243,418	#	-	243,418	325,661
4. Debt securities in issue	#	271,116	-	271,116	280,366
5. Financial liabilities held for trading	709	-	-	709	1,123
6. Financial liabilities designated at fair value through profit and loss	-	83,269	-	83,269	122,887
7. Other liabilities and provisions	#	#	232	232	218
8. Hedging derivatives	#	#	-	-	-
Total	**261,862**	**354,385**	**232**	**616,479**	**770,596**

1.6 Interest and similar expense: other information

1.6.1 Interest expense on foreign currency liabilities

	31.12.2014	31.12.2013
Interest expense on foreign currency liabilities	1,858	1,737

1.6.2 Interest expense on finance lease obligations

	31.12.2014	31.12.2013
Interest expense on finance leases	15	17

Section 2 - Commissions

Captions 40 and 50

2.1 Commission income: breakdown

Type of service/Amounts	31.12.2014	31.12.2013
a) guarantees given	34,904	37,596
b) credit derivatives	-	-
c) management, brokerage and consulting services:	187,406	176,228
1. trading in financial instruments	1,982	2,615
2. trading in foreign exchange	5,400	5,113
3. asset management	19,968	19,046
3.1. individual	19,449	18,763
3.2. collective	519	283
4. custody and administration of securities	4,800	4,255
5. custodian bank	-	-
6. placement of securities	80,993	71,036
7. order taking	15,856	15,277
8. advisory services	4,734	2,664
8.1 regarding investments	-	220
8.2 regarding financial structuring	4,734	2,444
9. distribution of third-party services	53,673	56,222
9.1 asset management	1,755	1,450
9.1.1. individual	297	256
9.1.2. collective	1,458	1,194
9.2 insurance products	23,857	24,366
9.3 other products	28,061	30,406
d) collection and payment services	134,919	136,782
e) servicing related to securitisation	486	901
f) services for factoring transactions	8,697	8,728
g) tax collection services	-	-
h) management of multilateral trading systems	-	-
i) maintenance and management of current accounts	166,957	172,373
j) other services	205,750	218,578
- commission income on other loans to customers	156,187	170,876
- commission income on cash card services	25,489	24,702
- other commission income	24,074	23,000
Total	**739,119**	**751,186**

2.2 Commission expense: breakdown

Type of service/Amounts	31.12.2014	31.12.2013
a) guarantees received	12,587	15,718
b) credit derivatives	-	-
c) management and brokerage services	2,633	2,215
1. trading in financial instruments	768	751
2. trading in foreign exchange	24	11
3. asset management:	-	-
3.1. own portfolio	-	-
3.2. third-party portfolio	-	-
4. custody and administration of securities	1,839	1,451
5. placement of financial instruments	2	2
6. offer of securities, financial products and services through financial promoters	-	-
d) Collection and payment services	5,555	6,463
e) Other services	27,680	28,532
Total	**48,455**	**52,928**

Section 3 – Dividends and similar income
Caption 70

3.1 Dividends and similar income: breakdown

Caption/Income	31.12.2014		31.12.2013	
	Dividends	Income from UCITS units	Dividends	Income from UCITS units
A. Financial assets held for trading	732	2	596	-
B. Financial assets available for sale	17,111	1,081	22,314	702
C. Financial assets designated at fair value through profit and loss	34	432	85	350
D. Equity investments	-	#	39	#
Total	**17,877**	**1,515**	**23,034**	**1,052**

Section 4 – Net trading income

Caption 80

4.1 Net trading income: breakdown

Transactions/Income items	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net result 31.12.2014 [(A+B)-(C+D)]
1. Financial assets held for trading	**15,482**	**11,982**	**(6,040)**	**(4,504)**	**16,920**
1.1 Debt securities	11,032	10,613	(3,088)	(4,163)	14,394
1.2 Equity instruments	1,874	1,297	(1,975)	(295)	901
1.3 UCITS units	2,576	-	(977)	(46)	1,553
1.4 Loans	-	-	-	-	-
1.5 Other	-	72	-	-	72
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Debts	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Other financial assets and liabilities: exchange differences	**#**	**#**	**#**	**#**	**5,266**
4. Derivatives	**107,514**	**146,172**	**(104,930)**	**(158,664)**	**(5,653)**
4.1 Financial derivatives:	107,514	146,172	(104,930)	(158,664)	(5,653)
- On debt securities and interest rates	106,426	144,172	(104,580)	(153,017)	(6,999)
- On equities and equity indices	1,088	1,767	(350)	(3,066)	(561)
- On currency and gold	#	#	#	#	4,255
- Other	-	233	-	(2,581)	(2,348)
4.2 Credit derivatives	-	-	-	-	-
Total	**122,996**	**158,154**	**(110,970)**	**(163,168)**	**16,533**

Trading activities are carried out solely by members of the Banking group.

Section 5 – Net hedging gains (losses)
Caption 90

5.1 Net hedging gains (losses): breakdown

Income items/Amounts	31.12.2014	31.12.2013
A. Income relating to:		
A.1. Fair value hedges	31,638	3,131
A.2. Hedged financial assets (fair value)	1,940	-
A.3. Hedged financial liabilities (fair value)	333	842
A.4. Cash flow hedges	-	-
A.5. Foreign currency assets and liabilities	-	-
Total income from hedging activity (A)	**33,911**	**3,973**
B. Charges relating to:		
B.1. Fair value hedges	2,257	1,237
B.2. Hedged financial assets (fair value)	44	1,485
B.3. Hedged financial liabilities (fair value)	30,536	1,843
B.4. Cash flow hedges	-	-
B.5. Foreign currency assets and liabilities	-	-
Total charges from hedging activity (B)	**32,837**	**4,565**
C. Net hedging gains (losses) (A-B)	**1,074**	**(592)**

Section 6 – Gains (losses) on disposal or repurchase

Caption 100

6.1 Gains (losses) on disposal or repurchase: breakdown

Caption/Income items	31.12.2014			31.12.2013		
	Gains	Losses	Net Profit	Gains	Losses	Net Profit
Financial assets						
1. Due from banks	122	(3)	119	754	(829)	(75)
2. Loans to customers	2,019	(32,097)	(30,078)	3,663	(4,517)	(854)
3. Financial assets available for sale:	195,464	(918)	194,546	163,778	(1,724)	162,054
3.1 Debt securities	181,041	(146)	180,895	147,834	(123)	147,711
3.2 Equity instruments	13,777	(772)	13,005	15,160	(549)	14,611
3.3 UCITS units	646	-	646	784	(1,052)	(268)
3.4 Loans	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-
Total assets	**197,605**	**(33,018)**	**164,587**	**168,195**	**(7,070)**	**161,125**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Debt securities in issue	1,264	(1,552)	(288)	4,869	(416)	4,453
Total liabilities	**1,264**	**(1,552)**	**(288)**	**4,869**	**(416)**	**4,453**

Section 7- Net result on financial assets and liabilities designated at fair value

Caption 110

7.1 Net result on financial assets and liabilities designated at fair value: breakdown

Transactions/ Income components	Capital gains (A)	Gains on disposal (B)	Capital losses (C)	Losses on disposal (D)	Net result 31.12.2014 [(A+B)-(C+D)]
1. Financial assets	**3,952**	**2,323**	**(1,350)**	**(3,650)**	**1,275**
1.1 Debt securities	2,005	1,759	(91)	(3,488)	185
1.2 Equity securities	254	280	(10)	(1)	523
1.3 UCITS units	1,693	284	(1,249)	(161)	567
1.4 Loans	-	-	-	-	-
2. Financial liabilities	**4,170**	**18,080**	**(9,345)**	**(156)**	**12,749**
2.1 Debt securities	4,170	18,080	(9,345)	(156)	12,749
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	-	-	-	-	-
3. Other financial assets and liabilities: exchange differences	**#**	**#**	**#**	**#**	**229**
4. Derivatives	**714**	**3,544**	**(21,065)**	**(11,687)**	**(28,494)**
Total	**8,836**	**23,947**	**(31,760)**	**(15,493)**	**(14,241)**

Assets and liabilities are measured at fair value solely by members of the Banking group. The net result of the measurement of financial liabilities at fair value and of derivatives connected operationally (fair value option for financial liabilities) is € -19,660 thousand.

Section 8 – Net impairment adjustments
Caption 130

8.1 Net impairment adjustments to loans and advances: breakdown

Transactions/Income items	Adjustments			Write-backs				31.12.2014	31.12.2013
	Specific			Specific		Portfolio			
	Write-offs	Other	Portfolio	Interest	Other write-backs	Interest	Other write-backs		
A. Due from banks	**(174)**	**(130)**	**-**	**-**	**-**	**-**	**-**	**(304)**	**(2,294)**
- Loans	-	-	-	-	-	-	-	-	-
- Debt securities	(174)	(130)	-	-	-	-	-	(304)	(2,294)
B. Loans to customers	**(17,039)**	**(1,226,667)**	**(8,731)**	**113,577**	**316,706**	**-**	**9,724**	**(812,430)**	**(779,291)**
Doubtful loans acquired	-	-		-	-			-	-
- Loans	-	-	#	-	-	#	#	-	-
- Debt securities	-	-	#	-	-	#	#	-	-
Other receivables	(17,039)	(1,226,667)	(8,731)	113,577	316,706	-	9,724	(812,430)	(779,291)
- Loans	(17,039)	(1,226,667)	-	113,577	315,027	-	9,724	(805,378)	(778,242)
- Debt securities	-	-	(8,731)	-	1,679	-	-	(7,052)	(1,049)
C. Total	**(17,213)**	**(1,226,797)**	**(8,731)**	**113,577**	**316,706**	**-**	**9,724**	**(812,734)**	**(781,585)**

8.2 Net impairment adjustments to financial assets available for sale: breakdown

Transactions/Income items	Adjustments		Write-backs		31.12.2014	31.12.2013
	Specific		Specific			
	Write-Offs	Other	Interest	Other write-backs		
A. Debt securities	-	-	-	-	-	-
B. Equity instruments	-	(39,500)	#	#	(39,500)	(55,468)
C. UCITS units	-	(847)	#	-	(847)	(2,965)
D. Due from banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	**-**	**(40,347)**	**-**	**-**	**(40,347)**	**(58,433)**

The adjustments to "Equity instruments" include a write-down of the investment in Release s.p.a. of € 31,965 thousand.

8.4 Impairment losses on other financial assets: breakdown

Transactions/ Income items	Adjustments			Write-backs				31.12.2014	31.12.2013
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Other		Interest	Other write-backs	Interest	Other write-backs		
A. Guarantees given	-	(20,641)	-	-	14,064	-	1,424	(5,153)	(36,514)
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	-	-	15	-	-	15	(15)
D. Other transactions	-	-	-	-	-	-	-	-	-
E. Total	**-**	**(20,641)**	**-**	**-**	**14,079**	**-**	**1,424**	**(5,138)**	**(36,529)**

Section 9 - Net premiums
Caption 150

There are no amounts in this section.

Section 10 - Net other insurance income/expense
Caption 160

There are no amounts in this section.

Section 11 – Administrative expenses
Caption 180

11.1 Payroll: breakdown

Type of expense/amounts	31.12.2014	31.12.2013
1) Employees	**760,469**	**764,475**
a) wages and salaries	544,399	547,981
b) social security charges	141,373	141,095
c) termination indemnities	29,866	30,330
d) pension expenses	-	-
e) provision for termination indemnities	6,013	4,657
f) provision for post-retirement benefits and similar commitments:	1,226	1,295
- defined contribution	-	-
- defined benefit	1,226	1,295
g) payments to external supplementary pension funds:	15,072	15,096
- defined contribution	15,072	15,096
- defined benefit	-	-
h) costs deriving from payment agreements based on own capital instruments	-	-
i) other personnel benefits	22,520	24,021
2) Other active employees	**13,244**	**10,171**
3) Directors and auditors	**10,954**	**10,959**
4) Retired personnel	**2,020**	**1,874**
Total	**786,687**	**787,479**

The "Other benefits to employees" caption includes provisions made in respect of applications for redundancy incentives or access to the solidarity fund as provided for by the agreements with the Trade Unions of 15 September 2012 and 17 December 2014, for a total of € 9,639 thousand.

11.2 Average number of employees, by level

	31.12.2014	31.12.2013
Employees:	**11,191**	**11,453**
a) Managers	232	232
b) Middle managers	3,443	3,412
c) Other employees	7,516	7,809
Other personnel	**269**	**193**

11.2.1 Number of employees, by level: banking group

	31.12.2014	31.12.2013
Employees:	**11,593**	**11,718**
a) Managers	233	230
b) Total 3rd and 4th level middle managers	1,431	1,440
c) Total 1st and 2nd level middle managers	2,094	2,030
d) Other employees	7,835	8,018
Other personnel	**211**	**158**

11.3 Post-retirement defined benefit plans: total costs

	31.12.2014	31.12.2013
Defined-benefit pension plans	1,226	1,295

11.4 Other personnel benefits

	31.12.2014	31.12.2013
Other personnel benefits	22,520	24,021

11.5 Other administrative expenses: breakdown

	31.12.2014	31.12.2013
Taxation	**143,854**	**132,507**
Stamp duty	121,399	109,162
Other indirect taxes with right of recourse	5,340	9,890
Municipal property tax	9,809	9,004
Other	7,306	4,451
Other costs	**385,935**	**389,299**
Maintenance and repairs	35,098	35,887
Rental expense	61,032	60,447
Post office, telephone and telegraph	21,010	23,531
Data transmission fees and use of databases	33,198	32,269
Advertising	13,421	12,047
Consulting and other professional services	60,093	54,935
Lease of IT hardware and software	24,610	21,008
Insurance	10,561	10,107
Cleaning of office premises	8,347	12,438
Printing and stationery	9,525	10,191
Energy and fuel	18,991	19,579
Transport	14,177	14,665
Staff training and expense refunds	16,390	15,210
Information and surveys	11,371	12,689
Security	10,384	11,027
Use of external data gathering and processing services	6,717	6,601
Membership fees	4,849	5,103
Condominium expenses	2,981	3,257
Sundry other	23,180	28,308
Total	**529,789**	**521,806**

The amount relating to "Consulting and other professional services" of € 60.1 million is attributable to sundry administrative expenses for legal services and for other professional advisors for advice on specific regulations and for the provision of support and advice on matters concerning changes in legislation, the system of internal control and the 2012-2014 Business Plan.
The details are as follows:
- services provided by various legal advisors, particularly in respect of litigation, for € 30.6 million (€ 29.1 million in 2013);
- professional services provided by various firms, regarding the execution of a number of funding transactions completed in the year (issue of covered bonds, update and issues pertaining to the Euro Medium Term Notes programme, etc.), for the audit of the financial statements, to obtain ratings from different agencies, for specific valuation work performed for financial statement purposes (specific appraisals, Comprehensive Assessment) for € 4.6 million (€ 3.8 million in 2013);
- other sundry professional services (for example, appraisals and other technical support) for € 7 million (€ 7.1 million in 2013);
- sundry advice in respect of continuous changes in legislation, improvements to the system of internal control and projects foreseen by the 2012-2014 Business Plan.
This, in fact, is truly an investment for the future as can be seen, for example, by the work performed in particular for the overall operational development of the adoption of internal models of credit risk and the new Regulations for the prudential supervision of banks referred to in Circular no. 263 of the Bank of Italy. The total of this type of expense came to € 17.9 million (€ 14.9 million in 2013).

Section 12 – Net provisions for risks and charges

Caption 190

12.1 Net provisions for risks and charges: breakdown

Type of risks and charges	31.12.2014	31.12.2013
A. Provisions	**(46,614)**	**(35,849)**
1. for legal disputes	(44,187)	(31,525)
2. other	(2,427)	(4,324)
B. Write-backs	**7,832**	**5,939**
1. for legal disputes	5,276	4,372
2. other	2,556	1,567
Total	**(38,782)**	**(29,910)**

Section 13 - Net adjustments to property, plant and equipment

Caption 200

13.1 Net adjustments to property, plant and equipment: breakdown

Assets/Income items	Depreciation (a)	Impairment adjustments (b)	Write-backs (c)	Net result 31.12.2014 (a+b-c)
A. Property, plant and equipment				
A.1 Owned	(40,797)	(2,837)	-	(43,634)
- For business purposes	(36,700)	-	-	(36,700)
- For investment purposes	(4,097)	(2,837)	-	(6,934)
A.2 Held under finance leases	(131)	-	-	(131)
- For business purposes	(131)	-	-	(131)
- For investment purposes	-	-	-	-
Total	**(40,928)**	**(2,837)**	**-**	**(43,765)**

As already mentioned in Part B, Section 12, Assets, the amount recorded under "Impairment adjustments" refers to the impairment test carried out in compliance with IAS 36 on a number of property units.

Section 14 – Net adjustmets to intangible assets

Caption 210

14.1 Net adjustments to intangible assets: breakdown

Assets/Income items	Amortisation (a)	Impairment adjustments (b)	Write-backs (c)	Net result 31.12.2014 (a+b-c)
A. Intangible assets				
A.1 Owned	(26,621)	-	-	(26,621)
- generated internally by the company	(10)	-	-	(10)
- other	(26,611)	-	-	(26,611)
A.2 Held under finance leases	-	-	-	-
Total	**(26,621)**	**-**	**-**	**(26,621)**

Section 15 – Other operating charges/income

Caption 220

15.1 Other operating charges: breakdown

Description/Amounts	31.12.2014	31.12.2013
Loss on disposal of leased assets	13,972	6,763
Amortisation of leasehold improvement expenditure	6,522	6,908
Out-of-period expense	5,609	3,460
Other	47,835	33,433
Total	**73,938**	**50,564**

The "Loss on disposal of leased assets" refers mainly to the difference between the capital gains and losses of the subsidiary Sardaleasing s.p.a.

15.2 Other operating income: breakdown

Description/Amounts	31.12.2014	31.12.2013
Rental income	9,253	9,787
Recovery of taxes	125,403	116,458
Gains on disposal of fixed assets given under finance leases	8,381	2,469
Other income	104,169	133,701
Total	**247,206**	**262,415**

Section 16 – Profit (Loss) from equity investments

Caption 240

16.1 Profit (loss) from equity investments: breakdown

Items/Amounts	31.12.2014	31.12.2013
1) Companies under joint control		
A. Income	-	-
1. Revaluations	-	-
2. Gain from disposals	-	-
3. Write-backs	-	-
4. Other income	-	-
B. Charges	-	-
1. Write-downs	-	-
2. Impairment write-downs	-	-
3. Loss from disposals	-	-
4. Other charges	-	-
Net result	**-**	**-**
2) Companies subject to significant influence		
A. Income	3,015	2,964
1. Revaluations	3,015	2,964
2. Gains on disposals	-	-
3. Write-backs	-	-
4. Other gains	-	-
B. Charges	(3,852)	(17,912)
1. Write-downs	(344)	(5,058)
2. Impairment write-downs	(3,508)	(12,658)
3. Loss from disposals	-	(196)
4. Other charges	-	-
Net result	**(837)**	**(14,948)**
Total	**(837)**	**(14,948)**

As already mentioned in Part B, Section 10, Assets, the amount of sub-caption "Impairment adjustments" relates to impairment tests on Banca della Nuova Terra (€ 3,233 thousand), Atriké s.p.a. (€ 4 thousand), and the write-down of the investment in Brozzu e Cannas s.r.l. in liquidation (€ 105 thousand) and Sofipo Fiduciaire s.a. (€ 166 thousand).
Captions "Revaluations" and "Write-downs" include the result of applying the equity method to associates.

Section 17 – Net gains (losses) arising on fair value adjustments to property, plant and equipment and intangible assets.

Caption 250

There are no amounts in this section.

Section 18 – Adjustments to goodwill

Caption 260

There are no amounts in this section.

Section 19 – Gains (Losses) on disposal of investments

Caption 270

19.1 Gain (loss) on disposal of investments: breakdown

Items/Amounts	31.12.2014	31.12.2013
A. Buildings	**113**	**108**
- Gains on disposal	115	140
- Losses on disposal	(2)	(32)
B. Other assets	**(46)**	**227**
- Gains on disposal	198	329
- Losses on disposal	(244)	(102)
Net result	**67**	**335**

Section 20 – Income tax for the period on current operations

Caption 290

20.1 Income taxes for the period on current operations: breakdown

Items/Segments	31.12.2014	31.12.2013
1. Current taxes (-)	(181,856)	(282,413)
2. Change in prior period income taxes (+/-)	27,272	35,591
3. Reduction in current taxes (+)	-	49
3. *bis* Reduction in current taxes for tax credits under L. 214/2011 (+)	3,499	2,573
4. Change in deferred tax assets (+/-)	123,110	191,149
5. Change in deferred tax liabilities (+/-)	(409)	1,083
6. Income taxes for the year on current operations (-) (-1+/-2+3+3 *bis*+/-4+/-5)	**(28,384)**	**(51,968)**

Section 21 – Profit (Loss) after tax on non-current assets held for sale

Caption 310

21.1 Gain (loss) after tax on non-current assets/liabilities held for sale: breakdown

Items/Segments	31.12.2014	31.12.2013
1. Income	-	-
2. Expenses	-	-
3. Results of measuring groups of assets and the related liabilities	-	-
4. Gain/(loss) on disposals	-	1,258
5. Taxation	-	-
Net profit (loss)	**-**	**1,258**

Section 22 – Net profit (loss) pertaining to minority interest

Caption 330

22.1 Analysis of caption 330 “Net profit (loss) pertaining to minority interest”

Name	31.12.2014	31.12.2013
Consolidated equity investments with significant minority interests	**14,984**	**8,980**
1. Banco di Sardegna (*)	17,404	9,462
2. Cassa di Risparmio di Bra s.p.a.	(3,273)	(2,960)
3. Banca Popolare di Ravenna s.p.a. (**)	-	316
4. Banca Popolare del Mezzogiorno s.p.a. (**)	-	742
5. Banca della Campania s.p.a. (**)	-	84
6. Sardaleasing s.p.a. (***)	243	-
7. Emilia Romagna Factor s.p.a.	610	1,336
Other equity investments	**-**	**(42)**
Total	**14,984**	**8,938**

(*) consolidation of the sub-holding company Banco di Sardegna and its subsidiaries (including Banca di Sassari s.p.a.).
(**) absorbed by BPER on 24 November 2014.
(***) in the first half, the Parent Company acquired direct control over the company following the merger of ABF Leasing s.p.a. with Sardaleasing s.p.a., previously held by Banco di Sardegna s.p.a.

To determine the relevance of minority interests, see Part A of these Explanatory notes.

Section 23 – Other Information

The information contained in the above sections is deemed to be detailed and completed, thus providing a full picture of the consolidated results.

Section 24 – Earnings per share

IAS 33 requires disclosure of basic and diluted earnings per share (EPS), specifying how each is calculated.

Basic earnings per share reflect the relationship between:

a) the earnings attributable to ordinary shareholders,
b) and the weighted average number of shares outstanding during the period.

Diluted earnings per share reflect the relationship between:

a) the earnings used to calculate basic EPS, as adjusted by the economic effects of converting all outstanding convertible bonds into shares at period end,
b) and the number of shares used to calculate basic EPS, as adjusted by the weighted average of the potential ordinary shares with a diluting effect deriving from the conversion of bonds outstanding at period end.

	31.12.2014			31.12.2013		
	Attributable earnings	Weighted average ordinary shares	Earnings per share (Euro)	Attributable earnings	Weighted average ordinary shares	Earnings per share (Euro)
Basic EPS	14,666	362,085,234	0.041	6,606	333,373,446	0.020
Diluted EPS	14,666	362,085,234	0.041	7,200	335,898,938	0.021

The following tables reconcile the weighted average number of ordinary shares outstanding used to calculate basic earnings per share with the number of ordinary shares used to calculate diluted earnings per share; they also reconcile net profit for the year with the net income used to determine basic and diluted earnings per share.

24.1 Average number of ordinary shares (fully diluted)

	31.12.2014	31.12.2013
Weighted average number of outstanding ordinary shares for basic EPS calculation	362,085,234	333,373,346
Weighted dilutive effect of the potential conversion of convertible bonds	-	2,525,592
Weighted average number of outstanding ordinary shares for diluted EPS calculation	**362,085,234**	**335,898,938**

24.2 Other information

	31.12.2014	31.12.2013
Net profit for the period	14,797	7,176
Allocations not attributable to the shareholders	(131)	(570)
Net profit for basic EPS calculation	14,666	6,606
Change in income and charges deriving from conversion	-	594
Net profit for diluted EPS calculation	**14,666**	**7,200**

Part D – CONSOLIDATED COMPREHENSIVE INCOME

Analytical statement of consolidated comprehensive income

(in thousands of Euro)

	Captions	Gross amount	Income taxes	Net amount
10.	**Net profit (loss) for the period**	**58,165**	**(28,384)**	**29,781**
	Other income items, net of income taxes, without release to the income statement:			
40.	Defined benefit plans	(42,659)	11,907	(30,752)
60.	Portion of the valuation reserves of the equity investments carried at equity	556	-	556
	Other income items, net of income taxes, with release to the income statement:			
90.	**Cash-flows hedges:**	**19,483**	**(6,443)**	**13,040**
	a) changes in fair value	19,483	(6,443)	13,040
	b) release to the income statement	-	-	-
	c) other changes	-	-	-
100.	**Financial assets available for sale:**	**98,527**	**(36,989)**	**61,538**
	a) changes in fair value	124,942	(53,866)	71,076
	b) release to the income statement	(26,952)	16,967	(9,985)
	- impairment write-downs	40,138	(3,171)	36,967
	- gains (losses) on disposals	(67,090)	20,138	(46,952)
	c) other changes	537	(90)	447
130.	**Total other elements of income**	**75,907**	**(31,525)**	**44,382**
140.	**Total comprehensive income (Captions 10+130)**	**134,072**	**(59,909)**	**74,163**
150.	Total comprehensive income pertaining to minority interests			14,041
160.	**Consolidated comprehensive income attributable to the Parent Company**			**60,122**

Section 1 – Risks faced by the Banking group

Pursuant to the indications contained in Basel 2's "Pillar 3", the Group publishes disclosures on capital adequacy, exposures to risk and the general characteristics of the systems adopted for the management and control of risks, in order to promote market discipline.
The disclosure is prepared in accordance with the rules consisting of Circular no. 285 of 17 December 2013 and subsequent amendments, issued by the Bank of Italy, and EU Regulation 575/2013 of the European Parliament and Council of 26 June 2013 (CRR).
This document has been published with the name "Basel 2 - Pillar 3 - Public disclosure" and is available, within the time-scale prescribed by the regulations, on the website of the Parent Company www.bper.it and on that of the Group www.gruppobper.it.

Introduction

With regard to a summary of the Group's risk governance organisation, of the related processes and key functions, reference should be made to the details provided in the section on "Principal risks and uncertainties" in the Directors' Report on Group Operations.

1.1 Credit risk

QUALITATIVE INFORMATION

1. General aspects

The domestic economic situation during 2014 showed signs of a slight improvement during the first half of the year, but they failed to consolidate in the second half, continuing the recessionary trend for the third year in a row.

The BPER Group has always had prudent lending policies designed to optimise the trade-off between risk and return, giving preference to Individuals and SMEs, and among the latter, those with bent for internationalisation and innovation.

Targeted commercial initiatives during the course of the year have allowed a significant recovery in demand on the part of individuals wanting home purchase loans, but at the same time, similar results did not appear on the business front, with businesses continuing to reduce their demand for credit in 2014.

The Banking goup also continued to take part in operations based on ABI agreements, both for companies and for individuals in temporary difficulties, providing support even in the face of the various natural disasters that hit the country.

The Group companies operating in near-banking have followed the general economic trend: both factoring and leasing, property transactions in particular, felt the impact of companies' declining sales and investment compared with the same period last year.

2. Credit risk management policies

The **lending policy of the Group** pursues the aim of carefully selecting counterparties through an analysis of their creditworthiness, including the use of well-established tools such as the rating system, having regard for the achievement of commercial and support objectives.
In view of the Group's strategic objectives and operations, the general risk management strategy is to accept a moderate level of risk involving:

- the assessment of the current and prospective creditworthiness of counterparties;
- the diversification of the portfolio, limiting the concentration of exposures towards individual counterparties and sectors of economic activity.

2.1 Organisational aspects

The **Group's credit risk management model** has the following **objectives**:

- apply the instructions issued by the Supervisory Authorities, while taking account of the Group's specific operating characteristics;
- ensure that credit risk is managed appropriately by each bank and at a consolidated level.

These objectives are achieved via the **segregation of responsibilities and duties** between the bodies that manage credit risk and those with a control function.

The following elements underpin work to manage and control the exposure to credit risk:

- **independence** of the function responsible for the measurement of credit risk with respect to the various business functions;
- **clear definition of delegated powers** and the resulting structure of limits imposed by the Board of Directors of the Parent Company;
- **coordination of credit risk management processes** by the Parent Company, while leaving individual companies with operational autonomy for the management of credit risk;
- **consistent application** of measurement models throughout the Group, in line with international best practice;
- **transparent methodology** and measurement criteria to facilitate understanding of the risk measures adopted;
- **performance of periodic stress tests** which use endogenous and exogenous shock scenarios to provide deterministic and/or probability-based indicators of risk.

2.2 Systems for managing, measuring and monitoring credit risk

The management of risk involves applying a **system of methodologies** and approaches for the ongoing measurement and/or assessment of risk. This system helps to guide operational decisions and quantify the level of capital required by the Group in order to cover the risks that have been accepted. Each Bank analyses the various components of credit risk and identifies the exposure associated with the loan portfolio using suitable measurement methodologies. In particular, the Bank uses many tools to measure and monitor credit risk in relation to both performing and non-performing loans.

The characteristics of the **rating models** developed by the Parent Company for the calculation of PD (Probability of default: i.e. the probability that the borrower will not be able to meet their commitments) depend on the risk segment to which the counterparty belongs, the amount of the exposure and the stage in the lending process at which they are applied (initial payout or monitoring). The classifications are represented by 13 classes of merit differentiated by risk segment and encompassed within a single Master Scale.

All of the Parent Company's systems share a number of **common characteristics**:

- the rating is determined with reference to the specific counterparty;
- the rating systems are established with reference to the loan portfolio of the banking group (the rating is unique for each counterparty, even if shared by several banks in the Group);
- the models process internal performance information derived from reports issued by the central risk database and financial information in relation to businesses;
- the Corporate SMEs, Long-term Property SMEs and Large Corporate models include a qualitative element, in addition to the statistical element. The rating allocation process for these segments also allows the account manager to activate an override process i.e. to request an exception to the quantitative rating based on true and documented information not processed by the model. The requested exception is evaluated by a central function that operates at Group level;
- to support risk analysis in the Large Corporate segment, another component was added

to the model to take into account whether counterparties belong to a group;
- the Probability of Default is calibrated with reference to regulatory anomalies, which include past due amounts but exclude the so-called technical past due amounts. past due amount;
- the time series used to develop and calibrate the models cover a broad time horizon and reflect internal reality on a forward-looking basis;
- the ratings are analysed and reviewed at least once each year; the Bank has also defined a process for the monitoring of each rating, causing the rating to lapse if it no longer represents the true risk profile of the counterparty and there are signs of deterioration in the quality of the related lending.

Determination of the **final rating** depends on the type of counterparty. In particular, the rating allocation process involves a level of investigation that is proportional to the complexity/scale of the counterparty under review: it is more complex and detailed for medium-large businesses (Corporate SMEs, Long-term Property SMEs and Large Corporates), which are fewer but with larger average exposures, and simpler for Retail customers (Retail SMEs, Individuals and Small Businesses), which are more numerous but with lower exposures.

The **estimation of LGD** - Loss Given Default: represents the extent of the loss expected to occur on default of the borrower, dependent on type of exposure to the counterparty and is based on information on the borrower (segment, geographical area, internal administrative status), the product (technical form, size of exposure), and the presence, type and coverage of guarantees.
LGD estimation includes the impact of the recession (downturn LGD).

Important activities that took place in 2014 as part of the **Basel 2 Project** included:
- updating of the rating assignment process, for the Individuals and Small Business segments;
- updating performance and retail acceptance models;
- recalibration of the Large Corporate model;
- refinement of the parallel running system (for the calculation of capital requirements using the standardised approach and an Internal Rating Based (IRB) approach;
- update of the LGD model, lengthening the time series being analysed.

In addition to indicating the principles of governance, assumption and management of credit risk, the **Group Credit Risk Governance Policy** defines the BPER Group's credit risk appetite. For this purpose, the policy provides for a new system of credit risk exposure limits, establishing supervisory thresholds that have to be monitored periodically. The document also explains the principles for calculating analytical and collective loan loss provisions and for the classification of loans by status.

In order to manage credit risk, the Group has developed a system of credit limits designed to regulate the lending process, together with a system for authorisations that takes account of the riskiness of the customer and/or the transaction, consistent with the risk evaluation systems adopted. This system ensures compliance with the principle that the level of authorisation be consistent with the riskiness of the transaction, envisaging that the limits on decision making are established with reference to one or more aspects of the specific counterparty and transaction risk (in particular counterparty rating, expected loss, amount of the facility).

The internal rating system's risk measures are used for management reporting purposes; in particular, a **Credit Risk Book** is prepared on a quarterly basis and is an essential tool for the Credit Risk Committee. This is the basic information support for the Credit Risk Committee and contains detailed reports on credit risk at consolidated and individual level (distribution of the portfolio by type, rating classes and expected loss, transition matrices, dynamics of general and analytical provisions, decay rates, risk-adjusted profitability), with differentiated analyses for risk and management segments and geographical area.

In addition, a summary report is prepared on a monthly basis, including the monitoring of supervisory thresholds set for credit risk.

A **network reporting** tool is also available, characterised by different views of the loan portfolio, with different levels of aggregation (Branch, Area, General Management, Bank and Group) and hierarchical visibility cones.

2.3 Credit risk mitigation techniques

Mitigation techniques are an important tool for reducing or transferring part of the credit risk associated with the portfolio of exposures. Consistent with the low propensity to accept risk that characterises operations, the Group seeks to mitigate credit risk, in particular, by **obtaining and managing secured and unsecured guarantees**. For this purpose, the Group has prepared suitable IT procedures and systems for managing mortgages and financial guarantees in compliance with prudent supervisory requirements, as well as appropriate internal regulations for managing the life-cycles of the other tangible security obtained.

The secured guarantees obtained by the Group generally comprise mortgages on residential and non-residential property, as part of retail lending and, to a lesser extent, loans to Corporate customers, as well as pledges on securities, receivables and cash. An internal procedure developed over a number of years gathers information in an organised fashion on the property assets of borrowers and on the properties given in guarantee. The value of property is periodically remeasured and updated with reference to the statistical databases maintained by a leading operator in the sector, and steps are taken to renew the related appraisals; an internal function covering the entire banking group has been established to supervise this process and monitor constantly the value obtained to cover exposures, as required by the new regulations. Similarly, the fair value of financial instruments obtained as security is updated continuously, as part of the finance system, with reference to the changes in market prices.

The principal types of unsecured guarantees consist of "specific guarantees" and "restricted omnibus guarantees", mainly given by entrepreneurs in favour of their companies and by parent companies in favour of their subsidiaries in the form of binding letters of patronage. The guarantees given by various guarantee consortiums in favour of their members firms are becoming more significant.

2.4 Impaired financial assets

Impaired financial assets are managed with reference to a series of **internal classifications** based on the quality of the debtor and the risks associated with each transaction, as required by the supervisory regulations.

The classification of each anomalous position is decided with reference to an internal regulation that governs in detail the level of monitoring required given the type of anomaly that has occurred: certain changes in status are automatic; others are made after a subjective assessment of the performance of the positions concerned. The tools available identify on a timely basis any signs of deterioration in the relationship that might lead to its classification as an anomalous position.
The consistency of the classification of an anomalous position with respect to the internal regulations is assured by automated periodic checks that apply these regulations to the entire population, comparing the results with the current classification. An assessment of the adequacy of the adjustments made with respect to the requirements of the internal regulations is also made in the same way.
If the anomaly ceases to exist, the position is reclassified to a less serious monitoring status; after the completion of subjective and analytical assessments; this may result, in the final analysis, a return to "performing" status. Similar monitoring is performed in relation to receivables that are past due by more than a given period of time.

In order to optimise the process of monitoring customers, the Parent Company has developed an **Early Warning model**. This is capable of analysing performing loans by level of risk, with a view to suggesting timely action to be taken by the responsible functions.

The model was developed using methodology that responds to two key principles in the process of managing performing counterparties:

- the need to identify as a first step those counterparties that, for the sake of prudence, should be monitored actively in order to avoid a deterioration in their position, or to implement actions that will improve the counterparty’s risk profile or contain possible future losses;
- the need to define processes for observing these positions, determining the priorities and the rules for monitoring them, in order to optimise the organisational effort of the account managers and the results of such action.

2.5 Forborne exposures

In October 2013 the EBA released its "EBA FINAL draft Implementing Technical Standards" relating to the definition of non-performing exposures and forbearance.
The document was approved by the Commission on 9 January 2015 and published on the Official Journal of the European Union on 20 February 2015 with Regulation 227/2015.
Forbearance measures (concessions) are the modification of the terms and conditions of a contract or its refinancing, granted to a counterparty in financial difficulties that could have negative effects on its ability to meet its originally assumed contractual commitments and that would not have been granted to another borrower with a similar risk profile not in financial difficulties.
Concessions are to be identified at the level of each forborne exposure and may relate to exposures to borrowers classified as both performing and non-performing.
In any case, renegotiated exposures should not be considered forborne when the borrower is not in financial difficulties.
In determining the forborne exposures the Group complied with the rules envisaged by the EBA technical standards.
The following table provides a summary of performing and non-performing forborne exposures:

Gross exposures in forbearance - 31 December 2014

(in millions of Euro)

Status	Balance sheet exposures	Off-balance sheet exposures	Total exposures
non-performing	2,404	5	2,409
performing	1,278	1	1,279
Total	**3,682**	**6**	**3,688**

QUANTITATIVE INFORMATION

A. Credit Quality

A.1 Doubtful and performing loans: amounts, adjustments, trends, economic and territorial distribution

A.1.1 Distribution of credit exposure by portfolio and quality of lending (book values)

Portfolio/Quality		Banking group						Other businesses		Total
		Non-Performing loans	Watchlist loans	Restructured loans	Impaired past due loans	Not impaired past due loans	Other assets	Doubtful loans	Others	
1. Financial assets held for trading		1	2,100	2,738	66	-	943,396	-	-	948,301
2. Financial assets available for sale		-	-	-	-	-	6,450,037	-	-	6,450,037
3. Financial assets held to maturity		-	-	-	-	-	2,213,497	-	-	2,213,497
4. Due from banks		22	-	-	-	-	1,709,276	-	-	1,709,298
5. Loans to customers		2,819,076	2,897,201	618,289	192,307	1,638,404	35,753,983	-	421	43,919,681
6. Financial assets designated at fair value through profit and loss		-	-	-	-	-	41,767	-	-	41,767
7. Financial assets being sold		-	-	-	-	-	-	-	-	-
8. Hedging derivatives		-	-	-	-	-	36,744	-	-	36,744
Total	**31.12.2014**	**2,819,099**	**2,899,301**	**621,027**	**192,373**	**1,638,404**	**47,148,700**	**-**	**421**	**55,319,325**
Total	**31.12.2013**	**2,479,130**	**3,137,016**	**447,077**	**343,870**	**1,699,086**	**48,498,758**	**-**	**-**	**56,604,937**

A.1.2 Distribution of credit exposures by portfolio and quality of lending (gross and net values)

Portfolio/quality	Doubtful loans: Gross exposure	Doubtful loans: Specific provisions	Doubtful loans: Net exposure	Performing loans: Gross exposure	Performing loans: General portfolio provisions	Performing loans: Net exposure	Total (Net exposure)
A. Banking group							
1. Financial assets held for trading	4,905	-	4,905	943,396	#	943,396	948,301
2. Financial assets available for sale	-	-	-	6,450,037	-	6,450,037	6,450,037
3. Financial assets held to maturity	-	-	-	2,213,497	-	2,213,497	2,213,497
4. Due from banks	2,277	2,255	22	1,709,277	1	1,709,276	1,709,298
5. Loans to customers	10,998,439	4,471,566	6,526,873	37,603,108	210,721	37,392,387	43,919,260
6. Financial assets designated at fair value through profit and loss	-	-	-	41,767	#	41,767	41,767
7. Financial assets being sold	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	36,744	#	36,744	36,744
Total A	**11,005,621**	**4,473,821**	**6,531,800**	**48,997,826**	**210,722**	**48,787,104**	**55,318,904**
B. Other consolidated companies							
1. Financial assets held for trading	-	-	-	#	#	-	-
2. Financial assets available for sale	-	-	-	-	-	-	-
3. Financial assets held to maturity	-	-	-	-	-	-	-
4. Due from banks	-	-	-	-	-	-	-
5. Loans to customers	-	-	-	421	-	421	421
6. Financial assets designated at fair value through profit and loss	-	-	-	#	#	-	-
7. Financial assets being sold	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	#	#	-	-
Total B	**-**	**-**	**-**	**421**	**-**	**421**	**421**
Total 31.12.2014	**11,005,621**	**4,473,821**	**6,531,800**	**48,998,247**	**210,722**	**48,787,525**	**55,319,325**
Total 31.12.2013	**10,223,529**	**3,816,436**	**6,407,093**	**50,424,081**	**226,237**	**50,197,844**	**56,604,937**

Derecognised non-performing loans to customers involved in insolvency proceedings amount to € 1,318,437 thousand. As also indicated in paragraph 6.1 of the Directors' Report on Group Operations, for the purpose of determining the actual level of coverage of non-performing loans the above mentioned derecognised loans need to be taken into account.

As required by the 3rd update of Circular no. 262/2005, the following table provides details of "Performing exposures" of the portfolio of loans to customers, distinguishing between exposures subject to renegotiation under collective agreements, exposures subject to renegotiation granted by the Group to customers in financial difficulty and other exposures.

Portfolio/Quality	Other assets	Past due unimpaired loans			
	not overdue	Past due up to 3 months	Past due from 3 to 6 months	Past due from 6 to 12 months	Past due for over 1 year
A. Banking group					
5. Loans to customers	**35,753,983**	**1,329,537**	**191,009**	**111,281**	**6,577**
- Exposures subject to renegotiation in connection with collective agreements	255,153	25,262	4,991	1,113	-
- Exposures subject to renegotiation granted to customers in financial difficulty	455,272	146,545	75,606	32,293	6
- Other exposures	35,043,558	1,157,730	110,412	77,875	6,571
Total	**35,753,983**	**1,638,404**			

At 31 December 2014 there were no exposures subject to renegotiation in the portfolios other than loans to customers.

A.1.3 Banking group - Cash and off-balance sheet exposures to banks: gross and net values

Type of exposure/Amounts	Gross exposure	Specific provisions	General portfolio provisions	Net exposure
A. Cash exposures				
a) Non-performing loans	2,277	2,255	#	22
b) Watchlist loans	-	-	#	-
c) Restructured loans	-	-	#	-
d) Past due loans impaired	-	-	#	-
e) Other assets	3,932,564	#	1	3,932,563
Total A	**3,934,841**	**2,255**	**1**	**3,932,585**
B. Off-balance sheet exposures				
a) Doubtful loans	-	-	#	-
b) Others	3,503,349	#	-	3,503,349
Total B	**3,503,349**	**-**	**-**	**3,503,349**
Total (A+B)	**7,438,190**	**2,255**	**1**	**7,435,934**

A.1.4 Banking group - On-Balance Sheet credit exposures to banks: gross change in doubtful exposures

Description/categories	Non-performing loans	Watchlist loans	Restructured loans	Past due loans
A. Opening balance - gross exposure	**2,277**	**-**	**-**	**-**
- of which: assets sold but not derecognised	-	-	-	-
B. Increases	**174**	**-**	**-**	**-**
B.1 transfers from performing loans	-	-	-	-
B.2 transfer from other impaired exposure categories	-	-	-	-
B.3 other increases	174	-	-	-
C. Reductions	**174**	**-**	**-**	**-**
C.1 transfers to performing loans	-	-	-	-
C.2 derecognised items	174	-	-	-
C.3 recoveries	-	-	-	-
C.4 sales proceeds	-	-	-	-
C.4 bis losses from disposal	-	-	-	-
C.5 transfer to other impaired exposure categories	-	-	-	-
C.6 other reductions	-	-	-	-
D. Gross exposure closing balance	**2,277**	**-**	**-**	**-**
- of which: assets sold but not derecognised	-	-	-	-

A.1.5 Banking group - Balance Sheet credit exposures to banks: change in overall impairments

Description/categories	Non performing loans	Watchlist loans	Restructured loans	Past due loans
A. Opening gross write-downs	**2,125**	**-**	**-**	**-**
- of which: assets sold but not derecognised	-	-	-	-
B. Increases	**304**	**-**	**-**	**-**
B.1 write-downs	304	-	-	-
B.2 bis lost from disposals	-	-	-	-
B.2 transfer from other impaired exposure categories	-	-	-	-
B.3 other increases	-	-	-	-
C. Reductions	**174**	**-**	**-**	**-**
C.1 write-backs from assessments	-	-	-	-
C.2 write-backs from recoveries	-	-	-	-
C.2 bis profit from disposals	-	-	-	-
C.3 write-offs	174	-	-	-
C.4 transfer to other impaired exposure categories	-	-	-	-
C.5 other reductions	-	-	-	-
D. Final gross write-downs	**2,255**	**-**	**-**	**-**
- of which: assets sold but not derecognised	-	-	-	-

A.1.6 Banking group - Cash and off-balance sheet credit exposures to customers: gross and net values

Type of exposure/Amounts	Gross exposure	Specific provisions	General Portfolio provisions	Net exposure
A. Cash exposures				
a) Non-performing loans	6,487,495	3,668,419	#	2,819,076
b) Watchlist loans	3,577,168	679,967	#	2,897,201
c) Restructured loans	724,581	106,292	#	618,289
d) Impaired past due loans	209,195	16,888	#	192,307
e) Other assets	44,870,362	#	210,721	44,659,641
Total A	**55,868,801**	**4,471,566**	**210,721**	**51,186,514**
B. Off-Balance Sheet exposure				
a) Doubtful loans	241,275	40,684	#	200,591
b) Others	3,634,287	#	11,778	3,622,509
Total B	**3,875,562**	**40,684**	**11,778**	**3,823,100**
Total (A+B)	**59,744,363**	**4,512,250**	**222,499**	**55,009,614**

A.1.7 Banking group - Cash credit exposures to customers: dynamics of gross impaired loans

Description/categories	Non performing loans	Watchlist loans	Restructured loans	Past Due loans
A. Opening gross exposure	**5,504,590**	**3,888,887**	**515,872**	**365,452**
- of which: sold but not derecognised	1,402	-	-	-
B. Increases	**1,634,153**	**2,297,315**	**538,917**	**330,843**
B.1 transfers from performing loans	271,653	1,628,653	143,429	272,650
B.2 transfers from other categories of impaired exposures	1,192,983	215,489	221,174	5,806
B.3 other increases	169,517	453,173	174,314	52,387
C. Decreases	**651,248**	**2,609,034**	**330,208**	**487,100**
C.1 transfers to performing loans	1,220	330,999	9,112	104,364
C.2 write-offs	85,743	29,431	2,984	132
C.3 collections	322,970	865,257	259,182	85,045
C.4 proceeds from disposals	96,127	605	1,597	2,964
C.4 bis losses from disposals	124,837	-	-	-
C.5 transfers to other categories of impaired exposures	1,370	1,349,086	56,037	228,959
C.6 other decreases	18,981	33,656	1,296	65,636
D. Closing gross exposure	**6,487,495**	**3,577,168**	**724,581**	**209,195**
- of which: assets sold but not derecognised	1,402	-	-	-

A.1.8 Banking group - Cash credit exposures to customers: dynamics of total write-downs

Description/categories	Non-performing loans	Watchlist loans	Restructured loans	Past due loans
A. Total opening adjustments	**3,025,614**	**713,832**	**70,920**	**21,582**
- of which: sold but not derecognised	1,402	-	-	-
B. Increases	**1,143,834**	**401,963**	**81,186**	**17,593**
B.1 adjustments	853,019	384,816	32,039	16,361
B.1 bis loss from disposals	31,850	-	-	-
B.2 transfer from other categories of impaired exposures	247,291	15,222	48,707	1,126
B.3 other increases	11,674	1,925	440	106
C. Reductions	**501,029**	**435,828**	**45,814**	**22,287**
C.1 write-backs on valuation	192,331	75,692	12,927	5,406
C.2 write-backs due to collections	85,515	45,946	14,807	1,440
C.2 bis profit from disposals	1,869	-	-	-
C.3 write-offs	85,743	29,431	2,984	132
C.4 transfer to other categories of impaired exposures	255	284,240	15,039	12,812
C.5 other decreases	135,316	519	57	2,497
D. Total closing adjustments	**3,668,419**	**679,967**	**106,292**	**16,888**
- of which: sold but not derecognised	1,402	-	-	-

The adjustments (B.1) include default interest accrued in the year, but which has been fully written down (€ 42,529 thousand).

Determination of impairment of performing loans ("collective method")

Banks that are aligned to the Group's IT system

The methods used for the determination of collective impairment have been determined by the Parent Company and provide for the calculation of collective impairment at the level of individual exposure by applying this formula:

$$IMPAIRMENT=EXP*PD*LGD$$

EXP = gross book value in the case of cash exposures; nominal value multiplied by the regulatory credit equivalent (standard method) in the case of off-balance sheet exposures;
PD = a figure that estimates the probability of default at 1 year. The PDs associated with internal official ratings are used;
LGD = Rate of loss in case of default. The LGD estimated by the internal models developed as part of the Basel 2 project is applied, less the downturn component and indirect costs (LGD for management purposes).

Non-banking companies and banks that are not aligned to the Group's IT system

The method used for determining collective impairment is managed by each Group company and each bank not aligned to the IT system on the basis of its own internal estimates.

A.2 Classification of exposures based on external and internal ratings

A.2.1 Banking group - Distribution of cash and "off-balance sheet" exposures by external rating class

Exposures	External rating class						Total
	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	Below B-	
A. Cash exposures	119,800	8,533,147	1,004,505	1,869,878	200,247	159,271	11,886,848
B. Derivatives	-	4,191	21,190	27,933	219	-	53,533
B.1 Financial derivatives	-	4,191	21,190	27,933	219	-	53,533
B.2 Credit derivatives	-	-	-	-	-	-	-
C. Guarantees given	-	628,211	195,283	386,187	18,777	42,240	1,270,698
D. Commitments to make loans	-	2,386	101,819	65,932	12,873	480	183,490
E. Other	-	-	-	-	-	-	-
Total	**119,800**	**9,167,935**	**1,322,797**	**2,349,930**	**232,116**	**201,991**	**13,394,569**

	With rating	Unrated	Total
A. Cash exposures	11,886,848	43,232,251	55,119,099
B+C+D. Off-balance sheet exposures	1,507,721	5,818,728	7,326,449
Total	**13,394,569**	**49,050,979**	**62,445,548**

The following rating agencies are used: DBRS for exposures to central administrations, CERVED GROUP for exposures to businesses, FITCH, MOODY'S and S&P's for exposures deriving from securitisations.
The rating classes used in the table are those of Standard & Poor's.
S&P's rating classes and those of the other ECAI used by the BPER Group have been interpreted with reference to the Bank of Italy's classes of merit.

The ratings issued by Standard & Poor's for exposures to businesses and other parties are mapped below.

Long-term rating for exposures to businesses and other parties:

Class of credit merit	Risk weighting coefficients	ECAI Standard & Poor's
1	20%	from AAA to AA-
2	50%	from A+ to A-
3	100%	from BBB+ to BBB-
4	100%	from BB+ to BB-
5	150%	from B+ to B-
6	150%	CCC+ and below

Long-term rating for exposures to securitisations:

Class of credit merit	Risk weighting coefficients	ECAI Standard & Poor's
1	20%	from AAA to AA-
2	50%	from A+ to A-
3	100%	from BBB+ to BBB-
4	350%	from BB+ to BB-
5	1250%	from B+ and below

A.2.2 Banking group - Distribution of cash and “off-balance sheet” exposures by internal rating class

Exposures to individuals:

Exposures	Internal rating class						
	1	2	3	4	5	6	7
A. Cash exposures	1,212,329	1,170,458	882,275	1,679,197	1,616,505	756,150	486,497
B. Derivatives	23	7	1	102	25	-	3
B.1 Financial derivatives	23	7	1	102	25	-	3
B.2 Credit derivatives	-	-	-	-	-	-	-
C. Guarantees given	5,984	12,358	4,261	10,694	13,212	4,758	7,261
D. Commitments to make loans	2,404	2,342	3,224	5,555	5,273	585	1,830
E. Other	-	-	-	-	-	-	-
Total	**1,220,740**	**1,185,165**	**889,761**	**1,695,548**	**1,635,015**	**761,493**	**495,591**

Exposures	Internal rating class						
	8	9	10	11	12	13	Total
A. Cash exposures	386,620	256,450	192,445	139,900	75,445	63,806	8,918,077
B. Derivatives	3	1	-	-	(1)	-	164
B.1 Financial derivatives	3	1	-	-	(1)	-	164
B.2 Credit derivatives	-	-	-	-	-	-	-
C. Guarantees given	2,724	501	358	297	167	25	62,600
D. Commitments to make loans	532	258	108	406	4	38	22,559
E. Other	-	-	-	-	-	-	-
Total	**389,879**	**257,210**	**192,911**	**140,603**	**75,615**	**63,869**	**9,003,400**

Exposure to businesses:

Exposures	Internal rating class						
	1	2	3	4	5	6	7
A. Cash exposures	905,867	1,343,324	2,013,062	2,795,431	2,503,118	1,876,643	1,218,195
B. Derivatives	880	1,819	1,525	11,723	31,598	18,751	909
B.1 Financial derivatives	880	1,819	1,525	11,723	31,598	18,751	909
B.2 Credit derivatives	-	-	-	-	-	-	-
C. Guarantees given	186,766	209,545	254,279	195,104	151,321	83,512	62,061
D. Commitments to make loans	17,365	13,062	26,134	43,226	38,182	22,163	6,723
E. Other	-	-	-	-	-	-	-
Total	**1,110,878**	**1,567,750**	**2,295,000**	**3,045,484**	**2,724,219**	**2,001,069**	**1,287,888**

Exposures	Internal rating class						
	8	9	10	11	12	13	Total
A. Cash exposures	871,780	598,937	393,221	219,762	134,471	149,494	15,023,305
B. Derivatives	315	7	120	146	15	211	68,019
B.1 Financial derivatives	315	7	120	146	15	211	68,019
B.2 Credit derivatives	-	-	-	-	-	-	-
C. Guarantees given	32,048	20,148	12,833	3,560	1,767	1,673	1,214,617
D. Commitments to make loans	11,154	15,135	5,162	1,968	1,878	2,414	204,566
E. Other	-	-	-	-	-	-	-
Total	**915,297**	**634,227**	**411,336**	**225,436**	**138,131**	**153,792**	**16,510,507**

Exposure to large businesses:

Exposures	Internal rating class						
	1	2	3	4	5	6	7
A. Cash exposures	76,240	202,881	472,553	472,666	492,133	259,124	360,386
B. Derivatives	434	409	2,647	709	555	1,069	7
B.1 Financial derivatives	434	409	2,647	709	555	1,069	7
B.2 Credit derivatives	-	-	-	-	-	-	-
C. Guarantees given	93,978	63,107	219,048	252,185	209,167	24,127	125,549
D. Commitments to make loans	148	7,905	4,913	12,742	89,663	3,790	1,171
E. Other	-	-	-	-	-	-	-
Total	**170,800**	**274,302**	**699,161**	**738,302**	**791,518**	**288,110**	**487,113**

Exposures	Internal rating class						
	8	9	10	11	12	13	Total
A. Cash exposures	226,259	104,898	70,043	32,776	35,154	890	2,806,003
B. Derivatives	77	55	-	-	35	-	5,997
B.1 Financial derivatives	77	55	-	-	35	-	5,997
B.2 Credit derivatives	-	-	-	-	-	-	-
C. Guarantees given	17,762	8,960	4,347	5,723	283	-	1,024,236
D. Commitments to make loans	-	3,701	-	-	-	-	124,033
E. Other	-	-	-	-	-	-	-
Total	**244,098**	**117,614**	**74,390**	**38,499**	**35,472**	**890**	**3,960,269**

A.3 Distribution of guaranteed exposures by type of guarantee

A.3.1 Banking group - Guaranteed credit exposures to banks

	Amount of net exposure	Real guarantees (1)			
		Property - mortgages	Properties under finance leases	Securities	Other secured guarantees
1. Guaranteed cash exposures:	**74,420**	**-**	**5**	**63,582**	**5**
1.1. fully guaranteed	74,420	-	5	63,582	5
- of which: doubtful	-	-	-	-	-
1.2. partially guaranteed	-	-	-	-	-
- of which: doubtful	-	-	-	-	-
2. Guaranteed off-balance sheet credit exposures:	**2,192**	**-**	**-**	**-**	**-**
2.1. fully guaranteed	2,048	-	-	-	-
- of which: doubtful	-	-	-	-	-
2.2. partially guaranteed	144	-	-	-	-
- of which: doubtful	-	-	-	-	-

(cont.)

	Personal guarantees (2)									Total (1)+(2)
	Credit derivatives					Endorsement credits				
	CLN	Other derivatives								
		Governments and central banks	Other public entities	Banks	Other parties	Governments and central banks	Other public entities	Banks	Other parties	
1. Guaranteed cash exposures:	**-**	**-**	**-**	**-**	**-**	**10,003**	**-**	**-**	**855**	**74,450**
1.1. fully guaranteed	-	-	-	-	-	10,003	-	-	855	74,450
- of which: doubtful	-	-	-	-	-	-	-	-	-	-
1.2. partially guaranteed	-	-	-	-	-	-	-	-	-	-
- of which: doubtful	-	-	-	-	-	-	-	-	-	-
2. Guaranteed off-balance sheet credit exposures:	**-**	**-**	**-**	**-**	**-**	**2,048**	**-**	**-**	**144**	**2,192**
2.1. fully guaranteed	-	-	-	-	-	2,048	-	-	-	2,048
- of which: doubtful	-	-	-	-	-	-	-	-	-	-
2.2. partially guaranteed	-	-	-	-	-	-	-	-	144	144
- of which: doubtful	-	-	-	-	-	-	-	-	-	-

A.3.2 Banking group - Guaranteed credit exposures to customers

	Amount of net exposure	Real guarantees (1)			
		Property - mortgages	Properties under finance leases	Securities	Other secured guarantees
1. Guaranteed cash exposures:	**31,131,015**	**59,962,899**	**2,813,364**	**1,136,631**	**1,733,685**
1.1. fully guaranteed	28,611,087	59,388,239	2,813,364	1,007,219	1,699,541
- of which: doubtful	4,898,296	12,404,045	801,659	94,092	242,070
1.2. partially guaranteed	2,519,928	574,660	-	129,412	34,144
- of which: doubtful	650,203	369,561	-	7,647	4,606
2. Guaranteed off-balance sheet credit exposures:	**1,038,487**	**15,246**	**-**	**115,803**	**66,973**
2.1. fully guaranteed	881,357	13,014	-	89,556	53,745
- of which: doubtful	51,387	3,749	-	2,793	5,727
2.2. partially guaranteed	157,130	2,232	-	26,247	13,228
- of which: doubtful	9,835	687	-	2,545	233

(cont.)

	Personal guarantees (2)									Total (1)+(2)
	Credit derivatives					Endorsement credits				
		Other derivatives								
	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:	**-**	**-**	**-**	**-**	**-**	**118,006**	**442,498**	**69,290**	**6,315,136**	**72,591,509**
1.1. fully guaranteed	-	-	-	-	-	14,856	215,395	49,825	5,652,098	70,840,537
- of which: doubtful	-	-	-	-	-	1,722	29,468	27,802	943,562	14,544,420
1.2. partially guaranteed	-	-	-	-	-	103,150	227,103	19,465	663,038	1,750,972
- of which: doubtful	-	-	-	-	-	6,456	7,872	1,306	242,414	639,862
2. Guaranteed off-balance sheet credit exposures:	**-**	**-**	**-**	**-**	**-**	**688**	**3,407**	**16,773**	**772,436**	**991,326**
2.1. fully guaranteed	-	-	-	-	-	6	3,407	14,390	728,392	902,510
- of which: doubtful	-	-	-	-	-	-	-	7,227	35,097	54,593
2.2. partially guaranteed	-	-	-	-	-	682	-	2,383	44,044	88,816
- of which: doubtful	-	-	-	-	-	525	-	-	2,760	6,750

B. Distribution and concentration of credit exposures

B.1 Banking group - Distribution by sector of cash and "off-balance sheet" exposures to customers (book values)

Exposures/Counterparts	Governments			Other Pubblic Entities			Financial businesses		
	Net exposure	Specific provisions	General portfolio provisions	Net exposure	Specific provisions	General portfolio provisions	Net exposure	Specific provisions	General portfolio provisions
A. Cash exposure									
A.1 Non-performing loans	-	-	#	68	24	#	37,595	150,821	#
A.2 Watchlist loans	-	-	#	6,677	751	#	53,430	26,973	#
A.3 Restructured loans	-	-	#	-	-	#	63,294	9,859	#
A.4 Impaired past due loans	-	-	#	-	-	#	215	22	#
A.5 Other exposures	8,331,965	#	-	380,924	#	7,202	3,210,245	#	6,258
Total A	**8,331,965**	**-**	**-**	**387,669**	**775**	**7,202**	**3,364,779**	**187,675**	**6,258**
B. Off-Balance Sheet exposures									
B.1 Non-performing loans	-	-	#	-	-	#	-	-	#
B.2 Watchlist loans	-	-	#	-	-	#	1,669	4	#
B.3 Other impaired loans	-	-	#	-	-	#	6,628	-	#
B.4 Other exposures	77,368	#	-	44,214	#	108	243,944	#	102
Total B	**77,368**	**-**	**-**	**44,214**	**-**	**108**	**252,241**	**4**	**102**
Total (A+B) 31.12.2014	**8,409,333**	**-**	**-**	**431,883**	**775**	**7,310**	**3,617,020**	**187,679**	**6,360**
Total (A+B) 31.12.2013	**8,219,347**	**-**	**-**	**455,387**	**41**	**7,000**	**3,254,195**	**114,430**	**5,837**

(cont.)

Exposures/Counterparts	Insurance companies			Non-financial companies			Other entities		
	Net exposure	Specific provisions	General portfolio provisions	Net exposure	Specific provisions	General portfolio provisions	Net exposure	Specific provisions	General portfolio provisions
A. Cash exposure									
A.1 Non-performing loans	-	-	#	2,468,373	3,063,297	#	313,040	454,277	#
A.2 Watchlist loans	-	-	#	2,488,927	592,309	#	348,167	59,934	#
A.3 Restructured loans	-	-	#	554,469	96,388	#	526	45	#
A.4 Impaired past due loans	-	-	#	147,620	15,564	#	44,472	1,302	#
A.5 Other exposures	128,035	#	4	22,776,757	#	179,621	9,831,715	#	17,636
Total A	**128,035**	**-**	**4**	**28,436,146**	**3,767,558**	**179,621**	**10,537,920**	**515,558**	**17,636**
B. Off-Balance Sheet exposures									
B.1 Non-performing loans	-	-	#	20,851	20,695	#	369	31	#
B.2 Watchlist loans	-	-	#	83,559	9,710	#	1,132	118	#
B.3 Other impaired loans	-	-	#	86,114	10,115	#	269	11	#
B.4 Other exposures	10,564	#	13	3,085,217	#	7,471	135,149	#	4,084
Total B	**10,564**	**-**	**13**	**3,275,741**	**40,520**	**7,471**	**136,919**	**160**	**4,084**
Total (A+B) 31.12.2014	**138,599**	**-**	**17**	**31,711,887**	**3,808,078**	**187,092**	**10,674,839**	**515,718**	**21,720**
Total (A+B) 31.12.2013	**133,957**	**-**	**87**	**34,932,083**	**3,223,773**	**206,045**	**10,896,349**	**532,520**	**23,415**

B.2 Banking group - Territorial distribution of the cash and "off-balance sheet" exposure to customers (book value)

Exposures/Geographical area	Italy		Other european countries		America		Asia		Rest of the world	
	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs
A. Cash exposure										
A.1 Non-performing loans	2,813,673	3,640,085	5,379	28,070	23	222	1	16	-	26
A.2 Watchlist loans	2,787,561	644,093	102,031	34,618	7,598	1,252	1	-	10	4
A.3 Restructured loans	616,155	106,072	2,134	220	-	-	-	-	-	-
A.4 Impaired past due loans	191,233	16,870	1,073	18	1	-	-	-	-	-
A.5 Other exposures	43,688,091	209,614	747,633	723	150,575	29	16,700	142	56,642	213
Total	**50,096,713**	**4,616,734**	**858,250**	**63,649**	**158,197**	**1,503**	**16,702**	**158**	**56,652**	**243**
B. Off-Balance Sheet exposures										
B.1 Non-performing Loans	21,220	20,726	-	-	-	-	-	-	-	-
B.2 Watchlist loans	85,226	9,521	1,134	311	-	-	-	-	-	-
B.3 Other impaired loans	93,011	10,126	-	-	-	-	-	-	-	-
B.4 Other exposures	3,500,950	11,760	84,906	17	5,928	1	110	-	4,562	-
Total	**3,700,407**	**52,133**	**86,040**	**328**	**5,928**	**1**	**110**	**-**	**4,562**	**-**
Total 31.12.2014	**53,797,120**	**4,668,867**	**944,290**	**63,977**	**164,125**	**1,504**	**16,812**	**158**	**61,214**	**243**
Total 31.12.2013	**56,589,765**	**4,054,514**	**1,067,642**	**57,326**	**48,256**	**1,018**	**1,121**	**12**	**184,534**	**278**

B.2.1 Banking group - Territorial distribution of the cash and "off-balance sheet" exposure to customers (book value)

Exposures/Geographical area	North-West Italy		North-East Italy		Central Italy		South of Italy and islands		Rest of the world	
	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs
A. Cash exposure										
A.1 Non-performing loans	342,282	462,624	784,559	958,960	311,772	501,579	1,375,060	1,716,922	5,403	28,334
A.2 Watchlist loans	255,604	71,753	909,672	241,242	416,402	98,060	1,205,883	233,038	109,640	35,874
A.3 Restructured loans	78,954	9,365	396,049	67,469	51,296	9,906	89,856	19,332	2,134	220
A.4 Impaired past due loans	19,122	1,371	57,340	5,494	15,678	1,266	99,093	8,739	1,074	18
A.5 Other exposures	4,898,590	21,343	15,255,242	80,770	11,498,533	25,952	12,035,726	81,549	971,550	1,107
Total	**5,594,552**	**566,456**	**17,402,862**	**1,353,935**	**12,293,681**	**636,763**	**14,805,618**	**2,059,580**	**1,089,801**	**65,553**
B. Off-Balance Sheet exposures										
B.1 Non-performing Loans	2,209	817	8,770	12,330	5,064	2,807	5,177	4,772	-	-
B.2 Watchlist loans	6,064	572	33,794	5,255	13,007	1,965	32,361	1,729	1,134	311
B.3 Other impaired loans	14,452	308	61,259	8,407	9,549	1,180	7,751	231	-	-
B.4 Other exposures	722,812	1,236	1,839,337	7,863	388,125	1,002	550,676	1,659	95,506	18
Total	**745,537**	**2,933**	**1,943,160**	**33,855**	**415,745**	**6,954**	**595,965**	**8,391**	**96,640**	**329**
Total 31.12.2014	**6,340,089**	**569,389**	**19,346,022**	**1,387,790**	**12,709,426**	**643,717**	**15,401,583**	**2,067,971**	**1,186,441**	**65,882**
Total 31.12.2013	**6,256,376**	**523,627**	**21,341,727**	**1,088,387**	**12,563,647**	**554,311**	**16,428,015**	**1,888,189**	**1,301,553**	**58,634**

B.3 Banking group - Territorial distribution of the cash and "off-balance sheet" exposure to banks (book value)

Exposures/Geographic Area	Italy		Other EU countries		America		Asia		Rest of the world	
	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs
A. Balance Sheet exposures										
A.1 Non-performing loans	-	-	22	2,255	-	-	-	-	-	-
A.2 Watchlist loans	-	-	-	-	-	-	-	-	-	-
A.3 Restructured loans	-	-	-	-	-	-	-	-	-	-
A.4 Impaired past due loans	-	-	-	-	-	-	-	-	-	-
A.5 Other exposures	2,048,584	1	1,418,984	-	69,072	-	10,811	-	385,112	-
Total	**2,048,584**	**1**	**1,419,006**	**2,255**	**69,072**	**-**	**10,811**	**-**	**385,112**	**-**
B. Off-Balance Sheet exposures										
B.1 Non-performing Loans	-	-	-	-	-	-	-	-	-	-
B.2 Watchlist loans	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired loans	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	3,088,793	-	245,703	-	33,127	-	37,775	-	10,445	-
Total	**3,088,793**	**-**	**245,703**	**-**	**33,127**	**-**	**37,775**	**-**	**10,445**	**-**
Total 31.12.2014	**5,137,377**	**1**	**1,664,709**	**2,255**	**102,199**	**-**	**48,586**	**-**	**395,557**	**-**
Total 31.12.2013	**2,102,587**	**1**	**783,259**	**2,125**	**18,255**	**-**	**56,856**	**-**	**448,595**	**-**

B.3.1 Banking group - Territorial distribution of the cash and "off-balance sheet" exposure to banks (book value)

Exposures / Geographic area	North-West Italy		North-East Italy		Central Italy		South of Italy and islands		Rest of the world	
	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs
A. Balance Sheet exposures										
A.1 Non-performing loans	-	-	-	-	-	-	-	-	22	2,255
A.2 Watchlist loans	-	-	-	-	-	-	-	-	-	-
A.3 Restructured loans	-	-	-	-	-	-	-	-	-	-
A.4 Impaired past due loans	-	-	-	-	-	-	-	-	-	-
A.5 Other exposures	1,038,694	1	598,751	-	410,377	-	762	-	1,883,979	-
Total A	**1,038,694**	**1**	**598,751**	**-**	**410,377**	**-**	**762**	**-**	**1,884,001**	**2,255**
B. Off-Balance Sheet exposures										
B.1 Non-performing Loans	-	-	-	-	-	-	-	-	-	-
B.2 Watchlist loans	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired loans	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	34,870	-	2,979,461	-	74,042	-	420	-	327,050	-
Total B	**34,870**	**-**	**2,979,461**	**-**	**74,042**	**-**	**420**	**-**	**327,050**	**-**
Total 31.12.2014	**1,073,564**	**1**	**3,578,212**	**-**	**484,419**	**-**	**1,182**	**-**	**2,211,051**	**2,255**
Total 31.12.2013	**772,093**	**1**	**837,319**	**-**	**486,829**	**-**	**6,346**	**-**	**1,306,965**	**2,125**

B.4 Large exposures

	31.12.2014	31.12.2013
a) Book value	13,180,679	11,730,894
b) Weighted value	3,096,096	2,133,206
c) Number	7	8

This measurement was made on the basis of the recent updates to Circular no. 285 which regulate "large exposures".
The rules define as a "large exposure" the amount of cash assets at risk and off-balance sheet transactions of a single customer or group of related customers that come to 10% or more of admissible capital.
Note that repurchase agreements are included in the amount of risk activities. These transactions contribute to the value of the counterparty exposure for the amount of "securities to be received", while they contribute to the exposure after CRM and exemptions under art. 400 CRR only for the difference between the amount of "securities to be received" and the cash deposit received.
At the end of the period, there are seven "large exposures" for an overall amount of € 13,180.7 million, corresponding to € 3,096.1 million after CRM and exemptions under art. 400 CRR. Of these, repurchase agreements account for € 1,644.9 million and € 18.5 million respectively.
For an amount in excess of 70% of the total, the positions shown include the Treasury Ministry, the Ministry of Economy and Finance and the Cassa di Compensazione e Garanzia for a total exposure of € 10,372.2 million, € 1,019.4 million after CRM and exemptions.
The balance consists of one of the largest domestic banking groups (€ 609.4 million - € 540.9 million after CRM and exemptions), two of the largest French banking groups (€ 1,134.1 million - € 537.1 million after CRM and exemptions) and an associated company.

To facilitate an understanding of the degree of concentration of loans, the nominal value of major exposures has been provided.

Concentration of risks:

Reference date: 31.12.2014	Amount of the exposure	Amount of the exposure after CRM and exemptions under art. 400 CRR
First 5 exposures	12,071,954	2,055,846
First 10 exposures	14,448,437	3,905,571
First 20 exposures	17,378,213	5,053,372

Reference date: 31.12.2013	Amount of the exposure	Amount of the exposure after CRM and exemptions under art. 400 CRR
First 5 exposures	10,004,884	1,012,518
First 10 exposures	12,422,826	2,405,531
First 20 exposures	14,842,030	3,769,279

C. Securitisation transactions

QUALITATIVE INFORMATION

The primary objectives of the securitisation transactions arranged by the Group in relation to non-performing loans are:

- to improve the asset structure of the banks concerned;
- to facilitate loan recovery strategies and make them more efficient (by centralising work with one group of lawyers);
- to exercise rigorous, direct control over higher risk loans, without modifying the overall risk profile.

Transactions involving performing contracts are, on the other hand, arranged in order to optimise sources of funding.

The following BPER Group transactions, other than self-securitisation transactions described in the subsequent Section 3, are outstanding at 31 December 2014:

- Sardegna no. 1;
- Mutina.

Sardegna no. 1

The special purpose vehicle has issued three types of bonds, equalling the amount of the assets sold:

Disposal date:	31 December 1997
Seller:	Banco di Sardegna s.p.a.
Special purpose vehicle:	"Sardegna No. 1 Limited", with registered offices in Jersey.
Servicer:	Banco di Sardegna s.p.a.
Issue date of securities	31/12/97
Type of transaction	Standard
Organisation	The responsible central offices provide a detailed quarterly report on the collections made during the period to senior management and the Group secretariat. In addition, the financial statements of the SPV are prepared each quarter by the external accountants and reviewed by management.
Internal systems for the measurement and control of risk	The recovery of loans and management of collections is carried out, in accordance with the contractually-agreed code of conduct, by an organisational unit dedicated to this task.

The operational aspects, managed by ABN Amro Bank, are summarised below:

Assets sold	Mortgage loans, Government securities
Quality of assets securitised	Non-performing
Amount of securitised assets	Mortgage loans of Euro 79,400 thousand and government securities of Euro 309,900 thousand, together totalling Euro 389,300 thousand.
Disposal price of securitised assets	The mortgage loans had a carrying amount of Euro 90.2 million; the difference (Euro 10.8 million) with respect to the disposal price (Euro 79.4 million) was charged to the income statement in the year of disposal.
Guarantees and credit lines granted by the bank	Non-performing loans are guaranteed by voluntary or judgement mortgages and represent a group of similar assets, as required by art. 58 of the Consolidated Banking Law.
Guarantees and credit lines granted by third parties	-
Related financial transactions	-
Analysis by business sector	Not provided for non-performing loans since this would not be significant given their nature (the businesses concerned may have closed, be bankrupt or subject to other forms of court-supervised arrangements).
Analysis by geographical area	Italy. Coincides with the originator bank that sold the loans, since the operations of the bank are regional.

(in thousands of Euro)

ISIN Code	Seniority	Maturity	Issue amount	Residual balance at 31.12.2014	Moody's rating	S&P's rating
-	Senior	Dec-02	233,600	-	Aa1	AA
XS0083054394	Mezzanine	Dec-03	136,200	-	n.r.	n.r.
XS0083054550	Junior	Dec-16	19,500	19,500	n.r.	n.r.
Total			**389,300**	**19,500**		

The Senior securities (tranche A - matured and repaid in full), denominated in US Dollars, were subscribed for by ABN Amro for placement in the international markets.

The mezzanine securities (tranche B - matured and repaid in full) were subordinate to tranche A and guaranteed by Banco di Sardegna s.p.a.

The Junior securities (tranche C), taken up in full by Banco di Sardegna s.p.a. and subordinate to the above two tranches, had an initial maturity date of 30 December 2004, which was subsequently deferred to 30 December 2012. At a meeting held on 2 October 2012, the holders of the Junior securities resolved to defer their maturity again, this time to 30 December 2016.

For aspects relating to the assessment of the class C subordinated bond (which at 31 December 2014 has a theoretical value of about Euro 35.7 million, including interest accrued to that date), it should be noted that the security was fully written down.

Mutina (transaction structured pursuant to Law 130 dated 30 April 1999)

Disposal date:	27/06/02
Seller:	"Multi-originator" transaction arranged by the following Group banks: - Banca del Monte di Foggia s.p.a. (2); - Banca Popolare di Aprilia s.p.a. (4); - Banca Popolare dell'Irpinia s.p.a. (1); - Banca Popolare di Lanciano e Sulmona s.p.a. (4); - Banca Popolare del Materano s.p.a. (3); - Banca Popolare di Salerno s.p.a. (1); - Cassa di Risparmio della Provincia dell'Aquila s.p.a. (4); - Banca Popolare di Crotone s.p.a. (3); - Banca di Sassari s.p.a. *(1) merged with Banca della Campania s.p.a. on 23/06/03* *(2) merged with Banca della Campania s.p.a. on 28/12/06* *(3) merged with Banca popolare del Mezzogiorno on 3/11/08.* *(4) now part of BPER as a result of the merger on 27/05/13.* *(1)(2)(3) Banca della Campania s.p.a. and Banca Popolare del Mezzogiorno s.p.a. are now part of BPER as a result of the merger on 24/11/2014.*
Special purpose vehicle:	Mutina s.r.l., with registered offices in Modena. Held 100% by BPER (as a result of the merger of Em.Ro. popolare s.p.a. and Meliorbanca s.p.a. in 2012).
Servicer:	Nettuno Gestione Crediti s.p.a. (as Master Servicer; the originator banks are used as sub-servicers). The Parent Company is the back-up servicer.
Issue date of securities	20/03/03
Type of transaction	Standard
Organisation	Commencing from the closing date, the Master Servicer prepares quarterly and six-monthly statements that are provided to the vehicle company. The reports discuss the activities performed and the collections, with details of interest and principal payments made. This information is also provided regularly to general management and the administrative bodies of the Parent Company, BPER. The master servicer ensures that the proper disclosures required by the Bank of Italy are made to the Central Risks database and for supervisory purposes.
Internal systems for the measurement and control of risk	The recovery of loans and management of collections is carried out, in accordance with the contractually-agreed code of conduct, by an organisational unit dedicated to this task.

The operational aspects are summarised below:

Assets sold	Loans of banking origin
Quality of assets securitised	Non-performing
Amount of securitised assets	The carrying amount of the loans portfolio was Euro 840,160,206.
Disposal price of securitised assets	The disposal price was Euro 412,514,712.
Guarantees and credit lines granted by the bank	Liquidity line equal to 20% of the amount of the Senior securities issued.
Guarantees and credit lines granted by third parties	None.
Related financial transactions	Limited recourse loan in the form of government securities representing 120% of the amount of the Senior securities issued.
Analysis by business sector	Not provided for non-performing loans since this would not be significant given their nature (the businesses concerned may have closed, be bankrupt or subject to other forms of court-supervised arrangements).
Analysis by geographical area	The securitised loans were made to parties resident in Italy, mainly in the central and southern regions of the country.

The special purpose vehicle has issued the following 10 bonds in two categories, senior and junior:

(in thousands of Euro)

ISIN Code	Seniority	Maturity	Issue amount	Residual balance at 31.12.2014	Fitch rating	S&P's rating
IT0003444327	Senior	Aug-09	228,000	-	AA-	A+
IT0003444350	Junior	Feb-19	12,069	2,670	n.r.	n.r.
IT0003444376	Junior	Feb-19	12,143	7,865	n.r.	n.r.
IT0003444392	Junior	Feb-19	24,001	14,202	n.r.	n.r.
IT0003444459	Junior	Feb-19	61,830	43,463	n.r.	n.r.
IT0003444509	Junior	Feb-19	9,987	198	n.r.	n.r.
IT0003444517	Junior	Feb-19	10,487	10,487	n.r.	n.r.
IT0003444525	Junior	Feb-19	3,432	1,198	n.r.	n.r.
IT0003444558	Junior	Feb-19	31,094	24,740	n.r.	n.r.
IT0003444566	Junior	Feb-19	19,466	8,471	n.r.	n.r.
Total			**412,509**	**113,294**		

The Senior securities bore interest at Euribor plus a spread of 22 basis points. They were redeemed on a six-monthly basis, using the proceeds from the loan recovery activities. They were placed with institutional investors and listed on the Luxembourg stock exchange.

The Junior securities, all subscribed for on a proportional basis by the originator banks, bear interest at 0.10%, with a "without memory" clause, and their redemption is subordinate to full satisfaction of the rights of bearers of the Senior securities.

The remaining outstanding Senior securities matured on 10 August 2009 and were repaid in full on that date. Payment was made using available cash totalling Euro 5,922 thousand, plus Euro 29,350 thousand deriving from the redemption on 1 August of the CCTs previously used to guarantee the securities.

This utilisation, essentially representing an advance of liquidity, has given rise to a liability for Mutina s.r.l. towards the guarantors drawn against. Such liability has the same maturity as the Class C securities and is subordinated to their repayment.

A "*Change Agreement*" was signed on 12 September 2012, which extended the maturity of the Junior security from August 2013 to February 2019.

The current residual amount of Junior Securities is Euro 113,294 thousand:

- Euro 24,740 thousand in portfolio at Banca di Sassari s.p.a. for Euro 4,846 thousand;
- Euro 88,554 thousand in portfolio at the Parent Company BPER, following the mergers in 2013 and 2014. The book value is Euro 29,945 thousand.

QUANTITATIVE INFORMATION

C.1 Banking group - Exposure deriving from securitisations, analysed by type of underlying asset

Type of underlying assets/Exposures	Cash exposure					
	Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. With own underlying assets:	**1,558**	**1,558**	**381**	**381**	**148,983**	**34,791**
a) Doubtful loans	-	-	-	-	148,983	34,791
b) Others	1,558	1,558	381	381	-	-
B. With underlying assets of third-parties:	**166,597**	**158,356**	**22,016**	**19,536**	**24**	**24**
a) Doubtful loans	-	-	-	-	-	-
b) Others	166,597	158,356	22,016	19,536	24	24

The parts of the table relating to guarantees given and credit lines have not been shown as there is nothing to report.

C.2 Banking group - Exposures deriving from principal "own" securisations, analysed by type of asset securitised and by type of exposure

Type of underlying assets/Exposure	Cash exposure					
	Senior		Mezzanine		Junior	
	Book value	Adjustments/ write-backs	Book value	Adjustments/ write-backs	Book value	Adjustments/ write-backs
A. Derecognised in full	**1,558**	**-**	**381**	**-**	**34,791**	**114,158**
A.1 Mutina s.r.l. -mortgage and other loans	-	-	-	-	34,791	78,503
A.2 Sardegna N°1 ltd -mortgage loans	-	-	-	-	-	35,655
A.3 Sestante Finance s.r.l. -mortgage loans	1,080	-	-	-	-	-
A.4 Sestante Finance III s.r.l. -mortgage loans	478	-	381	-	-	-
B. Derecognised in part	**-**	**-**	**-**	**-**	**-**	**-**
C. Not derecognised	-	-	-	-	-	-

The parts of the table relating to guarantees given and credit lines have not been shown as there is nothing to report.

C.3 Banking group - Exposures deriving from principal "third party" securitisations, analysed by type of asset securitised and by type of exposure

Type of underlying asset/Exposures	Cash exposure					
	Senior		Mezzanine		Junior	
	Book value	Adjustments/ write-backs	Book value	Adjustments/ write-backs	Book value	Adjustments/ write-backs
A.1 BNT portfolio FR 2/42 - agricultural loans	124,822	(7,361)				
A.2 ZOO II (Cl.A2) - ABS	1,863					
A.3 DUTCH MBS TV 2/45 (Cl.A2) - mortgage loans	10,176					
A.4 FASTNET 9 (Cl. A1) - mortgage loans	866					
A.5 DMPL 12/51 A1 - residential mortgage loans	504					
A.6 Saecure 10 CL A1 - residential mortgage loans	195					
A.7 Berica Res. (Cl.A2) - residential mortgage loans	682					
A.8 BP Mortgages 2007-1 (Cl.A2) - mortgage loans	954					
A.9 Dryden 2005-10 (CL.A1) - loans	274					
A.10 Euromax V (CL.A2) - ABS	121	(880)				
A.11 Harbourmaster 8 (CL.A2) - loans	1,935					
A.12 Bancaja 6 (Cl.A2) - mortgage loans	492					
A.13 Herme 10 (Cl.A) - mortgage loans	1,189					
A.14 Asti Finance Srl (Cl.A) - mortgage loans	161					
A.15 Pallas II X (Cl.A2) - CDOs of ABS	875					
A.16 Pallas II (Cl.B) - ABS	524					
A.17 Prospero CLO II - loans	1,492					

Type of underlying asset/Exposures	Cash exposure					
	Senior		Mezzanine		Junior	
	Book value	Adjustments/ write-backs	Book value	Adjustments/ write-backs	Book value	Adjustments/ write-backs
A.18 Halcyon CLO FR 01/27 (CL.A) - loans to businesses	3,002					
A.19 Mars2600 FR 10/50 (Cl.A1) - residential mortgage loans	1,858					
A.20 Voba Finance 2006 - residential mortgage loans	125					
A.21 Capital Mortgage (Cl. A1) - mortgage loans	1,024					
A.22 Kildare (Cl. A3) - mortgage loans	1,990					
A.23 Mecenate 2 (Cl.A) - mortgage loans	328					
A.24 Pangea 2007-1 (Cl.B) - ABS	1,239					
A.25 Cordusio 2 (Cl. A2) - residential mortgage loans	350					
A.26 Cordusio 1 (Cl. A2) - mortgage loans	508					
A.27 VELAH 3 A - mortgage loans	419					
A.28 FIPF TV 05/23 A2 - ABS	388					
A.29 Bancaja 9 (Cl.B) - residential mortgage loans			1,497			
A.30 Berica Res. (Cl.B) - residential mortgage loans			1,082			
A.31 Dryden 2005-1 - loans			944			
A.32 UCI 5 B - mortgage loans			406			
A.33 Atlantes Mortgages - mortgage loans			487			
A.34 Bancaja 6 (Cl.B) - mortgage loans			321			
A.35 Harbourmaster 8 (CLC) - loans			1,719			

Type of underlying asset/Exposures	Cash exposure					
	Senior		Mezzanine		Junior	
	Book value	Adjustments/ write-backs	Book value	Adjustments/ write-backs	Book value	Adjustments/ write-backs
A.36 Asti Finance Srl (Cl.B) - mortgage loans			202			
A.37 Auburn Securities - mortgage loans			1,840			
A.38 Sagres Douro II (B) - residential mortgage loans			418			
A.39 Sagres Douro II (C) - residential mortgage loans			811			
A.40 Taurus 2006-3 (B) - commercial mortgage loans			235			
A.41 Vallauris CLO (B) - loans			1,308			
A.42 Voba Finance 2006 - residential mortgage loans			1,554			
A.43 Glanstonbury (Cl.B) - mortgage loans			1,861	(687)		
A.44 Kildare (Cl.C) - mortgage loans			865			
A.45 Mecenate 2 (Cl.B) - mortgage loans			637			
A.46 Pangea 2007-1 (Cl.C) - ABS			207	(1,793)		
A.47 ZOO IV (Cl. C) - ABS			1,929			
A.48 ZOO IV (Cl. D) - ABS			1,213			
A.49 PULS TV 7/16 (Cl.D) - senior and subord. bonds					24	

The parts of the table relating to guarantees given and credit lines have not been shown as there is nothing to report.

C.4 Banking group - Exposures to securitisations analysed by portfolio and by type

Exposure/portfolio	Financial assets held for trading	Financial assets designated at fair value through profit and loss	Financial assets available for sale	Financial assets held to maturity	Loans	31.12.2014	31.12.2013
1. Cash exposures	**24**	**388**	**10,177**	**-**	**204,057**	**214,646**	**95,091**
- Senior	-	388	10,177	-	149,349	159,914	34,154
- Mezzanine	-	-	-	-	19,917	19,917	20,406
- Junior	24	-	-	-	34,791	34,815	40,531
2. Off-Balance Sheet exposures	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Senior	-	-	-	-	-	-	-
- Mezzanine	-	-	-	-	-	-	-
- Junior	-	-	-	-	-	-	-

C.5 Banking group - Total amount of the securitised assets underlying junior securities or other forms of credit enhancement

Asset/amounts	Traditional securitisations	Synthetic securitisations
A. Own underlying assets:	**42,636**	**-**
A.1 Derecognised in full	**42,636**	**-**
1. Non-performing loans	42,636	#
2. Watchlist loans	-	#
3. Restructured loans	-	#
4. Past due loans	-	#
5. Other assets	-	#
A.2 Derecognised in part	**-**	**-**
1. Non-performing loans	-	#
2. Watchlist loans	-	#
3. Restructured loans	-	#
4. Past due loans	-	#
5. Other assets	-	#
A.3 Non-derecognised	**-**	**-**
1. Non-performing loans	-	-
2. Watchlist loans	-	-
3. Restructured loans	-	-
4. Past due loans	-	-
5. Other assets	-	-
B. Underlying assets of third parties:	**-**	**-**
B.1 Non-performing loans	-	-
B.2 Watchlist loans	-	-
B.3 Restructured loans	-	-
B.4 Past due loans	-	-
B.5 Other assets	-	-

The multi-originator transaction known as "Mutina" was arranged in 2002, with the securitisation of non-performing loans granted by nine group banks. The characteristics of this operation were described in detail in prior years. Although the securitisation does not change the Group's risk profile, it does make it possible: to improve the composition of assets held by the originator banks as well as by the Group as a whole; to make the recovery strategy more efficient and standardised by centralising this activity within a team of legal experts; to reduce costs and to exercise a rigorous, direct control over the lending positions most at risk.

C.6 Banking group - Interests in special purpose vehicles (SPVs) for securitisation

Name of the securitisation/SPV	Head office	Consolidation	Assets			Liabilities		
			Loans	Debt securities	Other	Senior	Mezzanine	Junior
Mutina s.r.l.	Modena	Line-by-line	42,636		3,205			43,528

C.7 Banking group - Unconsolidated SPVs for securitisation

Name of the securitisation/SPV	Head office	% Interest	Assets			Liabilities		
			Loans	Debt securities	Other	Senior	Mezzanine	Junior
Estense Finance s.r.l.	Conegliano (TV)	9.9%	932,551	-	97,648	777,186	-	132,632
Estense S.M.E. s.r.l.	Conegliano (TV)	9.9%	1,239,708	-	85,206	606,420	-	668,700
Avia Pervia s.r.l.	Conegliano (TV)	9.9%	1,131,080	-	31,891	789,525	-	-

For information on unconsolidated SPVs, reference should be made to Part E of these Explanatory notes in the Section on liquidity risk, which explains self-securitisation transactions.

C.8 Banking group - Servicer activities - collection of securitised loans and reimbursement of securities issued by the SPV for securitisation

Servicer	Special purpose vehicle	Securitised assets (at year end)		Loan collections during the year		Percentage of securities redeemed (at year end)					
						Senior		Mezzanine		Junior	
		Doubtful loans	Performing loans	Doubtful loans	Performing loans	Impaired	Performing	Impaired	Performing	Impaired	Performing
Nettuno Gestione Crediti s.p.a.	Mutina s.r.l.	42,636	-	6,049	-	100.00%				38.60%	
Banco di Sardegna s.p.a.	Sardegna No. 1	6,686	-	177	-		100.00%	56.00%	44.00%		

D. Information on structured entities (other than securitisation companies)

From 1 January 2014, application of IFRS 12 "Disclosure of Interests in Other Entities", approved by EU Regulation 1254/2012, became mandatory. The purpose of this standard is to require the disclosure of information that enables users of financial statements to assess:

- the nature and risks arising from the investment of the entity that prepares financial statements in subsidiaries, joint arrangements and unconsolidated structured entities;
- the effects of these investments on its balance sheet/financial position, results and cash flows.

As a rule, a company's investment in another entity takes the form of a holding of equities or debt securities. There are also entities set up in such a way that the voting rights or similar rights are not the dominant factor to determine who controls the entity; there may a situation in which the voting rights only make reference to administrative tasks, while the relevant activities are governed by various contractual agreements. In this hypothesis, according to IFRS 12, we are in the presence of structured entities.

Structured entities often have all or some of the following features or characteristics:

- they have a limited activity;
- they have a limited and well-defined objective;
- they have insufficient net equity to enable the structured entity to finance its activities without subordinated financial support;
- they receive funding, in the form of contractually bound multiple instruments from investors that create concentrations of credit risk or other risk (tranches).

These types of entities can be recognised in:

- special purpose vehicles (for securitisations);
- companies formed to obtain financing secured by assets (for issuing covered bonds);
- certain types of investment funds.

D.1 Consolidated structured entities

At 31 December 2014, the companies that have been consolidated do not include structured entities, as defined in IFRS 12, but only companies controlled by holding voting rights that ensure governance of the relevant activities.

D.2 Structured entities not consolidated from an accounting point of view

D.2.1 Consolidated structured entities for supervisory purposes

At 31 December 2014, the BPER Group does not have any structured entities that are not consolidated from an accounting point of view, but consolidated for supervisory purposes.

D.2.2 Other structured entities

QUALITATIVE INFORMATION

At 31 December 2014, the BPER Group holds **investments in mutual funds of more than 20%** which have not been consolidated because:

- there is no quantitative and qualitative correlation between the loan granted and the investment policies of the fund;
- the fund constitutes independent equity distinct from that of each participant;
- the percentage interest is transitory, structurally destined to fall over time.

Along with these types of transactions, the portfolio includes entities that, on the basis of the interest held, would fall within the scope of application of IFRS 10 or IAS 28, but the percentage held in the nominal share capital is limited to situations that do not make it possible to exercise a significant influence.

These are investments of marginal value, for which it is not considered necessary to provide additional information to help give a complete and accurate representation of the economic and financial situation of the Group.

For completeness of information, it should be noted that at 31 December 2014 **unconsolidated SPVs** are those provided in this Part E of the Explanatory notes, Section C "Securitisation Transactions" in Table C.7 "Banking group - Unconsolidated SPVs for securitisation".

As of the same date, the BPER Group has not issued any **covered bonds** through unconsolidated structured entities.

QUANTITATIVE INFORMATION

Captions/type of structured entity	Asset accounting portfolios	Total assets (A)	Liability accounting portfolios	Total liabilities (B)	Net book value (C=A - B)	Maximum exposure to the risk of loss (D)	Difference between exposure to risk of loss and book value (E=D-C)
1. Special purpose vehicle							
2. UCITS units		**87,828**		**-**	**87,828**	**92,078**	**4,250**
	AFS	87,828		-	87,828		
3. Other companies		**1,595**		**281**	**1,314**	**1,314**	**-**
	AFS	1,116	Due to customers	281	835		
	Loans to customers	479		-	479		

The maximum exposure to risk, represented by the entity's maximum exposure to losses arising from its interests in structured entities, has been recognised, on a prudent basis, as equal to the net book value; the latter corresponds to the exposure net of value adjustments recorded in the current or previous years. For mutual funds, the maximum exposure to risk also includes the BPER Group's commitments, not yet called up by the fund, to subscribe for additional shares.

E. Disposals

A. Financial assets sold but not derecognised in full

QUALITATIVE INFORMATION

The Group did not make any sales for which it would have to provide information in accordance with IFRS 7 § 7, 42D letters a), b), c) and § 42H.

QUANTITATIVE INFORMATION

E.1 Banking group - Financial assets sold but not derecognised: book value and full value

Technical forms/Portfolio	Financial assets held for trading			Financial assets designated at fair value through profit and loss		
	Financial assets sold and recognised in full (book value)	Financial assets sold and recognised in part (book value)	Financial assets sold and recognised in full (full value)	Financial assets sold and recognised in full (book value)	Financial assets sold and recognised in part (book value)	Financial assets sold and recognised in full (full value)
A. Cash assets	**37,046**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	37,046	-	-	-	-	-
2. Equity instruments	-	-	-	-	-	-
3. UCITS units	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
B. Derivatives	**-**	**-**	**-**	**#**	**#**	**#**
Total 31.12.2014	**37,046**	**-**	**-**	**-**	**-**	**-**
- of which: impaired	-	-	-	-	-	-
Total 31.12.2013	**45,308**	**-**	**-**	**7,641**	**-**	**-**
- of which: impaired	-	-	-	-	-	-

(cont.)

Technical forms/Portfolio	Financial assets available for sale			Financial assets held to maturity		
	Financial assets sold and recognised in full (book value)	Financial assets sold and recognised in part (book value)	Financial assets sold and recognised in full (full value)	Financial assets sold and recognised in full (book value)	Financial assets sold and recognised in part (book value)	Financial assets sold and recognised in full (full value)
A. Cash assets	**2,047,358**	**-**	**-**	**888,139**	**-**	**-**
1. Debt securities	2,047,358	-	-	888,139	-	-
2. Equity instruments	-	-	-	#	#	#
3. UCITS units	-	-	-	#	#	#
4. Loans	-	-	-	-	-	-
B. Derivatives	**#**	**#**	**#**	**#**	**#**	**#**
Total 31.12.2014	**2,047,358**	**-**	**-**	**888,139**	**-**	**-**
- of which: impaired	-	-	-	-	-	-
Total 31.12.2013	**2,902,458**	**-**	**-**	**542,290**	**-**	**-**
- of which: impaired	-	-	-	-	-	-

(cont.)

Technical forms/Portfolio	Due from banks			Loans to customers			Total	
	Financial assets sold and recognised in full (book value)	Financial assets sold and recognised in part (book value)	Financial assets sold and recognised in full (full value)	Financial assets sold and recognised in full (book value)	Financial assets sold and recognised in part (book value)	Financial assets sold and recognised in full (full value)	2014	2013
A. Cash assets	**33,182**	**-**	**-**	**2,974**	**-**	**-**	**3,008,699**	**3,518,102**
1. Debt securities	2,443	-	-	2,974	-	-	2,977,960	3,298,890
2. Equity instruments	#	#	#	#	#	#	-	-
3. UCITS units	#	#	#	#	#	#	-	-
4. Loans	30,739	-	-	-	-	-	30,739	219,212
B. Derivatives	**#**	**#**	**#**	**#**	**#**	**#**	**-**	**-**
Total 31.12.2014	**33,182**	**-**	**-**	**2,974**	**-**	**-**	**3,008,699**	**#**
- of which: impaired	-	-	-	-	-	-	-	#
Total 31.12.2013	**14,460**	**-**	**-**	**5,945**	**-**	**-**	**#**	**3,518,102**
- of which: impaired	-	-	-	-	-	-	#	-

All of the amounts shown in the table refer to assets sold and held as collateral for funding repurchase agreements.

E.2 Banking group - Financial liabilities for financial assets sold but not derecognised: book value

Liabilities/Portfolio assets	Financial assets held for trading	Financial assets designated at fair value through profit and loss	Financial assets available for sale	Financial assets held to maturity	Due from banks	Loans to customers	Total
1. Due to customers	**36,565**	**-**	**937,217**	**-**	**379**	**-**	**974,161**
a) for assets recorded in full	36,565	-	937,217	-	379	-	974,161
b) for assets recorded in part	-	-	-	-	-	-	-
2. Due to banks	**-**	**-**	**1,014,167**	**959,153**	**91,385**	**4,684**	**2,069,389**
a) for assets recorded in full	-	-	1,014,167	959,153	91,385	4,684	2,069,389
b) for assets recorded in part	-	-	-	-	-	-	-
3. Debt securities in issue	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) for assets recorded in full	-	-	-	-	-	-	-
b) for assets recorded in part	-	-	-	-	-	-	-
Total 31.12.2014	**36,565**	**-**	**1,951,384**	**959,153**	**91,764**	**4,684**	**3,043,550**
Total 31.12.2013	**44,905**	**6,725**	**2,618,118**	**564,229**	**226,003**	**5,390**	**3,465,370**

B. Financial assets sold and not derecognised in full with recognition of continuing involvement

The Group did not make any sales for which it would have to provide information in accordance with IFRS 7 § 7, 42D letters a), b), c) and § 42H.

E.4 Banking group - Covered bond transactions

Introduction

On 8 February 2011, the Board of Directors sanctioned the commencement of the structuring of a programme for the issue of guaranteed bank bonds ("GBB" or covered bonds "CB") pursuant to art. 7-*bis* of Law 130 of 30 April 1999 ("Law 130/99"), to the Ministry of Economy and Finance's Decree no. 310 of 14 December 2006 (the "MEF Decree"), to regulatory provisions of the Bank of Italy of 24 March 2010 (the "Rules" and, together with Law 130 and the MEF Decree and each subsequent amendment, the "Regulations").

GBB issues are foreseen by BPER Group's strategic plan as a means of diversification of funding sources, of reduction of related costs and of lengthening of maturities of liabilities. In particular, guaranteed bank bond issues are extremely appealing at a time when market yields are very low, also thanks to the institutional intervention of the ECB through its programmes of GBB purchases (CBPP3).

The basic structure of a guaranteed bank bonds issue

"GBB" may be issued under a scheme which envisages:

- the sale by a bank, which may differ from the bond issuer, to a special purpose vehicle of high credit quality assets and which constitute segregated assets pursuant to the applicable provisions of Law 130/99;
- the selling bank or another bank granting a subordinated loan to the assignee company to provide the assignee with the funding required to purchase the assets;
- the issue of a guarantee by the assignee company in favour of the bondholders, up to the amount of the segregated assets.

High credit quality assets are intended to mean loans that meet the selection criteria defined by the Regulations and related contracts (the "Eligible Assets").

The key features of the BPER's Programme for Issue of Guaranteed Bank Bonds

The BPER's Covered Bond Programme (the "Programme") has been structured according to the following scheme:

- the sale without recourse to Estense Covered Bond S.r.l. ("SPV" or "Estense Covered Bond"), initially just by BPER and then, during the Programme, also by other Group banks, of high credit quality assets, which constitute segregated assets pursuant to Law 130/99;
- the provision to the assignee SPV, by BPER and other Group banks that will eventually join the programme as selling banks, of a subordinated loan to provide the assignee with the funding required to purchase the assets sold;
- the issue by the SPV, up to the amount of the segregated assets, of a guarantee in favour of the holders of the GBB issued by BPER.

Although the programme takes the form of a Group programme, the initial and subsequent transactions involved solely BPER as selling bank, with the understanding being that BPER will always take on the role of issuing bank. It is subsequently expected, after expert assessment of risks and opportunities, that additional Group banks will join the Programme as selling banks and will sell Eligible Assets over the duration of the Programme.

The initial sales related to portfolios of Eligible Assets originating from residential mortgage loans that met the requirements of the Regulations. These portfolios were identified based on general

and specific criteria indicated in the sale agreement. Additional portfolios of Eligible Assets may include residential mortgage loans that meet the requirements of the Rules and any subsequent additional eligible assets referred to in Article 2, paragraph 3, points 2 and 3 of the MEF Decree.
The sale prices of the first four portfolios were determined, as laid down in the Provisions, with reference to their book values in the latest financial statements approved by BPER with a view to specific sale dates or by having the sale price certified by the Independent Auditors. The sale prices so determined are subject to adjustment to take account of movements on the loans between the financial year end and the date of sale. More specifically, the sale prices shall be adjusted to take account of the collection of the capital element of the loans in the intervening period and the payment of contractually agreed interest in the same period.

The sale of the initial and subsequent portfolios - understood to be without recourse and to take place under the combined provisions of Articles 1 and 4 of Law 130/99 and art. 58 of the CFA - was communicated to the mortgage holders by publication of a notice of sale by the seller, showing the above selection criteria, in the Official Journal and by filing the same notice of sale with the appropriate Registrar of Companies. Further formalities were also carried out for privacy legislation purposes (Legislative Decree 196/2003).
The mortgage holders maintain a direct operational relationship with BPER - or, in the case of sale of Eligible Assets by further selling banks that will join the programme, with the other Group banks with which the mortgage holders originally obtained the loans from - since the Estense Covered Bond SPV has given BPER responsibility for managing and administering the loans sold and the related collection and payment services (servicing activities), with BPER having the faculty to confer sub-delegation to the relevant selling banks to perform servicing activities for portfolios sold.
This, in accordance with the Regulations, is in order to minimise the commercial impact with the mortgage holders and, at the same time, to optimise the operational management of each portfolio which, in fact, remains in the hands of the assignors.
At predetermined dates and based on specific operational and market situations, BPER, in the role of Calculation Agent, will perform assessment tests to compare the portfolios sold with the bonds issued, aimed at verifying the adequacy of the guarantee issued with reference to specific legal parameters and the parameters set by the Programme's documentation based on indications provided by Rating agencies, on which the credit rating assigned to the GBB depends.
In the case of non-compliance with one or more of the required parameters, it will be necessary to add to the portfolio sold by selling further Eligible Assets. The portfolios can be added to by using the SPV's liquid funds or by a further draw down of the subordinated loan granted by BPER (or, where appropriate, by other selling banks) to Estense Covered Bond s.r.l.
Other initiatives are required in the case of violation of contractual conditions, up to the extreme consequences of enforcement of the guarantee provided by the SPV in the case of an Event of Default by the Issuer (for example, default in repayment of principal or non-payment of interest on the GBB).
Furthermore, on predetermined dates, the functions responsible for controlling the Bank's risk management verify the quality and integrity of the assets provided as collateral for GBB issues.
The outlined structure of the Programme, therefore, allows the creation of segregated assets (consisting of the Eligible Assets from time to time assigned to the SPV), to serve as a privileged guarantee for holders of the GBB, for the counterparties to derivative contracts entered into under the Programme to hedge the risks inherent in the portfolio of transferred Eligible Assets and for the payment of other transaction costs.

In a normal situation, GBB payment and redemption charges will remain with the Issuer and, only on the occurrence of an Event of Default by the Issuer, will automatic protection mechanisms, aimed at greater protection of investors, be activated.
In further support of the financial structure, provision has been made for swaps with one or more external counterparties selected on the market and with an appropriate credit standing in line with the eligibility criteria required by rating agencies. The purpose of these contracts is to transform the interest flow produced by the loan portfolio sold so as to make them consistent with that incurred on the bonds issued.
In particular, among the various options available, it is normally envisaged that two separate swap derivative contracts will be entered into:

- asset swap: under this contract, the SPV will pay the swap counterparty the flow received as interest on a notional amount represented by a portion of segregated assets and determined by taking into account the outstanding amount of the liability represented by the GBB issued and will collect from it a flow corresponding to Euribor for the period plus or minus a Spread applied to the same notional amount for the reference period;
- liability swap: under this derivative the SPV will receive from the swap counterparty a fixed rate equal to the coupon of the related series of GBB and will pay thereto a flow corresponding to Euribor plus or minus (as appropriate) a Spread applied to an amount equal to the nominal value of the corresponding series of GBB.

These contracts can be linked to back to back swap agreements between the swap counterparties and BPER, being a situation that currently exists in the case of the third and fourth completed issue.
In this respect, it should be noted that the first issue was redeemed on 22 January 2014, whereas the second issue, the redemption of which should have occurred in April 2015, was early redeemed on 12 January 2015. For the third and fourth issue, which bear a fixed interest rate, it was necessary to execute a liability swap agreement.
The financial mechanism allows, on the one hand, BPER, as selling bank, to maintain a financial position as desired and consistent with its Asset & Liability Management strategies and, on the other hand, the SPV, as guarantor, in the Event of the occurrence of an Event of Default of the Issuer, to cover the costs of the GBB by trading them for the expected return on portfolio of loans sold.
The Programme provides for the issue of GBB up to a maximum of Euro 5 billion, to take place, as a number of issues, by 31 December 2018 (subject to the obligations for annual renewal as per the prospectus prepared in compliance with EU regulations). The first series of GBB with par value of Euro 750 million was issued on 1 December 2011 and was redeemed on 22 January 2014, after the sale on 2 November by BPER to Estense Covered Bond s.r.l. of a portfolio of loans that met eligibility requirements under the Regulations for a nominal value of Euro 1.1 billion, selected on the basis of the criteria outlined above and having the following main characteristics:

- residential mortgage loans provided in accordance with mortgage lending legislation;
- concluded by 31 December 2010;
- final instalment due after 31 December 2012;
- ratio of outstanding debt to the value of secured property, estimated at the payment date, lower than 80%.

Based on these general assumptions, a second issue of GBB was completed on 25 June 2012 for a total of Euro 300 million, with a maturity of three years at a floating rate. This was after another

Euro 546 million of residential mortgage loans, again originated exclusively by Banca popolare dell'Emilia Romagna, were transferred to the vehicle company Estense Covered Bond s.r.l. on 4 May 2012, essentially attributable to the "production" of 2011. The new issue has been carefully sized to take into account the possible implications of the earthquake in May 2012 on the value of the collateral.

Based on these same general assumptions, on 10 July 2013, a further Euro 680 million of residential mortgage loans was sold, with these originating solely from Banca popolare dell’Emilia Romagna s.c. or from other Group banks merged into the Parent Company.
On 15 October 2013, a third GBB issue was completed for an amount of Euro 750 million, at a fixed rate and with a tenor of 5 years, all of which was placed on the market. This issue was then reopened on 24 February 2014 for a further Euro 250 million.

On 23 July 2014, another Euro 501 million of residential mortgage loans, originated exclusively by Banca popolare dell’Emilia Romagna s.c. or by other Group banks absorbed by Parent Company in the meantime, were sold on the basis of the same general assumptions.

As mentioned previously, on 12 January 2015 the second series of GBB, issued in June 2012, was all repaid early in order to create the conditions for the fourth issue GBB intended for placement on the domestic and international markets.
On 22 January 2015, a fourth GBB issue was completed for an amount of Euro 750 million, at a fixed rate and with a tenor of 7 years, all of which was placed on the market.

The subordinated loan granted by BPER to Estense Covered Bond s.r.l., under the form of a credit facility, to finance the purchase of the assigned portfolios, amounted to Euro 3 billion, notwithstanding BPER's right to increase the amount of the subordinated loan granted to finance the purchase of additional portfolios (both in connection with new issues or for the purposes of adding to segregated assets) and with a yield that guarantees a return to the transferor of the yield on the segregated mortgage loans within segregated assets, albeit residual with respect to the payment of the SPV's operating expenses; thus making the sale essentially neutral from an economic standpoint.
Repayment of this loan is linked to the gradual reimbursement of the GBB that, in turn, will allow the release of the loan portfolio or the cash collections generated thereby. In this regard it should be noted that in October 2014 drawdowns of the subordinated loan had been reduced to Euro 250 million, as a first partial early redemption was made taking advantage of part of the principal generated by the loan portfolio sold.
As also mentioned earlier, it is expected that there will be additional sales aimed at the use of capital receipts generated by the portfolio of Eligible Assets sold (so-called subsequent revolving sales), as well as further sales designed to maintain the original ratio between secured assets and bonds issued (so-called restoration sales) as well as further sales to allow the issue of additional Series of GBB (so-called issue sales).
The liquidity generated by the portfolio may - within legal limits - also be used for suitable investments or deposits, based on BPER's indications as Investment Agent. It may not, however, in view of the inadequate level of rating, be entrusted to BPER.
Accordingly, cash generated from the portfolio of sold Eligible Assets - for which BPER will remain as Servicer - will be transferred to current accounts with BNP Paribas Securitisation Services, either in Italy or the UK, since this is a third party with appropriate rating.

Counterparties involved

Issuing Bank, initial Selling Bank, Servicer, Investment Agent, Principal Paying Agent and Calculation Agent: Banca popolare dell'Emilia Romagna s.c. (BPER).

Any other seller banks that could join the Programme:

- Banco di Sardegna s.p.a.;
- Banca di Sassari s.p.a.;
- Cassa di Risparmio di Bra s.p.a.

Arranger: The Royal Bank of Scotland Plc (RBS)
Joint Lead Manager of the III series of GBB: RBS, Citibank, Mediobanca, Société Générale, UBS.
Joint Lead Manager of re-opening of the III series of GBB: Citibank, Raiffeisen Bank International.
Joint Lead Manager of the IV series of GBB: RBS, BNP Paribas, Natixis, Nomura International plc., UniCredit Bank AG.
Guarantor: Estense Covered Bond s.r.l.
Representative of the Bondholders (RoB): Securitisation Services s.p.a.
Italian Paying Agent, Cash Manager and Account Bank: BNP Paribas Securities Services (both Italian and London branches).
Corporate Servicer: Securitisation Services s.p.a.
Guarantor Calculation Agent: Securitisation Services s.p.a.
Liability Swap counterparty: for the third and fourth issue, RBS
Legal advisor (Arranger): Simmons and Simmons
Legal advisor to Banca popolare dell'Emilia Romagna s.c.: Studio Legale Linklaters.
Asset Monitor and Pool Auditor: Deloitte & Touche s.p.a.
Independent Auditors of the special purpose vehicle: PricewaterhouseCoopers s.p.a.
Rating agencies: Moody's Investor Services.

In 2012, the role of Back Up Servicer (BUS) was added to the structure of this transaction and is being performed by Italfondiario S.p.A.; the aim was to make the transaction more robust, also based on the indications received to that effect from the counterparty to the asset swap and from the rating agency.

The requirements for Issuers

According to the Rules, Guaranteed Bank Bonds may be issued by banks belonging to banking groups that have:

- Own Funds not lower than Euro 250 million;
- Total capital ratio at consolidated level not lower than 9%; (hereinafter called the "Requirements for Issuers").

These requirements must be satisfied, on a consolidated basis, even by selling banks, where the latter, as provided for by the Programme's structure, differ from the bank issuing the Guaranteed Bank Bonds. In the case of banks belonging to the same group, reference should be made to consolidated figures.

With reference to the figures al 31 December 2014, the Own Funds of the BPER Group, calculated under the transitional arrangements ("Phased in"), amount to Euro 4,982 million and the Total capital ratio is equal to 12.24%.

Sale restrictions

The Provisions set limits to the possibility for banks to sell Eligible Assets, which are based on the level of their Tier 1 (T1) and Common Equity Tier 1 (CET1) ratio.
Sale restrictions refer to total transactions of this kind made by a banking group. Banking groups are classified into three categories, with corresponding specific limits as shown below:

- "a" band: for banking groups with T1 ratio equal to or higher than 9% and CET1 ratio equal to or higher than 8%, for which there are no sale limits;
- "b" band: for banking groups with T1 ratio equal to or higher than 8% and CET1 ratio equal to or higher than 7%, for which there is a sale limit of 60% of appropriate assets.
- "c" band; for banking groups with T1 ratio equal to or higher than 7% and CET1 ratio equal to or higher than 6%, for which there is a sale limit of 25% of appropriate assets.

At 31 December 2014, the Total capital ratio was 12.24%, the Tier 1 ratio 11.29% and the Common Equity Tier 1 ratio 11.26% (Phased in).

Organisational structure and procedures

The structuring process for the covered bond project, which BPER had never undertaken beforehand, necessitated the organisation of an internal team to coordinate the activities of all departments involved. In this regard, a specific structure was set up, the Structured Finance Management Office, which, after the start-up phase, acts as coordinator of the interfunctional team, taking care to involve all the structures involved in the management process of the Covered Bonds. To supervise the structuring process and management of the Programme, including when it is fully operational, a specific Group Regulation has been prepared followed by a Group Organisational Procedure.

Accounting, capital and tax impact

With the issue of the Covered Bonds, BPER, as initial selling bank and any subsequent selling banks will retain substantially all the risks and benefits of the transferred assets as:

- they are required to reinstate, in line with several alternatives, the collateral should the value of assets sold deteriorate and their value fall below the thresholds set by contract;
- the repayment of the subordinated loan granted to the special purpose vehicle is linked to the performance of the secured assets.

The primary objective of creating a special purpose vehicle and the sale of eligible assets thereto is, in fact, to legally segregate, by means of a without recourse sale contract, the selling bank's assets within a separate legal entity. These assets, segregated in this manner, are subject to a restriction as to their use pursuant to Law 130/99 for the protection, among others, of the holders. Thus, the holders of Covered Bonds benefit, on the one hand, from the general guarantee represented by the issuer's capital and on the other, from the guarantee issued by the SPV in respect of the segregated portfolio for which they have priority creditor rights. This structure of "dual protection" facilitates the creation of conditions for a potential reduction in funding costs.
The overall risk profile of BPER as initial selling bank and that of any further selling banks is not altered in any way.
The same regulatory provisions stipulate that the selling banks retain the same capital requirement that they are already required to comply with, in respect of the assets sold, prior to the sale. The transaction, therefore, does not qualify for derecognition: the selling banks must continue to recognise the transferred assets in their entirety in the balance sheet and the

consideration received from the sale must be accounted for as an opposite entry to the financial liability due to the SPV (IAS 39, § 29).
In turn, this liability must be shown net of the subordinated loan granted to the vehicle, due to the principle of substance over form: it is as if the purchase of loans by the SPV had never taken place.
The subordinated loan is not taken into consideration for the purposes of counterparty risk; this loan must not, in fact, be considered, as the credit risk is already reflected in the valuation of the mortgage loans being sold.
As regards the impact at consolidation level, it should be noted that the SPV is a Group entity, as the Parent Company has a 60% holding; it is therefore subject to consolidation, although limited to its own results and financial position.
Finally, regarding the tax implications, consistent with the dictates of art. 7 *bis*, Law 130/99, all taxes and dues are payable as though the sale of the loans had never taken place.
Again, to ensure the tax neutrality of the transaction, art. 7 *bis*, paragraph 7 of Law 130/99 provides that the sale consideration will be equal "*to the latest carrying amount of the loans*", or as certified by the Independent Auditors.
Since the first sale of the portfolio took place 2 November 2011, the carrying amount of the loans is that at 31 December 2010, adjusted to take into account changes in positions in the intervening period between the year end and the date of the transfer.
Similarly, for the second and third sales, the carrying amount of the loans is that at 31 December 2011 and 2012, respectively.
In the case of the fourth sale, which involved loans made in the first few months of 2014, it was necessary for the price to be certified by the auditors.
More specifically, the book value is adjusted for "endogenous variables", that is, cash collected from the loans in the intervening period and contractual interest accruing in the same period. This is also consistent with the regulatory provisions laid down by the Rules as described previously.
As for the other components that could affect the configuration of the carrying amount, i.e. amortised cost and collective impairments (given that they are performing loans), it has been considered in line with the principles of relevance, pertinence and materiality to assume that their value is equal to the one shown in the latest approved and audited financial statements, or as the sale price specifically certified by the auditors.

The risks associated with the transaction

The Programme involves some financial and other risks, subject to analysis and monitoring by the Group's Risk Management and Compliance functions and, specifically with regard to the risks of fraud and unintentional errors in financial reporting, the Financial Reporting Officer. In summary the main risk profiles can be summarised as follows:

- **Interest rate risk**
  In the structure of a Covered Bond, the interest rate risk originates from the different characteristics of interest rates on guaranteed bank bonds and on the portfolio of secured assets. These risks are mitigated by hedging derivatives put in place from time to time with market counterparties.
- **Credit risk**
  In the structure of a covered bond, credit risk is attributable to the quality of loans sold by each Selling Bank in the cover pool.
  Given this risk, the rating agencies, in order to attribute to the GBB the maximum rating possible, require a level of over-collateralisation which is also linked to the quality of the cover pool.

- **Counterparty risk**

  The counterparty risk is the possibility that the creditworthiness of counterparties involved in the transaction, in other words, the swap counterparties and the non Group bank, with which the SPV has its accounts, may worsen to the point of creating a liquidity problem, with the result that the cover pool funds that flow into the accounts of the SPV or payments made in connection with the swaps are retained by the same counterparties. This risk is mitigated by the involvement of high rated counterparties and the existence of clauses, in the relevant ISDA and CSA contracts as well as in the "Cash Management and Agency Agreement", according to which, in the case of downgrading of the counterparties, they will be immediately replaced.
- **Liquidity risk**

  An issue of "soft bullet" GBB with a cover pool relating to mortgage loans with a given repayment plan entails the need for dynamic management of the cover pool itself. The funds received from the collection of capital instalments on the mortgage loans relating to the cover pool may have to be, in fact, reinvested in new mortgage loans with similar characteristics.

  If the Group does not have eligible mortgages available to be sold to supplement the cover pool (or to replace non-performing mortgages), it would be forced to pay cash or eligible securities, impacting negatively on Counterbalancy Capacity (the limit set by the Rules for these assets is 15%).
- **Compliance risk**

  The articulate and accurate external legislation regulating GBB, together with management and internal operating rules, require a precise and formal structuring of activities under the Programme, both during the up front and on going phases. The analysis of compliance requirements has been performed by the Group Compliance function.
- **Reputational risk**

  Reputational risk is the possibility that the failure by BPER to fulfil certain obligations arising from its role in the Programme adversely affects the credibility and image of the Group on the market, resulting in a significant economic and financial impact.

  In addition to the risks outlined above, already existing at the inaugural issue, there are aspects associated with the multi-originator characteristic of the Programme, which will be formally integrated into the body of the contract and management processes, as and when other Group banks join the Programme as originators.
- **Risk of financial inadequacy**

  The regulatory provisions, in the discipline of Guaranteed Bank Bonds, in relation to the complexity of the contractual profiles and the possible impact on the technical structure of these transactions, require, among other things, a careful assessment of the impact on the financial stability of the bank.

  The analysis of the project by the Board of Directors, highlighted:

  - regarding the impact on results, the assumed transaction will lead to, with reference to available market data, a lower cost of funding estimated at not less than 25 bps, compared to an equivalent senior transaction; this will allow start up costs to be fully covered, already in the first year, as well as ongoing costs for the period to be covered. Under current market conditions, this original estimate may be considered highly conservative.

- regarding the impact on financial position, having valued a portfolio of eligible residential mortgage loans, at Group level, during the initial analysis, extremely conservatively, at approximately Euro 3 billion, there was an assumed plan for extremely cautious 7 year issues, so as to have appropriate margins for any restoration of the cover pool without this having an impact on the financial position and/or commercial practices of the Group.

These findings have allowed the Board to determine that the transaction, as thus assumed, does not negatively affect the financial stability of the bank and of the Group as a whole.

Organisational and management aspects of special purpose vehicles

With regard to organisational and management aspects of special purpose vehicles (in order to assess their adequacy in relation to the role assigned thereto) and the contracts entered into as part of the Programme, a "Report on the transferee company" has been prepared by Linklaters, in order to ensure that the contracts entered into as part of the Programme contain, in compliance with the Regulations, clauses that ensure the regular and efficient performance of functions by the assignee.

Assessment of legal aspects of the Programme for Issue of Guaranteed Bank Bonds

Linklaters also issued a report to evaluate, in accordance with the Rules, the legal aspects of the planned activities covered by the Programme. The report contains a thorough assessment of legal structures and contractual arrangements used, with particular attention to the characteristics of the guarantee given by the assignee company and the overall relationships between and among the participants in the Programme.

Annual assessment of the Programme for Issue of Guaranteed Bank Bonds by Asset Monitor

Note that, in accordance with the terms of relevant regulations, the asset monitor – in this case Deloitte & Touche s.p.a. – performs an annual review of the Programme's status and issues a report to the Board of Directors, the Board of Statutory Auditors and the Bank's Internal Audit Function.

As of to date, reviews have been performed for 2011, 2012 and 2013 without any significant findings emerging.

1.2 Banking group – Market risk

1.2.1 Interest rate risk and price risk - Trading portfolio reported for supervisory purposes

The Group's organisation provides for centralisation of the market risk control function at the Parent Company; consequently, the qualitative information contained in Part E of the consolidated Explanatory notes set out below also reflects the individual position of Banca popolare dell'Emilia Romagna s.c.

QUALITATIVE INFORMATION

A. General aspects

The Group trades on **own account** as a primary activity.

The portfolio comprises all of the financial instruments acquired for trading purposes or for hedging a risk factor inherent to the portfolio.

"For trading purposes" is understood as being the purchase of financial instruments with the following features:

- exposure to managed risk factors (interest rate risk and price risk, exchange rate risk, issuer risk, counterparty risk and liquidity risk);
- trading done prevalently on active markets;
- securities issued by operators of prime standing.

The trading portfolio is managed according to exposure to the interest rate risk deriving from the overall asset-liability structure and, as a rule, does not include complex or innovative derivatives.

The **trading portfolio** comprises all those financial instruments not purchased with the aim of achieving equilibrium of the asset-liability structure, but with a view to contributing to the results of the year, optimising the overall risk-yield profile.

The size of the trading portfolio is closely linked to the liquidity position.

Arbitrage and short-term speculative activity with regard to listed derivatives are marginal with respect to routine trading on own account. The objective of the investment strategy underlying trading in these financial instruments is to maximise the overall risk/yield profile via appropriate diversification.

The Bank makes medium-term speculative investments in stock markets, in commodity derivatives, in mutual funds and, to a marginal extent, in hedge funds. This activity is however just a small part of the transactions carried out in the bond markets.

The trading portfolio management process is centralised in the Bank to respond to the needs of central oversight of market risk and greater efficiency of Group investment processes.

This process implies that the individual Group banks remain responsible for optimisation of the yield from liquidity through treasury transactions with the Bank or, alternatively, by investing in floating rate or fixed rate bonds issued by the Bank.

In this way, the management of market risk has been centralised by the Bank on the basis of decisions taken by the Finance Committee which is headed up by the Chief Executive Officer.

B. Management and measurement of interest rate risk and price risk

The Bank's system of daily checking is consistent with market standards. **Value at Risk (VaR) techniques** are used to measure market risk.

VaR represents the estimated maximum potential loss, determined based on probabilities, that may be suffered by the aggregate concerned over a given time horizon (depending on the degree of liquidity of the portfolio) at a pre-determined level of probability (consistent with the investor's degree of risk aversion).

The methodology used to calculate the VaR belongs to the "variance-covariance" class of models (which approximates well the level of risk inherent in the aggregates analysed, as long as the transactions with a non-linear pay-off comprise only a minimal part of the portfolio), whereby the overall risk depends on the sensitivity of each position to changes in market factors, the volatility of their yields and the degree of correlation between them. The methodologies used to monitor market risks also include a **sensitivity analysis** based on parallel shifts in the market rate curves.

Currently, the daily calculation of VaR makes reference to two distinct time horizons, in order to meet both regulatory and operational requirements. An analysis is performed with a 10-day time horizon and a 99% confidence interval in order to satisfy the Bank of Italy's requirements (see Bank of Italy's Circular no. 285 dated 17 December 2013 and subsequent amendments) for models that are used to calculate capital adequacy in relation to market risk. This is supported by a further analysis with the same confidence interval, but with a daily time horizon, both to monitor the dynamics of market risk in relation to the Bank's portfolio and to provide a consistent dataset for the recognition of profits and losses for this aggregate. This model is only used for internal management purposes and is not involved in the calculation of the capital adequacy requirements regarding market risk.

The interest rate and price risk control process is centralised at the Bank and is carried out by the Group's Risk Management Unit. Periodic information is assured by the distribution of specific daily and monthly reports.

The **monitoring and control** of interest rate risk of the trading portfolio aims to mitigate the risk in question, by defining certain limits (sensitivity, stop loss and position), in respect of the various risks borne, for portfolios managed by the appropriate Group structure. Limits are checked on a daily basis by the Financial Risk Department.

The daily monitoring and control of the price risk associated with the trading portfolio for supervisory purposes is performed via **Value-at-Risk (VaR) analyses.** Specifically, the risk related to shares is estimated for each position with respect to a global or sector benchmark index, while the estimate for individual funds is made with reference to a set of risk factors that reflect the management strategy adopted. The overall risk is then determined with reference to the volatility and the correlation between the various risk factors.

The Group's Risk Management Department determines the exposure to exchange risk each day and summarises it monthly in a specific **VaR report**.

3. Interest rate risk - Trading portfolio reported for supervisory purposes: internal models and methodologies for the analysis of sensitivity

The VaR determined over the time horizons referred to above is set out below, in relation to the rate risk associated with the trading portfolio reported for supervisory purposes at 31 December 2014.

Descriptive data		VaR Time horizon: 10 days Confidence interval: 99%		VaR Time horizon: 1 day Confidence interval: 99%	
Type of transaction	**Present value**	**VaR**	**Var/Present Value**	**VaR**	**Var/Present Value**
BOT	-	-		-	
BTP	57,562	688	1.20%	218	0.38%
CCT	152,785	918	0.60%	290	0.19%
Other government securities	15,595	214	1.37%	68	0.44%
Bonds	441,087	4,074	0.92%	1,288	0.29%
Mutual funds and Sicavs	31,040	41	0.13%	13	0.04%
Derivatives/Transactions to be settled	(9,684)	2,749	-28.39%	869	-8.97%
Effect of diversification		(1,106)		(350)	
Total portfolio 2014	**688,385**	**7,578**	**1.10%**	**2,396**	**0.35%**
Total portfolio 2013	**855,592**	**2,136**	**0.25%**	**676**	**0.08%**

The value of the trading portfolio at 31 December 2014 given a parallel shift of +/- 100 basis points (Sensitivity analysis) is set out below.

	+100 bps	-100 bps
31 Dec 2014	3,579	(6,034)
31 Dec 2013	(5,156)	2,284

3. Price risk - Trading portfolio for supervisory purposes: internal models and other methodologies for the analysis of sensitivity

The VaR determined over time horizons of ten days and one day is set out below, in relation to the price risk associated with the trading portfolio reported for supervisory purposes at 31 December 2014.

Descriptive data		VaR Time horizon: 10 days Confidence interval: 99%		VaR Time horizon: 1 day Confidence interval: 99%	
Type of transaction	**Present value**	**VaR**	**Var/Present Value**	**VaR**	**Var/Present Value**
Equities	39,552	4,036	10.20%	1,276	3.23%
Mutual funds and Sicavs	31,040	2,222	7.16%	703	2.27%
Derivatives/Transactions to be settled	(2,430)	-	0.00%	-	0.00%
Effect of diversification		(279)		(88)	
Total portfolio 2014	**68,162**	**5,979**	**8.77%**	**1,891**	**2.77%**
Total portfolio 2013	**42,125**	**1,830**	**4.34%**	**579**	**1.37%**

1.2.2 Interest rate risk and price risk - Banking book

QUALITATIVE INFORMATION

A. General aspects, management and measurement of interest rate risk and price risk

Interest rate risk represents the potential impact of unexpected changes in market rates on current profits and the equity value of the Bank. This risk typically affects the positions included in the banking book.
The exposure to interest rate risk can be further analysed into:

- income risk;
- investment risk.

Income risk derives from the possibility that an unexpected change in interest rates may reduce net interest income, being the difference between interest received and interest paid. This risk is measured by maturity gap models and depends on:

- the mismatch in the maturity structures of lending and funding, in cases where the related assets and liabilities are remunerated at fixed rates until final maturity;
- the mismatch of the review periods for rate conditions, in the case of floating-rate assets and liabilities.

The timing mismatches mentioned above expose the Bank to:

- refinancing risk: the risk arising when the average maturity period (period until the next rate review) is shorter for funding than for lending. In this case, the Bank is exposed to possible increases in interest rates (the Bank is Liability Sensitive);
- reinvestment risk: the risk arising when the average maturity period (period until the next rate review) is shorter for lending than for funding. In this case, the Bank's net interest income will decline if interest rates fall (the Bank is Asset Sensitive).

Investment risk derives from the possibility that adverse changes in the value of all assets, liabilities and off-balance sheet instruments held by the Bank, following changes in interest rates, may destabilise the equilibrium of the balance sheet. This risk is measured by duration gap and sensitivity analysis techniques.
The following types of interest rate risk are identified:

- Repricing Risk: risk associated with differences in the maturities (fixed rate) and the repricing dates (floating rate) of the assets and liabilities held in the portfolio;
- Yield Curve Risk: risk associated with changes in the gradient and shape of the yield curve;
- Refixing Risk: risk associated with the timing of changes in market parameters, for floating rate positions. More specifically, this is the risk that rate of rise in interest rates is more marked in the refixing periods for funding than in those for lending;
- Basis Risk: risk arising from the imperfect correlation between the indexation parameters for lending and funding, or from unfavourable changes in the gradient of the curve;
- Optionality Risk: risk associated with "explicit" or "embedded" options embedded in the banking book's assets and liabilities (e.g. cap/floor/collar, loan prepayment options etc.).

The BPER Group monitors at both consolidated and legal entity level the impact that unexpected changes in market interest rates might have on the positions in the banking book, considering both current profits (sensitivity of net interest income) and the economic value of shareholders' equity:

- **Standpoint of current profits:** the purchase of considering the impact on current profits is to evaluate interest risk with reference to the sensitivity of net interest income to rate changes over a given period of time. Adverse changes in net interest income potentially affect the financial stability of a bank by weakening its capital adequacy. The change in net interest income depends on the various types of risk.
- **Standpoint of economic value:** changes in interest rates may affect the economic value of a bank's assets and liabilities. The economic value of a bank is represented by the present value of its expected cash flows, defined as the sum of the present value of the cash flows to be generated by its assets, liabilities and positions in derivatives. By contrast with the standpoint of current profits, that of economic value identifies the risk generated by the repricing or maturity gap over a long time horizon.

The **objectives** to be pursued in support of the proper management of interest rate risk are:

- reduce the adverse effects of the volatility of net interest income (standpoint of current profits). The stability of net interest income is principally influenced by the yield curve risk, repricing risk, basis risk and optionality risk;
- immunise the economic value, being the sum of the present values of all the expected cash flows, generated by both sides of the balance sheet. By contrast with the standpoint of current profits, the standpoint of economic value takes a medium/long-term view and is principally associated with the repricing risk;
- ensure compliance with the related organisational requirements envisaged by the domestic and international supervisory bodies.

The **model for the governance** of the Group's rate risk is based on the following principles:

- consistency with BPER's current business model in terms of autonomy and the coordination of the commercial and lending policies of Group companies;
- allocation to the Bank of powers to manage and coordinate, in order to ensure consistency in the overall management of rate risk and compliance with regulatory requirements;
- segregation between operational processes and the control of rate risk.

The model for the management of interest rate risk adopted at Group level focuses on the following measures of risk:

- **sensitivity of net interest income;**
- **sensitivity of economic value.**

Analysis of the sensitivity of net interest income identifies the impact of changes in interest rates as a result of parallel and other shocks.
The Bank calculates the sensitivity of net interest income holding rates and volumes constant. According to this model amounts maturing are reinvested on the assumption of constant volumes, rates and maturities. The following shocks are considered:

- Parallel shock of + 100 bps;
- Parallel shock of +/- 50 bps;
- Parallel shock of - 25 bps.

The indicator is calculated at both Group and Legal Entity levels.

Analysis of the sensitivity of economic value identifies the impact on the value of shareholders' equity of parallel and other shocks to the yield curve. This change is calculated by discounting all the cash flows using two different yield curves: the current curve at the analysis date and that following the shock, and comparing the two values.

$$\Delta VA = VA_{(\text{Curve } 1)} - VA_{(\text{Curve } 2)}$$

In order to incorporate the phenomenon known as prepayment of loans[27]. In measuring the sensitivity of economic value, a model was adopted according to which the amount of capital prepaid on a loan is estimated through a percentage of early repayment on the capital outstanding during the reference period. The percentage of prepayment defined in this way is maintained constant for the whole duration of the loan.
For the calculation of sensitivity, demand balances outstanding with customers are simulated using an econometric model which identifies a portfolio that replicates them, by allocating demand funding (lending) to a portfolio of liabilities (assets) with an identified effective repricing profile.

In addition to the risk measures mentioned above, the capital absorbed in relation to interest rate risk is also calculated. **Sensitivity analysis** is applied in order to estimate the capital absorbed, consistent with the standardised approach envisaged by the Supervisory Authorities. Under this approach, the capital absorbed in relation to the banking book's interest rate risk is the change in the economic value (defined as the present value of expected cash flows) caused by a rate shock of 200 basis points.

With regard to **price risk**, the banking book mainly comprises shares, mutual funds and SICAVs classified as available for sale or measured using the Fair Value Option.
The portfolio is monitored using the **VaR methodology** described in the section entitled 2.1 "Interest-rate risk and price risk - trading portfolio for supervisory purposes".
The Group's Risk Management Department determines the exposure to exchange risk each day and summarises it monthly in a **specific VaR report**.

B. Fair value hedges

As mentioned earlier, the Bank arranges operational hedges against changes in Fair value, which are recognised for accounting purposes using the **fair value option.**
In this regard, the decisions made by the Bank concerning the scope of application of the FVO, included in the "Guidelines for the application of the fair value option by the BPER Group", envisage that - when deemed appropriate with reference to the results of ALM monitoring - certain issues of debt instruments will be hedged via plain vanilla OTC derivative contracts.

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[27] *Prepayment can be defined as an early repayment, total or partial, of the residual loan by the borrower.*

The designation of these bonds as "*Financial liabilities at fair value*", consistent with the requirements of IAS 39, simplifies the management and accounting process.

C. Cash flow hedges

In compliance with the law, the Bank decided to take advantage of the **Hedge Accounting approach**, when deemed appropriate.
In this regard, the decisions concerning the scope of application of cash flow hedges, included in the "Guidelines for the application of the fair value to financial instruments by the BPER Group", identify the area of application to the Group's assets and liabilities and provide that, when considered opportune based on the results of interest risk monitoring, certain floating-rate positions are to be hedged by means of plain vanilla OTC derivative contracts.
In the application of the fair value option, income statement recognition is given solely to the change in fair value attributable to the risk being hedged.

QUANTITATIVE INFORMATION

2. Interest rate risk - Banking book: internal models and other methodologies for the analysis of sensitivity

Year end (31 December 2014) and trend data (minimum, average, maximum) for the year is provided below in relation to the change in the interest margin on the banking book following a parallel shift of +/-50 basis points.

	+50 bps	-50 bps
31 December 2014	**13,018**	**(4,956)**
maximum change	16,834	(5,458)
minimum change	2,450	(62)
average change	11,087	(2,084)
31 December 2013	**(866)**	**6,574**

Year end (31 December 2014) and annual trend (minimum, maximum, average) information in relation to changes in the value of the banking book due to a parallel shift of +/- 100 basis points (Sensitivity analysis).

	+100 bps	-100 bps
31 December 2014	**(87,040)**	**(109,341)**
maximum change	(118,905)	(109,341)
minimum change	(54,458)	(14,674)
average change	(89,800)	(4,714)
31 December 2013	**(315,000)**	**375,868**

3. Price risk - Banking book: internal models and other methodologies for the analysis of sensitivity

The VaR determined over time horizons of ten days and one day is set out below, in relation to the price risk associated with the banking book at 31 December 2014.

Descriptive data		VaR Time horizon: 10 days Confidence interval: 99%		VaR Time horizon: 1 day Confidence interval: 99%	
Type of transaction	**Present value**	**VaR**	**Var/Present Value**	**VaR**	**Var/Present Value**
Equities Instruments	353,860	43,288	12.23%	13,689	3.87%
Mutual funds and SICAVs	145,594	12,251	8.41%	3,874	2.66%
Derivatives/Transactions to be settled	-	-		-	
Effect of diversification		(63)		(20)	
Total portfolio 2014	**499,454**	**55,476**	**11.11%**	**17,543**	**3.51%**
Total portfolio 2013	**569,805**	**37,398**	**6.56%**	**11,826**	**2.08%**

1.2.3 Exchange risk

QUALITATIVE INFORMATION

A. General aspects, management and measurement of exchange risk

The Group is exposed to exchange risk as a consequence of routine funding and lending activities and, to a marginal extent, in relation to speculative activities.
The Group's Risk Management Department determines the exposure to exchange rate risk each day and summarises it monthly in a specific VaR report.

B. Hedging of exchange risk

The Group uses plain vanilla instruments for the operational hedging of exchange risk.

QUANTITATIVE INFORMATION

1. Foreign currency assets, liabilities and derivatives

Captions	Currency					
	US Dollars	Sterling	Yen	Canadian Dollars	Swiss Francs	Other currency
A. Financial assets	**385,175**	**298,874**	**6,025**	**1,682**	**22,102**	**16,497**
A.1 Debt securities	89,613	262,683	-	-	-	6,920
A.2 Equity instruments	4,800	-	-	-	-	-
A.3 Loans to banks	67,843	3,120	2,266	794	912	9,473
A.4 Loans to customers	222,919	33,071	3,759	888	21,190	104
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**5,891**	**2,231**	**139**	**716**	**1,697**	**1,474**
C. Financial liabilities	**310,745**	**219,005**	**4,570**	**4,428**	**16,761**	**15,571**
C.1 Due to banks	34,987	202,805	491	401	11,282	279
C.2 Due to customers	275,758	16,200	4,079	4,027	5,479	15,292
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**2,317**	**172**	**-**	**-**	**138**	**15**
E. Financial derivatives						
- Options						
+ long positions	48,915	1,061	2,988	-	-	-
+ short positions	86,352	569	3,332	-	-	236
- Other derivatives						
+ long positions	273,755	6,649	8,425	6,078	10,404	44,555
+ short positions	257,734	94,818	12,391	4,144	36,509	40,884
Total assets	**713,736**	**308,815**	**17,577**	**8,476**	**34,203**	**62,526**
Total liabilities	**657,148**	**314,564**	**20,293**	**8,572**	**53,408**	**56,706**
Net balance (+/-)	**56,588**	**(5,749)**	**(2,716)**	**(96)**	**(19,205)**	**5,820**

2. Internal models and other methodologies for the analysis of sensitivity

The VaR determined over time horizons of ten days and one day is set out below, in relation to the risk faced by the Group at 31 December 2014.

	VaR Time horizon: 10 days Confidence interval: 99%	VaR Time horizon: 1 day Confidence interval: 99%
2014 figures	7,811	2,470
2013 figures	7,469	2,362

1.2.4 Derivatives instruments

A. Financial derivatives

A.1 Trading portfolio for supervisory purposes: period-end and average notional values

Underlying assets/Type of derivative	31.12.2014		31.12.2013	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	**4,643,128**	**452,818**	**5,351,006**	**658,011**
a) Options	513,485	-	962,459	-
b) Swaps	4,129,643	-	4,388,547	-
c) Forwards	-	-	-	-
d) Futures	-	452,818	-	658,011
e) Other	-	-	-	-
2. Equities and stock indices	**35,239**	**4,860**	**7,475**	**1,731**
a) Options	35,239	-	7,475	780
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	4,860	-	951
e) Other	-	-	-	-
3. Currency and gold	**961,121**	**-**	**930,045**	**-**
a) Options	332,244	-	244,134	-
b) Swaps	-	-	-	-
c) Forwards	628,877	-	685,911	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Goods	**-**	**3,277**	**3,539**	**2,116**
5. Other underlyings	**-**	**-**	**-**	**-**
Total	**5,639,488**	**460,955**	**6,292,065**	**661,858**
Avarages	**6,050,722**	**770,625**	**6,416,392**	**789,931**

A.2 Banking portfolio: period-end and average notional values

A.2.1 For hedging

Underlying assets/Type of derivative	31.12.2014		31.12.2013	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	**1,531,387**	**-**	**893,177**	**-**
a) Options	-	-	-	-
b) Swaps	1,531,387	-	893,177	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equities and stock indices	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currency and gold	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Goods	**-**	**-**	**-**	**-**
5. Other underlyings	**-**	**-**	**-**	**-**
Total	**1,531,387**	**-**	**893,177**	**-**
Averages	**1,390,469**	**-**	**495,229**	**-**

A.2.2 Other derivatives

Underlying assets/Type of derivative	31.12.2014		31.12.2013	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	**5,588,684**	**-**	**6,560,048**	**-**
a) Options	6,469	-	17,368	-
b) Swaps	5,582,215	-	6,542,680	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equities and stock indices	**88,487**	**-**	**35,396**	**-**
a) Options	88,487	-	35,396	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currency and gold	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Goods	**-**	**-**	**-**	**-**
5. Other underlyings	**-**	**-**	**-**	**-**
Total	**5,677,171**	**-**	**6,595,444**	**-**
Averages	**6,301,912**	**-**	**7,949,957**	**-**

A.3 Financial derivatives: positive gross fair value - allocation by product

Portfolio/Types of derivative	Positive fair value			
	31.12.2014		31.12.2013	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Trading portfolio for supervisory purposes	**125,800**	**-**	**84,307**	**-**
a) Options	13,237	-	16,692	-
b) Interest rate swaps	97,277	-	60,297	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	15,286	-	7,318	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
B. Banking portfolio - for hedging	**36,744**	**-**	**3,751**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	36,744	-	3,751	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking portfolio - other derivatives	**120,413**	**-**	**111,934**	**-**
a) Options	29	-	63	-
b) Interest rate swaps	120,384	-	111,871	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**282,957**	**-**	**199,992**	**-**

A.4 Financial derivatives: gross negative fair value - breakdown by product

Portfolio/Type of derivative	Negative fair value			
	31.12.2014		31.12.2013	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Trading portfolio for supervisory purposes	**170,380**	**-**	**127,819**	**29**
a) Options	10,835	-	10,987	29
b) Interest rate swaps	142,498	-	106,297	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	17,047	-	10,535	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
B. Banking portfolio - for hedging	**12,986**	**-**	**37,825**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	12,986	-	37,825	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking portfolio - other derivatives	**75,519**	**-**	**27,966**	**-**
a) Options	4,223	-	928	-
b) Interest rate swaps	71,296	-	27,038	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**258,885**	**-**	**193,610**	**29**

A.5 OTC financial derivatives - Trading Portfolio for supervisory purposes: notional amounts, positive and negative gross fair values by counterparty - contracts not included in offset agreements

Contracts not included in offset agreements	Governments and Central Banks	Other public entities	Banks	Financial businesses	Insurance companies	Non-financial companies	Other parties
1) Debt securities and interest rates							
- notional value	-	-	8,558	5,149	-	1,053,010	13,989
- positive fair value	-	-	4	512	-	69,939	172
- negative fair value	-	-	46	-	-	1,560	12
- future exposure	-	-	-	33	-	5,708	10
2) Equities and stock indicess							
- notional value	-	-	-	-	-	475	-
- positive fair value	-	-	-	-	-	20	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	38	-
3) Currency and gold							
- notional value	-	-	600	20,593	-	427,684	2,722
- positive fair value	-	-	15	64	-	5,285	87
- negative fair value	-	-	-	51	-	13,143	52
- future exposure	-	-	6	206	-	4,758	26
4) Other instruments							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

A.6 OTC financial derivatives: Trading Portfolio for supervisory purposes: notional amounts, positive and negative gross fair value by counterparty - contracts included in offset agreements

Contracts included in offset agreements	Governments and Central Banks	Other public entities	Banks	Financial businesses	Insurance companies	Non-financial companies	Other parties
1) Debt securities and interest rates							
- notional value	-	-	2,885,643	546,655	-	130,124	-
- positive fair value	-	-	16,586	732	-	13,380	-
- negative fair value	-	-	126,287	18,688	-	6	-
2) Equities and stock indices							
- notional value	-	-	34,764	-	-	-	-
- positive fair value	-	-	4,194	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
3) Currency and gold							
- notional value	-	-	411,213	98,309	-	-	-
- positive fair value	-	-	10,693	4,117	-	-	-
- negative fair value	-	-	9,335	1,200	-	-	-
4) Other instruments							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

A.7 OTC financial derivatives agreements - Banking book: notional amounts, positive and negative gross fair value by counterparty - contracts not included in offset agreements

Contracts not included in offset agreements	Governments and Central Banks	Other public entities	Banks	Financial businesses	Insurance companies	Non-financial companies	Other parties
1) Debt securities and interest rates							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
2) Equities and stock indices							
- notional value	-	-	-	50	-	35,150	53,287
- positive fair value	-	-	-	9	-	-	-
- negative fair value	-	-	-	-	-	-	4,028
- future exposure	-	-	-	4	-	1,606	-
3) Currency and gold							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
4) Other instruments							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

A.8 OTC financial derivatives - Banking book: notional amounts, positive and negative gross fair value by counterparty - contracts included in offset agreements

Contracts included in offset agreements	Governments and Central Banks	Other public entities	Banks	Financial businesses	Insurance companies	Non-financial companies	Other parties
1) Debt securities and interest rates							
- notional value	-	-	6,667,904	452,167	-	-	-
- positive fair value	-	-	142,964	14,184	-	-	-
- negative fair value	-	-	83,805	672	-	-	-
2) Equities and stock indices							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
3) Currency and gold							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
4) Other instruments							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

A.9 Residual life of OTC financial derivatives: notional values

Underlyings/Residual value	Within 1 year	Beyond 1 year up to 5 years	Over 5 years	Total
A. Trading portfolio for supervisory purposes	**1,676,699**	**1,897,443**	**2,065,346**	**5,639,488**
A.1 Financial derivatives on debt securities and interest rates	822,748	1,760,964	2,059,416	4,643,128
A.2 Financial derivatives on equities and stock indices	-	35,239	-	35,239
A.3 Financial derivatives on exchange rates and gold	853,951	101,240	5,930	961,121
A.4 Financial derivatives on other	-	-	-	-
B. Banking portfolio	**711,448**	**4,163,837**	**2,333,273**	**7,208,558**
B.1 Financial derivatives on debt securities and interest rates	711,448	4,107,400	2,301,223	7,120,071
B.2 Financial derivative contracts on equity securities and stock indexes	-	56,437	32,050	88,487
B.3 Financial derivatives on exchange rates and gold	-	-	-	-
B.4 Financial derivatives on other instruments	-	-	-	-
Total 31.12.2014	**2,388,147**	**6,061,280**	**4,398,619**	**12,848,046**
Total 31.12.2013	**3,208,268**	**6,023,724**	**4,548,694**	**13,780,686**

C. Credit and financial derivatives

C.1 OTC financial and credit derivatives: net fair value and future exposure by counterparty

	Governments and Central Banks	Other public entities	Banks	Financial businesses	Insurance companies	Non-financial companies	Other parties
1) Bilateral financial derivative agreements							
- positive fair value	-	-	38,256	8,327	-	13,374	-
- negative fair value	-	-	83,246	9,854	-	-	-
- future exposure	-	-	36,017	4,241	-	1,375	-
- net counterparty risk	-	-	58,792	4,587	-	14,749	-
2) Bilateral credit derivative agreements							
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
- net counterparty risk	-	-	-	-	-	-	-
3) Cross product agreements							
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
- net counterparty risk	-	-	-	-	-	-	-

1.3 Banking group - Liquidity risk

QUALITATIVE INFORMATION

A. General aspects, management and measurement of liquidity risk

The BPER Group has a specific policy for the management of liquidity (**Liquidity Policy Handbook**), as well as the plan for emergencies covering the objectives, processes and strategies for action (**Contingency Funding Plan**).

1. LIQUIDITY POLICY HANDBOOK

This document establishes the Parent Company's policy for the efficient management of liquidity under normal conditions, formalising:

- the governance model in terms of the parties involved in the management of liquidity and the monitoring and management of the related risks, establishing their roles and responsibilities;
- the processes and metrics used to monitor liquidity risk, distinguishing between short-term liquidity risk (operational liquidity) and long-term liquidity risk (structural liquidity);
- propensity to risk and limits intended to contain liquidity risk;
- the stress test model adopted to evaluate the exposure to liquidity risk under extreme scenarios;
- the process of fund planning with a view to optimising the management of structural liquidity.

Liquidity risk typically crystallises in the form of failure to meet payment obligations; it may take various forms, depending on the circumstances in which the risk arises. With reference to the definitions adopted at international level, a distinction is made between funding liquidity risk and market liquidity risk.

Funding liquidity risk is the risk that the Bank will not be able to make, in an efficient manner, expected and unexpected cash payments, both current and future, nor will it be able to meet collateral obligations, without an adverse effect on current operations or its financial position.

Market liquidity risk, on the other hand, is the risk that a Bank is not able to sell a financial asset without incurring a capital loss due to poor liquidity or disorder in the reference market.

These two forms of liquidity risk are often highly correlated, and may crystallise as a result of the same underlying factors. Market liquidity risk is usually considered to be a type of market risk (price risk); accordingly, the processes and rules for measuring, controlling and mitigating liquidity risk focus on the funding risk aspect, consistent with the related regulatory requirements[28].

In the context of funding risk, a distinction is made between:

[28] *Bank of Italy, "New regulations for the prudential supervision of banks", Volume V, Chapter 2, Circ.no. 263 dated 27 December 2006 and subsequent amendments.*

- mismatch liquidity risk, being the liquidity risk implicit in the structure of the bank's assets and liabilities due to the transformation of maturities typical of financial intermediaries, when the profile of cash outflows is not perfectly matched by the profile of cash inflows (with reference to contractual maturities and routine behaviour);
- contingency liquidity risk, being the risk that future events may require access to significantly more liquidity than previously planned by the bank; in other words, this is the risk of not being able to settle sudden and unexpected payment commitments in the short or very short term.

The **sources of liquidity risk** fall into two broad categories:

- **endogenous:** sources that originate from adverse events specific to the Group resulting in the market losing confidence in the Bank.
  Such specific adverse events might include a rating downgrade or other events that cause the market to lose confidence. A downgrade might result in:
  - reduced access to the market for unsecured funds (e.g. commercial paper) by institutional investors;
  - a reduction in or cancellation of interbank lines of credit, or even the withdrawal of deposits by retail customers.

  The downgrade or the widespread market perception of a deterioration in the solidity of banks (which may arise from other risks, such as major losses on the trading book or on the portfolio of loans) might also result in a higher liquidity requirement; for example, an increase in the margin calls and guarantees required, or the need to finance assets that can no longer be sold or converted into securities via securitisations.
- **exogenous:** sources that originate from adverse events caused by market shocks that are not directly controllable by the Group; these sources of risk depend directly on the ability of the market to allocate the available resources in accordance with the specific circumstances.

Exogenous sources might include such systemic events as political and financial crises, catastrophic events etc. that cause a liquidity crisis in the market.

BPER Group's **liquidity risk management model** has the following objectives:

- to enable BPER to remain solvent both in the ordinary course of business and under crisis conditions;
- to follow the guidance provided by the Supervisory Authorities, while taking account of the Bank's specific operating characteristics;
- ensure a level of liquidity that enables the Group to meet its contractual commitments at any time, while also optimising the cost of funding in relation to current and expected market conditions.

BPER Group's governance model is based on the centralised management of liquidity and the related risk. In particular, the Parent Company BPER monitors and manages liquidity risk for all Group banks and companies covered by the policy:

- is responsible for liquidity policy;
- manages both short-term and medium/long-term liquidity;
- determines and manages the funding plan;
- monitors and manages liquidity risk.

The above governance model is based on the following principles:

- segregation of duties between liquidity management and liquidity risk control;
- development of processes for the management and control of liquidity risk that are consistent with the Group's reporting structure and by using the governance model formalised by the policy;
- communication of decisions and clear division of responsibilities between management, control and operational bodies;
- compliance of the processes for the management and monitoring of liquidity risk with guidance provided on prudential supervision.

The Liquidity Policy Handbook is updated annually (or more often if necessary); the related updates are approved by the Board of Directors of the Parent Company following examination by the Group's Risk Committee. The Handbook is then adopted by the Board of each Bank/Group company covered by the policy.

Pursuit of the above objectives takes account of the following aspects:

- **segregation of responsibilities and roles** between the internal functions responsible for managing liquidity and those responsible for managing liquidity risk;
- measurement of the exposure to liquidity risk using the **Liquidity Risk Mismatch Model**, which is based on the following key elements:
  - the **liquidity policy** and **the metrics** used for the monitoring and management of liquidity risk distinguish between short-term liquidity (operational liquidity) and long-term liquidity. In particular:
    - the purpose of managing short-term (operational) liquidity risk is to manage the events affecting the Group's liquidity position over time horizons from 1 day to 1 year, with the paramount objective of maintaining the Group's ability to meet routine and special payment commitments, while minimising the related costs;
    - the main purpose of managing medium/long-term (structural) liquidity risk, deriving from events that affect the Group's liquidity position over a time horizon in excess of one year, is to maintain a suitable dynamic between medium/long-term assets and liabilities, while avoiding pressure on the current and future sources of short-term liquidity and, at the same time, optimising the cost of funding;
  - the metrics for monitoring short-term liquidity risk include:
    - calculation of the liquidity mismatch having regard for the assets that can be promptly converted to cash, comprising the portfolio of eligible and marketable securities, as well as any reserves under the form of working capital;
    - maintaining the lending-funding maturing in the various time bands within a cumulative limit expressed in absolute terms; daily checking for internal operational purposes and weekly checks using the methodologies recommended by the Supervisory Authorities;
  - the metrics for the monitoring of structural liquidity risk include calculation of the liquidity mismatch which, operationally, involves calculating the gap ratios between assets and liabilities in the time bands that exceed one year;
  - the use of statistical/quantitative behavioural models for items without contractual maturities or which are subject to options;
  - the performance of periodic stress tests which, based on endogenous and exogenous shock scenarios, generate deterministic and/or probability-based indicators of risk;

- definition of a **Group Contingency Funding Plan** that establishes the Liquidity Policy to be followed in a crisis scenario caused by endogenous and/or exogenous factors.

The liquidity position is monitored both under normal conditions and at times of stress: scenario analysis is carried out once a month by the Group's Risk Management Department.
When carrying out stress analyses, the scenarios are constructed with reference both to systemic events (Market Stress Scenario) and to events specific to BPER (Name Crisis Stress Scenario), as well as a combination of the two (Composite Scenario). In view of the macroeconomic context, commercial policies and possible changes in customer behaviour.

2. CONTINGENCY FUNDING PLAN

This document formalises the process of liquidity management under stress or crisis scenarios. The business functions responsible for monitoring and managing liquidity risk must be able to carry out their activities both under normal conditions and at times of stress and/or liquidity crises that are unlikely to occur, but which would have a significant impact.
BPER Group's governance model, defined in the Liquidity Policy Handbook, envisages the centralised management of liquidity. In view of this, the Parent Company BPER - as the lender of last resort for all Group subsidiaries - guarantees their short, medium and long-term solvency and is responsible for activating the Contingency Funding Plan, regardless of where in the Group the liquidity crisis arises.
The purpose of the Contingency Funding Plan is to safeguard the net assets of the Bank at the early stages of liquidity stress and to guarantee the Group's continuity in the event of a serious and/or prolonged liquidity crisis, by:

- defining a process for the identification and monitoring of risk indicators that signal and measure the stages in a liquidity crisis;
- identifying ex ante a system of predetermined but flexible actions to be implemented in the early stages of a crisis;
- determining the roles and responsibilities of each business function involved in activating the Group's Contingency Funding Plan;
- identifying the internal regulations that may be invoked to justify the actions of the BPER Group's management, which at a time of crisis must be authorised to modify on a timely and perhaps radical basis the structure of the assets and liabilities in the balance sheet.

A state of liquidity crisis is defined as a situation in which a Group finds it difficult or impossible to settle the cash payments falling due, except by activating procedures and/or using tools with an intensity or in a manner not envisaged as part of ordinary administration.

Liquidity crises fall into two broad categories:

- **systemic or "market driven" liquidity crises** generated by market, political or macroeconomic crises;
- **specific liquidity crises or "name crises"** limited to the Group or to one or more Group companies/banks.

Considering the types of liquidity crisis and their scale, three operational scenarios have been identified:

- Ordinary course of business;
- State of stress;
- State of crisis.

Depending on the scenario, the actions required and the functions involved in its management can be identified.

The operational scenario faced by the Group is identified by monitoring the system of early warnings, which comprises a series of indicators that flag the scenario with reference to progressive levels of stress/crisis associated with one or more drivers. Depending on the level of stress/crisis identified, monitoring and/or communications procedures are activated in preparation for implementing procedures designed to manage the state of stress or state of crisis concerned.

The Contingency Funding Plan is updated each year and all revisions must be approved by the Board of Directors of the Parent Company.

B. Liquidity indicators

The new harmonised rules for banks and investment companies contained in EU Regulation 575/2013 also introduced new liquidity indicators:

- **Liquidity Coverage Ratio (LCR)**: this is an indicator of short-term liquidity, its purpose is to force banks to accumulate sufficient high-quality assets that are readily convertible into cash, in order to deal with a scenario of high stress on the funding side over a period of thirty days. At 31 December 2014 it comes to 125%.
- **Net Stable Funding Ratio (NSFR)**, a structural long-term indicator that is measured with a view to reporting any mismatches between liquid assets and liabilities. The Net Stable Funding Ratio (NSFR), which at 30 September 2014 came to 118%, is reckoned to be around the same figure at 31 December 2014.

The liquidity requirements are therefore well over 100%, so considerably above the minimum requirements of Basel 3.

To date, both these indicators are not binding requirements. The new rules also place the leverage ratio alongside these indicators. Further details are given in Part F in the section on capital adequacy.

QUANTITATIVE INFORMATION

1.1. Distribution of financial assets and liabilities by residual maturity - Currency: Euro

Items/Time period	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Unspecified maturity
Cash assets	**7,709,930**	**312,627**	**755,458**	**1,809,804**	**3,189,356**	**2,576,004**	**5,295,341**	**17,598,435**	**16,425,636**	**279,446**
A.1 Government securities	353	-	49	17,650	193,702	163,589	560,832	3,050,138	2,100,335	-
A.2 Other debt securities	5,225	1	2,325	33,136	161,613	108,197	216,658	1,511,105	770,553	135,650
A.3 UCITS units	257,849	-	-	-	-	-	-	-	-	-
A.4 Loans	7,446,503	312,626	753,084	1,759,018	2,834,041	2,304,218	4,517,851	13,037,192	13,554,748	143,796
- Banks	915,392	3,232	474	184,429	59,803	190,710	28,020	25,254	-	114,244
- Customers	6,531,111	309,394	752,610	1,574,589	2,774,238	2,113,508	4,489,831	13,011,938	13,554,748	29,552
Cash liabilities	**28,770,053**	**1,183,159**	**1,975,122**	**1,392,579**	**2,954,970**	**2,127,390**	**2,251,357**	**9,645,030**	**1,444,599**	**-**
B.1 Deposits and current accounts	28,470,165	850,644	1,855,646	1,121,260	2,116,117	604,048	240,706	3,167,223	1,091,640	-
- Banks	556,321	679,810	572,981	699,166	1,366,631	-	-	2,260,991	108,661	-
- Customers	27,913,844	170,834	1,282,665	422,094	749,486	604,048	240,706	906,232	982,979	-
B.2 Debt securities	299,888	332,515	119,476	271,319	838,853	1,523,342	2,010,651	6,477,807	352,959	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	5,313	20,055	40,509	40,932	70,389	114,591	98,000	23,009	73,626	-
- Short positions	2,205	88,988	4,015	17,382	71,288	70,306	77,736	24,770	53,663	-
C.2 Financial derivatives without exchange of capital										
- Long positions	101,050	-	-	-	-	-	-	-	-	-
- Short positions	156,664	-	-	-	-	-	-	-	-	-
C.3 Deposit and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to make loans										
- Long positions	31,931	776	4,509	4,897	7,833	8,224	7,858	290,674	341,139	-
- Short positions	89,188	3,689	-	-	222,281	70,719	217,026	40,000	9,253	-
C.5 Financial guarantees given	-	-	2,000	-	3,715	-	-	4,073	8,542	-
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 required by the regulations, liquidity risk includes the self-securitisations carried out within the BPER Group and outstanding in 2014, as shown below.

Estense Finance self-securitisation

During 2009, the Parent Company completed a securitisation of performing residential mortgages pursuant to Law 130 dated 30 April 1999, with a view to strengthening the funding available to tackle liquidity risks.
This operation involved the without-recourse sale of a block of 20,198 performing loans, comprising (i) residential mortgages granted to developers and (ii) residential mortgages granted to home owners, totalling Euro 1,922,631,856, to Estense Finance s.r.l., a limited liability company formed pursuant to Law 130 that is 9.9% owned by the Bank.
The vehicle company financed the operation via issue of the asset-backed bonds described in the following table, all of which were taken up by BPER.
In order to hedge the interest-rate risk associated with the issue of these bonds, the SPV has arranged an IRS contract with a leading financial institution. The originator has entered into an equal but opposite contract with this institution, in order to internalise the returns from the operation.
The objective of this operation, not involving the market, was to create a reserve of liquidity via the issue of securities eligible for refinancing with the ECB and for use as a guarantee for other funding transactions. It represents one aspect of the liquidity management activities arranged by BPER.
The securities, initially with a rating provided solely by Standard & Poor's, have then been rated by a second agency, Fitch Ratings, as required by the most recent changes in European regulations.
As structured, the sale does not transfer to third parties, with respect to the originator bank, the real credit risk associated with the underlying loans. Accordingly, pursuant to the provisions of IAS 39 on the subject of derecognition, the securitised loans remain classified as an asset in BPER's balance sheet and are described in the Explanatory notes.

Classes	A	B	C
Issue amount	1,750,000,000	40,000,000	132,632,000
Currency	Euro	Euro	Euro
Maturity	24-Aug-48	24-Aug-48	24-Aug-48
Listing	Luxembourg Stock Exchange	Luxembourg Stock Exchange	Unlisted
ISIN Code	IT0004513542	IT0004513559	IT0004513567
Amortisation	Pass Through	Pass Through	Pass Through
Indexation	3-month Euribor	3-month Euribor	Not indexed
Spread	0.60%	2.50%	Residual
S&P's issue rating	AAA	A	Unrated
Fitch issue rating	Unrated	Unrated	Unrated
Current S&P's rating	AA-sf	Asf	Unrated
Current Fitch rating	AA+sf	Asf	Unrated

The Senior Security is currently being amortised according to expectations. The residual nominal capital after the payment date of November 2014 amounted to Euro 736 million.

Estense S.M.E. self-securitisation

During 2012, the Parent Company completed a securitisation of performing residential mortgages to small and medium enterprises pursuant to Law 130 of 30 April 1999, with a view to strengthening the funding available to tackle liquidity risks.

This operation involved the without-recourse sale of a block of 12,175 performing loans, comprising mortgage loans and unsecured loans totalling Euro 2,131,896,731, to Estense S.M.E. s.r.l., a limited liability company formed pursuant to Law 130 that is 9.9% owned by the Bank.

The vehicle company financed the operation via issue of the asset-backed bonds described in the following table, all of which were taken up by BPER.

The objective of this operation, not involving the market, was to create a reserve of liquidity via the issue of securities eligible for refinancing with the ECB and for use as a guarantee for other funding transactions. It represents one aspect of the liquidity management activities arranged by BPER.

The securities have been rated by Standard & Poor's and DBRS, as required by European regulations.

As structured, the sale does not transfer to third parties, with respect to the originator bank, the real credit risk associated with the underlying loans. Accordingly, pursuant to the provisions of IAS 39 on the subject of derecognition, the securitised loans remain classified as an asset in BPER's balance sheet and are described in the Explanatory notes.

Classes	A	B
Issue amount	1,488,000,000	668,700,000
Currency	Euro	Euro
Maturity	27-Dec-55	27-Dec-55
Listing	Luxembourg Stock Exchange	Luxembourg Stock Exchange
ISIN Code	IT0004881014	IT0004881006
Amortisation	Pass Through	Pass Through
Indexation	3-month Euribor	3-month Euribor
Spread	0.50%	Residual
S&P's issue rating	A-	Unrated
DBRS issue rating	A low	Unrated
Current S&P's rating	A-	Unrated
Current Fitch rating	A low	Unrated

The Senior Security is currently amortising according to expectations and the residual nominal capital after the payment date in December 2014 amounts to Euro 606 million.

Emilro Collection Services self-securitisation

On 14 September 2009, Emilia Romagna Factor s.p.a. (Emil-Ro Factor s.p.a.), using Emilro Collection Services s.r.l., an SPV, commenced a revolving securitisation programme, which provided for the sale without recourse by Emilia Romagna Factor s.p.a., pursuant to Law 130/99, of a portfolio of performing trade receivables due from the parties who had factored them. The programme has a five year duration and provides for the sale of a portfolio of factored trade receivables identified in pools according to contractually predefined eligibility criteria, which are particularly stringent and rigorous, with the objective of guaranteeing for the sold portfolio an extremely positive performance, useful for the achievement of high ratings needed to ensure the eligibility of the Notes. The consideration for the first receivables portfolio sold, of Euro 133.5 million, was paid spot by issuing Senior securities for Euro 100 million (entirely subscribed by Emil-Ro s.p.a.). The securities, split into four tranches of 25 million each, with a nominal maturity of 28 July 2016 and quoted on the Irish Stock Exchange, received an AAA rating from Standard & Poor's, but were downgraded to AA+ by the same rating agency in 2012.

The deferred component of the consideration mainly represented a precautionary measure ("haircut") against the risks of the portfolio. The amount of the haircut was calculated on the basis of the extent of concentration of the portfolio, of the losses which could arise from it and on the yields from securities in a "stressed" scenario. As is usual for operations of this type, the deferred consideration also comprised a loan granted by Emil-Ro Factor s.p.a. to the vehicle with the object of creating a cash reserve amount of Euro 561 thousand as well as a retention amount of Euro 50 thousand. The structure of the transaction provides for an initial revolving phase, in which the parties can purchase subsequent portfolios with the aim of "recharging" the receivables portfolio and which terminates in July 2014, as well as providing for an amortisation phase during which the securities will be repaid. During 2014, Emil-Ro Factor s.p.a.proceeded with the extinction of the self-securitisation and initiated activities for the liquidation of Emilro Collection Services Srl which was used as the vehicle, allowing the company to access funding from the European Central Bank, thereby fulfilling the aim of procuring liquidity. At 31 December 2014, the Company does not have any securitisations outstanding, so it is possible to say that there are no exposures in instruments considered by the market to be high risk or that imply a higher than normal risk.

Avia Pervia self-securitisation

The multi-originator securitisation of Avia Pervia s.r.l. (9.9% owned by BPER), carried out by Group banks, excluding Cassa di Risparmio di Bra s.p.a., continued during 2014.
More specifically: this transaction envisages:

- a "**Pre-Issue Stage**", which began in November 2012 and ended in May 2013, during which the banks of the originator Group assigned a first portfolio of loans for a total of Euro 878.1 million without recourse to the vehicle company.
- A "**Revolving Period**", that expires in February 2017, during which the originators sold to the vehicle company other portfolios of non-performing loans for a total at 31 December 2014 of Euro 706.6 million. During this period, the vehicle company repaid securities for a total of Euro 94 million.
- An "**Amortisation Period**", which runs from the end of the "Revolving Period", in which it will not be possible to buy new portfolios of loans or issue new securities, where recoveries arising from the portfolios previously purchased, less recovery and operating costs, will be used by the Company to repay the various securities.

The portfolios acquired were financed by the issue by the SPV of a series of asset-backed securities, unrated and unlisted, which were fully subscribed by the respective originators.

The fact that the Group banks buy all of the securities means that they have a continuing involvement in the securitisation. Consequently, as the risks and benefits of the portfolios have not been transferred, these loans have not been reversed out of the assets of the Group banks.
On 23 January 2015 further sales of loans took place, again financed by securities subscribed for by the respective originators. On this occasion, settlements in cascades were rationalised to take account of mergers that had taken place between Group companies.

Multi Lease AS self-securitisation

A "multi-originator securitisation" of lease receivables was carried out jointly by Sardaleasing s.p.a. and ABF Leasing s.p.a. through the sale without recourse of a portfolio of performing lease receivables, selected according to specific objective criteria, in a lump sum to a special purpose vehicle ("SPV") called MULTI LEASE AS s.r.l. The sale of the receivables was formalised on 1 February 2013 and published in the Official Gazette no. 16 of 7 February 2013. The total value of the receivables sold amounted to approximately Euro 1,018 million, of which around Euro 580 million (57%) attributable to Sardaleasing s.p.a. and Euro 438 million (43%) to ABF Leasing s.p.a. A "multi-originator" structure was chosen as it permitted a significant reduction in costs, in terms of both initial structuring costs and subsequent management costs. The SPV financed the purchase price of the receivables by issuing:

- Senior Class A securities of Euro 625,900,000, ISIN IT0004895733, rating: S&P's “A” and Fitch "A+", listed on the Dublin Stock Exchange and recognised as eligible by the Irish Central Bank;
- Junior Class B1 securities, of Euro 168,431,000 million, ISIN IT0004895741, unrated and unlisted, subscribed by the seller ABF Leasing s.p.a.;
- Junior Class B2 securities of Euro 223,417,000 million, ISIN IT0004895774, unrated and unlisted, subscribed by the seller Sardaleasing s.p.a.

The aim is again to raise funds for the benefit of the entire Banking Group, at competitive costs, through refinancing with the ECB.

The operation proceeds regularly and is in line with the collection forecasts. There are no customers in default and past due loans have been promptly solicited with a view to their immediate recovery.
Loan collection and monitoring are performed as part of the servicing; the Corporate Servicer has promptly issued quarterly reports on the performance of the transaction.
Payments are made in accordance with the priorities set in the Offering Circular and are detailed in the Quarterly Payments Reports.
The cash derived from loan collections and not yet recognised to the bearers of ABS is not invested in any way as it remains on deposit in the bank account held in the name of the SPV at the account bank.
The Senior Security is currently being amortised according to expectations. The residual nominal capital after the payment date of October 2014 amounted to Euro 311 million and currently amounts to Euro 270 million after the payment date of January 2015.
The residual balance of the portfolio at 31 December 2014 amounted to Euro 705,678,387 for a total of 4,061 contracts, including Euro 525,253 of unpaid principal instalments.

The following are the main segmentations of the securitised portfolio:

Breakdown of the portfolio by type of rate

Type of interest rate	30.09.2014	%	31.12.2014	%
Fixed	33,626,061	4.54	31,298,530	4.44
1-month Euribor	298,929	0.04	277,523	0.04
3-month Euribor	706,899,060	95.42	674,102,334	95.52
Total	**740,824,050**	**100.00**	**705,678,387**	**100.00**
WA Spread	2.14		2.13	
WA Fixed Interest Rate	5.6		5.57	
WA reference floating rate	2.28		2.29	

Breakdown of the portfolio by amount

Bands	Outstanding debt	no. of contracts
0 - 25,000	14,223,622	1,933
25,000 - 75,000	29,236,361	619
75,000 - 250,000	120,986,213	858
over 250,000	541,232,191	651
Total	**705,678,387**	**4,061**

Concentration of risk

	Outstanding debt	% of total portfolio
Top customers	7,141,820	1.01
Top 5 customers	33,644,514	4.77
Top 10 customers	60,247,919	8.54
Top 20 obligors	102,343,956	14.50

Dedalo Finance self-securitisation

In 2011, before it was acquired by BPER, Cassa di Risparmio di Bra s.p.a. completed a self-securitisation under Law 130/99, which allowed the sale of loans by transforming them into securities eligible for refinancing at the European Central Bank. The operation was a multi-originator and through joint use of the portfolios of Cassa di Risparmio di Bra s.p.a., Banca Alpi Marittime s.c. and Bcc di Pianfei e di Rocca de Baldi s.c.p.a., made it possible to combine the advantages in terms of lower costs without any penalisation compared with the situation of the individual bank's portfolio. The sale involved the portfolios of performing residential mortgage loans granted to households, which were sold to a company called Dedalo Finance S.r.l., that financed the purchase by issuing bonds.

Each of the loan portfolios sold was rated by two rating agencies to determine the overall quality and structure of the bond issue. Each bank continues to manage its credit position, in terms of both risk management and control, and the business relationship with the customer by virtue of a servicing agreement signed with the SPV.
The structure of the operation involved issuing two tranches of the senior securities with two AAA ratings, used for refinancing with the BCE, and three tranches of the junior securities, one for each originator. The senior securities were subscribed by each bank in proportion to the loans sold.

The securities issued during the operation are as follows:

- Senior Securities (class A) issued for a total of Euro 166,800 thousand, subscribed by Cassa di Risparmio di Bra s.p.a. for Euro 77,000 thousand (at 31 December 2014 the securities show a nominal value of Euro 49,119.3 thousand and a fair value of Euro 49,498.7 thousand).
- Junior Securities (class B) issued for Euro 33,837 thousand, subscribed by Cassa di Risparmio di Bra s.p.a. for Euro 15,625 thousand (at 31 December 2014 the securities show a nominal value of Euro 15,625 thousand and a fair value of Euro 15,818.6 thousand).

The securities have gained eligibility at the European Central Bank and the Cassa di Risparmio di Bra s.p.a. has initiated procedures for participation in refinancing auctions.

Icaro Finance self-securitisation

In 2012, before it was acquired by BPER, Cassa di Risparmio di Bra s.p.a. completed a self-securitisation under Law 130/99, which allowed the sale of loans by transforming them into securities eligible for refinancing at the European Central Bank. The operation was a multi-originator and through joint use of the portfolios of Cassa di Risparmio di Bra s.p.a., Banca Alpi Marittime s.c. and Bcc di Pianfei e di Rocca de Baldi s.c.p.a., made it possible to combine the advantages in terms of lower costs without any penalisation compared with the situation of the individual bank's portfolio. The sale involved the portfolios of performing commercial loans, which were sold to a company called Icaro Finance s.r.l., that financed the purchase by issuing bonds.

Each of the loan portfolios sold was rated by two rating agencies to determine the overall quality and structure of the bond issue. Each bank continues to manage its credit position, in terms of both risk management and control, and the business relationship with the customer by virtue of a servicing agreement signed with the SPV.

The structure of the operation involved issuing one senior tranche with two AAA ratings, used for refinancing with the BCE, and three tranches of the junior securities, one for each originator. The senior tranche was subscribed by each bank in proportion to the loans sold.

The securities issued during the operation are as follows:

- Senior Securities (class A) issued for a total of Euro 485,000 thousand, subscribed by Cassa di Risparmio di Bra s.p.a. for Euro 151,300 thousand (at 31 December 2014 the securities show a nominal value of Euro 62,637.9 thousand and a fair value of Euro 66,872.7 thousand).
- Junior Securities (class B) issued for Euro 268,190 thousand, subscribed by Cassa di Risparmio di Bra s.p.a. for Euro 83,650 thousand (at 31 December 2014 the securities show a nominal value of Euro 83,650 thousand and a fair value of Euro 84,005.1 thousand).

The securities have gained eligibility at the European Central Bank and the Cassa di Risparmio di Bra s.p.a. has initiated procedures for participation in refinancing auctions.

1.2 Distribution of financial assets and liabilities by residual maturity - Currency: Dollar

Items/Time period	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Unspecified maturity
Cash assets	**77,154**	**2,260**	**12,111**	**36,784**	**82,571**	**12,746**	**40,272**	**41,090**	**46,773**	**4,118**
A.1 Government securities	-	-	-	-	2	625	627	-	20,049	-
A.2 Other debt securities	-	12	45	48	159	314	17,962	30,301	5,898	4,118
A.3 UCITS units	4,757	-	-	-	-	-	-	-	-	-
A.4 Loans	72,397	2,248	12,066	36,736	82,410	11,807	21,683	10,789	20,826	-
- Banks	22,384	146	1,103	259	-	1,268	1,462	-	-	-
- Customers	50,013	2,102	10,963	36,477	82,410	10,539	20,221	10,789	20,826	-
Cash liabilities	**271,920**	**55**	**2,917**	**25,957**	**1,204**	**3,471**	**1,100**	**67**	**-**	**-**
B.1 Deposits and current accounts	271,920	55	2,917	25,957	1,204	3,471	1,100	67	-	-
- Banks	4,593	-	2,345	24,160	-	-	-	-	-	-
- Customers	267,327	55	572	1,797	1,204	3,471	1,100	67	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	5	17,091	40,576	40,753	57,356	66,708	68,535	24,838	3,160	-
- Short positions	-	23,642	58,806	31,825	56,866	67,947	78,075	23,040	3,351	-
C.2 Financial derivatives without exchange of capital										
- Long positions	1,348	-	-	-	-	-	-	-	-	-
- Short positions	1,277	-	-	-	-	-	-	-	-	-
C.3 Deposit and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to make loans										
- Long positions	1,065	813	27	47	68	20	-	-	-	-
- Short positions	1,056	813	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-

1.3 Distribution of financial assets and liabilities by residual maturity - Currency: Pound

Items/Time period	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Unspecified maturity
Cash assets	**15,147**	**550**	**18,730**	**623**	**2,132**	**40,021**	**3,045**	**125,000**	**33,893**	**-**
A.1 Government securities	-	-	-	4	413	40,000	413	-	30,000	-
A.2 Other debt securities	-	2	-	-	15	19	2,632	125,000	3,893	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans	15,147	548	18,730	619	1,704	2	-	-	-	-
- Banks	2,668	385	-	-	-	-	-	-	-	-
- Customers	12,479	163	18,730	619	1,704	2	-	-	-	-
Cash liabilities	**26,098**	**-**	**20,321**	**160,532**	**17**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts	26,098	-	20,321	160,532	17	-	-	-	-	-
- Banks	10,069	-	20,168	160,532	-	-	-	-	-	-
- Customers	16,029	-	153	-	17	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	1,782	775	225	2,860	2,068	-	-	-	-
- Short positions	-	1,862	13,369	24,901	2,155	53,014	87	-	-	-
C.2 Financial derivatives without exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposit and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to make loans										
- Long positions	22	21	11	152	84	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-

1.4. Distribution of financial assets and liabilities by residual maturity - Currency: Yen

Items/Time period	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Unspecified maturity
Cash assets	**2,427**	**-**	**553**	**81**	**1,419**	**860**	**110**	**282**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans	2,427	-	553	81	1,419	860	110	282	-	-
- Banks	1,424	-	-	-	115	391	-	-	-	-
- Customers	1,003	-	553	81	1,304	469	110	282	-	-
Cash liabilities	**3,916**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts	3,916	-	-	-	-	-	-	-	-	-
- Banks	5	-	-	-	-	-	-	-	-	-
- Customers	3,911	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	205	-	1	4,081	4,615	1,321	1,189	-	-
- Short positions	-	854	1,986	374	4,195	5,385	1,739	1,189	-	-
C.2 Financial derivatives without exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposit and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to make loans										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-

1.5. Distribution of financial assets and liabilities by residual maturity - Currency: Other currencies

Items/Time period	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Unspecified maturity
Cash assets	**17,197**	**2,481**	**2,961**	**3,574**	**3,283**	**675**	**482**	**9,942**	**-**	**-**
A.1 Government securities	-	-	-	-	-	235	235	9,900	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	7	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans	17,197	2,481	2,961	3,574	3,283	440	247	35	-	-
- Banks	6,845	107	-	-	-	-	-	-	-	-
- Customers	10,352	2,374	2,961	3,574	3,283	440	247	35	-	-
Cash liabilities	**25,389**	**-**	**25**	**1,917**	**344**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts	25,389	-	25	1,917	344	-	-	-	-	-
- Banks	938	-	25	1,917	-	-	-	-	-	-
- Customers	24,451	-	-	-	344	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	8,412	18,734	8,818	10,833	1,399	12,841	-	-	-
- Short positions	-	8,495	22,641	16,001	10,670	1,417	22,549	-	-	-
C.2 Financial derivatives without exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposit and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	749	412	-
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	-	-	-	-	-	-	-	-	-	-

2. Information on the activities on balance sheet

Technical form	Commited		Non-commited		Total 31.12.2014	Total 31.12.2013
	BV	FV	BV	FV		
1. Cash and balances with central banks	-	#	450,766	#	450,766	488,522
2. Debt securities	4,442,585	4,529,089	5,499,342	5,604,757	9,941,927	8,803,854
3. Equity instruments	-	-	385,751	385,751	385,751	433,221
4. Loans	9,123,977	#	35,973,209	#	45,097,186	47,606,379
5. Other financial assets	-	#	800,478	#	800,478	619,701
6. Non-financial assets	-	#	3,976,812	#	3,976,812	3,806,375
Total 31.12.2014	**13,566,562**	**4,529,089**	**47,086,358**	**5,990,508**	**60,652,920**	#
Total 31.12.2013	**13,423,176**	**6,655,606**	**48,334,876**	**2,644,266**	#	**61,758,052**

Key

BV = book value
FV = fair value

3. Information on the activities of property off balance sheet

Technical form	Commited	Non-commited	Total 31.12.2014	Total 31.12.2013
1. Financial assets	2,189,227	5,169,457	7,358,684	7,888,872
- Securities	2,189,227	5,169,457	7,358,684	7,888,872
- Other	-	-	-	-
2. Non-financial assets	-	-	-	-
Total 31.12.2014	**2,189,227**	**5,169,457**	**7,358,684**	#
Total 31.12.2013	**5,504,588**	**2,384,284**	#	**7,888,872**

Recorded and off balance sheet encumbered assets include collateral provided for European Central Bank financing operations. Further details are provided in Part B, balance sheet, liabilities and shareholders' equity under "Other information – Assets used to guarantee own liabilities and commitments".

1.4 Banking group – Operational risk

QUALITATIVE INFORMATION

A. General aspects, management and measurement of operational risk

Operational risk is "*the risk of losses due to inadequate or dysfunctional procedures, human resources or internal systems, or to exogenous events, including the legal risk*[29]"

In accordance with the Regulations, the BPER Group has adopted the standardised approach (TSA) for calculating the consolidated capital requirement for operational risk, no longer using the combined method. The Own Funds requirement is calculated using the standardised approach by determining the three-year average of the sum of the annual Own Funds requirement for the lines of business in which the relevant indicator was classified[30].

Note that, on the basis of the principles of organisational separation and independence of functions exercising second and third level control activities, it is envisaged that there is:

- a first level control of operational risk;
- a function that performs second level controls of operational risk within the Group Risk Management Department, part of the Group Credit and Operational Risk Management Unit;
- a function for third level controls that is attributed to the Group Internal Audit Department, in accordance with the Group's internal control system.

Operational risk management is based on the following principles:

- identification: operational risks are identified, highlighted and reported to senior management;
- measurement and assessment: the risk is quantified by determining the impact on business processes, inclusive of the financial impact thereon;
- monitoring: monitoring of operational risk and of exposure to significant losses is ensured, generating information flows that favour active risk management;
- mitigation: appropriate measures have been taken to mitigate operational risk;
- reporting: a reporting system has been set up to report on operational risk management.

The collection and storage of data relating to loss events deriving from operational risks, customer claims and legal disputes is done by means of the Group's Loss Data Collection process.
The process of loss data collection is supported by special IT tools, which are under constant development, to ensure the integrity and quality of data.
The assessment of operational risk exposure, which is performed by means of control risk self assessment methodology, is aimed at determining, with an annual time horizon and for significant operating segments:

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[29] *See EU Regulation 575/2013 of the European Parliament and the Council of 26 June 2013 on prudential requirements for credit institutions and investment companies (CRR) – Part one, Title I, art. 4. Legal risk is the risk of losses resulting from violations of laws or regulations, from contractual or extra-contractual liability or from other disputes.*
[30] *See CRR – Part three, Title III, Chapter 3, art.317.*

- the extent of exposure to operational risk;
- an assessment of the adequacy of line processes and controls.

The Parent Company prepares detailed reports for senior management and the heads of central organisational units concerning the operational losses that occurred during the period and mitigating actions planned for their resolution and a report to the operational structures to make them aware of the losses incurred and of the anomalies to be mitigated.

Membership by the BPER Group of the DIPO consortium[31] allows the Bank to obtain feedback about the operational losses reported by the other Italian banks that are members. The Parent Company uses these feedback to analyse positioning in comparison to that indicated by the system and as support for specific assessments of processes in order to implement any corrective measures that may be needed.
Operational risk management includes the various steps involved in the process of Business Continuity Management. This process is designed to maintain an appropriate level of attention regarding operational continuity and to avoid the progressive obsolescence of organisational measures (rules, impact assessment, scenarios, emergency measures, operating plans etc.) taken to ensure the continuity of critical business processes.

QUANTITATIVE INFORMATION

The following is the distribution of the number of events and operating losses recorded in 2014, divided into the following risk categories:

- Internal fraud: losses due to fraud, embezzlement or circumvention of regulations, laws or company policies, excluding incidents of discrimination or failure to apply equal treatment, which involves at least one internal resource of the entity;
- External fraud: losses due to fraud, embezzlement or violation/circumvention laws, by a third party;
- Employment and safety at work: losses arising from acts not in compliance with laws or agreements in respect of employment, health and safety at work, from the payment of compensation for personal injuries or incidents of discrimination or failure to apply equal treatment;
- Customers, products and business practices: losses arising from unintentional or negligent non-performance relating to professional obligations to specific clients (including fiduciary and suitability requirements), or from the nature or characteristics of the product;
- Damage to fixed assets: losses resulting from loss or damage to assets from natural disasters or other events;
- Business interruption and system failures: losses arising from business interruption or system failures;

[31] *Database Italiano Perdite Operative (Italian Database of Operational Losses) which the BPER Group has participated in since 2003. The DIPO observatory is a service provided by the Italian Banking Association designed to support the development of Operational Risk Management and to create a methodology for gathering and exchanging information on operational losses suffered by members.*

- Performance, delivery and management of processes: losses due to weaknesses in the handling of transactions or management of processes, as well as losses due to relations with business partners and suppliers.

Figure 1 - Frequency

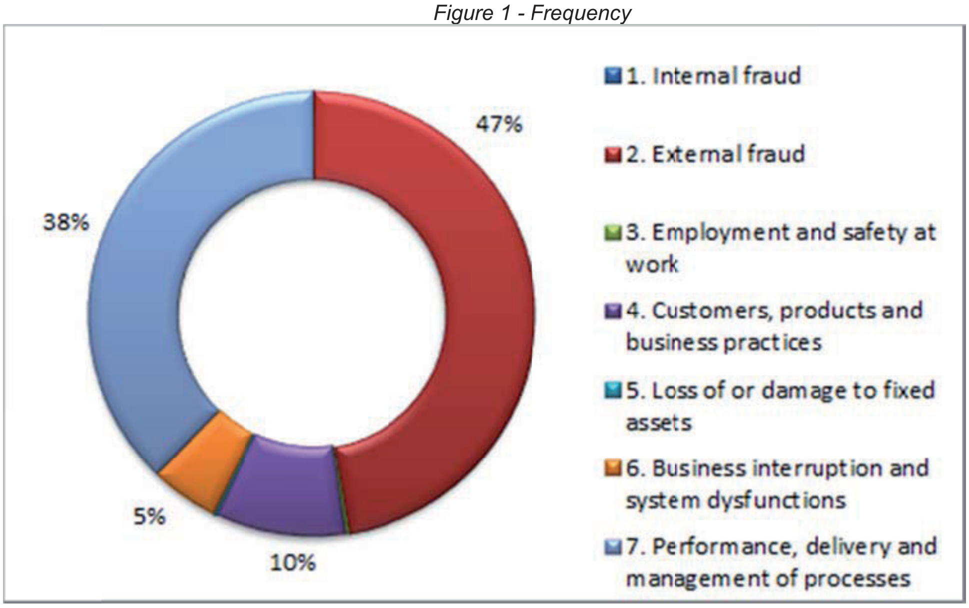
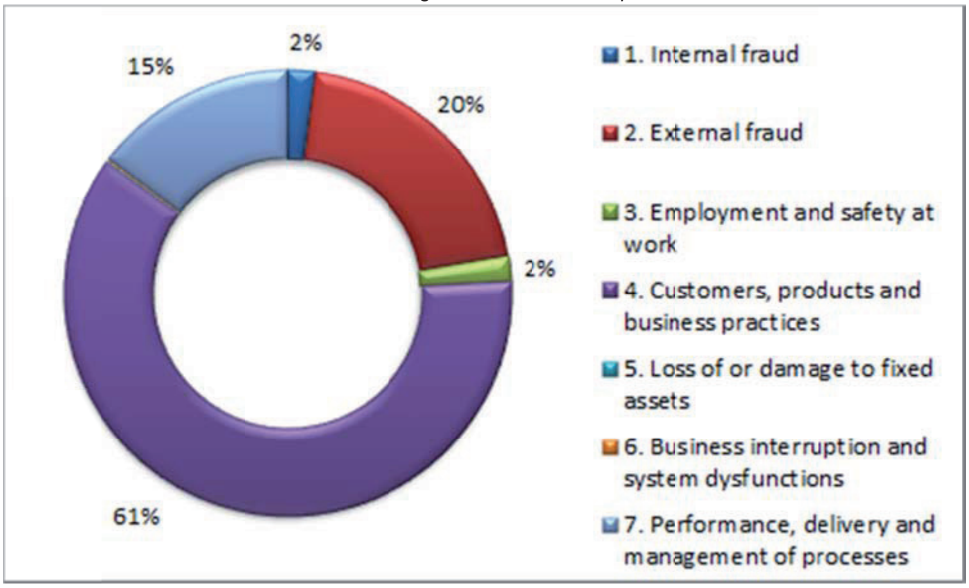


Figure 2 - Economic impact



An analysis of the graphs shows that the most relevant type of event in terms of frequency is:

- "External fraud" with 47% of the total frequency;
- "Performance, delivery and management of processes", with 38% of the total frequency.

In terms of economic impact the most significant events related to:

- "Customers, products and business practices", with 61% of the total gross loss;
- "External fraud", with 20% of the total gross loss.

Part F – INFORMATION ON CONSOLIDATED SHAREHOLDERS' EQUITY

QUALITATIVE INFORMATION

Group shareholders' equity comprises share capital and all types of reserve, together with the net profit for the period.

B.1 Consolidated shareholders' equity: breakdown by business type

Captions	Banking group	Insurance companies	Other businesses	Consolidation adjustments and eliminations	31.12.2014
Share capital	2,009,543	-	4,175	(468,831)	1,544,887
Share premium	1,262,135	-	-	(288,121)	974,014
Reserves	3,515,057	-	3,424	(785,666)	2,732,815
Interim dividends	-	-	-	-	-
Equity instruments	-	-	-	-	-
(Treasury shares)	(7,259)	-	-	(2)	(7,261)
Valuation reserves	228,050	-	-	7,845	235,895
- Financial assets available for sale	211,384	-	-	(56)	211,328
- Property, plant and equipment	-	-	-	-	-
- Intangible assets	-	-	-	-	-
- Foreign investments hedges	-	-	-	-	-
- Cash-flow hedges	4,521	-	-	-	4,521
- Exchange differences	-	-	-	-	-
- Non-current assets and disposal groups held for sale	-	-	-	-	-
- Actuarial gains (losses) on defined-benefit pension plans	(126,722)	-	-	-	(126,722)
- Portion of valuation reserves relating to investments carried at equity	-	-	-	7,785	7,785
- Special revaluation laws	145,730	-	-	-	145,730
- Other	(6,863)	-	-	116	(6,747)
Profit (loss) for the period pertaining to the Group and minority interests	57,780	-	(2,109)	(25,890)	29,781
Consolidated shareholders' equity	**7,065,306**	**-**	**5,490**	**(1,560,665)**	**5,510,131**

B.2 Valuation reserves for financial assets available for sale: breakdown

Assets/Amount	Banking Group		Insurance companies		Other businesses		Consolidation adjustments and eliminations		31.12.2014	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	138,016	483	-	-	-	-	(34)	-	137,982	483
2. Equity instruments	77,141	2,584	-	-	-	-	(22)	-	77,119	2,584
3. UCITS units	3,439	4,145	-	-	-	-	-	-	3,439	4,145
4. Loans	-	-	-	-	-	-	-	-	-	-
Total 2014	**218,596**	**7,212**	**-**	**-**	**-**	**-**	**(56)**	**-**	**218,540**	**7,212**
Total 2013	**168,561**	**18,180**	**-**	**-**	**-**	**-**	**(600)**	**(9)**	**167,961**	**18,171**

The valuation reserve for financial assets available for sale at 31 December 2014 has a positive net balance of € 211,328 thousand (at 31 December 2013 it had a positive balance of € 149,790 thousand).
The net reserve for government debt securities amounts to € 97,861 thousand.

B.3 Valuation reserves for financial assets available for sale: change in the period

Captions/Amounts	Debt securities	Equity instruments	UCITS units	Loans
1. Opening balance	**56,120**	**94,642**	**(972)**	**-**
2. Positive changes	**201,858**	**42,462**	**5,075**	**-**
2.1 Increases in fair value	182,215	460	3,292	-
2.2 Release to the income statement of negative reserves:	3,200	39,358	847	-
- from impairment	-	39,292	847	-
- from disposal	3,200	66	-	-
2.3 Other changes	16,443	2,644	936	-
3. Negative changes	**120,479**	**62,569**	**4,809**	**-**
3.1 Reductions in fair value	2,186	55,167	3,672	-
3.2 Impairment write-downs	-	-	-	-
3.3 Releases to the income statement of positive reserves:				
from disposal	63,352	6,807	198	-
3.4 Other changes	54,941	595	939	-
4. Closing balance	**137,499**	**74,535**	**(706)**	**-**

B.4 Valutation reserves about actuarial gains (losses) on defined-benefit pension plans

Captions/Amounts	31.12.2014	31.12.2013
1. Opening balance	**(95,663)**	**(74,396)**
2. Positive changes	**248**	**990**
2.1 Actuarial gains	246	820
2.2 Other changes	2	170
3. Negative changes	**31,307**	**22,257**
3.1 Actuarial losses	31,000	13,728
3.2 Other changes	307	8,529
4. Closing balance	**(126,722)**	**(95,663)**

2.1 Scope of application and regulations

The new harmonised rules for banks and investment companies contained in Regulation (EU) no. 575/2013 (CRR) and in the 2013/36/UE Directive (CRD IV) approved on 26 June 2013 and published in the Official Journal of the European Union the next day, entered into force on 1 January 2014.
The new regulatory framework, which is the only set of rules that seeks to harmonise prudential regulations of the Member States of the European Community, was made applicable in Italy by the **Bank of Italy's Circular no. 285**, published on 17 December 2013 and subsequent amendments. This new Circular brings together provisions that were contained in Circular no. 263 of 27 December 2006 and Circular no. 229 of 21 April 1999.

This legislation outlines the substance of a new complete and organic prudential framework that is divided into three main parts, each developing specific sections in an analytical manner:

- **Part 1:** it lays down the rules for implementing the provisions contained in CRD IV to be transposed into national law; more specifically, it details the provisions on authorisation to do business, cross-border operations and capital reserves;
- **Part 2:** on the one hand, it contains information on the European standards to be applied immediately, defining the guidelines for application, and, on the other hand, it identifies and explains the so-called "national discretions" and how they are to be applied (it is worth noting in this regard the decisions taken by the national Supervisory Authority about the so-called "transitional arrangements");
- **Part 3:** it governs the topics and types of risk that are not subject to EU legislation, but which are considered essential to keep the domestic regulatory system in line with the standards established by international bodies.

2.2 The Bank's Own Funds

A. QUALITATIVE INFORMATION

The elements of Own Funds are:

- Common Equity Tier 1 - CET1;
- Additional Tier 1 - AT1;
- Tier 2 - T2.

CET1 and AT1 constitute Total Tier 1 Capital, which added to T2 leads to the determination of Own Funds.

1. Common Equity Tier 1 - CET1

Common Equity Tier 1 capital (CET1) is made up of positive and negative elements:

- Share capital and related share premiums;
- Revenue reserves;
- Positive and negative valuation reserves (from OCI);
- Other reserves;

- CET1 instruments subject to transitional provisions ("grandfathering");
- Minority interests;
- Prudential filters;
- Deductions.

Prudential filters are positive or negative adjustments of CET1, their purpose being to stabilise the balance sheet aggregate of reference as much as possible, reducing the potential volatility. The prudential filters exclude from CET1 the valuation reserve generated by cash flow hedges and gains/losses arising from changes in own creditworthiness (liabilities under the fair value option and derivative liabilities).
Deductions are negative elements of CET1 such as goodwill, intangible assets and other accounting items that directly reduce the Tier 1 capital component.

On a **fully phased basis**, the equity instruments listed above have to meet clearly defined requirements (art. 28 CRR):

- they must be classified as equities for accounting purposes;
- they must have a perpetual duration, i.e. not have any maturity;
- they must not be subject to obligations in terns of remuneration;
- they must not be subject to distribution caps;
- any cancellation of distributions must not result in any kind of restriction on the issuer;
- they must be the first to absorb business losses as soon as they occur;
- they are the most subordinated instruments in the event of bankruptcy or liquidation of the entity in question;
- they must not enjoy any form of guarantee or contractual clause that can raise their level of seniority.

2. Additional Tier 1 – AT1

"Additional Tier 1 Capital" (AT1) consists of the following positive and negative elements:

- Equity instruments and related share premiums;
- AT1 instruments subject to transitional provisions ("grandfathering");
- Instruments issued by affiliates and included in AT1;
- Deductions.

On a **fully phased basis** (Fully Phased), the equity instruments listed above have to meet clearly defined requirements (art. 63 CRR):

- the instruments must be issued or the loans granted and fully paid up;
- the purchase of instruments or the assignment of subordinated loans cannot be paid for by the entity, neither directly nor indirectly;
- the capital receivable for these instruments or subordinated loans is fully subordinated to the receivables of all unsubordinated creditors;
- the instruments or subordinated loans are not hedged or covered by a guarantee that allows the receivable's ranking to be increased by the entity or its subsidiaries, parent company and any company that has close links with the entity;
- the instruments or subordinated loans are not subject to any provision that allows the receivable's ranking to be increased in any other way;
- the instruments or subordinated loans must have an original maturity of at least five years;

- the provisions governing the instruments or subordinated loans must not contain any incentive that encourages the entity to reimburse or repay the principal amount prior to maturity;
- if the instruments or subordinated loans include one or more call or early repayment options, these may be exercised at the sole discretion of the issuer or obligor;
- the instruments or subordinated loans cannot be repaid or repurchased or repaid in advance earlier than five years from the date of issue or assignment;
- the provisions governing the instruments or subordinated loans must not indicate, expressly or implicitly, that they shall or may be redeemed, repurchased or repaid in advance by the entity in cases other than those of insolvency or liquidation;
- the provisions governing the instruments or subordinated loans must not give the holder the right to accelerate future scheduled payments of interest or principal, except in the event of insolvency or liquidation;
- the level of payments of interest or dividends due on these instruments or subordinated loans cannot be changed on the basis of the creditworthiness of the entity or its parent company.

As of 31 December 2014, the Parent Company BPER has not issued any AT1 instruments; the value attributable to this component comes from certain instruments accountable in this category relating to subsidiaries that have minority interests, subject to the transitional arrangements: the preferred and savings shares of Banco di Sardegna s.p.a. were reported.

3. Tier 2 - T2

Tier 2 capital (T2) consists of the following positive and negative elements:

- Equity instruments, subordinated loans and related share premiums;
- T2 instruments subject to transitional provisions ("grandfathering");
- Instruments issued by affiliates and included in T2;
- General adjustments;
- Deductions.

On a **fully phased basis** (Fully Phased), the equity instruments listed above have to meet clearly defined requirements (art. 63 CRR):

- the instruments must be issued/assigned and fully paid up;
- the assignment of the instrument cannot be financed by the entity, neither directly nor indirectly;
- the capital receivable for these instruments has to be fully subordinated to the receivables of all unsubordinated creditors;
- the instruments cannot be hedged, nor subject to any form of guarantee;
- these instruments should not be subject to any provision that increases their credit ranking;
- the instruments must have an original maturity of at least five years;
- the provisions governing these instruments must not contain any kind of incentives that encourage the entity to reimburse or repay the principal prior to maturity;
- in the event that the instruments include in their rules one or more call or early repayment options, they can only be exercised at the discretion of the issuer or obligor;
- the provisions do not give the holder the right to accelerate future scheduled payments, except in the event of the entity's insolvency or liquidation;

- these instruments can be reimbursed, also in advance, but only in that the event that the entity asks for prior authorisation from the competent authority, and not earlier than five years from the date of issue, except in the following cases: a) the entity of reference replaces the above instruments with other instruments of Own Funds of equal or higher quality, at conditions that are sustainable considering its earning capacity, b) the entity can demonstrate that it complies with the minimum capital requirements imposed by the regulations to the satisfaction of the competent authority.

At 31 December 2014, the Group's subordinated loans not subject to grandfathering have been added to T2 instruments, as they were issued after the deadline of 31 December 2011 taken as a point of reference.

Transitional arrangements

The new regulations also provide for transitional arrangements ("Phased in"), during which the provisions contained in Circular no. 285/2013 Section II are gradually introduced. The application to the capital requirements and grandfathering rules develops over a period more or less of 4 years (2014-2017) involving partial computability and, at the same time, a gradual exclusion of those equity instruments that do not meet all of the requirements laid down in the CRR.

Regulatory requirements

The Supervisory rules introduced by Circular no. 285/13 require Italian banks belonging to banking groups to fully comply with the following minimum ratios:

- CET1 of 4.5%;
- Tier 1 of 5.5% (6% from 2015);
- Total Capital ratio of 8%.

In addition to the mandatory requirements prescribed in the Regulations, the following requirements have also been added:

- **Capital Conservation Buffer (CCB)**: this consists of Common Equity Tier 1 capital, for an additional requirement of 2.5%;
- **Countercyclical Capital Reserve**: this is also made up of Tier 1 capital and must be accumulated in periods of economic growth against possible future losses on the basis of a specific coefficient established on a national basis;
- **Additional Reserves** for so-called “Global & Other Systemically Important Institutions” (G-SII & O-SII): both consist of Tier 1 capital and make direct reference to entities of particular importance at a global or national level. The buffer for G-SII can vary between a minimum level of 1% and a maximum of 3.5%, whereas the one for O-SII only provides for a non-binding maximum threshold of 2%;
- **Capital reserve for systemic risk**: it is at least 1% of the related risk exposures and is established by each Member State; it is essentially used to mitigate the risk of non-cyclical macro-prudential long-term risk, i.e. to deal with the negative effects related to unexpected crises in the banking system.

The sum of regulatory requirements and additional reserves determine the **minimum level of capital conservation** required for banking groups at a consolidated level; for 2014, that level is as follows:

- CET1 of 7%;
- Tier 1 of 8%;
- Total Capital ratio of 10.5%.

At CONSOB's request, the Parent Company announced on 26 February 2015 that it had received a communication from the European Central Bank (ECB) about its decision on the requirements of additional Own Funds and of specific capital ratios pursuant to art. 16 of EU Regulation 1024/2013.
Based on the financial situation and risk profile of the BPER Group and the results of the Asset Quality Review (AQR) and Stress Test, the ECB has established minimum limits for the Common Equity Tier 1 (CET1) ratio of 9% and for the Total Capital ratio of 11%, with effect from 2015.

Failure to comply with the minimum requirement based on the sum of these reserves ("Combined Requirement") leads to limitations on the distribution of earnings and the need to adopt a plan for the conservation of capital.

Conditions for the inclusion of interim or year-end earnings

With reference al EU Regulation 575/2013 (CRR), on 4 February 2015 the ECB issued a "Decision" that laid down the procedures to be followed by banks under their direct supervision (EU Regulation 468/2014) with regard to the inclusion in CET1 Capital of interim or year-end earnings before a formal decision is taken confirming the result.

They can only be included (art. 26 CRR) with the prior approval of the Competent Authority, which in this case is the BCE, and it will only give approval if the following conditions are met:

- earnings must be checked and certified by the Independent Auditors;
- the Bank must provide a specific declaration about the earnings with particular reference to the accounting standards applied and the inclusion of foreseeable charges and dividends. The latter have to be calculated according to specific methodologies as indicated.

The "Decision" also provides a standard letter and certification form that the Banks have to use when asking for approval.

Subordinated loans issued before 31 December 2011 included in the scope of grandfathering

Characteristics of subordinated instruments	Interest rate	Step up	Maturity date	Currency	Original amount (in Euro)	Contribution to Own Funds (in thousands of Euro)
EMTN B.P.E.R. subordinated non-convertible bond floating rate 3-month Euribor +100 bps, 2006-2016	floating rate	YES	23-03-2016	Eur	400,000,000	54,213
Lower Tier II B.P.E.R. subordinated non-convertible bond, amortizing 5.12%, 2009-2015	5.12%	NO	31-03-2015	Eur	25,000,000	986
Lower Tier II B.P.E.R. subordinated non-convertible bond 4.35%, 2010-2017	4.35%	NO	31-12-2017	Eur	18,000,000	8,640
Lower Tier II B.P.E.R. subordinated non-convertible bond 4.94%, 2010-2017	4.94%	NO	31-12-2017	Eur	51,000,000	24,480
Lower Tier II B.P.E.R. subordinated non-convertible bond 4.75%, 2011-2017	4.75%	NO	15-03-2017	Eur	700,000,000	246,531
Lower Tier II CARISPAQ subordinated non-convertible bond floating rate, 2010-2020	floating rate	NO	30-09-2020	Eur	25,000,000	3,400
Total					**1,219,000,000**	**338,250**

B. QUANTITATIVE INFORMATION

	31.12.2014	01.01.2014
A. Common Equity Tier 1 capital (Common Equity Tier 1 - CET1) before the application of prudential filters	**5,034,773**	**4,395,889**
of which CET1 instruments subject to transitional provisions	-	-
B. Prudential filters for CET1 (+/-)	(14,503)	(19,729)
C. CET1 gross of items to be deducted and of transitional arrangements (A+/-B)	**5,020,270**	**4,376,160**
D. Items to be deducted from CET1	**582,607**	**622,473**
E. Transitional arrangements - Impact on CET1 (+/-), including minority interests subject to transitional provisions	**143,598**	**214,277**
F. Total Common Equity Tier 1 - CET1 (C-D+/-E)	**4,581,261**	**3,967,964**
G. Additional Tier 1 capital (AT1) gross of items to be deducted and of transitional arrangements	**19,075**	**30,697**
of which AT1 instruments subject to transitional provisions	-	-
H. Items to be deducted from AT1	**13,749**	**12,525**
I. Transitional arrangements - Impact on AT1 (+/-), including instruments issued by affiliates and included in AT1 following transitional provisions	**5,500**	**5,010**
L. Total additional Tier 1 - AT1 (G-H+/-I)	**10,826**	**23,182**
M. Tier 2 capital (T2) gross of items to be deducted and of transitional arrangements	**350,705**	**1,016,756**
of which T2 instruments subject to transitional provisions	338,250	558,484
N. Items to be deducted from T2	**-**	**-**
O. Transitional arrangements - Impact on T2 (+/-), including instruments issued by affiliates and included in T2 following transitional provisions	**39,287**	**29,400**
P. Total Tier 2 (T2) (M-N+/-O)	**389,992**	**1,046,156**
Q. Total own funds (F+L+P)	**4,982,079**	**5,037,302**

The values shown at 1 January 2014 have been estimated with reference to the figures at 31 December 2013, implementing the new legislation that came into force on 1 January 2014.
The result for the period is not included.
The decision not to include unrealised profits or losses in any element of Own Funds, in connection with exposures versus Central Administrations classified in "Financial assets available for sale" in accordance with IAS 39 as approved by the EU, resulted in a negative impact of € 32.4 million, net of tax, on Tier 2 Capital.

2.3 Capital adequacy

A. QUALITATIVE INFORMATION

Particular importance is given to checking compliance with the capital adequacy requirements, both at CET1 level and in total. The responsible functions at the Parent Company perform this task on an ongoing basis, with the various departments involved (Group Finance and Capital Management, Group Risk Management and Group Head Office Administration and Financial Reporting Department) issuing regular reports as part of the broader process of verifying consolidated capital adequacy. The guidelines for this activity are stated in BPER Group's annual report on the verification of capital adequacy (ICAAP). This report identifies the functions, methodology and approach for measuring and assessing accepted risk on an ongoing basis, with a view to guiding operations and quantifying the capital required by the Group to cover the various risks accepted.

The new provisions have also introduced a new indicator for leverage. The **Leverage Ratio (LR)** measures the ratio between the volume of assets, including off balance sheet exposures, and the company's capital; the primary intent is to monitor the volumes being intermediated and the sustainability versus the balance sheet aggregate.
It is calculated with reference to Own Funds, so with both the results of the transitional arrangements ("Phased in") and under full application ("Fully Phased").

B. QUANTITATIVE INFORMATION

Description/Amounts	Unweighted amounts		Weighted amounts/Requirements	
	31.12.2014	01.01.2014	31.12.2014	01.01.2014
A. Assets at risk				
A.1 Credit and counterparty risk	**60,511,752**	**62,456,317**	**36,094,158**	**38,314,811**
1. Standardised methodology	**60,378,521**	**62,345,563**	**35,648,578**	**37,924,491**
2. Methodology based on internal ratings	**-**	**-**	**-**	**-**
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisations	**133,231**	**110,754**	**445,580**	**390,320**
B. Capital adequacy requirements				
B.1 Credit and counterparty risk			**2,887,533**	**3,065,185**
B.2 Credit down-rating risk			14,975	12,160
B.3 Settlement risk				
B.4 Market risk			**57,207**	**35,556**
1. Standard methodology			57,207	35,556
2. Internal models			-	-
3. Concentration risk			-	-
B.5 Operational risk			**288,318**	**305,700**
1. Basic method			-	25,612
2. Standardised method			288,318	280,088
3. Advanced method			-	-
B.6 Other elements for the calculation			**7,291**	**49,512**
B.7 Total precautionary requirements			**3,255,324**	**3,468,113**
C. Risk assets and capital ratios				
C.1 Risk-weighted assets			40,691,550	43,351,418
C.2 Common Equity Tier 1 capital/Risk-weighted assets (CET1 Capital ratio)			11.26%	9.15%
C.3 Tier 1 Capital/Risk-weighted assets (Tier 1 Capital ratio)			11.29%	9.21%
C.4 Total own funds/Risk-weighted assets (Total capital ratio)			12.24%	11.62%

The amount shown under item B.6 consists of the specific capital requirements required by the Bank of Italy on risk assets, attributable to the credit risk arising from Banca di Sassari s.p.a. with the integration of 10% of risk-weighted assets.

Leverage Ratio (LR)

The leverage ratios are very positive:

- transitional arrangements (Phased in) of 7.2%;
- full application (Fully Phased) of 6.9%.

Part G – BUSINESS COMBINATIONS

Section 1 - Transactions carried out during the period

1.1 Business combinations

No business combinations as regulated by IFRS 3 have been carried out as at 31 December 2014.

1.2 Combinations under common control

As already mentioned in the Directors' Report on Group Operations, there have been certain business combinations between entities under common control, which are outwith the scope of IFRS 3 and have therefore been recorded without any change in their carrying value.
These transactions formed part of the process to rationalise the BPER Group with a view to improving its competitive profile.

The transactions in question relate to:

- the merger of Immobiliare Reiter s.p.a. with Nadia s.p.a.;
- the merger of ABF Leasing s.p.a. with Sardaleasing s.p.a.;
- the merger of Banca Popolare del Mezzogiorno s.p.a., Banca della Campania s.p.a. and Banca Popolare di Ravenna s.p.a. with BPER. This transaction has been widely discussed in the Report.

Section 2 - Transactions subsequent to the period end

No business combinations have been carried out after 31 December 2014.

Part H – RELATED-PARTY TRANSACTIONS

1. Information on the remuneration of Managers with strategic responsibilities

Description	31.12.2014	31.12.2013
Directors		
- short-term benefits (as shown in the Parent Company's annual report)	3,148	2,582
- other long-term benefits (as shown in the Parent Company's annual report)	31	30
- directors' emoluments received from other banks and companies within the scope of consolidation	615	498
Statutory Auditors		
- short-term benefits (as shown in the Parent Company's annual report)	522	522
- Statutory Auditors' emoluments received from other banks and companies within the scope of consolidation	17	10
Managers with strategic resposibilities (General Manager, Deputy General Managers, Manager responsible for preparing the company's financial reports and Heads of Group Departments):		
1 - short-term benefits (as shown in the Parent Company's annual report) includes salaries, social security contributions, indemnities in lieu of untaken vacation, paid leave of absence and any fringe benefits, such as insurance, housing and car.	3,934	3,683
- other short-term benefits - contributions for social contributions (as shown in the Parent Company's annual report)	1,021	953
- Directors' emoluments received from other Banks and Companies within the scope of consolidation	315	287
2 post-employment benefits includes payments to supplementary pension funds and provisions for termination indemnities	413	373
3 other long-term benefits there are no other long-term benefits, such as long-term incentive plans	-	-
4 indemnities for termination of employment	-	-
5 share-based payments	-	-

The information provided is consistent with that required by IAS 24 § 16.
The amounts shown for the Directors, including the emoluments of the Chief Executive Officer, the Statutory Auditors and other Managers with strategic responsibilities represent their emoluments for the year, regardless of when paid. These amounts are classified in the income statement caption 180-a) "Payroll".
In particular, with regard to the Directors, note that the amounts shown (€ 3,148 thousand and € 31 thousand) consist of emoluments payable to the Directors of the Parent Company BPER. Details thereof are disclosed at the foot of the same table included in the Explanatory notes to BPER's separate financial statements.
The amounts shown for Managers with strategic responsibility (the General Manager, no.3 Deputy General Managers, the Financial Reporting Manager and no.14 other Group Senior Managers in the Parent Company BPER, in addition to the Deputy General Manager in charge until 15 April 2014) belong to the types of costs detailed above. They are disclosed in the Report on Remuneration (art. 123-ter of Legislative Decree 58/1998) in accordance with CONSOB requirements). The amounts at 31 December 2013 referred to a total of no.15 Senior Managers.

2. Related-party disclosures

Other related parties comprise parties controlled or significantly influenced by Directors, Statutory Auditors or Managers, or parties that may exercise significant influence over these individuals, as defined in IAS 24.

	Assets	Liabilities	Guarantees given	Revenues	Costs
Associates	809,908	23,723	82,950	10,243	3,335
Directors, Statutory Auditors and Managers	1,059	2,654	-	158	67
Other related parties	13,566	12,440	362	688	1,853
Total 31.12.2014	**824,533**	**38,817**	**83,312**	**11,089**	**5,255**
Associates	944,368	9,186	63,051	11,968	3,404
Directors, Statutory Auditors and Managers	6,767	7,490	-	434	201
Other related parties	114,303	15,694	1,674	3,412	1,559
Total 31.12.2013	**1,065,438**	**32,370**	**64,725**	**15,814**	**5,164**

There are no critical outstanding balances or transactions with related parties. They all relate to routine banking and other services and arose normally during the year, as a consequence of needs and requirements in the common interests of the parties or, where applicable, of the Group. The conditions applied to individual balances and transactions with these companies are in line with those currently applied in the market.
The total amount of cash and endorsement loans due from Directors, Statutory Auditors, Managers and their related parties comes to € 15 million, a significant decrease compared with the exposure at 31 December 2013 (€ 122.7 million). The above amount represents 0.02% of total cash and endorsement loans (0.19% at 31 December 2013).
With reference to the entry into force with effect from 2012 of the regulations relating to "Risk activities and Conflicts of Interest in respect of Related Parties" issued by the Bank of Italy with the 9th update of Circular no. 263/2006, the BPER Group adopted a set of rules that includes, among other things, "Group Regulations for the monitoring of prudential limits to risk activities with related parties", which describes the following processes: definition of prudential limits to risk activities with related parties; continuous monitoring of the limits; managing situations where the limits have been exceeded, also governing the roles, responsibilities, tasks and coordination mechanisms of the Corporate Bodies and Top Management of the various functions at the Parent Company and at Group banks and companies.
The Group Regulations include an "internal threshold of attention" which makes reference to a weighted consolidated individual exposure limit that is lower than the regulatory threshold. This threshold is set at such a level as to constitute an adequate precaution against accepting particularly significant exposures to related parties and persons associated with them.
There are no doubtful loans and provisions were not needed in 2014 for doubtful loans relating to parties which, on 31 December 2014, qualified as related parties.

	Assets	Liabilities	Guarantees given	Revenues	Costs
Total reference amounts - 31.12.2014	60,652,920	55,142,789	3,009,028	2,894,613	2,055,348
Total reference amounts - 31.12.2013	61,758,052	57,046,292	3,471,269	3,074,187	2,183,373

The total reference amounts for revenues include interest income (caption 10), commission income (caption 40) and other operating income (detail of caption 220); costs include interest expense (caption 20), commission expense (caption 50), other operating expenses (detail of caption 220) and administrative expenses (caption 180).

Related party transactions stated as a percentage of reference amounts (financial position and results)

	Assets	Liabilities	Guarantees given	Revenues	Costs
Associates	1.34%	0.04%	2.76%	0.35%	0.16%
Directors, Statutory Auditors and Managers	0.00%	0.00%	0.00%	0.01%	0.00%
Other related parties	0.02%	0.02%	0.01%	0.02%	0.09%
Total 31.12.2014	**1.36%**	**0.06%**	**2.77%**	**0.38%**	**0.25%**
Associates	1.53%	0.02%	1.82%	0.39%	0.16%
Directors, Statutory Auditors and Managers	0.01%	0.36%	0.00%	0.01%	0.01%
Other related parties	0.19%	0.22%	0.05%	0.11%	0.07%
Total 31.12.2013	**1.73%**	**0.60%**	**1.87%**	**0.51%**	**0.24%**

Part I – EQUITY-BASED PAYMENTS

A. QUALITATIVE INFORMATION

1. Description of equity-based payments

On 5 March 2014 the Bank's Board of Directors approved:

- the Remuneration Report pursuant to art. 123-*ter* of Legislative Decree 58 dated 24 February 1998, relating to the remuneration policies for 2014 of Banca popolare dell'Emilia Romagna s.c. Group.;
- the remuneration plan pursuant to art. 114-*bis* of Legislative Decree 58 dated 24 February 1998, implementing the remuneration policies for 2014 of the BPER Group. The Plan is intended for BPER Group employees identified as "key personnel" as per the definition given in paragraph 3.2 of the "Guidelines on remuneration and incentive policies and practices of banks and banking groups" dated 30 March 2011 (the "Guidelines"), i.e. for persons whose activity has or may have a significant impact on the risk profile of the Bank.

Both documents were approved by BPER's Shareholders' Meeting held on 12 April 2014 at second calling.

The remuneration of key personnel consists of a fixed element and a variable element; even if the latter is within the theoretical maximum of 50% of the fixed element, it is governed by more stringent rules (see paragraphs 5.2.3, 5.2.4, and 5.3 of the Guidelines). With particular regard to risk alignment before the event, this is based on actual and lasting results, it also takes qualitative objectives into account, it is parameterised to performance indicators, it is measured net of risks and takes into account the level of capital resources.
The sustainability of the overall maximum amount of variable remuneration allocated to key personnel (those most responsible for running the company), is assessed in relation to the economic and financial stability of the Group as a whole.
The variable part of remuneration is in fact dependent on achieving basic economic and financial objectives (the so-called "entry gates") that all have to be achieved if there is to be a chance of being paid a variable element.

The entry gates that have been identified are based on the following parameters:

- Common Equity Tier 1 ratio on a consolidated basis;
- consolidated profit before income taxes;
- profit before income taxes.

In the event that the parameters that serve as entry gates reach higher levels than the minimum ones prescribed, but lower than the target levels approved, the variable remuneration of each person is reduced by a series of parameters previously laid down by the Board of Directors of the Parent Company.
After it has been verified that the minimum thresholds have been exceeded, the actual allocation and the related amount, within the maximum limits[32] of the variable remuneration are defined through a process of individual performance evaluation that includes an analysis of various indicators.

[32] *The theoretical maximum amount of the bonus payable is the sum of the maximum bonuses obtainable at an individual level.*

If the bonus exceeds a specific amount established by the Board of Directors, the Plan envisages an allocation (which can also be deferred) of part of the total bonus through an assignment of "phantom stock"[33].

In particular, this Plan provides for:

- in the case of the Bank's Chief Executive Officer, assignment of 50% of the bonus in the form of phantom stock; 40% of the portion represented by phantom stock is allocated at the time the bonus is granted (up-front subject to a 2-year retention period), whereas the other 60% is allocated in equal portions over the next three, four or five[34] years, providing adequate earnings and capital standards are maintained (subject to a 1 year retention period from the vesting date of each deferred portion);
- in the case of the other recipients, allocation up to 50% of the bonus through phantom stock, entirely attributed in equal instalments in the three, four or five years subsequent to the grant year, providing adequate earnings and capital standards are maintained (subject to a 1 year retention period from the vesting date of each deferred portion).

The deferred instalments are subject to malus rules that can reduce the instalment to zero in the event of failure to achieve the access thresholds ("entry gates") for the financial year preceding the year of payment of each deferred instalment.

The application of clawback clauses is also foreseen on the bonuses that have been paid in the event of fraudulent behaviour or serious misconduct on the part of the personnel concerned, without which the results would not have been achieved.

Compensation plans for 2011 and 2013 are still outstanding, with the same characteristics as the 2014 plan described above.

B. QUANTITATIVE INFORMATION

2. Other information

With reference to the Compensation plan for 2014, considering the financial results achieved by the Group, allocations were approved for 5,513 Phantom Stocks with a consideration of Euro 34.1 thousand.

It should be noted that following the cash increase in capital of the Parent Company, approved by the Extraordinary Shareholders' Meeting of 7 June 2014, it was decided to recalculate Phantom Stocks already assigned in order to eliminate the economic effect related to the extraordinary transaction completed on 28 July 2014. The theoretical ex-rights price (TERP) was used for this purpose. With reference to the 2011 Plan, the number of Phantom Stocks attributable increased from 24,925 to 27,811, while that referring to the 2013 Plan increased from 2,287 to 2,552.

Please also note that the same results affect the 2013 Plan allowing the vesting of 510 Phantom Stocks, for a consideration of Euro 3.2 thousand and the 2011 Plan allowing the vesting of 13,906 Phantom Stocks for a consideration of Euro 86.1 thousand.

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[33] *Phantom Stock: these are "virtual" financial instruments (free, personal and not transferable inter vivos) that assign to each recipient the right to demand on maturity an amount of money corresponding to the value of the BPER stock, calculated as per paragraph 3.8 of the information document on the remuneration plan based on financial instruments - Phantom Stock 2014, at the payment date.*

[34] *The time period varies according to the amount of the bonus awarded.*

Part L – SEGMENT REPORTING

Segment reporting is prepared on the basis of IFRS 8 "Operating Segments" adopted by EC Regulation no. 1358/2007, commencing from the first annual financial statements for periods ending after 1 January 2009. IFRS 8 establishes that, for reporting purposes, these operating segments must be identified with reference to internal reporting prepared for senior management in order to assess the performance of the various sectors and allocate resources among them.
The criteria used to allocate the various captions are based on qualitative and quantitative parameters consistent with the segmentation of customers adopted by the Group for the determination of its commercial policies, which also provides the basis for operational reporting to management; Each operating segment identified has similar economic characteristics and is internally consistent in terms of:

- nature of products and services offered and distribution processes;
- type of customers;
- marketing approach;
- nature of regulatory environment.

Given their strategic importance, the segments identified are covered in the disclosures made, even if their results are quantitatively lower than the thresholds envisaged, since this is deemed helpful to users of the financial statements.

OPERATING SEGMENTS

Economic and financial information is presented for the following operating segments:

- **RETAIL**

This segment comprises the economic and financial information deriving from relations with the following types of customers:

- Individuals and joint accounts not regulated by the "BperPrivate service";
- Sole traders;
- Partnerships or limited companies with turnover of less than Euro 2.5 million and with agreed facilities with the Banking Group of less than Euro 1 million.

This segment also includes the results and financial position of Optima s.p.a. SIM, a Group company, that, by its nature, offers products and services to retail customers.

- **PRIVATE**

This segment comprises the economic and financial information deriving from relations with the following types of customers:

- Individuals and joint accounts regulated by the "BperPrivate service"

- **CORPORATE**

This segment comprises the economic and financial information deriving from relations with the following types of customers:

- Public administrations;
- Non financial and non resident companies;

- Non-financial partnerships and companies with turnover equal to or greater than Euro 2.5 million but less than Euro 250 million;
- Non-financial partnerships and companies with turnover greater than Euro 250 million or belonging to a corporate group (as reported in the General Register) with reported consolidated turnover equal to or greater than Euro 250 million.

This segment also includes the results and financial position of Group companies that, by their nature, offer products and services to Corporate customers (Sardaleasing s.p.a. and Emil-Ro Factor s.p.a.).

- **LARGE CORPORATE**

This segment comprises the economic and financial information deriving from relations with the following types of customers:

- Partnerships and companies, which on their own or as part of a group, ought to be considered in the Corporate macrosegment, but which are considered as Large Corporate to ensure maximum supervision. Assignment to this segment is performed solely in expert mode and not automatically.

- **FINANCE**

This segment includes the results and financial position deriving from treasury activities, management of the Group's investment portfolio, access to financial markets and specialist operational support for the commercial network.

- **CORPORATE CENTRE**

Included herein are income statement and balance sheet captions arising from activities related to the governance of the Group, to strategic decisions and results thereof (shareholders' equity, equity investments, etc.) or from activities not directly connected to other areas of the business.

- **OTHER ACTIVITIES**

This segment also includes the results and financial position of those non-banking Group companies that are not allocated to the other operating segments.

A.1 Distribution by operating segment: income statement

Based on the requirements established in IFRS 8, the income statement by operating segment contains the following information:

Captions	Retail	Private	Corporate	Large Corporate	Finance	Corporate centre	Other activities	Total
Net interest income	523,503	11,782	543,445	44,136	207,113	(46,988)	8,818	1,291,809
Net commission income	450,317	44,096	174,219	20,229	-	(622)	2,425	690,664
Net interest and other banking income	928,335	54,347	715,995	64,364	439,802	(47,602)	14,289	2,169,530
Net profit from financial activities 31.12.2014	**662,435**	**50,664**	**180,047**	**53,090**	**399,393**	**(47,602)**	**13,284**	**1,311,311**
Net profit from financial activities 31.12.2013	**738,770**	**37,217**	**150,668**	**69,950**	**439,768**	**(175,132)**	**13,654**	**1,274,895**
Operating costs	(667,005)	(20,373)	(176,477)	(47,202)	(4,468)	(246,942)	(89,909)	(1,252,376)
Profit (Loss) from current operations before tax 31.12.2014	**(4,570)**	**30,291**	**3,571**	**5,889**	**394,925**	**(295,103)**	**(76,838)**	**58,165**
Profit (Loss) from current operations before tax 31.12.2013	**73,248**	**19,382**	**(9,222)**	**10,075**	**435,835**	**(399,471)**	**(63,023)**	**66,824**

The above captions have been allocated to the operating segments using the information held on the management information system, which has been reconciled with the accounting system.

A.2 Distribution by operating segment: balance sheet

In base ai requisiti definiti dal Principio IFRS 8, il prospetto di Stato patrimoniale per Settori Operativi riporta le seguenti informazioni:

Captions	Retail	Private	Corporate	Large Corporate	Finance	Corporate centre	Other activities	Total
Financial assets	47,698	-	64,110	-	9,937,015	-	253,136	10,301,959
Due from banks	-	-	-	-	1,665,212	-	44,086	1,709,298
Loans to customers	17,716,674	393,163	23,447,108	1,978,104	1,954	-	382,678	43,919,681
Other assets	690,686	14,984	261,727	58,101	69,840	3,177,971	448,673	4,721,982
Total assets 31.12.2014	**18,455,058**	**408,147**	**23,772,945**	**2,036,205**	**11,674,021**	**3,177,971**	**1,128,573**	**60,652,920**
Total assets 31.12.2013	**19,148,021**	**368,082**	**25,142,414**	**2,491,416**	**10,327,306**	**3,139,746**	**1,141,067**	**61,758,052**
Due to banks	-	-	-	-	6,437,394	-	42,164	6,479,558
Due to customers	23,767,257	1,638,567	5,351,387	1,623,166	1,025,803	-	558,079	33,964,259
Debt securities in issue	9,233,771	923,550	359,060	1,881	-	-	-	10,518,262
Financial liabilities designated at fair value through profit and loss	1,464,052	173,115	63,447	-	-	-	-	1,700,614
Other liabilities and equity	242,456	25,075	259,267	-	13,098	7,293,929	156,402	7,990,227
Total liabilities and shareholders' equity 31.12.2014	**34,707,536**	**2,760,307**	**6,033,161**	**1,625,047**	**7,476,295**	**7,293,929**	**756,645**	**60,652,920**
Total liabilities and shareholders' equity 31.12.2013	**34,517,098**	**2,476,586**	**7,320,798**	**1,414,800**	**8,800,667**	**6,445,697**	**782,406**	**61,758,052**

Balance sheet information has been allocated to the operating segments using the criteria adopted for the allocation of the income statement

FINANCIAL INFORMATION BY GEOGRAPHICAL AREA

The geographical areas are defined with reference to the residence of the individual operating units of the Banks and Group companies. Each Group bank and company has been allocated in full to a single geographical area, as follows:

- BPER (Europe) International s.a. and EMRO Finance Ireland ltd have been allocated to the geographical area "Foreign";
- other Group companies and banks have been allocated to the geographical area "Italy".

Based on the requirements of IAS 8, the income statement and the balance sheet for BPER Group's geographical areas are as follows:

B.1 Distribution by geographical area: income statement

Captions	Italy	Abroad	Total
Net interest and other banking income	2,155,728	13,802	2,169,530
Segment revenues 31.12.2014	**1,298,515**	**12,796**	**1,311,311**
Segment revenues 31.12.2013	**1,261,841**	**13,054**	**1,274,895**

B.2 Distribution by geographical area: balance sheet

Captions	Italy	Abroad	Total
Total assets 31.12.2014	**59,971,864**	**681,056**	**60,652,920**
Total assets 31.12.2013	**61,052,327**	**705,725**	**61,758,052**

ATTACHMENTS

Banca popolare dell'Emilia Romagna Banking Group

Fees for audit and non-audit services

Information pursuant to art. 149-*duodecies* of CONSOB's Issuers' Regulations

This schedule, prepared pursuant to art. 149-*duodecies* of CONSOB's Issuers' Regulations (Resolution 11971 and subsequent amendments), reports the 2014 fees for audit and non-audit services provided by the Independent Auditors and member firms of the same network. These fees represent the costs incurred and recorded in the consolidated financial statements, excluding expenses, unrecoverable VAT and the CONSOB contribution.

(in thousands)

Type of services	Party providing the service	Recipient		Fees
Audit	PricewaterhouseCoopers s.p.a.	Parent Company BPER		988
	PricewaterhouseCoopers s.p.a.	Subsidiaries		670
	PricewaterhouseCoopers s.p.a. network	Subsidiaries		123
Certification services:	PricewaterhouseCoopers s.p.a.	Parent Company BPER	(1a)	1,011
	PricewaterhouseCoopers s.p.a.	Subsidiaries	(1b)	31
	PricewaterhouseCoopers s.p.a. network	Subsidiaries	(1c)	5
	TLS-Associazione Professionale di Avvocati e Commercialisti	Parent Company BPER	(1d)	250
Tax advisory services	PricewaterhouseCoopers s.p.a.	Parent Company BPER		-
	PricewaterhouseCoopers s.p.a. network	Subsidiaries		-
Other services	PricewaterhouseCoopers s.p.a.	Parent Company BPER		
	PricewaterhouseCoopers s.p.a.	Subsidiaries		
	PricewaterhouseCoopers s.p.a. network	Subsidiaries		
	PricewaterhouseCoopers Advisory S.p.A.	Parent Company BPER	(2a)	439
	PricewaterhouseCoopers Advisory S.p.A.	Subsidiaries	(2b)	118
Total				**3,635**

Certification services:
(1a) Certification services provided to the Parent Company:
- activities performed in relation to the translation into English of the auditors' reports on the separate and consolidated financial statements for the year ended 31 December 2013 and of the condensed consolidated interim financial statements for the period ended 30 June 2014 for € 30 thousand;
- activities performed for the issue of comfort letters for the update and implementation of the covered bond issue programme for € 73 thousand;
- activity performed to issue opinions pursuant to art. 2437-ter, second paragraph, of the Italian Civil Code as part of the procedure for determining the liquidation value of the shares in the event of the exercise of the right of withdrawal by the shareholders of Banca Popolare di Ravenna s.p.a., Banca della Campania s.p.a. and Banca Popolare del Mezzogiorno s.p.a., which were merged with BPER on 24 November 2014 for € 120 thousand;
- activities related to the offer to shareholders and admission to listing on the MTA market of ordinary shares of Banca popolare dell'Emilia Romagna s.c. for € 780 thousand;
- activities performed for the sign-off of BPER's tax returns for the purpose of credit settlement for € 5 thousand and verification of the aggregates of reference for the calculation of the contribution payable to the National Guarantee Fund of € 3 thousand by Banca della Campania s.p.a, merged with BPER on 24 November 2014;

(1b) Sign-off of the tax return for the year 2013 for the purpose of offsetting the tax credit of Cassa di Risparmio di Bra s.p.a. for € 5 thousand; activities performed for the sign-off of tax returns of Nadia s.p.a. for € 13 thousand, of Modena Terminal s.r.l. for € 4 thousand and of Adras s.p.a. for € 3 thousand; and verification of the aggregates of reference for the calculation of the contribution payable to the National Guarantee Fund by Banco di Sardegna s.p.a. for € 3 thousand and Banca di Sassari s.p.a. for € 3 thousand.
(1c) Activities performed for the sign-off of tax returns of foreign companies by local correspondents of the PricewaterhouseCoopers network on behalf of Banca Popolare dell'Emilia Romagna (Europe) International s.a. in Luxembourg.
(1d) Activity performed for the issue of comfort letters by TLS, a company that belongs to the network of PricewaterhouseCoopers s.p.a., in relation to the increase in capital under option by issuing ordinary shares of Banca popolare dell'Emilia Romagna s.c.

Other services:
(2a) - Technical and methodological support in the project to develop a group reporting model and formalisation of the main results of the automated safeguards in the Compliance field, for € 55 thousand;
- Technical and methodological support in the redefinition of the documentation used for company regulations in the Group Finance field, for € 24 thousand (balance);
- Technical and methodological support in the redefinition of Knowledge Management methodologies, for € 239 thousand;
- Analysis of the market for real estate services and development options for the Bank, for € 121 thousand.
(2b) - Technical and methodological support in the redefinition of Knowledge Management methodologies, for € 63 thousand;
- Analysis of the market for real estate services and development options for the Bank, for € 55 thousand.

Public disclosure - Country by country reporting as at 31 December 2014

Information pursuant to Circular no. 285/2013 of the Bank of Italy

This information is disclosed following the introduction into Italian law, with the 4th update of the Bank of Italy's Circular no. 285 of 17 December 2013, of the rules laid down in article 89 of EU Directive 2013/36/EU (CRD IV) on Public disclosure - Country by Country Reporting.

Name	Head office	Nature of the activity	Turnover (a)	Number of employees	Profit (Loss) before tax (b)	Income taxes (c)	Government grants received
Banca popolare dell'Emilia Romagna s.c.	Italy	Banking	1,571,110	7,739	1,944	(12,305)	53
Banco di Sardegna s.p.a.	Italy	Banking	326,071	2,160	39,657	(9,206)	52
Banca di Sassari s.p.a.	Italy	Banking	106,639	492	5,548	(1,528)	-
Cassa di Risparmio di Bra s.p.a.	Italy	Banking	53,523	180	(13,269)	3,141	
Sardaleasing s.p.a. (*)	Italy	Leasing	62,203	80	2,204	(1,264)	-
ABF Leasing s.p.a. (**)	Italy	Leasing	8,044	-	811	(346)	-
Emilia Romagna Factor s.p.a.	Italy	Factoring	25,867	47	6,185	(1,800)	-
Optima s.p.a. S.I.M.	Italy	Asset management	1,782	17	4,911	(1,509)	-
Nettuno Gestione Crediti s.p.a.	Italy	Debt collection services-	379	3	977	(348)	-
Melior Valorizzazioni Immobili s.r.l.	Italy	Real estate	(1)	-	(1,315)	(1)	-
Polo Campania s.r.l.	Italy	Real estate	-	-	(670)	-	-
Nadia s.p.a.	Italy	Real estate	(8)	-	102	(464)	-
Adras s.p.a.	Italy	Real estate	-	1	22	(22)	-

(*) A.B.F. Leasing s.p.a. contributed to the result for the period up to 31 March 2014 as a result of its merger with Sardaleasing s.p.a., which was effective for tax and accounting purposes from 1 April 2014.
(**) Sardaleasing s.p.a. contributed directly to the result for the period from 1 April 2014 following its absorption of A.B.F. Leasing s.p.a. The first quarter is included in the sub-consolidation of Banco di Sardegna s.p.a. which held control up to that date.

Name	Head office	Nature of the activity	Turnover (a)	Number of employees	Profit (Loss) before tax (b)	Income taxes (c)	Government grants received
Bper Services s. cons.p.a.	Italy	IT services	(2)	83	1,337	(1,336)	-
Bper Trust Company s.p.a.	Italy	Trustee services -	-	-	(159)	42	-
Estense Covered Bond s.r.l.	Italy	Loan securitisation SPV -	-	-	2	(2)	-
Galilei Immobiliare s.r.l.	Italy	Real estate	1	-	(50)	-	-
Italia Valorizzazioni Immobiliari s.r.l.	Italy	Real estate	-	-	(60)	(14)	-
Modena Terminal s.r.l	Italy	Storage and safekeeping warehouse	-	25	(207)	(129)	-
Mutina s.r.l.	Italy	Loan securitisation SPV -	-	-	5	(5)	-
Numera s.p.a.	Italy	IT services	-	46	609	(290)	-
Tholos s.p.a.	Italy	Real estate	120	-	810	224	-
Total Italy			**2,155,728**	**10,873**	**49,394**	**(27,162)**	**105**
Bper (Europe) International s.a.	Luxembourg	Banking	3,184	15	2,613	(764)	-
Total Luxembourg			**3,184**	**15**	**2,613**	**(764)**	**-**
EMRO Finance Ireland ltd.	Ireland	Finance	10,618	5	6,158	(458)	-
Total Ireland			**10,618**	**5**	**6,158**	**(458)**	**-**
Total			**2,169,530**	**10,893**	**58,165**	**(28,384)**	**105**

(a) net interest and other banking income, in thousands of euro, net of consolidation adjustments where necessary.
(b) profit (loss) from current operations added to profit (loss) before tax on non-current assets held for sale, in thousands of euro, net of eliminations where necessary.
(c) income taxes for the period on current operations and on assets held for sale, in thousands of euro, net of consolidation adjustments where necessary.

CERTIFICATIONS AND OTHER REPORTS

Banca popolare dell'Emilia Romagna
Banking Group

Certification of the consolidated financial statements for 2014 pursuant to art. 81-ter of Consob Regulation no. 11971 dated 14 May 1999 and subsequent additions and amendments

➢ The undersigned
- Alessandro Vandelli, as Chief Executive Officer,
- Emilio Annovi, as the Manager responsible for preparing the Company's financial report,

of Banca Popolare dell'Emilia Romagna s.c., having considered the requirements of paras. 3 and 4 of art. 154-bis of Decree no. 58 dated 24 February 1998, confirm:

- the adequacy in relation to the characteristics of the Bank and
- the proper application

during 2014, of the administrative and accounting procedures adopted for the preparation of the consolidated financial statements .

➢ This assessment of the adequacy of the administrative and accounting procedures adopted for the preparation of the consolidated financial statements at 31 December 2014 is based on a model developed by Banca popolare dell'Emilia Romagna s.c., consistent with the Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Tradeway Commission. These framework represent reference standards for systems of internal control that are generally accepted at an international level.

➢ It is also certified that

- the consolidated financial statements at 31 December 2014:
  a) have been prepared in accordance with the applicable international accounting standards recognised within the European Union pursuant to European Parliament and Council Regulation (EC) no. 1606/2002 dated 19 July 2002, Decree 38/2005 and the enabling regulations for art. 9 of this Decree;
  b) agree with the underlying accounting records and entries;
  c) present a true and fair view of the financial position and results of operations of the Bank and the companies included within the scope of consolidation.
- The report on operations includes a reliable analysis of performance and the results of operations, as well as of the position of the Bank and the companies included within the scope of consolidation, together with a description of the principal risks and uncertainties to which they are exposed.

Modena, 3 March 2015

Chief executive officer

Alessandro Vandelli

Manager responsible for preparing the company's financial report

Emilio Annovi

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE NO. 39 OF 27 JANUARY 2010

To the Shareholders of
Banca popolare dell'Emilia Romagna S.C.

1. We have audited the consolidated financial statements of Banca popolare dell'Emilia Romagna S.C. and its subsidiaries ("Banca popolare dell'Emilia Romagna Group") as of 31 December 2014, which comprise the balance sheet, income statement, statement of comprehensive income, statement of changes in shareholders' equity, cash flow statement and related notes. The Directors of Banca popolare dell'Emilia Romagna S.C. are responsible for the preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards and criteria recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the consolidated financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 20 March 2014.

3. In our opinion, the consolidated financial statements of the Banca popolare dell'Emilia Romagna Group as of 31 December 2014 comply with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position, result of operations and cash flows of the Banca popolare dell'Emilia Romagna Group for the year then ended.

4. The Directors of Banca popolare dell'Emilia Romagna S.C. are responsible for the preparation of a report on operations and a report on corporate governance and ownership structure published in section "Governance - Documents" of the website of Banca popolare dell'Emilia Romagna S.C. in compliance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and the information referred to in paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) of article 123-bis of Legislative Decree No. 58/1998 presented in the report on corporate governance and ownership structure, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard No. 001 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by Consob. In our opinion, the report on operations and the information referred to in paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) of article 123-bis of Legislative Decree No. 58/1998 presented in the report on corporate governance and ownership structure are consistent with the consolidated financial statements of the Banca popolare dell'Emilia Romagna S.C. as of 31 December 2014.

Bologna, 26 March 2015

PricewaterhouseCoopers SpA

Signed by

Alessandro Parrini
(Partner)

This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers.

DIRECTOR'S REPORT ON OPERATIONS

Banca popolare dell'Emilia Romagna

Contents

1. THE BANK IN 2014

1.1 Competitive positioning

Market positioning

BPER's share of the market for direct deposits in October 2014 reflects a general downturn in all sectors of the economy over the past twelve months (from 1.85% to 1.90% in October 2013), excluding companies which rise to 3.10% from 3.07% of October 2013. The largest decline was in deposits from family businesses, the share of which went from 4.33% to 4.26% y/y. In terms of loans, there has been a decrease in the domestic market share (to 2.02% from 2.05% in October 2013), mainly relating to companies whose share fell from 2.67% to 2.56% y/y, while there was a growth in loans to family businesses from 2.63% to 2.66% y/y. The trend in the overall market shares held by the Bank in the areas in which it operates are shown in the following tables.

Market shares - Direct borrowing

Period	Total Customers	Households	Companies	Family businesses
31-Oct-14	1.85%	1.66%	3.10%	4.26%
30-Sep-14	1.85%	1.69%	3.07%	4.30%
31-Aug-14	1.85%	1.67%	3.05%	4.26%
31-Jul-14	1.83%	1.66%	3.01%	4.26%
30-Jun-14	1.83%	1.66%	2.99%	4.29%
31-May-14	1.88%	1.67%	3.02%	4.26%
30-Apr-14	1.85%	1.64%	3.00%	4.27%
31-Mar-14	1.87%	1.65%	3.11%	4.32%
28-Feb-14	1.87%	1.65%	3.11%	4.35%
31-Jan-14	1.92%	1.69%	3.20%	4.37%
31-Dec-13	1.96%	1.70%	3.24%	4.36%
30-Nov-13	1.89%	1.67%	3.03%	4.28%
31-Oct-13	1.90%	1.68%	3.07%	4.33%

Market shares - Lending				
Period	Total Customers	Households	Companies	Family businesses
31-Oct-14	2.02%	1.53%	2.56%	2.66%
30-Sep-14	2.02%	1.52%	2.56%	2.65%
31-Aug-14	2.03%	1.52%	2.60%	2.66%
31-Jul-14	2.03%	1.51%	2.59%	2.66%
30-Jun-14	2.03%	1.54%	2.61%	2.66%
31-May-14	2.04%	1.54%	2.62%	2.66%
30-Apr-14	2.04%	1.54%	2.64%	2.66%
31-Mar-14	2.04%	1.54%	2.61%	2.62%
28-Feb-14	2.04%	1.54%	2.62%	2.63%
31-Jan-14	2.05%	1.54%	2.64%	2.63%
31-Dec-13	2.06%	1.54%	2.69%	2.64%
30-Nov-13	2.05%	1.54%	2.67%	2.63%
31-Oct-13	2.05%	1.54%	2.67%	2.64%

Source: Market shares - Planus Corp. analysis of Regulatory Reports.

Branch network

The branch network recorded an **increase** compared with 2013 in the number of branches, as a result of the Parent Company's absorption of three Group banks (Banca della Campania s.p.a., Banca Popolare del Mezzogiorno s.p.a. and Banca Popolare di Ravenna s.p.a.): in fact, at 31 December 2014, there were 816 branches and small branches compared with 515 in 2013.

Following the above merger, the Bank adopted a new distribution model on the Italian mainland, based on nine Territorial Divisions, in turn split into thirty Territorial Areas.

BPER has a widespread presence of branches in **15** of **Italy's 20 regions** (Emilia-Romagna, Lombardy, Veneto, Trentino-Alto Adige, Marche, Tuscany, Lazio, Abruzzo, Umbria, Molise, Apulia, Campania, Sicily, Calabria and Basilicata).

During the year, we opened the new branches of Vignola no. 2 (with the closure of the small branches of Vignola A and Vignola D) and Rocca di Mezzo, with the recovery of an area to be restored.

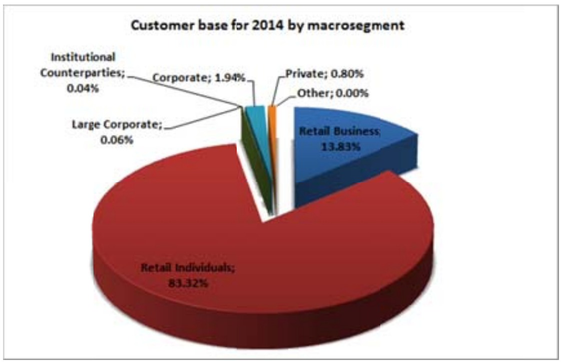
11 branches were **closed** in accordance with the Branch Plan, distributed as follows:

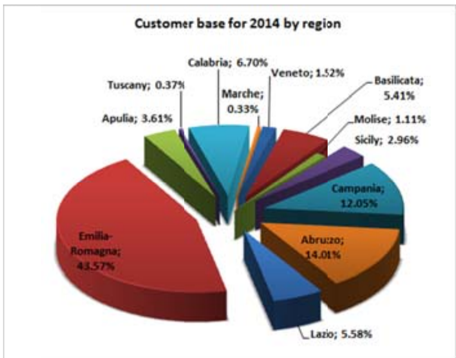
- 2 in the provinces of Bologna, Modena and L'Aquila;
- 1 in the provinces of Pescara, Rome, Prato, Chieti and Reggio Emilia.

1.2 Relations with customers

Composition of the customer base

The composition of BPER's customers confirms the strong relationship of the bank with its territorial roots, which is still the same even after the recent absorption of a number of Group banks. Thanks to these mergers, BPER has expanded its territory and now operates in new areas: Campania, Basilicata, Apulia, Calabria and Sicily.

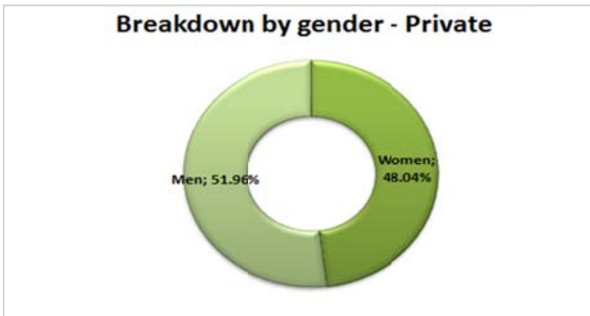


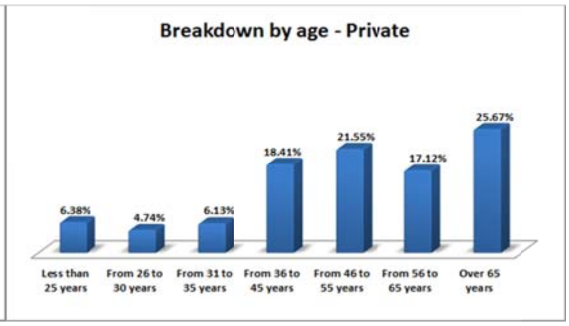


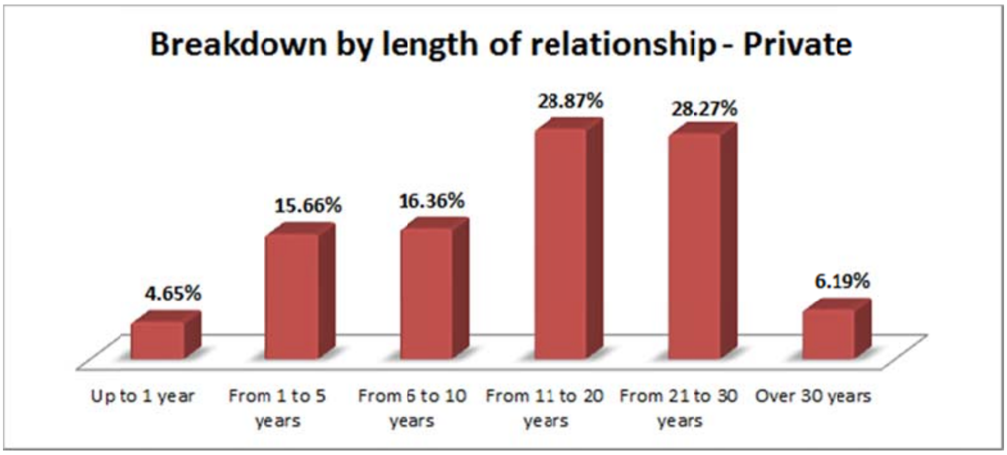
Retail Individuals: individual customers; Private Banking: private banking customers with assets of more than Euro 500,000.00 who sign up for a specific service model; Retail Business: businesses and entities with turnover of up to Euro 2.5 million; Corporate: companies and groups with turnover of more than Euro 2.5 million; Large Corporate: companies and groups with a turnover of more than Euro 250 million selected by experts for their more complex management; Institutional Counterparties: banks and financial sector companies.

Distribution of the Bank's customers by age is in line with previous years and with the average for the traditional banking system. The majority of customers are of a certain age: more than a quarter of them are over 65, while only 17% are under 35. The breakdown of customers by gender is more or less 50/50.

On average, most individual customers have been with the Bank for a long time and have a very strong relationship with it. In particular, 34% of customers have been with BPER for more than twenty years, a figure that rises to 63% if we also include those who have been with us for more than ten years.



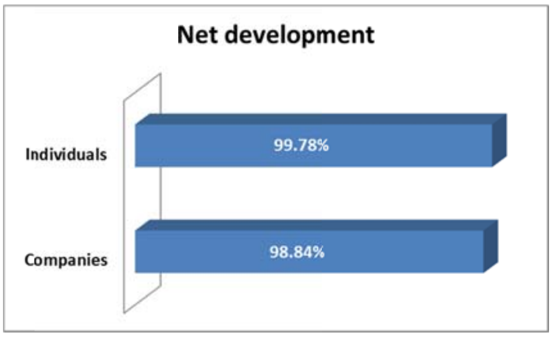


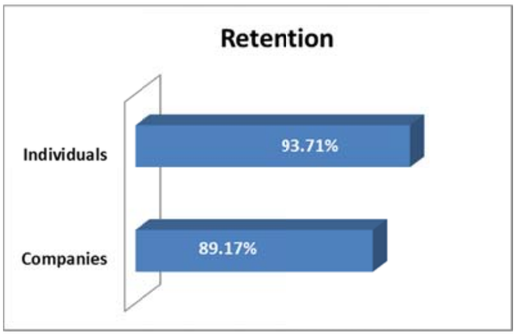


The main trends in the customer base

Metrics, by which we mean summary indicators of corporate performance, are an essential tool to monitor and direct operations.

The net growth indicator shows the effective stability of the individual customer base, while the corporate segment shows a slight decrease.





The Bank's ability to maintain stable relationships with its customers (its so-called "retention rate") is more or less unchanged, for both the Individuals and Corporate segments. The retention rate decreased slightly compared with December 2013 (Individuals -0.39%, Companies -0.07%).

Customer satisfaction and listening to customers

Listening systematically to its customers, which BPER began in 2010, is realised through a series of Customer Satisfaction surveys on the various customer segments. In the Individuals segment, BPER surveyed the Customer Satisfaction of the banks that were merged with BPER during 2014: Banca Popolare di Ravenna s.p.a., Banca della Campania s.p.a. and Banca Popolare del Mezzogiorno s.p.a.

The research approach was the same as that used by BPER in 2013, but with the following innovations:

- a deeper analysis of financing products for the corporate segment;
- an analysis of the initial effects of implementing the new service models;
- realization of a benchmark survey planned by geographical area.

The main results are reported below:

Service model	Summary index of Customer Satisfaction at BPRA in 2014	Summary index of Customer Satisfaction at BPMZ in 2014	Summary index of Customer Satisfaction at BCAM in 2014
Family	79.50	79.20	80.20
Personal	78.50	73.70	76.30
Retail Business - Other	72.80	71.90	71.40
Retail Business - SMEs	70.60	68.60	65.20

Source: Doxametrics surveys in 2014, a synthetic index of satisfaction that weights the index of overall satisfaction with the index of satisfaction compared with expectations, votes expressed on a scale of 0 to 100, based on 4,100 interviews

For all Group banks surveyed, there was a positive situation regarding the Individuals segment: Banca della Campania s.p.a. showed the most noticeable improvements compared with the previous tracking in terms of valuations, whereas Banca Popolare di Ravenna s.p.a. got the best overall assessment, for both the Individuals and Corporate segments.

Together with the survey on Individuals, a new Customer Satisfaction survey was carried out on the Bank's Corporate customers. The survey was carried out using a new research structure with the aim of analysing in greater detail the various aspects that characterise the relationship with the Bank.

Were introduced other innovations:

- a section relating to BPER’s awareness;
- an analysis of the performance of the main competitors by geographical area.

The general picture that emerged is positive: overall satisfaction is good and in line with the system.

Service model	Summary index of satisfaction in 2014
Corporate	72.60

Source: Doxametrics surveys in 2014, a synthetic index of satisfaction that weights the index of overall satisfaction with the index of satisfaction compared with expectations, votes expressed on a scale of 0 to 100, based on 945 interviews.

Attitudes towards the Bank in terms of future behaviour (word of mouth, mental loyalty and propensity to cross-selling) are generally positive and in line with the market average. There were very high valuations for the Staff (Contact) and for the Branch, with regard to the various service elements.

Future preferences			
Service model	**Word of mouth**	**Mental loyalty**	**Cross-selling**
Corporate	72.80	72.70	71.80

In addition to these surveys of the main customer segments, BPER constantly carries out market research on specific products and services in support of projects in the commercial area.

Multichannel

In the second half of 2014 we launched on the web "SMARTY_CONTONLINE", the first current account of BPER that can be opened by the customer completely online without having to go to a branch. It is addressed to all those who do not yet have a current account with BPER, who want to operate independently when and where they want. Along with the current account, they are also offered an ATM card, a prepaid card and a service called "D+" that allows them to hold money on deposit for a certain period of time. In this way, the new customer can start to manage their personal finances independently.

In November, following the merger of the mainland banks with BPER, an plan was introduced for all activities to prepare the customers of the absorbed banks and holders of "SMART, la Multicanalità" for their transfer to BPER; Specific web surfing paths were designed and made available to inform customers about what would happen and how their use of SMART services would not change substantially.

With the aim of continuously improving BPER's digital services and bringing them closer to customers' needs, we started a second customer satisfaction survey dedicated to holders of "SMART WEB" and "SMART MOBILE" to establish the level of digital customer satisfaction and direct the development of the various online solutions.

Communication

During 2014, the corporate and product advertising strategy went through an important review of guidelines with the main objectives being to strengthen the identity of the commercial offering, to give support to the marketing campaigns of 2014 and to simplify and streamline media advertising at the point of sale.

The restyling process covers all material for use at the branches (posters, flyers and brochures) and all material for external media planning (print ads in newspapers, billboards, video and audio spots for TV, radio and internet).

Communications campaigns were realized with an integrated planning that included spots and screenviews on ATMs, billboards, ads in major national and local newspapers, spots on national radio and local television (in northern and central Italy) and a dedicated promotional web page, in addition to the usual advertising media at branches and on websites.

Two important corporate communication campaigns have been planned and implemented. A campaign was carried out during the first half of the year about the increase in capital, whereas during the second half-year we planned and implemented an important campaign dedicated to the merger of Banca della Campania s.p.a., Banca Popolare del Mezzogiorno s.p.a. and Banca Popolare di Ravenna s.p.a. with BPER.

Digital communication initiatives were launched for the promotion of commercial offers and to support institutional communication.

The online campaigns used complete media planning, starting from display campaigns all the way to keyword campaigns. We also built platforms that allowed users to make direct contact with their branch.

A Commercial and Digital Communication Office was set up in late November 2014. This office is responsible for defining the entire strategy for corporate and product advertising and it has been assigned the task of coordinating and defining standards of visual identity.

Complaints

Listening and timely resolution of the problems reported in the form of complaints are an important tool for the prevention of customer dissatisfaction, as well as an opportunity of primary importance to gather suggestions for improvements in services.

BPER pays constant and specific attention to the needs of customers in the search for their maximum satisfaction.

Average days for processing complaints are 16.8 compared with the limit of 30 set by law for ordinary claims and 90 for complaints about financial instruments.

1,250 complaints were received in 2014, of which 1,176 for Banking Services and 74 for Financial Services, claiming a total of Euro 11,377,394.54; in the second half of 2014 the Bank received 587 complaints compared with 663 in the first half.

A summary report on the handling of complaints in 2014 is given below.

1. Complaints about banking services - 2014	
Compound interest	84
Application of conditions	133
Organisational aspects	11
Customer Communication and information	18
Conditions	586
Equipment failure	7
Execution of transactions	131
Fraud and loss	35
Creditworthiness or similar matters	46
Personnel	9
Reporting to the Central Risk File	21
Other	95
Total	**1,176**

2. Complaints about investment services - 2014	
Custody and administration	26
Reception and transmission of orders/Intermediation	22
Other services	20
Placement/Distribution through financial promoters	4
Dealing on own account	-
Portfolio management	1
Investment advisory	1
Execution of orders on behalf of third parties	-
Total	**74**

Details of complaint management - 2014	
Total complaints received	**1,250**
Total complaints dealt with	1,111
Concluded in favour of the customer	133

Customer macrosegments

Retail

BPER consolidated its customer service methods for Individual and Business customers with a commercial offer customised for the needs of households and companies.

As part of the investments for customers, the review and enhancement of the commercial offer continued in 2014 by rationalising and marketing products and services that characterise the Bank's traditional offering, designed for the specific needs of the customer, on the one hand, and on the other the launch of innovative services that can offer convenience and performance, such as Smart Trading On Line.

During the course of 2014, we introduced new products for households, in the field of loans with an approach to pricing that reflects considerable attention for the customer ("Valore Casa", personal loan to finance home renovation and energy savings) and, in the field of investments with a very large and valuable offer.

Similar attention has been given to local businesses through the release of some dedicated services, such as:

- "FINJOB", unsecured loan for SMEs planning to hire new staff;
- "Credito POS", a line of credit that allows all operators that have a POS (point of sale terminal) with the BPER Group to have greater cash flexibility at a more competitive price.

The range of current accounts for individuals has also been renovated and enlarged with a new line of packages, a range of products dedicated to young people, the new "Smarty_Contonline" that can be opened directly from the web, and products in collaboration with partners outside the bank sector ("Ti premio" current account).

Lastly, as part of the increasing customisation of our activity based on the requirements of individual customers, there is also the implementation of service models, intended to bring consistency to the Bank level of service, in line with the needs of each customer.

Private Banking – BperPrivate

BPER is continuing along the path of qualitative and quantitative development of the service that has as its primary objective to improve the quality of the offer addressed to the top segment of retail customers and the satisfaction of their needs.

During the course of 2014, training courses were held for branch managers, with a view to standardising skills and approaches in the management of the Private Banking networks, and for the private bankers themselves, to make them able to manage customers better in a context where the complexity of the market and the multiple needs of customers require high-level skills and knowledge. This path has been integrated with the process of Skills Certification carried out in collaboration with AIPB (the Italian Private Banking Association), which also provides a service of maintaining the certification, to ensure adequate and constant updates.

In terms of financial advisory services, a Portfolio Advisory Service has been activated as an evolution of the Product Advisory Service and is able to ensure greater efficiency and protection for customers in the management of the risk-return on their portfolios.

In non-financial advisory services, in 2014 the network of private bankers was supported by a new team of experts in the field of non-life and health insurance that joined then directly in advising customers to assess their needs in terms of personal, health and wealth coverage.
On the commercial side, an exclusive offer of banking solutions has been prepared for those who choose BPER Private Banking for the first time. The new proposal is in addition to the customised solutions for the protection, enhancement and the overall management of customers' personal and family assets.
The financial offer has also been extended with the introduction of new SICAV segments, chosen from among the best international players in the field of asset management, to the "All Funds" open architecture platform.
The life insurance catalogue has evolved with the introduction of death coverage in addition to the main products already on offer.
For the first time, events dedicated to Private Banking customers have also taken place, where economic and financial issues have been handled directly with leading partners in the market.

Corporate

The supervision of Corporate Banking customers took place in 2014 through a comprehensive development activity via commercial campaigns aimed at increasing the loan volumes and quality, acquiring new customers and providing high added-value advisory services to businesses.
The commercial initiatives achieved the following results:

- new customers with a high credit standing and excellent financial parameters have been acquired, to compensate for the customers lost and the natural downward trend in existing loans due to their gradual repayment;
- the rate of retention of businesses that were already customers has increased proposing products and services according to a logic of cross-selling and up-selling;
- our collaboration with product companies for the placement of lease and factoring products has been developed;
- effective corporate treasury management tools have been offered to companies, at the same time increasing their loyalty in the IT area. Also worth noting are our procedural and commercial activities to comply with the SEPA rules;
- the flow of foreign deals by corporate customers has increased through more intense marketing in this area;
- the project begun in 2013, continued and consolidated in 2014, which aims to provide Corporate Customers with support for their presence abroad, has been implemented and developed. The cornerstone of this important project has been the establishment of a staff of trained and dedicated specialists to assist exporting companies; this working group now oversees a series of macro-regions that are very interesting in terms of growth potential - Russia and the other countries of Eastern Europe, the Far East, Turkey, the Middle East, Brazil, Central and Southern American countries, and North America - offering customers attractive services to help their commercial expansion in these regions. Given the crucial importance of exports to our economy as a lever to restart the development of gross domestic product, the Banking Group has decided to invest heavily in this segment;
- we continued our traditional consulting activities to exporting companies, such as preparing financial packages linked to specific export contracts, maintaining relationships with public and private third parties (e.g. Simest, the EBRD and the World Bank), and developing relations with foreign correspondent banks.

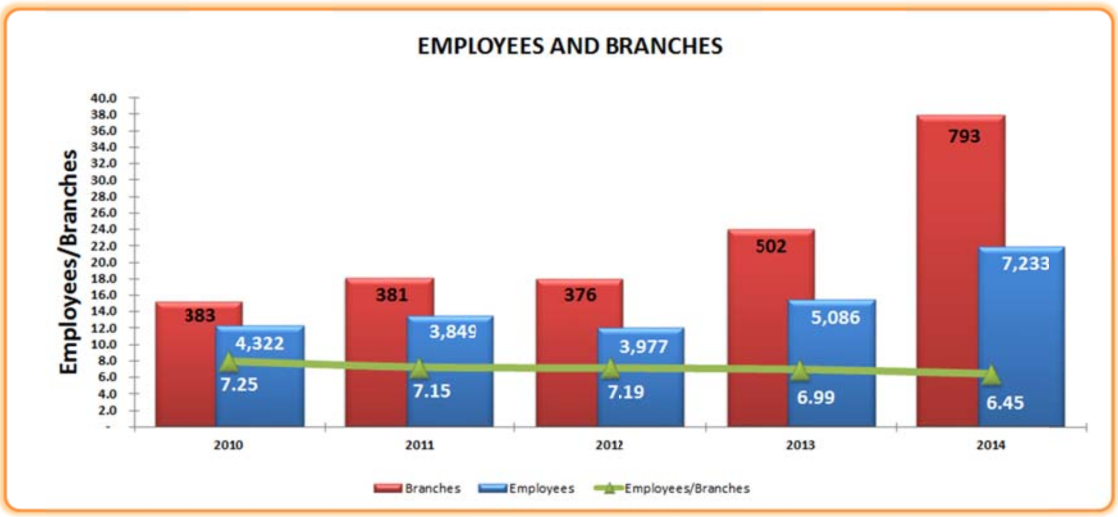
In 2014 BPER also renewed partnership agreements with leading public guarantee institutions in order to maintain a sizeable audience of companies to lend to in conditions considered interesting by the customers, even in a negative economic scenario. In particular, we maintained our high share of medium-long term loans backed by government guarantees provided by the Guarantee Fund for SMEs and by SACE (export credit insurance and support for Italian exports).

1.3 Human resources

The quality of work performed by our personnel during 2014 has remained extremely high, testifying to the commitment and cooperation displayed by all employees. The efficiency, customer care and sharing of the moral and ethical standards that traditionally distinguish the work done by our personnel continue to be of great satisfaction to the Bank.

Key data

During 2014, 54 new employees were hired, including 16 apprentices, in addition to the 2,428 members of staff from the merger of Banca della Campania s.p.a., Banca Popolare del Mezzogiorno s.p.a. and Banca Popolare di Ravenna s.p.a. (4 of whom were hired during the year).
Agreements for contract staff (to meet temporary needs) were in place for 196 persons at the end of 2014 (with an average of 187 during the year).
In 2014, internships involved 29 undergraduates and graduates from three-year degree courses and longer specialist courses.
During the course of 2014, 140 persons terminated their employment with the Bank[1] (down on 195 persons in 2013). The number of employees in active service at the end of 2014 was 8,127 (excluding 22 who were on leave). The number of secondments to other Group businesses increased by 217 persons compared with the prior year, reaching a total of 895[2] persons, of whom 840 are with the Group consortium, BPER Services s.cons.p.a., whereas 75 people from other Group banks are on secondment with BPER.



[1] *Including those that ran from 1 January 2015, i.e. those for whom 31 December 2014 was their last working day and those who terminated their work relationship in the course of the year.*
[2] *1 person is on leave*

Training and internal communications

Total **training** hours in 2014 are in line with previous years. Over 90% of members of staff took part in training courses (excluding persons on secondment), with an average of 50 hours of training per head.

Training focused on managerial, behavioural and technical issues, with particular attention to strengthening the skills needed to adequately cover the network roles based on the service models.

The new rules and EU supervision have highlighted (especially for resources in the central offices) the that there is a greater need to know English and this has led to a sharp increase in the hours of language training.

The course highlighted legal and regulatory issues, such as anti-money laundering, the MiFID legislation, transparency, updating the Organisation, Management and Control Model under Decree 231/01 and, in particular, updates on health and safety, with implementation of the requirements of the State-Regions Agreement in connection with Law 81/06 in matters of training.

Specific courses for different branch roles have also been planned and given to ensure employees maintain their IVASS certification.

On the issue of equal opportunities, seminars on female leadership have been organised as part of a wider project explained later in a specific paragraph.

With the advice of CONFORM - Consulenza Formazione e Management s.c.a.r.l., an affiliate, various Group banks have requested and obtained grants from Fondo Banche e Assicurazioni and FONDIR for the implementation of numerous training projects.

During 2014, there was a steady flow of **official internal communications**. The digital newsletter BXNoi, issued on a monthly basis from April, has become the main tool to bring key corporate events to the attention of all our colleagues. The mergers of BCAM, BPMZ and BPRA with BPER were followed with particular attention, by publishing dedicated issues of BXNoi and organising various conventions.

Industrial relations

As in previous years, in 2014 the methods of discussion and negotiation with the Trade Unions have confirmed **a proper system of labour relations**.

This system is based on constructive dialogue between the parties, despite a greater complexity resulting from the extraordinary operations foreseen in the current Business Plan and its integration, with particular reference to the absorption of Banca della Campania s.p.a., Banca Popolare del Mezzogiorno s.p.a. and Banca Popolare di Ravenna s.p.a and the consequent impact on the composition of the negotiating delegation.

In a difficult environment due to various elements of instability in the political, economic and social scene, the complex dynamics of the banking sector also continued, where the dialectics of the representatives involved in renewal of the national labour contract was fragmented and characterised by contrasts (resulting in strikes and continuing suspension of labour relations at all levels), with a consequent increase in tension, also within the company.

Of the main agreements reached, it is worth mentioning those on the rules governing the variable portion of employees' remuneration (starting with the corporate social bonus and the special donation for social purposes), the management of human resources and their treatment during the operations needed for the increase in capital and the Pension Fund.

Protected categories pursuant to Law 68/1999

With regard to the Bank's obligations under this law, a certificate of nationwide compliance with the regulations was obtained during 2014. The Bank has 604 differently-able/other protected categories employees at 31 December 2014.

Report on the application of Decree 81/08 "Health and safety in the workplace" and subsequent amendments

<u>*Risk assessment*</u>

The following table shows the number of **accidents** registered in 2014, split between those in transit and those due to traumas and bruising in the work place. It also gives comparative figures for the previous two years:

	Year				
	2012	2013		2014	
Total number of accidents	**50**	**50**	**-**	**69**	**28 %**
of which: "in transit"	66 %	88 %	*25 %*	80 %	*20 %*
traumas and bruising	34 %	12 %	*-65 %*	20 %	*58 %*

The increase in the number of accidents in 2014 (which are largely "in transit", i.e. not in the workplace) can be considered statistically justified by the increase in the number of employees that took place with the mergers in mid-2013 and at the end of 2014. As part of the assessment of the risk of work-related stress (which BPER is currently carrying out), a comparison between corporate data on accidents with those of a substantial sample of the Italian banking system (held by an outside consultancy) is also in progress in order to obtain more precise and meaningful indicators to address the strategies aimed at reducing the number of accidents.
The Bank currently complies with INAIL statistics for the credit/insurance sector and ranks at the lowest level possible in terms of absolute hazard, frequency and severity of accidents.
As regards the **risk of robbery**, BPER has decided to use a new method of risk assessment, using an algorithm (implemented by an external company which already supplies large banking groups) that evaluates data indicative of the levels of threat and vulnerability such as average stock values, particular categories of workers present in the branches, operating methods and procedures, geographical location of the branch, anti-robbery training of workers, etc.
At the same time, the provision of technology to branches continues, aimed at reducing the presence of available cash as a means of deterring robberies (cash-in cash-out, integrated time lock, etc.).
Statistics for the number of robberies in the last four years are shown below. Note that in 2013 the increase in the number of robberies was partly due to the significant increase in the number of branches following BPER's absorption of BPLS, CARISPAQ and BPA in May. Similarly, in 2014, the slight increase can be considered statistically justified by the absorption of BCAM, BPMZ and BPRA on 24 November. Conversely, at a national level, the number of robberies suffered by banks fell by more than 40%. This figure has been taken seriously into consideration for new initiatives that will be undertaken in 2015 (together with the Safety and Security Functions), in order to fight this phenomenon with increasing zeal.

	Year						
	2011	2012		2013		2014	
Robberies	**7**	**6**	**-14 %**	**8**	**25 %**	**9**	**11 %**

The Bank has, for some time, activated a protocol of psychological assistance for cases of post-traumatic stress disorder, which could take place as a result of a criminal event. The protocol envisages an initial meeting with the Head of the Prevention and Protection Unit (PPU) at the branch that was robbed. During the meeting, the Head of the PPU reiterates that the Bank is willing to provide specialist psychological care for those who declare (on a voluntary basis) that they have suffered such a trauma. The second step is a meeting between the company doctor and the employee who has requested assistance, while the third and last step (if the meeting with the company doctor verifies the presence of a trauma) is the beginning of a path of recovery followed by a specialist (psychotherapist) under the supervision of the company doctor.

Emergency planning and management of the earthquake

During 2014, all of the Emergency Management Plans of the branches and BPER offices were completely reviewed. Starting from the merger in November 2014, the activity is continuing for the former Group banks and will be completed by the end of the first half of 2015.
Moreover, each year in all branches and in General Management buildings, evacuation drills are performed to train all workers to keep calm and to identify correct means of exit (recognising escape routes and opening emergency exits).

Health surveillance

Health surveillance has been pursued, in compliance with current law, through increasingly close collaboration between the Safety and Prevention Service and the Company Doctor. Health surveillance as required by law mainly extends to workers subject to frequent use of video display terminals and those who manually handle loads, who all receive **periodic checkups as a preventive measure.**In addition, there were specific medical visits for colleagues who work as chauffeurs and forklift truck drivers.
An activity called Work Sampling is currently near to completion to establish scientifically whether or not members of staff belong to the category of "video display workers". This activity (which is necessary to trigger the risk assessment by the employer) will give an updated photograph of the presence of video display workers in BPER throughout the country, which is essential for the planned reorganisation of health surveillance.

Training and information

During 2014, the Bank intensified its training activity and the provision of information to employees on safety matters aimed at eliminating information gaps.
A list of courses on safety at work is given below:

Course	Duration	Number of Participants	Hours
Update for RSPP (those in charge of the prevention and protection service)	8	1	8
Training courses for staff who handle the prevention and protection service (ASPP). Form A and Form B9	40	1	40
First Aid Staff	12	120	1,575
First Aid Staff: maintenance of certification	4	412	1,648
Update for RLS	8	23	184
Update for RLS - recovery for 2013	8	5	40
Health and safety at the Bank	8	301	2,408
Training for Prevention Executives (Classroom)	8	8	64
Training for Prevention Executives (Online course)	16	1	16
Training for Security Officers (State-Regions Agreement)	8	531	4,248
Fire-Fighting Training	8	175	1,400
Total in classroom		**1,577**	**11,631**

1.4 Technical/property management

As in past years, **improvements** were made during the year, both to the premises used by the public and to back offices.
These involved the renovation of branches and offices and the maintenance of buildings, installations and furnishings.
In particular, the branches in Castel di Sangro (head office), Sulmona (head office), Scanno and Rocca di Mezzo have been refurbished; the branches in Milan (head office), Rimini (head office) and S.Biagio have been transferred; a new branch has been opened in Vignola (branch no. 2).
In January 2014, the flood of the River Secchia damaged the Bastiglia and Bomporto branches and the latter has been completely redone.
Closures and the return of the premises of several branches and small branches have been completed.
Another important activity was the merger of the three banks BCAM, BPMZ and BPRA and the creation of 9 Territorial Divisions and 30 Territorial Areas.
As regards the offices of General Management and the Service Centre, work continued on the transfers needed to bring the various functions of the Bank into line with the current organisation chart.
Following the **earthquake** of 2012, which also hit our province, the Cavezzo and Concordia branches were transferred to temporary premises. Planning for the demolition and reconstruction of the Cavezzo building was carried out in 2014, as was the planning for the restructuring and seismic upgrading of the Concordia building.
Similar activities have been carried out on buildings in L'Aquila (head office) and Paganica, which were hit by the earthquake in 2009.
The property in Modena known as the "Auxiliary Centre" (which acts as the Bank's paper archive) has also been renovated, with compactable shelves for the filing of "sensitive" documents.
As part of the **"Cost Reduction Project"** foreseen in the 2012-2014 Business Plan, several lease contracts have been renegotiated to achieve substantial cost savings.
Approval was given to sell an apartment in Scanno (AQ) and the "Auxiliary Centre" of the former CRV in Vignola.
Lastly, it is worth stressing that all of the activities carried out during 2014 were planned and implemented seeking the best possible balance between the cost and quality of the interventions.

1.5 Environment

Investor relations

Against the difficult market conditions experienced over the past year, Investor Relations activities were designed to ensure complete, timely and transparent **disclosures to the market** of the results of the Bank and the banking Group, significant operating events, action taken as a consequence of regulatory changes and other aspects of interest to the financial community. Also significant is the activity that involves communicating with the rating agencies and providing their analysts with information.

In particular, the principal Investor Relations activities have included:

- conference calls following approval of the annual and interim results;

- participation by BPER management at international conferences, road shows and one-on-one meetings, which made it possible to present the Banking Group to over 350 institutional investors;
- periodic meetings with institutional investors and analysts who monitor BPER for their own independent research (currently BPER shares are actively followed by 14 analysts in Italian and foreign firms);
- continuous requests for information and clarification from analysts, investors and the Bank's own shareholders and customers.

The intense activity by management aimed at spreading awareness of BPER internationally led to an increase in the number of Italian and foreign institutional investors with shares in the Bank and helped to support the volume of trading in the shares on the stock market, increasing their liquidity.

Charitable donations

Numerous charitable donations have been made to scientific, welfare and solidarity initiatives. Of these, the donations that deserve particular mention are those to:

- The Sant'Agostino Estense Civil Hospital in Baggiovara (MO) - Internal Medicine and Gastroenterology Unit, Director Dr. Marcello Pradelli, for the purchase of a portable ultrasound machine, to be disbursed in two tranches (2014 and 2015);
- Modena Polyclinic - Integrated Department of General Surgery and Surgical Specialties - Urology Complex, Director Dr. Giampaolo Bianchi, for the purchase of a tracking system for prostate biopsies.

In 2014, a total of Euro 2,013 thousand was disbursed, of which Euro 947 thousand charged to the income statement, whereas Euro 1,066 thousand was paid out of the reserve for charitable donations and payments for the public benefit, including the amounts paid by the three banks that were merged in November 2014.
Use of this reserve is attributable for Euro 283 thousand to the former Banca Popolare di Ravenna s.p.a., for Euro 96 thousand to the former Banca della Campania s.p.a. and for Euro 229 thousand to the former Banca Popolare del Mezzogiorno s.p.a., while Euro 458 thousand relates directly to BPER.
Overall, these payments have been made with particular attention to the most diverse needs expressed in the territories where the banks operated during the year, with reference to schools, colleges, universities, sports associations, hospitals and health associations, cultural, artistic and tourist associations, ecclesiastical institutions and parishes, municipalities and local authorities, and more.

Activities performed for the benefit of employees

Welfare project

In 2013, we developed a **"Corporate Welfare Portal"**, to which all BPER employees have access.
The main **objective** was to allow employees to benefit from a welfare plan instead of taking their bonus in cash, leaving the choice up to the employee.
The portal was completed in 2014 with developments in the following areas: health, welfare, food and gift stamps, staff conditions, conventions, "a ribbon at work" (dedicated to mothers).

Also this year, the employees who opted to convert their variable remuneration into a welfare plan could:

- obtain a refund of the cost of school textbooks and enrolment for the crèche, nursery school, primary school, secondary school, university and post-graduate courses;
- buy complementary packages with respect to the basic health/dental insurance policy;
- make additional payments to the pension fund.

Equal Opportunities Project

The main objective of the Equal Opportunities Project, born in 2012, has been to activate and develop a process of recognition and appreciation of women in BPER, in order to create the right conditions for efficient management of the talents that we have available.

The cyclical training courses on leadership for managers have been revised with the introduction of gender issues to raise management's awareness of fairer assessment and allocation of talent.

The training offer made available to all employees has been expanded with courses on "Leadership Styles and Gender" and "Work-Life Balance: The Tyranny of the O, the Genius of the E".

Operating policies have been integrated with a targeted monitoring activity to follow progress on this project, the results of which are expected in the medium to long term.

In synergy with the "welfare" project, a portal has been created collecting the offer of services dedicated to work-life balance made available by the company and an area exclusively dedicated to motherhood.

Thanks to this service, the employees absent on maternity leave can be updated on the latest company news and read the Group's daily press review by connecting to a protected and dedicated website. All of the information needed to prepare in the best way possible for the return to work, as well as to join the team coaching path which has been tailored for new mothers.

Lastly, since 2014 BPER has been an ordinary member of Valore D, the first association of large corporations in Italy created to support the idea of female leadership in business.

BPER Infant Centre

In 2014 the **BPER Infant Centre** continued its activities, consisting of a nursery, which opened in 2008 and a kindergarten, which was inaugurated in 2009. The two structures work together to maximise the wellbeing of their little guests.

The teaching and educational side of the project is decided in close collaboration with the families concerned.

The structure consists of spacious and bright rooms, with play areas and "soft" furnishings designed specifically for children's safety in the nursery, whereas the kindergarten has separate environments equipped for independence, exploration and research.

The Centre is surrounded by a large garden where the children can play, explore and be involved in outdoor physical activities.

Protection and management of the environment

Staff awareness has been raised, through the issuance of Circulars and Disclosures, with regard to the even more specific **differentiated collection** of waste products in company premises, thereby pro-actively and effectively contributing to their correct disposal in accordance with the law while protecting the environment.

Particular efforts and resources continue to be applied to environmental issues with a view to making **energy savings**, making more and more plant and structural adjustments to improve the energy class of company buildings.

2. RESULTS OF BANKING ACTIVITIES

2.1 Introduction

With the country still in an extremely weak economic situation for the whole of last year, continuing an endless recession, the Bank posted a net profit of more than Euro 15 million, which, considering the circumstances, is very positive.

This result is even more satisfying when considered in light of some significant extraordinary expenses that impacted during the year, especially in the last quarter.

The year-end result (compared with pro-forma figures at 31 December 2013 that take into account the three Group banks that were absorbed by BPER during the year) can be summarised as follows:

- **net interest income** (Euro 933.2 million) is showing a slight increase of Euro 3.8 million (+0.41%) thanks to the spread, whereas net commission income (Euro 514.9 million) is down by Euro 4.5 million (-0.87%);
- the **result from financial activities** including dividends (Euro 151.8 million) is in line with the prior year (+0.99%); the result has benefited from the receipt of dividends for Euro 46.6 million and proceeds from securities trading, while the negative impact came primarily from the loss on sale of a portfolio of mortgage loans (Euro 29 million) and the negative effect of fair value option (Euro 19.7 million);
- **total net adjustments** (Euro 673.6 million) have declined by Euro 37.4 million (-5.26%): **net adjustments to cash loans** are substantially unchanged (626.5 million; +0.12%) with a coverage of doubtful loans of 41.90% (+376 bps), while adjustments to assets available for sale (AFS) amounted to Euro 40.1 million, particularly as a result of the impairment on the Release s.p.a. security (Euro 32 million);
- **operating costs**, net of other operating income, (Euro 890.2 million) increased compared with 31 December 2013 (+7.12%): in detail, personnel expenses rose by 2.1 million, other administrative expenses increased by Euro 18.3 million (due to a hefty increase in indirect taxes), while other income decreased significantly (- Euro 25.5 million), mainly due to preliminary investigation fees, down by Euro 13.8 million;
- the **net operating result**, which is positive for Euro 36.2 million, has to be added to the non-operating loss of Euro 7.5 million stemming primarily from impairment adjustments to equity investments;
- the pre-tax result for the year comes to Euro 28.7 million; taxes have a negative effect on the result for Euro 13.2 million, resulting in a **net profit for the year** of Euro 15.4 million, an increase of 11.72% compared with the 2013 result, recalculated on a pro-forma basis (Euro 13.8 million).

In terms of the balance sheet, the results at 31 December 2014 can be summarised as follows:

- **direct deposits** of Euro 34,347.7 million (-2.48%);
- **indirect deposits** of Euro 25,229.9 million (+7.99%);
- **net loans to customers** of Euro 34,276.9 million (-4.90%), with an impact on net non-performing loans (Euro 1,814.8 million) of 5.29%; the level of coverage comes to 8.88%, an increase of nearly 155 bps;

- **shareholders' equity**, including the net profit for the year, amounts to Euro 4,635.6 million (+20.46%), as a result of the increase in capital of Euro 750 million concluded in July.

2.2 Balance sheet aggregates

The following are BPER's balance sheet figures compared with those of the pro-forma 2013 financial statements (unless stated otherwise), taking into account the mergers of Banca Popolare di Ravenna s.p.a. (BPRA), Banca della Campania s.p.a. (BCAM) and Banca Popolare del Mezzogiorno s.p.a. (BPMZ), on 24 November 2014, with effect for tax and accounting purposes from 1 January 2014.

Attached to this report are the reconciliations showing how these pro-forma figures were reached. Note that they have not been audited by PricewaterhouseCoopers s.p.a., the independent auditors.

ASSETS

(in thousands of Euro)

	Assets	31.12.2014	31.12.2013 Pro-forma	Change	% change
10.	Cash and cash equivalents	306,329	340,095	(33,766)	-9.93
20.	Financial assets held for trading	1,035,358	1,100,227	(64,869)	-5.90
30.	Financial assets designated at fair value through profit and loss	62,756	83,599	(20,843)	-24.93
40.	Financial assets available for sale	5,499,413	5,276,333	223,080	4.23
50.	Financial assets held to maturity	2,213,497	1,207,868	1,005,629	83.26
60.	Due from banks	1,743,446	1,735,695	7,751	0.45
70.	Loans to customers	34,276,875	36,042,786	(1,765,911)	-4.90
80.	Hedging derivatives	33,660	1,896	31,764	--
100.	Equity investments	1,379,467	1,360,601	18,866	1.39
110.	Property, plant and equipment	453,707	468,272	(14,565)	-3.11
120.	Intangible assets	300,240	300,638	(398)	-0.13
	of which: goodwill	280,236	280,236	-	-
130.	Tax assets:	1,096,913	947,179	149,734	15.81
	a) current	160,794	121,566	39,228	32.27
	b) deferred	936,119	825,613	110,506	13.38
	b1) of which L. 214/2011	818,508	722,024	96,484	13.36
140.	Non-current assets and disposal groups held for sale	2,817	2,817	-	-
150.	Other assets	757,843	781,819	(23,976)	-3.07
	Total assets	**49,162,321**	**49,649,825**	**(487,504)**	**-0.98**

LOANS TO CUSTOMERS

(in thousands of Euro)

Loans to customers	31.12.2014	31.12.2013 Pro-forma	% change	Composition % 31.12.2014	Composition % 31.12.2013
Performing loans to customers	**29,545,742**	**31,503,457**	**-6.21**	**86.20**	**87.41**
Current accounts	4,463,168	5,406,378	-17.45	13.02	15.00
Repurchase agreements	253,231	53,533	373.04	0.74	0.15
Mortgage loans	17,108,523	17,568,119	-2.62	49.91	48.74
Credit cards, personal loans and assignments of one-fifth of salary	680,699	697,221	-2.37	1.99	1.93
Other transactions	7,040,121	7,778,206	-9.49	20.54	21.59
Assets represented by securities	**295,924**	**173,940**	**70.13**	**0.86**	**0.48**
Non-performing loans	**4,435,209**	**4,365,389**	**1.60**	**12.94**	**12.11**
Total loans to customers	**34,276,875**	**36,042,786**	**-4.90**	**100.00**	**100.00**

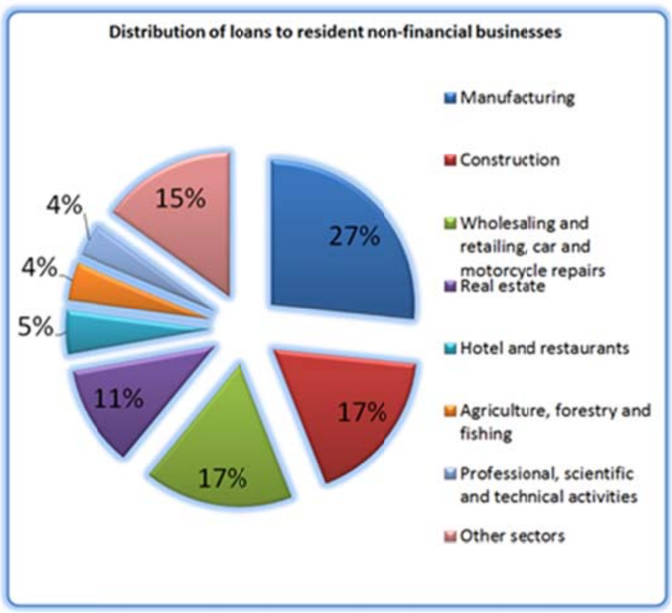
Net loans to customers at 31 December 2014 amount to Euro 34,276.9 million, a decrease of Euro 1,765.9 million (-4.90%) compared with the pro-forma figure at the end of 2013. These represent 69.72% of total assets and are stated net of write-downs for potential losses of Euro 3,341.9 million (Euro 2,851.6 million at 31 December 2013), an increase of 17.19%. The provision includes a specific provision of Euro 3,198.2 million determined on a detailed analytical basis with respect to doubtful loans, as well as a general provision of Euro 143.8 million against performing loans.

Assets represented by securities, which are a minimal component of total loans and advances (0.86%), amount to Euro 295.9 million, higher than at 31 December 2013 (+70.13%). As regards the main types of loans, there has been a decline in both the mortgage loans (Euro 459.6 million, -2.62%) and current accounts, a decrease of Euro 943.2 million (-17.45%). On an average liquid basis, loans come to Euro 36,619.9 million, down on the end of last year (-3.05%).

The table and chart below show the amount of loans to resident non-financial companies at the end of the year, broken down by industry according to the Bank of Italy ATECO classification of debtors, which shows that more than 40% of disbursements were granted to manufacturing companies (15.71%), construction companies (10.31%), in activities related to the wholesaling and retailing of cars and motorcycles (9.93%) and real estate companies (6.66%). The same sectors recorded the main declines in absolute terms, particularly with regard to construction companies (- Euro 569.6 million), manufacturing companies (- Euro 379.9 million) and activities related to wholesale and retail commerce (- Euro 324.1 million).

(in thousands of Euro)

Distribution of loans to resident non-financial businesses	31.12.2014	31.12.2013 Pro-forma	%	% change 12.14/12.13
A. Agriculture, forestry and fishing	860,625	830,014	2.51	3.69
B. Mining and quarrying	48,016	56,905	0.14	-15.62
C. Manufacturing	5,383,284	5,763,147	15.71	-6.59
D. Provision of electricity, gas, steam and air-conditioning	549,988	579,406	1.60	-5.08
E. Provision of water, sewerage, waste management and rehabilitation	216,400	262,564	0.63	-17.58
F. Construction	3,535,025	4,104,670	10.31	-13.88
G. Wholesaling and retailing, car and motorcycle repairs	3,402,926	3,727,020	9.93	-8.70
H. Transport and storage	673,939	751,757	1.97	-10.35
I. Hotel and restaurants	995,784	1,058,856	2.91	-5.96
J. Information and communication	296,233	344,833	0.86	-14.09
K. Finance and insurance	213,034	416,230	0.62	-48.82
L. Real estate	2,281,811	2,488,492	6.66	-8.31
M. Professional, scientific and technical activities	735,223	798,590	2.14	-7.93
N. Rentals, travel agencies, business support services	422,215	445,183	1.23	-5.16
O. Public administration and defence, compulsory social security	9,162	4,483	0.03	104.37
P. Education	20,362	22,574	0.06	-9.80
Q. Health and welfare	309,725	320,392	0.90	-3.33
R. Arts, sport and entertainment	139,961	151,432	0.41	-7.58
S. Other services	140,653	155,565	0.41	-9.59
Total loans to resident non-financial businesses	**20,234,366**	**22,282,113**	**59.03**	**-9.19**
Loans to non-resident, non-financial businesses	92,601	97,679	0.27	-5.20
Total loans to non-financial businesses	**20,326,967**	**22,379,792**	**59.30**	**-9.17**
Individuals and other not included above	7,389,172	7,440,218	21.55	-0.69
Financial businesses	4,548,805	4,380,433	13.27	3.84
Securities	296,812	174,806	0.87	69.80
Governments and other public entities	1,705,880	1,659,514	4.98	2.79
Insurance companies	9,239	8,023	0.03	15.16
Total loans	**34,276,875**	**36,042,786**	**100.00**	**-4.90**



(in thousands of Euro)

Loans to customers		31.12.2014	31.12.2013 Pro-forma	Change %
Doubtful loans	Gross exposure	7,633,373	7,057,176	8.16
	Adjustments	*3,198,164*	*2,691,787*	*18.81*
	Net exposure	**4,435,209**	**4,365,389**	**1.60**
- Non-performing loans	Gross exposure	4,387,776	3,753,902	16.89
	Adjustments	*2,572,955*	*2,096,762*	*22.71*
	Net exposure	**1,814,821**	**1,657,140**	**9.52**
- Watchlist loans	Gross exposure	2,517,949	2,637,285	-4.52
	Adjustments	*522,116*	*515,345*	*1.31*
	Net exposure	**1,995,833**	**2,121,940**	**-5.94**
- Restructured loans	Gross exposure	588,958	454,243	29.66
	Adjustments	*90,644*	*64,774*	*39.94*
	Net exposure	**498,314**	**389,469**	**27.95**
- Past due loans	Gross exposure	138,690	211,746	-34.50
	Adjustments	*12,449*	*14,906*	*-16.48*
	Net exposure	**126,241**	**196,840**	**-35.87**
Performing loans	Gross exposure	29,985,420	31,837,235	-5.82
	Adjustments	*143,754*	*159,838*	*-10.06*
	Net exposure	**29,841,666**	**31,677,397**	**-5.80**
Total loans to customers	Gross exposure	37,618,793	38,894,411	-3.28
	Adjustments	*3,341,918*	*2,851,625*	*17.19*
	Net exposure	**34,276,875**	**36,042,786**	**-4.90**

(in percentage)

Indicators of Asset Quality	31.12.2014	31.12.2013 Pro-forma
Gross doubtful loans/Gross lending	20.29	18.14
Net doubtful loans/Net lending	12.94	12.11
Gross non-performing loans/Gross lending	11.66	9.65
Net non-performing loans/Net lending	5.29	4.60
Gross watchlist loans/Gross lending	6.69	6.78
Net watchlist loans/Net lending	5.82	5.89
Gross restructured loans/Gross lending	1.57	1.17
Net restructured loans/Net lending	1.45	1.08
Coverage of non-performing loans	58.64	55.86
Coverage of watchlist loans	20.74	19.54
Coverage of restructured loans	15.39	14.26
Coverage of past due loans	8.98	7.04
Coverage of doubtful loans	41.90	38.14
Coverage of loans to customers	8.88	7.33

Doubtful loans (non-performing, watchlist, restructured and past due by more than 90 days), net of specific adjustments, total Euro 4,435.2 million, up by 1.60% since 31 December 2013.

Doubtful loans represent 12.94% of total loans to customers (12.11% at the end of 2013). The coverage ratio has increased by almost 376 bps. The related write-downs, up by 18.81% to Euro 3,198.2 million (Euro 2,691.8 million at the end of 2013) represent 41.90% of the gross amount of these loans of Euro 7,633.4 million (+8.16%).

Non-performing loans, gross of write-downs, amount to Euro 4,387.8 million (+16.89%). These represent 11.66% of loans before write-downs (9.65% at 31 December 2013). Net of write-downs

(Euro 2,573 million), they total Euro 1,814.8 million, or 5.29% of total net lending (4.60% at 31 December 2013). The level of coverage has risen by 278 bps.

Taking into account the direct write-downs made to non-performing loans, on outstanding positions, of Euro 893.1 million, giving overall claims of Euro 5,280.9 million, the level of coverage comes to 65.63%.

Watchlist loans, gross of write-downs, are Euro 2,517.9 million, down by 4.52% (Euro 2,637.3 million at the end of 2013). These represent 6.69% of loans before write-downs (6.78% at 31 December 2013). Net of write-downs (Euro 522.1 million) they amount to Euro 1,995.8 million (- 5.94% since the end of 2013).

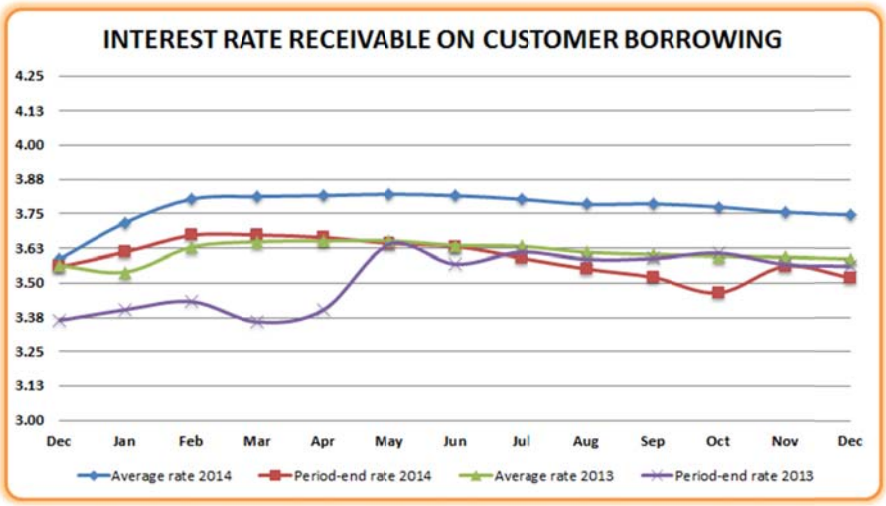
Restructured loans, gross of write-downs, are Euro 589 million, up by 29.66% (Euro 454.2 million at the end of 2013). These represent 1.57% of loans before write-downs (1.17% at 31 December 2013). Net of write-downs (Euro 90.6 million) they amount to Euro 498.3 million (+27.95% since the end of 2013).

The allowance for performing loans, Euro 143.8 million, represents 0.48% of the gross amount of performing loans (0.50% at the end of the previous year).

The losses and provisions made to the allowance for doubtful accounts resulted in a cost of credit of 183 bps, on 174 bps recorded at the end of last year.

INTEREST INCOME

Lending rates were stable during the early months of the year, with a decline in the second half of the year, which was partially recovered in the later months.
The average interest rate for the year on loans to customers amounted to 3.34%, a decrease of about 10 bps compared with the previous year's average rate.
The total remuneration of interest-bearing assets came to 3.09%, a decrease of about 22 bps on the figure reported in 2013.



FINANCIAL ASSETS AND EQUITY INVESTMENTS

(in thousands of Euro)

Captions	31.12.2014	31.12.2013 Pro-forma	Change	% change
20. Financial assets held for trading	1,035,358	1,100,227	(64,869)	-5.90
- of which: derivatives	*251,982*	*197,331*	*54,651*	*27.70*
30. Financial assets designated at fair value through profit and loss	62,756	83,599	(20,843)	-24.93
40. Financial assets available for sale	5,499,413	5,276,333	223,080	4.23
50. Financial assets held to maturity	2,213,497	1,207,868	1,005,629	83.26
Total financial assets	**8,811,024**	**7,668,027**	**1,142,997**	**14.91**

Total financial assets, Euro 8,811 million, are 14.91% higher than at the end of 2013. The increase relates in particular to the items "*Financial assets available for sale*" (Euro 223.1 million) and "*Financial assets held to maturity*" (Euro 1,005.6 million) and is mainly represented by purchases of government debt securities.
The shares held in the banking book amount to Euro 374.9 million (-4.96%) and represent 4.26% of financial assets. These mainly consist of stable equity investments classified as "*Financial assets available for sale*". This decline is represented in particular by write-downs as a result of impairment testing for a total of Euro 40.1 million, of which Euro 32 million relates to the Release s.p.a. security, taking an extremely conservative approach to the valuation of financial assets.
"*Financial assets held for trading*" include financial derivatives of Euro 252 million (+27.70%) made up of Euro 55.4 million (-41.29%) of derivatives linked to debt securities classified in "*Financial liabilities designated at fair value through profit and loss*" (fair value option) and forward

transactions in foreign currencies (traded with customers and/or used in managing the foreign exchange position), interest rate and foreign exchange derivatives intermediated with customers, derivatives related to securitisations and other operational hedging derivatives. At 31 December 2014 the Bank has not entered into any of the "long-term structured repo transactions" mentioned in the document issued jointly by the Bank of Italy, CONSOB and IVASS on 8 March 2013.

(in thousands of Euro)

Captions	31.12.2014	31.12.2013 Pro-forma	Change	% change
Equity investments	1,379,467	1,360,601	18,866	1.39

"Equity investments", which comprise holdings in banks, subsidiaries and companies over which the Bank has significant influence, amount to Euro 1,379.5 million, up on 31 December 2013 (+1.39%).
The main increases relate to changes in: the purchase of additional shares of Emil-ro Factor s.p.a. (Euro 13.7 million), the increase in the investment in Sardaleasing s.p.a. due to the merger with ABF Leasing s.p.a. (Euro 7.8 million) and in Melior Valorizzazioni Immobili s.r.l. (Euro 3.9 million) for the waiver of a claim, in addition to the purchase by private shareholders of savings shares of Banco di Sardegna s.p.a. (Euro 0.7 million) and shares of Banca di Sassari s.p.a. for Euro 0.1 million.
Decreases worth mentioning are the impairment of the investments in Banca della Nuova Terra s.p.a. (Euro 3.2 million), Melior Valorizzazioni Immobili s.r.l. (Euro 3.9 million), BPER Trust Company s.p.a. (Euro 0.3 million) and Polo Campania s.r.l. (Euro 0.1 million) as a result of impairment tests.

INTERBANK POSITION

(in thousands of Euro)

Net interbank position	31.12.2014	31.12.2013 Pro-forma	Change	% change
Due from banks	1,743,446	1,735,695	7,751	0.45
Due to banks	8,294,902	8,713,952	(419,050)	-4.81
Net interbank position	**(6,551,456)**	**(6,978,257)**	**426,801**	**-6.12**

Funding from banks, Euro 6,551.5 million greater than amounts due from banks, includes centralised management of the liquidity of Group banks; funds are managed in a cautious and dynamic manner, paying particular attention to the overall liquidity ratio, which is managed at Group level. In addition, there are the important refinancing operations carried out with the European Central Bank for Euro 3,250 million, of which Euro 1,250 million (LTRO) maturing in February 2015 and Euro 2,000 million (T-LTRO) maturing in September 2018.

LIABILITIES AND SHAREHOLDERS' EQUITY

(in thousands of Euro)

Liabilities and shareholders' equity	31.12.2014	31.12.2013 Pro-forma	Change	% change
10. Due to banks	8,294,902	8,713,952	(419,050)	-4.81
20. Due to customers	24,272,938	24,323,158	(50,220)	-0.21
30. Debt securities in issue	8,374,185	7,935,511	438,674	5.53
40. Financial liabilities held for trading	247,604	211,945	35,659	16.82
50. Financial liabilities designated at fair value through profit and loss	1,700,614	2,962,108	(1,261,494)	-42.59
60. Hedging derivatives	9,114	35,793	(26,679)	-74.54
80. Tax liabilities:	72,893	54,852	18,041	32.89
a) current	-	6,361	(6,361)	-100.00
b) deferred	72,893	48,491	24,402	50.32
100. Other liabilities	1,132,669	1,196,645	(63,976)	-5.35
110. Provision for termination indemnities	135,589	126,866	8,723	6.88
120. Provisions for risks and charges:	286,205	240,603	45,602	18.95
a) pensions and similar commitments	144,607	120,474	24,133	20.03
b) other provisions	141,598	120,129	21,469	17.87
130. Valuation reserves	66,500	29,695	36,805	123.94
160. Reserves	2,186,914	2,173,780	13,134	0.60
170. Share premium reserve	930,077	631,985	298,092	47.17
180. Share capital	1,443,925	1,006,374	437,551	43.48
190. Treasury shares	(7,257)	(7,270)	13	-0.18
200. Net profit (loss)	15,449	13,828	1,621	11.72
Total liabilities and shareholders' equity	**49,162,321**	**49,649,825**	**(487,504)**	**-0.98**

BORROWING

(in thousands of Euro)

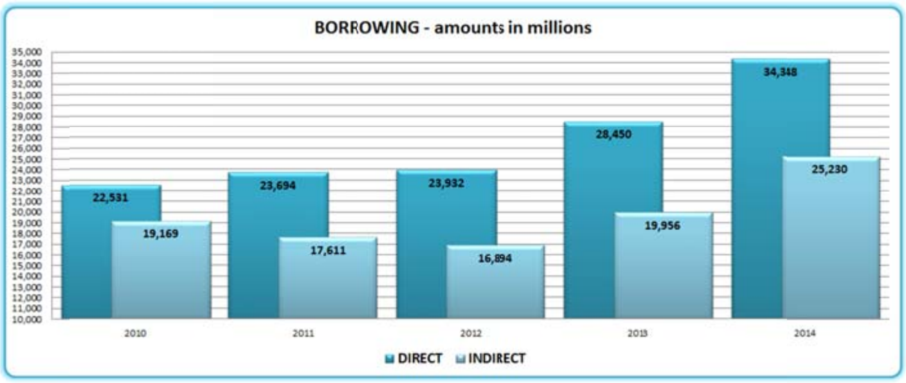
Analysis of funds under administration, as reported in the financial statements	31.12.2014	31.12.2013 Pro-forma	Change	% change
Due to customers	24,272,938	24,323,158	(50,220)	-0.21
Debt securities in issue	8,374,185	7,935,511	438,674	5.53
Financial liabilities designated at fair value through profit and loss - debt securities	1,700,614	2,962,108	(1,261,494)	-42.59
Indirect deposits	25,229,874	23,364,075	1,865,799	7.99
Total customer funds under administration	**59,577,611**	**58,584,852**	**992,759**	**1.69**
Due to banks	8,294,902	8,713,952	(419,050)	-4.81
Grand total	**67,872,513**	**67,298,804**	**573,709**	**0.85**

At 31 December 2014, the total amount of funds under administration or management, including interbank deposits, was Euro 67,872.5 million, around Euro 573.7 million higher than the figures at 31 December 2013 (+0.85%).

The portion relating to customers amounts to Euro 59,577.6 million and increases compared with the previous year (+1.69%), whereas there has been a decrease in bank borrowing (-4.81%).

The historical data shown in the graph have not restated been pro-forma, so we would point out the following to show the changes more clearly:

- for 2010-2011 they do not include the contributions of Meliorbanca s.p.a., absorbed in 2012, which at 1 January 2012 had direct deposits of Euro 343 million and indirect deposits of Euro 50.2 million;
- for 2010-2012 they do not include the contributions of Banca popolare di Aprilia s.p.a., Banca Popolare di Lanciano e Sulmona s.p.a. and CARISPAQ - Cassa di Risparmio della provincia dell'Aquila s.p.a., absorbed in 2013, which at 1 January 2013 amounted respectively to Euro 627 million, Euro 2,787.9 million and Euro 3,643.3 million of direct deposits and Euro 210.1 million, Euro 451.2 million and Euro 768.9 million of indirect deposits;
- for 2010-2013 they do not include the contributions of Banca Popolare di Ravenna s.p.a., Banca della Campania s.p.a. and Banca Popolare del Mezzogiorno s.p.a., absorbed in 2014, which at 1 January 2014 amounted respectively to Euro 1,988.3 million, Euro 3,773 million and Euro 3,161.1 million of direct deposits and Euro 1,193.2 million, Euro 1,199 million and Euro 1,015.7 million of indirect deposits.



(in thousands of Euro)

Direct deposits	31.12.2014	31.12.2013 Pro-forma	Change %	Composition %	
				31.12.2014	31.12.2013
Due to customers	**24,272,938**	**24,323,158**	**-0.21**	**70.67**	**69.06**
Current accounts and demand deposits	19,506,241	18,598,185	4.88	56.79	52.80
Restricted deposits	2,518,725	3,298,867	-23.65	7.33	9.37
Loans obtained	1,714,053	1,566,918	9.39	4.99	4.45
Repurchase agreements	36,565	252,698	-85.53	0.11	0.72
Other payables	497,354	606,490	-17.99	1.45	1.72
Debt securities in issue	**10,074,799**	**10,897,619**	**-7.55**	**29.33**	**30.94**
Certificates of deposit	3,385,339	2,733,335	23.85	9.86	7.76
Bonds	5,419,461	6,702,665	-19.14	15.77	19.03
Subordinated loans	1,269,999	1,461,619	-13.11	3.70	4.15
Total direct borrowing	**34,347,737**	**35,220,777**	**-2.48**	**100.00**	**100.00**

At the period end, total fiduciary deposits and other forms of funding amount to Euro 34,347.7 million, a decrease of Euro 873 million (-2.48%) compared with 31 December 2013.
In terms of the amounts due to customers, there has been an increase in current accounts and demand deposits (+ Euro 908.1 thousand), while other forms of deposits, including repurchase agreements (- Euro 216.1 million) and restricted deposits (- Euro 780.1 million, -23.65%) decreased.

Debt securities in issue include certificates of deposit which are up on the end of last year (+23.85%), while there has been a decline in medium-term funding, both as regards ordinary bonds (- Euro 1,283.2 million) and the subordinated component (a decrease of Euro 191.6 million).

Outstanding loans with a subordination clause, for a carrying value of Euro 1,270 million, are down by Euro 191.6 million, mainly due to repayment of the BPER 2.75% 2001-2013 loan to Fondazione Banco di Sardegna (nominal value of Euro 31.2 million), as well as repayments according to the amortisation plan of other loans.
These loans have a nominal value of Euro 1,030.9 million, of which:

- Euro 230.3 million has been placed on the Euromarket and is still outstanding as part of the Euro Medium Term Note programme of Euro 6 billion;
- Euro 738 million relates to bonds placed with customers;
- Euro 62.6 million relates to bonds taken up by Fondazione Banco di Sardegna (Euro 30.6 million), Fondazione Banca CRV (Euro 5 million), Fondazione Siniscalco Ceci - Banca del Monte di Foggia (Euro 10.8 million), Fondazione Cassa di Risparmio di Bra (Euro 11.9 million) and Fondazione Cassa di Risparmio dell'Aquila (Euro 4.3 million).

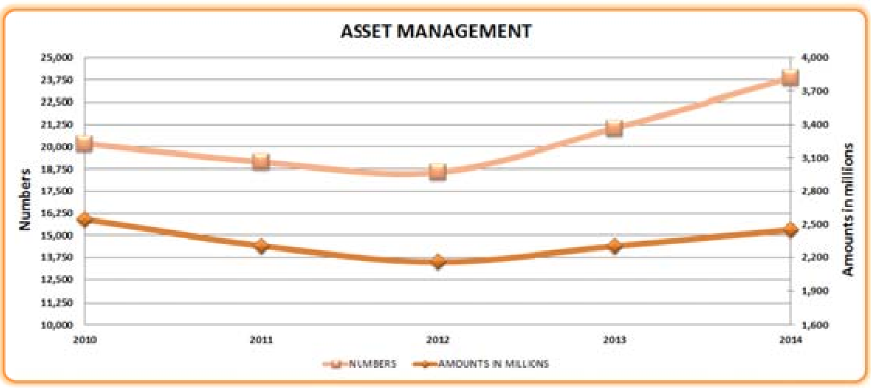
There are no convertible subordinated loans outstanding at 31 December 2014.

On an average liquid basis, customer deposits amount to Euro 33,967.6 million: it is lower (-1.76%) than the average liquid stock in the previous year (Euro 34,576.3 million).

(in thousands of Euro)

Indirect deposits	31.12.2014	31.12.2013 Pro-forma	Change	% change
Assets under management	**2,481,866**	**2,506,159**	**(24,293)**	**-0.97**
- of which: in funds and Sicavs	*649,719*	*619,042*	*30,677*	*4.96*
Assets under administration	**22,748,008**	**20,857,916**	**1,890,092**	**9.06**
- of which: in funds and Sicavs	*8,575,325*	*7,299,098*	*1,276,227*	*17.48*
Total indirect deposits	**25,229,874**	**23,364,075**	**1,865,799**	**7.99**
of which: overall management	11,057,191	9,805,257	1,251,934	12.77
administered	14,172,683	13,558,818	613,865	4.53

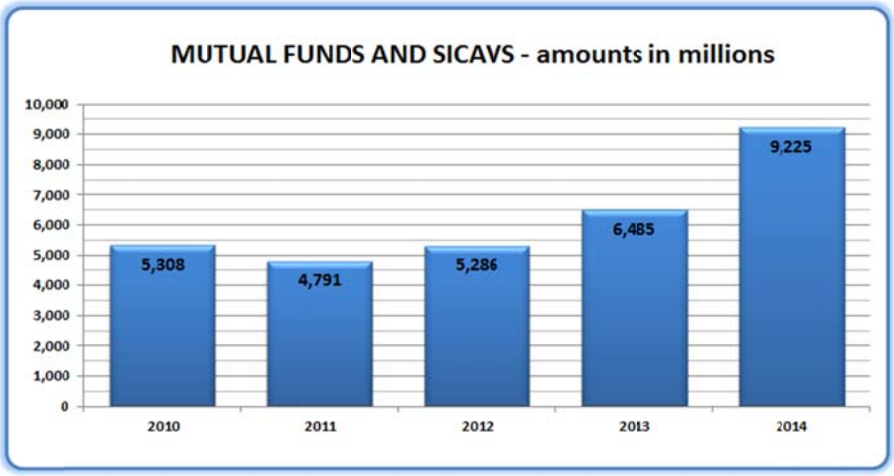
Indirect deposits, comprising securities held for administration and assets under management, at 31 December 2014 total Euro 25,229.9 million, with a rise of 7.99%; assets under management come to Euro 2,481.9, slightly down on the previous year (-0.97%), while assets under administration amount to Euro 22,748 million (+9.06%). The nominal value of securities corresponds to a total of Euro 19,420.6 million, virtually unchanged from the previous year (+0.34%).



Mutual funds and SICAVs under administration total Euro 8,575.3 million (+17.48%), while those under management amount to Euro 649.7 million (+4.96%); the grand total is Euro 9,225 million (+16.51%). Of these, the majority is represented by units in the funds run by ARCA SGR, as well as units in BPER International SICAV, for a total of Euro 6,575 million.
The historical figures shown in the following chart have not been restated on a pro-forma basis, so:

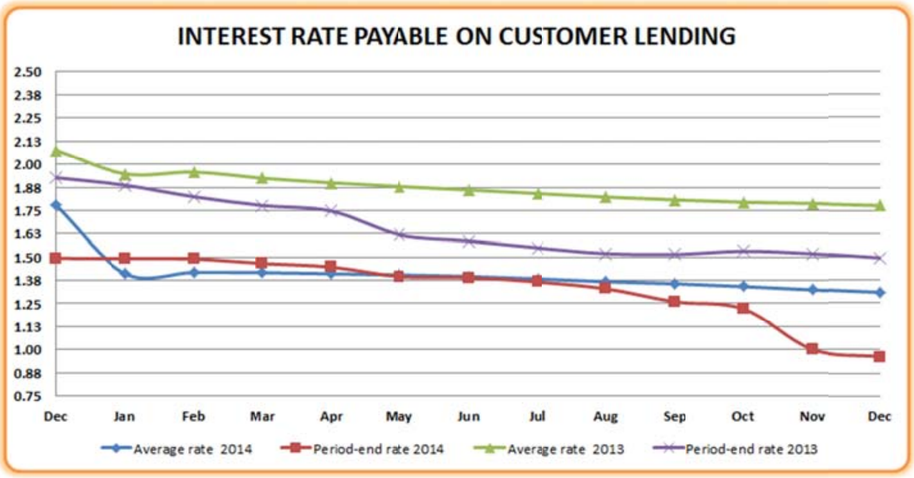
- for 2010-2011 they do not include the contributions of Meliorbanca s.p.a., absorbed in 2012, which at 1 January 2012 had an amount of Euro 13.9 million;
- for 2010-2012 they do not include the contributions of Banca Popolare di Aprilia s.p.a., Banca Popolare di Lanciano e Sulmona s.p.a. and CARISPAQ - Cassa di risparmio della provincia dell'Aquila s.p.a., absorbed in 2013, which at 1 January 2013 amounted respectively to Euro 104.3 million, Euro 127.7 million and Euro 311.1 million;
- for 2010-2013 they do not include the contributions of Banca Popolare di Ravenna s.p.a., Banca della Campania s.p.a. and Banca Popolare del Mezzogiorno s.p.a., absorbed in 2014, which at 1 January 2014 amounted respectively to Euro 486.9 million, Euro 433.7 million and Euro 512.3 million.

The total amount under management therefore comes to Euro 11,057.2 million.



BORROWING RATES

The average cost of borrowing from the Bank's customers was 1.3%, which is down on 2013 (1.58%), a decrease of around 28 basis points. The average cost of all "interest-bearing liabilities" also shows a decrease of around 24 bps compared with last year. The chart shows a downward trend for the year, mainly concentrated in the second half of the year.



BANCASSURANCE

(in thousands of Euro)

Bancassurance	31.12.2014	31.12.2013 Pro-forma	Change	% change
Insurance policy portfolio	**2,411,341**	**1,979,879**	**431,462**	**21.79**
- of which: life sector	*2,353,600*	*1,922,467*	*431,133*	*22.43*
- of which: non-life sector	*57,741*	*57,412*	*329*	*0.57*

The placement of insurance policies, which are not included in indirect deposits, showed an increase in the life sector (+22.43%), while the non-life sector has remained more or less unchanged on last year (+0.57%).

The portfolio of premiums paid by customers amounts to Euro 2,411.3 million at the end of the year (+21.79% on 31 December 2013). A total of 25,988 life policies were written during the year, involving premiums of Euro 575.7 million, and 43,587 non-life policies were written with premiums of Euro 13.9 million. These policies were issued by Arca Vita s.p.a. and Arca Assicurazioni s.p.a.

2.3 Income statement aggregates

The following are the income statement figures of BPER compared with the pro-forma results at 31 December 2013, taking into account the merger of Banca Popolare di Ravenna s.p.a., Banca della Campania s.p.a. and Banca Popolare del Mezzogiorno s.p.a. on 24 November 2014, with effect from 1 January 2014 for tax and accounting purposes. These figures have not been audited by PricewaterhouseCoopers s.p.a., the independent auditors.

Attached to this report are the reconciliations showing how these pro-forma figures were reached. Note that they have not been audited by PricewaterhouseCoopers s.p.a., the independent auditors.

(in thousands of Euro)

	Captions	31.12.2014	31.12.2013 Pro-forma	Change	% change
10.	Interest and similar income	1,462,141	1,588,500	(126,359)	-7.95
20.	Interest and similar expense	(528,902)	(659,076)	130,174	-19.75
30.	**Net interest income**	**933,239**	**929,424**	**3,815**	**0.41**
40.	Commission income	555,254	565,537	(10,283)	-1.82
50.	Commission expense	(40,328)	(46,114)	5,786	-12.55
60.	**Net commission income**	**514,926**	**519,423**	**(4,497)**	**-0.87**
70.	Dividends and similar income	46,627	48,793	(2,166)	-4.44
80.	Net trading income	15,741	44,323	(28,582)	-64.49
90.	Net hedging gains (losses)	895	(172)	1,067	-620.35
100.	Gains (losses) on disposal or repurchase of:	104,965	136,847	(31,882)	-23.30
	a) loans	(29,862)	(87)	(29,775)	--
	b) financial assets available for sale	134,956	132,813	2,143	1.61
	d) financial liabilities	(129)	4,121	(4,250)	-103.13
110.	Net results on financial assets and liabilities designated at fair value	(16,468)	(79,519)	63,051	-79.29
120.	**Net interest and other banking income**	**1,599,925**	**1,599,119**	**806**	**0.05**
130.	Net impairment adjustments to:	(673,577)	(710,992)	37,415	-5.26
	a) loans	(626,531)	(625,804)	(727)	0.12
	b) financial assets available for sale	(40,138)	(56,454)	16,316	-28.90
	d) other financial assets	(6,908)	(28,734)	21,826	-75.96
140.	**Net profit from financial activities**	**926,348**	**888,127**	**38,221**	**4.30**
150.	Administrative costs:	(965,984)	(945,538)	(20,446)	2.16
	a) payroll costs	(507,779)	(505,666)	(2,113)	0.42
	b) other administrative costs	(458,205)	(439,872)	(18,333)	4.17
160.	Net provisions for risks and charges	(30,911)	(18,548)	(12,363)	66.65
170.	Net adjustments to property, plant and equipment	(25,258)	(24,632)	(626)	2.54
180.	Net adjustments to intangible assets	(2,235)	(2,014)	(221)	10.97
190.	Other operating charges/income	134,225	159,711	(25,486)	-15.96
200.	**Operating costs**	**(890,163)**	**(831,021)**	**(59,142)**	**7.12**
210.	Profit (loss) from equity investments	(7,487)	(11,514)	4,027	-34.97
240.	Gains (losses) on disposal of investments	(32)	76	(108)	-142.11
250.	**Profit (loss) from current operations before tax**	**28,666**	**45,668**	**(17,002)**	**-37.23**
260.	Income taxes on current operations	(13,217)	(31,840)	18,623	-58.49
270.	**Profit (loss) from current operations after tax**	**15,449**	**13,828**	**1,621**	**11.72**
290.	**Net profit (loss) for the period**	**15,449**	**13,828**	**1,621**	**11.72**

Income statement by quarter for the year ended 31 December 2014

Captions	1st quarter 2014	2nd quarter 2014	3rd quarter 2014	4th quarter 2014	31.12.2014	1st quarter 2013	2nd quarter 2013	3rd quarter 2013	4th quarter 2013	31.12.2013 Pro-forma
10. Interest and similar income	379,586	373,497	359,382	349,676	1,462,141	406,497	400,924	393,775	387,304	1,588,500
20. Interest and similar expense	(141,910)	(137,924)	(129,983)	(119,085)	(528,902)	(183,107)	(166,813)	(155,889)	(153,267)	(659,076)
30. Net interest income	**237,676**	**235,573**	**229,399**	**230,591**	**933,239**	**223,390**	**234,111**	**237,886**	**234,037**	**929,424**
40. Commission income	138,907	140,821	135,884	139,642	555,254	139,737	142,059	138,897	144,844	565,537
50. Commission expense	(11,135)	(10,948)	(10,417)	(7,828)	(40,328)	(12,066)	(11,017)	(11,600)	(11,431)	(46,114)
60. Net commission income	**127,772**	**129,873**	**125,467**	**131,814**	**514,926**	**127,671**	**131,042**	**127,297**	**133,413**	**519,423**
70. Dividends and similar income	574	22,880	96	23,077	46,627	574	29,010	694	18,515	48,793
80. Net trading income	3,305	5,470	4,588	2,378	15,741	7,966	11,285	11,754	13,318	44,323
90. Net hedging gains (losses)	74	(12)	602	231	895	(175)	67	(63)	(1)	(172)
100. Gains (losses) on disposal or repurchase of:	55,151	21,158	3,037	25,619	104,965	19,670	58,613	13,356	45,208	136,847
a) loans	101	55	(29,600)	(418)	(29,862)	440	(549)	(122)	144	(87)
b) financial assets available for sale	54,882	21,270	32,591	26,213	134,956	17,943	59,213	11,333	44,324	132,813
d) financial liabilities	168	(167)	46	(176)	(129)	1,287	(51)	2,145	740	4,121
110. Net results on financial assets and liabilities designated at fair value	(10,434)	7,243	(10,298)	(2,979)	(16,468)	(19,514)	(18,354)	(12,744)	(28,907)	(79,519)
120. Net interest and other banking income	**414,118**	**422,185**	**352,891**	**410,731**	**1,599,925**	**359,582**	**445,774**	**378,180**	**415,583**	**1,599,119**
130. Net impairment adjustments to:	(167,427)	(166,667)	(119,857)	(219,626)	(673,577)	(134,694)	(244,179)	(129,206)	(202,913)	(710,992)
a) loans	(162,811)	(161,295)	(116,490)	(185,935)	(626,531)	(129,456)	(226,450)	(126,588)	(143,310)	(625,804)
b) financial assets available for sale	(1)	(3,571)	(20)	(36,546)	(40,138)	-	(2,974)	-	(53,480)	(56,454)
d) other financial assets	(4,615)	(1,801)	(3,347)	2,855	(6,908)	(5,238)	(14,755)	(2,618)	(6,123)	(28,734)
140. Net profit from financial activities	**246,691**	**255,518**	**233,034**	**191,105**	**926,348**	**224,888**	**201,595**	**248,974**	**212,670**	**888,127**
150. Administrative costs:	(234,136)	(245,300)	(228,411)	(258,137)	(965,984)	(235,135)	(242,559)	(226,531)	(241,313)	(945,538)
a) payroll costs	(126,153)	(128,410)	(116,985)	(136,231)	(507,779)	(128,534)	(131,456)	(120,405)	(125,271)	(505,666)
b) other administrative costs	(107,983)	(116,890)	(111,426)	(121,906)	(458,205)	(106,601)	(111,103)	(106,126)	(116,042)	(439,872)
160. Net provisions for risks and charges	(4,648)	(9,337)	(7,330)	(9,596)	(30,911)	(2,721)	(8,732)	(630)	(6,465)	(18,548)
170. Net adjustments to property, plant and equipment	(5,828)	(5,797)	(5,780)	(7,853)	(25,258)	(6,050)	(6,039)	(5,920)	(6,623)	(24,632)
180. Net adjustments to intangible assets	(522)	(556)	(577)	(580)	(2,235)	(431)	(518)	(517)	(548)	(2,014)
190. Other operating charges/income	36,454	31,487	29,900	36,384	134,225	44,091	41,464	38,744	35,412	159,711
200. Operating costs	**(208,680)**	**(229,503)**	**(212,198)**	**(239,782)**	**(890,163)**	**(200,246)**	**(216,384)**	**(194,854)**	**(219,537)**	**(831,021)**
210. Profit (loss) from equity investments	(159)	(1,993)	-	(5,335)	(7,487)	1,618	(1,090)	(192)	(11,850)	(11,514)
240. Gains (losses) on disposal of investments	5	24	26	(87)	(32)	(1)	48	26	3	76
250. Profit (loss) from current operations before tax	**37,857**	**24,046**	**20,862**	**(54,099)**	**28,666**	**26,259**	**(15,831)**	**53,954**	**(18,714)**	**45,668**
260. Income taxes on current operations	(16,833)	(14,594)	(6,862)	25,072	(13,217)	(20,980)	(4,329)	(30,901)	24,370	(31,840)
270. Profit (loss) from current operations after tax	**21,024**	**9,452**	**14,000**	**(29,027)**	**15,449**	**5,279**	**(20,160)**	**23,053**	**5,656**	**13,828**
290. Net profit (loss) for the period	**21,024**	**9,452**	**14,000**	**(29,027)**	**15,449**	**5,279**	**(20,160)**	**23,053**	**5,656**	**13,828**

The comments below describe in order the most significant income statement captions:

- **Net interest income** of Euro 933.2 million shows an increase of 0.41% compared with December 2013 (Euro 929.4 million), mainly thanks to a resilient rate spread, with lower borrowing rates offsetting the decline in lending rates.
- **Net commission income**, Euro 514.9 million (-0.87% compared with December 2013) shows a decline in commission income on loans and current accounts, whereas fees on the placement of securities are up. There has been a decline in commission expense on the issue of new forms of funding (Euro 11.1 million compared with Euro 15.5 million in December 2013), due to early repayment in October of Euro 1,250 million of liabilities guaranteed by the Government.
- **Dividends**, accounted for on a cash basis, amount to Euro 46.6 million and decreased by Euro 2.2 million compared with 2013.
- **Net profit from financial activities** (captions 80, 90, 100 and 110) comes to Euro 105.1 million, showing an increase of Euro 3.7 million on 2013. The net profit from trading in securities comes to Euro 113.9 million (Euro 141.6 million in December 2013); in addition, gains on securities were Euro 17.6 million, losses on securities Euro 6.7 million and net gains of Euro 2.9 million on derivatives associated with securities (the equivalent figures in December 2013 were as follows: gains of Euro 25.6 million and losses of Euro 6.7 million on securities, plus other net gains of Euro 8 million on derivatives associated with securities).

  Caption 100 "*Gains on disposal of loans*" includes a loss on the sale of a portfolio of residential mortgage loans for Euro 29 million.

  There is also a negative net result of Euro 19.7 million from the measurement of financial liabilities under the fair value option, compared with a negative amount recorded in 2013 of Euro 84.4 million.

  In addition to the above, there were also net exchange gains of Euro 8.4 million (Euro 3.7 million in December 2013) and a net loss on financial liabilities issued of Euro 0.1 million (in December 2013 there was a profit of Euro 4.1 million).
- **Net interest and other banking income** comes to Euro 1,599.9 million, more or less the same as at December 2013 (+0.05%, Euro 0.8 million).
- **Net adjustments** to loans and other financial transactions after write-backs amount to Euro 673.6 million and have decreased (-5.26%) compared with the previous year (Euro 711 million). More specifically:
  - adjustments to cash loans amount to Euro 935.5 million (Euro 956.4 million in 2013), including a component of Euro 115.6 million due to the impact of discounting future cash flows;
  - write-backs on loans and advances amount to Euro 309 million (Euro 330.6 million at 31 December 2013), with a discounting element of Euro 121.8 million;
  - net impairment adjustments to endorsement credits amounted to Euro 6.9 million (Euro 28.7 million in December 2013);
  - Net impairment adjustments on securities available for sale amount to Euro 40.1 million (Euro 56.5 in 2013), mainly due to the impairment of the shares in Release (Euro 32 million), Prelios (Euro 3.3 million) and Confidi Mutualcredito (Euro 1.5 million), as well as write-downs on UCITS for Euro 0.8 million.
- **Net profit from financial activities** comes to Euro 926.3 million, 4.30% up on December 2013 (Euro 888.1 million).
- **Net operating costs** amounted to Euro 890.2 million, a rise of 7.12% compared with 2013 (Euro 831 million). In detail:

- payroll costs of Euro 507.8 million, up by 0.42% on December 2013 (Euro 505.7 million): this caption includes expenses in relation to additional provisions for redundancy incentives and the Solidarity Fund (Euro 9.4 million);
- other administrative costs amount to Euro 458.2 million, an increase of 18.3 million (+4.17%); of these, Euro 104.7 million relates to direct and indirect taxes (+7.65% on 2013), whose recovery of Euro 96.2 million is recorded under "*Other operating income*", while other expenses, net of taxes, amounted to Euro 353.5 million, an increase of Euro 10.9 million (+3.18%);
    - the main decreases relate to cleaning of office premises for Euro 5.1 million (-35.11%), rental expenses of Euro 53.5 million (-3.67%) and postal and telephone expenses of Euro 13.2 million (-11.09%);
    - the more significant increases are for the use of external data processing services of Euro 65.6 million (+10.37%), administrative services of Euro 44.4 million (+15.45%) and consultancy and professional services of Euro 44.6 million (+10.24%);
- net provisions for risks and charges amount to Euro 30.9 million (Euro 18.5 million in December 2013, +66.65%): the increase is mainly attributable to higher provisions for legal disputes;
- net adjustments to property, plant and equipment and to intangible assets (depreciation and amortisation) come to Euro 27.5 million, substantially in line with the figure in December 2013 (Euro 26.6 million);
- operating income, net of related charges, amounts to Euro 134.2 million (Euro 159.7 million in December 2013), down by 15.96%:
    - income, of Euro 168.5 million, is down by 6.88% (Euro 181 million in 2013), in particular for rapid investigation commissions (Euro 43.5 million), which showed a decrease of 24.14% (Euro 57.3 million in 2013) and for write-backs of provisions for legal disputes of Euro 5.6 million (Euro 8.9 million in December 2013);
    - charges amount to Euro 34.3 million, an increase on the previous year (Euro 21.3 million);
- dividing operating costs by net interest and other banking income gives us a cost/income ratio of 55.64% (it was 51.97% at December 2013).

- The **non-operating result**, a loss of Euro 7.5 million, is mainly represented (on the negative side) by impairment adjustments to the investments held in Banca della Nuova Terra s.p.a. for Euro 3.2 million and Melior Valorizzazioni Immobili for Euro 3.9 million.
- The **result of current operations**, **gross of income taxes**, was Euro 28.7 million (Euro 45.7 million at 31 December 2013).
- **Income taxes**, which have a negative impact on the result for Euro 13.2 million, are split between current taxes of Euro 116.4 million and deferred tax assets of Euro 103.2 million. Taxes also include an extraordinary negative item of Euro 1.7 million relating to the flat-rate tax on the revaluation of the shares in the Bank of Italy and an extraordinary positive item of Euro 11 million relating to the tax step-up of the goodwill arising in the separate financial statements of the banks absorbed in 2014.
- The **result of current operations, net of income taxes**, comes to Euro 15.4 million, 11.72% up on the prior year (Euro 13.8 million).

SERVICES PROVIDED AND WORK STATISTICS

Considering the difficult economic situation that has persisted since the previous year, the Bank continued to make an extraordinary effort to manage customer relations in the most effective and appropriate manner possible.

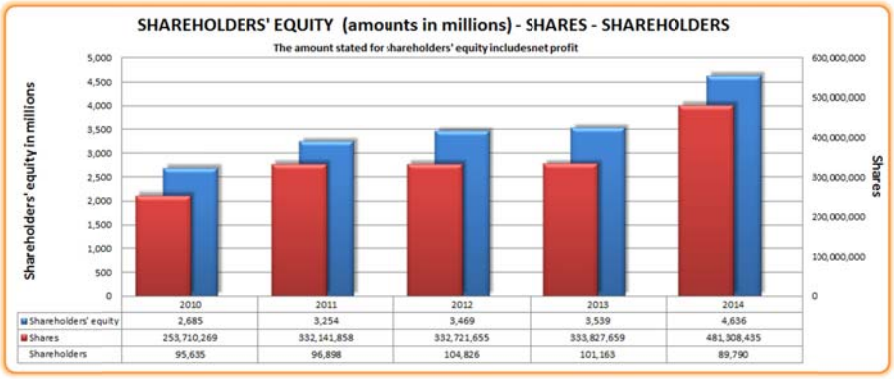
The main work statistics for 2014 are shown below, together with comparative amounts of the previous year (as a result of the merger of BPRA, BCAM and BPMZ in BPER and for the sake of comparison, the 2014 and 2013 figures both include the amounts for the merged banks):

- current accounts, 1,126,852 (+0.70%); 119,875 new accounts were opened in 2014, while 112,076 were closed;
- a total of 169 million current account transactions were carried out (+3.09% compared with last year);
- 14 million bills and notes were presented for collection, totalling Euro 25.8 billion (-2.76%);
- self-liquidating advances against Italian invoices amounted to Euro 34.9 billion (-4.36%);
- 6,021,273 bills and notes were paid at branches, for a total of Euro 15.3 billion (respectively -1.83% and -0.66%);
- endorsement credits and financial and commercial guarantees amounted to Euro 3.6 billion (the pro-forma figure for 2013 is not available);
- 20,152 mortgages were granted (-3.73%), for a total of Euro 3.5 billion (-36.50%);
- loans granted (personal, business and assignments of one-fifth of salary) numbered 31,571, for a total of Euro 588.9 million (+4.14% and +12.08% respectively);
- 8 million standing order instructions were carried out on behalf of customers, for a total of Euro 3 billion (the pro-forma figure for 2013 is not available);
- bank transfers made totalled Euro 128.3 billion (-4.13%), while those received from third parties amounted to Euro 92.5 billion (+12.08%);
- 980 Bancomat ATMs were operational at year end (the pro-forma figure for 2013 is not available) and they were used to make 20.4 million withdrawals (+5.06%) for a total of Euro 3.1 billion (+3.34%);
- commercial foreign exchange transactions outside the SEPA totalled Euro 10.3 billion (+14.71%);
- there are now 44,300 POS units installed in shops or public service locations (3,477 more than in 2013, a growth of 8.52%) and they were used for 58 million transactions (+2.41%) for a total of Euro 3.88 billion (+0.93%);
- the number of remote banking connections has risen to 47,907 (9,684 more than at 31 December 2013, up 25.34%);
- a total of 428,752 Internet banking contracts (+13.09%) were signed for the provision of information and/or the placement of instructions, including the new multichannel service;
- the number of BPER Cards issued to customers of the Bank now comes to 372,598 (+7.12%).

3. SHAREHOLDERS' EQUITY AND CAPITAL RATIOS

3.1 Shareholders' equity

At the start of the year, the Bank's shareholders' equity amounted to Euro 3,551.8 million. During 2014, it decreased by Euro 12.8 million as a result of covering the loss for 2013, by taking the equivalent amount from the "Reserve for other risks".



	2010	2011	2012	2013	2014
Shareholders' equity	2,685	3,254	3,469	3,539	4,636
Shares	253,710,269	332,141,858	332,721,655	333,827,659	481,308,435
Shareholders	95,635	96,898	104,826	101,163	89,790

As regards the profits from unrealized capital gains of 2013 (net of tax) as per art. 6 of Legislative Decree 38/2005, which amounted to Euro 4,630.2 thousand, they have been covered by assigning them to the "Non-distributable reserve pursuant to art. 6, paragraph 1, letter a) of Legislative Decree 38/2005)", using the distributable revenue reserve that is fed from time to time through the "liberations" made during the allocation process in previous years. This non-distributable reserve at 31 December 2014 comes to Euro 11,961.4 thousand.

On 28 July 2014, BPER successfully concluded the cash increase in capital launched on 23 June 2014 with the full subscription of 145,850,334 shares for a total of Euro 750 million, made up of share capital of Euro 437.5 million and a share premium of Euro 312.5 million. Taking costs (Euro 20 million) and taxes (Euro 5.5 million) into account, the increase in capital had an overall impact on equity of around Euro 735.7 million.

The shareholders' equity of the Bank was affected during the period by changes resulting from the merger of Banca Popolare del Mezzogiorno s.p.a., Banca della Campania s.p.a. and Banca Popolare di Ravenna s.p.a. carried out on 24 November 2014, with effect for accounting purposes from 1 January 2014. In particular:

- an increase in capital was carried out to support these transactions, with the issue of 1,630,442 shares (respectively 1,294,177 shares for Banca Popolare del Mezzogiorno s.p.a., 191,253 shares for Banca della Campania s.p.a. and 145,012 shares for Banca Popolare di Ravenna s.p.a.) for Euro 4.9 million in capital and a share premium of Euro 7.8 million;
- reserves were acquired for Euro 127.2 million, resulting from the incorporation of Banca Popolare del Mezzogiorno s.p.a., of which Euro 117.3 million relating to the merger surplus reserve;
- reserves were acquired for Euro 95.9 million, resulting from the merger of Banca della Campania s.p.a., of which Euro 126.3 million relating to the merger surplus reserve;

- reserves were acquired for Euro 73.6 million, resulting from the incorporation of Banca Popolare di Ravenna s.p.a., of which Euro 44.5 million relating to the merger surplus reserve.

Further positive changes were for:

- Euro 13 million for the net changes in the valuation reserve, net of the tax effect, created in connection with asset hedging transactions;
- Euro 49.9 million, for the net changes in the valuation reserve set up for financial assets available for sale.

Negative changes have also taken place for:

- Euro 26.1 million to adjust the reserve for actuarial gains/losses, net of the tax effect;
- Euro 0.7 million for recognition of the tax effects of the various movements that had taken place.

Shareholders' equity now amounts to Euro 4,620.2 million, up by 30.08% compared with 31 December 2013. Taking into account the net result for the year (Euro 15.4 million), shareholders' equity comes to Euro 4,635.6 million (+20.89% on the pro-forma shareholders' equity at 31 December 2013).
At 31 December 2014, the share capital was Euro 1,443,925,305 and was made up of 481,308,435 shares; of these, 455,458 are treasury shares, the same as in December 2013. Compared with 31 December 2013 the number of shares has increased for various reasons by 147,480,776. In detail:

- 145,850,334 shares for the capital increase resolved by the Extraordinary Shareholders' Meeting of 7 June 2014;
- 1,630,442, for the increase in capital to service the merger of Banca Popolare del Mezzogiorno s.p.a., Banca della Campania s.p.a. and Banca Popolare di Ravenna s.p.a.

3.2 Own Funds and capital ratios

The new harmonised rules for banks and investment companies contained in Regulation (EU) no. 575/2013 (CRR) and in the 2013/36/UE Directive (CRD IV) approved on 26 June 2013 and published in the Official Journal of the European Union the next day, entered into force on 1 January 2014.
The new regulatory framework, which is the only set of rules that seeks to harmonise prudential regulations of the Member States of the European Community, was made applicable in Italy by the Bank of Italy's Circular no. 285, published on 17 December 2013 and subsequent updates. The first report sent to the Supervisory Authority is dated 31 March 2014.

The following table shows the asset indicators and capital ratios of BPER at 31 December 2014, calculated under the transitional ("phased in") arrangements foreseen for 2014, based on the standardised approach. The amount shown does not take into account the net profit made during the year.

(in millions of Euro)

	31.12.2014	01.01.2014	Change	% change
Common Equity Tier 1 - CET1	4,081.0	3,172.3	909	28.64
Additional Tier 1 - ATI	-	-	-	n.s.
Tier 1	**4,081.0**	**3,172.3**	**909**	**28.64**
Tier 2 - T2	377.4	974.7	(597)	-61.28
Total Own Funds	**4,458.4**	**4,147.0**	**311**	**7.51**
Total Risk-weighted assets (RWA)	**31,207.7**	**27,590.3**	**3,617**	**13.11**
CET1 Ratio (CET1/RWA)	**13.08%**	**11.50%**	**158 bps**	
Tier 1 Ratio (Tier 1/RWA)	**13.08%**	**11.50%**	**158 bps**	
Total Capital Ratio (Total Own Funds/RWA)	**14.29%**	**15.03%**	**-74 bps**	
RWA/Total assets	**63.48%**	**64.64%**	**-116 bps**	

The values shown at 1 January 2014 have been calculated with reference to the figures at 31 December 2013, implementing the new legislation that came into force on 1 January 2014 and used for the Comprehensive Assessment (AQR and Stress Test).

Tier 2 Capital is down because of the exclusion of certain subordinated items issued in 2012 and 2013 (a total of Euro 322 million at 31 December 2014) following a recent interpretation regarding their computability, which is stricter than the previous one.

The capital ratios are all well above the minimum thresholds specified in the Capital Requirements Regulation (CRR) under the transitional arrangements for 2014, namely 5.125%, 6.125% and 8.625%, respectively.

Own Funds regulations (transitional provisions): Prudential filters for AFS reserves relating to debt securities issued by the central administrations of EU countries

With the publication of Circular no. 285 of 17 December 2013 and subsequent amendments, the Bank of Italy implemented the new harmonised framework for banks and investment firms contained in the European Community's CRR no. 575 and Capital Requirements Directive no. 36 (CRD IV) of 26 June 2013, which entered into force on 1 January 2014.

Part 2 of the document, which deals with the implementation of CRR, details the national discretions exercised in respect of the transitional provisions, including, in the last paragraph of Section 2 of Chapter 14, the fact that banks cannot be included in any element of Own Funds, unrealised profits or losses, relating to exposures to the central administrations classified under "*Financial assets available for sale*" of IAS 39 endorsed by the EU (treatment applicable until the Commission adopts a regulation based on EC Regulation no. 1606/2002 which approves the IFRS that replaces IAS 39).

This measure is in line with what is granted to intermediaries until 31 December 2013, pursuant to the Supervisory Authority's provisions of 18 May 2010 regarding prudential filters, and provides for the option to disregard gains and losses, as though the securities were valued at cost, as an alternative to allocation to Own Funds.

On 28 January 2014, the Parent Company BPER agreed to exercise this option and immediately (before the 31 January 2014 deadline) informed the Supervisory Authority of its decision, which is valid for the entire Banking Group.

Use of this option, continuing the choice made in the past which was effective until 31 December 2013, is applied uniformly by all banks and other companies of the Group subject to prudential supervision, and is extended to all securities issued by central administrations contained in the *"Financial assets available for sale (AFS)"* portfolio; this will be maintained over time until the rule is applicable in the above terms.

Accordingly, commencing from the 31 March 2014 reporting date, the reserves arising from the measurement of these securities were no longer included in the determination of Own Funds.

4. PRINCIPAL RISKS AND UNCERTAINTIES

4.1 Risk management

Please refer to the consolidated financial statements for information on risk management, because, being an activity that is coordinated at Group level, the same considerations made in the relevant section of the Directors' Report on Group Operations are also valid for the Bank.

4.2 Disclosure of exposures to sovereign debt held by listed companies

With **communication DEM/11070007 of 5 August 2011 CONSOB** pointed out that on 28 July 2011 the European Securities Markets Authority (ESMA) published Document no. 2011/266 on the disclosures concerning sovereign debt (i.e. bonds issued by central and local governments and by government entities, as well as loans granted to them) to be included in annual and interim financial statements prepared by listed companies that have adopted International Accounting Standards (IAS/IFRS).
As a result of the increased interest of markets in sovereign debt, ESMA has stressed the need for greater transparency on the subject in interim and annual financial statements of European listed issuers that apply IAS/IFRS.
With its document, which does not have any independent prescriptive authority, ESMA has tried to assist issuers in preparing disclosures on sovereign debt that fully comply with the related principles.
In accordance with these instructions, the following is a summary of the relevant information on exposures of Banca popolare dell'Emilia Romagna s.c. to the aggregate in question.

Debt securities

Issuer	Rating	Cat	Nominal value	Book value	Fair value	AFS Reserves	%
Governments:			**4,851,085**	**5,429,819**	**5,564,360**	**82,422**	**99.81%**
Italy	BBB+		**4,755,748**	**5,321,545**	**5,453,818**	**76,416**	**97.82%**
		HFT	373,893	417,918	417,918	#	
		CFV	-	-	-	#	
		AFS	3,081,855	3,417,756	3,417,756	76,416	
		HTM	1,300,000	1,485,871	1,618,144	#	
		L/R	-	-	-	#	
UK	AA+		**38,516**	**42,245**	**42,245**	**3,846**	**0.78%**
		HFT	-	-	-	#	
		CFV	-	-	-	#	
		AFS	38,516	42,245	42,245	3,846	
		HTM	-	-	-	#	
		L/R	-	-	-	#	
U.S.A.	AAA		**16,473**	**24,756**	**24,756**	**1,446**	**0.46%**
		HFT	-	-	-	#	
		CFV	-	-	-	#	
		AFS	16,473	24,756	24,756	1,446	
		HTM	-	-	-	#	
		L/R	-	-	-	#	
Germany	AAA		**3**	**3**	**3**	**-**	**0.00%**
		HFT	3	3	3	#	
		CFV	-	-	-	#	
		AFS	-	-	-	-	
		HTM	-	-	-	#	
		L/R	-	-	-	#	
Spain	BBB+		**10,000**	**10,184**	**11,039**	**95**	**0.19%**
		HFT	-	-	-	#	
		CFV	-	-	-	#	
		AFS	5,000	5,173	5,173	95	
		HTM	5,000	5,011	5,866	#	
		L/R	-	-	-	#	
Austria	AAA		**13,642**	**13,881**	**13,881**	**607**	**0.26%**
		HFT	4,642	4,729	4,729	#	
		CFV	-	-	-	#	
		AFS	9,000	9,152	9,152	607	
		HTM	-	-	-	#	
		L/R	-	-	-	#	
European Union	AAA		**27**	**31**	**31**	**-**	**0.00%**
		HFT	27	31	31	#	
		CFV	-	-	-	#	
		AFS	-	-	-	-	
		HTM	-	-	-	#	
		L/R	-	-	-	#	
Portugal	BB+		**10,000**	**10,254**	**11,667**	**-**	**0.19%**
		HFT	-	-	-	#	
		CFV	-	-	-	#	
		AFS	-	-	-	-	
		HTM	10,000	10,254	11,667	#	
		L/R	-	-	-	#	

Issuer	Rating	Cat	Nominal value	Book value	Fair value	AFS Reserves	%
Australia	AAA		**6,676**	**6,920**	**6,920**	**12**	**0.13%**
		HFT	-	-	-	#	
		CFV	-	-	-	#	
		AFS	6,676	6,920	6,920	12	
		HTM	-	-	-	#	
		L/R	-	-	-	#	
Other	-		**-**	**-**	**-**	**-**	**0.00%**
		HFT	-	-	-		
		CFV	-	-	-		
		AFS	-	-	-	-	
		HTM	-	-	-		
		L/R	-	-	-		
Other public entities:			**10,440**	**10,413**	**10,937**	**-**	**0.19%**
Italy	-		**440**	**440**	**438**	**-**	**0.01%**
		HFT	17	17	17	#	
		CFV	-	-	-	#	
		AFS	-	-	-	-	
		HTM	-	-	-	#	
		L/R	423	423	421	#	
France	-		**10,000**	**9,973**	**10,499**	**-**	**0.18%**
		HFT	-	-	-	#	
		CFV	-	-	-	#	
		AFS	-	-	-	-	
		HTM	10,000	9,973	10,499	#	
		L/R	-	-	-	#	
Total debt securities			**4,861,525**	**5,440,232**	**5,575,297**	**82,422**	**100.00%**

The individual percentages shown in the above table may not agree with the total because of roundings.
The ratings indicated are those of Fitch Rating at 31 December 2014.

Loans

Issuer	Rating	Cat	Nominal value	Book value	Fair value	AFS Reserves	%
Governments:			**1,558,838**	**1,558,838**	**1,558,838**	**-**	**91.38%**
Italy	BBB+		**1,558,838**	**1,558,838**	**1,558,838**	**-**	**91.38%**
		HFT				#	
		CFV				#	
		AFS					
		HTM				#	
		L/R	1,558,838	1,558,838	**1,558,838**	#	
Other public entities:			**147,041**	**147,041**	**150,302**	**-**	**8.62%**
Italy	-		**147,041**	**147,041**	**150,302**	**-**	**8.62%**
		HFT				#	
		CFV				#	
		AFS					
		HTM				#	
		L/R	147,041	147,041	**150,302**	#	
Total loans			**1,705,879**	**1,705,879**	**1,709,140**	**-**	**100.00%**

The individual percentages shown in the above table may not agree with the total because of roundings.
The ratings indicated are those of Fitch Rating at 31 December 2014.

Based on their book value, repayment of these exposures is distributed as follows:

	on demand	until 1 year	from 1 to 5 years	over 5 years	Total
Debt securities	-	671,424	2,809,866	1,958,942	5,440,232
Loans	118,113	284,075	314,541	989,150	1,705,879
Total	**118,113**	**955,499**	**3,124,407**	**2,948,092**	**7,146,111**

5. ACHIEVEMENT OF COOPERATIVE OBJECTIVES

Pursuant to art. 2545 of the Italian Civil Code, the operating criteria adopted for the achievement of our cooperative objectives are described below.
It is important to briefly point out the notion of mutuality that is important for cooperative banks as provided for by the relevant regulatory framework.
The Italian legislator, during the reform of company law, overcoming numerous and sometimes conflicting interpretations of doctrine, confirmed the relevance of the mutualistic nature of cooperative banks and their cooperative nature. In particular, with the entry into force of art. 150-*bis* of the Consolidated Banking Act, it was established that these companies were considered to be "not prevalently" mutual cooperatives.
European Community regulation (EC Reg. 1435/2003 on the of the European Cooperative Company) also contemplates the legitimacy of a graduation of the mutuality that takes the form of a so-called "internal" or "direct" mutuality in favour of the shareholders and an "external" or "indirect" mutuality in favour of the local economies served.
The importance of the cooperative objective for the Bank is also confirmed by article 2 of the which, provides an important indication of the corporate mission and its cooperative spirit, providing that "*the Bank, acting in accordance with cooperative principles, gathers savings and makes loans to both members and non-members*".
Accordingly, not driven solely by the profit motive, the Bank provides special advantages to its shareholders and to the local communities that are served: action in support of these communities takes many forms, paying particular attention to support for the local economy and the other fundamental aspects of social life, such as health, the environment, culture and training.
The objectives of the mutual society are reflected in three separate areas:

- the management of services for the benefit of members;
- encouraging participation in the corporate life of the Bank;
- the provision of services to the local area and community.

Management of services for the benefit of members (internal cooperation)

The Bank has maintained relations with its shareholder base, also through the **Shareholders' Office,** continuing a particular activity of listening and gathering information and suggestions, which have raised interesting matters for thought and discussion with a view to foreseeing services and benefits in favour of the shareholders.
With the aim of strengthening the principles of mutuality that characterise the Bank and to offer shareholders tools that are appropriate to their particular status as part of the cooperative, the "**BPER Special Shareholders**" initiative was confirmed for 2015.
The initiative aims to strengthen the Bank's commitment to reserve more exclusive attention to the shareholder base to strengthen their sense of belonging and participation, in the spirit of cooperation and solidarity, which reflects the "popular" origin of the Bank.
In particular, the project main purpose is to bring about improvements linked to the enhancement of the relationship with the shareholders, so that they can really perceive the advantages, in terms of involvement and in terms of underlying economic benefits; this with the objective of expanding and retaining the shareholder base in every phase of their relationship with the Bank, in a way that is more and more suitable for their status within the cooperative.
The areas of intervention include a series of banking and insurance benefits. Those shareholders who attend in the Annual Shareholders' Meeting to approve these financial statements of BPER will also receive additional benefits.

Shareholders are issued a personalised **"BPER Member's Card"**. A range of benefits is also provided with a number of non-banking offers by partners from a variety of sectors.

Communication, which is undoubtedly a prerequisite for effective and informed participation by shareholders in the corporate life of the Bank, as well as being another aspect of the mutuality that distinguishes cooperative banks from others, are handled by the Bank through the following information tools:

- a Letter to the Shareholders distributed at least once a year, which talks about significant events and BPER's performance during the period;
- BXVoi, a quarterly magazine with information on the Bank's activities, which is available both in printed form and online;
- the Bank's website with a section reserved for Members, which, among other things, lays down the criteria to identify those who are eligible to become a Member;
- the website www.bperspecialesoci.it dedicated to the non-banking benefits reserved for Members.

The Bank offers its Members special **benefits** which are detailed below and available on the Bank's website in the section reserved for them:

- a 10% discount on various current account charges;
- no charge for holding a securities account, but only for deposits containing shares, bonds, savings books and certificates of deposit issued by the Bank or by any bank or company pertaining to the Group, mutual funds placed by the Bank and shares in BPER Int. SICAV;
- the possibility to subscribe for special issues of certificates of deposit reserved for Members;
- charge for safety deposit box discounted by 50% with respect to the terms normally offered, for contents worth up to Euro 10,000 (VAT included);
- credit cards dedicated exclusively to the shareholders;
- exemption from certain fees for ATM transactions done through the Group banks' ATMs;
- issue of non-life policies (Riparacasa - Ti Indennizzo New - Zero Pensieri) with the application of a discount of 10% on normal terms;
- free insurance cover for "Theft, Snatch and Robbery", "Accident" and "Third party liability" (only for the latter, the shareholder-customer must also have a current account or a registered savings deposit).

Furthermore, as an incentive to shareholders to actively participate in corporate life, for those who will attend the 2015 Annual Shareholders' Meeting to approve BPER's 2014 financial statements (directly or by proxy) there will be:

- a 50% discount on the charge for keeping a Securities Deposit Account for Custody and Administration and Managed Portfolios (unless better terms have already been applied);
- a 50% discount for individual shareholders on the standard annual charges for BperCard VPay Contactless cards (unless better terms have already been applied).

For up-to-date financial and contractual conditions, reference should be made to pamphlets available for customers at all branches.

Encouraging participation in the corporate life of the Bank

Shareholders' Meetings are important occasions to meet and the main occasion for discussions and interaction between the shareholder base and senior managers of the Bank.
The regulations applying to cooperative banks enforce the one person - one vote rule and establish strict legal limits on the ownership of capital, so that it is not possible to form majority or controlling groups of shareholders, thereby achieving the original model of "corporate democracy".
The Bank has always favoured active attendance by shareholders at their meetings, as they are considered to be an important occasion for BPER's widespread shareholder base to have an informative encounter.
An active presence at these important corporate occasions can only come about by enabling the shareholders to decide in an objective and informed manner, making available to them all possible means and methods to facilitate an informed and orderly attendance.
To this end, the use of technological solutions during the course of meetings, including the "totem touch screen", an electronic instrument for secret voting, the possibility for meetings to be held through remote communications systems and the fitting out of "Voting Centres" have facilitated greater participation at Shareholders' Meetings.

Mutuality as a service to the territory and community served

In general, cooperative banks play an important role in the territory in supporting local economies (in particular for access to credit by households and SMEs) and socially, for their function of cooperation of a mutualistic nature. And even if they do not form part of the specific category of "prevalently mutual cooperatives", they are recognized by art. 45 of the Italian Constitution.
The **strong links with the territories** served represent a fundamental, indispensable value, especially for BPER, which has always placed itself at the centre of social initiatives and in situations requiring solidarity, as well as initiatives for the enhancement of the artistic, cultural and environmental heritage in the territory where it operates. Despite the highly adverse financial economic conditions, the ties between the Bank and its shareholder base continue to remain solid in 2014.
Following the merger of Banca della Campania s.p.a., Banca Popolare del Mezzogiorno s.p.a. and Banca Popolare di Ravenna s.p.a., new Territorial Divisions (TD) have been set up and the size and composition of the existing ones have been reviewed. The new structure of the TDs meets the need to rationalise the distribution network and simplify the process of authorisation and resolution, but it is also based on a concept of geographical and territorial consistency that helps to improve synergies, efficiency and flexibility.
The Bank plays an important and acknowledged role in the support of local economies and communities in contributing to the development of the territories in which it operates, where it also acts as a point of reference for households and SMEs. The Bank's branch network is particularly widespread in all provinces of Emilia-Romagna, where a substantial proportion of the shareholders reside.
Numerous initiatives were supported by the Bank during 2014; we would mention in particular those concerning health care, research, cultural activities, charitable activities and support for the weak and disadvantaged.

6. OTHER INFORMATION

6.1 Management of the Bank

Shareholders' Meeting: new appointments

The following Directors were appointed at the Shareholders' Meeting held on 12 April 2014 for the three-year period 2014-2016: Alberto Marri, Giuseppe Lusignani (independent), Fioravante Montanari, Mara Bernardini (independent), Cristina Crotti (independent) and Giovampaolo Lucifero.

The Meeting also appointed as a Director, for the rest of the period 2012-2014, Alessandro Vandelli, already co-opted with Board resolution of 17 December 2013.

Following the Shareholders' Meeting, on 15 April 2014, the Board of Directors of BPER resulting from the appointments made by the Shareholders' Meeting, unanimously appointed Alessandro Vandelli as the new Chief Executive Officer, with effect from 16 April 2014 (and he ceased to be Deputy General Manager as of the same date). Luigi Odorici was appointed Deputy Chairman of the Bank, along with Alberto Marri and Giosuè Boldrini.

From 1 April 2014, General Management was integrated by two new Deputy General Managers and is now made up of:

- Fabrizio Togni, General Manager;
- Eugenio Garavini, Senior Deputy General Manager;
- Pierpio Cerfogli and Gian Enrico Venturini, Deputy General Managers.

Board of Directors

Fioravante Montanari, a member of the Board of Directors of BPER and well-known businessman from Bologna, died on 29 September 2014. In expressing sincere condolences for his untimely death, the Board of Directors remember the professionalism, valuable contribution and support that he gave the Bank over the years.

BPER's Chairman heads up Assopopolari

BPER's Chairman Ettore Caselli has been appointed chairman of Associazione Nazionale fra le Banche Popolari. The appointment was approved on 10 July 2014 by the Board of Directors of the association that brings together 72 cooperative banks for a total of 9,200 branches and around 1,300,000 members.

6.2 Share price performance

2014 was characterised by an Italian stock market that went at two different speeds: in the first half, there was a return of investor confidence in the stock market, especially from abroad and from the United States, accompanied by a significant reduction in the spread on Italian government bonds compared with the German Bund, which helped to support the good performance of equity markets, while in the second half of the year, increased risk aversion and price volatility led to an overall downward correction, which substantially eliminated the previous gains.

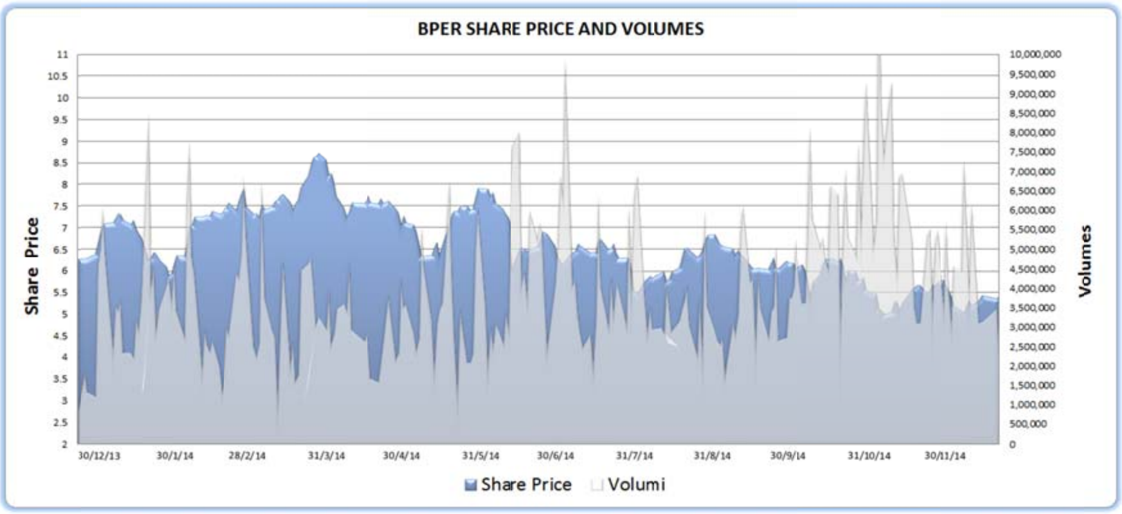
The Italian FTSE MIB stock index registered growth of 0.2%, while the Spanish IBEX index closed the year up by 3.9%. A more limited increase was recorded by the Frankfurt market, showing a rise of 2.7%, while London and Paris ended the period down since the beginning of the year (-2.7% and -0.8% respectively). In the USA, Wall Street continued the rise in 2014, after the record performance in 2013 with the S&P500 index climbing by 11.4% and the Dow Jones by 7.5%; the same situation in Japan, where in 2014 the Tokyo Stock Exchange, after a positive performance in 2013 thanks to the unconditional support of the Bank of Japan (BoJ) and Abe's government, posted another increase of 7.1% from the start of the year.

In 2014, the FTSE MIB index of the **Italian Stock Exchange** closed at 19,012 points (+0.2% y/y), with a high on 10 June 2014 at 22,590 points and a low on 16 October 2014 at 17,556 points. **The BPER stock** shows an overall negative performance for the year (-13.3%).

BPER's **official share price**[3] at 2 January 2014 was Euro 6.2798 and at 30 December 2014 it was Euro 5.469, with a high of Euro 8.7264 (on 4 April 2014), a low of Euro 5.01 (on 14 November 2014) and a straight average of Euro 6.6167.

The **average daily volumes** exchanged from the beginning of the year increased significantly by around 4.1 million shares, reflecting the share's rising level of liquidity and visibility on the part of investors.

It should be noted that in July 2014, an increase in capital was carried out with the issue of 145,850,334 shares that have to be added to the 333,827,659 shares representing the share capital at 1 January 2014. Share capital at 31 December 2014 is represented by 481,308,435 shares, including 1,630,442 shares issued for the capital increases to support the merger of Banca Popolare di Ravenna s.p.a., Banca della Campania s.p.a. and Banca Popolare del Mezzogiorno s.p.a., which took place in November 2014.



6.3 Shareholders

At 31 December 2014 there were 89,790 shareholders (101,163 at the end of December 2013).

A total of 6,419 registered shareholders were admitted during 2014, while 17,792 lapsed. Forfeitures essentially derive from the application of the regulations (art. 30, paragraph 5-*bis*, Legislative Decree 385/1993), as they no longer had the minimum level of share ownership for this purpose (100 shares).

[3] *Source: Bloomberg Professional - Official daily closing price of BPER stock*

6.4 Intercompany and related-party transactions

Relations between the various companies included within the scope of consolidation and with associates and related parties were all of a routine nature and were conducted properly.

For details, as required by art. 2497-*bis* of the Italian Civil Code and by the CONSOB Communication DEM 6064293 dated 28 July 2006, reference should be made to **Part H** of the consolidated Explanatory notes.

In accordance with Regulation 17221/10 and subsequent amendments issued by CONSOB on related-party transactions, the Bank adopted the specific internal procedures, valid for the whole Group, designed to ensure transparency and substantial and procedural correctness of transactions with related parties.

In this context, BPER approved on 13 November 2012 the **"Group Regulations for the management of transactions with related parties and associated persons",** which was subsequently adopted by all of the other Group banks and companies. These Regulations, which have been in force since 31 December 2012, and updated on 12 November 2013, also comply with the Bank of Italy's requirements in terms of "Risk activities and conflict of interest versus related parties" as contained in the 9th update on 12 December 2011 of Circular no. 263 dated 27 December 2006.

The document is published on the Bank's website (www.bper.it, in the "Related Parties" section) and on the websites of the other Group banks.

In addition to the Group Regulations mentioned above, BPER has also approved the following documents, in force from 31 December 2012: **"Group policy on controls over risk activities and conflicts of interest with related parties"**, which was announced at the Shareholders' Meeting of 20 April 2013, as well as the **"Group regulations for the monitoring of prudential limits on risk activities with related parties"**, updated on 24 June 2014.

Without prejudice to the disclosure requirements of IAS 24, the following is a summary of transactions with related parties, for which information is provided under Regulation 17221/10.

a) More significant individual transactions concluded during the reference period:

No.	Company that initiated the transaction	Name of the transaction counterparty	Nature of the relationship with the related party	Object of the transaction	Consideration for each transaction completed (Euro/000)	Other information
1	Banca popolare dell'Emilia Romagna s.c.	EMRO Finance Ireland ltd.	Directly controlled subsidiary	Mixed credit line	400,000	Transaction exempt from market disclosure (art. 14.2 of Regulation 17221)
2	Banca popolare dell'Emilia Romagna s.c.	Banca Popolare del Mezzogiorno s.p.a.	Directly controlled subsidiary	Merger (*)	3,861,809 (total assets)	Transaction exempt from market disclosure (art. 14.2 of Regulation 17221)
3	Banca popolare dell'Emilia Romagna s.c.	Banca della Campania s.p.a.	Directly controlled subsidiary	Merger (*)	4,447,604 (total assets)	Transaction exempt from market disclosure (art. 14.2 of Regulation 17221)
4	Banca popolare dell'Emilia Romagna s.c.	Emilia Romagna Factor s.p.a.	Directly controlled subsidiary	Mixed credit line	665,000	Transaction exempt from market disclosure (art. 14.2 of Regulation 17221)
5	Banca popolare dell'Emilia Romagna s.c.	Sardaleasing s.p.a.	Directly controlled subsidiary	Mixed credit line	525,000	Transaction exempt from market disclosure (art. 14.2 of Regulation 17221)
6	Banca popolare dell'Emilia Romagna s.c.	Sardaleasing s.p.a.	Directly controlled subsidiary	Renewal of credit line	285,000	Transaction exempt from market disclosure (art. 14.2 of Regulation 17221)

No.	Company that initiated the transaction	Name of the transaction counterparty	Nature of the relationship with the related party	Object of the transaction	Consideration for each transaction completed (Euro/000)	Other information
7	Banca popolare dell'Emilia Romagna s.c.	Banca della Campania s.p.a.	Directly controlled subsidiary	Demand deposits for borrowing	300,000	Transaction exempt from market disclosure (art. 14.2 of Regulation 17221)
8	Banca popolare dell'Emilia Romagna s.c.	Banca della Campania s.p.a.	Directly controlled subsidiary	Demand deposits for lending	270,000	Transaction exempt from market disclosure (art. 14.2 of Regulation 17221)
9	Banca popolare dell'Emilia Romagna s.c.	Sardaleasing s.p.a.	Directly controlled subsidiary	Renewal of mixed credit line	725,000	Transaction exempt from market disclosure (art. 14.2 of Regulation 17221)
10	Banca popolare dell'Emilia Romagna s.c.	Banca della Campania s.p.a.	Directly controlled subsidiary	Demand deposits for borrowing	360,000	Transaction exempt from market disclosure (art. 14.2 of Regulation 17221)
11	Banca popolare dell'Emilia Romagna s.c.	Banco di Sardegna s.p.a.	Directly controlled subsidiary	Credit line	400,000	Transaction exempt from market disclosure (art. 14.2 of Regulation 17221)
12	Banca popolare dell'Emilia Romagna s.c.	Banca della Campania s.p.a.	Directly controlled subsidiary	Demand deposits for lending	250,000	Transaction exempt from market disclosure (art. 14.2 of Regulation 17221)
13	Banca popolare dell'Emilia Romagna s.c.	Alba Leasing s.p.a.	Directly controlled subsidiary	Renewal of mixed credit line	570,000	Transaction exempt from market disclosure (art. 14.2 of Regulation 17221)

(*)Mergers (including the operation with Banca Popolare di Ravenna s.p.a., even if classified as "less significant").

With regard to the overall merger of Banca Popolare del Mezzogiorno s.p.a. and Banca della Campania s.p.a. with the Parent Company (to which we would add Banca Popolare di Ravenna s.p.a., even if it is classified as a less significant transaction), it was carried out in simplified form pursuant to art. 2505-*bis* of the Italian Civil Code.

b) other individual transactions with related parties as defined under article 2427, second paragraph, of the Italian Civil Code, entered into in the reporting period, that have materially impacted the financial position and results of the companies.

As regards other transactions with related parties according to the above mentioned CONSOB Regulation 17221/10, we would also mention the absorption of Banca Popolare di Ravenna s.p.a. (BPRA) by the Parent Company BPER, which was carried out at the same time as the two mergers mentioned in the previous paragraph. For further details, please refer to the information already provided on the subject in this Report on Operations.
Note that this transaction qualifies as "less significant".

c) changes or developments in related-party transactions disclosed in the last annual report that have had a material effect on the financial position or results of the companies during the reference period.

During the year, there have been no changes or developments in the related-party transactions described in the last annual report that would have an effect on the financial position or results of the Company.

6.5 Information on atypical, unusual or non-recurring transactions

During the year there were no atypical or unusual transactions, as defined by CONSOB Communication DEM 6064293 dated 28 July 2006.
Nor were there any non-recurring transactions during the year.

6.6 Information on the ownership structure (art. 123-*bis* of Legislative Decree 58/1998)

The information required by the above article is detailed in a specific report issued by the Board of Directors ("Report on corporate governance and ownership structure"). This report, pursuant to the said art. 123-*bis*, paragraph 3, is made available to the public on the Bank's website www.bper.it in the Governance-Documents section as well as on the website www.borsaitaliana.it.

6.7 Information on decisions taken with regard to the admission of new shareholders - art. 2528 of the Italian Civil Code

The following table is a summary of the outcomes of applications for admission to membership and of exclusions/cessations that took place during 2013-2014:

	2014	2013
Shareholders admitted	6,419	1,087
Admissions deferred	1	1
Members excluded	-	-
Members ceasing	17,792	4,768

Note that shareholders are excluded from membership not only in the cases provided by law, but also when they find themselves in one of the situations specified in art. 11 of the articles of association, i.e. if they have forced the Company to take legal action for breach of their contractual obligations, or if they have been guilty of acts harmful to the interests or prestige of the Bank (art. 15 of the articles of association).

Note, too, that no longer having the minimum holding for admission to membership, as determined by the Board of Directors pursuant to art. 8, paragraph 3, of the articles of association (currently 100 shares) results in forfeiture of membership in accordance with art. 30, paragraph 5-*bis* of Legislative Decree 385/1993, as introduced by art. 23-*quater*, letter a.3, of Decree Law 179 of 18 October 2012, converted into Law 221/2012.

6.8 Application of MiFID

The European Markets in Financial Instruments Directive (MiFID) came into effect on 1 November 2007; the regulation of intermediaries and markets laid down by the MiFID is a long and incisive process of regulatory innovation involving national and European interventions, which define a new framework of rules that aims to respond to the profound and continuous changes in stockbroking activities and new requirements to protect investors.
Since the autumn of 2009, the BPER Group has structured the **MiFID Programme***,* enabling it to coordinate the various initiatives undertaken in the investment services area (and to preserve overall coherence) with the aim of creating a "target" model for the provision of investment services, combining the requirements of customer protection and those of the Bank with the legal provisions.
In subsequent years, the MiFID Programme has continued to encourage the adoption of implementations required to stay up to date with the progressive evolution in the field of investment services.
The "Investment Services Programme" was established in the autumn of 2012 to ensure integrated and coordinated implementation of the initiatives identified to comply with the instructions issued by the Supervisory Authority as a natural continuation of the previous MiFID Programme, which ended in January 2014 with the adoption of the initiatives mentioned above.
In particular, new features in the "Investment Services Programme" regarding the application of the MiFID Directive included updating of the profiling questionnaire and the start of the provision of investment consulting services with a "portfolio-based" approach.
The **"Profiling Questionnaire"** used since November 2013 is based on a series of questions designed to obtain more detailed and comprehensive information to permit a more accurate profiling of customers, avoiding a self-assessment approach, also through the introduction of parameters to ensure consistency.
The **"portfolio-based" approach to consulting** has been available for all customers since 8 January 2014.
The new approach is a significant revision of the previous "product-based" model, though in fact it is a natural evolution in the enhancement of the quality of service provided, with a simultaneous increase in the level of customer protection thanks to *ad hoc* safeguards incorporated in the model.
The guidelines underlying the new approach to consulting services are as follows:

- the formulation of investment recommendations, taking into consideration all of the customer's financial investments (their so-called "investment portfolio");
- the rationalisation of instruments supporting Network activities and the formalisation of how they are to be managed.

With reference to the new features introduced into the protection model, i.e. all of the parameters of the adequacy model, the **"Obligatory Consulting"** for transactions relating to so-called "branded" products, i.e. products carrying the brand name of a Group company or which are perceived as useful, represents the one of the main innovations.
The Bank has also taken steps to implement specific safeguards related to financial commitments and the concentration and frequency of transactions; failure to pass these safeguards is a cause for inadequacy, making it impossible to provide the consulting service.
During the course of 2014 activities also continued to complete the method of formulating the **microfounded budget,** by refining the IT tool that made it possible to assess the consistency of objectives and commercial activities with the characteristics/needs of its customers based on their investment portfolios and the MiFID profile of each customer.
Again in 2015, the Bank will make every effort to carry out all the activities needed for governance and control to ensure proper provision of Investment Services, with special attention to the latest changes in the legislation, MiFID II and MiFIR, which are expected to enter into force in early 2017.

6.9 Information on business continuity, financial risks, impairment tests and uncertainties in the use of estimates

Joint document 2 issued by the Bank of Italy, CONSOB and ISVAP (now IVASS) on 6 February 2009 requests directors to include adequate information in their reports on operations on business continuity (going concern), financial risks, impairment tests and uncertainties regarding the use of estimates.
Summary information is provided below, bearing in mind that further discussion is presented in the Explanatory notes and elsewhere in this report.

Going Concern

The assets and liabilities reported in the Bank's 2014 financial statements have been measured in the context of long-term business continuity. To confirm and strengthen these assessments, it should be noted that, on the same date of approval of the 2014 financial statements, the Bank's Board of Directors approved the Group's new Business Plan for the three-year period 2015-2017, as mentioned in the Directors' report on Group operations.
The Plan, which was created with close involvement on the part of all of the Bank's staff involved in a single, shared programme of change (called "BECOMING BPER"), is based on three main pillars, which should give it strong, balanced leverage:

- sustainable growth in revenues;
- simplification and efficiency in the management of the operational machine;
- optimizing management of the risk profile.

Financial risks

Part E of the Explanatory notes provides qualitative and quantitative information on the principal financial risks normally faced by the Bank.
With regard to market risks, the quantification of the capital required to cover them shows that the amount is insignificant (Euro 56.8 million, being 2.27% of total capital requirements at 31 December 2014).
The characteristics of the financial instruments held, both in terms of counterparty and type, enable management to state confidently that the portfolio, which does not include complex or

innovative derivatives, is not exposed to significant financial risks. As a primary activity, the Bank trades on own account.

With regard to liquidity, the composition of assets shows a customer loans/deposits ratio of 99.79% (lower than the 102.33% on 31 December 2013, calculated on a pro-forma basis to take account of the mergers of the three Banks that took place in 2014) and financial investments (represented by the asset captions from 20 to 50, under financial assets) as a ratio of the amounts due to customers (liability caption 20 "*Due to customers*") is 36.30% (31.53% at 31 December 2013 pro-forma) and 25.65% as a ratio of direct deposits (21.77% at 31 December 2013 pro-forma).

The net interbank position at 31 December 2014 is a negative balance of Euro 6,551.5 million (Euro 6,978.3 million at the end of 2013 pro-forma).

At the same date, the Pooling account of the Central Treasury possessed significant resources relating to securities eligible for refinancing by the European Central Bank, of an overall amount, net of margin call, of Euro 4,918 million, of which Euro 3,287 million have been refinanced (Euro 1,631 million is still available). These include:

- securities from self-securitisations of performing residential mortgage portfolios given to the Bank's own customers (currently Euro 737 million, eligible for refinancing up to Euro 625 million), using the special purpose vehicle Estense Finance s.r.l.;
- securities from self-securitisations of performing residential mortgage portfolios given to the Bank's own customers in the small and medium-sized businesses segment (currently Euro 606 million, eligible for refinancing up to Euro 516 million), using the special purpose vehicle Estense Finance s.r.l.;
- Guaranteed Bank Bonds issue by the Bank with a nominal value of Euro 300 million, eligible for refinancing up to Euro 260 million, available under the long-term programme for a total of Euro 5 billion, using the special purpose vehicle Estense Covered Bond S.r.l.;
- Collateralised Bank Assets (A.BA.CO) for Euro 1,442 million at 31 December 2014, of which Euro 751 million eligible for refinancing.

In view of the amount of securities available for refinancing, the Bank's overall operating liquidity is satisfactory overall, steadily improving throughout the year. The quality and size of the refinanceable portfolio, subject to constant refinement, allow any significant risks concerning the liquidity position to be properly addressed. Moreover, these risks are subject to constant monitoring by the relevant functions.

Impairment tests on assets

As regards testing assets for impairment, when preparing the separate and consolidated financial statements, the Bank carries out specific impairment tests on an annual basis as required by the accounting standards, normally at 31 December of each year, unless there have been changes or there are completely new situations that are likely to have had a material impact to the carrying amounts of the assets and to the assumptions used the previous time the assets were measured; particularly the assumptions used to calculate the discount rate (KE) and profit forecast (budget and business plans) of the Companies or CGUs whose goodwill is to be tested, i.e. the subsidiaries and associates.

Ample information on the methodologies and assumptions used in the measurement of equity investments and goodwill recorded in the balance sheet is provided in Parts A and B of the Explanatory notes, which also show the results of the Stress Tests carried out as required by law.

This testing for impairment revealed the need to make adjustments to the overall investment portfolio of Euro 7.5 million.

With respect to "*Financial assets available for sale*," which had negative valuation reserves at the year end, the criteria adopted for the identification of permanent losses, for which ample disclosure is given in Part A of the Explanatory notes, revealed cases in which impairment adjustments had to be made for a total of Euro 40.1 million.

Impairment testing is also required for the determination of the fair value of property held for whatever purpose. It is usually done based on generally accepted valuation methods and principles, also with the help of independent specialists. Already at the end of 2011 the Bank's entire real estate portfolio was subject to an expert appraisal by Praxi s.p.a. (a so-called "full on-site inspection"), which was then looked at again this year with a so-called "desktop review".

This activity was carried out by Praxi s.p.a. in compliance with the standard set out in the Appraisal and Valuation Standards (the so-called "Red Book") issued by the Royal Institution of Chartered Surveyors (RICS).

The market analysis was carried out by detecting, in percentage terms, the average change in the trend in the area during the period examined (from 31 December 2011 to 31 December 2014) and drawing on information from bibliographic data by sector, from comparables (data held by the company) and from interviews with local real estate agents.

Given the initial assumptions, in the light of information gathered from sector studies, for certain types of real estate assets (mostly located in high value districts in homogeneous areas, so less sensitive to market fluctuations), specific additional research has been introduced: to gain more accurate measurements, surveys were carried out in "targeted" zones, making it possible to detect variances that are closer to reality.

It should be noted that, in this context, the term "market value" means the estimated amount for which a property or liability could be sold and purchased at the valuation date by a seller and a buyer without particular connections, both interested in the sale, under competitive conditions, after adequate marketing in which the parties acted in an informed manner, knowingly and without coercion (in fact, the concept of "market value" is linked to the notion of "fair value").

This activity highlighted the need to write down the carrying amount of the real estate sector for Euro 2.1 million, on the Bank's total real estate assets of Euro 294 million (net book value of buildings).

Uncertainties in the use of estimates

Given the current, extremely uncertain macroeconomic conditions, any assumptions about the present and future value of assets and liabilities are inevitably exposed to risk. Accordingly, it is impossible to state that currently unforeseeable future events, perhaps arising very soon, will not result in significant adjustments to the carrying amounts of the various items comprising the balance sheet. As always, the Bank has taken the greatest possible care when measuring its exposures at 31 December 2014, considering the estimated realisable value of all financial assets with reference to external information (e.g. market prices for securities) or internal evidence (with regard to loans to customers). This process is discussed in Part A of the Explanatory notes.

The forward-looking estimates used in preparing the business plan for the three-year period 2015-2017 were based on assumptions that were considered substantially reliable based on the information available at the time. In this case too, unexpected changes in market conditions could give rise to significant variations in currently estimated values.

6.10 Information to be provided about impairment tests, the contractual clauses that govern borrowing, the restructuring of debt and the fair value hierarchy

Document 4, jointly issued by the Bank of Italy, CONSOB and ISVAP (now IVASS) on 3 March 2010 follows on from that issued in February 2009 by the three Authorities and, with respect to certain aspects covered, confirms their recommendations thereon. This joint document draws "the attention of members of administrative and supervisory bodies and managers responsible for preparing financial reports to the need to ensure adequate disclosures for the purposes of clarity of the impact of the crisis on the capital, financial position and results of operations and of operating decisions and strategies, together with any corrective action taken to adapt business strategy to the changed business environment".
The communication does not have an independent prescriptive content, since it does not introduce any further obligations beyond those envisaged by IAS/IFRS, but identifies certain areas of disclosure of specific interest to the Bank, in which companies must ensure the highest degree of transparency, namely:

- impairment tests on goodwill, other intangible assets with indefinite useful lives and equity investments;
- the measurement of equities classified as "*Financial assets available for sale*";
- disclosures regarding the so-called "fair value hierarchy", introduced by the amendment to IFRS 7 dated March 2009 and subsequent amended by IFRS 13.

Furthermore, this gives a number of details on the information to be provided on debt restructuring and the classification of financial liabilities when the contractual clauses are not respected, leading to the acceleration clause coming into effect.

Impairment testing of goodwill, other intangible assets with an indefinite useful life and equity investments in subsidiary banks

As previously indicated, the measurement of goodwill, of other intangible assets with indefinite useful lives and of equity investments is detailed further in Part A of the Explanatory notes, in the paragraph "22 - Method for determining the extent of impairment" (which details the method adopted) and in Part B of the Explanatory notes in Assets, Sections 10 and 12. Disclosure is also given on the impact on results of such activities, in the commentary on specific income statement components in Part C.
With respect to business combinations and allocation of the purchase price, further disclosure is given in Part A of the Explanatory notes, in paragraph "23 - Business combinations: allocation of the purchase cost", as well as in Part G, in the event of any changes or new transactions since the last approved set of financial statements.
The tests were carried out on the basis of an updated discount rate (KE) of 8.63% (a rate of 9.34% was used at 31 December 2013), in line with market conditions and relevant benchmarks.
Reference was also made, especially for the subsidiary banks, to the financial projections made on the basis of the budgets approved by the individual banks, taking into account the goals set in the Group's Business Plan, as well as the projections for the period 2015-2017, which were developed taking into account the forecasts for the banking system provided by Prometeia. For the period 2018-2019, the projections that were taken into account were developed in a context of inertial growth to identify a normalised level of earnings that is considered sustainable in the long term.
The outcome of the impairment test had no impact on the income statement.

Measurement of equities classified as "Financial assets available for sale"

With regard to securities classified as "*Financial assets available for sale*", the related methods for determining the extent of impairment are described in Part A of the Explanatory notes.
It is worth mentioning here that the Bank has taken steps to identify objective parameters useful for establishing objective evidence of impairment, in accordance with the indications given by IFRIC in its document of July 2009.

Fair value hierarchy

The Bank has classified its financial assets and liabilities into the three fair value levels envisaged by IFRS 13, explaining the methodologies and parameters in its "BPER Group guidelines for the measurement of financial instruments at fair value"; detailed information on these standards is given in Part A paragraph "21 - Techniques for the determination of fair value".

7. REMUNERATION OF THE BOARD OF DIRECTORS

We bring to your attention the topic of the determination of the amount of Directors' emoluments, as provided for by art. 24 of the articles of association.

The Shareholders' Meeting held on 12 April 2014 established that the amount of fees payable to Directors, in accordance with art. 24 of the articles of association, for the 2014 financial year was a total of Euro 1,600,000 and that this amount was for the payment of emoluments of the members of the Board of Directors, additional emoluments payable to the Executive Committee and other internal Committees, as well as Directors' attendance fees for participation at meetings of the Board of Directors and of the above committees. Excluded, however, were additional emoluments payable to Directors appointed to particular positions in compliance with the articles of Association (specifically Chairman, Vice Chairmen and Chief Executive Officer): in accordance with art. 24 of the articles of association, this remuneration has to be set, in fact, by the Board of Directors, after having sought the opinion of the Board of Statutory Auditors.

The total amount of fees, determined as indicated and charged to the income statement of the year on an accruals basis, in compliance with IAS 19 under "*Personnel costs - Directors and Statutory Auditors*", was Euro 1,544 thousand (Euro 1,577 thousand at 31 December 2013), below the set limit of Euro 1,600 thousand. In detail, this amount includes the fees due to members of the Board of Directors of Euro 880.8 thousand (Euro 900.5 thousand at 31 December 2013), the fees due to members of the Executive Committee of Euro 151.2 thousand (Euro 185 thousand at 31 December 2013), the fees for participation in various internal Committees, set up to meet the obligations of Corporate Governance of Euro 301.8 thousand (Euro 300.6 thousand at 31 December 2013) and attendance fees for Directors attending meetings of the Board of Directors, of the Executive Committee and the various internal committees of a total of Euro 210.3 thousand (Euro 191 thousand at 31 December 2013).

In addition to these amounts, there were also emoluments payable to the Chairman and Deputy Chairmen of Euro 344.5 thousand (Euro 331.2 thousand at 31 December 2013) and to the Chief Executive Officer of Euro 1,252.1 thousand (Euro 650 thousand at 31 December 2013), taking account of the change-over that took place during the year, so subject to the contract with the outgoing Chief Executive Officer, which expired at 31 December 2014. The total amount is therefore Euro 3,140.7 thousand, compared with Euro 2,558.2 thousand for 2013.

Having shown the Directors' fees for 2014, we now submit a proposal for their remuneration for 2015, confirming the amount of Euro 1,600 thousand, already established as the limit for 2014.

We hereby propose the following resolution for your consideration: *"the total amount of fees payable to Directors for 2015, pursuant to art. 24 of the articles of association, is set at Euro 1,600,000 (one million six hundred thousand euro)".*

8. PROPOSAL FOR THE ALLOCATION OF NET PROFIT

Having completed our review of the results of oper ations and the various events that took place in the year just ended, we present our proposal for the allocation of net profit which, as mentioned, amounted to Euro 15,449,290.82.

The proposal that we herewith submit, which adheres to the criteria of severe prudence and attention to the strengthening of capital, in line with the recent reminders of the Supervisory Authorities, provides first of all a preliminary allocation, as provided by art. 54 (last paragraph) of the articles of association, of an amount of Euro 1,511,045.53 to the restricted reserve under Legislative Decree 38/2005 (art. 6.1.a) for unrealised gains, net of tax.

Accordingly, there is a residual balance of Euro 13,938,245.29 to be allocated, comprising an allocation to reserves in line with the minimum requirements required by law the, totalling Euro 4,181,473.59.

The above allows us to propose the allocation to Members and Shareholders of a dividend in cash of Euro 0.02 for each of the 481,308,435 shares representing the share capital (net of those held in portfolio at the ex-dividend date: 455,458 at 31 December 2014); The total amount allocated for dividends therefore comes to Euro 9,626,168.70, i.e. 62.31% of the net profit for the year.

We also propose the allocation of the residual part of the profit, amounting to Euro 130,603, to the reserve for charitable donations and payments for the public benefit.

We would also point out that, taking into account the amount allocated to reserves, the annual rate of return of the share can be calculated in Euro 0.03. This rate of return corresponds to 0.42% of the market price at the time of preparing this report (Euro 7.17) and 0.45% of the average market price over the year (Euro 6.62).

Trusting that you will grant your consent, we therefore present in accordance with the articles of association the following proposed allocation of net profit:

Net profit for the periodr	**Euro**	**15,449,290.82**
Preliminary allocation (as per last paragraph of art. 54 of the articles of association):		
- to non-distributable reserve, art. 6.1.A of Legislative Decree 38/05	Euro	1,511,045.53
Residual profit to be distributed	**Euro**	**13,938,245.29**
- to ordinary reserve (10%)	Euro	1,393,824.53
- to statutory reserve (20%)	Euro	2,787,649.06
- to reserve for charitable donations and payments for the public benefit	Euro	130,603.00
- to the Shareholders as a dividend of Euro 0.02 for the 481,308,435 shares making up the share capital	Euro	9,626,168.70

According to Borsa Italiana S.p.A.'s calendar, payment of the proposed dividend will take place as from 20 May 2015. As regards its market price, BPER's stock will go ex-coupon on Monday, 18 May 2015, while the record date is scheduled for Tuesday, 19 May 2015.

It is important to remember that the dividend is subject to withholding tax or forms part of taxable income to a varying extent depending on the status of the recipients. It should be noted that, according to the Ministerial Decree of 2 April 2008, for tax purposes, the entire dividend is considered earnings produced up to the year in progress at 31 December 2007.

9. SIGNIFICANT SUBSEQUENT EVENTS AND OUTLOOK FOR OPERATIONS

9.1 Significant events subsequent to 31 December 2014

BPER successfully places a new issue of a 7-year covered bond for Euro 750 million

On 13 January 2015, Banca popolare dell'Emilia Romagna s.c. launched and successfully placed a new public issue of guaranteed bank bonds for an amount of Euro 750 million with a maturity of seven years, as part of the Group's covered bond programme of Euro 5 billion. The issue was priced at a level equal to the mid-swap rate +42 basis points with a coupon of 0.875%, payable in arrears on 22 January of each year from 2016. The maturity is 22 January 2022.

Inspections by the Supervisory Authorities

On 5 February 2015, an inspection pursuant to art. 54 and 68 of Legislative Decree 385/1993 began at the Bank. The purpose is to evaluate the "Compliance with the rules on transparency of transactions and fairness in dealings with customers and combating money laundering".
The Bank thinks that it is reasonable to consider this inspection as a routine visit by the Supervisory Authority, especially as similar inspections, in terms of topic and scope, have been carried out or are currently underway at other Italian banks.

Decree Law 3 of 24 January 2015

Decree 3 (urgent measures for the banking system and investment) was published on 24 January 2015 (Official Gazette 19), requiring among other matters the transformation of cooperative banks into companies with liability limited by shares (S.p.A.) if their total assets exceed Euro 8 billion (on a consolidated basis if the bank is the parent of a banking group). This Decree, which envisages compliance within 18 months of the entry into force of the enabling instructions issued by the Bank of Italy pursuant to art. 29 of Legislative Decree 385/1993, is subject to the normal procedure of conversion into law. Banca popolare dell'Emilia Romagna s.c. falls within the scope of the cooperative banks covered by this law.

9.2 Outlook for operations

Please refer to the Directors' Report on Group Operations.

10. ACKNOWLEDGEMENTS

Over the past year, BPER could count on a large group of participants to achieve these results.
2014 was a historic year for the Bank. It did in fact mark the transfer of BPER under the direct Supervision of the European Central Bank (ECB), after the successful outcome of the Comprehensive Assessment.
Above all, the Members and customers, who more and more frequently show tangible appreciation for our daily efforts.
Heartfelt thanks are also extended to those who, with differing roles and responsibilities, have worked for the Bank and all the businesses that make up the BPER Group. We refer to the Chairman, the Directors, Statutory Auditors, Managers and all members of the general management of the Bank and Group companies; recognition is due to all of them for their great professionalism in their management activities and their extraordinary ability to listen and to be attentive to the territorial context in which we operate.
A particular thought also goes to the Bank's Board of Statutory Auditors, which attends every meeting of the Board of Directors and which assiduously carries out its articulated control activities.
We also express our gratitude to the Chief Executive Officer, the General Manager and the Deputy General Managers: they have all expressed a high level of professionalism and have managed the Bank in an increasingly collaborative way that is entirely in line with the guidelines provided by the Board of Directors. For them, what has been fundamental is the dedication shown by all of our personnel, who have never failed in their efforts, with exceptional commitment to the Bank's values, guaranteeing the achievement of objectives set.
We express, in particular, deep gratitude and regard for all those persons who retired from service during the year. Their names and their period of service with the Bank are listed in an attachment to this report.
A greeting also goes to the Governor of the Bank of Italy, to the managers of the Central Administration, as well as managers and staff of the relevant structures of the Supervisory Authority, as well as the representatives of the ECB with whom we have had a useful and constructive debate following the Bank's transfer under its direct supervision.
Also a thought for CONSOB and the Borsa Italiana which runs the Italian Stock Exchange.
Lastly, we would like to thank our auditors PricewaterhouseCoopers s.p.a. and all of its staff who contributed to the development, in-house, of a higher level of attention to different accounting and legislative matters, also thanks to a positive and effective dialogue usefully developed with full respect for the different roles and functions.

11. RESOLUTIONS

Shareholders,
on completion of our discussion and trusting that you concur with us, we present for your approval the 2014 financial statements, accompanied by the report on operations and the other attached documentation.
We also ask you to approve the proposed allocation of net profit, as previously set out, and seek your approval for the remuneration of the Board of Directors in the terms expressed previously.
We confirm that the financial statements of the Bank and the consolidated financial statements of the Group are accompanied by the certification (required by para. 5 of art. 154-*bis* of the Consolidated Finance Law) given by the Chief Executive Officer and the Manager responsible for preparing the company's financial reports.
The reports of the independent auditors on the financial statements of the Bank and the consolidated financial statements of the Group, included in the printed volume, are issued by PricewaterhouseCoopers s.p.a. under the terms of their mandate for the period 2008-2016.

12. REAPPOINTMENT OF DIRECTORS AND OFFICERS

The three-year mandate of the following Directors has expired: Ettore Caselli (Chairman), Giosuè Boldrini (Deputy Chairman), Alessandro Vandelli (Chief Executive Officer), Giulio Cicognani, Elisabetta Gualandri, Valeriana Maria Masperi and Giuseppina Mengano.

The Shareholders' Meeting is therefore called upon to elect seven members of the Board of Directors for the period 2015-2017 and the appointment of a Director for the rest of the three-year period 2014-2016 to replace a Director who died in office.

Finally, the three-year mandate of the following Statutory Auditors has expired: Romano Conti (Chairman), Carlo Baldi, Guglielmo Cacchioli, Fabrizio Corradini, Pier Paolo Ferrari (Statutory Auditors); Luigi Fontana and Luigi Attilio Mazzocchi (Alternate Auditors).

The Shareholders' Meeting is therefore called upon to elect the Board of Statutory Auditors for the three-year period 2015-2017, as well as to set the Board's remuneration.

Similarly, the three-year mandate of the following members of the Board of Arbiters has expired: Miranda Corradi (Chairman), Roberto Bernardi, Federico Ferrari Amorotti, Vittorio Rossi and Massimo Turchi (Arbiters); Pier Luigi Cerutti and Philip Bergamini (Alternate Arbiters).

The Shareholders' Meeting is called upon to elect the Board of Arbiters for the three-year period 2015-2017.

Modena, 3 March 2015

The Board of Directors
The Chairman
Ettore Caselli

Financial statements at 31 December 2013 restated pro-forma: reconciliations

Balance sheet as at 31 December 2013

(in thousands of Euro)

Assets	BPER	BPRA	BCAM	BPMZ	Merger adjustments	Total
10. Cash and cash equivalents	221,462	17,304	45,913	55,416	-	340,095
20. Financial assets held for trading	984,185	19,594	104,125	20,181	(27,858)	1,100,227
30. Financial assets designated at fair value through profit and loss	71,863	7,206	357	4,173	-	83,599
40. Financial assets available for sale	5,052,955	52,263	1,657	169,992	(534)	5,276,333
50. Financial assets held to maturity	1,207,868	-	-	-	-	1,207,868
60. Due from banks	2,065,534	200,705	1,532,169	827,541	(2,890,254)	1,735,695
70. Loans to customers	28,892,720	2,022,651	2,536,673	2,590,742	-	36,042,786
80. Hedging derivatives	1,896	-	-	-	-	1,896
100. Equity investments	2,273,729	-	110	-	(913,238)	1,360,601
110. Property, plant and equipment	293,883	44,414	79,453	50,522	-	468,272
120. Intangible assets	198,498	135	292	37,367	64,346	300,638
of which: goodwill	185,358	-	-	30,532	64,346	280,236
130. Tax assets:	804,081	29,239	71,553	42,306	-	947,179
a) current	105,622	2,867	6,633	6,444	-	121,566
b) deferred	698,459	26,372	64,920	35,862	-	825,613
b1) of which L. 214/2011	620,689	22,519	49,674	29,142	-	722,024
140. Non-current assets and disposal groups held for sale	-	2,817	-	-	-	2,817
150. Other assets	615,875	34,672	75,303	63,569	(7,600)	781,819
TOTAL ASSETS	**42,684,549**	**2,431,000**	**4,447,605**	**3,861,809**	**(3,775,138)**	**49,649,825**

(in thousands of Euro)

Liabilities and shareholders' equity	BPER	BPRA	BCAM	BPMZ	Merger adjustments	Total
10. Due to banks	9,186,907	31,363	24,896	180,939	(710,153)	8,713,952
20. Due to customers	17,870,980	1,260,688	3,061,525	2,157,906	(27,941)	24,323,158
30. Debt securities in issue	7,914,375	479,256	711,437	952,207	(2,121,764)	7,935,511
40. Financial liabilities held for trading	211,778	426	530	724	(1,513)	211,945
50. Financial liabilities designated at fair value through profit and loss	2,664,781	248,385	-	50,956	(2,014)	2,962,108
60. Hedging derivatives	35,793	-	-	-	-	35,793
80. Tax liabilities:	40,367	2,266	2,262	9,956	1	54,852
a) current	-	719	1,340	4,301	1	6,361
b) deferred	40,367	1,547	922	5,655	-	48,491
100. Other liabilities	945,783	82,090	105,992	87,305	(24,525)	1,196,645
110. Provision for termination indemnities	80,620	6,786	26,198	13,263	(1)	126,866
120. Provisions for risks and charges	194,158	8,556	20,414	17,474	1	240,603
a) pensions and similar commitments	120,473	-	-	-	1	120,474
b) other provisions	73,685	8,556	20,414	17,474	-	120,129
130. Valuation reserves	23,130	10,564	(6,355)	2,356	-	29,695
160. Reserves	1,910,297	148,127	162,438	177,874	(224,956)	2,173,780
170. Share premium reserve	624,156	95,577	242,351	52,372	(382,471)	631,985
180. Share capital	1,001,483	54,409	83,223	134,971	(267,712)	1,006,374
190. Treasury shares	(7,270)	-	-	-	-	(7,270)
200. Net profit (loss) for the period	(12,789)	2,507	12,694	23,506	(12,090)	13,828
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**42,684,549**	**2,431,000**	**4,447,605**	**3,861,809**	**(3,775,138)**	**49,649,825**

Income statement as at 31 December 2013

(in thousands of Euro)

Income Statement	BPER	BPRA	BCAM	BPMZ	Merger adjustments	Total
10. Interest and similar income	1,267,385	97,017	153,482	145,115	(74,499)	1,588,500
20. Interest and similar expense	(611,714)	(36,610)	(42,966)	(42,760)	74,974	(659,076)
30. Net interest income	**655,671**	**60,407**	**110,516**	**102,355**	**475**	**929,424**
40. Commission income	422,140	31,233	56,553	56,102	(491)	565,537
50. Commission expense	(42,165)	(1,284)	(1,645)	(1,508)	488	(46,114)
60. Net commission income	**379,975**	**29,949**	**54,908**	**54,594**	**(3)**	**519,423**
70. Dividends and similar income	59,521	406	50	39	(11,223)	48,793
80. Net trading income	36,791	734	6,021	785	(8)	44,323
90. Net hedging gains (losses)	(172)	-	-	-	-	(172)
100. Gains/losses on disposal or repurchase of:	136,412	426	-	9	-	136,847
a) loans	(97)	-	-	10	-	(87)
b) financial assets available for sale	132,387	426	-	-	-	132,813
d) financial liabilities	4,122	-	-	(1)	-	4,121
110. Net results on financial assets and liabilities designated at fair value	(69,642)	(7,759)	57	(1,316)	(859)	(79,519)
120. Net interest and other banking income	**1,198,556**	**84,163**	**171,552**	**156,466**	**(11,618)**	**1,599,119**
130. Net impairment adjustments to:	(630,924)	(26,146)	(30,765)	(23,157)	-	(710,992)
a) loans	(549,580)	(24,819)	(29,185)	(22,220)	-	(625,804)
b) financial assets available for sale	(56,416)	(29)	(9)	-	-	(56,454)
d) other financial assets	(24,928)	(1,298)	(1,571)	(937)	-	(28,734)
140. Net profit from financial activities	**567,632**	**58,017**	**140,787**	**133,309**	**(11,618)**	**888,127**
150. Administrative costs:	(667,148)	(57,032)	(121,483)	(102,621)	2,746	(945,538)
a) payroll	(347,368)	(32,030)	(68,056)	(58,236)	24	(505,666)
b) other administrative costs	(319,780)	(25,002)	(53,427)	(44,385)	2,722	(439,872)
160. Net provisions for risks and charges	(8,270)	(1,032)	(7,912)	(1,334)	-	(18,548)
170. Net adjustments to property, plant and equipment	(15,762)	(1,797)	(2,530)	(4,543)	-	(24,632)
180. Net adjustments to intangible assets	(1,323)	(31)	(59)	(601)	-	(2,014)
190. Other operating charges/income	120,568	7,827	15,484	19,050	(3,218)	159,711
200. Operating costs	**(571,935)**	**(52,065)**	**(116,500)**	**(90,049)**	**(472)**	**(831,021)**
210. Profit (loss) from equity investments	(11,514)	-	-	-	-	(11,514)
240. Gains (losses) on disposal of investments	42	8	25	1	-	76
250. Profit (loss) from current operations before tax	**(15,775)**	**5,960**	**24,312**	**43,261**	**(12,090)**	**45,668**
260. Income taxes on current operations for the period	2,986	(3,453)	(11,618)	(19,755)	-	(31,840)
270. Profit (loss) from current operations after tax	**(12,789)**	**2,507**	**12,694**	**23,506**	**(12,090)**	**13,828**
290. Net profit (loss) for the period	**(12,789)**	**2,507**	**12,694**	**23,506**	**(12,090)**	**13,828**

FINANCIAL STATEMENTS

Banca popolare dell'Emilia Romagna

The financial statements have been translated from the Italian into English language solely for the convenience of international readers.

Balance Sheet as at 31 December 2014

(in Euro)

Assets	31.12.2014	31.12.2013
10. Cash and cash equivalents	306,329,153	221,462,230
20. Financial assets held for trading	1,035,358,233	984,184,917
30. Financial assets designated at fair value through profit and loss	62,755,774	71,862,717
40. Financial assets available for sale	5,499,413,439	5,052,955,148
50. Financial assets held to maturity	2,213,496,780	1,207,867,746
60. Due from banks	1,743,445,889	2,065,534,097
70. Loans to customers	34,276,874,930	28,892,719,763
80. Hedging derivatives	33,659,659	1,895,893
100. Equity investments	1,379,466,967	2,273,728,510
110. Property, plant and equipment	453,706,644	293,883,309
120. Intangible assets	300,240,093	198,497,686
of which: goodwill	280,235,895	185,357,838
130. Tax assets	1,096,912,520	804,081,231
a) current	160,794,197	105,621,581
b) deferred	936,118,323	698,459,650
b1) of which L. 214/2011	818,507,638	620,689,459
140. Non-current assets and disposal groups classified as held for sale	2,816,793	-
150. Other assets	757,844,404	615,875,300
Total assets	**49,162,321,278**	**42,684,548,547**

Liabilities and shareholders' equity	31.12.2014	31.12.2013
10. Due to banks	8,294,902,367	9,186,906,929
20. Due to customers	24,272,937,632	17,870,980,090
30. Debt securities in issue	8,374,184,614	7,914,375,195
40. Financial liabilities held for trading	247,604,424	211,778,164
50. Financial liabilities designated at fair value through profit and loss	1,700,613,750	2,664,781,138
60. Hedging derivatives	9,113,511	35,793,360
80. Tax liabilities	72,893,117	40,366,961
b) deferred	72,893,117	40,366,961
100.Other liabilities	1,132,669,919	945,781,004
110. Provision for termination indemnities	135,588,568	80,619,970
120. Provisions for risks and charges	286,205,107	194,158,627
a) pensions and similar commitments	144,607,384	120,473,289
b) other provisions	141,597,723	73,685,338
130. Valuation reserves	66,499,890	23,129,709
160. Reserves	2,186,914,339	1,910,297,324
170. Share premium reserve	930,076,556	624,155,684
180. Share capital	1,443,925,305	1,001,482,977
190. Treasury shares	(7,257,112)	(7,270,068)
200. Net profit (loss) for the period	15,449,291	(12,788,517)
Total liabilities and shareholders' equity	**49,162,321,278**	**42,684,548,547**

Income statement as at 31 December 2014

(in Euro)

Captions	31.12.2014	31.12.2013
10. Interest and similar income	1,462,141,210	1,267,384,695
20. Interest and similar expense	(528,901,630)	(611,713,973)
30. Net interest income	**933,239,580**	**655,670,722**
40. Commission income	555,253,536	422,139,916
50. Commission expense	(40,328,371)	(42,165,369)
60. Net commission income	**514,925,165**	**379,974,547**
70. Dividends and similar income	46,627,034	59,520,716
80. Net trading income	15,741,411	36,791,243
90. Net hedging gains (losses)	894,624	(171,701)
100. Gains/losses on disposal or repurchase of:	104,964,877	136,411,663
a) loans	(29,861,809)	(97,190)
b) financial assets available for sale	134,955,984	132,387,081
d) financial liabilities	(129,298)	4,121,772
110. Net results on financial assets and liabilities designated at fair value	(16,468,461)	(69,641,923)
120. Net interest and other banking income	**1,599,924,230**	**1,198,555,267**
130. Net impairment adjustments to:	(673,577,535)	(630,923,894)
a) loans	(626,530,776)	(549,580,305)
b) financial assets available for sale	(40,138,337)	(56,415,889)
d) other financial assets	(6,908,422)	(24,927,700)
140. Net profit from financial activities	**926,346,695**	**567,631,373**
150. Administrative costs:	(965,984,662)	(667,148,369)
a) payroll	(507,779,390)	(347,368,047)
b) other administrative costs	(458,205,272)	(319,780,322)
160. Net provisions for risks and charges	(30,911,030)	(8,269,720)
170. Net adjustments to property, plant and equipment	(25,257,768)	(15,762,227)
180. Net adjustments to intangible assets	(2,234,809)	(1,322,805)
190. Other operating charges/income	134,227,473	120,569,422
200. Operating costs	**(890,160,796)**	**(571,933,699)**
210. Profit (loss) from equity investments	(7,487,443)	(11,513,642)
240. Gains (losses) on disposal of investments	(31,816)	41,648
250. Profit (loss) from current operations before tax	**28,666,640**	**(15,774,320)**
260.Income taxes on current operations	(13,217,349)	2,985,803
270. Profit (loss) from current operations after tax	**15,449,291**	**(12,788,517)**
290. Net profit (loss) for the period	**15,449,291**	**(12,788,517)**

	Earnings per share (Euro) 31.12.2014	Earnings per share (Euro) 31.12.2013
Basic EPS	0.042	(0.038)
Diluted EPS	0.042	(0.036)

Statement of comprehensive income

(in Euro)

Statement of comprehensive income	31.12.2014	31.12.2013
10. Net profit (loss) for the period	**15,449,291**	**(12,788,517)**
Other income items, net of income taxes, without release to the income statement	**(26,053,356)**	**(13,179,501)**
40. Defined benefit plans	(26,053,356)	(13,179,501)
Other income items, net of income taxes, with release to the income statement	**62,858,131**	**(67,025,704)**
90. Cash-flows hedges	13,039,815	2,480,843
100. Financial assets available for sale	49,818,316	(69,506,547)
130. Total other elements of income (net of income taxes)	**36,804,775**	**(80,205,205)**
140. Comprehensive income (caption 10+130)	**52,254,066**	**(92,993,722)**

Statement of changes in shareholders' equity

(in thousands of Euro)

	Balance as at 31.12.13	Changes in opening balances	Balance as at 1.1.14	Allocation of prior year results		Changes during the year								Shareholders' equity as at 31.12.14
				Reserves	Dividends and other allocations	Changes in reserves	Transactions on shareholders' equity						Comprehensive income as at 31.12.14	
							Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury shares	Stock options		
Share capital:	**1,001,483**	**-**	**1,001,483**	**-**	**-**	**-**	**442,442**	**-**	**-**	**-**	**-**	**-**	**-**	**1,443,925**
a) ordinary shares	1,001,483	-	1,001,483	-	-	-	442,442	-	-	-	-	-	-	1,443,925
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	**624,156**	**-**	**624,156**	**-**	**-**	**-**	**305,921**	**-**	**-**	**-**	**-**	**-**	**-**	**930,077**
Reserves:	**1,910,297**	**-**	**1,910,297**	**(12,789)**	**-**	**289,406**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,186,914**
a) from profits	1,667,056	-	1,667,056	(12,789)	-	32,441	-	-	-	-	-	-	-	1,686,708
b) other	243,241	-	243,241	-	-	256,965	-	-	-	-	-	-	-	500,206
Valuation reserves	**23,130**	**-**	**23,130**	**-**	**-**	**6,565**	**-**	**-**	**-**	**-**	**-**	**-**	**36,805**	**66,500**
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Treasury shares	**(7,270)**	**-**	**(7,270)**	**-**	**-**	**-**	**20**	**(7)**	**-**	**-**	**-**	**-**	**-**	**(7,257)**
Net profit (loss)	**(12,789)**	**-**	**(12,789)**	**12,789**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**15,449**	**15,449**
Shareholders' equity	**3,539,007**	**-**	**3,539,007**	**-**	**-**	**295,971**	**748,383**	**(7)**	**-**	**-**	**-**	**-**	**52,254**	**4,635,608**

	Balance as at 31.12.12	Changes in opening balances	Balance as at 1.1.13	Allocation of prior year results		Changes during the year								Shareholders' equity as at 31.12.13
				Reserves	Dividends and other allocations	Changes in reserves	Transactions on shareholders' equity						Comprehensive income as at 31.12.13	
							Issue of new shares	Purchase of treasury	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury shares	Stock options		
Share capital:	**998,165**	**-**	**998,165**	**-**	**-**	**-**	**3,318**	**-**	**-**	**-**	**-**	**-**	**-**	**1,001,483**
a) ordinary shares	998,165	-	998,165	-	-	-	3,318	-	-	-	-	-	-	1,001,483
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	**619,462**	**-**	**619,462**	**-**	**-**	**-**	**4,694**	**-**	**-**	**-**	**-**	**-**	**-**	**624,156**
Reserves:	**1,750,136**	**-**	**1,750,136**	**784**	**-**	**159,377**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,910,297**
a) from profits	1,660,498	-	1,660,498	784	-	5,774	-	-	-	-	-	-	-	1,667,056
b) other	89,638	-	89,638	-	-	153,603	-	-	-	-	-	-	-	243,241
Valuation reserves	**107,745**	**-**	**107,745**	**-**	**-**	**(4,410)**	**-**	**-**	**-**	**-**	**-**	**-**	**(80,205)**	**23,130**
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Treasury shares	**(7,264)**	**-**	**(7,264)**	**-**	**-**	**-**	**4**	**(10)**	**-**	**-**	**-**	**-**	**-**	**(7,270)**
Net profit (loss)	**784**	**-**	**784**	**(784)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(12,789)**	**(12,789)**
Shareholders' equity	**3,469,028**	**-**	**3,469,028**	**-**	**-**	**154,967**	**8,016**	**(10)**	**-**	**-**	**-**	**-**	**(92,994)**	**3,539,007**

Cash flow statement as at 31 December 2014

Indirect method

(in thousands of Euro)

Operating activities	31.12.2014	31.12.2013
1. Cash generated from operations	**791,991**	**708,408**
net profit for the period	15,449	(12,789)
net gains/losses from financial assets held for trading and financial assets/liabilities designated at fair value through profit and loss	6,060	57,822
gains (losses) from hedging activities	(895)	172
net adjustments for impairment	673,578	630,924
impairment/write-backs to property, plant and equipment and intangible assets	27,493	17,085
net provisions for risks and charges and other costs/income	79,614	43,432
unsettled taxes	13,217	(2,986)
other adjustments	(22,525)	(25,252)
2. Cash generated/absorbed by financial assets	**908,224**	**578,067**
financial assets held for trading	82,607	286,924
financial assets designated at fair value through profit and loss	2,018	(31,225)
financial assets available for sale	(174,617)	(1,405,071)
due from banks: on demand	407,671	(175,574)
due from banks: other receivables	(415,422)	1,005,509
loans to customers	1,139,380	1,075,052
other assets	(133,413)	(177,548)
3. Cash generated/absorbed by financial liabilities	**(1,437,043)**	**(808,584)**
due to banks: on demand	854,132	308,518
due to banks: other debts	(1,273,182)	636,324
due to customers	(50,220)	(224,850)
debt securities in issue	409,494	(366,787)
financial liabilities held for trading	35,660	(25,040)
financial liabilities designated at fair value through profit and loss	(1,266,670)	(852,717)
other liabilities	(146,257)	(284,032)
Net cash generated/absorbed by operating activities	**263,172**	**477,891**

Investing activities	31.12.2014	31.12.2013
1. Cash generated by	**159,570**	**99,219**
sale of equity investments	-	640
dividends collected on equity investments	30,012	36,766
sale of financial assets held to maturity	127,585	61,732
sale of property, plant and equipment	1,973	81
2. Cash absorbed by	**(1,205,087)**	**(582,725)**
purchase of equity investments	(48,037)	(104,995)
purchase of financial assets held to maturity	(1,142,038)	(459,752)
purchase of property, plant and equipment	(13,175)	(10,270)
purchase of intangible assets	(1,837)	(2,031)
purchase of lines of business	-	(5,677)
Net cash generated/absorbed by investing activities	**(1,045,517)**	**(483,506)**

Financing activities	31.12.2014	31.12.2013
issue/purchase of treasury shares	748,376	8,005
Net cash generated/absorbed by financing activities	**748,376**	**8,005**
Net cash generated/absorbed in the period	**(33,969)**	**2,390**

Key

(+) generated
(-) absorbed

Reconciliation

Captions	31.12.2014	31.12.2013
Cash and cash equivalents at beginning of the period	340,095	219,081
Net increase (decrease) in cash and cash equivalents	(33,969)	2,390
Cash and cash equivalents: effect of change in exchange rates	203	(9)
Cash and cash equivalents at end of the period	**306,329**	**221,462**

For 2014, the total of "Cash and cash equivalents at beginning of the period" includes the amounts arising on the merger of Banca della Campania s.p.a., Banca Popolare del Mezzogiorno s.p.a. e Banca Popolare di Ravenna s.p.a., while for 2013 it includes the amounts arising on the merger of Banca Popolare di Aprilia s.p.a., Cassa di Risparmio della provincia dell'Aquila s.p.a. and Banca Popolare di Lanciano e Sulmona s.p.a.
The amounts at 31 December 2013 have been reclassified as regards the "Net cash generated/absorbed in the period", following a different approach in accounting for the "Cash and cash equivalents" of the three merged entities (Euro 68,093 thousand).

EXPLANATORY NOTES

Banca popolare dell’Emilia Romagna

Key to abbreviations in tables:

FV: fair value
FV*: fair value excluding variations due to changes in the credit worthiness of the issuer since the issue date
NV: nominal or notional value
BV: book value
L_1: Fair value hierarchy – Level 1
L_2: Fair value hierarchy – Level 2
L_3: Fair value hierarchy – Level 3

#: not applicable

A.1 – GENERAL INFORMATION

Section 1 - Declaration of compliance with International Financial Reporting Standards

The separate financial statements for the year ended 31 December 2014 have been prepared in accordance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), endorsed by the European Commission, as provided by EU Regulation no. 1606 dated 19 July 2002, and currently in force, including the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC).

Reference was also made, where necessary, to the "Framework for the preparation and presentation of financial statements" and to the documents prepared by the Italian Accounting Body (OIC) and the Italian Banking Association (ABI).
In the absence of a standard or interpretation specifically applicable to a particular transaction, the Bank makes use of the professional opinion of its own staff, in particular the Group Head Office Administration and Reporting Department, to develop rules for accounting recognition that make it possible to provide reliable financial information and to ensure that the financial statements give a true and fair view of the financial position, result of operations and cash flows of the Bank, reflecting the economic substance of the transaction and its key aspects.
In formulating these accounting rules, reference has been made as far as possible to International Accounting Standards and interpretations dealing with similar or comparable matters.

Section 2 - Basis of preparation

In terms of format and layout, the financial statements have been prepared in accordance with **Circular no. 262/2005** and subsequent amendments, and with CONSOB resolution no. 11971 dated 14 May 1999 and subsequent amendments.
The financial statements also reflect the requirements of the **Italian Civil Code**, as amended following the reform of company law (L. Decrees no. 5 and 6 dated 17 January 2003, and subsequent amendments, including L. Decree no. 310 dated 28 December 2004), and the enabling instructions issued for art. 9 of L. Decree no. 38/2005.
The financial statements consist of the balance sheet, the income statement and the statement of comprehensive income, presented in euro, together with the statement of changes in shareholders' equity, the cash flow statement and these Explanatory notes, presented in thousands of euro. They are accompanied by the Directors' Report on Operations.
The general criteria underlying the preparation of the financial statements are presented below in accordance with **IAS 1**:

- **Going Concern:** assets, liabilities and off-balance sheet transactions are measured in the context of continuity over time;
- **Accrual Basis of Accounting:** costs and revenues are recognised in accordance with the matching principle, regardless of when they are settled.
- **Materiality and Aggregation:** each material class of similar items is presented separately in the financial statements. Items that are dissimilar in terms of their nature or use are only aggregated if they are individually immaterial.

- **Offsetting:** assets and liabilities, income and expenses are not offset unless required or permitted by a standard or an interpretation, or by the Bank of Italy's regulations for the preparation of financial statements.
- **Frequency of Disclosures:** information must be prepared annually or more frequently; if an entity changes its accounting reference date, the reason must be indicated together with the fact that the information provided is not comparable.
- **Comparative Information:** comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements, unless required otherwise by a standard or an interpretation.
- **Consistency of Presentation:** the presentation and classification of items is maintained over time to ensure that information is comparable, unless specified otherwise in new accounting standards or their interpretations, or unless a change is required to improve the meaningfulness and reliability of the amounts reported. The nature of changes in account presentation or classification is described, together with the related reasons; where possible, the new criterion is applied on a retroactive basis.

The description of the accounting policies adopted in relation to the principal financial statement aggregates is presented in sufficient detail to identify the principal assumptions and assessments made for the preparation of the financial statements.

The notes and attachments provide additional information to help to provide a complete, true and fair view of the company's situation, even if such information is not expressly required by the regulations.

Uncertainties in the use of estimates

The preparation of financial statements requires recourse to estimates and assumptions that may affect the amounts recorded in the balance sheet and the income statement, as well as the information about contingent assets and liabilities disclosed in the financial statements. The development of such estimates involves the use of available information and the adoption of subjective assessments, partly based on historical experience, in order to make reasonable assumptions for the recognition of operating events. By their nature, the estimates and assumptions used may change from period to period and, accordingly, it may be that the actual amounts recorded in the financial statements in subsequent periods are significantly different as a consequence of changes in the subjective assessments made.
The principal situations in which management is required to make **subjective assessments** include:

- quantification of the losses arising from the impairment of loans and, in general, other financial assets;
- determination of the fair value of financial instruments for disclosure purposes; in particular, the use of measurement models to determine the fair value of financial instruments that are not listed in active markets;
- quantification of the provisions for employee benefits and the provisions for risks and charges;
- estimates and assumptions about the recoverability of deferred tax assets.

Current income taxes are calculated using an estimate of current taxable income. Current tax receivables and payables are recognised at the amount that is expected to be recoverable from/payable to the tax authorities applying current fiscal regulations, or those substantially approved, at the accounting reference date and the estimated tax rates for the year.

Deferred tax receivables and payables are recorded at the tax rates expected to be applicable in the year when the liability will be paid or the credit recovered, in accordance with tax laws ruling or substantially ruling at the year end, taking into account whether there is likely to be sufficient taxable income in the future, in accordance with IAS 12.

Section 3 - Subsequent events

These draft financial statements were approved on 3 March 2015 by the Board of Directors of Banca popolare dell'Emilia Romagna s.c.
Reference should be made to the detailed information provided in the section on "Significant subsequent events and outlook for 2015" in the Directors' Report on Operations.

Section 4 - Other aspects

Domestic tax group election

Commencing from 2007, the Bank has elected to establish a domestic tax group, which was introduced by L. Decree no. 344/2003 and subsequent amendments and is governed by arts. 117 - 129 of the Consolidated Income Tax Law.
Under this optional arrangement, which is binding for three years, the subordinate members transfer their results to the parent, for fiscal purposes only, which then calculates the consolidated taxable income or tax loss.
The effects of the tax consolidation are reported in the "*Other assets - due from members of the tax group*" caption, as the matching entry for the IRES provisions classified as "*Current tax liabilities*" by the above group companies, gross of withholdings and the advances paid.
The "*Other liabilities - due to members of the tax group*" caption represents the matching entry for the IRES advances withheld from and paid by the above group companies, which are classified as "*Current tax assets*" following their transfer to the consolidating company.
In 2014, the scope of consolidation was extended to include Cassa di Risparmio di Bra s.p.a., while ABF Leasing s.p.a. was merged with Sardaleasing s.p.a., and Banca della Campania s.p.a., Banca Popolare di Ravenna s.p.a. and Banca Popolare del Mezzogiorno s.p.a. were absorbed by BPER; the total scope of the companies involved is therefore now as follows:

Consolidated companies	2012	2013	2014	2015	2016
Optima s.p.a. SIM		x	x	x	
Banco di Sardegna s.p.a.		x	x	x	
Banca di Sassari s.p.a.		x	x	x	
Cassa di Risparmio di Bra s.p.a.			x	x	x
Emilia Romagna Factor s.p.a.			x	x	x
Sardaleasing s.p.a.	x	x	x		
BPER Trust Company s.p.a.		x	x	x	

Audit

The financial statements are audited, as required by L. Decree no. 58 dated 24 February 1998, by **PricewaterhouseCoopers s.p.a.** which was appointed for the period 2008-2016 at the Shareholders' Meeting held on 10 May 2008.

Amendments to accounting standards endorsed by the European Commission

As required by IAS 8, the following table shows the new international accounting standards or amendments to standards already in force, whose application is mandatory from 2014.

EC Approval Regulation	Title	In force from years beginning
1254/2012	Regulation that adopts IFRS 10, IFRS 11, IFRS 12, IAS 27 and IAS 28 The objective of IFRS 10 is to provide a single model for the consolidated financial statements. This new standard replaces IAS 27 Consolidated and Separate Financial Statements and SIC 12 - Special Purpose Entities (aka "special purpose vehicles"). IFRS 11 establishes principles for financial reporting by entities that are party to joint control arrangements and replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities - Non-Monetary Contributions by Venturers. IFRS 12 combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. As a result of these new IFRS, the IASB also issued IAS 27 Revised and IAS 28 Revised.	1 January 2014

EC Approval Regulation	Title	In force from years beginning
1256/2012	Amendments to IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities The changes to IFRS 7 also resulted in amendments to IAS 32, providing additional guidance so as to reduce inconsistencies in the practical application of the Standard.	1 January 2014
313/2013	Guide to transitional provisions (Amendments to IFRS 10, 11 and 12) The amendments provide for a simpler transition to IFRS 10, IFRS 11 and IFRS 12, limiting the requirement to provide adjusted comparative information only to the previous comparative period. In addition, for information relating to structured entities that are not consolidated, the amendments suppress the requirement to present comparative information for periods prior to the date on which IFRS 12 is applied for the first time.	1 January 2014
1174/2013	EU Commission Regulation 1174/2013 of 20 November 2013, published in the Official Journal L 312 of 21 November 2013 adopts Investment Entities (Amendments to IFRS 10, 12 and IAS 27) The purpose of the amendments to IFRS 10 is to require investment entities to measure subsidiaries at fair value through profit or loss rather than consolidating them, so as to better reflect their business model. IFRS 12 provides for the submission of specific information about the subsidiaries of the investment entities mentioned above. The amendments to IAS 27 eliminate the possibility for investment entities to opt for measuring investments in certain subsidiaries at cost or at fair value in their separate financial statements.	1 January 2014
1374/2013	EU Commission Regulation 1374/2013 of 20 December 2013, published in Official Journal L 346 of 19 December 2013, adopts Additional information on the recoverable value of non-financial assets (Amendment to IAS 36) The amendments are intended to clarify that the information to be provided about the recoverable amount of the assets, when this value is based on the fair value net of disposal costs, concern only those assets whose value has decreased.	1 January 2014
1375/2013	EU Commission Regulation 1375/2013 of 20 December 2013, published in Official Journal L 346 of 19 December 2013 adopts Novation of derivatives and continuation of hedge accounting (Amendment to IAS 39) The changes are intended to cover situations in which a derivative designated as a hedging instrument is subject to novation by a counterparty to a central counterparty as a result of legislation or regulations. Hedge accounting can therefore continue regardless of the novation, which would not be permitted without the amendment.	1 January 2014

The following table shows the new international accounting standards or amendments to standards already in force, whose application is mandatory from 1 January 2015 or later date (if the financial statements do not coincide with the calendar year). The Bank has decided not to take advantage of the possibility of early implementation.

EC Approval Regulation	Title	In force from years beginning
634/2014	Regulation that adopts IFRIC 21 - Levies This interpretation deals with both the recognition of a liability for the payment of a levy in the case where the liability falls within the scope of IAS 37 and the recognition of a liability for the payment of a levy whose timing and amount are uncertain.	1 January 2015
1361/2014	EU Commission Regulation 1361/2014 of 18 December 2014, published in the Official Journal L 365 of 19 December 2014, amends the following international accounting and financial reporting standards: IFRS 3, IFRS 13 and IAS 40 The intention of the amendments is to clarify that IFRS 3 should not be applied when accounting for a joint venture; the amendment to IFRS 13 clarifies that the references to financial assets and liabilities should be read as applicable to all contracts covered by IFRS 9, while the amendment to IAS 40 specifies that the standard determines whether a property is to be considered for functional use or for investment, not to determine whether the property in question is a business combination.	1 January 2015

During the year, the IASB amended some previously issued IAS/IFRS and issued some new international accounting standards (such as IFRS 9). None of these updates have been used in the preparation of these financial statements as they have not yet been approved by the European Commission.

Documents of the Supervisory Authority

The rules set by the Basel Committee on Banking Supervision regarding capital adequacy (First Pillar) and disclosure (Third Pillar) ("Basel 3") were introduced into the EU from 1 January 2014. Their purpose is to strengthen the banks' capacity to absorb shocks arising from financial and economic stress, improve risk management and corporate governance and strengthen banking disclosure.

The contents of Basel 3 have been converted into European law through two legislative instruments:

- **EU Regulation no. 575/2013 ("CRR")**, which governs the prudential supervisory requirements of the First Pillar and the rules of public disclosure of the Third Pillar;
- **Directive 2013/36/EU ("CRD IV")**, which lays down the conditions for access to banking, freedom of establishment and freedom to provide services, the supervisory review process and capital reserves.

CRR and CRD IV are accompanied by Regulatory Technical Standards (RTS) and Implementing Technical Standards (ITS) approved by the European Commission on the proposal of the European Supervisory Authorities ("ESAs"), which integrate and give effect to the first level Community legislation.
The regulation and the technical standards are directly applicable in the national legal systems, without any need for transposition, and constitute the so-called Single Rulebook; the rules contained in the Directive, however, have to be transposed into national law.

In order to implement and facilitate application of the new EU guidelines, as well as to achieve an overall revision and simplification of the supervisory rules for banks in our country, the Bank of Italy issued **Circular no. 285 of 17 December 2013** (and subsequent amendments) "Regulations for the prudential supervision of banks" which:

- incorporates the provisions of CRD IV, implementation of which is the responsibility of the Bank of Italy under the Consolidated Banking Act;
- indicates the manner in which national powers of discretion granted by the EU regulations to national authorities are to be exercised;
- outlines a comprehensive, organic and rational regulatory framework, integrated with the EU provisions of direct application, in order to facilitate its use by operators during the transitional period.

The Supervisory Authority also issued **Circular no. 286 of 17 December 2013** (and subsequent amendments) "Instructions for the preparation of reporting requirements for banks and securities firms" that implements both the CRR and the ITS prepared by the European Banking Authority (EBA) and adopted by the European Commission (the so-called "COREP" or Common Reporting system), which lays down the format for harmonised reporting (own funds, credit and counterparty risk, market risk, operational risk, large exposures, recognition of mortgage losses, overall capital position, monitoring of liquidity and financial leverage) and non-harmonised reporting (related parties).

On 22 December 2014, the Bank of Italy published its **3rd update of Circular no. 262/2005** "Banks' financial statements: layout and preparation".
This update includes news on disclosure introduced by IFRS 12 "Disclosure of Interests in Other Entities" and the information in the Explanatory notes, Part F "Information on shareholders' equity", Section 2 "Own Funds and Ratios" has been changed to reflect the news introduced by EU Regulation 575/2013 of the European Parliament and Council of 26 June 2013 ("CRR Regulations") and Directive 2013/36/EU of the European Parliament and Council of 26 June 2013 ("CRD IV Directive").
With reference to IFRS 12, the main innovations regard disclosure of:

- "significant assessments and assumptions" used to determine whether there is a situation of exclusive control, joint control or significant influence over another entity;
- the composition of the group;
- subsidiaries with significant interests in third parties;
- significant restrictions on the ability to use the assets or liquidate the liabilities of subsidiaries;
- the nature and risks associated with consolidated structured entities (such as SPVs);
- the consequences of changes in interests in subsidiaries that may or may not involve a loss of control;
- companies jointly controlled or subject to significant influence that are material for the intermediary that is the reporting entity;
- the nature and extent of the interests in unconsolidated structured entities and associated risks.

Details of renegotiated performing exposures granted by banking intermediaries to customers in financial difficulty (so-called "forborne exposures") should also be given, together with certain additional information on liquidity risk and the fair value of derivatives.

1 - Financial assets held for trading

Recognition

Financial assets represented by debt or equity instruments are initially recognised on the settlement date, while derivative contracts are recognised on the date of signature.
In particular, any changes in the fair value of the asset to be received between the settlement date and the earlier arrangement date are recognised at the time of settlement, in the same way in which the asset acquired is recorded.
After initial recognition, financial assets held for trading are measured at their fair value; unless stated otherwise, this is represented by the consideration paid for the transaction, without considering any related costs or income attributable to them, which are recorded directly in the income statement.
Embedded derivatives (instruments whose characteristics satisfy the definition of a "derivative") embedded in but not closely correlated with hybrid financial instruments, and classified in financial asset or liability categories other than assets or liabilities measured at fair value, are separated from the host contract, reclassified to this category and measured at fair value. The related host contract is measured on the basis applicable to the category in which it is classified.

Classification

The Bank classifies as *"Financial assets held for trading"* those financial instruments that are held with a view to generating short-term profits deriving from variations in their prices. This category includes the derivative instruments that are not held for hedging purposes.

Measurement

After initial recognition, financial assets held for trading are measured at their fair value. If the fair value of a financial asset becomes negative, it is accounted for as a financial liability.
The VaR techniques used to determine fair value are described in point 21 within this part of the Explanatory notes.
As an exception, if the fair value of equity instruments and the related derivatives cannot be reliably determined using the above guidelines, they are valued at cost.

Derecognition

Financial assets are derecognised on expiry of the contractual rights over the related cash flows or when the financial asset is sold with the transfer of essentially all the related risks and benefits.
If the Bank sells a financial asset classified in its own trading portfolio, it derecognises the asset on the date it is transferred (the settlement date).
Securities received as part of a transaction that contractually provides for their subsequent sale and securities delivered as part of a transaction that contractually provides for their repurchase are not recorded or eliminated from the financial statements.

Recognition of components affecting the income statement

The positive elements of income comprising interest on securities and similar revenues, as well as the differentials and margins from derivative contracts classified as financial assets held for trading, but operationally linked with the financial assets and liabilities measured at fair value (under the fair value option), are recorded in the interest captions of the income statement on an accruals basis.

The differentials and margins from other derivative contracts classified in the trading portfolio are recorded as *"Net trading income".*

Gains and losses realized on sale or redemption and unrealised gains and losses deriving from changes in the fair value of the trading portfolio are classified as "*Net trading income*", except for amounts relating to derivative contracts that are operationally linked to assets or liabilities measured at fair value, which are classified as "*Net results on financial assets and liabilities designated at fair value"*.

2 - Financial assets available for sale

Recognition

Financial assets represented by debt or equity instruments are initially recognised on the settlement date, while loans are recognised on the payout date.

Financial assets available for sale are initially recorded at fair value; unless stated otherwise, this is represented by the consideration paid for the transaction, including any directly-attributable transaction costs or income. Assets reclassified from "*Financial assets held to maturity*" are recognised at their fair value at the time of transfer.

Classification

This category comprises the financial assets, other than derivatives, that have not been classified in the other categories envisaged by IAS 39 and do not represent interests in subsidiaries, joint ventures or associates.

Measurement

Subsequent to initial recognition, assets available for sale continue to be measured at their fair value. The techniques for determining fair value are described in point 21 in this part of the Explanatory notes. As an exception, if the fair value of equity instruments cannot be determined reliably, they are valued at cost.

An impairment test is performed at each reporting date to check if there is any objective evidence of a reduction in value.

If subsequently the reasons for impairment cease to apply, the amounts concerned are written back without causing the value of the asset to exceed the amortised cost that would have been reported in the absence of earlier adjustments.

Derecognition

Financial assets are derecognised on expiry of the contractual rights over the related cash flows or when the financial asset is sold with the transfer of essentially all the related risks and benefits.

Recognition of components affecting the income statement

The return on financial instruments, determined using the effective interest method ("amortised cost" basis), is recognised as income on an accruals basis, while gains or losses deriving from changes in fair value are recorded in a specific "equity reserve" until the financial asset is derecognised or a loss in value is recorded. The corresponding amount is included in the statement of comprehensive income.

Dividends are recognised when the right to collect them is established.

On derecognition or when a loss in value is recorded, the accumulated Gains or losses are released from the related reserves to the income statement as, respectively, "*Gains/losses on disposal or repurchase*" or "*Net impairment adjustments*". If the reasons for recognising a reduction in value cease to apply as a result of subsequent events, the amounts concerned are written back to the income statement, if they relate to loans or debt securities, and to shareholders' equity if equity instruments are concerned.

3 - Financial assets held to maturity

Recognition

Financial assets are initially recognised on the settlement date. At the time of initial recognition, the financial assets classified in this category are recorded at their fair value, including any directly-attributable costs and revenues.
If transferred to this category from "*Financial assets available for sale"*, the fair value of the financial assets at the time of transfer is taken to be their new amortised cost.

Classification

This category is used to record the debt instruments with payments that are fixed or determinable at fixed intervals which the Bank intends and is able to retain until they mature.
Investments are reclassified as "*Financial assets available for sale"* if the intention or ability to retain them changes and it is no longer appropriate to classify them in this category. In the case of not-insignificant sales or reclassifications of investments held to maturity (part of a portfolio of financial assets held to maturity) that do not meet any of the conditions set out in paragraph 9 of IAS 39, any residual investment held to maturity is reclassified as a "*Financial assets available for sale"*.

Measurement

Subsequent to initial recognition, "*Financial assets held to maturity"* are measured at amortised cost.
An impairment test is performed at each reporting date to check if there is any objective evidence of a reduction in value. In the event of impairment, the amount of the loss is measured as the difference between the book value of the assets and the present value of the estimated recoverable cash flows, discounted using the original effective interest rate.
If the reasons for recognising a reduction in value cease to apply as a result of subsequent events, the amounts concerned are written back. The carrying amount after the writeback does not exceed the amortised cost that would have been recognised had the impairment losses not been recorded.

Derecognition

Financial assets are derecognised on expiry of the contractual rights over the related cash flows, or when they are sold with the transfer of essentially all the related risks and benefits of ownership.

Recognition of components affecting the income statement

The positive elements of income comprising interest and similar income are recorded in the interest captions of the income statement, on an accruals basis, using the effective interest method.
Gains and losses on assets held to maturity are recorded in the income statement when the assets are derecognised or suffer a loss in value.
Any write-downs in value are charged to the "*Net impairment adjustments"* caption of the income statement. If the reasons for recognising a reduction in value cease to apply as a result of subsequent events, the amounts concerned are written back to the income statement.

4 - Loans

Recognition

Loans are initially recognised on the payout date or, in the case of debt securities, on the settlement date, with reference to the fair value of the financial instrument concerned. This is represented by the amount paid out, or the subscription price, including costs/revenues that are both directly attributable to the individual loans and identifiable from the start of the transaction, even if they are settled at a later time. Costs with the above characteristics are excluded if they are reimbursable by the borrower or represent routine internal administrative costs.

Agreements involving the forward repurchase or resale of securities are recorded in the financial statements as funding or lending transactions. In particular, spot sales with forward repurchases are recorded as a payable for the spot amount collected, while spot purchases with forward resales are recorded as a loan for the spot amount paid.

Classification

Loans form part of the broadest category of financial instruments and consist of relationships under which the Bank has a right to the cash flows deriving from the loan.

This caption includes loans to customers and deposits with banks, either made directly or acquired from third parties and not listed on active markets, which involve payments that are either fixed or determinable.

The loans caption also includes loans, repurchase agreements, finance leases (which are accounted for under the "financial method", in accordance with IAS 17,) and securities subscribed for at the time of issue or private placement and not listed on active markets, with payments that are fixed or determinable.

Measurement

After initial recognition, loans are valued at their amortised cost, corresponding to the initially recognised amount less principal repayments, net impairment adjustments and amortisation - calculated using the effective interest method - of the difference between the amount paid out and the amount repayable on maturity, which is generally attributable to the costs/income directly allocated to the individual loans.

The effective interest rate is the rate that discounts the flow of estimated payments over the expected duration of the loan back to its initial net book value, inclusive of directly-related costs and revenues. In financial terms, this method of recognition distributes the economic effect of these costs and revenues over the expected residual life of the loan.

The amortised cost method is not used in relation to short-term loans (up to 12 months), since the effect of discounting would be negligible. These loans are stated at historical cost.

Costs and revenues relating to loans without a fixed term or repayable on demand are recorded directly in the income statement.

Loans are assessed at the end of each accounting period to identify any objective evidence, arising from events subsequent to initial recognition, that their value may be impaired. This includes positions classified as non-performing, watchlist, restructured, past due or doubtful loans in compliance with current Bank of Italy regulations, which are consistent with IAS.

The amount of the adjustment of each balance is equal to the difference between its carrying value at the time of measurement (amortised cost) and the present value of expected future cash flows.

The estimate of expected cash flows comes from assessing the position analytically for non-performing loans, for watchlist loans with exposures above the thresholds set by as internal procedures, and restructured loans. For watchlist loans with exposures above the thresholds set

by as internal procedures and past due loans, expected cash flows are calculated using a forfeit approach, based on the operational version of LGD.
The adjustments are recorded in the income statement.
The original value of loans is reinstated in subsequent periods, to the extent that the reasons for the adjustments made cease to apply, on condition that this assessment is objectively linked with events that took place subsequent such adjustments.
The reversal of the impairment loss may not exceed the amortised cost of the loan had the impairment not been recognised in the past.
Loans and advances, for which no impairment was identified on an individual basis, have been subjected to measurement as a whole, to estimate the implicit risk component.
This assessment is made on a case-by-case basis with reference to the risk parameters (Probability of Default - PD, and Loss Given Default - LGD) generated by the internal models. Any additional write-downs or write-backs are determined separately at the end of each reporting period, with reference to the entire portfolio of performing loans at that time.

Derecognition

Loans sold are only derecognised if the disposal involved the transfer of essentially all the risks and benefits associated with the loan. Conversely, if the risks and benefits relating to loans that have been sold are retained, these continue to be reported as assets in the balance sheet, even if legal ownership of the loans has been effectively transferred.
Even if the transfer of essentially all the risks and benefits cannot be demonstrated, loans are derecognised if no form of control over them has been retained. By contrast, the partial or total retention of such control means that the related loans are reported in the balance sheet to the extent of the residual involvement, as measured by the exposure to changes in the value of the loans sold and to changes in their cash flows.
Lastly, loans sold are derecognised, despite retention of the contractual rights to collect the related cash flows, if there is a parallel commitment to pay all such flows and only these to third parties.

Recognition of components affecting the income statement

The positive elements of income comprising interest and similar income are recorded in the interest captions of the income statement, on an accruals basis, using the effective interest method.
Default interest, which may be provided by contract, is recognised in the income statement only when actually collected.
The costs/revenues attributable to short-term loans, as defined above, are recorded directly in the income statement.
Write-downs and any write-backs are recorded in the "*Net impairment adjustments*" caption of the income statement.
Profits and losses from the sale of loans are classified in the "*Gains/losses on disposal or repurchase of loans and advances*" caption.

Securitised loans

In accordance with the applicable product breakdown, loans also include securitisation loans (after 1 January 2002 that do not satisfy the IAS 39 requirements for derecognition (see paragraph 24 - Derecognition of financial assets).
The corresponding amounts received for the sale of securitised loans, net of the securities issued and other forms of credit support that may be held in portfolio (retained risk), are recognised in liability caption 10. *"Due to banks"* and 20."*Due to customers*".

Both assets and liabilities are measured at amortised cost and the interest is recorded in the income statement. In the event of losses due to impairment of securitised assets that have not been subject to derecognition from the financial statements, such losses are recorded in income statement caption 130 a) *"Net impairment adjustments to loans".*

5 - Financial assets designated at fair value through profit and loss

Recognition

These financial assets are initially recognised on the settlement date.
On initial recognition, these financial assets are recorded at their fair value, as represented - unless specified differently - by the consideration paid for the transaction without considering the costs or revenues attributable to the instrument, which are recorded directly in the income statement.

Classification

Financial assets designated at fair value through profit and loss include the financial assets, not held for trading, that meet at least one of the following criteria:

- classification in this category eliminates "accounting asymmetries";
- they are part of groups of assets managed together whose performance is measured at fair value, as part of a documented risk-management strategy;
- they contain separable embedded derivatives.

Measurement

Subsequent to initial recognition, financial assets continue to be measured at their fair value. The techniques for determining fair value are described in point 21 in this part of the Explanatory notes.

Derecognition

Financial assets are derecognised on expiry of the contractual rights over the related cash flows or when the financial asset is sold with the transfer of essentially all the related risks and benefits.
If the Bank sells a financial asset at fair value, it derecognises the asset on the date it is transferred (the settlement date).
Securities received as part of a transaction that contractually provides for their subsequent sale and securities delivered as part of a transaction that contractually provides for their repurchase are not recorded or eliminated from the financial statements.

Recognition of components affecting the income statement

The positive elements of income represented by interest income are recorded in the interest captions of the income statement on an accruals basis.
Gains and losses realized on sale or redemption and unrealized gains and losses deriving from changes in the fair value of the portfolio are classified in the "*Net results on financial assets and liabilities at designated at fair value through profit and loss*" caption.

6 - Hedging derivatives

Recognition

Hedges are arranged to neutralise losses that may be incurred in relation to a given element or group of elements, as a consequence of a given risk, via profits that would be earned on another element or group of elements should that particular risk crystallise. There are two types of hedge:

- fair value hedges: arranged to hedge the exposure to changes in the fair value of a balance sheet caption;
- cash flow hedges: arranged to hedge the exposure to changes in future cash flows attributable to specific balance sheet captions.

Classification
Financial instruments are designated as hedges when the relationship between the hedged and the hedging instrument is adequately documented and formalised, if the hedge is effective both at the start and prospectively throughout its life.

Measurement
Hedging derivatives are measured at their fair value.
Specific tests are performed to verify the effectiveness of hedging transactions. The effectiveness of a hedge depends on the extent to which changes in the fair value of the hedged instrument, caused by changes in the risk factor addressed by the hedge, are offset by changes in the value of the hedging instrument. In order to be effective, the hedge must be made with a counterparty outside the Group.
The method of accounting for the gains and losses deriving from changes in fair value depends on the type of hedge:

- fair value hedge: the change in the fair value of the hedged element representing the hedged risk is recognised in the income statement, together with the change in the fair value of the derivative instrument; any difference, which represents the ineffective portion of the hedge, determines the consequent net economic effect.
- cash-flow hedge: to the extent that the hedge is effective, changes in the fair value of the derivative are recognised in shareholders' equity; they are only recognised in the income statement when changes in the cash flows from the hedged item need to be offset, or when the hedge becomes ineffective.

Effectiveness is established when changes in the fair value of (or cash flows from) the hedging instrument, caused by the hedged risk factor, almost entirely offset those of the hedged instrument (the percentage limits fall in the range from 80% to 125%).
Effectiveness is checked each month for operational purposes and on every official reporting date for accounting purposes, using:

- prospective tests that justify the application of hedge accounting, by demonstrating the expected effectiveness of the hedge;
- retrospective tests that show the effectiveness of the hedge during the period under review. In other words, they measure by how the actual results differ from the "perfect" hedge.

Derecognition
If transactions do not meet the effectiveness test, hedge accounting - as described above - is terminated and the derivative contract is reclassified as an instrument held for trading, with recognition of the related impacts in the income statement. Hedge accounting is also terminated in the following situations:

- the hedged item is sold and redeemed;
- the hedging transaction is revoked prior to the expiry date;
- the hedging instrument expires, is sold, terminated or exercised.

Recognition of components affecting the income statement
Income elements are allocated to the relevant income statement captions on the following basis:

- differentials earned on derivatives that hedge interest-rate risk (and the interest on the hedged positions) are allocated to the "*Interest and similar income*" or "*Interest and similar expense*" captions;
- capital gains and losses deriving from the measurement of hedging instruments and the positions covered by fair value hedges are allocated to the "*Net hedging gains (losses)*" caption;
- capital gains and losses deriving from measurement of the effective part of "cash flow hedges" are allocated to a special equity reserve "cash flow hedges", net of the related deferred tax effect. Gains and losses relating to the ineffective part of such hedges are recorded in the "*Net hedging gains (losses)*" caption of the income statement.

7 - Equity investments

Recognition

Equity investments are recognised on the settlement date. Equity investments are recorded at cost on initial recognition, including any costs and revenues directly attributable to the transaction.

Classification

This caption comprises both controlling equity interests[4] (understood as the power to manage the relevant activities, influence their returns and be exposed to such returns) and interests in associates (over which significant influence is exercised).

The concept of control explained in IFRS 10 requires a more comprehensive analysis as it is necessary to identify the relevant activities, check whether the rights/powers exist and analyse whether there is exposure to the variability of returns. This includes an evaluation based on a single consolidation model (because it should be applied to all entities regardless of their nature), carried out every time financial statements are prepared.

This caption also includes equity investments in associates which according to IAS 28 are not only companies in which the equity interest equals or exceeds 20% (or an equivalent share of the voting rights), but also those companies subject to significant influence due to certain legal ties (such as shareholder agreements) and those under joint control as a result of contractual, shareholder or other arrangements for the joint management of the business and the appointment of directors.

Measurement

Under IAS 27, 28 and IFRS 11, equity investments in subsidiaries, joint ventures and associated companies can be carried at cost in the Bank's individual financial statements, or at fair value pursuant to IAS 39. The Bank has measured them at cost.

If there is evidence that an investment in an associate may be impaired, its recoverable amount is estimated with reference to the present value of future cash flows, including the expected proceeds from the future sale of the investment.

If the recoverable amount is lower than the carrying amount, the related difference is charged to the income statement.

If the reasons for making the impairment adjustment cease to apply as a result of an event subsequent to the write-down, the related write-back is credited to the income statement without exceeding the amount of the write-down previously recorded.

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[4] *In the consolidated financial statements, reference is only made to investments in associates.*

Derecognition

Equity investments are derecognised on expiry of the contractual rights over the related cash flows or when the investment is sold with the transfer of essentially all the related risks and benefits of ownership.

Recognition of components affecting the income statement

Dividends are recorded in the "*Dividends and similar income*" caption when the right to collection is established.
Any write-downs/write-backs relating to the impairment of equity investments and gains or Losses on the disposal of equity investments are recorded in the "*Profit (loss) from equity investments*" caption.

8 - Property, plant and equipment

Recognition

Property, plant and equipment are initially recorded at purchase price, including all directly statements attributable costs of purchasing and bringing the asset to working condition.
Expenditure on improvements that will generate future economic benefits is added to the value of the assets concerned, while routine maintenance costs are charged to the income statement.

Classification

Property, plant and equipment comprise land, property used for operating purposes, installations, furniture, furnishings and all types of equipment.
These are tangible assets that will be used for more than one accounting period and which are held for use in the production of business or the supply of goods and services, for rental to third parties or for administrative purposes.
This caption also includes assets held under finance lease contracts, even though the lessor remains the legal owner.

Measurement

Property, plant and equipment, including investment property, are carried at cost less accumulated depreciation and any accumulated impairment losses.
Property, plant and equipment are systematically depreciated over their useful lives[5], on a straight-line basis, except for:

- land acquired separately or included in the value of property, since it has an indefinite useful life. The value of land included in property is deemed to be separable from the value of buildings; the allocation of value between land and buildings is based on independent appraisals carried out solely in relating to free-standing buildings;
- works of art, since the useful life of a work of art cannot be estimated and its value normally appreciates over time.

If there is any evidence at a reporting date that the value of an asset may be impaired, its carrying value is compared with its recoverable value, being its fair value net of any selling costs or its value in use, as represented by the present value of the cash flows generated by the asset, whichever is greater.
Any adjustments are recorded in the income statement.

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[5] *The relevant section of the Explanatory notes, Part B, includes a table with the useful life of the main fixed asset categories.*

If the reasons for recognising an impairment loss cease to apply, the loss can be written back but without exceeding the carrying value that the asset would have had (net of depreciation) if no impairment losses had been recognised in prior years.

Derecognition
Property, plant and equipment are derecognised on disposal, or when the assets concerned are permanently taken out of use and no further economic benefits are expected from their disposal.

Recognition of components affecting the income statement
Both the depreciation determined on a straight-line basis and any net impairment adjustments are recorded in the "*Net adjustments to property, plant and equipment*" caption of the income statement.
Disposal gains and losses are however recorded in the "*Gains (losses) on disposal of investments*" caption.

9 - Intangible assets

Recognition
Intangible assets other than goodwill are initially recognised at cost, as represented by the purchase price paid plus any directly-related costs incurred to obtain use of the assets concerned.
Goodwill may be recognised as an intangible asset when the positive difference between the acquisition cost of an equity interest (including related charges) and the fair value of the net assets acquired, including those identified as part of the Purchase Price Allocation (PPA), is representative of the investee's ability to generate income in the future (goodwill).
If the difference is negative (badwill) or the goodwill is not justified by the investee's ability to generate income in the future, the difference is recognised in the income statement.

Classification
Intangible assets are identifiable, non-monetary assets without physical form that are expected to generate economic benefits.

The qualifying characteristics of intangible assets are:

- identifiability;
- control over the resources concerned;
- expectation of economic benefits.

In the absence of any one of the above characteristics, the acquisition or internal production costs are expensed in the year incurred.
Goodwill is represented by the difference between the acquisition cost of an equity investment and the fair value, at the acquisition date, of the assets and other balance sheet items acquired.
Other intangible assets are recognised if they are identifiable and reflect legal or contractual rights.

Measurement
An intangible asset with an indefinite useful life, such as goodwill, is not amortised, but is tested periodically for impairment. An impairment test is performed annually, or whenever there is an indication of impairment. In the case of goodwill, the cash generating unit (CGU) to which it has been allocated is tested for impairment. If the carrying amount of the CGU, inclusive of goodwill, exceeds its recoverable amount, an impairment loss is recognised up to the amount of the

goodwill recorded. The recoverable amount is the higher of the cash-generating unit's fair value, net of any selling costs, or its related value in use. Any resulting impairment loss is recognised in the income statement and the reversal thereof is prohibited.
In contrast to the treatment of goodwill, the cost of intangible assets with a finite useful life is amortised on a straight-line basis or by use of the reducing balance method based on the flow of economic benefits expected from the asset. If there is any evidence of impairment, it is envisaged that an asset would be assessed for impairment by comparing its fair value to its carrying amount. An estimate of recoverable value is made if there is any evidence of asset impairment at the reporting date. The impairment loss, expensed to income, is the difference between the carrying value of an asset and its recoverable amount, if the latter is lower.

Derecognition

Intangible assets are derecognised on retirement and when no further economic benefits are expected.

Recognition of components affecting the income statement

Both the amortisation charge and any net impairment adjustments to intangible assets other than goodwill are recorded in the "*Net adjustments to intangible assets*" caption of the income statement.
Disposal gains and losses are however recorded in the "*Gains (losses) on disposal of investments*" caption.
Adjustments to the value of goodwill are recorded in the "*Goodwill impairment*" caption.

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

Recognition and classification

Non-current assets and groups of assets/liabilities subject to a disposal process are classified in asset caption 140 "*Non-current assets and disposal groups held for sale*" and liability caption 90 "*Liabilities associated with non-current assets held for sale*", when such sale is deemed to be highly likely.

Measurement

These assets and liabilities are measured at the lower of their carrying value, determined in accordance with IFRS, or their fair value, less costs to sell.

Recognition of components affecting the income statement

Income and charges (net of tax effect) relating to discontinued operations are classified in the "*Net profit/loss from non-current assets and disposal groups held for sale*" caption of the income statement.

11 - Current and deferred taxation

Recognition and classification

Current taxation comprises the net balance of income tax payable for the year and the current tax receivable due from the tax authorities consisting of advances and other withholding tax credits or other tax credits recoverable by future offset.
Current tax assets also include tax credits for which a request for reimbursement has been made to the tax authorities.

Deferred taxes represent the income taxes recoverable in future periods as a result of deductible temporary differences (deferred tax assets), and the income taxes payable in future periods as a result of taxable temporary differences (deferred tax liabilities).

Measurement

Deferred tax assets, representing the future tax benefit deriving from deductible temporary differences and tax losses carried forward, are recognised to the extent that their recovery is highly likely.
The Bank recognises the effects of current and deferred taxation by applying, respectively, the current tax rates and the theoretical tax rates in force when the related temporary differences "reverse".

Recognition of components affecting the income statement

Changes in tax assets and liabilities are normally recorded in the "*Income taxes on current operations*" caption.
As an exception, those deriving from transactions recognised directly in equity are treated in the same way, and those deriving from business combinations are included in the calculation of goodwill.

12 - Provisions for risks and charges

Recognition

The provisions for risks and charges cover liabilities whose timing and extent are uncertain, when all the following conditions are met:

- a current obligation exists at the balance sheet date, deriving from a past event. The origin of the obligation must either be legal (deriving from a contract, regulation or the provisions of law) or implicit (arising when the business causes third parties to expect that commitments will be met, even if these do not fall into the category of legal obligations);
- a financial outflow is likely;
- the extent of the obligation can be estimated reliably.

Classification

This caption includes the provisions relating to long-term benefits and post-employment benefits governed by IAS 19, discussed in paragraph 17 below, and the provisions for risks and charges governed by IAS 37.

Measurement

Where the time element is significant, the provisions are discounted using current market rates. Provisions are charged to the income statement.

Recognition of components affecting the income statement

Provisions for risks and charges and the related write-backs, including the effects of the passage of time, are classified in the "*Net provisions for risks and charges*" caption.

13 - Debts and debt securities in issue

Recognition

The initial recognition of these financial liabilities takes place on receipt of the amounts collected or on issue of the debt securities.

These liabilities are initially recognised at their fair value, usually corresponding to the amount collected or the issue price, plus any additional costs/proceeds directly attributable to the individual funding transaction or issue that are not reimbursed by the creditor. This does not include internal administrative costs.
Structured instruments are considered to include compound debt instruments linked to equities, foreign currencies, credit instruments or indices. If such instruments are not classified as Financial Liabilities designated at fair value through profit and loss, the embedded derivative is separated from the primary contract and represents a "derivative" in its own right, if the separation criteria are satisfied. The embedded derivative is recorded at its fair value, while the value of the primary contract represents the difference between the total amount collected and the fair value of the embedded derivative.
The issue of instruments convertible into shares in the Bank involves the recognition, on the issue date, of both a financial liability and an equity element. In particular, the value of a financial liability with the same cash flows but without conversion rights is deducted from the overall value of the instrument. The residual value is then attributed to the equity element of the convertible bond.

Classification

"*Due to banks*", "*Due to customers*" and "*Debt securities in issue*" comprise the various forms of interbank and customer funding, as well as the funding obtained via the issue of certificates of deposit and bonds, net of any repurchases, that are not classified as "*Financial liabilities designated at fair value through profit and loss"*.

Measurement

Following initial recognition, financial liabilities are valued at amortised cost.
As an exception, short-term liabilities (up to 12 months) are measured at the amount collected and any costs are charged to the income statement, since the effect of the time factor is insignificant.
Any separated embedded derivatives are measured at fair value and the related changes are recorded in the income statement.

Derecognition

Financial liabilities are derecognised when they expire or are settled.
The repurchase of debt securities in issue in prior periods results in their derecognition.
The difference between the carrying amount of the liability and the amount paid to repurchase it is recorded in the income statement.
The renewed placement of treasury securities subsequent to their repurchase is deemed to represent a new issue, with the recognition of a new placement price, without any effect on the income statement.

Recognition of components affecting the income statement

The negative elements of income represented by interest and similar expense are recorded in the interest captions of the income statement on an accruals basis, using the effective interest method.
Costs/revenues relating to short-term payables are recorded directly in the income statement.
The difference between the book value of a liability and the amount paid to settle it is recorded in the "*Gains/losses on disposal/repurchase*".

14 - Financial liabilities held for trading

Recognition

The criteria applied for the recognition of financial assets held for trading (see Section 1 above) are adopted, with suitable modifications.

Classification

This caption includes the negative fair value adjustment of trading derivatives and the fair value of the liabilities deriving from "technical shorts" generated by trading in securities.

Measurement

The criteria applied for the measurement of financial assets held for trading (see Section 1 above) are adopted, with suitable modifications.

Derecognition

The criteria applied for the derecognition of financial assets held for trading (see Section 1 above) are adopted, with suitable modifications.

Recognition of components affecting the income statement

The criteria applied for the recognition of income components of financial assets held for trading (see Section 1 above) are adopted with suitable modifications.

15 - Financial liabilities designated at fair value through profit and loss

Recognition

These liabilities are initially recognised at fair value, net of transaction costs or revenues.

Classification

This caption includes the financial liabilities to be measured at fair value through the income statement, if one of the following conditions are met:

- classification in this category eliminates "accounting asymmetries";
- they are part of groups of liabilities managed together whose performance is measured at fair value, as part of a documented risk-management strategy;
- they contain separable embedded derivatives.

Measurement

Subsequent to initial recognition, financial liabilities continue to be measured at their fair value. The techniques for determining fair value are described in point 21 in this part of the Explanatory notes.

Derecognition

Financial liabilities designated at fair value through profit and loss are derecognised when they expire or are settled.

The repurchase of debt securities in issue in prior periods results in their derecognition.

The renewed placement of treasury securities subsequent to their repurchase is deemed to represent a new issue, with the recognition of a new placement price, without any effect on the income statement.

Recognition of components affecting the income statement

The negative elements of income represented by interest are recorded in the interest captions of the income statement on an accruals basis.

The results of measurement are recorded in the "*Net result on financial assets and liabilities designated at fair value*" caption, together with the profits and losses arising on settlement.

16 - Currency transactions

Recognition

On initial recognition, foreign currency transactions are recorded in the reporting currency, by translating the foreign currency amounts using the exchange rates prevailing on the transaction dates.

Measurement

At each reporting date, the amounts originally denominated in a foreign currency are measured as follows:

- monetary items are translated using the closing rate for the period;
- non-monetary items carried at historical cost are translated using the exchange rate on the date of the transaction;
- non-monetary items carried at fair value are translated using the closing rate for the period.

Classification

These comprise all assets and liabilities not denominated in euro.

Derecognition

The criteria applying to the balance sheet captions concerned are used. The exchange rate applying on the settlement date is used.

Recognition of components affecting the income statement

Exchange differences deriving from the settlement of monetary items or from the translation of monetary items using rates other than the initial translation rate, or the closing rate at the end of prior periods, are recorded in the income statement for the period in which they arise.

When gains or losses relating to a non-monetary item are recorded in shareholders' equity, the related exchange differences are also recorded in shareholders' equity. Conversely, when gains or losses are recorded in the income statement, the related exchange differences are also recorded in the income statement.

17 - Employee benefits

Classification

Employee benefits, excluding short-term amounts such as wages and salaries, comprise:

- post - employment benefits;
- other long-term benefits.

Post-employment benefits are, in turn, sub-divided into defined-contribution plans and defined benefit plans, depending on the nature of the benefits envisaged:

- under defined contribution plans, the employer makes fixed contributions and has no legal or constructive obligation to make further contributions if the fund does not hold sufficient assets to pay all employee benefits;

- defined benefit plans are all post-employment benefit plans other than defined contribution plans.

Pursuant to Law no. 296 dated 27 December 2006 (2007 Finance Law):

- the TFR earned from 1 January 2007 by is deemed to be a defined contributions plan for which no actuarial calculations are required;
- the TFR already earned at the dates indicated above, on the other hand, continues to be treated as a defined benefits plan, although such benefits have already been fully earned. As a consequence, the actuarial value of the liability must be redetermined at every accounting date subsequent to 31 December 2006.

Other long-term benefits comprise employee benefits that are not due entirely within twelve months of the end of the year in which employees accumulated their right to them.

Recognition and measurement

The value of a defined-benefit obligation is represented by the present value of the future payments necessary to settle the obligations deriving from work performed by employees in the current and prior years.

This present value is determined using the "Projected Unit Credit Method".

The employee benefits included as other long-term benefits, such as long-service bonuses that are paid on reaching a pre-determined level of seniority, are recorded for an amount determined at the reporting date using the "Projected Unit Credit Method".

The provision for termination indemnities is recorded as a separate liability, while the other post-employment benefits and long-term benefits are recorded among the provisions for risks and charges.

Recognition of components affecting the income statement

Service costs are recorded as payroll costs, together with the related accrued interest.

Actuarial gains and losses (remeasurements) relating to post-employment, defined benefit plans are recorded in shareholders' equity in the year they are identified. These actuarial gains and losses are reported in the "Statement of comprehensive income", as required by IAS 1.

The actuarial gains and losses (remeasurements) relating to other long-term benefits are recognised in full as part of payroll costs in the year in which they arise. On this last point, in 2012 BPER has standardised the orientation expressed by the National Institute of Actuaries in Circular no. 35 dated 21 December 2012, valid with effect from the measurements carried out at 31 December 2012. This document confirmed the guidelines already issued with the previous Circular dated 22 May 2012, in which it was expected that the component represented by interest cost had to be calculated using the rate of the curve corresponding to the duration of the liability, instead of the 1-year rate of the same curve used up to 31 December 2011.

18 - Income statement: Revenues

Revenues are the gross inflow of economic benefits arising in the course of ordinary activities of a business, when those inflows result in increases in equity, other than increases relating to contributions from shareholders (IAS 18).

Revenues are recognised at the fair value of the consideration received or receivable, when it can be reliably estimated.

When the result of a rendering of services can be estimated reliably, the revenues associated with the transaction are recognised using the percentage of completion at the balance sheet date.

The outcome of a transaction can be estimated reliably when all of the following conditions are met:

a) the amount of the revenues can be reliably measured;
b) it is probable that the economic benefits associated with the transaction will flow to the business;
c) the stage of completion of the transaction at the balance sheet date can be reliably measured;
d) the costs incurred for the transaction and the costs to complete it can be reliably calculated.

Revenues are recognised in the accounting period in which the services are provided and when it is probable that the economic benefits associated with the transaction will flow to the company.
However, when there is uncertainty about the collectability of an amount already included in revenue, the uncollectible amount, or the amount whose recovery is no longer probable, is recognised as an expense, rather than as an adjustment to the original revenue.

Revenues arising from third-party use of the entity's assets yielding interest and dividends are recognised on the basis of the following criteria:

a) interest is recognised using the effective interest method;
b) dividends are recognised when the shareholders' right to receive payment is determined.

19 - Income statement: Costs

Costs are recognised at the same time as the related revenues according to the principle of matching revenues and costs. If the correlation between costs and revenues is only generic and indirect, the costs are recorded over several years according to a systematic method of distribution in accordance with the accrual principle. Costs that by nature are not associated with revenues are recognised immediately in the income statement.

Marginal costs and revenues directly attributable to the acquisition of an asset or issue of a financial liability measured at amortised cost are recognised in the income statement together with the interest on the financial asset or liability using the effective interest method.

20 - Other information

– Treasury shares

Any treasury shares held are stated at purchase cost and classified, with negative sign, in the "*Treasury shares*" caption. Profits or losses deriving from their subsequent sale are recorded as changes in shareholders' equity in the "*Share premium*" caption.

– Leasehold improvements

These costs have been classified as "*Other assets*", since they cannot be recorded as part of "*Property, plant and equipment*", as required by Bank of Italy instructions.
The related amortisation is recorded in the "*Other operating charges/income*" caption.

– Internal recognition rules

Transfer of securities from "Equity investments" to other portfolios.

All BPER Group companies, with the exception of Banco di Sardegna s.p.a., being listed, are not required to prepare consolidated financial statements, taking advantage of the exception foreseen in IFRS 10 § 4. For this reason, in the separate financial statements of the individual companies, the securities included in "*Equity investments*" are accounted for "at cost", as indicated in IAS 27 § 10.

If there is a need to transfer an interest that has been accounted for as an "*Equity investment*" to one of the IAS 39 portfolios, to be carried out at the fair value of the asset at the time of the transfer, this generates a difference between the fair value and the "cost" recorded previously. Within IAS, there is no specific indication as to how this difference ought to be accounted for.

With reference to IAS 27 and IAS 28 § 3 regarding consolidated financial statements, which state that the parent company should account for all amounts recognised under "Other components of comprehensive income", it was determined that even in the case of separate financial statements the difference between the cost and fair value of the security when it is first recorded in the new portfolio is recognised in the income statement as "*Profit (loss) from equity investments*", instead of being booked to reserves.

Transfer of securities from other portfolios to "Equity investments"

Applying what was said in point a) above, BPER decided on the accounting treatment to be applied in the event of a transfer of an interest from one of the IAS 39 portfolios to "*Equity investments*", assuming that such as transfer would not come under IAS 39. BPER considers this type of transfer in the same way as a sale, with all the accounting consequences that this entails (recognition in the income statement of positive or negative components previously booked to an equity reserve when the portfolio of origin was AFS).

21 - Techniques for the determination of fair value

Paragraph 9 of IFRS 13 defines fair value as "*the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date"*.

When determining whether the fair value at initial recognition equals the transaction price, it is necessary to take into account factors specific to the transaction and to the asset and liability. It follows that, if the transaction price (consideration) differs from fair value, the difference should be recognised in the income statement.

It is also established that fair value includes transport costs, but excludes transaction costs.

In addition to the measurement of stand-alone financial instruments at fair value, the Bank may also measure groups of similar assets and liabilities at fair value, where it is permitted to do so.

Measurement at fair value assumes that the transaction to sell an asset or transfer a liability takes place in a **principal market**, defined as the market with the greatest volume and level of trading for the asset or liability to be measured. In the absence of a principal market, reference should be made to the most advantageous market, which is the market that maximises the amount that would be received to sell an asset or minimises the amount that would be paid to transfer a liability, after taking into account transaction costs.

Identification of active markets

The process for measurement of fair value starts with determining whether there is an active market with regularly available quoted prices.

In order to consider a market as active, the Bank takes account of the following factors:

- number of participants;
- frequency of price quotations and updates thereto;
- presence of a bid-ask spread;
- width of the bid-ask spread;
- trading volume.

Whether a financial instrument qualifies as traded on an active market can only be determined through extensive research of all the existing markets in order to identify the principal or most advantageous market, taking into account "*all information that is reasonably available*" (IFRS 13 § 17). This needs to be done for each financial instrument for which the fair value has to be determined.

To determine whether, based on the information that is available, a market can be considered to be active, the Bank assesses the importance and relevance of factors that include the following:

a) low level of recent trading activity;
b) available prices are not current;
c) available prices vary significantly over time or between market-makers;
d) it can be demonstrated that indices that previously had a close correlation with the fair value of an asset or a liability no longer have this correlation based on recent indications of fair value of that asset or liability;
e) presence of a significant increase in the embedded risk premiums, or default rates, of the transactions being considered or in quoted prices;
f) presence of a wide bid-ask spread or of a significant increase therein;
g) significant decline in the level of trading activity;
h) lack of publicly available information.

If compliance with the necessary requirements is verified periodically, a financial instrument can be considered to be traded on an active market. Within the possible markets, a search is undertaken to identify the principal market or, in the absence of a principal market, the most advantageous market.

Fair value is determined with reference to:

- the closing bid price for assets held or liabilities to be issued;
- the closing ask price for liabilities already issued or assets to be purchased.

Closing bid and ask prices are the bid and ask prices referred to by the entity that regulates the market on which an instrument is traded.

In the absence of reference bid and ask prices, the last price set by the entity which regulates the market could be taken, provided that this price has the following features: advertised, liquidity, prompt adaptation to changing conditions and availability as envisaged by the standards.

For assets and liabilities with offsetting positions in market risks, the average of the bid and ask price can be used, provided that this is commonly used by market participants and is consistent with the objective of measuring fair value in accordance with IFRS 13.

In the case of open-end mutual funds, the Net Asset Value (NAV) is considered to be the most representative of the fair value of the instrument. No adjustments are made to the NAV to take into account the interval between the date redemption is requested and the actual redemption date.

In the case of listed closed-end funds, the fair value is derived from the market quotation.
With regard to foreign shares, if these are listed on regulated stock exchanges, then they are considered to be traded in an active market. The price provided for this type of share, if the bid-ask spread is not available, is the last price. On the contrary, equity trading in OTC markets is not considered to take place in an active market.
Listed derivatives are measured using the last prices supplied by the clearing house.

Financial instruments listed in inactive markets are reported as "unlisted" for the purpose of preparing the tables in the Explanatory notes.

With regard to bonds not listed on regulated markets, in view of the role played by the Bank in the institutional market for financial instruments, the Bloomberg Professional system has been identified as an active market for front office operations, if the prices recorded therein have the appropriate features mentioned above.

Identification of the fair value of financial instruments not listed on active markets

If the market for a financial instrument does not meet the conditions required to qualify as an active market, the fair value of the instrument is determined through the use of valuation techniques.
Valuation techniques indicated by international accounting standards are:

- market approach: this uses prices and other relevant information generated by market transactions involving comparable assets;
- cost approach: this reflects the amount that would be required currently to replace the service capacity of an asset ("current replacement cost");
- income approach: this converts future cash flows or income and expenses to a single current amount.

For Bank purposes, the following valuation techniques are valid:

1) market approach for identical or comparable assets and liabilities;
2) use of matrix pricing;
3) present value techniques;
4) option pricing models;
5) the multi-period excess earnings method.

These techniques may be used if:

- they maximise the use of market data, while minimising the use of Bank estimates and assumptions;
- they reasonably reflect how the market expects the price to be determined;
- the fair value measurement is determined on the basis of the value indicated by current market expectations and the risk and yield of the instrument being valued;
- they reflect the assumptions that market participants would use when pricing an asset or liability;
- they are consistent with commonly accepted methodologies;
- they are periodically subjected to verification and calibration to verify their capability to determine a fair value in line with actual trading prices for the instrument being valued.

In summary, the Bank's preference is to adopt a market approach for the determination of fair value, even if an active market does not exist. Only in the event that it is not possible to apply the above valuation techniques, quantitative valuation methods may be used.

It is apparent that regulations governing valuation techniques do not authorise a neutral and objective use of quantitative methods. However, their use should be understood to be the development by the Bank of an internal process that matches the fair value measurement with a price at which an instrument could be exchanged in a market transaction at current conditions.

As part of this process, it would thus appear necessary to give priority to the use of recent transaction prices (prices on non-active markets, prices provided by third-party participants), or the prices of similar instruments. In this context, quantitative methods can provide a benchmark to supplement, or correct, any differences between the instrument being valued and that observed in the market, or to reflect the impact of changes in the economic environment on market transactions.

Valuation techniques used to measure fair value are applied consistently. A change in a valuation technique or its application is appropriate if the change results in a measurement that is equally or more representative of fair value in the circumstances. That might be the case if any of the following events take place:

- new markets develop;
- new information becomes available;
- information previously used is no longer available;
- valuation techniques improve;
- market conditions change.

Valuation techniques

Specific techniques are applied in relation to particular types of financial instrument, in order to correctly identify their characteristics.

Equities

For all unlisted shares, the valuation rules set out above apply. Failing this, they are measured at cost.

For unlisted shares, other than equity investments, the methods used the most for fair value measurement fall into the following categories:

- discounted cash flow;
- the use of multiples.

These methods require the availability of a significant amount of data to estimate future cash flows generated by a company or to identify the correct market multiples. They use uncertain estimates of various parameters (cash flows, dividends, beta, risk premium, cost of capital, asset values, etc.), the measurement of which is subjective and which do not always reflect market conditions. This leads to a valuation of a distribution of theoretical fair values. Where it is not possible to reliably determine the fair value with the above methods, securities and instruments are measured at cost.

As an alternative to the valuation techniques above, the value of the share may be based on book value, computed as the ratio between equity and the number of issued ordinary shares.

Plain vanilla debt securities

With regard to plain vanilla debt securities, the valuation technique applied is discounted cash flow analysis. There are three steps:

- mapping of cash flows: recognition of the cash flows expected from the instrument and their distribution of the duration of the contract;
- selection of the discounting curve, having regard for the risk factors affecting the cash flows;
- calculation of the present value of the instrument at the measurement date.

Having identified the cash flows, the appropriate discounting curve is calculated using the discount rate adjustment approach, which takes account of both rate risk and credit risk. This information is used to calculate the instrument's fair value, as the sum of the present values of its cash flows.

Structured debt securities

Given the non-determinant nature of the future cash flows from structured securities, their fair value is calculated by breaking them down into a portfolio of elementary instruments using the replica portfolio technique. The fair value of the structured product is obtained by summing the individual values obtained for elementary instruments comprising the product.
As from 2013, the Bank started issuing protection certificates. They combine two financial instruments:

- a zero coupon bond;
- an option which seeks to replicate the performance of an underlying asset and to protect, partially or completely, the amount invested.

The methods used for the calculation of fair value are similar to those described above for structured debt securities.

Derivatives

The fair value of derivatives is determined using quantitative models that differ depending on the type of instrument concerned. In particular, a distinction is made between:

- Over-The-Counter (OTC) options represented by either stand-alone options or options embedded in complex financial instruments. Pricing techniques include:
  - options with payoff that can be calculated precisely, priced using models generally accepted by the market (e.g. Black & Scholes and variants);
  - options with payoff that cannot be calculated precisely, usually priced using "Montecarlo" simulation techniques;
- Interest Rate Swaps (IRS): the fair value of IRS is determined using net discounted cash flow analysis. In the case of a structured IRS, the instrument is decomposed into a "plain" component and an optional component ("building blocks"), so that their separate values can be determined and summed.

Forward currency transactions

These transactions are measured with reference to the forward rates at period end for maturities corresponding to those of the contracts to be priced.

Balance sheet items measured at amortised cost

Loans and receivables and held to maturity investments are measured at amortised cost and their fair value is determined for disclosure purposes only.
The fair value of loans with a contractual duration of less than twelve months is estimated to be their book value; the fair value of other loans is obtained by discounting the contract cash flows, net of the expected losses determined with reference to the credit rating of the borrower, using the corresponding rate curve for their maturities.

Credit Valuation Adjustment (CVA) and Debit Valuation Adjustment (DVA)

Current regulations state that the pricing of a derivative, in addition to being based on market factors, should also reflect the credit risk of the counterparty determined by a Credit Valuation Adjustment (CVA) and a Debit Valuation Adjustment (DVA).

To assess the credit risk of the counterparty, BPER adopts the following methodology.

The term Credit Valuation Adjustment (CVA) refers to an adjustment in order to properly reflect the credit risk of the derivative counterparty made on the valuation of an OTC derivative (with a positive current exposure) transaction entered into by the Bank with an external counterparty and may be considered to be the market value of a potential loss amount derived from changes in market prices, due to a worsening of the credit or default risk of the counterparty.

Conversely, the term Debit Valuation Adjustment (DVA) refers to an adjustment in order to properly reflect the own default risk of the Bank made on the valuation of an OTC derivative (with a negative current exposure) entered into by the Bank with an external counterparty, that is, the market value of a potential gain derived from changes in market prices, due to a worsening of the credit or default risk of the Bank.

For the quantification of a CVA and a DVA, under certain conditions, IFRS 13 refers to a calculation that must be made by netting set or by counterparty and, thus, based on net exposure and not at individual contract level. In addition, it is necessary to consider whether any collateral has been provided or if there are any netting agreements.

BPER currently makes use of bilateral agreements for the netting of derivative contracts, in accordance with which the reciprocal mark to market receivable and payable positions are offset automatically on a daily basis, leading to a single net balance, without any novation: this results in margin settlement being made solely by the net creditor. The foregoing has led to a considerable reduction in exposure to credit risk and, consequently, the impact of CVAs and DVAs on fair value.

In particular, for the Parent Company, there are two factors that mitigate the impact on fair value of credit risk:

- the signing of ISDA (International Swaps and Derivatives Association, the international industry standard on OTC derivatives) agreements with the main corporate and all the institutional counterparties to OTC derivatives. In respect of the institutional counterparties (with the exception of the subsidiary EMRO Finance Ireland) the related CSA (Credit Support Annex) was also executed in order to cover the provision of collateral and to further reduce current exposure and consequent risks;
- the entry into force of the new EMIR (European Market Infrastructure Regulation) platform, in respect of the exclusion from the scope of CVAs and DVAs of derivatives entered into on that platform/market. On the basis of assessments made, it is likely that most derivative transactions will go through the new system as they mainly consist of derivatives that are eligible for that purpose.

IFRS 13 does not indicate a specific methodology for the calculation of CVAs and DVAs, but it requires the use of valuation techniques that, on the one hand, must be appropriate for the data available and, on the other hand, maximise the use of observable market data.

With reference to the above, in order to align with best market practices, it was decided to use bilateral CVA methodology that considers the presence of two components to the calculation, with the aim of including the potential loss/gain arising from changes in the credit risk of the counterparty/Bank, but taking into account the joint probability of default by counterparties.

Market parameters

The following types of yield curve are used:

- par swap curves;
- bond curves derived from baskets of bonds;
- corporate curves by issuer, rating, and sector.

The following are derived from the par curves:

- zero coupon curves;
- forward rate curves;
- discount factor curves.

The zero coupon rate curves are obtained using the bootstrapping technique. These are used to extrapolate the discount factors used to determine the present value of the cash flows generated by the financial instruments to be priced. The forward rates are implicit in the zero coupon curve are determined with reference to the non-arbitrage theory.

The issuer curves are obtained by adding to the par swap rates the spreads that reflect the credit rating of the instrument's issuer. These are used to price unlisted bonds.

Bond curves are calculated based on baskets of government bonds. Prices of the basket bonds, as well as the curves generated by them, are updated in real-time.

The credit rating curve of the Bank is obtained by creating a basket of issues by banking issuers that have similar characteristics and ratings. This is used to price all issued bonds.

The prices thus obtained are applied daily to organised systems of trading for the bonds issued by the Group Banks (MELT-HIMTF) that are reflected in the fair value valuation in the financial statements.

Volatility and other parameters

Volatilities and correlations are used principally to price unlisted derivatives. The volatilities are classified as follows:

- historical volatilities, estimated as the standard deviation of a time series of daily observations of the logarithm of the yields of the underlying concerned;
- contributed volatilities, obtained from information providers;
- implicit volatilities, obtained from the market prices of listed options.

With regard to the correlations, multi-variant derivatives are priced using historical correlations.

Additional information

IFRS 13 requires an entity to "*disclose information that helps users of its financial statements assess both of the following:*

a) for assets and liabilities that are measured at fair value on a recurring or non-recurring basis in the statement of financial position after initial recognition, the valuation techniques and inputs used to develop those measurements;

b) for recurring fair value measurements using significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income for the period."

The Bank has a procedure in place to:

- identify transfers between levels;
- analyse and document the reasons for such transfers;
- monitor and control the reliability of the fair value of financial instruments.

In particular, for assets and liabilities measured at fair value on a recurring and non-recurring basis, adequate disclosure is made of:

- the fair value measurement at the end of the reporting period, and for non-recurring fair value measurements, the reasons for the measurement.
- the level of the fair value hierarchy within which the fair value measurements are categorised in their entirety (Level 1, 2 or 3);
- for assets and liabilities categorised within Level 2 or 3, a description of the valuation techniques and inputs used and the reasons for any changes in valuation techniques used.

The Bank provides, for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis, the amounts of any transfers between Level 1 and Level 2 of the fair value hierarchy, the reasons for those transfers and the policy for determining when transfers between levels are deemed to have occurred, while, for those categorised on a recurring basis within Level 3 of the fair value hierarchy, a reconciliation is provided from the opening balances to the closing balances.
Information is also provided on the policy for determining when transfers between fair value hierarchy levels are deemed to have occurred.

For assets or liabilities categorised within Level 3 of the fair value hierarchy, the following disclosures are provided:

- quantitative information about the significant unobservable inputs used in the fair value measurement;
- for recurring fair value measurements, the amount of the total gains or losses for the period included in profit or loss that is attributable to the change in unrealised gains or losses relating to those assets and liabilities held at the end of the reporting period, and the line item(s) in profit or loss in which those unrealised gains or losses are recognised;
- a description of the valuation processes used for recurring and non-recurring fair value measurements;
- a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement.

For financial assets and liabilities measured at amortised cost (not thus measured at fair value, but with fair value disclosure obligations) the following information is provided:

- the fair value hierarchy level;
- a description of the valuation techniques adopted for Levels 2 and 3, as well as the inputs used;
- if there has been any change in the valuation technique, a description of the change and the reason for it.

For own financial liabilities measured at fair value with credit enhancement (e.g. inseparable guarantees), information is provided on the existence of credit enhancement and the impact thereof on the determination of the fair value of the liability.

The application of the fair value option to loans and receivables and financial liabilities requires disclosure of the change in fair value attributable solely to changes in the credit risk associated with the instrument.

As mentioned, the risk factors are included in the discount curve using the discount rate adjustment approach.
This approach involves making separate and independent estimates of the various risk components (rate risk and credit risk), so that the partial fair value can be determined considering the changes in just one risk factor.

The following factors are considered in relation to credit risk:

- the risk-free market rate observed at the valuation date;
- the credit spread observed at the initial recording date or the previous valuation date;
- the credit spread observed at the valuation date.

The market fair value at the measurement date is compared with the fair value calculated using the credit risk observed at the initial recording date (or, alternatively, at the previous valuation date). This makes it possible to determine the changes in fair value due solely to changes in credit risk on a cumulative or periodic basis.

Fair value hierarchy

The Bank classifies its financial assets and liabilities by decreasing degree of fair value quality on the basis of the following principles:

- Fair value Level 1. Measurement is based on the price of the financial instrument concerned, being a quoted price in an active market.
- Fair value Level 2. Measurement is not based on quoted prices in active markets for the financial instrument concerned, but on meaningful prices obtained from non-active markets or reliable infoproviders, or on prices determined using an appropriate valuation technique largely based on observable market parameters, including credit spreads, derived from quotations of instruments that are substantially similar in terms of risk factors considered. The objective of the use of valuation techniques is to reaffirm the aim of obtaining a closing price at the valuation date from the point of view of a market participant that holds the financial instrument.
- Fair value Level 3. Measurement is based on various inputs that include subjective parameters, that is, parameters whose value cannot be derived from quoted prices observable in active markets. Since the parameters are not observable directly in the market, it follows that the value is required to make estimates and assumptions.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorised within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Bank has set out[6]:

- the analyses to be performed in the event of changes in valuation techniques used to measure fair value;
- the policy for determining when transfers between fair value hierarchy levels are deemed to have occurred and which is constantly adhered to.

As a general principle, to be allocated to Level 1 of the fair value hierarchy, if there is a quoted price in an active market for an asset or a liability, that price should be used without adjustment

[6] Reference should be made to the Group's regulatory framework, which comprises Guidelines, Group Regulations and methodological manual

when measuring fair value. In fact, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

An allocation to Levels 2 and 3 depends on how the inputs used for the fair value measurement of an asset or liability are categorised within different levels of the fair value hierarchy: in those cases, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Assessing the significance of a particular input to the entire measurement requires judgement, taking into account factors specific to the asset or liability.

The availability of relevant inputs and their relative subjectivity might affect the selection of appropriate valuation techniques.

22 - Method for determining the extent of impairment

Financial assets

At each reporting date, financial assets not classified as at fair Value through Profit or Loss are subjected to an impairment test to verify if there is any objective evidence for believing that their carrying amount may not be fully recoverable.
Value is impaired if there is objective evidence that future cash flows will be lower than the originally estimated contractual amounts; the related loss must be quantified in a reliable manner and associated with actual events rather than just expected events.
Impairment is measured in detail for those financial assets for which there is specific evidence of an impairment adjustment, and on an overall basis for other financial assets.

Pursuant to IAS 39, whenever the fair value of equities classified as available for sale is significantly lower than their purchase cost, or remains lower for an extended period, the Bank recognises an impairment loss with allocation of the negative valuation reserve to the income statement.
In particular, the Bank recognises as objective evidence of impairment situations in which fair value is less than 50% of purchase cost or remains below purchase cost for 24 consecutive months.

If fair value is impaired, detailed analysis is performed to determine the reasons for the loss and identify any difficulties faced by the issuer, such as:

- significant financial problems or possibility of court-supervised arrangements;
- announcement/implementation of financial restructuring plans;
- significant changes with an adverse effect on the technological, economic or regulatory environment in which the issuer operates.

If the above analysis causes the Bank to believe that impairment exists, the related fair value equity reserve is posted to the income statement.
See paragraph “4 – Loans” for detailed information about the treatment of loans.

Equity investments

The Bank's equity investments are also subjected to impairment testing. In particular, the impairment test is performed on an annual basis and involves the determination of recoverable value, being the greater of fair value less selling costs or value in use.
The measurement methodology used to calculate fair value less costs to sell was described in an earlier section of this report.
Value in use represents the present value of the cash flows expected to derive from the assets subject to impairment testing; this involves estimating the cash flows expected from the asset, possible changes in the timing and/or extent of such flows, the time value of money, and the price that remunerates the specific risks associated with the asset, together with such other factors as the size of the market for the asset, which might affect operators' assessments of the quality of the expected cash flows.
The estimate of value in use, being the present value of the cash flows expected to derive from the asset determined using a Discounted Cash Flow (DCF) method, such as the DDM configured for banks Excess Capital Method, identifies the value of a business in relation to its ability to generate cash flow and thus its financial solidity.
Value in use is therefore determined by discounting the cash flows identified in the business plan, the time horizon for which must be sufficiently long for "fair" forecasts to be made; in financial practice, the time period covered by the forecast flows is at least three years. Where business plans are not prepared directly by the investees, long-term inertia-based plans are developed based on the companies' results and financial position, as well as market projections.
Shareholders' equity and earnings performance are only referred to on a residual basis, for the measurement of less significant equity investments.

Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets with a finite useful life are subjected to impairment testing if there is evidence that their carrying amounts may no longer be recoverable. Recoverable value is determined with reference to the fair value of the property, plant and equipment or intangible asset, net of disposal costs, or to its value in use if this can be determined and exceeds fair value.
The fair value of property is usually determined by appraisal. Impairment is only recognised if fair value less costs to sell, or value in use, is lower than the related carrying amount for an extended period.

23 - Business combinations: allocation of purchase cost

Introduction

The process of allocation of the purchase price for business combinations is described below, while details of such transactions are provided in Part G of the Explanatory notes.

Fair value of the assets and liabilities acquired

When accounting for a business combination, the Bank determines the fair value of the assets, liabilities and contingent liabilities acquired. Such amount is only identified separately if, at the acquisition date, the following criteria are met:

- in the case of assets other than intangible assets, it is likely that the purchaser will obtain any future economic benefits;
- in the case of liabilities other than contingent liabilities, it is likely that their settlement will require the use of resources capable of producing economic benefits;

- in the case of an intangible asset (IAS 38) or a contingent liability (IAS 37), the related fair value can be measured in a reliable manner.

Identification of intangible assets

Depending on the characteristics of the business acquired, an analysis is performed to identify any unrecorded assets that should be recognised separately, for example customer-related (client relationship) intangibles, or marketing-related (brand name) intangibles.

Customer-related intangible assets: these are recognised as intangible assets when they are separable and can be measured reliably, even though they may not always derive from contractual rights such as marketing-related intangibles.
This category includes:

- Client lists: these comprise all the information held about clients (database containing: names, addresses, transaction history, demographic information etc.) that has a recognised market value, on condition that it can be rented or exchanged; Such information cannot be treated as an intangible asset if it is considered so confidential that the combination agreement forbids its sale, rental or exchange in other forms;
- contracts with clients and the client relationships established as a consequence: contracts with clients satisfy the contractual/legal requirement for the recognition of an intangible asset, even if the combination contract forbids their sale or transfer separately from the business acquired; this category also includes long-established contacts with clients, even if there is no formal contract, and all other non-contractual relationships that can be separated and measured on their own;
- non-contractual relations with clients: this category includes all intangible assets that, being separable and transferable independently of the business acquired, may be valued individually and recognised as intangibles.

Marketing-related intangible assets: trademarks, commercial names, service brands, collective names and quality marks that derive from contractual rights or which are usually separable. Such assets reflect the collection of productive conditions that are economically correlated with the commercial name, the relationship with the market, and the reach of distribution.
An intangible asset must be measured initially at cost. If acquired as part of a business combination, its cost is its fair value at the time control is obtained.
Fair value, in this context, reflects market expectations about the likelihood that the owner will obtain the future economic benefits deriving from the asset. The entity must assess the probability of obtaining future economic benefits using reasonable and justifiable assumptions that reflect management's best estimate of the economic conditions that will apply over the useful life of the asset.
The accounting standards do not specify the methodology to be used to measure the fair value of such assets but, among the possible alternatives, preference is given to those making reference to observable market prices. Failing this, the accounting standards allow the use of valuation models that include assumptions which are generally used and recognised by the market.
The fair value of customer-related intangible assets is determined by discounting the profit flows generated by deposits over the expected residual period of the relationships outstanding at the time of acquisition.
In general, brands are valued using market methods and well as methods based on the flows deriving from their management or a royalty recognised by the market.

Determination of goodwill

Goodwill represents the unallocated amount of purchase cost, being the excess of the cost of the business combination over the net fair value of the identifiable assets, liabilities and contingent liabilities acquired (including those intangibles and contingent liabilities that satisfy the requirements for recognition in the financial statements).

This represents the consideration recognised by the purchaser in exchange for the future economic benefits deriving from assets that cannot be identified individually and recognised separately. In substance, this includes the value of the expected synergies, the corporate image of the company acquired, its know how, its professionalism, its procedures and other non-specific factors.

The goodwill acquired as a result of a business combination must not be amortised. The Bank verifies each year, or whenever there is evidence of possible impairment, that the recorded value of goodwill has not been impaired (impairment test).

24 - Derecognition of financial assets

Derecognition involves the elimination of a previously recognised financial asset from the balance sheet.

Before assessing whether the conditions for derecognition of financial assets exist, according to IAS 39, one has to ascertain whether these conditions are to be applied to such assets in their entirety or whether they can refer to only part of them.

The essential condition for full derecognition of a financial asset is the extinction of its contractual rights, either because they expire naturally or because the rights to the cash flows resulting from such assets are transferred to a third party outside the Group.

The elimination of a financial asset is subject to verification that all of the risks and rewards of ownership of the rights have actually been transferred. In the case of transfer of substantially all of the risks and rewards, the transferred asset (or group of assets) can be derecognised and the rights and obligations relating to the transfer have to be recognised separately as assets or liabilities.

Conversely, in the event that the risks and rewards are retained, the asset (or group of assets) transferred has to continue being recognised. In this case, one has to recognise a liability equal to the amount received as consideration for the transfer and subsequently recognise all revenues and expenses accruing on the liability.

The main types of transactions that, under these rules, do not permit the derecognition of a financial asset are securitisations of receivables, repurchase agreements and securities lending.

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

A.3.1 Financial assets reclassified: book value, fair value and effects on overall profitability

Type of financial instrument	Source portfolio	Destination portfolio	Book value as at	Fair value as at	Income elements without transfer (before tax)		Income elements recorded in the year (before tax)	
			31.12.2014	31.12.2014	measured	other	measured	other
Debt securities	Financial assets held for trading	Due from banks	19,767	19,478	993	320	-	536
Debt securities	Financial assets held for trading	Loans to customers	-	-	(59)	83	-	91
UCITS units	Financial assets held for trading	Financial assets available for sale	2,117	2,117	(452)	-	(452)	-

A.3.2 Financial assets reclassified: effect on overall profitability before transfer

No financial assets were reclassified during the period.

A.3.3 Transfer of financial assets held for trading

No financial assets were reclassified during the period.

A.3.4 Effective interest rate and cash flows expected from reclassified assets

No financial assets were reclassified during the period.

A.4 – INFORMATION ON FAIR VALUE

QUALITATIVE INFORMATION

A.4.1 Fair value Levels 2 and 3: valuation techniques and inputs used

A description of the valuation techniques and inputs used has been disclosed in Chapter 21 of Part A.2 of these Explanatory notes “Techniques for the determination of fair value”.

A.4.2 Measurement process and sensitivity

Assets and liabilities categorised within Level 3 of the fair value hierarchy mainly consist of:

- connected derivatives, in that they offset each other and which originate from securitisations, classified as "*Financial assets held for trading*" and "*Financial liabilities held for trading*";
- a limited number of equity investments measured at cost or under the equity method and in UCITS units measured at NAV classified as "*Financial assets designated at fair value through profit and loss*";
- minority equity investments, often held to preserve links with the territory or for the development of commercial relationships (measured mainly on the basis of the book value of shareholders’ equity of the companies in question or at cost), as well as UCITS units (usually at NAV), with both classified as "*Financial assets available for sale*".

The portfolio positions which have just been illustrated, with the alternative being the use of financial valuation methods, renders their valuation incapable of being significantly influenced by changes in input data.

A.4.3 Fair value hierarchy

A description of the fair value hierarchy has been disclosed in Part A.2 of these Explanatory notes in Chapter 21 "Techniques for the determination of fair value".

A.4.4 Other information

Reference should be made to Chapter 21 of Part A.2 of these Explanatory notes "Techniques for the determination of fair value" for further information on fair value.

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

	31.12.2014			31.12.2013		
	L1	L2	L3	L1	L2	L3
Financial assets designated at fair value						
1. Financial assets held for trading	443,780	559,416	32,162	557,602	409,452	17,131
2. Financial assets designated at fair value through profit and loss	32,813	20,480	9,463	46,848	15,434	9,581
3. Financial assets available for sale	4,802,771	304,677	391,965	4,287,866	372,430	392,659
4. Hedging derivatives	-	33,660	-	-	1,896	-
5. Property, plan and equipment	-	-	-	-	-	-
6. Intangible assets	-	-	-	-	-	-
Total	**5,279,364**	**918,233**	**433,590**	**4,892,316**	**799,212**	**419,371**
Financial liabilities designated at fair value						
1. Financial liabilities held for trading	41	217,900	29,663	47,557	145,919	18,302
2. Financial liabilities designated at fair value through profit and loss	-	1,700,614	-	-	2,664,781	-
3. Hedging derivatives	-	9,114	-	-	35,793	-
Total	**41**	**1,927,628**	**29,663**	**47,557**	**2,846,493**	**18,302**

Transfers of assets from Level 1 to Level 2 of the fair value hierarchy during the year amounted to € 1,514 thousand and those from Level 2 to Level 1 amounted to € 679 thousand.
The former are due to a loss of significance of the prices quoted in the principal market, while, for the latter, the dealer market showed an improvement in the negotiability of the instruments in terms of volumes and in the width and depth of the prices quoted.

Key

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

A.4.5.2 Period changes in assets measured 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, plant and equipment	Intangible assets
1. Opening balance	**17,131**	**9,581**	**392,659**	**-**	**-**	**-**
2. Increases	**15,549**	**1,830**	**42,755**	**-**	**-**	**-**
2.1 Purchases	431	1,277	38,819	-	-	-
2.2 Profits posted to:	15,112	549	3,814	-	-	-
2.2.1 Income Statement	15,112	549	1,047	-	-	-
- of which: gains	15,111	357	-	-	-	-
2.2.2 Shareholders' equity	#	#	2,767	-	-	-
2.3 Transfers from other levels	-	-	-	-	-	-
2.4 Other increase	6	4	122	-	-	-
3. Decreases	**518**	**1,948**	**43,449**	**-**	**-**	**-**
3.1 Sales	432	250	3,961	-	-	-
3.2 Redemptions	-	1,260	2,028	-	-	-
3.3 Losses posted to:	81	436	37,337	-	-	-
3.3.1 Income Statement	81	436	25,894	-	-	-
- of which: losses	81	436	25,832	-	-	-
3.3.2 Shareholders' equity	#	#	11,443	-	-	-
3.4 Transfers to other levels	-	-	-	-	-	-
3.5 Other decreases	5	2	123	-	-	-
4. Closing balances	**32,162**	**9,463**	**391,965**	**-**	**-**	**-**

The figure for "Purchases" (2.1) under "Financial assets available for sale" includes amounts arising from the mergers of Banca della Campania s.p.a. (€ 1,657 thousand), Banca Popolare del Mezzogiorno s.p.a. (€ 2,153 thousand), Banca Popolare di Ravenna s.p.a. (€ 15,952 thousand); this transaction qualifies as a "business combination between entities under common control", not covered by IFRS 3.
There were no transfers of assets to or from Level 3 of the fair value hierarchy in the period.

A.4.5.3 Period changes in liabilities measured 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	**18,302**	**-**	**-**
2. Increases	**12,546**	**-**	**-**
2.1 Issues	-	-	-
2.2 Losses posted to:	12,546	-	-
2.2.1 Income Statement	12,546	-	-
- of which: losses	-	-	-
2.2.2 Shareholders' equity	#	#	-
2.3 Transfers from other levels	-	-	-
2.4 Other increase	-	-	-
3. Decreases	**1,185**	**-**	**-**
3.1 Redemptions	-	-	-
3.2 Buybacks	-	-	-
3.3 Profits posted to:	1,185	-	-
3.3.1 Income Statement	1,185	-	-
- of which: gains	1,185	-	-
3.3.2 Shareholders' equity	#	#	-
3.4 Transfers to other levels	-	-	-
3.5 Other decreases	-	-	-
4. Closing balances	**29,663**	**-**	**-**

There were no transfers of assets to or from Level 3 of the fair value hierarchy in the period.

A.4.5.4 Assets and liabilities not measured at fair value or at fair value on a non-recurring basis: breakdown by fair value levels

Assets/Liabilities not measured at fair value or at fair value on a non-recurring basis	31.12.2014				31.12.2013			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets held to maturity	2,213,497	2,242,709	154,999	-	1,207,868	1,194,209	85,512	-
2. Due from banks	1,743,446	-	164,612	1,583,116	2,065,534	-	529,948	1,532,627
3. Loans to customers	34,276,875	-	141,894	34,896,260	28,892,720	-	136,508	29,174,134
4. Investment property, plant and equipment	84,262	-	-	90,227	42,035	-	-	44,324
5. Non-current assets and disposal groups held for sale	2,817	-	-	-	-	-	-	-
Total	**38,320,897**	**2,242,709**	**461,505**	**36,569,603**	**32,208,157**	**1,194,209**	**751,968**	**30,751,085**
1. Due to banks	8,294,902	-	-	8,294,902	9,186,907	-	-	9,186,907
2. Due to customers	24,272,938	-	-	24,272,938	17,870,980	-	-	17,870,980
3. Debt securities in issue	8,374,185	1,116,003	4,018,022	3,385,339	7,914,375	765,255	5,119,314	2,081,570
4. Liabilities associated with non-current assets held for sale	-	-	-	-	-	-	-	-
Total	**40,942,025**	**1,116,003**	**4,018,022**	**35,953,179**	**34,972,262**	**765,255**	**5,119,314**	**29,139,457**

Key

BV= Book value
L1= Level 1
L2 = Level 2
L3 = Level 3

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

In the case of Level 3 transactions, the fair value according to the model may differ from the transaction price: in the case of a positive difference (day one profit), this is amortised over the residual life of the instrument; in case of a negative difference (day-one loss), it is charged to the income statement for prudence sake.

There were no differences at 31 December 2014 between the value of transactions and their corresponding fair values.

Section 1 – Cash and equivalents
Caption 10

1.1 Cash and cash equivalents: breakdown

	31.12.2014	31.12.2013
a) Cash	306,329	221,462
b) Demand deposits with Central Banks	-	-
Total	**306,329**	**221,462**

Section 2 – Financial assets held for trading
Caption 20

2.1 Financial assets held for trading: breakdown by sector

Description/Amount	31.12.2014			31.12.2013		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Debt securities	361,405	339,503	24	500,277	235,389	35
1.1 Structured securities	3,300	1,358	-	187	-	-
1.2 Other debt securities	358,105	338,145	24	500,090	235,389	35
2. Equities	36,571	68	1	18,083	1	-
3. UCITS units	45,804	-	-	32,382	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	**443,780**	**339,571**	**25**	**550,742**	**235,390**	**35**
B. Derivatives						
1. Financial derivatives	-	219,845	32,137	6,860	174,062	17,096
1.1 Trading	-	164,483	32,137	6,860	94,964	17,096
1.2 Connected with the fair value option	-	55,362	-	-	79,098	-
1.3 Other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 Trading	-	-	-	-	-	-
2.2 Connected with the fair value option	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
Total B	**-**	**219,845**	**32,137**	**6,860**	**174,062**	**17,096**
Total (A+B)	**443,780**	**559,416**	**32,162**	**557,602**	**409,452**	**17,131**

The derivatives connected with the fair value option (€ 55,362 thousand) are associated with debt securities classified as "Financial liabilities designated at fair value through profit and loss" (liability caption 50).

2.2 Financial assets held for trading: breakdown by issuer/borrower

Description/Amounts	31.12.2014	31.12.2013
A. CASH ASSETS		
1. Debt securities	**700,932**	**735,701**
a) Governments and Central Banks	422,681	441,646
b) Other public entities	17	20
c) Banks	246,977	267,761
d) Other issuers	31,257	26,274
2. Equity instruments	**36,640**	**18,084**
a) Banks	8,858	3,921
b) Other issuers:	27,782	14,163
- insurance companies	2,482	1,073
- financial companies	18	-
- non-financial companies	25,282	13,090
- other	-	-
3. UCITS units	**45,804**	**32,382**
4. Loans	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other parties	-	-
Total A	**783,376**	**786,167**
B. DERIVATIVE INSTRUMENTS		
a) Banks	148,986	129,805
b) Customers	102,996	68,213
Total B	**251,982**	**198,018**
Total (A+B)	**1,035,358**	**984,185**

2.3 Financial assets held for trading: change in the period

	Debt securities	Equity instruments	UCITS units	Loans	31.12.2014
A. Opening balance	**735,701**	**18,084**	**32,382**	**-**	**786,167**
B. Increases	**12,891,194**	**59,583**	**15,560**	**-**	**12,966,337**
B.1 Purchases	12,835,432	56,720	12,984	-	12,905,136
B.2 Positive changes in fair value	11,340	1,688	2,576	-	15,604
B.3 Other changes	44,422	1,175	-	-	45,597
C. Decreases	**12,925,963**	**41,027**	**2,138**	**-**	**12,969,128**
C.1 Sales	12,612,811	38,898	1,115	-	12,652,824
C.2 Repayments	220,868	-	-	-	220,868
C.3 Negative changes in fair value	3,081	1,831	977	-	5,889
C.4 Tranfers to other portfolios	-	-	-	-	-
C.5 Other changes	89,203	298	46	-	89,547
D. Closing balance	**700,932**	**36,640**	**45,804**	**-**	**783,376**

The figure for "Purchases" (B.1) "Debt securities" includes amounts arising from the mergers of Banca della Campania s.p.a. (€ 103,642 thousand), Banca Popolare del Mezzogiorno s.p.a. (€ 18,384 thousand) and Banca Popolare di Ravenna s.p.a. (€ 5,662 thousand); this transaction qualifies as a "business combination between entities under common control", not covered by IFRS 3.

Section 3 – Financial assets designated at fair value through profit and loss

Caption 30

3.1 Financial assets designated at fair value through profit and loss: breakdown by sector

Description/Amounts	31.12.2014			31.12.2013		
	Level 1	Level 2	Level 3	Level 2	Level 2	Level 3
1. Debt securities	1,071	20,015	388	4,038	14,958	-
1.1 Structured securities	-	4,000	-	-	4,177	-
1.2 Other debt securities	1,071	16,015	388	4,038	10,781	-
2. Equity instruments	3	465	4,151	1,724	476	3,897
3. UCITS units	31,739	-	4,924	41,086	-	5,684
4. Loans	-	-	-	-	-	-
4.1 Structured	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total	**32,813**	**20,480**	**9,463**	**46,848**	**15,434**	**9,581**
Cost	**32,054**	**19,711**	**9,542**	**44,271**	**14,766**	**9,017**

Financial assets designated at fair value through profit and loss: use of the fair value option

Name	31.12.2014	31.12.2013
a) Natural hedges using derivatives	-	-
b) Natural hedges using other financial instruments	-	-
c) Other cases of accounting mismatches	-	-
d) Financial instruments managed and measured at fair value	58,756	67,686
e) Structured products with embedded derivatives	4,000	4,177
Total	**62,756**	**71,863**

3.2 Financial assets designated at fair value through profit and loss: breakdown by borrower/issuer

Description/Amounts	31.12.2014	31.12.2013
1. Debt securities	**21,474**	**18,996**
a) Governments and Central Banks	-	20
b) Other public entities	-	-
c) Banks	10,856	9,212
d) Other issuers	10,618	9,764
2. Equity instruments	**4,619**	**6,097**
a) Banks	-	734
b) Other issuers:	4,619	5,363
- insurance companies	-	-
- financial companies	-	-
- non-financial companies	4,619	5,363
- other	-	-
3. UCITS units	**36,663**	**46,770**
4. Loans	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other parties	-	-
Total	**62,756**	**71,863**

Analysis of UCITS units

Description	31.12.2014	31.12.2013
1. Equities	998	1,034
2. Property - closed end	7,451	9,747
3. Equities - open end	7,191	6,414
4. Balanced - open end	-	-
5. Bonds - open end	2,002	922
6. Equities - closed end	3,049	2,244
7. Speculative securities	1,875	3,441
8. Bonds - short term	-	-
9. Bonds - long term	12,051	21,939
10. Other	2,046	1,029
Total	**36,663**	**46,770**

3.3 Financial assets designated at fair value through profit and loss: change in the period

	Debt secutities	Equity instruments	UCITS units	Loans	31.12.2014
A. Opening balance	**18,996**	**6,097**	**46,770**	**-**	**71,863**
B. Increases	**15,448**	**534**	**5,516**	**-**	**21,498**
B.1 Purchases	12,782	-	4,178	-	16,960
B.2 Positive changes in fair value	1,060	254	1,094	-	2,408
B.3 Other changes	1,606	280	244	-	2,130
C. Decreases	**12,970**	**2,012**	**15,623**	**-**	**30,605**
C.1 Sales	6,887	2,001	10,311	-	19,199
C.2 Repayments	5,678	-	4,593	-	10,271
C.3 Negative changes in fair value	78	10	719	-	807
C.4 Other changes	327	1	-	-	328
D. Closing balance	**21,474**	**4,619**	**36,663**	**-**	**62,756**

The figure for "Purchases" (B.1) "Debt securities" includes amounts arising from the mergers of Banca della Campania s.p.a. (€ 357 thousand), Banca Popolare del Mezzogiorno s.p.a. (€ 4,173 thousand) and Banca Popolare di Ravenna s.p.a. (€ 5,948 thousand); The figure for "Purchases" (B.1) under "UCITS units" includes amounts arising from the merger of Banca Popolare di Ravenna s.p.a. (€ 1,258 thousand); this transaction qualifies as a "business combination between entities under common control", not covered by IFRS 3.

Section 4 – Financial assets available for sale
Caption 40

4.1 Financial assets available for sale: breakdown by sector

Description/Amounts	31.12.2014			31.12.2013		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	**4,768,866**	**304,677**	**10,177**	**4,278,504**	**372,430**	**10,036**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	4,768,866	304,677	10,177	4,278,504	372,430	10,036
2. Equity instruments	**2,702**	**-**	**330,960**	**6,793**	**-**	**344,267**
2.1 Valued at fair value	2,702	-	284,394	6,793	-	217,533
2.2 Valued at cost	-	-	46,566	-	-	126,734
3. UCITS units	**31,203**	**-**	**50,828**	**2,569**	**-**	**38,356**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**4,802,771**	**304,677**	**391,965**	**4,287,866**	**372,430**	**392,659**

Financial assets available for sale are measured at fair value on the basis described in Part A of these Explanatory notes. "Debt securities" mainly relate to investments made in government bonds with the aim of returning to a more balanced asset sensitivity structure. The UCITS units mainly relate to closed-end property and investment funds.

4.2 Financial assets available for sale: breakdown by borrower/issuer

Description/Amounts	31.12.2014	31.12.2013
1. Debt securities	**5,083,720**	**4,660,970**
a) Government and Central Banks	3,506,002	3,809,425
b) Other public entities	-	-
c) Banks	1,375,423	737,719
d) Other issuers	202,295	113,826
2.Equity instruments	**333,662**	**351,060**
a) Banks	176,224	150,264
b) Other issuers:	157,438	200,796
- insurance companies	55,332	62,809
- financial companies	52,443	82,938
- non-financial companies	49,602	54,983
- other	61	66
3. UCITS units	**82,031**	**40,925**
4. Loans	**-**	**-**
a) Government and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other parties	-	-
Total	**5,499,413**	**5,052,955**

There are no equities issued by entities classified as non-performing or watchlist.

4.3 Micro-hedged financial assets available for sale

	31.12.2014	31.12.2013
1. Financial assets covered by specific fair value hedges	**-**	**-**
a) Interest rate risk	-	-
b) Price risk	-	-
c) Foreign exchange risk	-	-
d) Credit risk	-	-
e) Multiple risks	-	-
2. Financial assets covered by specific cash flow hedges	**271,680**	**378,502**
a) Interest rate risk	271,680	378,502
b) Foreign exchange risk	-	-
c) Other	-	-
Total	**271,680**	**378,502**

4.4 Financial assets available for sale: change in the period

	Debt securities	Equity instruments	UCITS units	Loans	31.12.2014
A. Opening balance	**4,660,970**	**351,060**	**40,925**	**-**	**5,052,955**
B. Increases	**5,755,059**	**41,203**	**46,787**	**-**	**5,843,049**
B.1 Purchases	5,343,665	38,195	43,877	-	5,425,737
B.2 Positive changes in fair value	128,207	340	2,810	-	131,357
B.3 Write-backs	-	-	-	-	-
- posted to income statement	-	#	-	-	-
- posted to shareholders' equity	-	-	-	-	-
B.4 Transfers from other portfolios	-	-	-	-	-
B.5 Other changes	283,187	2,668	100	-	285,955
C. Descreases	**5,332,309**	**58,601**	**5,681**	**-**	**5,396,591**
C.1 Sales	4,457,791	19,223	791	-	4,477,805
C.2 Repayments	667,259	131	1,851	-	669,241
C.3 Negative changes in fair value	1,236	38,479	3,039	-	42,754
C.4 Impairment write-downs	-	-	-	-	-
- posted to income statement	-	-	-	-	-
- posted to shareholders' equity	-	-	-	-	-
C.5 Transfers to other portfolios	-	-	-	-	-
C.6 Other changes	206,023	768	-	-	206,791
D. Closing balance	**5,083,720**	**333,662**	**82,031**	**-**	**5,499,413**

The figure for "Purchases" (B.1) "Debt securities" includes amounts arising from the mergers of Banca Popolare del Mezzogiorno s.p.a. (€ 167,838 thousand), Banca Popolare di Ravenna s.p.a. (€ 36,306 thousand), the figure for "Purchases" (B.1) "Equity instruments" includes amounts arising from the mergers of Banca della Campania s.p.a. (€ 1,657 thousand), Banca Popolare del Mezzogiorno s.p.a. (€ 2,153 thousand), Banca Popolare di Ravenna s.p.a. (€ 15,956 thousand); this transaction qualifies as a "business combination between entities under common control", not covered by IFRS 3.

Section 5 – Financial assets held to maturity
Caption 50

5.1 Financial assets held to maturity: breakdown by sector

	31.12.2014				31.12.2013			
	BV	FV			BV	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	2,213,497	2,242,709	154,999	-	1,207,868	1,194,209	85,512	-
- structured	-	-	-	-	-	-	-	-
- other	2,213,497	2,242,709	154,999	-	1,207,868	1,194,209	85,512	-
2. Loans	-	-	-	-	-	-	-	-
Total	**2,213,497**	**2,242,709**	**154,999**	**-**	**1,207,868**	**1,194,209**	**85,512**	**-**

The increase of € 1,005.6 million (+83.26%), mainly relating to government debt securities, is designed to support net interest income and reduce its exposure to interest rate fluctuations, still in a foreseeable scenario of exceptionally low risk-free rates for a long time to come.

Key

FV = fair value
BV = book value

5.2 Financial assets held to maturity: breakdown by borrower/issuer

Type of transaction/Amounts	31.12.2014	31.12.2013
1. Debt securities	**2,213,497**	**1,207,868**
a) Governments and Central Banks	1,501,136	810,095
b) Other public entities	9,973	-
c) Banks	529,313	387,165
d) Other issuers	173,075	10,608
2. Loans	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other entities	-	-
Total	**2,213,497**	**1,207,868**
Total fair value	**2,397,708**	**1,279,721**

5.4 Financial assets held to maturity: change in the period

	Debt securities	Loans	31.12.2014
A. Opening balance	**1,207,868**	**-**	**1,207,868**
B. Increases	**1,203,162**	**-**	**1,203,162**
B.1 Purchases	1,142,038	-	1,142,038
B.2 Write-backs	-	-	-
B.3 Transfers from other portfolios	-	-	-
B.4 Other changes	61,124	-	61,124
C. Decreases	**197,533**	**-**	**197,533**
C.1 Sales	-	-	-
C.2 Repayments	127,584	-	127,584
C.3 Adjustments	-	-	-
C.4 Transfers to other portfolios	-	-	-
C.5 Other changes	69,949	-	69,949
D. Closing balance	**2,213,497**	**-**	**2,213,497**

Section 6 – Due from banks
Caption 60

6.1 Due from banks: breakdown by sector

Type of transaction/Amounts	Total 31.12.2014				Total 31.12.2013			
	BV	FV			BV	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Due from Central Banks	**107,947**	**#**	**#**	**107,947**	**169,501**	**#**	**#**	**169,501**
1. Restricted deposits	-	#	#	#	-	#	#	#
2. Reserve requirement	107,947	#	#	#	169,501	#	#	#
3. Repurchase agreements	-	#	#	#	-	#	#	#
4. Other	-	#	#	#	-	#	#	#
B. Due from banks	**1,635,499**	**-**	**164,612**	**1,475,169**	**1,896,033**	**-**	**529,948**	**1,363,126**
1. Loans	1,475,169	#	#	1,475,169	1,363,126	-	-	1,363,126
1.1. Current accounts and demand deposits	581,069	#	#	#	171,403	#	#	#
1.2. Restricted deposits	416,453	#	#	#	788,043	#	#	#
1.3. Other loans	477,647	#	#	#	403,680	#	#	#
- Repurchase agreements	184,780	#	#	#	148,249	#	#	#
- Finance leases	-	#	#	#	-	#	#	#
- Other	292,867	#	#	#	255,431	#	#	#
2. Debt securities	160,330	#	164,612	#	532,907	#	529,948	#
2.1 Structured securities	-	#	#	#	-	#	#	#
2.2 Other debt securities	160,330	#	#	#	532,907	#	#	#
Total	**1,743,446**	**-**	**164,612**	**1,583,116**	**2,065,534**	**-**	**529,948**	**1,532,627**

Key

FV = fair value
BV = book value

Section 7 – Loans to customers
Caption 70

7.1 Loans to customers: breakdown by sector

Type of transaction/Values	31.12.2014					
	Book value			Fair value		
	Performing loans	Doubtful loans		L1	L2	L3
		Purchased	Other			
Loans	**29,545,742**	**-**	**4,434,321**	**-**	**-**	**34,727,765**
1. Current accounts	4,463,168	-	791,566	#	#	#
2. Repurchase agreements	253,231	-	-	#	#	#
3. Mortgage loans	17,108,523	-	2,670,948	#	#	#
4. Credit cards, personal loans and assignments of one-fifth of salary	680,699	-	45,361	#	#	#
5. Finance leases	-	-	-	#	#	#
6. Factoring	-	-	-	#	#	#
7. Other loans	7,040,121	-	926,446	#	#	#
Debt securities	**295,924**	**-**	**888**	**-**	**141,894**	**168,495**
8. Structured securities	-	-	-	#	#	#
9. Other debt securities	295,924	-	888	#	#	#
Total	**29,841,666**	**-**	**4,435,209**	**-**	**141,894**	**34,896,260**

Type of transaction/Values	31.12.2013					
	Book value			Fair value		
	Performing loans	Doubtful loans		L1	L2	L3
		Purchased	Other			
Loans	**25,322,389**	**-**	**3,426,462**	**-**	**-**	**29,157,637**
1. Current accounts	4,133,316	-	539,222	#	#	#
2. Repurchase agreements	53,533	-	-	#	#	#
3. Mortgage loans	13,781,226	-	1,929,437	#	#	#
4. Credit cards, personal loans and assignments of one-fifth of salary	516,927	-	33,235	#	#	#
5. Finance leases	-	-	-	#	#	#
6. Factoring	-	-	-	#	#	#
7. Other loans	6,837,387	-	924,568	#	#	#
Debt securities	**143,018**	**-**	**851**	**-**	**136,508**	**16,497**
8. Structured securities	-	-	-	#	#	#
9. Other debt securities	143,018	-	851	#	#	#
Total	**25,465,407**	**-**	**3,427,313**	**-**	**136,508**	**29,174,134**

The sub-caption "Other loans" of performing loans includes € 3,699,415 thousand of bullet loans (€ 4,010,663 thousand at the end of 2013), € 2,351,506 thousand of advances on invoices subject to collection (€ 2,031,952 thousand at the end of 2013), € 735,662 thousand of import/export advances (€ 624,022 thousand at the end of 2013), € 73,737 thousand of credit assignment (€ 47,543 thousand at the end of 2013) and € 179,801 thousand of other miscellaneous entries (€ 123,207 thousand at the end of 2013).

7.2 Loans to customers: breakdown by borrower/issuer

Type of transaction/Amounts	31.12.2014			31.12.2013		
	Performing loans	Doubtful loans		Performing loans	Doubtful loans	
		Purchased	Other		Purchased	Other
1.Debt securities:	**295,924**	**-**	**888**	**143,018**	**-**	**851**
a) Governments	-	-	-	-	-	-
b) Other public entities	5,457	-	-	5,625	-	-
c) Other issuers	290,467	-	888	137,393	-	851
- non-financial companies	4,710	-	888	-	-	851
- financial companies	168,516	-	-	20,633	-	-
- insurance companies	117,241	-	-	116,760	-	-
- other	-	-	-	-	-	-
2. Loans to:	**29,545,742**	**-**	**4,434,321**	**25,322,389**	**-**	**3,426,462**
a) Governments	1,558,838	-	-	1,436,071	-	-
b) Other public entities	140,741	-	6,301	57,008	-	-
c) Other parties	27,846,163	-	4,428,020	23,829,310	-	3,426,462
- non-financial companies	16,542,424	-	3,784,543	14,402,786	-	2,860,423
- financial companies	4,425,622	-	123,183	4,108,562	-	97,940
- Insurance companies	9,239	-	-	6,253	-	-
- other	6,868,878	-	520,294	5,311,709	-	468,099
Total	**29,841,666**	**-**	**4,435,209**	**25,465,407**	**-**	**3,427,313**

7.3 Micro-hedged loans to customers

Hedged assets	31.12.2014	31.12.2013
1. Loans with fair value micro-hedge	**6,982**	**8,580**
a) Interest rate risk	6,982	8,580
b) Price risk	-	-
c) Foreign exchange risk	-	-
d) Credit risk	-	-
e) Multiple risks	-	-
2. Loans with cash flow micro-hedge	**-**	**-**
a) Interest rate risk	-	-
b) Foreign exchange risk	-	-
c) Other	-	-
Total	**6,982**	**8,580**

Section 8 – Hedging derivatives
Caption 80

8.1 Hedging derivatives: breakdown by type and level

	Fair Value 31.12.2014			NV	Fair Value 31.12.2013			NV
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives	**-**	**33,660**	**-**	**1,274,155**	**-**	**1,896**	**-**	**429,500**
1) Fair value	-	33,273	-	1,216,655	-	1,464	-	422,000
2) Cash flows	-	387	-	57,500	-	432	-	7,500
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**33,660**	**-**	**1,274,155**	**-**	**1,896**	**-**	**429,500**

The cash flow hedge agreements have the following expiry dates: notional value of € 7.5 million in 2015 and € 50 million in 2021. The related cash flows will impact the income statement up to the relevant expiration dates.

Key

NV = nominal value
L1 = Level 1
L2 = Level 2
L3 = Level 3

8.2 Hedging derivatives: breakdown by hedged portfolio and type of hedge

Operations/Type of hedges	Fair value						Cash flows		Foreign investments
	Specific					General	Specific	General	
	Interest Rate Risk	Exchange Risk	Credit risk	Price risk	Multiple risks				
1. Financial assets available for sale	-	-	-	-	-	#	387	#	#
2. Loans	-	-	-	#	-	#	-	#	#
3. Financial assets held to maturity	#	-	-	#	-	#	-	#	#
4. Portfolio	#	#	#	#	#	-	#	-	#
5. Other operations	-	-	-	-	-	#	-	#	-
Total assets	**-**	**-**	**-**	**-**	**-**	**-**	**387**	**-**	**-**
1. Financial liabilities	33,273	-	-	#	-	#	-	#	#
2. Portfolio	#	#	#	#	#	-	#	-	#
Total liabilities	**33,273**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Expected transactions	#	#	#	#	#	#	-	#	#
2. Portfolio of financial assets and liabilities	#	#	#	#	#	-	#	-	-

Section 9 – Remeasurement of financial assets backed by general hedges (+/-)

Caption 90

There are no amounts in this section.

Section 10 – Equity investments
Caption 100

10.1 Equity investments: disclosure of holding

Name	Registered head office	Operational head office	% holding	% voting rights
A. Investments in wholly-owned subsidiaries				
Direct:				
1 Adras s.p.a.	Milan	Milan	100.000	
2 Banco di Sardegna s.p.a.	Cagliari	Sassari	50.583	51.000
3 B.P.E.R. (Europe) International s.a.	Luxembourg	Luxembourg	100.000	
4 BPER Services s.cons.p.a.	Modena	Modena	94.038	
5 BPER Trust Company s.p.a.	Modena	Modena	100.000	
6 Cassa di Risparmio di Bra s.p.a.	Bra	Bra	67.000	
7 EMRO Finance Ireland Limited	Dublin (Ireland)	Dublin (Ireland)	100.000	
8 Emilia Romagna Factor s.p.a.	Bologna	Bologna	86.081	
9 Estense Covered Bond s.r.l.	Conegliano	Conegliano	60.000	
10 Italiana Valorizzazioni Immobiliari s.r.l.	Milan	Milan	100.000	
11 Melior Valorizzazioni Immobili s.r.l.	Milan	Milan	100.000	
12 Modena Terminal s.r.l.	Campogalliano	Campogalliano	100.000	
13 Mutina s.r.l.	Modena	Modena	100.000	
14 Nadia s.p.a.	Modena	Modena	100.000	
15 Nettuno Gestione Crediti s.p.a.	Bologna	Bologna	100.000	
16 Optima s.p.a. SIM	Modena	Modena	100.000	
17 Polo Campania s.r.l.	Avellino	Avellino	100.000	
18 Sardaleasing s.p.a.	Sassari	Milan	51.404	
Indirect				
19 Banca di Sassari s.p.a.	Sassari	Sassari	18.095	
B. Investments in companies under joint control				
C. Associates (subject to significant influence)				
1 Alba Leasing s.p.a.	Milan	Milan	33.498	
2 Atriké s.p.a.	Modena	Modena	45.000	
3 Banca della Nuova Terra s.p.a.	Milan	Milan	30.369	
4 Cassa di Risparmio di Savigliano s.p.a.	Savigliano	Savigliano	31.006	
5 Cassa di Risparmio di Fossano s.p.a.	Fossano	Fossano	23.077	
6 Cassa di Risparmio di Saluzzo s.p.a.	Saluzzo	Saluzzo	31.019	
7 CAT Progetto Impresa Modena s.c.r.l.	Modena	Modena	20.000	
8 Co.Ba.Po. Consorzio Banche popolari dell'Emilia Romagna	Bologna	Bologna	23.587	
9 CONFORM Consulenza Formazione e Management s.cons. a r.l.	Avellino	Avellino	46.430	
10 Resiban s.p.a.	Modena	Modena	20.000	
11 Sintesi 2000 s.r.l.	Milan	Milan	33.333	
12 Unione Fiduciaria s.p.a.	Milan	Milan	24.000	

The "% voting rights" column is only filled in cases where the actual share of votes exercisable at the Ordinary Shareholders' Meeting is different from the share held in the company's share capital.

IMPAIRMENT TESTING OF INVESTMENTS IN SUBSIDIARIES

In accordance with IAS 36, equity investments in subsidiary banks were subjected to impairment tests. As prescribed by this standard, an impairment test should be done by comparing the carrying amount of an asset with its recoverable amount, whereby the recoverable amount is the higher of its fair value and its value in use.
The recoverable value has been estimated as being equal to the value in use of each equity investment, determined as a percentage share of the value in use of the entire bank. For the estimate of the value in use, assumptions, parameters and methodology, reference should be made to section 12 "*Intangible assets*" relating to goodwill impairment test.

Bank	Investment (%)	Difference
CR Bra s.p.a.	67.00%	14.3
Banco di Sardegna s.p.a.	50.57%	98.0
Banco di Sassari s.p.a. (BPER's share)	18.09%	26.4

Amounts in millions of Euro

With respect to equity investments at 31 December 2014, the test confirms the carrying amounts recorded in the financial statements at that date.

IMPAIRMENT TESTING OF INVESTMENTS IN ASSOCIATES

As required by IAS 28 and IAS 36, equity investments in associates were subjected to impairment tests. With respect to the method for the determination of impairment of investments in associates, IAS 28 requires the impairment test to be performed in accordance with IAS 36, i.e. by comparing the recoverable amount with the carrying amount of the investment.
As is the case with subsidiary banks, testing for impairment is performed annually, normally during preparation of the year-end financial statements. If evidence of possible impairment emerges during the first half of the year, the tests are repeated using updated information.

Casse Cuneesi

The recoverable amount was determined on a value in use basis, estimated by discounting future cash flows. As for the subsidiary Banks, the Dividend Discount Model was applied and, given the substantially comparability of the business to that of the subsidiary Banks, the same discount rate (8.63%) and the same long-term growth rate (2.0%) were used. For more details on the methodology and the selection of parameters, reference should be made to the section on goodwill impairment testing. Cash flows were estimated for a five year period, starting with the financial position estimated at 31 December 2014 on the basis of the figures at 30 June 2014, where available, and using the information available in the long-term business plans prepared by each bank. For periods not covered by management projections, system figures and information were used, taking into account the actual results to date.
Distributable cash flows were calculated assuming a Common Equity Tier 1 target in line with the latest Supervisory Provisions. Based on the above, the values in use of equity investments were estimated and compared with their respective carrying amounts, with results as shown by the table.

Bank	Recoverable amount (100%)	Book value*	Equity investment recoverable amount	Impairment
CR Saluzzo s.p.a.	95.7	28.3	29.7	no
CR Savigliano s.p.a.	99.9	29.6	31.0	no
CR Fossano s.p.a.	205.8	42.9	47.5	no

Amounts in millions of Euro

** The book value is the sum of the portion of the net assets and goodwill recorded in the financial statements*

This analysis did not reveal any impairment of the investments in the Casse Cuneesi.
Sensitivity analysis was performed, considering increases and decreases of up to 10% of normalised cash flow and changes in the discount rate of up to +/- 50 bps. The table below shows the loss of the value attributable to each equity investment in the event of a change in normalised cash flow and discount rate from those used as underlying assumptions.

Bank	Change in the normalised cash flow					Change in the discount rate				
	-10%	-5%	0%	+5%	+10%	+50b.p.	+25b.p.	0b.p.	-25b.p.	-50b.p.
CR Saluzzo s.p.a.	-0.4	no	no	no	no	-0.4	no	no	no	no
CR Savigliano s.p.a.	-0.7	no	no	no	no	-0.6	no	no	no	no
CR Fossano s.p.a.	no	no	no	no	no	no	no	no	no	no

Amounts in millions of Euro

A sensitivity analysis was also performed, alternating changes in the discount rate and normalised cash flow for the last period of the projections (used to estimate the Terminal Value) until the changes resulted in the value in use equalling the carrying amount. The following table shows for each investment, the change limit for the two parameters used for reference purposes.

Bank	Ke limit rate	Reduction of final flow
CR Saluzzo s.p.a.	9.01%	-7.60%
CR Savigliano s.p.a.	8.97%	-6.60%
CR Fossano s.p.a.	9.43%	-14.70%

10.5 Equity investments: change in the period

	31.12.2014	31.12.2013
A. Opening balance	**2,273,730**	**2,687,564**
B. Increases	**106,514**	**107,878**
B.1 Purchases	48,037	104,995
B.2 Write-backs	-	-
B.3 Revaluation	-	-
B.4 Other changes	58,477	2,883
C. Decreases	**1,000,777**	**521,712**
C.1 Sales	-	640
C.2 Adjustments	7,487	12,658
C.3 Other changes	993,290	508,414
D. Closing balance	**1,379,467**	**2,273,730**
E. Total revaluations	**-**	**-**
F. Total adjustments	**146,640**	**139,153**

Increases due to purchases (caption B.1) refer to:
Banca della Campania s.p.a.:
- Purchase of 19,606 shares for € 335 thousand;
Banca di Sassari s.p.a.:
- Purchase of 53,752 shares for € 140 thousand;
Banca Popolare del Mezzogiorno s.p.a.:
- Purchase of 63,024 shares for € 502 thousand;
Banca Popolare di Ravenna s.p.a.:
- Purchase of 1,465,436 shares for € 32,178 thousand;
Banco di Sardegna s.p.a.:
- Purchase of 69,703 savings shares for € 702 thousand;
Emilia Romagna Factor s.p.a.:
- purchase of 612,258 shares from Cremonini s.p.a. for € 13,721 thousand;
Sardaleasing s.p.a.:
- purchase of 8,000 shares from Leaseinvest s.p.a. for € 459 thousand.

"Other increases" (caption B.4) refer to:
- acquisition of 2,520 shares in BPER Services s.cons.p.a. (€ 239 thousand) following the mergers into BPER of Banca Popolare del Mezzogiorno s.p.a, Banca Popolare di Ravenna s.p.a. e Banca della Campania s.p.a.;
- acquisition of 110,000 quotas in Polo Campania s.r.l. (€ 110 thousand) following the merger of Banca della Campania s.p.a. with BPER;
- acquisition of the share of CONFORM s.c.a.r.l. (€ 3 thousand) held by Banca della Campania s.p.a. following its merger with BPER;
- acquisition of 10,575 shares in Banca popolare dell'Emilia Romagna (Europe) International s.a. (€ 294 thousand) following the merger into BPER of Banca Popolare di Ravenna s.p.a.;
- transfer of 927,036 shares in Sardaleasing s.p.a. from the AFS portfolio to equity investments (€ 53,809 thousand);
- increase in the value of the equity investment in Melior Valorizzazioni Immobili s.r.l. (€ 3,873 thousand), with its simultaneous write-down to zero as explained below;
- capital contribution in favour of the subsidiary BPER Trust Company s.p.a. (€ 150 thousand).

"Adjustments" (caption C.2.) refer to:
- impairment made to the holding in Banca della Nuova Terra s.p.a. (€ 3,232 thousand);
- impairment made to the holding in BPER Trust Company s.p.a. (€ 268 thousand);
- impairment made to the holding in Melior Valorizzazioni Immobili s.r.l. (€ 3,873 thousand);
- impairment made to the holding in Polo Campania s.r.l. (€ 110 thousand);
- impairment made to the holding in Atriké s.p.a. (€ 4 thousand).

"Other decreases" (caption C.3) refer to:
- merger of Banca Popolare del Mezzogiorno s.p.a. into BPER (€ 257,134 thousand);
- merger of Banca popolare di Ravenna s.p.a. into BPER (€ 242,293 thousand);
- merger of Banca della Campania s.p.a. into BPER (€ 447,361 thousand);
- merger of ABF Leasing s.p.a. with Sardaleasing s.p.a. (€ 46,502 thousand).

Section 11 – Property, plant and equipment
Caption 110

11.1 Property, plant and equipment used for business purposes: breakdown of assets valued at cost

Description/Amounts	31.12.2014	31.12.2013
1. Assets owned	**366,872**	**251,838**
a) land	86,019	67,137
b) buildings	233,820	152,379
c) furniture	22,655	18,878
d) electronic systems	6,996	4,405
e) other	17,382	9,039
2. Assets purchased under finance leases	**2,573**	**10**
a) land	-	-
b) buildings	2,573	-
c) furniture	-	-
d) electronic systems	-	-
e) other	-	10
Total	**369,445**	**251,848**

11.2 Investment property: breakdown of assets valued at cost

Description/Amounts	Total 31.12.2014				Total 31.12.2013			
	Book value	Fair value			Book value	Fair value		
		L1	L2	L3		L1	L2	L3
1. Assets owned	**84,262**	**-**	**-**	**90,227**	**42,035**	**-**	**-**	**44,324**
a) land	26,660	-	-	26,898	11,836	-	-	12,821
b) buildings	57,602	-	-	63,329	30,199	-	-	31,503
2. Assets purchased under finance leases	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
Total	**84,262**	**-**	**-**	**90,227**	**42,035**	**-**	**-**	**44,324**

The Bank has opted to measure both assets used in the business and investment property at cost.

11.5 Property, plant and equipment used in business: changes in the period

	Land	Buildings	Furniture	Electronic systems	Other	31.12.2014
A. Opening gross amount	**67,137**	**215,309**	**80,645**	**42,374**	**73,144**	**478,609**
A.1 Total net write-downs	-	62,930	61,767	37,969	64,095	226,761
A.2 Opening net amount	**67,137**	**152,379**	**18,878**	**4,405**	**9,049**	**251,848**
B. Increases	**20,663**	**97,667**	**7,811**	**4,613**	**14,839**	**145,593**
B.1 Purchases	20,600	97,522	7,811	4,613	14,839	145,385
B.2 Capitalised improvement expenditure	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
B.4 Positive changes in fair value posted to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive exchange rate adjustments	-	-	-	-	-	-
B.6 Transfer from properties held for investment	63	145	-	-	-	208
B.7 Other changes	-	-	-	-	-	-
C. Decreases	**1,781**	**13,653**	**4,034**	**2,022**	**6,506**	**27,996**
C.1 Sales	499	1,109	12	168	4	1,792
C.2 Depreciation	-	9,436	4,022	1,854	6,502	21,814
C.3 Impairment charges posted to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Negative changes in fair value posted to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange rate adjustments	-	-	-	-	-	-
C.6 Trasfer to:	1,279	3,108	-	-	-	4,387
a) property, plant and equipment held for investment	1,279	3,108	-	-	-	4,387
b) non-current assets held for sale	-	-	-	-	-	-
C.7 Other changes	3	-	-	-	-	3
D. Closing net balance	**86,019**	**236,393**	**22,655**	**6,996**	**17,382**	**369,445**
D.1 Total net write-downs	-	95,843	95,484	68,677	133,982	393,986
D.2 Closing gross amount	**86,019**	**332,236**	**118,139**	**75,673**	**151,364**	**763,431**

The depreciation accumulated at 31 December 2014 in relation to assets sold during the year amounted to € 3,048 thousand. The determination of the fair value of property, held for whatever purpose, which is also useful to highlight any need for impairment, is usually done based on generally accepted valuation methods and principles. At 31 December 2014, the valuation of the Bank's entire property portfolio was subjected to review by an independent expert, Praxi s.p.a., an exercise considered useful for better compliance with the guidance provided by IAS. The valuations that emerged from this exercise confirm the appropriateness of the book values.

11.6 Investment property: changes in the period

	31.12.2014	
	Land	Buildings
A. Opening gross amount	**11,836**	**37,251**
A.1 Total net write-downs	-	7,052
A.2 Opening net amount	**11,836**	**30,199**
B. Increases	**14,920**	**31,140**
B.1 Purchases	13,641	28,032
B.2 Capitalised improvement expenditure	-	-
B.3 Positive changes in fair value	-	-
B.4 Write-backs	-	-
B.5 Exchange gains	-	-
B.6 Transfers from assets used in business	1,279	3,108
B.7 Other changes	-	-
C. Decreases	**96**	**3,737**
C.1 Sales	33	148
C.2 Depreciation	-	1,389
C.3 Negative changes in fair value	-	-
C.4 Impairment changes	-	2,055
C.5 Exchange losses	-	-
C.6 Transfers to other asset portfolios:	63	145
a) property used in business	63	145
b) non-current assets held for sale	-	-
C.7 Other changes	-	-
D. Closing net balance	**26,660**	**57,602**
D.1 Total net write-downs	-	14,850
D.2 Closing gross amount	**26,660**	**72,452**
E. Measured at fair value	**26,898**	**63,329**

As a result of the updated valuation of the property portfolio at fair value, as mentioned previously, it was found necessary, in accordance with IAS 36, to write down the carrying amount of five properties, recording an impairment loss of € 2,054.9 thousand.

Depreciation is calculated with reference to the estimated useful lives of the assets concerned, commencing from when they enter into service. The useful lives of the principal categories of property, plant and equipment are summarised below:

Category	Useful life
Land	not depreciated
Property	based on the useful lives identified from specific appraisals
Office furniture and machines	100 months
Furnishings	100 months
Lifting equipment	80 months
Motor vehicles	48 months
Alarm systems	40 months
IT hardware	60 months

Section 12 – Intangible assets
Caption 120

12.1 Intangible assets: breakdown by type

Description/Amounts	31.12.2014		31.12.2013	
	Limited duration	Unlimited duration	Limited duration	Unlimited duration
A.1 Goodwill	**#**	**280,236**	**#**	**185,358**
A.2 Other intangible assets	**20,004**	**-**	**13,140**	**-**
A.2.1 Carried at cost:	20,004	-	13,140	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	20,004	-	13,140	-
A.2.2 Carried at fair value:	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**20,004**	**280,236**	**13,140**	**185,358**

Other intangible assets" include € 10,833 thousand representing the value of the client relationships identified on final allocation of the purchase price paid for the former Unicredit branches, the useful life of which is estimated as 18 years.
The remaining "Other intangible assets" comprise software which is amortised on a straight-line basis over a period that depends on its degree of obsolescence; in any case, this period does not exceed five years.

BPER's items of goodwill recorded in the financial statements are summarised in the following table:

Goodwill	31.12.2014	31.12.2013
- Purchase of UNICREDIT branches (**)	83,650	53,118
- Meliorbanca s.p.a.	104,685	104,685
- Banca CRV - Cassa di Risparmio di Vignola s.p.a.	2,272	2,272
- Banca Popolare di Lanciano e Sulmona s.p.a.	1,655	1,655
- Banca popolare di Aprilia s.p.a.	10,151	10,151
- CARISPAQ - Cassa di Risparmio della Provincia dell'Aquila s.p.a.	13,477	13,477
- Banca Popolare di Ravenna s.p.a.(*)	6,876	
- Banca Popolare del Mezzogiorno s.p.a.(*)	6,124	
- Banca della Campania s.p.a.(*)	51,346	
Total	**280,236**	**185,358**

(*) absorbed by BPER on 24 November 2014.
(**) the increase of € 30,532 compared with the prior year relates to the former Banca Popolare del Mezzogiorno s.p.a, which was merged with BPER on 24 November 2014.

IMPAIRMENT TEST

With reference to the general principles for the performance of impairment tests on goodwill recorded in the financial statements, as discussed in Part A of the Explanatory notes, account is taken herewith of the parameters used and the outcome of the measurement process in respect of the more significant components.

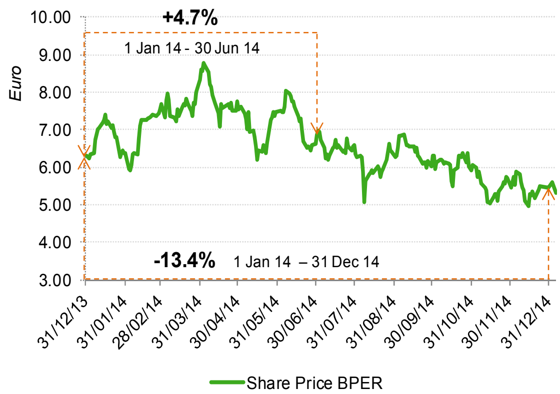
Testing for impairment is performed annually, normally during the preparation of the financial statements. If during the first half of the year there are signs that the assumptions used in the impairment tests carried out at the end of the previous year, suggesting that there may be a permanent loss in value (i.e. "impairment"), the tests are repeated using the updated information at the time that the consolidated interim financial report at 30 June is being prepared.

The economic and financial crisis and the national political situation continue to fuel the uncertainty that characterises the Italian system with negative repercussions in all fields; on the other hand, there appear to have materialised the first faint signs of recovery, though they are far from heralding a stable recovery. The state of the economy continues to evolve and is still predominantly negative on the domestic front, which is characterised by a high level of uncertainty as regards the economic outlook.

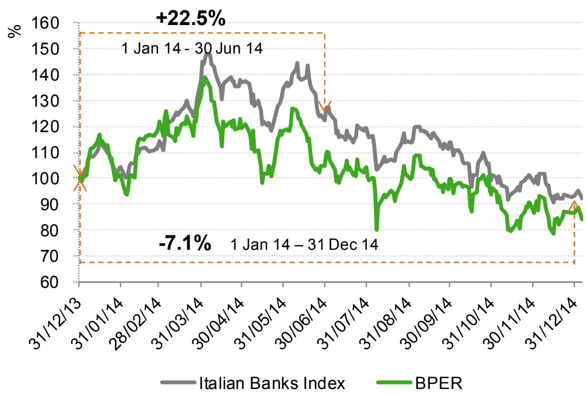
According to IAS 36, in determining whether an asset may be impaired, various external and internal indicators should be considered.

As regards external sources relevant for BPER's particular situation, we saw:

- an upward trend in BPER's share price in the first half of 2014 (at 30 June 2014 the stock had gained 4.7% since the beginning of the year), followed by a downward trend in the second half, possibly because of the increase in capital and the tensions and uncertainties relating to the stress tests being carried out by the European Central Bank. Indeed, at the end of December 2014, the share was 13.4%[7] down on the start of the year.



- As can be seen from the chart, the trend in BPER's share price has been broadly in line with the performance of the index of listed Italian banks (not including BPER), though it turned in a better performance than the index in the early part of the year (certain periods in January and February 2014). In line with the trend recorded by BPER's stock, the



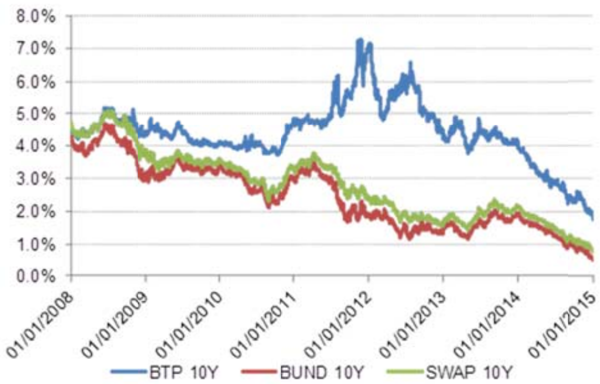
[7] *Source: Bloomberg Professional - Average daily price of BPER stock. The change at 30 June 2014 and 31 December 2014 is calculated on the price at 31 December 2013.*

index at the end of June 2014 gained about 22.5% from the start of the year, followed by a negative trend in the second half, closing 2014 with an overall decline of 7.1%.

- As already reported in previous years, in 2014, BPER's ratio of market capitalisation to shareholders' equity was in line with the average reported for listed Italian banks. In the course of 2014, BPER's capitalisation was consistently lower than its net equity, with the ratio rising in the first half due to high share prices, then falling in the third quarter compared with 31 December 2013, as can be seen from the table.

Share capital/Book value of equity	31 Dec 13	30 Jun 14	30 Sept 14
UNICREDIT SPA	0.67x	0.75x	0.70x
INTESA SANPAOLO	0.66x	0.85x	0.87x
BANCA MONTE DEI PASCHI SIENA	0.34x	0.71x	0.50x
BANCO POPOLARE SCARL	0.30x	0.45x	0.42x
UBI BANCA SCPA	0.43x	0.56x	0.54x
BANCA POPOL EMILIA ROMAGNA	**0.58x**	**0.78x**	**0.60x**
BANCA POPOLARE DI MILANO	0.41x	0.66x	0.61x
BANCA CARIGE SPA	0.62x	1.08x	0.85x
CREDITO EMILIANO SPA	0.90x	0.97x	0.91x
PICCOLO CREDITO VALTELLINESE	0.33x	0.36x	0.40x
BANCA POPOLARE DI SONDRIO	0.67x	0.81x	0.64x
Average excluding BPER	**0.53x**	**0.72x**	**0.64x**

- As shown in the graph, the historical analysis of the trend in the yield on 10-year Italian government bonds and the equivalent yield on German government bonds with an equal duration has shown a rising gap between the two values since the second half of 2008. The yield on German government bonds has followed the same trend of 10-year swap rates. Both these last two rates can be considered risk free. The yield spread between Italian government bonds and the risk - free rate - an indication of the country risk attributable to Italy - after a marked increase between the second half of 2011 and the first half of 2012, gradually fell, reaching 130 bps at the end of 2014 compared with the German Bund and 110 bps compared with the swap rate.



The presence of signs that the assumptions made for impairment testing at the end of the previous year may no longer apply has been also analysed, particularly the assumptions used to calculate the discount rate (K_e) and profit forecast (budget and business plans) of the Companies or Cash Generating Units (CGUs) in question. With respect to internal indications, this year there was again a reduction in earnings caused by the ongoing economic downturn, characterised by a deterioration in credit quality, which had a significant impact on the results of the various entities.

In conclusion, even if there have been the first weak positive signals at macroeconomic level and country system, such as the stabilisation of the spread at the lowest level seen in four years and some indicators of positive growth, there is still a high degree of uncertainty that has been reflected in the profitability of companies and business units of the entire Group.

Accordingly, impairment tests have been performed on the carrying amounts of goodwill, as required by international accounting standards.

Goodwill to be tested

According to IAS 36, impairment tests should be performed by comparing the book value of an asset with its recoverable amount, whereby the recoverable amount is the higher of its net selling price and its value in use. When the recoverable amount of an individual asset cannot be measured, the recoverable amount of the CGU to which the asset belongs should be estimated. A CGU is the smallest group of assets that generates cash inflows in an autonomous manner. Since goodwill is not an asset that generates cash inflows autonomously, the CGUs benefiting from the goodwill arising from a business combination should be identified for the purposes of impairment testing and the goodwill should be allocated to these CGUs.

To test for impairment, goodwill arising from a business combination - i.e. the difference between the net fair value of assets acquired and purchase price paid - should be allocated, at the acquisition date, to each cash generating unit of the purchaser, or groups of cash generating units, which are expected to benefit from the synergies from the combination, irrespective of whether other assets or liabilities of the business acquired are assigned to those units or groups of units.

We would also point out that, based on the Group's strategic guidelines, various Group banks were merged with BPER in 2014, after the absorption of Meliorbanca s.p.a. in 2012, giving rise to total goodwill in the Parent Company's separate financial statements of Euro 280.2 million.

The characteristics of the individual units acquired, which were fully absorbed by BPER's organisation and its structure, both in terms of the commercial network and risk management, led to the identification of the Bank as a whole as the CGU. Goodwill recorded in the financial statements is thus verified on the basis of cash flows potentially distributable by the Bank as a whole. Accordingly, even the goodwill that was previously verified at individual entity level is now verified with reference to the Bank as a whole.

Measurement methodology

In the absence of comparable market transactions that would allow the identification of a reliable net selling price, recoverable value was determined based on value in use, estimated by discounting future cash flows.

The valuation method proposed by IAS 36 is that which is known as the Discounted Cash Flow (DCF) method. This method estimates the value in use of an asset by discounting the expected cash flows, determined on the basis of financial projections for the asset being valued. In the case of banks and financial institutions in general, free cash flow means distributable cash flow taking account of capital restrictions imposed by the Regulatory Authorities or considered reasonable for the coverage of risk that is typical for the asset in question. Accordingly, future cash flows are identifiable as flows that could potentially be distributed after meeting the minimum constraints for allocation of capital. In the specific case of financial institutions, the relevant valuation method is the Dividend Discount Model or Excess Capital Method, represented by the following formula:

$$W = \sum_{i=0}^{n} CF_i (1 + k_e)^{-i} + TV(1 + k_e)^{-n}$$

where:

W	*= value in use*
CFi	*= cash flow available for distribution over time i*
i	*= reference year of cash flow*
n	*= period of time covered by the financial projections*
Ke	*= discount rate*
TV	*= terminal value: this corresponds to the present value of a perpetuity calculated on the basis of a cash flow sustainable in the long term with a constant growth rate of g.*

Discount rate for cash flows

Value in use is estimated by discounting cash flows at a rate that considers the current market rates relating to both the element of time value and country risk, as well as specific risks related to the asset in question.

The discount rate was estimated using the Capital Asset Pricing Model. The CAPM expresses a linear relationship in terms of market balance between the return on an investment and its systematic risk. In detail, the return on an investment is calculated as the sum of the risk-free rate (expression of the time value of money) and the premium for the average risk recognised by the market for the company being valued.

The discount rate was estimated as 8.63%, considering the following parameters:

- Risk free rate: this represents the time value of money corresponding to the return on a risk-free investment usually represented by government bonds. The general structure of the CAPM refers to a risk-free rate, but makes no reference to the period of time to be considered. The approach that prevailed for the valuation process was to select a rate of return on long-term government bonds (generally 10-year bonds). As shown in the graph of the trend in yields on Italian and German government bonds mentioned previously, in the latter period the yield on Italian government bonds reduced the gap compared with German government bonds, which are considered risk free securities because of their characteristics, showing a trend that highlights a condition of sufficient stability to consider averages over short periods, but not yet precise period-end observations given their volatility, even though it is much reduced. For this reason, the 3-month average yield on 10-year BTPs has been taken into consideration.
- Equity Market Premium: the market risk premium is the difference between the return on a diversified portfolio of risky investments available on the market and the yield on a risk-free bond. It should be borne in mind that the risk premium is generally associated with the long-term. Since this represents, in fact, the additional return over the risk free rate that an investor requires to invest in a portfolio of risky assets, it should not be linked to short-term market fluctuations. Specifically, we used a market risk premium based on the national context, as used in valuations by various operators and confirmed by the estimates shown in recent broker reports. We used an EMP of 5.50%, 50 bps higher than the previous year, partly to compensate for the reduction in the risk free rate.
- Beta: specific investment risk. A beta expresses the correlation between the return on a single risky investment and the return on a market portfolio. A coefficient equal to one indicates that the investment being considered follows the exact trend of the market portfolio, while a beta greater than one identifies an "aggressive" investment, the yield of which may vary to a greater extent than that on the market return. A beta lower than one corresponds to a "defensive" investment; in this case variations in the investment yield are less sensitive. In this specific case, what has been used is an average beta taken from a sample of small-medium sized banks focused mainly on traditional retail banking, over an observation period that eliminates or limits any particular fluctuations.

The following table provides a comparison with the discount rate used for impairment tests at previous year ends.

Discount rate	Dec-12	Dec-13	Dec-14
Risk free rate	5.47%	4.33%	2.35%
Equity risk premium	5.00%	5.00%	5.50%
Beta	0.86	1.00	1.14
Cost of capital	**9.77%**	**9.34%**	**8.63%**

Prospective cash flows

The Dividend Discount Model is based on prospective cash flows with reference to projections for a 5 year period comprised of three stages:

- 2014 - preliminary figures of BPER;
- 2015-2017 - financial forecasts of the Bank prepared on the basis of estimates provided from an inertial point of view (with adjustments reflecting the figures in the Plan), used in developing the 2015-2017 Strategic Plan;
- 2018-2019 – for these years, the financial projections were developed in a context of inertial growth in order to identify sustainable long-term normalised income.

The Terminal Value has been estimated by considering a normalised flow generated by income in the last year of the projections, net of physiological capital absorption and by applying a nominal growth rate of 2.0%, substantially in line with expected long-term inflation.
Distributable cash flows were calculated assuming a Common Equity Tier 1 target in line with the Supervisory Provisions.
The tables below show the average growth rate assumptions for deposits and profitability indicators in respect of the projections used to estimate the value in use.

Bank	CAGR 2014-2019			Profitability ratios to 2019		
	Loans	Direct deposits	Indirect deposits	Net interest and other banking income/Volumes Handled	Net adjustments to loans	Operating costs/Volumes Handled
BPER	0.43%	1.37%	3.26%	1.50%	0.65%	0.90%

VH = Volumes handled (loans+total deposits)

Results of impairment tests

An impairment tests requires a comparison between the recoverable amount of the CGU to which goodwill has been allocated and its carrying amount.
More specifically, as regards the goodwill pertaining to BPER, the carrying amount is the same as the Bank's estimated shareholders' equity at 31 December 2014.
In accordance with applicable accounting standards, goodwill must be adjusted when the carrying amount of the CGU to which it has been allocated exceeds the recoverable amount, which in this case is assumed to be equal to the value in use.
On the basis of these assumptions, the value in use of the BPER CGU of Euro 5,266.4 million is higher than the carrying amount (Euro 4,764.7 million). The difference of Euro 501.7 million

confirms that there has been no impairment of the goodwill of Euro 280.2 million recorded in the financial statements.

Sensitivity analysis

It should be noted that the principal parameters utilised in the measurement model, such as cash flow and discount rate, can be influenced, even significantly, by developments in the general economic environment, especially with the current difficult market conditions and uncertainty as to future economic prospects. The effect that these changes could have on cash flow projections and on the main financial assumptions applied could therefore render future results substantially different from those presented in these financial statements.

For this reason, it was considered useful to perform sensitivity analysis to assess the impact on the value estimates and therefore on the results of the impairment test, of changes in the key parameters on which the valuation model was based. In particular, changes in the discount rate and normalised cash flow for the last period of the projections (used to estimate the Terminal Value) were considered alternately until the changes resulted in the recoverable amount equalling the carrying amount.

Bank	Ke limit rate	Reduction of final flow
BPER	9.89%	-21.90%

The results of these analyses show that there is a wide gap between the amounts used for the impairment test (K_e=8.63) and the upper limits, indicating, as a consequence, that there is good headroom (the amount by which the recoverable amount exceeds the carrying amount) even with an adverse change in the current market scenario.

12.2 Intangible assets: changes in the period

	Goodwill	Other intangible assets: generated internally		Other intangible assets: others		31.12.2014
		Lim.	Unilm.	Lim.	Unilm.	
A. Opening balance	**185,358**	**-**	**-**	**23,276**	**-**	**208,634**
A.1 Total net write-downs	-	-	-	10,136	-	10,136
A.2 Opening net amount	**185,358**	**-**	**-**	**13,140**	**-**	**198,498**
B. Increases	**94,878**	**-**	**-**	**9,099**	**-**	**103,977**
B.1 Purchases	94,878	-	-	9,099	-	103,977
B.2 Increases in intangible assets generated internally	#	-	-	-	-	-
B.3 Write-backs	#	-	-	-	-	-
B.4 Positive changes in fair value						
- posted to shareholders' equity	#	-	-	-	-	-
- posted to income statement	#	-	-	-	-	-
B.5 Exchange gains	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**2,235**	**-**	**2,235**
C.1 Sales	-	-	-	-	-	-
C.2 Adjustments	-	-	-	2,235	-	2,235
- Amortisation	#	-	-	2,235	-	2,235
- Write-downs	-	-	-	-	-	-
+ shareholders' equity	#	-	-	-	-	-
+ income statement	-	-	-	-	-	-
C.3 Negative changes in fair value						
- posted to shareholders' equity	#	-	-	-	-	-
- posted to income statement	#	-	-	-	-	-
C.4 Transfers to discontinued operations due for disposal	-	-	-	-	-	-
C.5 Exchange losses	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Closing net balance	**280,236**	**-**	**-**	**20,004**	**-**	**300,240**
D.1 Total net value adjustments	-	-	-	12,371	-	12,371
E. Closing gross amount	**280,236**	**-**	**-**	**32,375**	**-**	**312,611**

All intangible assets are stated at cost.
"Purchases" relate to the recognition of goodwill pertaining to Banca Popolare di Ravenna s.p.a. (€ 6,876 thousand), Banca Popolare del Mezzogiorno s.p.a. (€ 36,656 thousand) and Banca della Campania s.p.a. (€ 51,346 thousand) that were merged into BPER in the current year, in line with the balances shown in the consolidated financial statements.

Key

Lim.= limited duration
Unlim.= unlimited duration

Section 13 – Tax assets and liabilities
Asset caption 130 and liability caption 80

13.1 Deferred tax assets: breakdown

	IRES	IRAP	Total
Adjustments to loans to customers	591,810	49,124	640,934
Write-downs of equity investments and securities	5,130	3,305	8,435
Goodwill	147,665	29,909	177,574
Personnel provisions	49,668	-	49,668
Endorsement credits, revocatory action during bankruptcy proceedings and outstanding lawsuits	39,302	3,760	43,062
Depreciation of property, plant and equipment and amortisation of intangible assets	6,733	438	7,171
Capital increase expenses	-	-	-
Other deferred tax assets	8,569	706	9,275
Total	**848,877**	**87,242**	**936,119**

The total includes tax assets under Law 214/2011 for an amount of € 818,508 thousand.

13.2 Deferred tax liabilities: breakdown

	IRES	IRAP	Total
Goodwill	9,186	1,861	11,047
Payroll	1,918	-	1,918
Depreciation of property, plant and equipment and amortisation of intangible assets	1,996	330	2,326
Gains on disposal of lines of business	1,991	-	1,991
Gains from the sale of shares and bonds	40,175	12,358	52,533
Equity investments	235	-	235
Other deferred tax liabilities	2,376	467	2,843
Total	**57,877**	**15,016**	**72,893**

13.3 Changes in deferred tax assets (with contra-entry to income statement)

	31.12.2014	31.12.2013
1. Opening balance	**671,409**	**465,265**
2. Increases	**335,407**	**266,017**
2.1 Deferred tax assets arising during the year	214,532	197,496
a) relating to prior years	-	-
b) due to changes in accounting policies	-	-
c) write-backs	-	-
d) other	214,532	197,496
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	120,875	68,521
3. Decreases	**111,210**	**59,873**
3.1 Deferred tax assets derecognised during the year	109,027	35,241
a) reversals	109,027	35,241
b) written down as no longer recoverable	-	-
c) due to changes in accounting policies	-	-
d) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decrease:	2,183	24,632
a) transformation of tax credits referred as per L. 214/2011	2,183	-
b) other	-	24,632
4. Closing balance	**895,606**	**671,409**

The item 2.1.d) "Increases - other" is composed primarily of deferred tax assets recognised on taxed provisions for doubtful loans of € 166,098 thousand; the recognition of goodwill for tax purposes in the separate and consolidated financial statements, as required by art. 15 of Decree Law 185/2008, amended by art. 1, para. 150 of Law 147 of 27 December 2013, of € 21,279 thousand; provisions for commitments and guarantees given, € 6,139 thousand; payroll costs, € 9,689 thousand; provisions for legal disputes of € 6,516 thousand and provisions for clawback actions during bankruptcy proceedings of € 3,588 thousand.
The figure shown under "Other increases" (2.3) refers to the amounts arising from the merger of Banca Popolare di Ravenna s.p.a., Banca Popolare del Mezzogiorno s.p.a. and Banca della Campania s.p.a.

13.3.1 Changes in deferred tax assets as per Law 214/2011 (with contra-entry to the income statement)

	31.12.2014	31.12.2013
1. Opening balance	**620,689**	**435,637**
2. Increases	**288,712**	**230,540**
3. Decreases	**90,893**	**45,488**
3.1 Reversals	88,710	20,856
3.2 Transformations into tax credits	2,183	-
a) arising from losses	2,183	-
b) arising from tax losses	-	-
3.3 Other decreases	-	24,632
4. Closing balance	**818,508**	**620,689**

The figure for "Increases" (2.) includes € 101,334 thousand relating to the amounts arising from the mergers of Banca Popolare di Ravenna s.p.a., Banca Popolare del Mezzogiorno s.p.a. and Banca della Campania s.p.a.
The transformation mentioned in point 3.2.a) was made in light of the provisions of Decree Law 225/2010, converted with amendments into Law 10/2011. In particular, article 2, paragraphs 55-56, provides that in the event of a loss for the year, deferred tax assets recorded in the financial statements relating to adjustments to loans as well as those relating to goodwill and other intangible assets (DTA) are transformed into a tax credit. The transformation runs from the date of approval of the financial statements and takes place for an amount equal to the loss for the year multiplied by the ratio between the DTA and net equity before the loss for the year. With effect from the tax period of transformation, negative components corresponding to the DTA transformed into tax credits are not deductible.
Law 214/2011 also introduced the provision of transformation of DTA into tax credits also in the event of a tax loss for IRES purposes.
Subsequently, Law 214/2013 (Stability Law 2014) extended the conversion of IRAP DTA relating to the impairment of loans and the value of goodwill and other intangible assets, also in the case of "negative net value of production".
The rules mentioned above therefore ensure the recovery of the DTA in the case of a loss in the statutory accounts, even if a tax loss is recorded, explaining the reasons that justify full recognition in the balance sheet.
The residual DTA, of € 117.6 million, represent assets whose recovery is linked to the presence of future taxable income. In this regard it should be noted that the tax consolidation with BPER as consolidator has never presented a negative result over the past years and the minor companies excluded from the tax consolidation do not report deferred tax assets on tax losses carried forward if they are showing losses for tax purposes. The 2015-2017 Business Plan also confirmed the forecast of future taxable income.

13.4 Changes in deferred tax liabilities (with contra-entry to income statement)

	31.12.2014	31.12.2013
1. Opening balance	**12,315**	**10,336**
2. Increases	**6,774**	**3,342**
2.1 Deferred tax liabilities arising during the year	1,708	1,020
a) relating to prior years	-	-
b) due to change in accounting policies	-	-
c) other	1,708	1,020
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	5,066	2,322
3. Decreases	**1,671**	**1,363**
3.1 Deferred tax liabilities derecognised during the year	1,671	1,363
a) reversals	1,671	1,363
b) due to change in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**17,418**	**12,315**

The figure shown under "Other increases" (2.3) refers to the amounts arising from the merger of Banca Popolare di Ravenna s.p.a., Banca Popolare del Mezzogiorno s.p.a. and Banca della Campania s.p.a.

13.5 Changes in deferred tax assets (with contra-entry to shareholders' equity)

	31.12.2014	31.12.2013
1. Opening balance	**27,051**	**21,830**
2. Increases	**21,434**	**9,964**
2.1 Deferred tax assets recognised during the year	15,105	7,327
a) relating to prior years	-	-
b) due to changes in accounting policies	-	-
c) other	15,105	7,327
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	6,329	2,637
3. Decreases	**7,972**	**4,743**
3.1 Deferred tax assets cancelled during the year	7,972	4,743
a) reversals	7,972	4,743
b) written down as no longer recoverable	-	-
c) due to changes in accounting policies	-	-
d) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**40,513**	**27,051**

The figure shown under "Other increases" (2.3) refers to the amounts arising from the merger of Banca Popolare di Ravenna s.p.a., Banca Popolare del Mezzogiorno s.p.a. and Banca della Campania s.p.a.

13.6 Changes in deferred tax liabilities (with contra-entry to shareholders' equity)

	31.12.2014	31.12.2013
1. Opening balance	**28,052**	**52,745**
2. Increases	**42,402**	**15,338**
2.1 Deferred tax liabilities recognised during the year	39,344	13,583
a) relating to prior years	-	-
b) due to change in accounting policies	-	-
c) other	39,344	13,583
2.2 New taxes or increase in tax rates	-	-
2.3 Other increases	3,058	1,755
3. Decreases	**14,979**	**40,031**
3.1 Deferred tax liabilities cancelled during the year	14,979	40,031
a) reversals	14,979	40,031
b) due to change in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**55,475**	**28,052**

The amount shown under "Deferred tax liabilities recognised during the year - other" (2.1 - c) refers mainly to deferred taxes on unrealised capital gains on financial instruments.
The figure shown under "Other increases" (2.3) refers to the amounts arising from the merger of Banca Popolare di Ravenna s.p.a., Banca popolare del Mezzogiorno s.p.a. and Banca della Campania s.p.a.

13.7 Other information

Current tax assets

	31.12.2014	31.12.2013
IRES provisions	171,729	184,704
IRAP provisions	53,831	61,118
Other assets and withholdings	106,014	103,415
Gross current tax assets	**331,574**	**349,237**
Offset current tax liabilities	170,779	243,616
Net current tax assets	**160,795**	**105,621**

Current tax liabilities

	31.12.2014	31.12.2013
Tax debt for IRES	117,751	198,157
Tax debt for IRAP	42,733	39,142
Other liabilities for tax current on the income	10,295	6,317
Gross current tax liabilities	**170,779**	**243,616**
Offset current tax assets	170,779	243,616
Net current tax liabilities	**-**	**-**

Changes in gross current tax liabilities

	31.12.2014	31.12.2013
Balance at the end of the prior year	**243,616**	**235,969**
Decreases	**250,434**	**246,052**
- uses for payment of income taxes	217,304	242,482
- uses for payment of other taxes	2,795	-
- other decreases	30,335	3,570
Increases	**177,597**	**253,699**
- provisions:		
- income taxes: parent company	126,315	155,129
- income taxes: members of domestic tax group	35,114	83,209
- flat-rate tax: art. 1.150 Law 147/2013	-	1,137
- flat-rate tax: art. 15.10 Legislative Decree 185/2008	10,295	4,045
- flat-rate tax: art. 1.48 Law 244/2007	-	-
- other increases	5,873	10,179
Total gross current tax liabilities	**170,779**	**243,616**

Section 14 - Non-current assets and disposal groups held for sale and associated liabilities

Asset caption 140 and liability caption 90

14.1 Non-current assets and disposal groups classified as held for sale: breakdown by asset type

	31.12.2014	31.12.2013
A. Individual assets		
A.1 Financial assets	-	-
A.2 Equity investments	-	-
A.3 Property, plant and equipment	2,817	-
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total A	**2,817**	**-**
of which valued at cost	2,817	-
of which valued at fair value level 1	-	-
of which valued at fair value level 2	-	-
of which valued at fair value level 3	-	-
B. Assets groups (discontinued operations)	-	-
B.1 Financial assets held for trading	-	-
B.2 Financial assets designated at fair value through profit and loss	-	-
B.3 Financial assets available for sale	-	-
B.4 Financial assets held to maturity	-	-
B.5 Due from banks	-	-
B.6 Loans to customers	-	-
B.7 Equity investments	-	-
B.8 Property, plant and equipment	-	-
B.9 Intangible assets	-	-
B.10 Other assets	-	-
Total B	**-**	**-**
of which valued at cost	-	-
of which valued at fair value level 1	-	-
of which valued at fair value level 2	-	-
of which valued at fair value level 3	-	-

	31.12.2014	31.12.2013
C. Liabilities associated with individual assets held for sale	-	-
C.1 Payables	-	-
C.2 Securities	-	-
C.3 Other liabilities	-	-
Total C	**-**	**-**
of which valued at cost	-	-
of which valued at fair value level 1	-	-
of which valued at fair value level 2	-	-
of which valued at fair value level 3	-	-
D. Liabilities associated with groups of assets held for sale	-	-
D.1 Due to banks	-	-
D.2 Due to customers	-	-
D.3 Debt securities in issue	-	-
D.4 Financial liabilities held for trading	-	-
D.5 Financial liabilities designated at fair value through profit and loss	-	-
D.6 Provisions	-	-
D.7 Other liabilities	-	-
Total D	**-**	**-**
of which valued at cost	-	-
of which valued at fair value level 1	-	-
of which valued at fair value level 2	-	-
of which valued at fair value level 3	-	-

Pursuant to IFRS 5, the assets reclassified to this caption are those for which an approved disposal plan was in place and negotiations with potential buyers were at an advanced stage at the balance sheet date.
For the current year, this item includes a property.

Section 15 – Other assets
Caption 150

15.1 Other assets: breakdown

	31.12.2014	31.12.2013
Taxes withheld on interest, withholdings and tax credits on dividends, advance taxation	97,365	48,883
Sundry amounts to be charged to customers	441,532	311,482
Bank charges to be debited to customers or banks	49,954	36,640
Cheques being processed	1,840	613
Cheques drawn on other banks	116,083	133,760
Items relating to securities transactions	20,294	66,606
Leasehold improvement expenditure	10,598	10,166
Gold, silver and precious metals	236	236
Accrued income and prepaid expenses	1,853	1,248
Other items for sundry purposes	18,088	6,241
Total	**757,843**	**615,875**

Banca popolare dell'Emilia Romagna s.c. has recorded as "Other items for sundry purposes" receivable positions, acquired following the absorption of Banca della Campania s.p.a., totalling € 3.4 million that originated from payments made to third parties on the basis of court orders; action is currently being taken for their recovery. For each of these issues, we have checked that collection is "virtually certain", as required by IAS 37. Recognition of these items has been the subject of specific approval by the Board of Directors, as well as by the Board of Statutory Auditors and Independent Auditors.

LIABILITIES AND SHAREHOLDERS' EQUITY

Section 1 – Due to banks
Caption 10

1.1 Due to banks: breakdown by type

Type of transaction/Amounts	31.12.2014	31.12.2013
1. Due to Central Banks	**3,269,011**	**4,461,317**
2. Due to banks	**5,025,891**	**4,725,590**
2.1 Current accounts and demand deposits	2,367,547	2,092,446
2.2 Restricted deposits	224,709	219,726
2.3 Loans	2,432,058	2,392,688
2.3.1 Repurchase agreements	2,070,496	2,101,196
2.3.2 Other	361,562	291,492
2.4 Payables for commitments to repurchase own equity instruments	-	-
2.5 Other payables	1,577	20,730
Total	**8,294,902**	**9,186,907**
Fair value - level 1	-	-
Fair value - level 2	-	-
Fair value - level 3	8,294,902	9,186,907
Total fair value	**8,294,902**	**9,186,907**

The net interbank position is negative for € 6,551.5 million. The Directors' Report on Operations provides further details on this.

Section 2 – Due to customers
Caption 20

2.1 Due to customers: breakdown by sector

Type of transaction/Amounts	31.12.2014	31.12.2013
1. Current accounts and demand deposits	19,506,241	13,169,651
2. Restricted deposits	2,518,725	2,337,486
3. Loans	1,750,618	1,795,994
3.1 repurchase agreements	36,565	237,879
3.2 other	1,714,053	1,558,115
4. Payables for commitments to repurchase own equity instruments	-	-
5. Other payables	497,354	567,849
Total	**24,272,938**	**17,870,980**
Fair value - level 1	-	-
Fair value - level 2	-	-
Fair value - level 3	24,272,938	17,870,980
Total fair value	**24,272,938**	**17,870,980**

2.5 Finance lease payables

	31.12.2014	31.12.2013
Due to Sardaleasing s.p.a., a member of the Banking group, for the leasing of electronic systems	1,117	15

Section 3 – Debt securities in issue
Caption 30

3.1 Debt securities in issue: breakdown by sector

Type of security/Amounts	31.12.2014				31.12.2013			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. Bonds	4,988,846	1,116,003	4,018,022	-	5,832,805	765,255	5,119,314	-
1.1 structured	50,510	-	50,902	-	9,224	-	9,177	-
1.2 other	4,938,336	1,116,003	3,967,120	-	5,823,581	765,255	5,110,137	-
2. Other securities	3,385,339	-	-	3,385,339	2,081,570	-	-	2,081,570
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	3,385,339	-	-	3,385,339	2,081,570	-	-	2,081,570
Total	**8,374,185**	**1,116,003**	**4,018,022**	**3,385,339**	**7,914,375**	**765,255**	**5,119,314**	**2,081,570**

The "Level 3" column of point 2.2 reports the nominal value of certificates of deposit, the fair value of which has not been disclosed since these are short-term transactions.
Bonds include subordinated bonds issued by the Bank totalling € 676,584 thousand, as analysed in table 3.2 below.

3.2 Analysis of caption 30 "Debt securities in issue": subordinated securities

	Book value 31.12.2014	Nominal value 31.12.2014	Book value 31.12.2013	Nominal value 31.12.2013
B.P.E.R. subordinated convertible bond 2.75%, 2001-2013	-	-	31,660	31,233
B.P.L.S. subordinated convertible bond 4.50%, 2008-2013	-	-	804	-
Total convertible bonds	**-**	**-**	**32,464**	**31,233**
EMTN B.P.E.R. subordinated non-convertible bond floating rate 3-month Euribor +100 bps, 2006-2016	68,161	68,177	74,964	75,007
EMTN B.P.E.R. subordinated non-convertible bond floating rate 3-month Euribor +95 bps, 2007-2017	162,323	162,151	177,793	177,587
Lower Tier II B.P.E.R. subordinated non-convertible bond floating rate 3-month Euribor +130 bps, 2008-2014	-	-	19,990	20,000
Lower Tier II B.P.E.R. subordinated non-convertible bond 4.75%, 2012-2018	319,693	320,000	399,562	400,000
Lower Tier II B.P.E.R. subordinated non-convertible bond 5.81%, 2013-2020	12,565	11,945	12,565	11,945
Lower Tier II CARISPAQ subordinated non-convertible bond floating rate, 2010-2020	4,273	4,250	4,275	4,250
Total non-convertible bonds	**567,015**	**566,523**	**689,149**	**688,789**
Lower Tier II B.P.E.R. subordinated non-convertible bond floating rate 3-month Euribor +130 bp, 2008-2014 V tranche	20,069	20,000	-	-
Lower Tier II B.P.E.R. subordinated non-convertible bond 4.75%, 2012-2018 I tranche	89,500	80,000	-	-
Total expired non-convertible bonds (*)	**109,569**	**100,000**	**-**	**-**
Total bonds	**676,584**	**666,523**	**721,613**	**720,022**

(*) Tranches of loans maturing 31 December 2014 for which accounting confirmation from ICBPI (Istituto Centrale delle Banche Popolari Italiane s.p.a.) was received on 2 January 2015.

3.3 Micro-hedged debt securities in issue

	31.12.2014	31.12.2013
1. Payables with fair value micro-hedge	**1,224,496**	**448,432**
a) interest rate risk	1,224,496	448,432
b) foreign exchange risk	-	-
c) multiple risks	-	-
2. Payables with cash flow micro-hedge	**-**	**-**
a) interest rate risk	-	-
b) foreign exchange risk	-	-
c) multiple risks	-	-
Total	**1,224,496**	**448,432**

Section 4 – Financial liabilities held for trading
Caption 40

4.1 Financial liabilities held for trading: breakdown by sector

Type of transaction/Amounts	31.12.2014					31.12.2013				
	NV	FV			FV*	NV	FV			FV*
		L1	L2	L3			L1	L2	L3	
A. Cash liabilities										
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	68	41	15	-	56	45,258	47,528	-	-	47,528
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	#	-	-	-	-	#
3.1.2 Other bonds	-	-	-	-	#	-	-	-	-	#
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	#	-	-	-	-	#
3.2.2 Other	-	-	-	-	#	-	-	-	-	#
Total A	**68**	**41**	**15**	**-**	**56**	**45,258**	**47,528**	**-**	**-**	**47,528**
B. Derivatives										
1. Financial derivatives	-	-	217,885	29,663	-	-	29	145,919	18,302	-
1.1 For trading	#	-	213,857	29,663	#	#	29	145,109	18,302	#
1.2 Connected with the fair value option	#	-	-	-	#	#	-	30	-	#
1.3 Other	#	-	4,028	-	#	#	-	780	-	#
2. Credit derivatives	-	-	-	-	-	-	-	-	-	-
2.1 For trading	#	-	-	-	#	#	-	-	-	#
2.2 Connected with the fair value option	#	-	-	-	#	#	-	-	-	#
2.3 Other	#	-	-	-	#	#	-	-	-	#
Total B	**#**	**-**	**217,885**	**29,663**	**#**	**#**	**29**	**145,919**	**18,302**	**#**
Total (A+B)	**#**	**41**	**217,900**	**29,663**	**#**	**#**	**47,557**	**145,919**	**18,302**	**#**

The caption "cash liabilities" concerns the balance of "technical shorts" generated by capital market transactions.

Key

FV = fair value
FV = fair value excluding variations due to changes in the credit worthiness of the issuer since the issue date*
NV = notional or nominal value
L1 = Level 1
L2 = Level 2
L3 = Level 3

Section 5 - Financial liabilities designate at fair value through profit and loss

Caption 50

5.1 Financial liabilities designated at fair value through profit and loss: breakdown by sector

Type of security/Amounts	31.12.2014					31.12.2013				
	NV	FV			FV*	NV	FV			FV*
		L1	L2	L3			L1	L2	L3	
1. Due to banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Structured	-	-	-	-	#	-	-	-	-	#
1.2 Other	-	-	-	-	#	-	-	-	-	#
2. Due to customers	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Structured	-	-	-	-	#	-	-	-	-	#
2.2 Other	-	-	-	-	#	-	-	-	-	#
3. Debt securities	**1,637,545**	**-**	**1,700,614**	**-**	**1,705,354**	**2,589,904**	**-**	**2,664,781**	**-**	**2,685,460**
3.1 Structured	-	-	-	-	#	-	-	-	-	#
3.2 Other	1,637,545	-	1,700,614	-	#	2,589,904	-	2,664,781	-	#
Total	**1,637,545**	**-**	**1,700,614**	**-**	**1,705,354**	**2,589,904**	**-**	**2,664,781**	**-**	**2,685,460**

The cumulative change in fair value attributable to the change in credit risk amounts to € 4,740 thousand; this change had a negative effect during the year of € 9,190 thousand.

Key

FV = fair value
FV = fair value excluding variations due to changes in the credit worthiness of the issuer since the issue date*
NV = notional or nominal value
L1 = Level 1
L2 = Level 2
L3 = Level 3

Financial liabilities designated at fair value through profit and loss: use of the fair value option

Description/Amounts	31.12.2014		
	Due to banks	Due to customers	Debt securities
Natural hedges using derivatives	-	-	1,700,614
Natural hedges using other financial instruments	-	-	-
Other accounting mismatches	-	-	-
Financial instruments managed and measured at fair value	-	-	-
Structured products with embedded derivatives	-	-	-
Total	**-**	**-**	**1,700,614**

5.2 Analysis of caption 50 "Financial liabilities designated at fair value through profit and loss": subordinated securities

	Book value 31.12.2014	Nominal value 31.12.2014	Book value 31.12.2013	Nominal value 31.12.2013
Lower Tier II B.P.E.R. subordinated non-convertible bond 5.20%, 2008-2014	-	-	72,100	70,000
Lower Tier II B.P.E.R. subordinated non-convertible bond 5.90%, 2008-2014	-	-	20,453	20,000
Lower Tier II B.P.E.R. subordinated non-convertible amortizing bond 5.12%, 2009-2015	5,273	5,000	10,589	10,000
Lower Tier II B.P.E.R. subordinated non-convertible bond 4.35%, 2010-2017	11,191	10,800	14,321	14,400
Lower Tier II B.P.E.R. subordinated non-convertible bond 4.94%, 2010-2017	31,761	30,600	40,676	40,800
Lower Tier II B.P.E.R. subordinated non-convertible bond 4.75%, 2011-2017	437,248	418,003	581,867	556,257
Total non-convertible bonds	**485,473**	**464,403**	**740,006**	**711,457**
Lower Tier II B.P.E.R. subordinated non-convertible bond, 5.20%, 2008-2014 V tranche	70,910	70,000	-	-
Lower Tier II B.P.E.R. subordinated non-convertible bond, 5.90%, 2008-2014 V tranche	20,590	20,000	-	-
Lower Tier II B.P.E.R. subordinated non-convertible bond 4.35%, 2010-2017 II tranche	4,226	3,600	-	-
Lower Tier II B.P.E.R. subordinated non-convertible bond 4.94%, 2010-2017 II tranche	12,216	10,200	-	-
Total expired non-convertible bonds (*)	**107,942**	**103,800**	**-**	**-**
Total bonds	**593,415**	**568,203**	**740,006**	**711,457**

(*) Tranches of loans maturing 31 December 2014 for which accounting confirmation from ICBPI (Istituto Centrale delle Banche Popolari Italiane s.p.a.) was received on 2 January 2015.

5.3 Financial liabilities designated at fair value through profit and loss: change in the period

	Due to banks	Due to customers	Debt securities in issue	31.12.2014
A. Opening balance	**-**	**-**	**2,664,781**	**2,664,781**
B. Increases	**-**	**-**	**523,831**	**523,831**
B.1 Issues	-	-	-	-
B.2 Sales	-	-	23,416	23,416
B.3 Positive changes in fair value	-	-	9,345	9,345
B.4 Other changes	-	-	491,070	491,070
C. Decreases	**-**	**-**	**1,487,998**	**1,487,998**
C.1 Purchases	-	-	67,710	67,710
C.2 Redemptions	-	-	1,300,036	1,300,036
C.3 Negative changes in fair value	-	-	4,170	4,170
C.4 Other changes	-	-	116,082	116,082
D. Closing balance	**-**	**-**	**1,700,614**	**1,700,614**

Section 6 – Hedging derivatives
Caption 60

6.1 Hedging derivatives: breakdown by type of hedging and by levels

	Fair value 31.12.2014			NV	Fair value 31.12.2013			NV
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives	**-**	**9,114**	**-**	**171,667**	**-**	**35,793**	**-**	**398,222**
1) Fair value	-	327	-	6,667	-	581	-	83,222
2) Cash flows	-	8,787	-	165,000	-	35,212	-	315,000
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**9,114**	**-**	**171,667**	**-**	**35,793**	**-**	**398,222**

The cash flow hedge agreements have the following expiry dates: notional value of € 115 million in 2017 and € 50 million in 2023.
The related cash flows will impact the income statement up to the relevant expiration dates.

Key

NV = notional value
L1 = Level 1
L2 = Level 2
L3 = Level 3

6.2 Hedging derivatives: analysis by hedged portfolio and type of hedge

Operation/Type of hedge	Fair value						Cash flows		Foreing Investments
	Specific					General	Specific	General	
	Interest Rate risk	Exchange risk	Credit risk	Price risk	Multiple risks				
1. Financial assets available for sale	-	-	-	-	-	#	8,787	#	#
2. Loans	327	-	-	#	-	#	-	#	#
3. Financial assets held to maturity	#	-	-	#	-	#	-	#	#
4. Portfolio	#	#	#	#	#	-	#	-	#
5. Other operations	-	-	-	-	-	#	-	#	-
Total assets	**327**	**-**	**-**	**-**	**-**	**-**	**8,787**	**-**	**-**
1. Financial liabilities	-	-	-	#	-	#	-	#	#
2. Portfolio	#	#	#	#	#	-	#	-	#
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Expected transactions	#	#	#	#	#	#	-	#	#
2. Portfolio of financial assets and liabilities	#	#	#	#	#	-	#	-	-

Section 7 – Remeasurement of financial liabilities backed by general hedges
Caption 70

There are no amounts in this section.

Section 8 - Tax liabilities
Caption 80

See asset section 13.

Section 9 - Liabilities associated with non-current assets held for sale

Caption 90

See asset section 14.

Section 10 - Other liabilities

Caption 100

10.1 Other liabilities: breakdown

	31.12.2014	31.12.2013
Amounts due to banks	6,465	7,289
Amounts due to customers	484,013	375,233
Net adjustments on collection of receivables for third parties	286,864	208,718
Staff emoluments and related social contributions	22,269	15,233
Amounts due to third parties for coupons, securities and dividends to be collected	22,369	12,852
Amounts due to the tax authorities on behalf of customers and personnel	90,362	73,088
Bank transfers for clearance	45,823	94,399
Advances for the purchase of securities	86	523
Due to suppliers	55,007	39,124
Third-part payments as surety for loans	51	38
Repayment to be made to INPS	-	55
Provisions for guarantees given	53,261	46,570
Accrued expenses and deferred income	13,042	12,112
Payables due to members of the tax group	10,697	32,554
Other liabilities to third parties	42,360	27,995
Total	**1,132,669**	**945,783**

Commencing from 2007, the Bank, as Parent Company, has elected to establish a domestic tax group, as described further in Part A of these Explanatory notes. The caption "Due to members of the domestic tax group" is the contra-entry for the amount included in "Current tax assets" made up of the positive net balance of the tax credits for IRES advances paid, other tax credits for taxes paid and withholdings incurred, and the IRES tax liability for the domestic tax group member companies that have transferred these amounts to the consolidating Parent Company.

Section 11 - Provision for termination indemnities

Caption 110

11.1 Provision for termination indemnities: change in the period

	31.12.2014	31.12.2013
A. Opening balance	**80,620**	**65,833**
B. Increases	**61,133**	**24,835**
B.1 Provisions	3,356	1,584
B.2 Other increases	57,777	23,251
of which: business combinations	-	357
C. Decreases	**6,164**	**10,048**
C.1 Payments made	6,164	9,732
C.2 Other decreases	-	316
D. Closing balance	**135,589**	**80,620**
Total	**135,589**	**80,620**

The figure for "Other increases" (B.2) relates to the Provision for termination indemnities of the banks merged by absorption, the effective date of which was backdated to 1 January 2014 (€ 26.2 million for Banca della Campania s.p.a., € 13.3 million for Banca Popolare del Mezzogiorno s.p.a. and € 6.8 million for Banca Popolare di Ravenna s.p.a), the Provision for termination indemnities for Sardaleasing s.p.a. of € 29 thousand in connection with the transfer of personnel from the subsidiary to the Parent Company on 1 July 2014 and to the IAS 19 actuarial loss provision for € 11.5 million.
The merger by absorption of Banca della Campania s.p.a., Banca Popolare del Mezzogiorno s.p.a., and Banca Popolare di Ravenna s.p.a. qualifies as a "business combination between entities under common control", which is not governed by the accounting standard IFRS 3.

11.2 Other information

The following tables detail the changes in the provision for termination indemnities, as well as the principal demographic and financial assumptions made in order to quantify the provision using the Projected Unit Credit Method (articles 64 to 66 of IAS 19); lastly, table 11.2.3 presents the comparative information required by law.

11.2.1 Changes in termination indemnities during the period

Description/Amounts	31.12.2014	31.12.2013
A. Opening balance	**80,620**	**65,833**
B. Increases	**61,133**	**24,835**
1. Pension cost relating to current work	-	-
2. Financial charges	3,356	1,584
3. Contribution to the plan by employees	-	-
4. Actuarial losses	11,501	-
5. Translation differences	-	-
6. Pension cost of prior work	-	-
7. Other changes	46,276	23,251
C. Decreases	**6,164**	**10,048**
1. Benefits paid	6,164	9,732
2. Pension cost of prior work	-	-
3. Actuarial gains	-	316
4. Translation differences	-	-
5. Reductions	-	-
6. Positions closed	-	-
7. Other changes	-	-
D. Closing balance	**135,589**	**80,620**

11.2.2 Description of the principal actuarial assumptions

Principal actuarial assumptions/%	31.12.2014	31.12.2013
Discount rates	0.93%	2.63%
Expected increase in remuneration	n/a	n/a
Turnover	2.35%	2.35%
Inflation rate	1.60%	2.10%
Interest rate adopted for the calculation of interest cost	2.71%	1.60%

In addition to the average data included in the table, the approach taken to identify the principal actuarial assumptions is described below:

- Discount rates: the curve of "Euro Composite AA" rates for prime corporate securities listed in the Euro market on the measurement date has been used.
- Turnover: time series analysis (last three years) of the phenomena giving rise to the terminations and adjustments to take account of any "anomalies" that occurred in the past. The assumptions made about turnover took account of grade, seniority, age and gender.
- Inflation rate: with reference to the first assumption, the inflationary scenario was inferred from the "Document of Economics and Finance 2014", followed by "Update of Economics and Finance in 2014" by adopting an IPCA index of 1.3% for 2015, 1.5% for 2016 and 1.6% from 2017 onwards.
- Interest Cost: it was calculated at a rate that reflected the duration of the liability.

11.2.3 Comparative information: history of the plan

Description/Amounts		31.12.2014	31.12.2013	31.12.2012	31.12.2011
1.	Present value of provisions (+)	135,589	80,620	65,833	59,842
2.	Fair value of assets servicing the plan (-)	-	-	-	-
3.	Plan (surplus) deficit (+/-)	135,589	80,620	65,833	59,842
4.	Adjustments to plan liabilities based on historical experience - actuarial (gains)/losses	11,501	(316)	6,877	2,064
5.	Adjustments to plan assets based on historical experience	-	-	-	-

The adjustments based on historical experience solely comprise actuarial gains and losses. The significant increase is mainly the result of mergers during the year.

Section 12 - Provisions for risks and charges
Caption 120

12.1 Provisions for risks and charges: breakdown

Item/Components	31.12.2014	31.12.2013
1. Pensions and similar commitments	144,607	120,473
2. Other provisions for risk and charges	141,598	73,685
2.1 legal disputes	85,409	36,218
2.2 personnel expenses	50,825	35,943
2.3 other	5,364	1,524
Total	**286,205**	**194,158**

12.2 Provisions for risks and charges: change in the period

	Pension and similar commitments	Other provisions	31.12.2014
A. Opening balance	**120,473**	**73,685**	**194,158**
B. Increases	**29,635**	**114,443**	**144,078**
B.1 Provisions	-	65,178	65,178
B.2 Changes due to the passage of time	3,167	632	3,799
B.3 Changes due to variations in the discount rate	24,516	121	24,637
B.4 Other changes	1,952	48,512	50,464
C. Decreases	**5,501**	**46,530**	**52,031**
C.1 Utilisations during the year	5,501	36,436	41,937
C.2 Changes due to variations in the discount rate	-	-	-
C.3 Other changes	-	10,094	10,094
D. Closing balance	**144,607**	**141,598**	**286,205**

The changes due to variations in the discount rate include actuarial gains and losses, considering not just interest rate movements, but also other demographic and financial factors, where applicable.
"Other decreases" (C.3) include € 10,094 thousand released from the provisions for legal disputes and bankruptcy claims recorded in prior years.

12.3 Defined-benefit pension plans

12.3.1. Features of the pension plans and related risks

The In-house supplementary pension fund is not a separate legal entity and its assets are held together with those of the Bank; it is made up entirely of Section "A", classifiable as a "defined benefit" scheme (section "B", with characteristics that made it classifiable as a "defined contribution" scheme, is no longer present from 31 December 2012).
Under the Regulations for Section A, beneficiaries receive a supplementary pension subject to revaluation, the cost of which is borne entirely by the Bank.
This section comprises all current employees hired by the Bank prior to 28 April 1993; it also includes all retired beneficiaries, or their heirs, of supplementary pension payments deriving from earlier agreements signed by BPER or by the banks absorbed by the latter over time.
The following tables report the changes in the Fund.
The actuarial gains and losses relating to Section A are recognised as an equity reserve.

The benefits provided by Fund Section A represent post-employment defined benefits, as governed by IAS 19; accordingly, the liability for these benefits is determined using the actuarial "Projected Unit Credit Method" applied in relation to termination indemnities.

12.3.2. Changes in the year of net obligations (assets) under the defined benefit plan and reimbursement rights

12.3.2.1 Changes in the plans during the period: Fund Section A

Items/Values	Sect. A	
	31.12.2014	31.12.2013
Opening balance	**120,473**	**98,667**
A. Increases	**29,635**	**27,095**
1. Pension cost relating to current work	-	-
2. Financial charges	3,167	3,012
3. Contribution to the plan by employees	-	-
4. Actuarial losses	24,516	17,917
5. Translation differences	-	-
6. Pension cost of prior work	-	-
7. Other changes	1,952	6,166
B. Decreases	**5,501**	**5,289**
1. Benefits paid	5,501	5,289
2. Pension cost of prior work	-	-
3. Actuarial gains	-	-
4. Translation differences	-	-
5. Reductions	-	-
6. Positions closed	-	-
7. Other changes	-	-
Closing balance	**144,607**	**120,473**

The actuarial gains and losses relating to Section A are recognised as an equity reserve.

12.3.3 Information on fair value of assets servicing the plan

As stated earlier, there are no "plan assets" that meet the requirements of IAS 19. Since there are no "plan assets" and given that the Group recognises actuarial gains and losses in the year in which they arise, the present value of the Fund coincides with the value of the liabilities recorded in the balance sheet.

12.3.4 Description of the principal actuarial assumptions

Principal actuarial assumptions/%	31.12.2014	31.12.2013
Discount rates	1.27%	2.91%
Expected increase in remuneration	n/a	n/a
Turnover	n/a	n/a
Inflation rate	1.60%	2.10%
Interest rate adopted for the calculation of interest cost (active employees)	3.16%	3.07%
Interest rate adopted for the calculation of interest cost (ceased and retired employees)	2.40%	3.07%

In addition to the average data included in the table, the approach taken to identify the principal actuarial assumptions is described below:

- Discount rates: the curve of "Euro Composite AA" rates for prime corporate securities listed in the Euro market on the measurement date has been used.
- Expected increase in remuneration: time series analysis (last four years) of payroll records, taking the terms of the national payroll agreement into account together with forecasts for inflation. The assumptions made about payroll increases took account of grade, seniority, age and gender.
- With regard to Fund Section A, the percentage reflects the revaluation rate applicable to future pension obligations.
- Inflation rate: with reference to the first assumption, the inflationary scenario was inferred from the "Document of Economics and Finance 2014", followed by "Update of Economics and Finance in 2014" by adopting an IPCA index of 1.3% for 2015, 1.5% for 2016 and 1.6% from 2017 onwards.
- Interest cost: calculated at a rate that reflected the duration of the liability

12.3.5 Information on the amount, timing and uncertainty of cash flows

As required by IAS 19, we carried out a sensitivity analysis on the obligation of pension funds with respect to the more significant actuarial assumptions to show how the liability would change in relation to reasonably possible movements in each of these assumptions. The following table shows how the provision for pensions would change in the event of a 50 basis point increase or decrease in the discount and inflation rate compared with the parameters actually used.

Funds	31.12.2014		+50 basis points		-50 basis points	
	DBO	Service Cost	DBO	Service Cost	DBO	Service Cost
Fund Section A	144,607	-	134,174	-	156,318	-

12.3.6 Multi-employer plans

At 31 December 2014 there were no multi-employer plans in place.

12.3.7 Defined benefit plans that share risks between entities under common control

At 31 December 2014 there were no plans of this type.

12.3.8 Comparative information

Description/Amounts	2014 Defined-benefit pension plans	2013 Defined-benefit pension plans	2012 Defined-benefit pension plans
1. Present value of provisions (+)	144,607	120,473	98,667
2. Fair value of assets servicing the plan (-)	-	-	-
3. Plan (surplus) deficit (±)	144,607	120,473	98,667
4. Adjustments to plan liabilities based on historical experience - actuarial (gains)/losses	24,516	17,917	18,358
5. Adjustments to plan assets based on historical experience	-	-	-

The adjustments based on historical experience solely comprise actuarial gains and losses.

12.4 Provisions for risks and charges - other provisions

12.4.1 Legal disputes

Description	Legal disputes
Opening balance	**36,218**
Charge for the year	32,559
Other increases	31,140
Other decreases	(5,534)
Utilisation during the year	(8,974)
Closing balance	**85,409**

The legal disputes as of 31 December 2014 comprise court cases, € 60,509 thousand, and bankruptcy clawback actions, € 24,900 thousand.
There are no contingent liabilities for which it was not possible to record appropriate risk-related provisions in the 2014 financial statements.

Personnel charges relate to specific benefits granted to employees based on their length of service, the provisions for which are governed by IAS 19. The changes are shown in the following table as an aid to understanding the phenomenon.

12.4.2 Personnel charges

Description/Amounts	Other personnel provisions	
	31.12.2014	31.12.2013
Opening balance	**35,943**	**14,801**
A. Increases	**45,207**	**34,046**
1. Pension cost relating to current work	30,503	19,988
2. Financial charges	377	428
3. Contribution to the plan by employees	-	-
4. Actuarial losses	-	1,227
5. Translation differences	1,936	-
6. Pension cost of prior work	-	-
7. Other changes	12,391	12,403
B. Decreases	**30,325**	**12,904**
1. Benefits paid	29,457	12,731
2. Pension cost of prior work	-	-
3. Actuarial gains	439	-
4. Translation differences	-	-
5. Reductions	-	-
6. Positions closed	-	-
7. Other changes	429	173
Closing balance	**50,825**	**35,943**

The "Actuarial losses" refer to the sum of "Provision for additional cover on death" losses for € 1,812 thousand and the "Special termination indemnity (former one-off amount of Banca Popolare di Ravenna s.p.a.)" for € 124 thousand, whereas the "Actuarial gains" refer to the sum of "25th year of service bonus" for € 206 thousand and the "Special termination indemnity" of € 233 thousand.
The figure for "Pension cost relating to current work" (A.1) includes extraordinary provisions for redundancy incentives and the Solidarity Fund for € 9,353 thousand, following the agreements with the Trade Unions on 15 September 2012 and 17 December 2014, as foreseen in the 2012-2014 Business Plan.

12.4.3 Other provisions

Captions	31.12.2014		31.12.2013	
	Provision for charitable donations	Other provisions	Provision for charitable donations	Other provisions
A. Opening balance of BPER	**970**	**554**	**1,683**	**6,303**
B. Opening balances of the Banks merged in 2014	590	1,687	-	-
C. Net profit allocations (made from the three Banks absorbed)	570	#	400	#
D. Provisions	#	3,185	285	1,264
E. Utilisation during the year	(1,066)	(1,126)	(1,398)	(7,013)
F. Closing balance	**1,064**	**4,300**	**970**	**554**

With respect to the Provision for charitable donations, the amount allocated from net profit relates to the three banks merged by absorption in 2014: Banca della Campania s.p.a. (€ 120 thousand), Banca Popolare del Mezzogiorno s.p.a. (€ 200 thousand) and Banca Popolare di Ravenna s.p.a. (€ 250 thousand).

Section 13 - Redeemable shares
Caption 140

There are no amounts in this section.

Section 14 - Shareholder’s equity
Captions 130, 150, 160, 170, 180, 190 e 200

14.1 "Share capital" and "Treasury shares": breakdown

Treasury shares: breakdown	31.12.2014	31.12.2013
Ordinary shares no. 481,308,435	1,443,925	1,001,483
of which: treasury shares no. 455,458	*1,366*	*1,366*

14.2 Share capital - number of shares: change in the period

Caption/Type	Ordinary	Others
A. Shares in issue at the beginning of the year	**333,827,659**	**-**
- fully paid	333,827,659	-
- not fully paid	-	-
A.1 Treasury shares (-)	(455,458)	-
A.2 Shares in issue: opening balance	**333,372,201**	**-**
B. Increases	**147,480,776**	**-**
B.1 New share issues	147,480,776	-
- for payment:	147,480,776	-
- on business combinations	-	-
- on conversion of bonds	-	-
- exercise of warrants	-	-
- other	147,480,776	-
- bonus issues:	-	-
- to employees	-	-
- to directors	-	-
- other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other changes	-	-
C. Decreases	**-**	**-**
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	-	-
C.3 Disposal of businesses	-	-
C.4 Other changes	-	-
D. Shares in issue: closing balance	**480,852,977**	**-**
D.1 Treasury Shares (+)	455,458	-
D2. Shares in issue at the end of the year	481,308,435	-
- fully paid	481,308,435	-
- not fully paid	-	-

The issue of 147,480,776 shares refers for 145,850,334 shares to the capital increase resolved by the Extraordinary Shareholders' Meeting of 7 June 2014 carried out in July and 1,630,442 shares for capital increases in support of mergers carried out by BPER on 24 November: Banca Popolare di Ravenna s.p.a. (145,012), Banca della Campania s.p.a. (191,253) and Banca Popolare del Mezzogiorno s.p.a. (1,294,177).

14.3 Share capital: other information

The Bank's share capital is represented solely by ordinary shares with a par value of € 3.00 each. Such shares are not subject to rights, privileges or restrictions. At the reporting date, the Bank directly owns 455,458 treasury shares.

14.4 Profit reserves: other information

Nature and description of items comprising shareholders' equity		Amount	(1) portion available to:		
			Cover losses	Increase capital	Distribution
Share capital		**1,443,925**			
Capital reserves:		**1,430,283**	**1,454,336**	**1,454,336**	**1,454,336**
share premium		930,077	930,077	930,077	930,077
other reserves		500,206	524,259	524,259	524,259
- contribution reserve (Law 218/90)		-	-	-	-
- equity element of convertible instruments		-	-	-	-
- differences of shareholders' equity		(24,062)	-	-	-
- merger surpluses/deficits		524,259	524,259	524,259	524,259
- reserve (art. 55 Decree 917/86)		9	-	-	-
Revenue reserves:		**1,679,451**	**1,679,451**	**1,409,482**	**1,407,791**
ordinary / legal reserve		258,008	258,008	-	-
statutory reserve		441,132	441,132	441,132	441,132
other reserves		980,311	980,311	968,350	966,659
- extraordinary reserve		128,486	128,486	128,486	128,486
- reserve for treasury shares	(5)	132,508	132,508	132,508	132,508
- reserve for other risks		417,270	417,270	417,270	417,270
- taxed reserve (Law 823/73)		2,872	2,872	2,872	2,872
- special reserve (art. 6 Law 461/1998)		45,711	45,711	45,711	45,711
- special reserve under Law 218/1990 (Amato)		1,207	1,207	1,207	1,207
- special reserve (Decree 124/93)	(2)	963	963	963	-
- reserve for dividends on treasury shares held		9,315	9,315	9,315	9,315
- non-distributable reserve - FV and gains to SE	(4)	11,961	11,961	-	-
- reserve for FVO gains on securities - available portion		181,603	181,603	181,603	181,603
- reserve for subordinated bonds issued		-	-	-	-
- equity element of convertible instruments - available portion		6,736	6,736	6,736	6,736
- reserve for adjustments to pension fund Section B		(2,942)	(2,942)	(2,942)	(2,942)
- contribution reserve	(6)	728	728	728	-
- FTA reserves		35,733	35,733	35,733	35,733
- IAS net income (loss) for 2004		8,160	8,160	8,160	8,160
Valuation reserves:		**66,500**	**-**	**-**	**-**
- reserve for revaluation surpluses		54	-	-	-
- AFS reserves	(3)	163,929	-	-	-
- cash-flow hedge reserve		4,521	-	-	-
- reserve for actuarial gains (losses)		(102,004)	-	-	-
Equity instruments		**-**	**-**	**-**	**-**
Total shareholders' equity		**4,620,159**	**3,133,787**	**2,863,818**	**2,862,127**

(1) No utilisations in the past 3 years.
(2) Management has decided that the reserves in suspense for tax purposes are not available for distribution.
(3) Pursuant to art. 6.4 of Decree 38/05.
(4) Pursuant to art. 6.5 of Decree 38/05, these reserves can only be used after fully using the available reserves and the legal reserve.
(5) Amount of the statutory reserve for the purchase of treasury shares (€ 139,765 thousand), net of the treasury shares held (€ 7,257 thousand).
(6) Relates to the contribution of the Bank's IT resources to BPER Services s.cons.p.a.

14.5 Strumenti di capitale: composizione e variazioni annue

There are no amounts in this section.

Other information

1. Guarantees given and commitments

Operations	31.12.2014	31.12.2013
1) Financial guarantees	976,970	945,724
a) Banks	255,639	236,968
b) Customers	721,331	708,756
2) Commercial guarantees	2,464,425	2,563,030
a) Banks	85,897	245,552
b) Customers	2,378,528	2,317,478
3) Irrevocable commitments to disburse loans	581,986	667,365
a) Banks:	5,564	58,953
- certain to be called on	5,392	58,929
- not certain to be called on	172	24
b) Customers:	576,422	608,412
- certain to be called on	81,939	9,642
- not certain to be called on	494,483	598,770
4) Commitments underlying credit derivatives: protection sale	-	-
5) Assets used to guarantee the commitments of third parties	14,120	11,620
6) Other commitments	11	121,261
Total	**4,037,512**	**4,309,000**

Financial guarantees given to banks include a commitment towards the Interbank Deposit Guarantee Fund, not yet subject to resolutions for specific disbursements for an amount of € 51,521.2 thousand, of which € 1,937.6 thousand relating to guarantees for Banca Tercas.

2. Assets used to guarantee own liabilities and commitments

Portfolios	31.12.2014	31.12.2013
1. Financial assets held for trading	407,950	450,865
2. Financial assets designated at fair value through profit and loss	7,162	6,705
3. Financial assets available for sale	3,192,289	3,908,714
4. Financial assets held to maturity	1,359,002	893,825
5. Due from banks	295,926	86,683
6. Loans to customers	6,701,465	3,671,403
7. Property, plant and equipment	-	-

Type of assets used to guarantee own liabilities and commitments

	31.12.2014
1. Assets sold as part of covered bonds	2,022,718
2. Securities and deposits acting as collateral for derivative transactions	194,535
3. Securities guaranteeing securitisations	29,833
4. Securities guaranteeing treasury transactions	2,613,042
5. Loans guaranteeing treasury transactions	4,215,904
6. Securities guaranteeing repurchase agreements	2,057,784
7. Loans guaranteeing the related funding	451,799
8. Securities guaranteeing the funding of subsidised loans	378,179

The amounts indicated at point 5 include € 1,017,336 thousand relating to mortgage loans sold as part of the Estense Finance self-securitisation transaction, € 1,324,526 thousand relating to mortgage loans sold as part of the Estense SME self-securitisation transaction, € 606,815 thousand relating to mortgage loans sold as part of covered bond issues, which have not been eliminated from the balance sheet as they do not qualify for derecognition. Operationally, the instruments provided as a guarantee are represented by the senior notes originated by the two transactions and the covered bonds that were issued.
€ 122,666 thousand of securities coming from reverse repurchase agreements were lodged in guarantee for the guaranteed funding transactions (repurchase agreements).

4. Administration and trading on behalf of third parties

Type of services	31.12.2014
1. Trading in financial instruments on behalf of third parties	**-**
a) Purchases	-
1. settled	-
2. unsettled	-
b) Sales	-
1. settled	-
2. unsettled	-
2. Asset management	**2,482,048**
a) individual	2,482,048
b) collective	-
3. Custody and administration of securities	**72,532,356**
a) third-party securities on deposit: associated with activities as a custodian bank (excluding portfolio management)	-
1. securities issued by consolidated companies	-
2. other securities	-
b) Other third-party securities on deposit (excluding portfolio management): other	29,452,040
1. securities issued by consolidated companies	6,647,627
2. other securities	22,804,413
c) third-party securities in custody with others	27,628,851
d) own securities in custody with others	15,451,465
4. Other transactions	**9,098,465**

"Other transactions" (point 4) relate to order taking activities.

5. Financial assets subject to offsetting in the financial statements, or subject to framework agreements for offsetting or similar arrangements

Technical form	Gross amount of financial assets (a)	Amount of the financial assets offset in the financial statements (b)	Net amount of financial assets shown in the financial statements (c = a-b)	Related amounts not subject to offsetting in the financial statements		Net amount (f=c-d-e) 31.12.2014	Net amount (f=c-d-e) 31.12.2013
				Financial instruments (d)	Cash deposits received as collateral (e)		
1. Derivatives	212,473	-	212,473	146,687	22,606	43,180	20,123
2. Repurchase agreements	154,628	-	154,628	154,628	-	-	-
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total 31.12.2014	**367,101**	**-**	**367,101**	**301,315**	**22,606**	**43,180**	**#**
Total 31.12.2013	**195,285**	**-**	**195,285**	**148,917**	**26,245**	**#**	**20,123**

The amounts shown in the table relate to standard master agreements such as ISDA (International Swaps and Derivatives Association) and CSA (Credit Support Annex) agreements for derivatives and GMRA (Global Master Repurchase Agreement) for repurchase agreement transactions.
Under the agreements executed using the ISDA standard, offsetting of OTC derivative contracts is permitted in the event of default of either party to the agreement and, for almost all institutional counterparties, the terms of the CSA provide for cash collateral that is revised regularly based on the contracts' underlying value.
Repurchase agreement transactions entered into with institutional counterparties are governed by the GMRA standard, which, in addition to the delivery of the securities pertaining to the transactions, provide for cash collateral that is revised regularly based on the value of the securities.
None of the amounts shown has been offset in the financial statements as the amounts in question do not meet the requirements of paragraph 42 of IAS 32.
The gross amounts (a) shown in the table relate to € 178,813 thousand of derivatives recorded under caption 20 "Financial assets held for trading" and € 33,660 thousand recorded under caption 80 "Hedging derivatives"; related financial instruments (d) consist of derivatives recorded under caption 40 "Financial liabilities held for trading" and under caption 60 "Hedging derivatives", whereas cash deposits received (e) are recorded under caption 10 "Due to banks" and in the caption 20 "Due to customers".
The gross amounts (a) shown in the table relating to repurchase agreement transactions are recorded under caption 60 "Due to banks" at an amount of € 122,893 thousand and under caption 70 "Due to customers" at an amount of € 31,735 thousand; related financial instruments (d) represent the value of the securities pertaining to the transactions.

6. Financial liabilities subject to offsetting in the financial statements, or subject to framework agreements for offsetting or similar arrangements

Technical form	Gross amount of financial liabilities (a)	Amount of financial liabilities offset in the financial statements (b)	Net amount of financial liabilities shown in the financial statements (c = a-b)	Related amounts not subject to offsetting in the financial statements		Net amount (f=c-d-e) 31.12.2014	Net amount (f=c-d-e) 31.12.2013
				Financial instruments (d)	Cash deposits received as collateral (e)		
1. Derivatives	239,787	-	239,787	146,687	91,306	1,794	17,312
2. Repurchase agreements	2,037,394	-	2,037,394	2,037,365	29	-	8
3. Securities lending	-	-	-	-	-	-	-
4. Other operations	-	-	-	-	-	-	-
Total 31.12.2014	**2,277,181**	**-**	**2,277,181**	**2,184,052**	**91,335**	**1,794**	**#**
Total 31.12.2013	**2,480,997**	**-**	**2,480,997**	**2,387,943**	**75,734**	**#**	**17,320**

With regard to the types of master agreements, the points made in respect of the previous table apply here as well.
None of the amounts shown has been offset in the financial statements as the amounts in question do not meet the requirements of paragraph 42 of IAS 32.
The gross amounts (a) shown in the table relate to € 230,673 thousand of derivatives recorded under caption 40 "Financial liabilities held for trading" and € 9,114 thousand recorded under caption 60 "Hedging derivatives"; related financial instruments (d) consist of derivatives recorded under caption 20 "Financial assets held for trading" and under caption 80 "Hedging derivatives", whereas cash deposits made (e) are recorded under caption 60 "Due from banks" and under caption 70 "Loans to customers".
The gross amounts (a) shown in the table relating to repurchase agreement transactions are recorded under caption 10 "Due to banks" at an amount of € 2,037,394 thousand; related financial instruments (d) represent the value of the securities pertaining to the transactions, whereas cash deposits made (e) are recorded under caption 60 "Due from banks".

7. Securities lending

Type of lender/ use	To guarantee own financing operations	Sold	Subject to repurchase agreements	Other	31.12.2014
a) Banks	-		-	-	-
b) Public entities	-		-	-	-
c) Non-financial businesses	-		-	-	-
d) Financial businesses	295,037		-	-	295,037
e) Insurance companies	-		-	-	-
f) Other	-		-	-	-
Total	**295,037**		**-**	**-**	**295,037**

Parte C – INFORMATION ON THE INCOME STATEMENT

Section 1- Interests
Caption 10 and 20

1.1 Interest and similar income: breakdown

Captions/Technical forms	Debt securities	Loans	Other transactions	31.12.2014	31.12.2013
1. Financial assets held for trading	14,593	-	38,694	53,287	66,620
2. Financial assets available for sale	97,574	-	-	97,574	118,655
3. Financial assets held to maturity	50,251	-	-	50,251	45,170
4. Due from banks	4,220	14,311	-	18,531	29,210
5. Loans to customers	10,996	1,224,179	-	1,235,175	998,412
6. Financial assets designated at fair value through profit and loss	541	-	-	541	1,197
7. Hedging derivatives	#	#	6,782	6,782	8,086
8. Other assets	#	#	-	-	35
Total	**178,175**	**1,238,490**	**45,476**	**1,462,141**	**1,267,385**

Of the interest on loan exposures classified as doubtful, the amount of € 146,168 thousand shown in the "Loans" column relates entirely to "Loans to customers" and of the amount of € 37 thousand shown in the "Debt securities" column, € 23 thousand relates to "Loans to customers" and € 14 thousand to "Financial assets designated at fair value through profit and loss".
Default interest accrued in the year, but which has been fully written down, amounts to € 21,542 thousand.

1.2. Interest and similar income: differentials on hedging transactions

Items	31.12.2014	31.12.2013
A. Positive differentials on hedging transactions	41,993	18,896
B. Negative differentials on hedging transactions	(35,211)	(10,810)
C. Balance (A-B)	**6,782**	**8,086**

1.3 Interest and similar income: other information

1.3.1 Interest income on foreign currency assets

	31.12.2014	31.12.2013
Interest income on foreign currency assets	10,370	7,652

1.4 Interest and similar expense: breakdown

Caption/Technical forms	Debts	Securities	Other transactions	31.12.2014	31.12.2013
1. Due to Central Banks	6,847	#	-	6,847	24,708
2. Due to banks	29,359	#	-	29,359	37,242
3. Due to customers	199,475	#	-	199,475	219,579
4. Debt securities in issue	#	208,882	-	208,882	215,440
5. Financial liabilities held for trading	709	-	-	709	1,123
6. Financial liabilities designated at fair value through profit and loss	-	83,630	-	83,630	113,622
7. Other liabilities and provisions	#	#	-	-	-
8. Hedging derivatives	#	#	-	-	-
Total	**236,390**	**292,512**	**-**	**528,902**	**611,714**

1.6 Interest and similar expense: other information

1.6.1 Interest expense on foreign currency liabilities

	31.12.2014	31.12.2013
Interest expense on foreign currency liabilities	1,500	1,031

1.6.2 Interest expense on finance leases

	31.12.2014	31.12.2013
Interest expense on finance leases	14	1

Section 2 – Commissions
Captions 40 and 50

2.1 Commission income: breakdown

Type of services/Values	31.12.2014	31.12.2013
a) guarantees given	31,798	29,142
b) credit derivatives	-	-
c) management, brokerage and consulting services	154,599	114,197
1. trading in financial instruments	1,003	1,204
2. trading in foreign exchange	4,735	3,729
3. portfolio management	16,758	15,086
3.1. individual	16,758	15,086
3.2. collective	-	-
4. custody and administration of securities	3,725	2,715
5. custodian bank	-	-
6. placement of securities	69,500	50,162
7. order taking	13,533	9,550
8. advisory services	4,734	2,444
8.1 regarding investments	-	-
8.2 regarding financial structuring	4,734	2,444
9. distribution of third-party services	40,611	29,307
9.1 asset management	1,458	986
9.1.1. individual	-	-
9.1.2. collective	1,458	986
9.2 insurance products	19,469	14,607
9.3 other products	19,684	13,714
d) collection and payment services	93,460	69,539
e) servicing related to securitisation	59	-
f) services for factoring transactions	-	-
g) tax collection services	-	-
h) management of multilateral trading systems	-	-
i) maintenance and management of current accounts	118,514	82,704
j) other services	156,824	126,558
- commission income on other loans to customers	123,909	104,143
- commission income on cash card services	19,034	13,059
- other commission income	13,881	9,356
Total	**555,254**	**422,140**

2.2 Commission income: distribution channels for products and services

Channels/Sectors	31.12.2014	31.12.2013
a) at own branches:	**126,869**	**94,555**
1. asset management	16,758	15,086
2. placement of securities	69,500	50,162
3. distribution of third-party services and products	40,611	29,307
b) through financial promoters:	**-**	**-**
1. asset management	-	-
2. placement of securities	-	-
3. distribution of third-party services and products	-	-
c) other distribution channels:	**-**	**-**
1. asset management	-	-
2. placement of securities	-	-
3. distribution of third-party services and products	-	-

2.3 Commission expense: breakdown

Type of service/Amounts	31.12.2014	31.12.2013
a) guarantees received	12,276	15,113
b) credit derivatives	-	-
c) management and brokerage services:	9,702	10,208
1. trading in financial instruments	609	576
2. trading in foreign exchange	-	-
3. asset management:	7,231	7,812
3.1 own portfolio	-	-
3.2 third-party portfolio	7,231	7,812
4. custody and administration of securities	1,608	1,169
5. placement of financial instruments	254	651
6. offer of securities, financial products and services through financial promoters	-	-
d) collection and payment services	4,599	4,804
e) other services	13,751	12,040
Total	**40,328**	**42,165**

Section 3 – Dividends and similar income
Caption 70

3.1 Dividends and similar income: breakdown

Caption/income	31.12.2014		31.12.2013	
	Dividends	Income from UCITS units	Dividends	Income from UCITS units
A. Financial assets held for trading	695	2	486	-
B. Financial assets available for sale	14,370	1,081	21,208	702
C. Financial assets designated at fair value through profit and loss	34	432	85	274
D. Equity investments	30,013	#	36,766	#
Total	**45,112**	**1,515**	**58,545**	**976**

Section 4 – Net trading income

Caption 80

4.1 Net trading income: breakdown

Transactions/Income items	Capital gains (A)	Trading profits (B)	Capital losses (C)	Trading losses (D)	Net result [(A+B)-(C+D)]
1. Financial assets held for trading	**15,359**	**11,712**	**(5,889)**	**(4,507)**	**16,675**
1.1 Debt securities	11,095	10,542	(3,081)	(4,166)	14,390
1.2 Equity instruments	1,688	1,169	(1,831)	(295)	731
1.3 UCITS units	2,576	-	(977)	(46)	1,553
1.4 Loans	-	-	-	-	-
1.5 Other	-	1	-	-	1
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Debts	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Other financial assets and liabilities: exchange differences	**#**	**#**	**#**	**#**	**4,116**
4. Derivatives	**113,428**	**149,560**	**(110,528)**	**(161,637)**	**(5,050)**
4.1 Financial derivatives:	113,428	149,560	(110,528)	(161,637)	(5,050)
- On debt securities and interest rates	112,340	147,560	(110,178)	(156,335)	(6,613)
- On equities and equity indices	1,088	1,767	(350)	(3,066)	(561)
- On currency and gold	#	#	#	#	4,127
- Other	-	233	-	(2,236)	(2,003)
4.2 Credit derivatives	-	-	-	-	-
Total	**128,787**	**161,272**	**(116,417)**	**(166,144)**	**15,741**

Section 5 – Net hedging gains (losses)
Caption 90

5.1 Net hedging gains (losses): breakdown

Income item/Amounts	31.12.2014	31.12.2013
A. Income relating to:		
A.1. Fair value hedges	30,133	2,052
A.2. Hedged financial assets (fair value)	-	-
A.3. Hedged financial liabilities (fair value)	-	136
A.4. Cash flow hedges	-	-
A.5. Foreign currency assets and liabilities	-	-
Total income from hedging activity (A)	**30,133**	**2,188**
B. Charges relating to:		
B.1. Fair value hedges	(59)	(228)
B.2. Hedged financial assets (fair value)	(42)	(395)
B.3. Hedged financial liabilities (fair value)	(29,137)	(1,737)
B.4. Cash flow hedges	-	-
B.5. Foreign currency assets and liabilities	-	-
Total charges from hedging activity (B)	**(29,238)**	**(2,360)**
C. Net hedging gains (losses) (A-B)	**895**	**(172)**

Section 6 – Gains (Losses) on disposal or repurchase

Caption 100

6.1 Gains (Losses) on disposal or repurchase: breakdown

Caption/Income items	31.12.2014			31.12.2013		
	Profits	Losses	Net result	Profits	Losses	Net result
Financial assets						
1. Due from banks	122	(3)	119	645	(50)	595
2. Loans to customers	1,869	(31,850)	(29,981)	3,282	(3,974)	(692)
3. Financial assets available for sale	135,862	(906)	134,956	133,533	(1,146)	132,387
3.1 Debt securities	132,242	(140)	132,102	122,761	(21)	122,740
3.2 Equity instruments	3,349	(766)	2,583	10,088	(422)	9,666
3.3 UCITS units	271	-	271	684	(703)	(19)
3.4 Loans	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-
Total assets	**137,853**	**(32,759)**	**105,094**	**137,460**	**(5,170)**	**132,290**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Debt securities in issue	1,040	(1,169)	(129)	4,518	(396)	4,122
Total liabilities	**1,040**	**(1,169)**	**(129)**	**4,518**	**(396)**	**4,122**

Section 7 – Net result on financial assets and liabilities designated at fair value

Caption 110

7.1 Net result on financial assets and liabilities designated at fair value: breakdown

Transactions/Income items	Capital gains (A)	Gains on disposal (B)	Capital losses (C)	Losses on disposal (D)	Net result [(A+B)-(C+D)]
1. Financial assets	**2,258**	**1,592**	**(807)**	**(1)**	**3,042**
1.1 Debt securities	910	1,068	(78)	-	**1,900**
1.2 Equity securities	254	280	(10)	(1)	**523**
1.3 UCITS units	1,094	244	(719)	-	**619**
1.4 Loans	-	-	-	-	**-**
2. Financial liabilities	**4,170**	**18,080**	**(9,345)**	**(156)**	**12,749**
2.1 Debt securities	4,170	18,080	(9,345)	(156)	**12,749**
2.2 Due to banks	-	-	-	-	**-**
2.3 Due to customers	-	-	-	-	**-**
3. Financial assets and liabilities in foreign currency: exchange differences	**#**	**#**	**#**	**#**	**150**
4. Derivatives	**639**	**9**	**(21,065)**	**(11,992)**	**(32,409)**
Total	**7,067**	**19,681**	**(31,217)**	**(12,149)**	**(16,468)**

The net result of the measurement of financial liabilities at fair value and of derivatives connected operationally (fair value option for financial liabilities) is negative for € 19,660 thousand.

Section 8 – Net impairment adjustments
Caption 130

8.1 Net impairment adjustments to loans and advances: breakdown

Transactions/Income Items	Adjustments			Write-backs				31.12.2014	31.12.2013
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Other		Interest	Other write-backs	Interest	Other write-backs		
A. Due from banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Loans	-	-	-	-	-	-	-	-	-
- Debt securities	-	-	-	-	-	-	-	-	-
B. Loans to customers	**(13,565)**	**(913,207)**	**(8,436)**	**80,274**	**217,739**	**-**	**10,664**	**(626,531)**	**(549,580)**
Doubtful loans acquired	-	-		-	-			-	-
- Loans	-	-	#	-	-	#	#	-	-
- Debt securities	-	-	#	-	-	#	#	-	-
Other	(13,565)	(913,207)	(8,436)	80,274	217,739	-	10,664	(626,531)	(549,580)
- Loans	(13,565)	(913,207)	-	80,274	217,739	-	10,664	(618,095)	(549,943)
- Debt securities	-	-	(8,436)	-	-	-	-	(8,436)	363
C. Total	**(13,565)**	**(913,207)**	**(8,436)**	**80,274**	**217,739**	**-**	**10,664**	**(626,531)**	**(549,580)**

8.2 Net impairment adjustments to financial assets available for sale: breakdown

Transactions/Income items	Adjustments		Write-backs		31.12.2014	31.12.2013
	Specific		Specific			
	Write-offs	Other	Interest	Other write-backs		
A. Debt securities	-	-	-	-	-	**-**
B. Equity instruments	-	(39,291)	#	#	(39,291)	**(53,451)**
C. UCITS units	-	(847)	#	-	(847)	**(2,965)**
D. Due from banks	-	-	-	-	-	**-**
E. Loans to customers	-	-	-	-	-	**-**
F. Total	**-**	**(40,138)**	**-**	**-**	**(40,138)**	**(56,416)**

The adjustments to "Equity instruments" include a write-down of the investment in Release of € 31,965 thousand.

8.4 Net impairment adjustments to other financial assets: breakdown

Transactions/Income items	Adjustments			Write-backs				31.12.2014	31.12.2013
	Specific			Specific		Portfolio			
	Write-offs	Other	Portfolio	Interest	Other	Interest	Other		
A. Guarantees given	-	(18,546)	-	-	10,214	-	1,424	(6,908)	(24,928)
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	-	-	-	-	-	-	-
D. Other transactions	-	-	-	-	-	-	-	-	-
E. Total	**-**	**(18,546)**	**-**	**-**	**10,214**	**-**	**1,424**	**(6,908)**	**(24,928)**

Section 9 – Administrative expenses
Caption 150

9.1 Payroll: breakdown

Type of expense/Amounts	31.12.2014	31.12.2013
1) Employees	**532,979**	**377,161**
a) wages and salaries	380,011	270,958
b) social security charges	99,111	69,943
c) termination indemnities	21,350	15,077
d) pension expenses	-	-
e) provision for termination indemnities	3,356	1,584
f) provision for post-retirement benefits and similar commitments:	1,217	1,249
- defined contribution	-	-
- defined benefit	1,217	1,249
g) payments to external supplementary pension funds:	10,361	7,268
- defined contribution	10,361	7,268
- defined benefit	-	-
h) costs deriving from payment agreements based on own capital instruments	-	-
i) other personnel benefits	17,573	11,082
2) Other active employees	**10,639**	**5,178**
3) Directors and auditors	**5,813**	**4,095**
4) Retired personnel	**2,020**	**1,835**
5) Recovery of cost of employees seconded to other companies	**(46,994)**	**(43,952)**
6) Reimbursement of cost of third-party employees seconded to the Bank	**3,322**	**3,051**
Total	**507,779**	**347,368**

The provision for termination indemnities required under art. 2120 of the Italian Civil Code amounted to € 1,920 thousand.
The "Other benefits to employees" caption includes provisions made in respect of applications for redundancy incentives or access to the solidarity fund as provided for by the agreements with the Trade Unions of 15 September 2012 and 17 December 2014, for a total of € 9,353 thousand.
The cost of "Directors and Statutory Auditors" includes amounts payable (€ 1,560 thousand) to the Boards of Directors and Boards of Statutory Auditors of the three Banks that were merged into BPER at the end of November 2014 and which remained in office until that date.

9.2 Average number of employees, by level

	31.12.2014	31.12.2013
Employees	7,184	**4,986**
a) Managers	158	118
b) Middle managers	2,247	1,410
c) Other employees	4,779	3,458
Other personnel	187	82

The average number of employees in the year ended 31 December 2014 takes account of the employees of the banks merged by absorption, the effective date of which was backdated to 1 January 2014, namely, Banca della Campania s.p.a., Banca Popolare di Ravenna s.p.a., Banca Popolare del Mezzogiorno s.p.a. and the transfer of personnel from the subsidiary Sardaleasing s.p.a. to the Parent Company on 1 July 2014.

9.2.1 Number of employees, by level: banking group

	31.12.2014	31.12.2013
Employees:	**8,127**	**5,759**
a) Managers	182	140
b) Total 3rd and 4th level middle managers	1,049	701
c) Total 1st and 2nd level middle managers	1,444	919
d) Other employees	5,452	3,999
Other personnel	**196**	**83**

The number of employees at 31 December 2014 takes account of the employees of the banks merged by absorption, the effective date of which was backdated to 1 January 2014, namely, Banca della Campania s.p.a., Banca Popolare di Ravenna s.p.a., Banca Popolare del Mezzogiorno s.p.a. and the transfer of personnel from the subsidiary Sardaleasing s.p.a. to the Parent Company on 1 July 2014; the comparable figure is 8,211 units (-84).

9.3 Post-retirement defined benefit plans: total costs

	31.12.2014	31.12.2013
Defined-benefit pension plans	1,217	1,249

9.4 Other personnel benefits

	31.12.2014	31.12.2013
Other personnel benefits	17,573	11,082

9.5 Other administrative expenses: breakdown

	31.12.2014	31.12.2013
Taxation	**104,689**	**72,263**
Stamp duty	92,298	61,624
Other indirect taxes with right of recourse	4,535	6,509
Municipal property tax	4,127	2,505
Other	3,729	1,625
Other costs	**353,516**	**247,517**
Post office, telephone and telegraph	13,212	10,961
Maintenance and repairs	13,958	10,323
Rental expense	53,473	38,283
Advertising	10,434	7,313
Data transmission fees and use of databases	21,577	15,631
Energy and fuel	12,722	8,602
Insurance	7,324	5,223
Printing and stationery	5,111	4,125
Cleaning of office premises	5,133	4,615
Transport	9,199	5,930
Use of external data gathering and processing services	65,586	44,643
Information and surveys	8,988	6,626
Lease of IT hardware and software	-	297
Staff training and expense refunds	11,743	7,319
Consulting and other professional services	44,558	29,686
Condominium expenses	1,907	1,940
Membership fees	3,500	3,018
Security	7,061	2,779
Administrative services	44,440	30,510
Sundry other	13,590	9,693
Total	**458,205**	**319,780**

The amount relating to "Consulting and other professional services" of € 44.6 million is attributable to sundry administrative expenses for legal services and for other professional advisors for advice on specific regulations and for the provision of support and advice on matters concerning changes in legislation, the system of internal control and the 2012-2014 Business Plan.
The details are as follows:
- *services provided by various legal advisors, particularly in respect of litigation, for € 22.8 million (€ 14.2 million in 2013);*
- *professional services provided by various firms, regarding the execution of a number of funding transactions completed in the year (issue of Covered Bonds, update and issues pertaining to the Euro Medium Term Notes programme, etc.), for the audit of the financial statements, to obtain ratings from different agencies, for specific valuation work performed for financial statement purposes (specific appraisals, Comprehensive Assessment) for € 3.4 million (€ 2.5 million in 2013);*
- *other sundry professional services (for example, appraisals and other technical support) for € 5 million (€ 4 million in 2013);*
- *sundry advice in respect of continuous changes in legislation, improvements to the system of internal control and projects foreseen by the 2012-2014 Business Plan.*

This, in fact, is truly an investment for the future as can be seen, for example, by the work performed in particular for the overall operational development of the adoption of internal models of credit risk and the new Regulations for the prudential supervision of banks referred to in Circular no. 263 of the Bank of Italy. The total of this type of cost is € 13.4 million (€ 8.9 million in 2013).

Section 10 – Net provisions for risks and charges

Caption 160

10.1 Net provisions for risks and charges: breakdown

Type of risks and charges	31.12.2014	31.12.2013
A. Provisions	**(35,109)**	**(11,595)**
1. for legal disputes	(34,059)	(11,155)
2. other	(1,050)	(440)
B. Write-backs	**4,198**	**3,325**
1. for legal disputes	4,198	3,325
2. other	-	-
Total	**(30,911)**	**(8,270)**

Section 11 – Net adjustments to property, plant and equipment

Caption 170

11.1 Net adjustments to property, plant and equipmen: breakdown

Assets/Income items	Depreciation (a)	Impairment adjustments (b)	Write-backs (c)	Net result (a+b-c)
A. Property, plant and equipment				
A.1 Owned	(23,101)	(2,055)	-	(25,156)
- For business purposes	(21,712)	-	-	(21,712)
- For investment purposes	(1,389)	(2,055)	-	(3,444)
A.2 Held under finance leases	(102)	-	-	(102)
- For business purposes	(102)	-	-	(102)
- For investment purposes	-	-	-	-
Total	**(23,203)**	**(2,055)**	**-**	**(25,258)**

As detailed in Part B, Section 11, Assets, table 11.6, the amount recorded under "Impairment adjustments" refers to the impairment test.

Section 12 – Net adjustments to intangible assets

Caption 180

12.1 Net adjustments to intangible assets: breakdown

Assets/Income items	Amortisation	Impairment adjustments	Write-backs	Net result
	(a)	(b)	(c)	(a+b-c)
A. Intangible assets				
A.1 Owned	(2,235)	-	-	(2,235)
- generated internally by the company	-	-	-	-
- other	(2,235)	-	-	(2,235)
A.2 Held under finance leases	-	-	-	-
Total	**(2,235)**	**-**	**-**	**(2,235)**

Section 13 – Other operating charges/income

Caption 190

13.1 Other operating charges: breakdown

Description/Amounts	31.12.2014	31.12.2013
Amortisation of leasehold improvement expenditure	(5,131)	(4,043)
Other	(29,186)	(5,100)
Total	**(34,317)**	**(9,143)**

13.2 Other operating revenues: breakdown

Description/Amounts	31.12.2014	31.12.2013
Rental income	3,740	2,111
Recovery of taxes	96,171	66,718
Other income	68,631	60,882
Total	**168,542**	**129,711**

Section 14 – Profit (Loss) from equity investments
Caption 210

14.1 Profit (Loss) from equity investments: breakdown

Income item/Amounts	31.12.2014	31.12.2013
A. Income	-	1,340
1. Revaluations	-	-
2. Gain from disposals	-	1,340
3. Write-backs	-	-
4. Other income	-	-
B. Charges	(7,487)	(12,854)
1. Write-downs	-	-
2. Impairment write-downs	(7,487)	(12,658)
3. Loss from disposals	-	(196)
4. Other charges	-	-
Net result	**(7,487)**	**(11,514)**

As already mentioned in Part B, Section 10, Assets, table 10.5, the amount recorded under "Impairment adjustments" refers to the impairment test.

Section 15 – Net gains (losses) arising on fair value adjustments to property, plant and equipment and intangible assets
Caption 220

There are no amounts in this section.

Section 16 – Adjustments to goodwill
Caption 230

There are no amounts in this section.

Section 17 – Gains (Losses) on disposal of investments

Caption 240

17.1 Gains and losses on disposal of investments: breakdown

Income item/Amounts	31.12.2014	31.12.2013
A. Building		
- Gains on disposal	33	-
- Losses on disposal	(2)	-
B. Other assets		
- Gains on disposal	104	67
- Losses on disposal	(167)	(25)
Net result	**(32)**	**42**

Section 18 – Income taxes for the year on current operations

Caption 260

18.1 Income taxes for the period on current operations: breakdown

Items/Segments	31.12.2014	31.12.2013
1. Current taxes (-)	(137,969)	(159,559)
2. Change in prior period income taxes (+/-)	19,340	29,228
3. Reduction in current taxes (+)	-	-
3. *bis* Reduction in current taxes for tax credits under L. 214/2011 (+)	2,183	-
4. Change in deferred tax assets (+/-)	103,266	132,974
5. Change in deferred tax liabilities (+/-)	(37)	343
6. Income taxes for the year on current operations (-) (-1+/-2+3+3 *bis*+/-4+/-5)	**(13,217)**	**2,986**

Caption 2."Change in prior period income taxes" mainly relates to prior period negative components that were deducted in 2014 and in respect of which there has been a corresponding reduction of deferred tax assets of the same amount.
Further details of the changes during the year are included in Section 13 Part B - Assets of these Explanatory notes.

18.2 Reconciliation between the theoretical and current tax burden

IRES	31.12.2014	
Result of current operations before income taxes		**28,667**
Negative components of the gross result definitively considered not relevant (+)		**73,071**
Non-deductible interest expense	18,353	
Losses on disposal/remeasurement of AFS securities and equity investments	46,779	
Non-deductible taxes (other than on income)	2,926	
Administrative costs of limited deductibility	3,073	
Other non-deductible costs	1,223	
Provisions for tax disputes	307	
Other	410	
Positive components of the gross result definitively considered not relevant (-)		**(44,525)**
Non-relevant portion of gains on disposal/remeasurement of AFS securities and equity investments	(2,337)	
Non-relevant portion of dividends	(42,188)	
Other	-	
Definitive increases not linked to elements of the gross result (+)		**5,608**
Income of controlled foreign companies (CFC)	5,608	
Definitive decreases not linked to elements of the gross result (-)		**(59,969)**
Recovery of intercompany interest expense deductibility for tax consolidation	(1,993)	
Standard deduction 10% IRAP	(4,260)	
Deduction of payroll cost for IRAP	(17,707)	
A.C.E. (aid for economic growth) deduction	(34,977)	
Other	(1,032)	
Basis of calculation of IRES shown in the income statement		**2,852**
IRES tax rate	27.50%	
Effective IRES		**784**
Effective IRES tax rate		2.74%

IRAP	31.12.2014	
Result of current operations before income taxes		**28,667**
Negative components of the gross result definitively considered not relevant (+)		**466,313**
Non-deductible interest expense	18,588	
Non-deductible portion of amortisation on assets used in business	5,849	
Other non-deductible administrative costs	45,821	
Payroll, net of permitted deductions	317,487	
Other net impairment adjustments (caption 130 of the income statement)	40,138	
Net provisions for risks and charges	30.911	
Losses from equity investments	7,487	
Other	32	
Positive components of the gross result definitively considered not relevant (-)		**(64,829)**
Non-relevant portion of dividends	(22,556)	
Other operating income	(42,273)	
Definitive increases not linked to elements of the gross result (+)		**-**
Other	-	
Definitive decreases not linked to elements of the gross result (-)		**(40,256)**
Recovery of non-relevant charges of prior periods	(40,256)	
Basis of calculation of IRAP shown in the income statement		**389,895**
Weighted average nominal rate of IRAP	5.58%	
Effective IRAP		**21,756**
Effective IRAP tax rate		75.89%

Out-of-period IRES and IRAP and other taxes		31.12.2014
Total impact		**(9,323)**
IRES - deferred tax asset on goodwill step-up	(17,695)	
IRAP - deferred tax asset on goodwill step-up	(3,584)	
Flat-rate substitute tax on goodwill step-up	10,295	
Flat-rate substitute tax on revaluation of shares in the Bank of Italy	1,661	
Effective out-of-period IRES and IRAP and other taxes		-32.52%

Total tax on gross result	31.12.2014
IRES + IRAP + other taxes	**13,217**
Overall effective tax rate	46.11%

Section 19 – Profit (Loss) after tax on current assets held for sale

Caption 280

There are no amounts in this section.

Section 20 – Other information

There are no amounts in this section.

Section 21 – Earnings per share

IAS 33 requires disclosure of basic and diluted earnings per share (EPS), specifying how each is calculated.

Basic earnings per share reflect the relationship between:

a) the earnings attributable to ordinary shareholders,
b) and the weighted average number of shares outstanding during the period.

Diluted earnings per share reflect the relationship between:

a) the earnings used to calculate basic EPS, as adjusted by the economic effects of converting all outstanding convertible bonds into shares at period end,
b) and the number of shares used to calculate basic EPS, as adjusted by the weighted average of the potential ordinary shares with a diluting effect deriving from the conversion of bonds outstanding at period end.

	31.12.2014			31.12.2013		
	Attributable earnings	Weighted average ordinary shares	Earnings per share (Euro)	Attributable earnings	Weighted average ordinary shares	Earnings per share (Euro)
Basic EPS	15,318	362,085,234	0.042	(12,789)	333,373,346	(0.038)
Diluted EPS	15,318	362,085,234	0.042	(12,194)	335,898,938	(0.036)

The following tables reconcile the weighted average number of ordinary shares outstanding used to calculate basic earnings per share with the number of ordinary shares used to calculate diluted earnings per share; they also reconcile net profit for the year with the net income used to determine basic and diluted earnings per share.

21.1 Average number of ordinary shares (fully diluted)

	31.12.2014	31.12.2013
Weighted average number of outstanding ordinary shares for basic EPS calculation	362,085,234	333,373,346
Weighted dilutive effect of the potential conversion of convertible bonds	-	2,525,592
Weighted average number of outstanding ordinary shares for diluted EPS calculation	**362,085,234**	**335,898,938**

21.2 Other information

	31.12.2014	31.12.2013
Net profit for the period	15,449	(12,789)
Allocations not attributable to the shareholders	(131)	-
Profit for basic EPS calculation	15,318	(12,789)
Change in income and charges deriving from conversion	-	595
Profit for diluted EPS calculation	**15,318**	**(12,194)**

Analytical statement of comprehensive income

(in thousands of Euro)

Captions		Gross amount	Income taxes	Net amount
10.	**Net profit (loss) for the period**	**28,666**	**(13,217)**	**15,449**
	Other income items, net of income taxes, without release to the income statement			
40.	**Defined benefit plans**	**(35,935)**	**9,882**	**(26,053)**
	Other income items, net of income taxes, with release to the income statement			
90.	**Cash-flows hedges:**	**19,483**	**(6,443)**	**13,040**
	a) changes in fair value	19,483	(6,443)	13,040
	b) release to the income statement			-
	c) other changes			-
100.	**Financial assets available for sale:**	**74,534**	**(24,716)**	**49,818**
	a) changes in fair value	75,589	(34,679)	40,910
	b) release to the income statement	(1,020)	10,056	9,036
	- impairment write-downs	40,138	(3,171)	36,967
	- gains (losses) on disposals	(41,158)	13,227	(27,931)
	c) other changes	(35)	(93)	(128)
130.	**Total other elements of income**	**58,082**	**(21,277)**	**36,805**
140.	**Total comprehensive income (Captions 10+130)**	**86,748**	**(34,494)**	**52,254**

Introduction

With regard to a summary of the risk governance organisation, of the related processes and key functions, reference should be made to the details provided in the section on "Principal risks and uncertainties" in the Directors' Report on Group Operations.

QUALITATIVE INFORMATION

1. General aspects

In 2014 the BPER Group, in a scenario of continued economic crisis, has chosen, as in previous years, to implement prudential lending policies aimed at optimizing the risk-return ratio of the loan book.

The BPER Group faces up to this situation with an integrated approach, which is extended to all its components, banking or otherwise. It follows that what is described below must be considered valid and applied also to BPER as a single entity.

Demand for credit continued to be weak both from individuals and from businesses, whether Small Businesses and Retail SMEs or Corporates and Large Corporates.

As regards individuals, however, there has been a significant upswing in mortgage applications for home purchase, stoked by targeted commercial initiatives that offer particularly advantageous conditions.

Special credit facilities on similarly favourable terms were also offered to businesses, but they did not produce the same results; in fact, requests for financing and the use of credit lines already granted continued to shrink because of the continuous decline in production and lower capital investment.

BPER, in supporting and promoting credit, focused particularly on areas aimed at innovation (both process and product) and internationalisation, as these are considered leading drivers for the development and economic growth of a country that has been in recession for years.

In this context and in line with the production data of Assilea, there has been a recovery in lease transactions mainly in the real estate sector, where, thanks to the innovations introduced by the Stability Law 147/2013, leasing is once again the preferred instrument to finance capital investment.

To cope with the needs of the territory, the Banking Group continued its participation in the 2013 Credit Agreement, which was first extended to the end of 2014 and then to the end of March 2015, waiting for new forms of support for businesses in temporary difficulties.

2. Credit risk management policies

The **lending policy of the Group** pursues the aim of carefully selecting counterparties through an analysis of their creditworthiness, including the use of well-established tools such as the rating system, having regard for the achievement of commercial and support objectives.
In view of the Group's strategic objectives and operations, the general risk management strategy is to accept a moderate level of risk involving:

- the assessment of the current and prospective creditworthiness of counterparties;

- the diversification of the portfolio, limiting the concentration of exposures towards individual counterparties and sectors of economic activity.

2.1 Organisational aspects

The Group's credit risk management model has the following objectives:

- apply the instructions issued by the Supervisory Authorities, while taking account of the Group's specific operating characteristics;
- ensure that credit risk is managed appropriately by each bank and at a consolidated level.

These objectives are achieved via the **segregation of responsibilities and duties** between the bodies that manage credit risk and those with a control function.

The following elements underpin work to manage and control the exposure to credit risk:

- **independence** of the function responsible for the measurement of credit risk with respect to the various business functions;
- **clear** definition of delegated powers and the resulting structure of limits imposed by the Board of Directors of the Parent Company;
- **coordination by the Parent Company of credit risk management processes,** while leaving individual companies with operational autonomy for the management of credit risk;
- **consistent** application of measurement models throughout the Group, in line with international best practice;
- **transparent** methodology and measurement criteria to facilitate understanding of the risk measures adopted;
- **performance of periodic stress tests** which use endogenous and exogenous shock scenarios to provide deterministic and/or probability-based indicators of risk.

2.2 Systems for managing, measuring and monitoring

The management of risk involves applying a **system of methodologies** and approaches for the ongoing measurement and/or assessment of risk. This system helps to guide operational decisions and quantify the level of capital required by the Group in order to cover the risks that have been accepted. Each Bank analyses the various components of credit risk and identifies the exposure associated with the loan portfolio using suitable measurement methodologies. In particular, the Bank uses many tools to measure and monitor credit risk in relation to both performing and non-performing loans.
The characteristics of the **rating models** developed by the Parent Company for the calculation of PD (Probability of default: i.e. the probability that the borrower will not be able to meet their commitments) depend on the risk segment to which the counterparty belongs, the amount of the exposure and the stage in the lending process at which they are applied (initial payout or monitoring). The classifications are represented by 13 classes of merit differentiated by risk segment and encompassed within a single Master Scale.

All of the Parent Company's systems share a number of **common characteristics**:

- the rating is determined with reference to the specific counterparty;

- the rating systems are established with reference to the loan portfolio of the banking group (the rating is unique for each counterparty, even if shared by several banks in the Group);
- the models process internal performance information derived from reports issued by the central risk database and financial information in relation to businesses;
- the Corporate SMEs, Long-term Property SMEs and Large Corporate models include a qualitative element, in addition to the statistical element. The rating allocation process for these segments also allows the account manager to activate an override process i.e. to request an exception to the quantitative rating based on true and documented information not processed by the model. The requested exception is evaluated by a central function that operates at Group level;
- to support risk analysis in the Large Corporate segment, another component was added to the model to take into account whether counterparties belong to a group;
- the Probability of Default is calibrated with reference to regulatory anomalies, which include past due amounts but exclude the so-called technical past due amounts;
- the time series used to develop and calibrate the models cover a broad time horizon and reflect internal reality on a forward-looking basis;
- the ratings are analysed and reviewed at least once each year; the Bank has also defined a process for the monitoring of each rating, causing the rating to lapse if it no longer represents the true risk profile of the counterparty and there are signs of deterioration in the quality of the related lending.

Determination of the **final rating** depends on the type of counterparty. In particular, the rating allocation process involves a level of investigation that is proportional to the complexity/scale of the counterparty under review: it is more complex and detailed for medium-large businesses (Corporate SMEs, Long-term Property SMEs and Large Corporates), which are fewer but with larger average exposures, and simpler for Retail customers (Retail SMEs, Individuals and Small Businesses), which are more numerous but with lower exposures.

The **estimation of LGD -** Loss Given Default: represents the extent of the loss expected to occur on default of the borrower, dependent on type of exposure to the counterparty and is based on information on the borrower (segment, geographical area, internal administrative status), the product (technical form, size of exposure), and the presence, type and coverage of guarantees.
LGD estimation includes the impact of the recession (downturn LGD).

Important activities that took place in 2014 as part of the **Basel 2 Project** included:
- updating of the rating assignment process, for the Individuals and Small Business segments;
- updating performance and retail acceptance models;
- recalibration of the Large Corporate model;
- refinement of the parallel running system (for the calculation of capital requirements using the standardised approach and an Internal Rating Based (IRB) approach);
- update of the LGD model, lengthening the time series being analysed.

In addition to indicating the principles of governance, assumption and management of credit risk, the Group Credit Risk Governance Policy defines the BPER Group's credit risk appetite. For this purpose, the policy provides for a new system of credit risk exposure limits, establishing supervisory thresholds that have to be monitored periodically. The document also explains the principles for calculating analytical and collective loan loss provisions and for the classification of loans by status.

In order to manage credit risk, the Group has developed a system of credit limits designed to regulate the lending process, together with a system for authorisations that takes account of the riskiness of the customer and/or the transaction, consistent with the risk evaluation systems adopted. This system ensures compliance with the principle that the level of authorisation be consistent with the riskiness of the transaction, envisaging that the limits on decision making are established with reference to one or more aspects of the specific counterparty and transaction risk (in particular counterparty rating, expected loss, amount of the facility).

The internal rating system's risk measures are used for management reporting purposes; in particular, a **Credit Risk Book** is prepared on a quarterly basis and is an essential tool for the Credit Risk Committee. This is the basic information support for the Credit Risk Committee and contains detailed reports on credit risk at consolidated and individual level (distribution of the portfolio by type, rating classes and expected loss, transition matrices, dynamics of general and analytical provisions, decay rates, risk-adjusted profitability), with differentiated analyses for risk and management segments and geographical area.
In addition, a summary report is prepared on a monthly basis, including the monitoring of supervisory thresholds set for credit risk.
A **network reporting** tool is also available, characterised by different views of the loan portfolio, with different levels of aggregation (Branch, Area, General Management, Bank and Group) and hierarchical visibility cones.

2.3 Credit risk mitigation techniques

Mitigation techniques are an important tool for reducing or transferring part of the credit risk associated with the portfolio of exposures. Consistent with the low risk appetite that characterises operations, the Group seeks to mitigate credit risk, in particular, by **obtaining and managing secured and unsecured guarantees**. For this purpose, the Group has prepared suitable IT procedures and systems for managing mortgages and financial guarantees in compliance with prudent supervisory requirements, as well as appropriate internal regulations for managing the life-cycles of the other tangible security obtained.

The secured guarantees obtained by the Group generally comprise mortgages on residential and non-residential property, as part of retail lending and, to a lesser extent, loans to Corporate customers, as well as pledges on securities, receivables and cash. An internal procedure developed over a number of years gathers information in an organised fashion on the property assets of borrowers and on the properties given in guarantee. The value of property is periodically remeasured and updated with reference to the statistical databases maintained by a leading operator in the sector, and steps are taken to renew the related appraisals; an internal function covering the entire banking group has been established to supervise this process and monitor constantly the value obtained to cover exposures, as required by the new regulations. Similarly, the fair value of financial instruments obtained as security is updated continuously, as part of the finance system, with reference to the changes in market prices.

The principal types of unsecured guarantees consist of "specific guarantees" and "restricted omnibus guarantees", mainly given by entrepreneurs in favour of their companies and by parent companies in favour of their subsidiaries in the form of binding letters of patronage. The guarantees given by various guarantee consortiums in favour of their members firms are becoming more significant.

2.4 Impaired financial assets

Impaired financial assets are managed with reference to a series of **internal classifications** based on the quality of the debtor and the risks associated with each transaction, as required by the supervisory regulations.

The classification of each anomalous position is decided with reference to an internal regulation that governs in detail the level of monitoring required given the type of anomaly that has occurred: certain changes in status are automatic; others are made after a subjective assessment of the performance of the positions concerned. The tools available identify on a timely basis any signs of deterioration in the relationship that might lead to its classification as an anomalous position.
The consistency of the classification of an anomalous position with respect to the internal regulations is assured by automated periodic checks that apply these regulations to the entire population, comparing the results with the current classification. An assessment of the adequacy of the adjustments made with respect to the requirements of the internal regulations is also made in the same way.
If the anomaly ceases to exist, the position is reclassified to a less serious monitoring status; after the completion of subjective and analytical assessments; this may result, in the final analysis, a return to "performing" status. Similar monitoring is performed in relation to receivables that are past due by more than a given period of time.

In order to optimise the process of monitoring customers, the Parent Company has developed an **Early Warning model**. This is capable of analysing performing loans by level of risk, with a view to suggesting timely action to be taken by the responsible functions.

The model was developed using methodology that responds to two key principles in the process of managing performing counterparties:

- the need to identify as a first step those counterparties that, for the sake of prudence, should be monitored actively in order to avoid a deterioration in their position, or to implement actions that will improve the counterparty’s risk profile or contain possible future losses;
- the need to define processes for observing these positions, determining the priorities and the rules for monitoring them, in order to optimise the organisational effort of the account managers and the results of such action.

QUNTITATIVE INFORMATION

A. Credit quality

A.1 Doubtful and performing loans: amounts, adjustments, trends, economic and territorial distribution

A.1.1 Distribution of credit exposures by portfolio and quality of lending (book values)

Portafogli/qualità		Non-Performing Loans	Watchlist loans	Restrucured loans	Impaired past due loans	Not impaired past due loans	Other assets	Total
1. Financial assets held for trading		1	2,100	2,738	66	-	948,009	952,914
2. Financial assets available for sale		-	-	-	-	-	5,083,720	5,083,720
3. Financial assets held to maturity		-	-	-	-	-	2,213,497	2,213,497
4. Due from banks		-	-	-	-	-	1,743,446	1,743,446
5. Loans to customers		1,814,821	1,995,833	498,314	126,241	1,080,133	28,761,533	34,276,875
6. Financial assets designated at fair value through profit and loss		-	-	-	-	-	21,474	21,474
7. Financial assets being sold		-	-	-	-	-	-	-
8. Hedging derivatives		-	-	-	-	-	33,660	33,660
Total	**31.12.2014**	**1,814,822**	**1,997,933**	**501,052**	**126,307**	**1,080,133**	**38,805,339**	**44,325,586**
Total	**31.12.2013**	**1,291,164**	**1,615,894**	**376,085**	**150,923**	**972,703**	**33,374,934**	**37,781,703**

A.1.2 Distribution of credit exposures by portfolio and quality of lending (gross and net values)

Portfolio/quality		Doubtful loans			Performing loans			Total
		Gross exposure	Specific provisions	Net exposure	Gross exposure	Portfolio provisions	Net exposure	(Net exposure)
1. Financial assets held for trading		4,905	-	4,905	948,009	#	948,009	952,914
2. Financial assets available for sale		-	-	-	5,083,720	-	5,083,720	5,083,720
3. Financial assets held to maturity		-	-	-	2,213,497	-	2,213,497	2,213,497
4. Due from banks		-	-	-	1,743,446	-	1,743,446	1,743,446
5. Loans to customers		7,633,373	3,198,164	4,435,209	29,985,420	143,754	29,841,666	34,276,875
6. Financial assets designated at fair value through profit and loss		-	-	-	21,474	#	21,474	21,474
7. Financial assets being sold		-	-	-	-	-	-	-
8. Hedging derivatives		-	-	-	33,660	#	33,660	33,660
Total	**31.12.2014**	**7,638,278**	**3,198,164**	**4,440,114**	**40,029,226**	**143,754**	**39,885,472**	**44,325,586**
Total	**31.12.2013**	**5,635,618**	**2,201,552**	**3,434,066**	**34,470,294**	**122,657**	**34,347,637**	**37,781,703**

Derecognised non-performing loans to customers involved in insolvency proceedings amount to € 893,123 thousand. For the purpose of determining the actual level of coverage of non-performing loans, the above mentioned derecognised loans need to be taken into account.

As required by the 3rd update of Circular no. 262/2005, the following table provides details of "Performing exposures" of the portfolio of loans to customers, distinguishing between exposures subject to renegotiation under collective agreements, exposures subject to renegotiation granted by the Bank to customers in financial difficulty and other exposures.

Portfolio/Quality	Other assets	Past due loans that are not considered doubtful			
	not overdue	Past due up to 3 months	Past due from 3 to 6 months	Past due from 6 to 12 months	Past due for over 1 year
A. Banking group					
5. Loans to customers	**28,761,533**	**857,881**	**170,200**	**51,974**	**78**
- Exposures subject to renegotiation in connection with collective agreements	208,866	17,631	4,810	1,113	-
- Exposures subject to renegotiation granted to customers in financial difficulty	201,569	120,978	73,257	12,519	6
- Other exposures	28,351,098	719,272	92,133	38,342	72
Total	**28,761,533**	**1,080,133**			

At 31 December 2014 there were no exposures subject to renegotiation in the portfolios other than loans to customers.

A.1.3 Cash and off-balance sheet exposures to banks: gross and net values

Type of exposure/amounts	Gross exposure	Specific provisions	General portfolio provisions	Net exposure
A. Cash exposure				
a) Non-performing loans	-	-	#	-
b) Watchlist loans	-	-	#	-
c) Restructured loans	-	-	#	-
d) Past due loans impaired	-	-	#	-
e) Other assets	3,906,015	#	-	3,906,015
Total A	**3,906,015**	**-**	**-**	**3,906,015**
B. Off-Balance Sheet exposure				
a) Doubtful loans	-	-	#	-
b) Others	612,560	#	-	612,560
Total B	**612,560**	**-**	**-**	**612,560**
Total A+B	**4,518,575**	**-**	**-**	**4,518,575**

A.1.6 Cash and off-balance sheet credit exposures to customers: gross and net values

Type of exposures/amounts	Gross exposure	Specific provisions	General portfolio adjustments	Net exposure
A. Cash exposure				
a) Non-performing loans	4,387,776	2,572,955	#	1,814,821
b) Watchlist loans	2,517,949	522,116	#	1,995,833
c) Restructured loans	588,958	90,644	#	498,314
d) Impaired past due loans	138,690	12,449	#	126,241
e) Other assets	35,842,474	#	143,754	35,698,720
Total A	**43,475,847**	**3,198,164**	**143,754**	**40,133,929**
B. Off-Balance Sheet exposure				
a) Doubtful loans	243,732	41,158	#	202,574
b) Others	3,608,156	#	12,103	3,596,053
Total B	**3,851,888**	**41,158**	**12,103**	**3,798,627**
Total (A+B)	**47,327,735**	**3,239,322**	**155,857**	**43,932,556**

A.1.7 Cash credit exposure to customers: dynamic of gross impaired loans

Description/categories	Non-Performing Loans	Watchlist loans	Restructured loans	Past due loans
A. Opening gross exposure	**3,017,009**	**2,017,697**	**435,294**	**162,236**
- of which: assets sold but not derecognised	-	-	-	-
B. Increases	**1,849,651**	**2,274,569**	**456,063**	**219,966**
B.1 transfers from performing loans	236,491	1,194,270	119,730	134,612
B.2 transfers from other categories of impaired exposures	772,171	126,180	164,121	1,985
B.3 other increases	840,989	954,119	172,212	83,369
C. Reductions	**478,884**	**1,774,317**	**302,399**	**243,512**
C.1 transfers to performing loans	-	222,199	2,800	66,788
C.2 write-offs	51,753	12,309	2,186	-
C.3 collections	258,663	658,097	245,292	46,100
C.4 proceeds from disposals	43,631	-	-	-
C.4 *bis* losses from disposals	124,837	-	-	-
C.5 transfers to other categories of impaired exposures	-	881,712	52,121	130,624
C.6 other decreases	-	-	-	-
D. Closing balance gross exposure	**4,387,776**	**2,517,949**	**588,958**	**138,690**
- of which: assets sold but not derecognised	-	-	-	-

The figures for "Other increases" (B.3) include the amounts arising on the merger of Banca della Campania s.p.a., Banca Popolare del Mezzogiorno s.p.a. and Banca Popolare di Ravenna s.p.a.; this transaction qualifies as a "business combination between entities under common control", not covered by IFRS 3. In detail, these amounts include € 736,893 thousand of non-performing loans, € 619,589 thousand of watchlist loans, € 22,320 thousand of restructured loans and € 49,510 thousand of past due loans.

A.1.8 Cash credit exposures to customers: dynamics of total write-downs

Description/categories	Non-Performing loans	Watchlist loans	Restructured loans	Past due loans
A. Total opening adjustments	**1,725,845**	**403,060**	**61,334**	**11,313**
- of which: assets sold but not derecognised	-	-	-	-
B. Increases	**1,211,776**	**423,902**	**64,396**	**16,142**
B.1 adjustments	625,600	298,670	23,712	11,741
B.1 *bis* loss from disposals	31,850	-	-	-
B.2 transfers from other categories of impaired exposures	176,110	12,590	37,223	810
B.3 other increases	378,216	112,642	3,461	3,591
C. Decreases	**364,666**	**304,846**	**35,086**	**15,006**
C.1 write-backs on valuation	126,538	61,354	10,735	4,795
C.2 write-backs due to collections	59,408	28,728	7,989	109
C.2 *bis* profit from disposals	1,869	-	-	-
C.3 write-offs	51,753	12,309	2,186	-
C.4 transfers to other categories of impaired exposures	-	202,455	14,176	10,102
C.5 other decreases	125,098	-	-	-
D.Total closing adjustments	**2,572,955**	**522,116**	**90,644**	**12,449**
- of which: assets sold but not derecognised	-	-	-	-

The figures for "Other increases" (B.3) include the amounts arising on the merger of Banca della Campania s.p.a., Banca Popolare del Mezzogiorno s.p.a. and Banca Popolare di Ravenna s.p.a.; this transaction qualifies as a "business combination between entities under common control", not covered by IFRS 3. In detail, these amounts include € 370,917 thousand of non-performing loans, € 112,286 thousand of watchlist loans, € 3,440 thousand of restructured loans and € 3,592 thousand of past due loans.
The adjustments take account of default interest accrued in the year of € 32.9 million.

Determination of impairment of performing loans ("collective" method")

The Bank's method used for the determination of collective impairment provides for the calculation of collective impairment by single exposure by means of the following formula:

IMPAIRMENT=EXP*PD*LGD

- EXP = gross book value in the case of cash exposures; nominal value multiplied by the regulatory credit equivalent (standard method) in the case of off-balance sheet exposures;
- PD = A value that estimates the probability of default. The PDs associated with internal official ratings are used;
- LGD = Rate of loss in case of default. The LGD estimated by the internal models developed as part of the Basel 2 project is applied, less the downturn component and indirect costs (LGD for management purposes).

A.2 Classification of exposures based on external and internal ratings

A.2.1 Distribution of cash and "off-balance sheet" exposures by external rating class

Exposures	External rating class						Total
	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	Below B-	
A. Cash exposures	105,206	7,231,664	860,358	1,611,901	128,424	99,361	10,036,914
B. Derivatives	-	4,191	21,190	27,641	219	-	53,241
B.1 Financial derivatives	-	4,191	21,190	27,641	219	-	53,241
B.2 Credit derivatives	-	-	-	-	-	-	-
C. Guarantees given	-	585,379	197,708	407,694	17,805	42,286	1,250,872
D. Commitments to make loans	-	16,736	98,820	65,320	12,369	-	193,245
E. Other	-	-	-	-	-	-	-
Total	**105,206**	**7,837,970**	**1,178,076**	**2,112,556**	**158,817**	**141,647**	**11,534,272**

	With rating	Unrated	Total
A. Cash exposures	10,036,914	34,003,030	44,039,944
B+C+D. Off-balance sheet exposures	1,497,358	2,913,830	4,411,188
Total	**11,534,272**	**36,916,860**	**48,451,132**

The following rating agencies are used: DBRS for exposures to central administrations, Cerved Group for exposures to businesses, Fitch, Moody's and S&P's for exposures deriving from securitisations.
The rating classes used in the table are those of Standard & Poor's.
S&P's rating classes and those of the other ECAI used by the BPER Group have been interpreted with reference to the Bank of Italy's classes of merit.

The ratings issued by Standard & Poor's for exposures to businesses and other parties are mapped below.

Long-term rating for exposures to businesses and other parties:

Class of credit merit	Risk weighting coefficients	ECAI Standard & Poor's
1	20%	from AAA to AA-
2	50%	from A+ to A-
3	100%	from BBB+ to BBB-
4	100%	from BB+ to BB-
5	150%	from B+ to B-
6	150%	CCC+ and below

Long-term rating for exposures to securitisations:

Class of credit merit	Risk weighting coefficients	ECAI Standard & Poor's
1	20%	from AAA to AA-
2	50%	from A+ to A-
3	100%	from BBB+ to BBB-
4	350%	from BB+ to BB-
5	1250%	from B+ and below

A.2.2 Distribution of cash and “off-balance sheet” exposures by internal rating class

Exposures to individuals:

Exposures	Internal rating class						
	1	2	3	4	5	6	7
A. Cash exposures	916,908	818,807	617,987	1,248,129	1,221,929	598,098	369,859
B. Derivatives	8	7	1	102	25	-	3
B.1 Financial derivatives	8	7	1	102	25	-	3
B.2 Credit derivatives	-	-	-	-	-	-	-
C. Guarantees given	3,633	4,935	2,829	11,954	12,213	5,626	6,910
D. Commitments to make loans	897	1,122	2,250	3,946	3,905	422	1,372
E. Other	-	-	-	-	-	-	-
Total	**921,446**	**824,871**	**623,067**	**1,264,131**	**1,238,072**	**604,146**	**378,144**

(cont.)

Exposures	Internal rating class						
	8	9	10	11	12	13	Total
A. Cash exposures	281,985	183,110	140,834	102,309	60,200	56,668	6,616,823
B. Derivatives	3	1	(1)	-	-	-	149
B.1 Financial derivatives	3	1	(1)	-	-	-	149
B.2 Credit derivatives	-	-	-	-	-	-	-
C. Guarantees given	2,777	445	395	275	130	26	52,148
D. Commitments to make loans	406	176	96	325	-	38	14,955
E. Other	-	-	-	-	-	-	-
Total	**285,171**	**183,732**	**141,324**	**102,909**	**60,330**	**56,732**	**6,684,075**

Exposures to businesses:

Exposures	Internal rating class						
	1	2	3	4	5	6	7
A. Cash exposures	852,642	1,246,359	1,807,637	2,333,703	2,042,268	1,552,368	974,872
B. Derivatives	880	1,819	1,448	11,431	31,059	17,047	909
B.1 Financial derivatives	880	1,819	1,448	11,431	31,059	17,047	909
B.2 Credit derivatives	-	-	-	-	-	-	-
C. Guarantees given	189,576	210,905	236,109	186,217	144,277	81,071	57,148
D. Commitments to make loans	16,681	11,288	22,256	34,414	30,311	16,177	2,346
E. Other	-	-	-	-	-	-	-
Total	**1,059,779**	**1,470,371**	**2,067,450**	**2,565,765**	**2,247,915**	**1,666,663**	**1,035,275**

(cont.)

Exposures	Internal rating class						
	8	9	10	11	12	13	Total
A. Cash exposures	750,884	472,043	325,328	192,905	110,303	126,385	12,787,697
B. Derivatives	315	7	118	146	16	211	65,406
B.1 Financial derivatives	315	7	118	146	16	211	65,406
B.2 Credit derivatives	-	-	-	-	-	-	-
C. Guarantees given	30,164	19,277	12,738	3,746	1,579	1,727	1,174,534
D. Commitments to make loans	8,894	10,081	2,321	1,923	1,792	2,048	160,532
E. Other	-	-	-	-	-	-	-
Total	**790,257**	**501,408**	**340,505**	**198,720**	**113,690**	**130,371**	**14,188,169**

Exposures to large businesses:

Exposures	Internal rating class						
	1	2	3	4	5	6	7
A. Cash exposures	74,564	197,760	438,801	445,820	417,560	232,363	305,167
B. Derivatives	434	409	2,647	709	555	1,069	7
B.1 Financial derivatives	434	409	2,647	709	555	1,069	7
B.2 Credit derivatives	-	-	-	-	-	-	-
C. Guarantees given	95,477	66,420	217,911	225,034	208,555	37,532	117,403
D. Commitments to make loans	148	7,905	4,913	12,742	89,663	3,568	1,171
E. Other	-	-	-	-	-	-	-
Total	**170,623**	**272,494**	**664,272**	**684,305**	**716,333**	**274,532**	**423,748**

(cont.)

Exposures	Internal rating class						
	8	9	10	11	12	13	Total
A. Cash exposures	172,777	102,522	60,790	31,858	8,348	-	2,488,330
B. Derivatives	78	55	-	-	34	-	5,997
B.1 Financial derivatives	78	55	-	-	34	-	5,997
B.2 Credit derivatives	-	-	-	-	-	-	-
C. Guarantees given	18,038	8,835	2,196	5,723	278	-	1,003,402
D. Commitments to make loans	-	3,701	-	-	-	-	123,811
E. Other	-	-	-	-	-	-	-
Total	**190,893**	**115,113**	**62,986**	**37,581**	**8,660**	**-**	**3,621,540**

A.3 Distribution of guaranteed exposures by type of guarantee

A.3.1 Guaranteed credit exposures to banks

	Amount of net exposure	Real guarantees (1)			
		Property - Mortgages	Property finance lease	Securities	Other secured guarantees
1. Guaranteed cash exposures:	**195,638**	**-**	**-**	**189,289**	**-**
1.1. fully guaranteed	195,638	-	-	189,289	-
- of which: doubtful	-	-	-	-	-
1.2. partially guaranteed	-	-	-	-	-
- of which: doubtful	-	-	-	-	-
2. Guaranteed off-balance sheet credit exposures:	**2,048**	**-**	**-**	**-**	**-**
2.1. fully guaranteed	2,048	-	-	-	-
- of which: doubtful	-	-	-	-	-
2.2. partially guaranteed	-	-	-	-	-
- of which: doubtful	-	-	-	-	-

(cont.)

	Personal guarantees (2)									Total (1)+(2)
	Credit Derivatives					Endorsement credits				
	Creadit link notes	Other derivatives								
		Governments and central banks	Other public entities	Banks	Other parties	Governments and central banks	Other public entities	Banks	Other parties	
1. Guaranteed cash exposures:	**-**	**-**	**-**	**-**	**-**	**10,003**	**-**	**-**	**855**	**200,147**
1.1. fully guaranteed	-	-	-	-	-	10,003	-	-	855	200,147
- of which: doubtful	-	-	-	-	-	-	-	-	-	-
1.2. partially guaranteed	-	-	-	-	-	-	-	-	-	-
- of which: doubtful	-	-	-	-	-	-	-	-	-	-
2. Guaranteed off-balance sheet credit exposures:	**-**	**-**	**-**	**-**	**-**	**2,048**	**-**	**-**	**-**	**2,048**
2.1. fully guaranteed	-	-	-	-	-	2,048	-	-	-	2,048
- of which: doubtful	-	-	-	-	-	-	-	-	-	-
2.2. partially guaranteed	-	-	-	-	-	-	-	-	-	-
- of which: doubtful	-	-	-	-	-	-	-	-	-	-

A.3.2 Guaranteed credit exposures to customers

	Amount of net exposure	Real guarantees (1)			
		Property - Mortgages	Property Finance lease	Securities	Other secured guarantees
1. Guaranteed cash exposures:	**21,703,562**	**44,852,532**	**-**	**976,027**	**610,575**
1.1. fully guaranteed	19,491,475	44,392,444	-	856,910	578,571
- of which: doubtful	3,125,855	9,133,311	-	76,115	17,474
1.2. partially guaranteed	2,212,087	460,088	-	119,117	32,004
- of which: doubtful	555,149	318,977	-	6,803	4,450
2. Guaranteed off-balance sheet credit exposures:	**883,224**	**8,816**	**-**	**90,217**	**51,089**
2.1. fully guaranteed	763,163	8,816	-	65,525	38,085
- of which: doubtful	44,011	2,389	-	2,397	5,589
2.2. partially guaranteed	120,061	-	-	24,692	13,004
- of which: doubtful	7,487	-	-	2,545	233

(cont.)

	Personal guarantees (2)									Total (1)+(2)
	Crediti derivatives					Endorsement credits				
		Other derivatives								
	Credit link notes	Governments and central banks	Other public entities	Banks	Other parties	Governments and central banks	Other public entities	Banks	Other parties	
1. Guaranteed cash exposures:	**-**	**-**	**-**	**-**	**-**	**117,984**	**404,701**	**54,325**	**4,952,403**	**51,968,547**
1.1. fully guaranteed	-	-	-	-	-	14,856	186,036	41,913	4,390,788	50,461,518
- of which: doubtful	-	-	-	-	-	1,722	22,819	27,664	661,612	9,940,717
1.2. partially guaranteed	-	-	-	-	-	103,128	218,665	12,412	561,615	1,507,029
- of which: doubtful	-	-	-	-	-	6,456	6,327	330	199,178	542,521
2. Guaranteed off-balance sheet credit exposures:	**-**	**-**	**-**	**-**	**-**	**688**	**1,080**	**14,283**	**683,039**	**849,212**
2.1. fully guaranteed	-	-	-	-	-	6	1,080	13,521	653,710	780,743
- of which: doubtful	-	-	-	-	-	-	-	7,227	29,465	47,067
2.2. partially guaranteed	-	-	-	-	-	682	-	762	29,329	68,469
- of which: doubtful	-	-	-	-	-	525	-	-	1,693	4,996

B. Distribution and concentration of credit exposures

B.1 Distribution by sector of cash and "off-balance sheet" exposures to customers (book value)

Exposures/Counterparts	Governments			Other Pubblic Entities			Financial businesses		
	Net exposure	Specific adjustments	General portfolio adjustments	Net exposure	Specific adjustments	General portfolio adjustments	Net exposure	Specific adjustments	General portfolio adjustments
A. Cash exposure									
A.1 Non-performing loans	-	-	#	68	24	#	36,966	132,612	#
A.2 Watchlist loans	-	-	#	6,232	653	#	35,565	16,272	#
A.3 Restructured loans	-	-	#	-	-	#	50,458	9,276	#
A.4 Impaired past due loans	-	-	#	-	-	#	194	21	#
A.5 Other exposures	6,988,657	#	-	156,189	#	1,476	4,966,695	#	5,890
Total A	**6,988,657**	**-**	**-**	**162,489**	**677**	**1,476**	**5,089,878**	**158,181**	**5,890**
B. Off-Balance Sheet exposures									
B.1 Non-performing loans	-	-	#	-	-	#	-	-	#
B.2 Watchlist loans	-	-	#	-	-	#	1,669	4	#
B.3 Other impaired loans	-	-	#	-	-	#	6,628	-	#
B.4 Other exposures	76,666	#	-	8,366	#	55	559,219	#	821
Total B	**76,666**	**-**	**-**	**8,366**	**-**	**55**	**567,516**	**4**	**821**
Total (A+B) 31.12.2014	**7,065,323**	**-**	**-**	**170,855**	**677**	**1,531**	**5,657,394**	**158,185**	**6,711**
Total (A+B) 31.12.2013	**6,629,839**	**-**	**-**	**72,190**	**-**	**397**	**4,868,078**	**80,539**	**4,403**

(cont.)

Exposures/Counterparts	Insurance companies			Non-financial companies			Other parties		
	Net exposure	Specific adjustments	General portfolio adjustments	Net exposure	Specific adjustments	General portfolio adjustments	Net exposure	Specific adjustments	General portfolio adjustments
A. Cash exposure	-	-	-	-	-	-	-	-	-
A.1 Non-performing loans	-	-	#	1,535,421	2,089,291	#	242,366	351,028	#
A.2 Watchlist loans	-	-	#	1,704,801	461,242	#	249,235	43,949	#
A.3 Restructured loans	-	-	#	447,582	81,338	#	274	30	#
A.4 Impaired past due loans	-	-	#	97,627	11,643	#	28,420	785	#
A.5 Other exposures	127,092	#	4	16,591,210	#	126,051	6,868,877	#	10,333
Total A	**127,092**	**-**	**4**	**20,376,641**	**2,643,514**	**126,051**	**7,389,172**	**395,792**	**10,333**
B. Off-Balance Sheet exposures	-	-	-	-	-	-	-	-	-
B.1 Non-performing loans	-	-	#	18,928	18,814	#	369	31	#
B.2 Watchlist loans	-	-	#	88,041	11,950	#	911	121	#
B.3 Other impaired loans	-	-	#	85,764	10,228	#	264	10	#
B.4 Other exposures	10,564	#	13	2,834,771	#	7,279	106,431	#	3,935
Total B	**10,564**	**-**	**13**	**3,027,504**	**40,992**	**7,279**	**107,975**	**162**	**3,935**
Total (A+B) 31.12.2014	**137,656**	**-**	**17**	**23,404,145**	**2,684,506**	**133,330**	**7,497,147**	**395,954**	**14,268**
Total (A+B) 31.12.2013	**131,117**	**-**	**87**	**20,336,751**	**1,790,894**	**118,459**	**5,922,598**	**358,743**	**11,541**

B.2 Territorial distribution of the cash and "off-balance sheet" exposures to customers (book value)

Exposures/Geographical areas		Italy		Other EU countries		America		Asia		Rest of the world	
		Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs
A. Cash exposures											
A.1 Non-performing loans		1,809,837	2,559,168	4,984	13,725	-	35	-	1	-	26
A.2 Watchlist loans		1,933,792	503,238	54,434	17,737	7,596	1,138	1	-	10	3
A.3 Restructured loans		498,314	90,644	-	-	-	-	-	-	-	-
A.4 Impaired past due loans		126,221	12,447	19	2	1	-	-	-	-	-
A.5 Other exposures		34,779,696	143,235	763,666	485	131,619	28	1,655	5	22,084	1
Total		**39,147,860**	**3,308,732**	**823,103**	**31,949**	**139,216**	**1,201**	**1,656**	**6**	**22,094**	**30**
B. Off-Balance Sheet exposures											
B.1 Non-performing Loans		19,297	18,845	-	-	-	-	-	-	-	-
B.2 Watchlist loans		74,661	10,116	15,960	1,959	-	-	-	-	-	-
B.3 Other impaired loans		92,656	10,238	-	-	-	-	-	-	-	-
B.4 Other exposures		3,340,594	11,362	254,490	740	333	1	-	-	600	-
Total		**3,527,208**	**50,561**	**270,450**	**2,699**	**333**	**1**	**-**	**-**	**600**	**-**
Total	**31.12.2014**	**42,675,068**	**3,359,293**	**1,093,553**	**34,648**	**139,549**	**1,202**	**1,656**	**6**	**22,694**	**30**
Total	**31.12.2013**	**36,809,617**	**2,337,320**	**996,113**	**26,720**	**24,072**	**1,008**	**972**	**10**	**129,799**	**5**

B.2 Territorial distribution of the cash and "off-balance sheet" exposures to customers (book value)

Exposures/Geographical areas		North-West Italy		North-East Italy		Central Italy		South of Italy and islands		Rest of the world	
		Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs
A. Cash exposures											
A.1 Non-performing loans		208,555	319,810	721,101	929,408	191,463	385,807	688,718	924,143	4,984	13,787
A.2 Watchlist loans		110,463	46,022	864,499	237,745	277,229	79,550	681,601	139,921	62,041	18,878
A.3 Restructured loans		60,036	8,347	343,416	60,421	51,193	9,897	43,669	11,979	-	-
A.4 Impaired past due loans		4,125	284	53,238	5,387	9,186	923	59,672	5,853	20	2
A.5 Other exposures		3,211,718	12,873	14,312,182	69,380	9,163,789	16,262	8,092,007	44,720	919,024	519
Total		**3,594,897**	**387,336**	**16,294,436**	**1,302,341**	**9,692,860**	**492,439**	**9,565,667**	**1,126,616**	**986,069**	**33,186**
B. Off-balance sheet exposures											
B.1 Non-performing Loans		1,903	758	8,985	12,614	4,906	2,711	3,503	2,762	-	-
B.2 Watchlist loans		4,894	634	36,118	5,804	8,630	1,972	25,019	1,706	15,960	1,959
B.3 Other impaired loans		13,589	307	61,950	8,498	9,635	1,197	7,482	236	-	-
B.4 Other exposures		647,926	1,116	1,854,947	8,108	332,020	923	505,701	1,215	255,423	741
Total		**668,312**	**2,815**	**1,962,000**	**35,024**	**355,191**	**6,803**	**541,705**	**5,919**	**271,383**	**2,700**
Total	**31.12.2014**	**4,263,209**	**390,151**	**18,256,436**	**1,337,365**	**10,048,051**	**499,242**	**10,107,372**	**1,132,535**	**1,257,452**	**35,886**
Total	**31.12.2013**	**5,472,927**	**380,810**	**17,496,737**	**934,595**	**9,414,093**	**417,773**	**4,425,860**	**604,142**	**1,150,956**	**27,743**

B.3 Territorial distribution of cash and "off-balance sheet" exposures to banks (book value)

Exposures/Geographical areas		Italy		Other EU countries		America		Asia		Rest of the world	
		Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs	Net exposure	Total write-downs
A.Cash exposures											
A.1 Non-performing loans		-	-	-	-	-	-	-	-	-	-
A.2 Watchlist loans		-	-	-	-	-	-	-	-	-	-
A.3 Restructured loans		-	-	-	-	-	-	-	-	-	-
A.4 Impaired past due loans		-	-	-	-	-	-	-	-	-	-
A.5 Other exposures		2,014,555	-	1,437,702	-	63,147	-	10,677	-	379,934	-
Total		**2,014,555**	**-**	**1,437,702**	**-**	**63,147**	**-**	**10,677**	**-**	**379,934**	**-**
B. Off-balance sheet exposures											
B.1 Non-performing Loans		-	-	-	-	-	-	-	-	-	-
B.2 Watchlist loans		-	-	-	-	-	-	-	-	-	-
B.3 Other impaired loans		-	-	-	-	-	-	-	-	-	-
B.4 Other exposures		99,409	-	373,259	-	3,127	-	37,775	-	10,445	-
Total		**99,409**	**-**	**373,259**	**-**	**3,127**	**-**	**37,775**	**-**	**10,445**	**-**
Total	**31.12.2014**	**2,113,964**	**-**	**1,810,961**	**-**	**66,274**	**-**	**48,452**	**-**	**390,379**	**-**
Total	**31.12.2013**	**2,596,286**	**-**	**1,019,121**	**-**	**12,587**	**-**	**56,856**	**-**	**445,255**	**-**

B.3 Territorial distribution of cash and "off-balance sheet" exposures to banks (book value)

Exposures Geographical areas	North-West Italy		North-East Italy		Central Italy		South of Italy and islands		Rest of the world	
	Net exposure	Total Write-downs	Net exposure	Total Write-downs	Net exposure	Total Write-downs	Net exposure	Total Write-downs	Net exposure	Total Write-downs
A. Cash exposures										
A.1 Non-performing loans	-	-	-	-	-	-	-	-	-	-
A.2 Watchlist loans	-	-	-	-	-	-	-	-	-	-
A.3 Restructured loans	-	-	-	-	-	-	-	-	-	-
A.4 Impaired past due loans	-	-	-	-	-	-	-	-	-	-
A.5 Other exposures	1,054,295	-	586,612	-	260,069	-	113,579	-	1,891,460	-
Total	**1,054,295**	**-**	**586,612**	**-**	**260,069**	**-**	**113,579**	**-**	**1,891,460**	**-**
B. Off-balance sheet exposures										
B.1 Non-performing Loans	-	-	-	-	-	-	-	-	-	-
B.2 Watchlist loans	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired loans	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	31,657	-	1,440	-	54,755	-	11,557	-	424,606	-
Total	**31,657**	**-**	**1,440**	**-**	**54,755**	**-**	**11,557**	**-**	**424,606**	**-**
Total 31.12.2014	**1,085,952**	**-**	**588,052**	**-**	**314,824**	**-**	**125,136**	**-**	**2,316,066**	**-**
Total 31.12.2013	**788,998**	**-**	**898,359**	**-**	**392,954**	**-**	**515,975**	**-**	**1,533,819**	**-**

B.4 Large exposures

	31.12.2014	31.12.2013
a) Book value	16,728,732	16,235,196
b) Weighted value	2,875,210	1,804,079
c) Number	8	9

This measurement was made on the basis of the recent updates to Circular no. 285 which regulate "large exposures".
The rules define as a "large exposure" the amount of cash assets at risk and off-balance sheet transactions of a single customer or group of related customers that come to 10% or more of admissible capital.
Note that repurchase agreements are included in the amount of risk activities. These transactions contribute to the value of the counterparty exposure for the amount of "securities to be received", while they contribute to the exposure after CRM and exemptions under art. 400 CRR only for the difference between the amount of "securities to be received" and the cash deposit received.
At the end of the year, there are eight "large exposures" for an overall amount of € 16,729 million, corresponding to € 2,875 million of weighted value. Of these, repurchase agreements account for € 1,070.9 million of the overall value, while the impact on the weighted value is not significant.
These exposures include the Treasury Ministry and the Ministry of Economy and Finance for a nominal value of € 8,127.9 million (48% of the total).
The remainder consists of balances with large banking groups (for nominal value of € 2,222.6 million - weighted € 1,110.9 million) and an associated company. To facilitate an understanding of the degree of concentration of loans, the nominal value of major exposures has been provided.

To facilitate an understanding of the degree of concentration of loans, the nominal value of major exposures has been provided.

Risk concentration:

Reference date: 31.12.2014	Amount of the exposure	Amount of the exposure after CRM and exemptions under art. 400 CRR
First 5 exposures	15,140,873	1,802,055
First 10 exposures	17,512,509	3,647,734
First 20 exposures	20,413,321	4,825,896

Reference date: 31.12.2013	Amount of the exposure	Amount of the exposure after CRM and exemptions under art. 400 CRR
First 5 exposures	14,013,585	215,906
First 10 exposures	16,648,023	1,804,079
First 20 exposures	19,012,624	3,364,381

C. Securitisation transactions

QUALITATIVE INFORMATION

The primary objectives of the securitisation transactions arranged by the Group in relation to non-performing loans are:

- to improve the asset structure of the banks concerned;
- to facilitate loan recovery strategies and make them more efficient (by centralising work with one group of lawyers);
- to exercise rigorous, direct control over higher risk loans, without modifying the overall risk profile.

Transactions involving performing contracts are, on the other hand, arranged in order to optimise funding.

BPER was not involved in any securitisations at 31 December 2014.

QUANTITATIVE INFORMATION

C.1 Exposures deriving from securitisations, analysed by type of underlying asset

Type of underlying assets/Exposures	Cash exposure					
	Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. With own underlying assets:	**-**	**-**	**-**	**-**	**88,554**	**29,945**
a) Doubtful loans	-	-	-	-	88,554	29,945
b) Others	-	-	-	-	-	-
B. With underlying assets of third-parties:	**142,747**	**135,386**	**-**	**-**	**24**	**24**
a) Doubtful loans	-	-	-	-	-	-
b) Others	142,747	135,386	-	-	24	24

The parts of the table relating to guarantees given and credit lines have not been shown as there is nothing to report.

C.2 Exposures deriving from principal "own" securisations, analysed by type of asset securitised and by type of exposure

Type of underlying assets/Exposure	Cash exposures					
	Senior		Mezzanine		Junior	
	Book value	Adjustments/write-backs	Book value	Adjustments/write-backs	Book value	Adjustments/write-backs
A. Derecognised in full	**-**	**-**	**-**	**-**	**29,945**	**58,609**
A.1 Mutina s.r.l.						
-mortgage and other loans	-	-	-	-	29,945	58,609
B. Derecognised in part	**-**	**-**				
C. Not derecognised	-	-	-	-	-	-

The parts of the table relating to guarantees given and credit lines have not been shown as there is nothing to report.

C.3 Exposures deriving from principal "third party" securitisations, analysed by type of asset securitised and by type of exposure

Type of underlying assets/Exposure	Cash exposures					
	Senior		Mezzanine		Junior	
	Book value	Adjustments/write-backs	Book value	Adjustments/write-backs	Book value	Adjustments/write-backs
A.1 BNT portfolio FR 2/42 agricultural loans	124,822	(7,361)	-	-	-	-
A.2 DUTCH MBS TV 2/45 (Cl.A2) mortgage loans	10,176	-	-		-	-
A.3 FIPF TV 5/23 (Cl.A2) ABS	388	-	-	-	-	-
A.4 PULS TV 7/16 D 60.8% Senior and subord. bonds	-	-	-		24	-

The parts of the table relating to guarantees given and credit lines have not been shown as there is nothing to report.

C.4 Exposures to securitisations analysed by portfolio and by type

Exposure/Portfolio	Financial assets held for trading	Financial assets designated at fair value through profit and loss	Financial assets available for sale	Financial assets held to maturity	Loans	31.12.2014	31.12.2013
1. Cash exposures	**24**	**388**	**10,177**	**-**	**154,766**	**165,355**	**13,281**
- Senior	-	388	10,177	-	124,821	135,386	10,036
- Mezzanine	-	-	-	-	-	-	36
- Junior	24	-	-	-	29,945	29,969	3,209
2. Off-Balance Sheet exposures	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Senior	-	-	-	-	-	-	-
- Mezzanine	-	-	-	-	-	-	-
- Junior	-	-	-	-	-	-	-

C.5 Total amount of the securitised assets underlying junior securities or other forms of credit enhancement

Assets/Amounts	Traditional securisations	Synthetic securisations
A. Own underlying assets:	**-**	
A.1 Derecognised in full	-	
1. Non-performing loans	36,377	#
2. Watchlist loans	-	#
3. Restructured loans	-	#
4. Past due loans	-	#
5. Other assets	-	#
A.2 Derecognised in part	**-**	
1. Non-performing loans	-	#
2. Watchlist loans	-	#
3. Restructured loans	-	#
4. Past due loans	-	#
5. Other assets	-	#
A.3 Not derecognised	**-**	
1. Non-performing loans	-	
2. Watchlist loans	-	
3. Restructured loans	-	
4. Past due loans	-	
5. Other assets	-	
B. Underlying assets of third parties:	**-**	
B.1 Non-performing loans	-	
B.2 Watchlist loans	-	
B.3 Restructured loans	-	
B.4 Past due loans	-	
B.5 Other assets	-	

The securitised assets underlying junior securities relate to the multi-originator transaction known as "Mutina" and originate from the merger by absorption of CARISPAQ s.p.a., Banca Popolare di Lanciano e Sulmona s.p.a. Banca Popolare di Aprilia s.p.a., Banca della Campania s.p.a. and Banca Popolare del Mezzogiorno s.p.a.

C.6 SPV for securitisation

Name of the securitisation /SPV	Head office	Consolidation	Assets			Liabilities		
			Loans	Debt securities	Other	*Senior*	*Mezzanine*	*Junior*
Mutina s.r.l.	Modena	Line-by-Line	42,636		3,205	-	-	43,528

C.8 Servicer activities - collection of securitised loans and reimbursement of securities issued by the SPV for securitisation

SPV	Securitised assets (at year end)		Loan collections during the year		Percentage of securities redeemed (at year end)					
					Senior		Mezzanine		Junior	
	Doubtful loans	Performing loans	Doubtful loans	Performing loans	Doubtful loans	Performing	Doubtful loans	Performing	Doubtful loans	Performing
Mutina s.r.l.	36,377	-	5,100	-	100.00%	-	-	-	42.28%	-

E. Transfers

A. Financial assets sold but not derecognised in full

QUALITATIVE INFORMATION

BPER did not carry out any sales for which it would have to provide information in accordance with IFRS 7, § 7, 42D letters a), b), c) and § 42H.

QUANTITATIVE INFORMATION

E.1 Financial assets sold but not derecognised: book value and full value

Technical forms/Portfolio	Financial assets held for trading			Financial assets designated at fair value through profit and loss		
	Financial assets sold and recognised in full (book value)	Financial assets sold and recognised in part (book value)	Financial assets sold and recognised in part (full value)	Financial assets sold and recognised in full (book value)	Financial assets sold and recognised in part (book value)	Financial assets sold and recognised in part (full value)
A. Cash assets	**37,046**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	37,046	-	-	-	-	-
2. Equity instruments	-	-	-	-	-	-
3. UCITS units	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
B. Derivatives	**-**	**-**	**-**	**#**	**#**	**#**
Total 31.12.2014	**37,046**	**-**	**-**	**-**	**-**	**-**
- of which: impaired	-	-	-	-	-	-
Total 31.12.2013	**36,548**	**-**	**-**	**-**	**-**	**-**
- of which: impaired	-	-	-	-	-	-

All of the amounts shown in the table refer to assets sold and held as collateral for funding repurchase agreements.

(cont.)

Technical forms/Portfolio	Financial assets available for sale			Financial assets held to maturity		
	Financial assets sold and recognised in full (book value)	Financial assets sold and recognised in part (book value)	Financial assets sold and recognised in part (full value)	Financial assets sold and recognised in full (book value)	Financial assets sold and recognised in part (book value)	Financial assets sold and recognised in part (full value)
A. Cash assets	**1,009,933**	**-**	**-**	**888,139**	**-**	**-**
1. Debt securities	1,009,933	-	-	888,139	-	-
2. Equity instruments	-	-	-	#	#	#
3. UCITS units	-	-	-	#	#	#
4. Loans	-	-	-	-	-	-
B. Derivatives	**#**	**#**	**#**	**#**	**#**	**#**
Total 31.12.2014	**1,009,933**	**-**	**-**	**888,139**	**-**	**-**
- of which: impaired	-	-	-	-	-	-
Total 31.12.2013	**1,727,496**	**-**	**-**	**546,734**	**-**	**-**
- of which: impaired	-	-	-	-	-	-

(cont.)

Technical forms/Portfolio	Due from banks			Loans to customers			Total	
	Financial assets sold and recognised in full (book value)	Financial assets sold and recognised in part (book value)	Financial assets sold and recognised in part (full value)	Financial assets sold and recognised in full (book value)	Financial assets sold and recognised in part (book value)	Financial assets sold and recognised in part (full value)	31.12.2014	31.12.2013
A. Cash assets	**122,666**	**-**	**-**	**-**	**-**	**-**	**2,057,784**	**2,369,270**
1. Debt securities	-	-	-	-	-	-	1,935,118	**2,313,933**
2. Equity instruments	#	#	#	#	#	#	-	**-**
3. UCITS units	#	#	#	#	#	#	-	**-**
4. Loans	122,666	-	-	-	-	-	122,666	**55,337**
B. Derivatives	**#**	**#**	**#**	**#**	**#**	**#**	**-**	**-**
Total 31.12.2014	**122,666**	**-**	**-**	**-**	**-**	**-**	**2,057,784**	**#**
- of which: impaired	-	-	-	-	-	-	-	**#**
Total 31.12.2013	**58,492**	**-**	**-**	**-**	**-**	**-**	**#**	**2,369,270**
- of which: impaired	-	-	-	-	-	-	**#**	**-**

E.2 Financial liabilities for financial assets sold but not derecognised: book value

Liabilities/portfolio assets	Financial assets held for trading	Financial assets designated at fair value through profit and loss	Financial assets available for sale	Financial assets held to maturity	Due from banks	Loans to customers	Total
1. Due to customers	**36,565**	**-**	**-**	**-**	**-**	**-**	**36,565**
a) for assets recorded in full	36,565	-	-	-	-	-	36,565
b) for assets recorded in part	-	-	-	-	-	-	-
2. Due to banks	**379**	**-**	**988,298**	**959,153**	**122,666**	**-**	**2,070,496**
a) for assets recorded in full	379	-	988,298	959,153	122,666	-	2,070,496
b) for assets recorded in part	-	-	-	-	-	-	-
Total 31.12.2014	**36,944**	**-**	**988,298**	**959,153**	**122,666**	**-**	**2,107,061**
Total 31.12.2013	**36,547**	**-**	**1,675,585**	**568,767**	**58,176**	**-**	**2,339,075**

B. Financial assets sold and not derecognised in full with recognition of continuing involvement

QUALITATIVE INFORMATION

BPER did not carry out any sales for which it would have to provide information in accordance with IFRS 7, § 7, 42D letters a), b), c) and § 42H.

E.4 Covered bond transactions

Introduction

On 8 February 2011, the Board of Directors sanctioned the commencement of the structuring of a programme for the issue of guaranteed bank bonds ("GBB" or covered bonds "CB") pursuant to art. 7-*bis* of Law 130 of 30 April 1999 ("Law 130/99"), to the Ministry of Economy and Finance's Decree no. 310 of 14 December 2006 (the "MEF Decree"), to regulatory provisions of the Bank of Italy of 24 March 2010 (the "Rules" and, together with Law 130 and the MEF Decree and each subsequent amendment, the "Regulations").

GBB issues are foreseen by BPER Group's strategic plan as a means of diversification of funding sources, of reduction of related costs and of lengthening of maturities of liabilities. In particular, guaranteed bank bond issues are extremely appealing at a time when market yields are very low, also thanks to the institutional intervention of the ECB through its programmes of GBB purchases (CBPP3).

The basic structure of a guaranteed bank bond issue

"GBB" may be issued under a scheme which envisages:

- the sale by a bank, which may differ from the bond issuer, to a special purpose vehicle of high credit quality assets and which constitute segregated assets pursuant to the applicable provisions of Law 130/99;
- the selling bank or another bank granting a subordinated loan to the assignee company to provide the assignee with the funding required to purchase the assets;
- the issue of a guarantee by the assignee company in favour of the bondholders, up to the amount of the segregated assets.

High credit quality assets are intended to mean loans that meet the selection criteria defined by the Regulations and related contracts (the "Eligible Assets").

The key features of the BPER's Programme for Issue of Guaranteed Bank Bonds

The BPER's Covered Bond Programme (the "Programme") has been structured according to the following scheme:

- the sale without recourse to Estense Covered Bond S.r.l. ("SPV" or "Estense Covered Bond"), initially just by BPER and then, during the Programme, also by other Group banks, of high credit quality assets, which constitute segregated assets pursuant to Law 130/99;
- the provision to the assignee SPV, by BPER and other Group banks that will eventually join the programme as selling banks, of a subordinated loan to provide the assignee with the funding required to purchase the assets sold;
- the issue by the SPV, up to the amount of the segregated assets, of a guarantee in favour of the holders of the GBB issued by BPER.

Although the programme takes the form of a Group programme, the initial and subsequent transactions involved solely BPER as selling bank, with the understanding being that BPER will always take on the role of issuing bank. It is subsequently expected, after expert assessment of risks and opportunities, that additional Group banks will join the Programme as selling banks and will sell Eligible Assets over the duration of the Programme.

The initial sales related to portfolios of Eligible Assets originating from residential mortgage loans that met the requirements of the Regulations. These portfolios were identified based on general and specific criteria indicated in the sale agreement. Additional portfolios of Eligible Assets may

include residential mortgage loans that meet the requirements of the Rules and any subsequent additional eligible assets referred to in article 2, paragraph 3, points 2 and 3 of the MEF Decree.
The sale prices of the first four portfolios were determined, as laid down in the Provisions, with reference to their book values in the latest financial statements approved by BPER with a view to specific sale dates or by having the sale price certified by the Independent Auditors. The sale prices so determined are subject to adjustment to take account of movements on the loans between the financial year end and the date of sale. More specifically, the sale prices shall be adjusted to take account of the collection of the capital element of the loans in the intervening period and the payment of contractually agreed interest in the same period.
The sale of the initial and subsequent portfolios - understood to be without recourse and to take place under the combined provisions of articles 1 and 4 of Law 130/99 and art. 58 of the CFA - was communicated to the mortgage holders by publication of a notice of sale by the seller, showing the above selection criteria, in the Official Journal and by filing the same notice of sale with the appropriate Registrar of Companies. Further formalities were also carried out for privacy legislation purposes (Legislative Decree 196/2003).
The mortgage holders maintain a direct operational relationship with BPER - or, in the case of sale of Eligible Assets by further selling banks that will join the programme, with the other Group banks with which the mortgage holders originally obtained the loans from - since the Estense Covered Bond SPV has given BPER responsibility for managing and administering the loans sold and the related collection and payment services (servicing activities), with BPER having the faculty to confer sub-delegation to the relevant selling banks to perform servicing activities for portfolios sold.
This, in accordance with the Regulations, is in order to minimise the commercial impact with the mortgage holders and, at the same time, to optimise the operational management of each portfolio which, in fact, remains in the hands of the assignors.
At predetermined dates and based on specific operational and market situations, BPER, in the role of Calculation Agent, will perform assessment tests to compare the portfolios sold with the bonds issued, aimed at verifying the adequacy of the guarantee issued with reference to specific legal parameters and the parameters set by the Programme's documentation based on indications provided by Rating agencies, on which the credit rating assigned to the GBB depends.
In the case of non-compliance with one or more of the required parameters, it will be necessary to add to the portfolio sold by selling further Eligible Assets. The portfolios can be added to by using the SPV's liquid funds or by a further draw down of the subordinated loan granted by BPER (or, where appropriate, by other selling banks) to Estense Covered Bond s.r.l.
Other initiatives are required in the case of violation of contractual conditions, up to the extreme consequences of enforcement of the guarantee provided by the SPV in the case of an Event of Default by the Issuer (for example, default in repayment of principal or non-payment of interest on the GBB).
Furthermore, on predetermined dates, the functions responsible for controlling the Bank's risk management verify the quality and integrity of the assets provided as collateral for GBB issues.
The outlined structure of the Programme, therefore, allows the creation of segregated assets (consisting of the Eligible Assets from time to time assigned to the SPV), to serve as a privileged guarantee for holders of the GBB, for the counterparties to derivative contracts entered into under the Programme to hedge the risks inherent in the portfolio of transferred Eligible Assets and for the payment of other transaction costs.
In a normal situation, GBB payment and redemption charges will remain with the Issuer and, only on the occurrence of an Event of Default by the Issuer, will automatic protection mechanisms, aimed at greater protection of investors, be activated.

In further support of the financial structure, provision has been made for swaps with one or more external counterparties selected on the market and with an appropriate credit standing in line with the eligibility criteria required by rating agencies. The purpose of these contracts is to transform the interest flow produced by the loan portfolio sold so as to make them consistent with that incurred on the bonds issued.
In particular, among the various options available, it is normally envisaged that two separate swap derivative contracts will be entered into:

- asset swap: under this contract, the SPV will pay the swap counterparty the flow received as interest on a notional amount represented by a portion of segregated assets and determined by taking into account the outstanding amount of the liability represented by the GBB issued and will collect therefrom a flow corresponding to Euribor for the period plus or minus a Spread applied to the same notional amount for the reference period;
- liability swap: under this derivative the SPV will receive from the swap counterparty a fixed rate equal to the coupon of the related series of GBB and will pay thereto a flow corresponding to Euribor plus or minus (as appropriate) a Spread applied to an amount equal to the nominal value of the corresponding series of GBB.

These contracts can be linked to back to back swap agreements between the swap counterparties and BPER, being a situation that currently exists in the case of the third and fourth completed issue.
In this respect, it should be noted that the first issue was redeemed on 22 January 2014, whereas the second issue, the redemption of which should have occurred in April 2015, was early redeemed on 12 January 2015. For the third and fourth issue, which bear a fixed interest rate, it was necessary to execute liability swap agreements.
The financial mechanism allows, on the one hand, BPER, as selling bank, to maintain a financial position as desired and consistent with its Asset & Liability Management strategies and, on the other hand, the SPV, as guarantor, in the Event of the occurrence of an Event of Default of the Issuer, to cover the costs of the GBB by trading them for the expected return on portfolio of loans sold.
The Programme provides for the issue of GBB up to a maximum of Euro 5 billion, to take place, as a number of issues, by 31 December 2018 (subject to the obligations for annual renewal as per the prospectus prepared in compliance with EU regulations). The first series of GBB with par value of Euro 750 million was issued on 1 December 2011 and was redeemed on 22 January 2014, after the sale on 2 November by BPER to Estense Covered Bond s.r.l. of a portfolio of loans that met eligibility requirements under the Regulations for a nominal value of Euro 1.1 billion, selected on the basis of the criteria outlined above and having the following main characteristics:

- residential mortgage loans provided in accordance with mortgage lending legislation;
- concluded by 31 December 2010;
- final instalment due after 31 December 2012;
- ratio of outstanding debt to the value of secured property, estimated at the payment date, lower than 80%.

Based on these general assumptions, a second issue of GBB was completed on 25 June 2012 for a total of Euro 300 million, with a maturity of three years at a floating rate. This was after another Euro 546 million of residential mortgage loans, again originated exclusively by Banca popolare dell'Emilia Romagna s.c., were transferred to the vehicle company Estense Covered Bond s.r.l. on 4 May 2012, essentially attributable to the "production" of 2011. The new issue has been carefully sized to take into account the possible implications of the earthquake in May 2012 on the value of the collateral.

Based on these same general assumptions, on 10 July 2013, a further Euro 680 million of residential mortgage loans was sold, with these originating solely from Banca popolare dell’Emilia Romagna s.c. or from other Group banks merged into the Parent Company.
On 15 October 2013, a third GBB issue was completed for an amount of Euro 750 million, at a fixed rate and with a tenor of 5 years, all of which was placed on the market. This issue was then reopened on 24 February 2014 for a further Euro 250 million.

On 23 July 2014, another Euro 501 million of residential mortgage loans, originated exclusively by Banca popolare dell’Emilia Romagna s.c. or by other Group banks absorbed by Parent Company in the meantime, were sold on the basis of the same general assumptions.

As mentioned previously, on 12 January 2015 the second series of GBB, issued in June 2012, was all repaid early in order to create the conditions for the fourth issue GBB intended for placement on the domestic and international markets.
On 22 January 2015, a fourth GBB issue was completed for an amount of Euro 750 million, at a fixed rate and with a tenor of 7 years, all of which was placed on the market.

The subordinated loan granted by BPER to Estense Covered Bond s.r.l., under the form of a credit facility, to finance the purchase of the assigned portfolios, amounted to Euro 3 billion, notwithstanding BPER's right to increase the amount of the subordinated loan granted to finance the purchase of additional portfolios (both in connection with new issues or for the purposes of adding to segregated assets) and with a yield that guarantees a return to the transferor of the yield on the segregated mortgage loans within segregated assets, albeit residual with respect to the payment of the SPV's operating expenses; thus making the sale essentially neutral from an economic standpoint.
Repayment of this loan is linked to the gradual reimbursement of the GBB that, in turn, will allow the release of the loan portfolio or the cash collections generated thereby. In this regard it should be noted that in October 2014 drawdowns of the subordinated loan had been reduced to Euro 250 million, as a first partial early redemption was made taking advantage of part of the principal generated by the loan portfolio sold.
As also mentioned earlier, it is expected that there will be additional sales aimed at the use of capital receipts generated by the portfolio of Eligible Assets sold (so-called subsequent revolving sales), as well as further sales designed to maintain the original ratio between secured assets and bonds issued (so-called restoration sales) as well as further sales to allow the issue of additional Series of GBB (so-called issue sales).
The liquidity generated by the portfolio may - within legal limits - also be used for suitable investments or deposits, based on BPER's indications as Investment Agent. It may not, however, in view of the inadequate level of rating, be entrusted to BPER.
Accordingly, cash generated from the portfolio of sold Eligible Assets - for which BPER will remain as Servicer - will be transferred to current accounts with BNP Paribas Securitisation Services, either in Italy or the UK, since this is a third party with appropriate rating.

Counterparties involved
Issuing Bank, initial Selling Bank, Servicer, Investment Agent, Principal Paying Agent and Calculation Agent: Banca popolare dell’Emilia Romagna s.c. ("BPER").

- Any other seller banks that could join the Programme:
- Banco di Sardegna s.p.a.;
- Banca di Sassari s.p.a;
- Cassa di Risparmio di Bra s.p.a.

Arranger: The Royal Bank of Scotland Plc ("RBS")
Joint Lead Manager of the III series of GBB: RBS, Citibank, Mediobanca, Société Générale, UBS.
Joint Lead Manager of re-opening of the III series of GBB: Citibank, Raiffeisen Bank International.
Joint Lead Manager of the IV series of GBB: RBS, BNP Paribas, Natixis, Nomura International plc, UniCredit Bank AG.
Guarantor: Estense Covered Bond s.r.l.
Representative of the Bondholders (RoB): Securitisation Services s.p.a.
Italian Paying Agent, Cash Manager and Account Bank: BNP Paribas Securities Services (both Italian and London branches).
Corporate Servicer: Securitisation Services s.p.a.
Guarantor Calculation Agent: Securitisation Services s.p.a.
Liability Swap counterparty: for the third and fourth issue, RBS
Legal advisor (Arranger): Simmons and Simmons
Legal advisor to Banca popolare dell'Emilia Romagna s.c.: Studio Legale Linklaters.
Asset Monitor and Pool Auditor: Deloitte & Touche s.p.a.
Independent Auditors of the special purpose vehicle: PricewaterhouseCoopers s.p.a.
Rating agencies: Moody's Investor Services.

In 2012, the role of Back Up Servicer (BUS) was added to the structure of this transaction and is being performed by Italfondiario S.p.A.; the aim was to make the transaction more robust, also based on the indications received to that effect from the counterparty to the asset swap and from the rating agency.

The requirements for Issuers

According to the Rules, Guaranteed Bank Bonds may be issued by banks belonging to banking groups that have:

- Own Funds not lower than Euro 250 million;
- Total capital ratio at consolidated level not lower than 9%; (hereinafter called the "Requirements for Issuers").

These requirements must be satisfied, on a consolidated basis, even by selling banks, where the latter, as provided for by the Programme's structure, differ from the bank issuing the Guaranteed Bank Bonds. In the case of banks belonging to the same group, reference should be made to consolidated figures.

With reference to the figures al 31 December 2014, the Own Funds of the BPER Group, calculated under the transitional arrangements ("Phased in"), amount to Euro 4,982 million and the Total capital ratio is equal to 12.24%.

Sale restrictions

The Provisions set limits to the possibility for banks to sell Eligible Assets, which are based on the level of their Tier 1 (T1) and Common Equity Tier 1 (CET1) ratio.
Sale restrictions refer to total transactions of this kind made by a banking group. Banking groups are classified into three categories, with corresponding specific limits as shown below:

- "a" band: for banking groups with T1 ratio equal to or higher than 9% and CET1 ratio equal to or higher than 8%, for which there are no sale limits;
- "b" band: for banking groups with T1 ratio equal to or higher than 8% and CET1 ratio equal to or higher than 7%, for which there is a sale limit of 60% of appropriate assets.
- "c" band; for banking groups with T1 ratio equal to or higher than 7% and CET1 ratio equal to or higher than 6%, for which there is a sale limit of 25% of appropriate assets.

At 31 December 2014, the Total capital ratio was 12.24%, the Tier 1 ratio 11.29% and the Common Equity Tier 1 ratio 11.26% (Phased in).

Organisational structure and procedures

The structuring process for the covered bond project, which BPER had never undertaken beforehand, necessitated the organisation of an internal team to coordinate the activities of all departments involved. In this regard, a specific structure was set up, the Structured Finance Management Office, which, after the start-up phase, acts as coordinator of the interfunctional team, taking care to involve all the structures involved in the management process of the Covered Bonds. To supervise the structuring process and management of the Programme, including when it is fully operational, a specific Group Regulation has been prepared followed by a Group Organisational Procedure.

Accounting, capital and tax impact

With the issue of the Covered Bonds, BPER, as initial selling bank and any subsequent selling banks will retain substantially all the risks and benefits of the transferred assets as:

- they are required to reinstate, in line with several alternatives, the collateral should the value of assets sold deteriorate and their value fall below the thresholds set by contract;
- the repayment of the subordinated loan granted to the special purpose vehicle is linked to the performance of the secured assets.

The primary objective of creating a special purpose vehicle and the sale of eligible assets thereto is, in fact, to legally segregate, by means of a without recourse sale contract, the selling bank’s assets within a separate legal entity. These assets, segregated in this manner, are subject to a restriction as to their use pursuant to Law 130/99 for the protection, among others, of the holders. Thus, the holders of Covered Bonds benefit, on the one hand, from the general guarantee represented by the issuer's capital and on the other, from the guarantee issued by the SPV in respect of the segregated portfolio for which they have priority creditor rights. This structure of "dual protection" facilitates the creation of conditions for a potential reduction in funding costs.

The overall risk profile of BPER as initial selling bank and that of any further selling banks is not altered in any way.

The same regulatory provisions stipulate that the selling banks retain the same capital requirement that they are already required to comply with, in respect of the assets sold, prior to the sale. The transaction, therefore, does not qualify for derecognition: the selling banks must continue to recognise the transferred assets in their entirety in the balance sheet and the consideration received from the sale must be accounted for as an opposite entry to the financial liability due to the SPV (IAS 39, § 29).

In turn, this liability must be shown net of the subordinated loan granted to the vehicle, due to the principle of substance over form: it is as if the purchase of loans by the SPV had never taken place.

The subordinated loan is not taken into consideration for the purposes of counterparty risk; this loan must not, in fact, be considered, as the credit risk is already reflected in the valuation of the mortgage loans being sold.
As regards the impact at consolidation level, it should be noted that the SPV is a Group entity, as the Parent Company has a 60% holding; it is therefore subject to consolidation, although limited to its own results and financial position.
Finally, regarding the tax implications, consistent with the dictates of art. 7 *bis*, Law 130/99, all taxes and dues are payable as though the sale of the loans had never taken place.
Again, to ensure the tax neutrality of the transaction, art. 7 *bis*, paragraph 7 of Law 130/99 provides that the sale consideration will be equal "*to the latest carrying amount of the loans*", or as certified by the Independent Auditors.
Since the first sale of the portfolio took place 2 November 2011, the carrying amount of the loans is that at 31 December 2010, adjusted to take into account changes in positions in the intervening period between the year end and the date of the transfer.
Similarly, for the second and third sales, the carrying amount of the loans is that at 31 December 2011 and 2012, respectively.
In the case of the fourth sale, which involved loans made in the first few months of 2014, it was necessary for the price to be certified by the auditors.
More specifically, the book value is adjusted for "endogenous variables", that is, cash collected from the loans in the intervening period and contractual interest accruing in the same period. This is also consistent with the regulatory provisions laid down by the Rules as described previously.
As for the other components that could affect the configuration of the carrying amount, i.e. amortised cost and collective impairments (given that they are performing loans), it has been considered in line with the principles of relevance, pertinence and materiality to assume that their value is equal to the one shown in the latest approved and audited financial statements, or as the sale price specifically certified by the auditors.

The risks associated with the transaction

The Programme involves some financial and other risks, subject to analysis and monitoring by the Group's Risk Management and Compliance functions and, specifically with regard to the risks of fraud and unintentional errors in financial reporting, the Financial Reporting Officer. In summary the main risk profiles can be summarised as follows:

- **Interest rate risk**
  In the structure of a Covered Bond, the interest rate risk originates from the different characteristics of interest rates on guaranteed bank bonds and on the portfolio of secured assets. These risks are mitigated by hedging derivatives put in place from time to time with market counterparties.
- **Credit risk**
  In the structure of a covered bond, credit risk is attributable to the quality of loans sold by each Selling Bank in the cover pool.
  Given this risk, the rating agencies, in order to attribute to the GBB the maximum rating possible, require a level of over-collateralisation which is also linked to the quality of the cover pool.
- **Counterparty risk**
  The counterparty risk is the possibility that the creditworthiness of counterparties involved in the transaction, in other words, the swap counterparties and the non Group bank, with which the SPV has its accounts, may worsen to the point of creating a liquidity problem, with the result that the cover pool funds that flow into the accounts of the SPV or payments made in connection with the swaps are retained by the same counterparties.

This risk is mitigated by the involvement of high rated counterparties and the existence of clauses, in the relevant ISDA and CSA contracts as well as in the "Cash Management and Agency Agreement", according to which, in the case of downgrading of the counterparties, they will be immediately replaced.

- **Liquidity risk**

  An issue of "soft bullet" GBB with a cover pool relating to mortgage loans with a given repayment plan entails the need for dynamic management of the cover pool itself. The funds received from the collection of capital instalments on the mortgage loans relating to the cover pool may have to be, in fact, reinvested in new mortgage loans with similar characteristics.

  If the Group does not have eligible mortgages available to be sold to supplement the cover pool (or to replace non-performing mortgages), it would be forced to pay cash or eligible securities, impacting negatively on Counterbalancy Capacity (the limit set by the Rules for these assets is 15%).

- **Compliance risk**

  The articulate and accurate external legislation regulating GBB, together with management and internal operating rules, require a precise and formal structuring of activities under the Programme, both during the up front and on going phases. The analysis of compliance requirements has been performed by the Group Compliance function.

- **Reputational risk**

  Reputational risk is the possibility that the failure by BPER to fulfil certain obligations arising from its role in the Programme adversely affects the credibility and image of the Group on the market, resulting in a significant economic and financial impact.

  In addition to the risks outlined above, already existing at the inaugural issue, there are aspects associated with the multi-originator characteristic of the Programme, which will be formally integrated into the body of the contract and management processes, as and when other Group banks join the Programme as originators.

- **Risk of financial inadequacy**

  The regulatory provisions, in the discipline of Guaranteed Bank Bonds, in relation to the complexity of the contractual profiles and the possible impact on the technical structure of these transactions, require, among other things, a careful assessment of the impact on the financial stability of the bank.

  The analysis of the project by the Board of Directors, highlighted:

  - regarding the impact on results, the assumed transaction will lead to, with reference to available market data, a lower cost of funding estimated at not less than 25 bps, compared to an equivalent senior transaction; this will allow start up costs to be fully covered, already in the first year, as well as ongoing costs for the period to be covered. Under current market conditions, this original estimate may be considered highly conservative.
  - regarding the impact on financial position, having valued a portfolio of eligible residential mortgage loans, at Group level, during the initial analysis, extremely conservatively, at approximately Euro 3 billion, there was an assumed plan for extremely cautious 7 year issues, so as to have appropriate margins for any restoration of the cover pool without this having an impact on the financial position and / or commercial practices of the Group.

These findings have allowed the Board to determine that the transaction, as thus assumed, does not negatively affect the financial stability of the bank and of the Group as a whole.

Organisational and management aspects of special purpose vehicles

With regard to organisational and management aspects of special purpose vehicles (in order to assess their adequacy in relation to the role assigned thereto) and the contracts entered into as part of the Programme, a "Report on the transferee company" has been prepared by Linklaters, in order to ensure that the contracts entered into as part of the Programme contain, in compliance with the Regulations, clauses that ensure the regular and efficient performance of functions by the assignee.

Assessment of legal aspects of the Programme for Issue of Guaranteed Bank Bonds

Linklaters also issued a report to evaluate, in accordance with the Rules, the legal aspects of the planned activities covered by the Programme. The report contains a thorough assessment of legal structures and contractual arrangements used, with particular attention to the characteristics of the guarantee given by the assignee company and the overall relationships between and among the participants in the Programme.

Annual assessment of the Programme for Issue of Guaranteed Bank Bonds by Asset Monitor

Note that, in accordance with the terms of relevant regulations, the asset monitor – in this case Deloitte & Touche s.p.a. – performs an annual review of the Programme's status and issues a report to the Board of Directors, the Board of Statutory Auditors and the Bank's Internal Audit Function.

As of to date, reviews have been performed for 2011, 2012 and 2013 without any significant findings emerging.

QUANTITATIVE INFORMATION RELATING TO LOANS SOLD

1. Movements

Description	31.12.2014
Opening balance	**2,032,538**
Increases	**569,177**
Purchase of loan portfolio	500,810
Other changes:	68,367
- Interest income accrued on loans	60,379
- Default interest	82
- Penalties and various recoveries	51
- Revenue from IAS adjustments	242
- Out-of-period income from non-performing loans	-
- Write-backs of loan provisions	7,606
- Recovery of expenses on non-performing loans	7
Decreases	**301,913**
Collections from customers	248,579
Other changes:	3,603
- Loan provisions	2,420
- Loan losses	-
- Charges due to IAS adjustments	1,183
Repurchases by the Originator	49,731
Closing balance	**2,299,802**

2. Breakdown by residual life

Residual life of securitised loans	31.12.2014
Up to 3 months	128
Between 3 and 12 months	1,552
From 1 to 5 years	67,891
Over 5 years	2,239,342
Unspecified duration	1,120
Total	**2,310,033**

The loans balance is gross of loan provisions and IAS adjustment.

3. Concentration of risk

Amount by category (Euro)	Number of customers	31.12.2014
0 - 25,000	4,921	32,983
25,000 - 75,000	9,145	460,014
75,000 - 250,000	12,659	1,580,966
over 250,000	674	236,070
Total		**2,310,033**

The loans balance is gross of loan provisions and IAS adjustment.

As of 31 December 2014, debtors sold are for the most part resident in Italy and the loans are denominated in Euro.

2.1 Interest rate risk and price risk – Trading portfolio reported for supervisory purposes

The Group's organisation provides for centralisation of the market risk control function at the Parent Company; consequently, the qualitative information contained in Part E of the consolidated Explanatory notes set out below also reflects the individual position of Banca popolare dell'Emilia Romagna s.c.

QUALITATIVE INFORMATION

A. General aspects

The Group trades **on own account** as a primary activity.
The portfolio comprises all of the financial instruments acquired for trading purposes or for hedging a risk factor inherent to the portfolio.
"For **trading purposes**" is understood as being the purchase of financial instruments with the following features:

- exposure to managed risk factors (interest rate risk and price risk, exchange rate risk, issuer risk, counterparty risk and liquidity risk);
- trading done prevalently on active markets;
- securities issued by operators of prime standing.

The trading portfolio is managed according to exposure to the interest rate risk deriving from the overall asset-liability structure and, as a rule, does not include complex or innovative derivatives.
The **trading portfolio** comprises all those financial instruments not purchased with the aim of achieving equilibrium of the asset-liability structure, but with a view to contributing to the results of the year, optimising the overall risk-yield profile.
The size of the trading portfolio is closely linked to the liquidity position.
Arbitrage and short-term speculative activity with regard to listed derivatives are marginal with respect to routine trading on own account. The objective of the investment strategy underlying trading in these financial instruments is to maximise the overall risk/yield profile via appropriate diversification.
The Bank makes medium-term speculative investments in stock markets, in commodity derivatives, in mutual funds and, to a marginal extent, in hedge funds. This activity is however just a small part of the transactions carried out in the bond markets.
The trading portfolio management process is centralised in the Bank to respond to the needs of central oversight of market risk and greater efficiency of Group investment processes.
This process implies that the individual Group banks remain responsible for optimisation of the yield from liquidity through treasury transactions with the Bank or, alternatively, by investing in floating rate or fixed rate bonds issued by the Bank.
In this way, the management of market risk has been centralised by the Bank on the basis of decisions taken by the Finance Committee which is headed up by the Chief Executive Officer.

B. Management and measurement of interest rate risk and price risk

The Group's system of daily checking is consistent with market standards. **Value at Risk (VaR) techniques** are used to measure market risk.

VaR represents the estimated maximum potential loss, determined based on probabilities, that may be suffered by the aggregate concerned over a given time horizon (depending on the degree of liquidity of the portfolio) at a pre-determined level of probability (consistent with the investor's degree of risk aversion).

The methodology used to calculate the VaR belongs to the "variance-covariance" class of models (which approximates well the level of risk inherent in the aggregates analysed, as long as the transactions with a non-linear pay-off comprise only a minimal part of the portfolio), whereby the overall risk depends on the sensitivity of each position to changes in market factors, the volatility of their yields and the degree of correlation between them. The methodologies used to monitor market risks also include a **sensitivity analysis** based on parallel shifts in the market rate curves.

Currently, the daily calculation of VaR makes reference to two distinct time horizons, in order to meet both regulatory and operational requirements. An analysis is performed with a 10-day time horizon and a 99% confidence interval in order to satisfy the Bank of Italy's requirements (see Bank of Italy's Circular no. 285 dated 17 December 2013 and subsequent amendments) for models that are used to calculate capital adequacy in relation to market risk. This is supported by a further analysis with the same confidence interval, but with a daily time horizon, both to monitor the dynamics of market risk in relation to the Bank's portfolio and to provide a consistent dataset for the recognition of profits and losses for this aggregate. This model is only used for internal management purposes and is not involved in the calculation of the capital adequacy requirements regarding market risk.

The interest rate and price risk control process is centralised at the Bank and is carried out by the Group's Risk Management Unit. Periodic information is assured by the distribution of specific daily and monthly reports.

The **monitoring and control** of interest rate risk of the trading portfolio aims to mitigate the risk in question, by defining certain limits (sensitivity, stop loss and position), in respect of the various risks borne, for portfolios managed by the appropriate Group structure. Limits are checked on a daily basis by the Financial Risk Department.

The daily monitoring and control of the price risk associated with the trading portfolio for supervisory purposes is performed via **Value-at-Risk (VaR) analyses.** Specifically, the risk related to shares is estimated for each position with respect to a global or sector benchmark index, while the estimate for individual funds is made with reference to a set of risk factors that reflect the management strategy adopted. The overall risk is then determined with reference to the volatility and the correlation between the various risk factors.

The Group's Risk Management Department determines the exposure to exchange risk each day and summarises it monthly in a specific **VaR report**.

QUANTITATIVE INFORMATION

3. Interest Rate Risk – trading portfolio reported for supervisory purposes: internal models and methodologies for the analysis of sensitivity

The VaR determined over the time horizons referred to above is set out below, in relation to the rate risk associated with the trading portfolio reported for supervisory purposes at 31 December 2014.

Descriptive data		VaR Time horizon: 10 days Confidence interval: 99%		VaR Time horizon: 1 day Confidence interval: 99%	
Type of operations	**Present value**	**VaR**	**Var/Present Value**	**VaR**	**Var/Present Value**
BOT	-	-		-	
BTP	57,558	688	1.20%	217	0.38%
CCT	152,785	918	0.60%	290	0.19%
Other government securities	15,595	251	1.61%	80	0.51%
Bonds	441,068	4,074	0.92%	1,288	0.29%
Mutual funds and Sicavs	31,040	41	0.13%	13	0.04%
Derivatives/Transactions to be settled	(9,705)	2,733	-28.16%	864	-8.90%
Effect of diversification		(1,091)		(345)	
Total portfolio 2014	**688,341**	**7,614**	**1.11%**	**2,408**	**0.35%**
Total portfolio 2013	**712,327**	**1,678**	**0.24%**	**531**	**0.08%**

The value of the trading portfolio at 31 December 2014 given a parallel shift of +/- 100 basis points (sensitivity analysis) is set out below.

	+100 bps	-100 bps
31 Dec 2014	4,837	(6,426)
31 Dec 2013	(5,288)	2,681

3. Price risk - Trading portfolio for supervisory purposes: internal models and other methodologies for the analysis of sensitivity

The VaR determined over time horizons of ten days and one day is set out below, in relation to the price risk associated with the trading portfolio reported for supervisory purposes at 31 December 2014.

Descriptive data		VaR Time horizon: 10 days Confidence interval: 99%		VaR Time horizon: 1 day Confidence interval: 99%	
Type of operations	**Present value**	**VaR**	**Var/Present Value**	**VaR**	**Var/Present Value**
Equities	36,992	3,736	10.10%	1,181	3.19%
Mutual funds and Sicavs	31,040	2,221	7.16%	703	2.27%
Derivatives/Transactions to be settled	(2,430)	-	0.00%	-	0.00%
Effect of diversification		(271)		(86)	
Total portfolio 2014	**65,602**	**5,686**	**8.67%**	**1,798**	**2.74%**
Total portfolio 2013	**39,597**	**1,647**	**4.16%**	**521**	**1.32%**

2.2 Interest rate risk and price risk – Banking book

QUALITATIVE INFORMATION

A. General aspects, management and measurement of interest rate risk and price risk

Interest rate risk represents the potential impact of unexpected changes in market rates on current profits and the equity value of the Bank. This risk typically affects the positions included in the banking book.
The exposure to interest rate risk can be further analysed into:
- income risk;
- investment risk.

Income risk derives from the possibility that an unexpected change in interest rates may reduce net interest income, being the difference between interest received and interest paid. This risk is measured by maturity gap models and depends on:
- the mismatch in the maturity structures of lending and funding, in cases where the related assets and liabilities are remunerated at fixed rates until final maturity;
- the mismatch of the review periods for rate conditions, in the case of floating-rate assets and liabilities.

The timing mismatches mentioned above expose the Bank to:
- **refinancing risk:** the risk arising when the average maturity period (period until the next rate review) is shorter for funding than for lending. In this case, the Bank is exposed to possible increases in interest rates (the Bank is Liability Sensitive);

- **reinvestment risk:** the risk arising when the average maturity period (period until the next rate review) is shorter for lending than for funding. In this case, the Bank's net interest income will decline if interest rates fall (the Bank is Asset Sensitive).

Investment risk derives from the possibility that adverse changes in the value of all assets, liabilities and off-balance sheet instruments held by the Bank, following changes in interest rates, may destabilise the equilibrium of the balance sheet. This risk is measured by **duration gap and sensitivity analysis techniques.**
The following types of interest rate risk are identified:

- Repricing Risk: risk associated with differences in the maturities (fixed rate) and the repricing dates (floating rate) of the assets and liabilities held in the portfolio;
- Yield Curve Risk: risk associated with changes in the gradient and shape of the yield curve;
- Refixing Risk: risk associated with the timing of changes in market parameters, for floating rate positions. More specifically, this is the risk that rate of rise in interest rates is more marked in the refixing periods for funding than in those for lending;
- Basis Risk: risk arising from the imperfect correlation between the indexation parameters for lending and funding, or from unfavourable changes in the gradient of the curve;
- Optionality Risk: risk associated with "explicit" or "embedded" options embedded in the banking book's assets and liabilities (e.g. cap/floor/collar, loan prepayment options etc.).

BPER monitors at both consolidated and legal entity level the impact that unexpected changes in market interest rates might have on the positions in the banking book, considering both current profits (sensitivity of net interest income) and the economic value of shareholders' equity.

- **Standpoint of current profits:** the purchase of considering the impact on current profits is to evaluate interest risk with reference to the sensitivity of net interest income to rate changes over a given period of time. Adverse changes in net interest income potentially affect the financial stability of a bank by weakening its capital adequacy. The change in net interest income depends on the various types of risk.
- **Standpoint of economic value:** changes in interest rates may affect the economic value of a bank's assets and liabilities. The economic value of a bank is represented by the present value of its expected cash flows, defined as the sum of the present value of the cash flows to be generated by its assets, liabilities and positions in derivatives. By contrast with the standpoint of current profits, that of economic value identifies the risk generated by the repricing or maturity gap over a long time horizon.

The **objectives** to be pursued in support of the proper management of interest rate risk are:

- reduce the adverse effects of the volatility of net interest income (standpoint of current profits). The stability of net interest income is principally influenced by the yield curve risk, repricing risk, basis risk and optionality risk;
- immunise the economic value, being the sum of the present values of all the expected cash flows, generated by both sides of the balance sheet. By contrast with the standpoint of current profits, the standpoint of economic value takes a medium/long-term view and is principally associated with the repricing risk;
- ensure compliance with the related organisational requirements envisaged by the domestic and international supervisory bodies.

The model for the governance of rate risk is based on the following principles:

- consistency with BPER's current business model in terms of autonomy and the coordination of the commercial and lending policies of Group companies;
- allocation to the Bank of powers to manage and coordinate, in order to ensure consistency in the overall management of rate risk and compliance with regulatory requirements;
- segregation between operational processes and the control of rate risk.

The model for the management of interest rate risk focuses on the following measures of risk:

- **sensitivity of net interest income;**
- **sensitivity of economic value.**

Analysis of the sensitivity of net interest income **identifies the impact of changes in interest rates as a result of parallel and other** shocks.
The Bank calculates the sensitivity of net interest income holding rates and volumes constant. According to this model amounts maturing are reinvested on the assumption of constant volumes, rates and maturities.
The following shocks are considered:

- Parallel shock of + 100 bps.;
- Parallel shock of +/- 50 bps.;
- Parallel shock of - 25 bps.

The indicator is calculated at both Group and Legal Entity levels.

Analysis of the **sensitivity of economic value** identifies the impact on the value of shareholders' equity of parallel and other shocks to the yield curve. This change is calculated by discounting all the cash flows using two different yield curves: the current curve at the analysis date and that following the shock, and comparing the two values.

$$\Delta VA = VA_{(Curve1)} - VA_{(Curve2)}$$

In order to incorporate the phenomenon known as prepayment of loans[8], in measuring the sensitivity of economic value, a model was adopted according to which the amount of capital prepaid on a loan is estimated through a percentage of early repayment on the capital outstanding during the reference period. The percentage of prepayment defined in this way is maintained constant for the whole duration of the loan.

For the calculation of sensitivity, demand balances outstanding with customers are simulated using an econometric model which identifies a portfolio that replicates them, by allocating demand funding (lending) to a portfolio of liabilities (assets) with an identified effective repricing profile.
In addition to the risk measures mentioned above, the capital absorbed in relation to interest rate risk is also calculated. **Sensitivity analysis** is applied in order to estimate the capital absorbed, consistent with the standardised approach envisaged by the Supervisory Authorities. Under this approach, the capital absorbed in relation to the banking book's interest rate risk is the change in the economic value (defined as the present value of expected cash flows) caused by a rate shock of 200 basis points.

[8] *Prepayment can be defined as an early repayment, total or partial, of the residual loan by the borrower.*

With regard to **price risk**, the banking book mainly comprises shares, mutual funds and SICAVs classified as available for sale or measured using the Fair Value Option.
The portfolio is monitored using the **VaR methodology** described in the section entitled 2.1 "Interest-rate risk and price risk - trading portfolio for supervisory purposes".
The Group's Risk Management Department determines the exposure to exchange risk each day and summarises it monthly in a **specific VaR report**.

B. Fair value hedges

As mentioned earlier, the Bank arranges operational hedges against changes in Fair value, which are recognised for accounting purposes using the **fair value option.**
In this regard, the decisions made by the Bank concerning the scope of application of the FVO, included in the "Guidelines for the application of the fair value option by the BPER Group", envisage that - when deemed appropriate with reference to the results of ALM monitoring - certain issues of debt instruments will be hedged via plain vanilla OTC derivative contracts.
The designation of these bonds as "financial liabilities at fair value", consistent with the requirements of IAS 39, simplifies the management and accounting process.

C. Cash flow hedges

In compliance with the law, the Bank decided to take advantage of the "**Hedge Accounting approach"**, when deemed appropriate.
In this regard, the decisions concerning the scope of application of cash flow hedges, included in the "Guidelines for the application of the fair value to financial instruments by the BPER Group", identify the area of application to the Group's assets and liabilities and provide that, when considered opportune based on the results of interest risk monitoring, certain floating-rate positions are to be hedged by means of plain vanilla OTC derivative contracts.
In the application of the fair value option, income statement recognition is given solely to the change in fair value attributable to the risk being hedged.

QUANTITATIVE INFORMATION

2. Interest Rate Risk – Banking book: internal models and other methodologies for the analysis of sensitivity

Year end (31 December 2014) and trend data (minimum, average, maximum) for the year is provided below in relation to the change in the interest margin on the banking book following a parallel shift of+/-50 basis points.

	+50 bps	-50 bps
31 December 2014	**4,014**	**(1,490)**
maximum change	(8,898)	10,893
minimum change	(1,177)	(544)
average change	(2,767)	5,130
31 December 2013	**(10,352)**	**13,888**

Year end (31 December 2014) and annual trend (minimum, maximum, average) information in relation to changes in the value of the banking book due to a parallel shift of +/- 100 basis points (Sensitivity analysis).

	+100 bps	-100 bps
31 December 2014	**(98,827)**	**(44,013)**
maximum change	(137,863)	86,626
minimum change	(48,313)	(13,636)
average change	(94,267)	45,613
31 December 2013	**(201,084)**	**241,092**

2. Price Risk – Banking book: internal models and other methodologies for the analysis of sensitivity

The VaR determined over time horizons of ten days and one day is set out below, in relation to the price risk associated with the trading portfolio reported for supervisory purposes at 31 December 2014.

Descriptive data		VaR Time horizon: 10 days Confidence interval: 99%		VaR Time horizon: 1 day Confidence interval: 99%	
Type of operations	Present value	VaR	Var/Present Value	VaR	Var/Present Value
Equities	342,603	40,421	11.80%	12,782	3.73%
Mutual funds and Sicavs	114,487	10,621	9.28%	3,359	2.93%
Derivatives/Transactions to be settled	-	-		-	
Effect of diversification		(54)		(17)	
Total portfolio 2014	**457,090**	**50,988**	**11.15%**	**16,124**	**3.53%**
Total portfolio 2013	**485,950**	**32,276**	**6.64%**	**10,206**	**2.10%**

2.3 Exchange risk

QUALITATIVE INFORMATION

A. General aspects, management and measurement of exchange risk

The Bank is exposed to exchange risk as a consequence of routine borrowing and lending activities and, to a marginal extent, in relation to speculative activities. The Group's Risk Management Department determines the exposure to exchange rate risk each day and summarises it monthly in a specific VaR report.

B. Hedging of exchange risk

The Bank uses plain vanilla instruments for the operational hedging of exchange risk.

QUANTITATIVE INFORMATION

1. Foreign currency assets, liabilities and derivatives

Captions	Currency					
	US Dollars	Sterling	Yen	Canadian Dollars	Swiss Francs	Other currency
A. Financial assets	**334,738**	**298,446**	**5,523**	**1,452**	**21,837**	**12,075**
A.1 Debt securities	81,559	258,982	-	-	-	6,920
A.2 Equity instruments	3,128	-	-	-	-	-
A.3 Loans to banks	39,958	14,293	2,406	983	10,184	5,051
A.4 Loans to customers	210,093	25,171	3,117	469	11,653	104
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**5,228**	**1,678**	**97**	**602**	**1,269**	**1,010**
C. Financial liabilities	**288,769**	**206,297**	**3,945**	**4,014**	**7,057**	**15,941**
C.1 Due to banks	74,273	191,346	462	296	3,309	5,182
C.2 Due to customers	214,496	14,951	3,483	3,718	3,748	10,759
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**2,317**	**172**	**-**	**-**	**138**	**12**
E. Financial derivatives						
- Options						
+ long positions	48,915	1,061	2,988	-	-	-
+ short positions	86,352	569	3,332	-	-	236
- Other derivatives						
+ long positions	260,713	6,644	8,425	6,078	10,402	44,524
+ short positions	252,684	92,881	12,391	4,144	26,352	34,425
Total assets	**649,594**	**307,829**	**17,033**	**8,132**	**33,508**	**57,609**
Total liabilities	**630,122**	**299,919**	**19,668**	**8,158**	**33,547**	**50,614**
Net balance (+/-)	**19,472**	**7,910**	**(2,635)**	**(26)**	**(39)**	**6,995**

2. Internal models and other methodologies for the analysis of sensitivity

The VaR determined over time horizons of ten days and one day is set out below, in relation to the exchange risk faced by the Bank at 31 December 2014.

	VaR Time horizon: 10 days Confidence interval: 99 %	VaR Time horizon: 1 day Confidence interval: 99 %
2014 figures	**7,739**	**2,447**
2013 figures	**7,030**	**2,223**

2.4 Derivatives products

A. Financial Derivatives

A.1 Regulatory trading portfolio: notional values at the end of period and average

Underlying assets/Type of derivative	31.12.2014		31.12.2013	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	**4,766,345**	**452,818**	**6,008,110**	**658,011**
a) Options	513,485	-	973,149	-
b) Swaps	4,252,860	-	5,034,961	-
c) Forwards	-	-	-	-
d) Futures	-	452,818	-	658,011
e) Other	-	-	-	-
2. Equities and stock indices	**35,239**	**4,860**	**7,475**	**1,731**
a) Options	35,239	-	7,475	780
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	4,860	-	951
e) Other	-	-	-	-
3. Currency and gold	**951,571**	**-**	**923,380**	**-**
a) Options	332,244	-	244,134	-
b) Swaps	-	-	-	-
c) Forwards	619,327	-	679,246	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Goods	**-**	**3,277**	**3,539**	**2,116**
5. Other underlyings	**-**	**-**	**-**	**-**
Total	**5,753,155**	**460,955**	**6,942,504**	**661,858**
Averages	**6,155,015**	**770,625**	**7,111,369**	**789,931**

A.2 Banking portfolio: period-end and average notional values

A.2.1 For hedging

Underlying assets/ Type of derivative	31.12.2014		31.12.2013	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	**1,445,822**	**-**	**827,722**	**-**
a) Options	-	-	-	-
b) Swaps	1,445,822	-	827,722	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equities and stock indices	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currency and gold	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Goods	**-**	**-**	**-**	**-**
5. Other underlyings	**-**	**-**	**-**	**-**
Total	**1,445,822**	**-**	**827,722**	**-**
Averages	**1,310,535**	**-**	**425,447**	**-**

A.2.2 Other derivatives

Underlying assets/Type of derivative	31.12.2014		31.12.2013	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rate	**5,570,574**	**-**	**6,234,853**	**-**
a) Options	6,469	-	12,155	-
b) Swaps	5,564,105	-	6,222,698	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equities and stock indices	**88,487**	**-**	**35,200**	**-**
a) Options	88,487	-	35,200	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currency and gold	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Goods	**-**	**-**	**-**	**-**
5. Other underlyings	**-**	**-**	**-**	**-**
Total	**5,659,061**	**-**	**6,270,053**	**-**
Averages	**6,278,871**	**-**	**7,605,235**	**-**

A.3 Financial derivatives: positive gross fair value - allocation by product

Portfolio/Types	Positive fair value			
	31.12.2014		31.12.2013	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Trading portfolio for supervisory purposes	**134,315**	**-**	**106,301**	**-**
a) Options	13,237	-	16,869	-
b) Interest rate swaps	106,265	-	82,222	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	14,813	-	7,210	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
B. Banking portfolio - for hedging	**33,660**	**-**	**1,896**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	33,660	-	1,896	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking portfolio - other derivatives	**120,413**	**-**	**97,040**	**-**
a) Options	29	-	34	-
b) Interest rate swaps	120,384	-	97,006	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**288,388**	**-**	**205,237**	**-**

A.4 Financial derivatives: negative gross fair value - allocation by product

Portfolio/Types	Negative fair value			
	31.12.2014		31.12.2013	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Trading portfolio for supervisory purposes	**178,581**	**-**	**149,108**	**29**
a) Options	10,835	-	11,169	29
b) Interest rate swaps	150,888	-	127,411	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	16,858	-	10,528	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
B. Banking portfolio - for hedging	**9,114**	**-**	**35,793**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	9,114	-	35,793	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking portfolio - other derivatives	**71,713**	**-**	**20,436**	**-**
a) Options	4,223	-	781	-
b) Interest rate swaps	67,490	-	19,655	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**259,408**	**-**	**205,337**	**29**

A.5 OTC financial derivatives: Trading portfolio for supervisory purposes - notional amounts, positive and negative gross fair values by counterparty - contracts not included in offset agreements

Contracts not included in offset agreements	Governments and Central Banks	Other public entities	Banks	Financial businesses	Insurance companies	Non-financial companies	Other parties
1) Debt securities and interest rates							
- notional value	-	-	8,558	16,859	-	1,028,339	13,989
- positive fair value	-	-	4	2,551	-	66,426	172
- negative fair value	-	-	46	-	-	1,560	12
- future exposure	-	-	-	121	-	5,477	10
2) Equities and stock indices							
- notional value	-	-	-	-	-	475	-
- positive fair value	-	-	-	-	-	20	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	38	-
3) Currency and gold							
- notional value	-	-	164	-	-	421,255	2,123
- positive fair value	-	-	10	-	-	5,284	68
- negative fair value	-	-	-	-	-	12,575	27
- future exposure	-	-	2	-	-	4,667	20
4) Other instruments							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

A.6 OTC financial derivatives: Trading portfolio for supervisory purposes: notional amounts, positive and negative gross fair values by counterparty - contracts included in offset agreements

Contracts included in offset agreements	Governments and Central Banks	Other public entities	Banks	Financial businesses	Insurance companies	Non-financial companies	Other parties
1) Debt securities and interest rates							
- notional value	-	-	3,019,321	549,155	-	130,124	-
- positive fair value	-	-	27,048	732	-	13,380	-
- negative fair value	-	-	134,333	19,033	-	6	-
2) Equities and stock indices							
- notional value	-	-	34,764	-	-	-	-
- positive fair value	-	-	4,194	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
3) Currency and gold							
- notional value	-	-	429,720	98,309	-	-	-
- positive fair value	-	-	10,309	4,117	-	-	-
- negative fair value	-	-	9,789	1,200	-	-	-
4) Other instruments							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

A.7 OTC Financial derivatives: banking book - notional amounts, positive and negative gross fair values by counterparty - contracts not included in offset agreements

Contracts not included in offset agreements	Governments and Central Banks	Other public entities	Banks	Financial businesses	Insurance companies	Non-financial companies	Other parties
1) Debt securities and interest rates							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
2) Equities and stock indices							
- notional value	-	-	-	50	-	35,150	53,287
- positive fair value	-	-	-	9	-	-	-
- negative fair value	-	-	-	-	-	-	4,028
- future exposure	-	-	-	4	-	1,606	-
3) Currency and gold							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
4) Other instruments							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

A.8 OTC financial derivatives: banking book: notional amounts, positive and negative gross fair value by counterparty - contracts included in offset agreements

Contracts included in offset agreements	Governments and Central Banks	Other public entities	Banks	Financial businesses	Insurance companies	Non-financial companies	Other parties
1) Debt securities and interest rates							
- notional value	-	-	6,566,729	449,667	-	-	-
- positive fair value	-	-	139,880	14,184	-	-	-
- negative fair value	-	-	76,472	327	-	-	-
2) Equities and stock indices							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
3) Currency and gold							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
4) Other instruments							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

A.9 Residual life of OTC financial derivatives: notional values

Underlyings/Residual value	Within 1 year	Beyond 1 year up to 5 years	Over 5 years	Total
A. Trading portfolio for supervisory purposes	**1,669,390**	**1,932,511**	**2,151,254**	**5,753,155**
A.1 Financial derivatives on debt securities and interest rates	824,989	1,796,032	2,145,324	4,766,345
A.2 Financial derivatives on equities and stock indices	-	35,239	-	35,239
A.3 Financial derivatives on exchange rates and gold	844,401	101,240	5,930	951,571
A.4 Financial derivatives on other instruments	-	-	-	-
B. Banking book	**702,390**	**4,113,113**	**2,289,380**	**7,104,883**
B.1 Financial derivatives on debt securities and interest rates	702,390	4,056,676	2,257,330	7,016,396
B.2 Financial derivative contracts on equity securities and stock indices	-	56,437	32,050	88,487
B.3 Financial derivatives on exchange rates and gold	-	-	-	-
B.4 Financial derivatives on other instruments	-	-	-	-
Total 31.12.2014	**2,371,780**	**6,045,624**	**4,440,634**	**12,858,038**
Total 31.12.2013	**3,341,034**	**6,139,231**	**4,560,014**	**14,040,279**

C. Financial and credit derivatives

C.1 OTC financial and credit derivatives: net fair value and future exposure by counterparty

	Governments and Central Banks	Other public entities	Banks	Financial businesses	Insurance companies	Non-financial companies	Other parties
1) Bilateral financial derivative agreements							
- positive fair value	-	-	44,083	8,327	-	13,374	-
- negative fair value	-	-	83,246	9,854	-	-	-
- future exposure	-	-	36,424	4,241	-	1,375	-
- net counterparty risk	-	-	65,026	4,587	-	14,749	-
2) Bilateral credit derivative agreements							
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
- net counterparty risk	-	-	-	-	-	-	-
3) Cross Product agreements							
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
- net counterparty risk	-	-	-	-	-	-	-

Section 3 – Liquidity risk

QUALITATIVE INFORMATION

A. General aspects, management and measurement of liquidity risk

The Bank has a specific policy for the management of liquidity (Liquidity Policy Handbook), as well as the plan for emergencies covering the objectives, processes and strategies for action (Contingency Plan).

1. LIQUIDITY POLICY HANDBOOK

This document establishes the Bank's policy for the efficient management of liquidity under normal conditions, formalising:

- the governance model in terms of the parties involved in the management of liquidity and the monitoring and management of the related risks, establishing their roles and responsibilities;
- the processes and metrics used to monitor liquidity risk, distinguishing between short-term liquidity risk (operational liquidity) and long-term liquidity risk (structural liquidity);
- propensity to risk and limits intended to contain liquidity risk;
- the stress test model adopted to evaluate the exposure to liquidity risk under extreme scenarios;
- the process of fund planning with a view to optimising the management of structural liquidity.

Liquidity risk typically crystallises in the form of failure to meet payment obligations; it may take various forms, depending on the circumstances in which the risk arises. With reference to the definitions adopted at international level, a distinction is made between funding liquidity risk and market liquidity risk.

Funding liquidity risk is the risk that the Bank will not be able to make, in an efficient manner, expected and unexpected cash payments, both current and future, nor will it be able to meet collateral obligations, without an adverse effect on current operations or its financial position.

Market liquidity risk, on the other hand, is the risk that a Bank is not able to sell a financial asset without incurring a capital loss due to poor liquidity or disorder in the reference market.

These two forms of liquidity risk are often highly correlated, and may crystallise as a result of the same underlying factors. Market liquidity risk is usually considered to be a type of market risk (price risk); accordingly, the processes and rules for measuring, controlling and mitigating liquidity risk focus on the funding risk aspect, consistent with the related regulatory requirements[9].

[9] *Bank of Italy, "New regulations for the prudential supervision of banks", Volume V, Chapter 2, Circ. no. 263 dated 27 December 2006 and subsequent amendments.*

In the context of funding risk, a distinction is made between:

- **mismatch liquidity risk**, being the liquidity risk implicit in the structure of the bank's assets and liabilities due to the transformation of maturities typical of financial intermediaries, when the profile of cash outflows is not perfectly matched by the profile of cash inflows (with reference to contractual maturities and routine behaviour);
- **contingency liquidity risk**, being the risk that future events may require access to significantly more liquidity than previously planned by the bank; in other words, this is the risk of not being able to settle sudden and unexpected payment commitments in the short or very short term.

The **sources of liquidity risk** fall into two broad categories:

- **endogenous:** sources that originate from adverse events specific to BPER resulting in the market losing confidence in the Bank.
  Such specific adverse events might include a rating downgrade or other events that cause the market to lose confidence. A downgrade might result in:
  - reduced access to the market for unsecured funds (e.g. commercial paper) by institutional investors;
  - a reduction in or cancellation of interbank lines of credit, or even the withdrawal of deposits by retail customers.

  The downgrade or the widespread market perception of a deterioration in the solidity of banks (which may arise from other risks, such as major losses on the trading book or on the portfolio of loans) might also result in a higher liquidity requirement; for example, an increase in the margin calls and guarantees required, or the need to finance assets that can no longer be sold or converted into securities via securitisations.
- **exogenous:** sources that originate from adverse events caused by market shocks that are not directly controllable by the Bank; these sources of risk depend directly on the ability of the market to allocate the available resources in accordance with the specific circumstances.
  Exogenous sources might include such systemic events as political and financial crises, catastrophic events etc. that cause a liquidity crisis in the market.

BPER's **liquidity risk management model** has the following objectives:

- to enable BPER to remain solvent both in the ordinary course of business and under crisis conditions;
- to follow the guidance provided by the Supervisory Authorities, while taking account of the Bank's specific operating characteristics;
- to ensure a level of liquidity that enables BPER to meet its contractual commitments at any time, while also optimising the cost of funding in relation to current and expected market conditions.

The Bank's **governance model** is based on the centralised management of liquidity and the related risk. In particular, BPER:

- is responsible for liquidity policy;
- manages both short-term and medium/long-term liquidity;
- determines and manages the funding plan;
- monitors and manages liquidity risk.

The above governance model is based on the following principles:

- segregation of duties between liquidity management and liquidity risk control;
- development of processes for the management and control of liquidity risk that are consistent with the Group's reporting structure and by using the governance model formalised by the policy;
- communication of decisions and clear division of responsibilities between management, control and operational bodies;
- compliance of the processes for the management and monitoring of liquidity risk with guidance provided on prudential supervision.

The Liquidity Policy Handbook is updated annually (or more often if necessary); the related updates are approved by the Board of Directors of the Bank following examination by the Group's Risk Committee. The Handbook is then adopted by the Board of each Bank/Group Company covered by the policy.
Pursuit of the above objectives takes account of the following aspects:

- **segregation of responsibilities and roles** between the internal functions responsible for managing liquidity and those responsible for managing liquidity risk;
- measurement of the exposure to liquidity risk using the **Liquidity Risk Mismatch Model**, which is based on the following key elements:
  - the **liquidity policy** and **the metrics** used for the monitoring and management of liquidity risk distinguish between short-term liquidity (operational liquidity) and long-term liquidity. In particular:
    - the purpose of managing short-term (operational) liquidity risk is to manage the events affecting the Bank's liquidity position over time horizons from 1 day to 1 year, with the paramount objective of maintaining the Bank's ability to meet routine and special payment commitments, while minimising the related costs;
    - the main purpose of managing medium/long-term (structural) liquidity risk, deriving from events that affect the Bank's liquidity position over a time horizon in excess of one year, is to maintain a suitable dynamic between medium/long-term assets and liabilities, while avoiding pressure on the current and future sources of short-term liquidity and, at the same time, optimising the cost of funding;
  - the metrics for monitoring short-term liquidity risk include:
    - calculation of the liquidity mismatch having regard for the assets that can be promptly converted to cash, comprising the portfolio of eligible and marketable securities, as well as any reserves under the form of working capital;
    - maintaining the lending-funding maturing in the various time bands within a cumulative limit expressed in absolute terms; daily checking for internal operational purposes and weekly checks using the methodologies recommended by the Supervisory Authorities.
  - the metrics for the monitoring of structural liquidity risk include calculation of the liquidity mismatch which, operationally, involves calculating the gap ratios between assets and liabilities in the time bands that exceed one year;
  - the use of statistical/quantitative behavioural models for items without contractual maturities or which are subject to options;
  - the performance of periodic stress tests which, based on endogenous and exogenous shock scenarios, generate deterministic and/or probability-based indicators of risk;
- definition of a **Group Contingency Funding Plan** that establishes the Liquidity Policy to be followed in a crisis scenario caused by endogenous and/or exogenous factors.

The liquidity position is monitored both under normal conditions and at times of stress: scenario analysis is carried out once a month by the Group's Risk Management Department.
When carrying out stress analyses, the scenarios are constructed with reference both to systemic events (Market Stress Scenario) and to events specific to BPER (Name Crisis Stress Scenario), as well as a combination of the two (Composite Scenario). In view of the macroeconomic context, commercial policies and possible changes in customer behaviour.

2. CONTINGENCY FUNDING PLAN

This document formalises the process of liquidity management under stress or crisis scenarios. The business functions responsible for monitoring and managing liquidity risk must be able to carry out their activities both under normal conditions and at times of stress and/or liquidity crises that are unlikely to occur, but which would have a significant impact.
BPER Group's governance model, defined in the Liquidity Policy Handbook, envisages the centralised management of liquidity. In view of this, BPER - as the lender of last resort for all Group subsidiaries - guarantees their short, medium and long-term solvency and is responsible for activating the Contingency Funding Plan, regardless of where in the Group the liquidity crisis arises.
The purpose of the Contingency Funding Plan is to safeguard the net assets of the Bank at the early stages of liquidity stress and to guarantee the Group's continuity in the event of a serious and/or prolonged liquidity crisis, by:

- defining a process for the identification and monitoring of risk indicators that signal and measure the stages in a liquidity crisis;
- identifying ex ante a system of predetermined but flexible actions to be implemented in the early stages of a crisis;
- determining the roles and responsibilities of each business function involved in activating the Group's Contingency Funding Plan;
- identifying the internal regulations that may be invoked to justify the actions of the BPER Group's management, which at a time of crisis must be authorised to modify on a timely and perhaps radical basis the structure of the assets and liabilities in the balance sheet.

A state of liquidity crisis is defined as a situation in which a bank finds it difficult or impossible to settle the cash payments falling due, except by activating procedures and/or using tools with an intensity or in a manner not envisaged as part of ordinary administration.
Liquidity crises fall into two broad categories:

- **systemic or "market driven" liquidity crises** generated by market, political or macroeconomic crises;
- **specific liquidity crises or "name crises"** limited to the Group or to one or more Group companies/banks.

Considering the types of liquidity crisis and their scale, three operational scenarios have been identified:

- Ordinary course of business;
- State of stress;
- State of crisis.

Depending on the scenario, the actions required and the functions involved in its management can be identified.

The operational scenario faced by the Bank is identified by monitoring the system of early warnings, which comprises a series of indicators that flag the scenario with reference to progressive levels of stress/crisis associated with one or more drivers. Depending on the level of stress/crisis identified, monitoring and/or communications procedures are activated in preparation for implementing procedures designed to manage the state of stress or state of crisis concerned.

The Contingency Funding Plan is updated each year and all revisions must be approved by the Board of Directors of BPER.

QUANTITATIVE INFORMATION

1.1 Time breakdown by contractual residual maturity of financial assets and liabilities - Currency: Euro

Items/Time period	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Unspecified duration
Cash assets	**5,980,086**	**419,034**	**788,654**	**1,843,099**	**4,096,285**	**2,002,675**	**4,051,535**	**13,752,152**	**11,438,341**	**235,597**
A.1 Government securities	143	-	-	16,875	185,166	150,639	416,643	2,538,041	1,580,517	-
A.2 Other debt securities	5,225	1	744	33,332	154,224	84,767	198,588	1,482,990	733,799	127,650
A.3 UCITS units	161,391	-	-	-	-	-	-	-	-	-
A.4 Loans	5,813,327	419,033	787,910	1,792,892	3,756,895	1,767,269	3,436,304	9,731,121	9,124,025	107,947
- Banks	774,161	2,533	169	297,570	98,392	189,927	21,183	10,236	-	107,947
- Customers	5,039,166	416,500	787,741	1,495,322	3,658,503	1,577,342	3,415,121	9,720,885	9,124,025	-
Cash liabilities	**22,347,746**	**1,159,675**	**969,192**	**1,273,569**	**2,625,542**	**1,726,179**	**1,755,684**	**8,658,778**	**1,270,507**	**-**
B.1 Deposits and current accounts	22,084,157	834,403	867,941	1,036,590	1,955,357	514,745	104,471	3,207,622	1,090,231	-
- Banks	2,323,265	728,155	621,717	654,903	1,290,186	-	-	2,305,904	108,661	-
- Customers	19,760,892	106,248	246,224	381,687	665,171	514,745	104,471	901,718	981,570	-
B.2 Debt securities	263,589	325,272	101,251	236,979	670,185	1,211,434	1,651,213	5,451,156	180,276	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	73,271	40,509	40,419	68,722	111,550	87,985	23,009	73,519	-
- Short positions	5	88,993	4,015	16,966	70,479	70,315	77,743	24,770	53,556	-
C.2 Financial derivatives without exchange of capital										
- Long positions	108,965	-	-	-	-	-	-	-	-	-
- Short positions	157,740	-	-	-	-	-	-	-	-	-
C.3C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to make loans										
- Long positions	20,438	121	466	781	2,321	3,773	7,773	257,503	200,903	-
- Short positions	31,984	3,681	-	-	217,511	67,314	133,261	40,000	368	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
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 required by the regulations, liquidity risk includes the self-securitisations carried out and outstanding in 2014, as shown below.

Estense Finance self-securitisation

During 2009, the Bank completed a securitisation of performing residential mortgages pursuant to Law 130 dated 30 April 1999, with a view to strengthening the funding available to tackle liquidity risks.

This operation involved the without-recourse sale of a block of 20,198 performing loans, comprising (i) residential mortgages granted to developers and (ii) residential mortgages granted to home owners, totalling Euro 1,922,631,856, to Estense Finance s.r.l., a limited liability company formed pursuant to Law 130 that is 9.9% owned by the Bank.

The vehicle company financed the operation via issue of the asset-backed bonds described in the following table, all of which were taken up by BPER.

In order to hedge the interest-rate risk associated with the issue of these bonds, the SPV has arranged an IRS contract with a leading financial institution. The originator has entered into an equal but opposite contract with this institution, in order to internalise the returns from the operation.

The objective of this operation, not involving the market, was to create a reserve of liquidity via the issue of securities eligible for refinancing with the ECB and for use as a guarantee for other funding transactions. It represents one aspect of the liquidity management activities arranged by BPER.

The securities, initially with a rating provided solely by Standard & Poor's, have then been rated by a second agency, Fitch Ratings, as required by the most recent changes in European regulations.

As structured, the sale does not transfer to third parties, with respect to the originator bank, the real credit risk associated with the underlying loans. Accordingly, pursuant to the provisions of IAS 39 on the subject of derecognition, the securitised loans remain classified as an asset in BPER's balance sheet and are described in the Explanatory notes.

Classes	A	B	C
Issue amount	1,750,000,000	40,000,000	132,632,000
Currency	Euro	Euro	Euro
Maturity	24-Aug-48	24-Aug-48	24-Aug-48
Listing	Luxembourg Stock Exchange	Luxembourg Stock Exchange	Unlisted
ISIN Code	IT0004513542	IT0004513559	IT0004513567
Amortisation	Pass Through	Pass Through	Pass Through
Indexation	3-month Euribor	3-month Euribor	Not indexed
Spread	0.60%	2.50%	Residual
S&P's issue rating	AAA	A	Unrated
Fitch issue rating	Unrated	Unrated	Unrated
Current S&P rating	AA-sf	Asf	Unrated
Current Fitch rating	AA+sf	Asf	Unrated

The Senior Security is currently being amortised according to expectations. The residual nominal capital after the payment date of November 2014 amounted to Euro 736 million.

Estense S.M.E. self-securitisation

During 2012, the Bank completed a securitisation of performing residential mortgages to small and medium enterprises pursuant to Law 130 of 30 April 1999, with a view to strengthening the funding available to tackle liquidity risks.

This operation involved the without-recourse sale of a block of 12,175 performing loans, comprising mortgage loans and unsecured loans totalling Euro 2,131,896,730.63, to Estense S.M.E. s.r.l., a limited liability company formed pursuant to Law 130 that is 9.9% owned by the Bank.

The vehicle company financed the operation via issue of the asset-backed bonds described in the following table, all of which were taken up by BPER.

The objective of this operation, not involving the market, was to create a reserve of liquidity via the issue of securities eligible for refinancing with the ECB and for use as a guarantee for other funding transactions. It represents one aspect of the liquidity management activities arranged by BPER.

The securities have been rated by Standard & Poor's and DBRS, as required by European regulations.

As structured, the sale does not transfer to third parties, with respect to the originator bank, the real credit risk associated with the underlying loans. Accordingly, pursuant to the provisions of IAS 39 on the subject of derecognition, the securitised loans remain classified as an asset in BPER's balance sheet and are described in the Explanatory notes.

Classes	A	B
Issue amount	1,488,000,000	668,700,000
Currency	Euro	Euro
Maturity	27-Dec-55	27-Dec-55
Listing	Luxembourg Stock Exchange	Luxembourg Stock Exchange
ISIN Code	IT0004881014	IT0004881006
Amortisation	Pass Through	Pass Through
Indexation	3-month Euribor	3-month Euribor
Spread	0.50%	Residual
S&P's issue rating	A-	Unrated
DBRS issue rating	A low	Unrated
Current S&P rating	A-	Unrated
Current Fitch rating	A low	Unrated

The Senior Security is currently amortising according to expectations and the residual nominal capital after the payment date in December 2014 amounts to Euro 606 million.

Avia Pervia self-securitisation

The multi-originator securitisation of Avia Pervia s.r.l. (9.9% owned by BPER), carried out by Group banks, excluding Cassa di Risparmio di Bra s.p.a., continued during 2014.
More specifically, this transaction envisages:

- a "Pre-Issue Stage", which began in November 2012 and ended in May 2013, during which the banks of the originator Group assigned a first portfolio of loans for a total of Euro 878.1 million without recourse to the vehicle company;
- a "Revolving Period", that expires in February 2017, during which the originators sold to the vehicle company other portfolios of non-performing loans for a total at 31 December 2014 of Euro 706.6 million. During this period, the vehicle company repaid securities for a total of Euro 94 million;
- an "Amortisation Period", which runs from the end of the "Revolving Period", in which it will not be possible to buy new portfolios of loans or issue new securities, where recoveries arising from the portfolios previously purchased, less recovery and operating costs, will be used by the Company to repay the various securities.

The portfolios acquired were financed by the issue by the SPV of a series of asset-backed securities, unrated and unlisted, which were fully subscribed by the respective originators.
The fact that the Group banks buy all of the securities means that they have a continuing involvement in the securitisation. Consequently, as the risks and benefits of the portfolios have not been transferred, these loans have not been reversed out of the assets of the Group banks.
On 23 January 2015 further sales of loans took place, again financed by securities subscribed for by the respective originators. On this occasion, settlements in cascades were rationalised to take account of mergers that had taken place between Group companies.

1.2 Time breakdown by contractual residual maturity of financial assets and liabilities - Currency: US Dollar

Items/Time period	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Unspecified duration
Cash assets	**73,636**	**1,713**	**28,312**	**29,600**	**90,428**	**11,999**	**30,562**	**36,597**	**34,550**	**-**
A.1 Government securities	-	-	-	-	2	625	627	-	20,049	-
A.2 Other debt securities	-	12	38	48	108	257	15,376	30,301	4,251	-
A.3 UCITS units	3,107	-	-	-	-	-	-	-	-	-
A.4 Loans	70,529	1,701	28,274	29,552	90,318	11,117	14,559	6,296	10,250	-
- Banks	17,321	50	19,903	83	-	1,268	1,462	-	-	-
- Customers	53,208	1,651	8,371	29,469	90,318	9,849	13,097	6,296	10,250	-
Cash liabilities	**216,887**	**55**	**41,785**	**24,936**	**489**	**3,333**	**1,089**	**67**	**-**	**-**
B.1 Deposits and current accounts	216,887	55	41,785	24,936	489	3,333	1,089	67	-	-
- Banks	8,936	-	41,213	24,160	-	-	-	-	-	-
- Customers	207,951	55	572	776	489	3,333	1,089	67	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	5	17,096	34,113	40,308	56,530	66,709	68,535	24,838	3,160	-
- Short positions	-	23,551	58,809	31,411	55,204	67,261	78,075	23,040	3,351	-
C.2 Financial derivatives without exchange of capital										
- Long positions	1,348	-	-	-	-	-	-	-	-	-
- Short positions	1,277	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to make loans										
- Long positions	1,056	813	-	-	-	-	-	-	-	-
- Short positions	1,056	813	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-

1.3 Time breakdown by contractual residual maturity of financial assets and liabilities - Currency: Pound

Items/Time period	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Unspecified duration
Cash assets	**2,646**	**163**	**30,540**	**5,116**	**2,122**	**40,008**	**3,021**	**125,000**	**30,110**	**-**
A.1 Government securities	-	-	-	4	413	40,000	413	-	30,000	-
A.2 Other debt securities	-	-	-	-	5	6	2,608	125,000	110	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans	2,646	163	30,540	5,112	1,704	2	-	-	-	-
- Banks	2,603	-	11,810	-	-	-	-	-	-	-
- Customers	43	163	18,730	5,112	1,704	2	-	-	-	-
Cash liabilities	**25,188**	**-**	**20,321**	**160,532**	**17**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts	25,188	-	20,321	160,532	17	-	-	-	-	-
- Banks	10,408	-	20,168	160,532	-	-	-	-	-	-
- Customers	14,780	-	153	-	17	-	-	-	-	-
B.2 Debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	1,782	775	225	2,860	2,063	-	-	-	-
- Short positions	-	1,838	13,369	24,901	2,052	51,204	87	-	-	-
C.2 Financial derivatives without exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to make loans										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-

1.4 Time breakdown by contractual residual maturity of financial assets and liabilities - Currency: Yen

Items/Time period	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Unspecified duration
Cash assets	**1,779**	**-**	**1,041**	**81**	**1,419**	**860**	**110**	**282**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans	1,779	-	1,041	81	1,419	860	110	282	-	-
- Banks	1,418	-	488	-	115	391	-	-	-	-
- Customers	361	-	553	81	1,304	469	110	282	-	-
Cash liabilities	**3,777**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts	3,777	-	-	-	-	-	-	-	-	-
- Banks	462	-	-	-	-	-	-	-	-	-
- Customers	3,315	-	-	-	-	-	-	-	-	-
B.2 Debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	205	-	1	4,081	4,615	1,321	1,189	-	-
- Short positions	-	854	1,986	374	4,195	5,385	1,739	1,189	-	-
C.2 Financial derivatives without exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to make loans										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-

1.5 Time breakdown by contractual residual maturity of financial assets and liabilities - Currency: Other currencies

Items/Time period	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Unspecified duration
Cash assets	**6,921**	**2,361**	**12,148**	**3,432**	**3,160**	**675**	**482**	**9,942**	**-**	**-**
A.1 Government securities	-	-	-	-	-	235	235	9,900	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	7	-	-
A.3 UCITS units	-	-	-	-	-	-	-	-	-	-
A.4 Loans	6,921	2,361	12,148	3,432	3,160	440	247	35	-	-
- Banks	6,547	-	9,725	-	-	-	-	-	-	-
- Customers	374	2,361	2,423	3,432	3,160	440	247	35	-	-
Cash liabilities	**21,476**	-	**3,371**	**1,917**	**344**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts	21,476	-	3,371	1,917	344	-	-	-	-	-
- Banks	3,598	-	3,371	1,917	-	-	-	-	-	-
- Customers	17,878	-	-	-	344	-	-	-	-	-
B.2 Debt securities	**-**	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	8,412	18,703	8,818	10,833	1,399	12,839	-	-	-
- Short positions	-	8,440	16,185	15,896	10,670	1,417	12,548	-	-	-
C.2 Financial derivatives without exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to make loans										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-

2. Information on the activities on balance sheet

Technical form	Commited		Non-commited		Total 31.12.2014	Total 31.12.2013
	BV	FV	BV	FV		
1. Cash and balances with central banks	-	#	306,329	#	306,329	221,462
2. Debt securities	3,328,755	3,453,833	5,148,010	5,225,002	8,476,765	7,300,311
3. Equity instruments	-	-	374,921	374,921	374,921	375,241
4. Loans	7,491,837	#	28,071,342	#	35,563,179	30,281,478
5. Other financial assets	-	#	1,829,607	#	1,829,607	2,593,828
6. Non-financial assets	-	#	2,611,520	#	2,611,520	1,912,229
Total 31.12.2014	**10,820,592**	**3,453,833**	**38,341,729**	**5,599,923**	**49,162,321**	#
Total 31.12.2013	**10,868,799**	**5,351,041**	**31,815,750**	**2,402,541**	#	**42,684,549**

Key

BV = book value
FV = fair value

3. Information on the activities of property off balance sheet

Technical form	Commited	Non-commited	Total 31.12.2014	Total 31.12.2013
1. Financial assets	2,075,734	3,978,047	6,053,781	7,141,543
- Securities	2,075,734	3,978,047	6,053,781	7,141,543
- Other	-	-	-	-
2. Non-financial assets	-	-	-	-
Total 31.12.2014	**2,075,734**	**3,978,047**	**6,053,781**	#
Total 31.12.2013	**4,807,304**	**2,334,239**	#	**7,141,543**

Recorded and off balance sheet encumbered assets include collateral provided for European Central Bank financing operations. Further details are provided in Part B, balance sheet, liabilities and shareholders' equity under "Other information – Assets used to guarantee own liabilities and commitments".

Section 4 – Operational risks

QUALITATIVE INFORMATION

A. General aspects, management and measurement of operational risk

Operational risk is "the risk of losses due to inadequate or dysfunctional procedures, human resources or internal systems, or to exogenous events, including the legal risk[10]*".*

On completion of the project started in 2012 by BPER Group and following the communication sent to the Bank of Italy in October 2013, Banca popolare dell'Emilia Romagna s.c. has adopted the Traditional Standardised Approach for the computation of consolidated capital requirements for operational risk. The Own Funds requirement is calculated using the standardised approach by determining the three-year average of the sum of the annual Own Funds requirement for the lines of business in which the relevant indicator was classified[11].

Note that, on the basis of the principles of organisational separation and independence of functions exercising second and third level control activities, it is envisaged that there is:

- a first level control of operational risk;
- a function that performs second level controls of operational risk within the Group Risk Management Department, part of the Group Credit and Operational Risk Management Unit;
- a function for third level controls that is attributed to the Group Internal Audit Department, in accordance with the Group's internal control system.

Operational risk management is based on the following principles:

- identification: operational risks are identified, highlighted and reported to senior management;
- measurement and assessment: the risk is quantified by determining the impact on business processes, inclusive of the financial impact thereon;
- monitoring: monitoring of operational risk and of exposure to significant losses is ensured, generating information flows that favour active risk management;
- mitigation: appropriate measures have been taken to mitigate operational risk;
- reporting: a reporting system has been set up to report on operational risk management.

The collection and storage of data relating to loss events deriving from operational risks, customer claims and legal disputes is done by means of the Group's Loss Data Collection process.

The process of loss data collection is supported by special IT tools, which are under constant development, to ensure the integrity and quality of data.

The assessment of operational risk exposure, which is performed by means of control risk self assessment methodology, is aimed at determining, with an annual time horizon and for significant operating segments:

- the extent of exposure to operational risk;
- an assessment of the adequacy of line processes and controls.

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[10] *See EU Regulation 575/2013 of the European Parliament and the Council of 26 June 2013 on prudential requirements for credit institutions and investment companies (CRR) – Part one, Title I, art. 4. Legal risk is the risk of losses resulting from violations of laws or regulations, from contractual or extra-contractual liability or from other disputes.*

[11] *See CRR – Part three, Title III, Chapter 3, art. 317.*

The Parent Company prepares detailed reports for senior management and the heads of central organisational units concerning the operational losses that occurred during the period and mitigating actions planned for their resolution and a report to the operational structures to make them aware of the losses incurred and of the anomalies to be mitigated.
Membership by the BPER Group of the DIPO consortium[12] allows the Bank to obtain feedback about the operational losses reported by the other Italian banks that are members. This feedback is used by the Bank to analyse positioning in comparison to that indicated by the system and as support for specific assessments of processes in order to implement any corrective measures that may be needed.
Operational risk management includes the various steps involved in the process of Business Continuity Management. This process is designed to maintain an appropriate level of attention regarding operational continuity and to avoid the progressive obsolescence of organisational measures (rules, impact assessment, scenarios, emergency measures, operating plans etc.) taken to ensure the continuity of critical business processes.

QUANTITATIVE INFORMATION

The following is the distribution of the number of events and operating losses recorded in 2014, divided into the following risk categories:

- Internal fraud: losses due to fraud, embezzlement or circumvention of regulations, laws or company policies, excluding incidents of discrimination or failure to apply equal treatment, which involves at least one internal resource of the entity;
- External fraud: losses due to fraud, embezzlement or violation/circumvention laws, by a third party;
- Employment and safety at work: losses arising from acts not in compliance with laws or agreements in respect of employment, health and safety at work, from the payment of compensation for personal injuries or incidents of discrimination or failure to apply equal treatment;
- Customers, products and business practices: losses arising from unintentional or negligent non-performance relating to professional obligations to specific clients (including fiduciary and suitability requirements), or from the nature or characteristics of the product;
- Damage to fixed assets: losses resulting from loss or damage to assets from natural disasters or other events;
- Business interruption and system failures: losses arising from business interruption or system failures;
- Performance, delivery and management of processes: losses due to weaknesses in the handling of transactions or management of processes, as well as losses due to relations with business partners and suppliers.

[12] *Database Italiano Perdite Operative (Italian Database of Operational Losses) which the BPER Group has participated in since 2003. The DIPO observatory is a service provided by the Italian Banking Association designed to support the development of Operational Risk Management and to create a methodology for gathering and exchanging information on operational losses suffered by members.*

Figure 1 - Breakdown by frequency

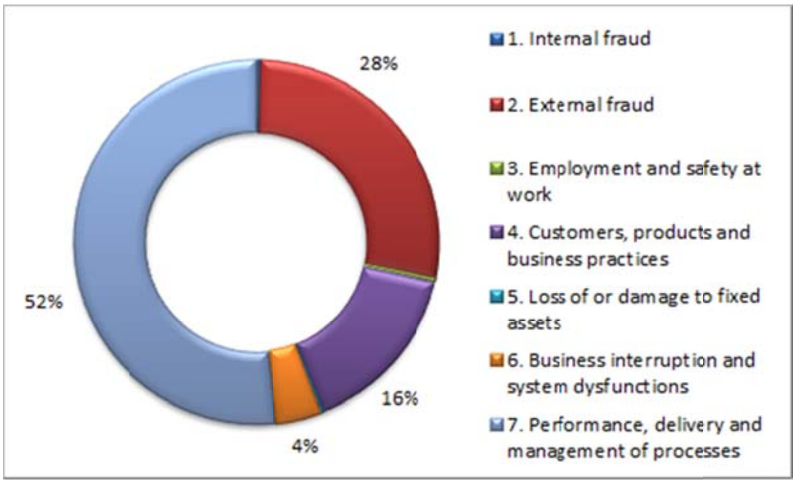
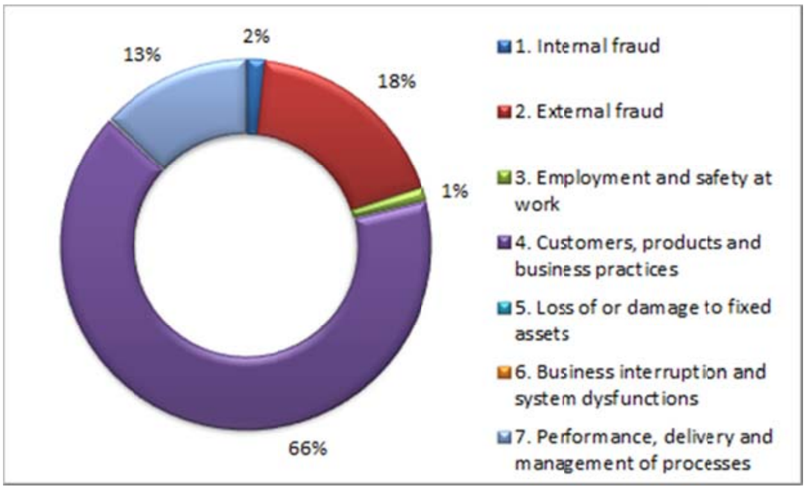


Figure 2 - Breakdown by gross actual loss



An analysis of the figures shows that the most relevant type of event in terms of frequency is:

- "Performance, delivery and management of processes", with 52% of the total frequency;
- "External fraud" with 28% of the total frequency.

In terms of economic impact the most significant events related to:

- "Customers, products and business practices", with 66% of the total gross loss;
- "External fraud", with 18% of the total gross loss.

Part F – INFORMATION ON SHAREHOLDERS' EQUITY

Section 1 – Shareholders’ equity

A. QUALITATIVE INFORMATION

The Bank believes that capital management has to be considered a key element involving continuous monitoring of the size and quality of its equity. A suitable combination of the various instruments of capitalisation and continual updates on regulatory changes have enabled BPER to ensure an adequate capital profile consistent with the risks assumed and in compliance with the regulatory requirements.

By means of this increasingly active style of capital management, BPER has succeeded in combining development projects and the best possible use of its capital; the size of consolidated capital resources and those of individual Group companies are verified periodically by the Risk Committee, considering both first and second pillar risks and simulations of impact relating to extraordinary transactions. As the Parent Company, BPER performs the role of coordination and guidance of Group companies, coordinating the management of capital in each company and providing appropriate guidelines.

The Bank is subject to the capital adequacy requirements established by the Basel Committee, in accordance with the rules defined by EU Regulation 575/2013 (CRR). In regulatory terms, the Bank uses the so-called "standardized approach" to determine the capital requirement to cover credit risk and preparatory activities have been underway for some time for the adoption of the Advanced Internal Rating-Based (AIRB) approach for credit risk; activities relating to the prevalidation process began at the end of January 2015. For the second pillar, capital absorption is calculated using advanced internal models for credit risk. The expected evolution of the business (based on the budget, business plan, strategic operations, etc.) takes into account the forecast evolution of capital that has to be consistent with trends in loans, other assets and various economic aggregates, checking the consequent changes in capital ratios for each bank and for the Group as a whole.

Capital management activities are intended to govern the current and future financial strength of the Group with the use of various levers, such as conservative payout policies, strategic finance transactions (capital increases, convertible bonds, subordinated bonds, etc.), managing lending policy on the basis of counterparty risk, type of exposure and the guarantees provided.

B.1 Shareholders' equity: breakdown

Captions/Amounts	31.12.2014	31.12.2013
1. Share capital	**1,443,925**	**1,001,483**
2. Share premium	**930,077**	**624,156**
3. Reserves	**2,186,914**	**1,910,297**
- income reserves	1,686,708	1,667,056
a) legal reserve	258,008	258,008
b) statutory reserve	441,132	441,132
c) reserve for treasury shares	139,765	139,765
d) other	847,803	828,151
- other	500,206	243,241
3.*bis* Advance on dividends	**-**	**-**
4. Equity instruments	**-**	**-**
5. (Treasury shares)	**(7,257)**	**(7,270)**
6. Valuation reserves	**66,500**	**23,130**
- Financial assets available for sale	163,929	96,131
- Property, plant and equipment	-	-
- Intangible assets	-	-
- Foreign investments hedges	-	-
- Cash-flow hedges	4,521	(8,519)
- Exchange differences	-	-
- Non-current assets and disposal groups held for sale	-	-
- Actuarial gains (losses) on defined-benefit pension plans	(102,004)	(64,536)
- Portion of valuation reserves relating to investments carried at equity	-	-
- Special revaluation laws	54	54
- Other	-	-
7. Net profit (loss)	**15,449**	**(12,789)**
Total	**4,635,608**	**3,539,007**

B.2 Valuation reserves for financial assets available for sale: breakdown

Assets/Amount	31.12.2014		31.12.2013	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	92,659	463	43,158	4,420
2. Equity instruments	73,598	2,583	66,222	9,248
3. UCITS units	2,009	1,291	662	243
4. Loans	-	-	-	-
Total	**168,266**	**4,337**	**110,042**	**13,911**

B.3 Valuation reserves for financial assets available for sale: change in the period

	Debt securities	Equity instruments	UCITS units	Loans
1. Opening balance	**38,738**	**56,974**	**419**	**-**
2. Positive changes	**138,400**	**56,271**	**4,387**	**-**
2.1 Increases in fair value	115,001	340	2,810	-
2.2 Release of negative reserves to the income statement:	3,192	39,355	847	-
- from impairment	-	39,292	847	-
- from disposal	3,192	63	-	-
2.3 Other changes	20,207	16,576	730	-
3. Negative changes	**84,942**	**42,230**	**4,088**	**-**
3.1 Reductions in fair value	1,044	38,479	3,039	-
3.2 Impairment write-downs	-	-	-	-
3.3 Release of positive reserves to the income statement:				
- from disposal	42,578	1,665	170	-
3.4 Other changes	41,320	2,086	879	-
4. Closing balance	**92,196**	**71,015**	**718**	**-**

B.4 Valutation reserves about actuarial gains (losses) on defined-benefit pension plans: change in the period

Captions/Amounts	31.12.2014	31.12.2013
1. Opening balance	**(64,535)**	**(42,898)**
2. Positive changes	**182**	**229**
2.1 Actuarial gains	182	229
2.2 Other changes	-	-
3. Negative changes	**37,651**	**21,866**
3.1 Actuarial losses	26,236	13,408
3.2 Other changes	11,415	8,458
4. Closing balance	**(102,004)**	**(64,535)**

The figure for "Other changes" (3.2) includes amounts arising from the mergers of Banca della Campania s.p.a. (€ 7,198 thousand), Banca Popolare del Mezzogiorno s.p.a. (€ 3,031 thousand) and Banca Popolare di Ravenna s.p.a. (€ 1,186 thousand); these transactions qualify as "business combinations between entities under common control", not covered by IFRS 3.

Section 2 - Own Funds and capital adequacy ratios

Scope of application and regulations

The new harmonised rules for banks and investment companies contained in Regulation (EU) no. 575/2013 (CRR) and in the 2013/36/UE Directive (CRD IV) approved on 26 June 2013 and published in the Official Journal of the European Union the next day, entered into force on 1 January 2014.
The new regulatory framework, which is the only set of rules that seeks to harmonise prudential regulations of the Member States of the European Community, was made applicable in Italy by the **Bank of Italy's Circular no. 285**, published on 17 December 2013 and subsequent amendments. This new Circular brings together provisions that were contained in Circular no. 263 of 27 December 2006 and Circular no. 229 of 21 April 1999.

This legislation outlines the substance of a new complete and organic prudential framework that is divided into three main parts, each developing specific sections in an analytical manner:

- **Part 1:** it lays down the rules for implementing the provisions contained in CRD IV to be transposed into national law; more specifically, it details the provisions on authorisation to do business, cross-border operations and capital reserves.
- **Part 2:** on the one hand, it contains information on the European standards to be applied immediately, defining the guidelines for application, and, on the other hand, it identifies and explains the so-called "national discretions" and how they are to be applied (it is worth noting in this regard the decisions taken by the national Supervisory Authority about the so-called "transitional arrangements).
- **Part 3:** it governs the topics and types of risk that are not subject to EU legislation, but which are considered essential to keep the domestic regulatory system in line with the standards established by international bodies.

2.1 Own Funds

A. QUALITATIVE INFORMATION

1. Common Equity Tier 1 - CET1

Common Equity Tier 1 capital (CET1) is made up of positive and negative elements:

- Share capital and related share premiums;
- Revenue reserves;
- Positive and negative valuation reserves (from OCI);
- Other reserves;
- CET1 instruments subject to transitional provisions ("grandfathering");
- Prudential filters;
- Deductions.

Prudential filters are positive or negative adjustments of CET1, their purpose being to stabilise the balance sheet aggregate of reference as much as possible, reducing the potential volatility. The prudential filters exclude from CET1 the valuation reserve generated by cash flow hedges and gains/losses arising from changes in own creditworthiness (liabilities under the fair value option and derivative liabilities).

Deductions are negative elements of CET1 such as goodwill, intangible assets and other accounting items that directly reduce the Tier 1 capital component. Deductions also include any share of significant and non-significant investments in other parties in the financial sector and Deferred Tax Assets (DTA) that exceed the deductible allowances permitted by the regulations.

On a fully phased basis (Fully Phased), the equity instruments listed above have to meet clearly defined requirements (art. 28 CRR):

- they must be classified as equities for accounting purposes;
- they must have a perpetual duration, i.e. not have any maturity;
- they must not be subject to obligations in terns of remuneration;
- they must not be subject to distribution caps;
- any cancellation of distributions must not result in any kind of restriction on the issuer;
- they must be the first to absorb business losses as soon as they occur;
- they are the most subordinated instruments in the event of bankruptcy or liquidation of the entity in question;
- they must not enjoy any form of guarantee or contractual clause that can raise their level of seniority.

2. Additional Tier 1 - AT1

"Additional Tier 1 Capital" (AT1) consists of the following positive and negative elements:

- Equity instruments and related share premiums;
- AT1 instruments subject to transitional provisions ("grandfathering");
- Deductions.

On a **fully phased basis** (Fully Phased) the equity instruments listed above have to meet clearly defined requirements (art. 63 CRR):

- the instruments must be issued or the loans granted and fully paid up;
- the purchase of instruments or the assignment of subordinated loans cannot be paid for by the entity, neither directly nor indirectly;
- the capital receivable for these instruments or subordinated loans is fully subordinated to the receivables of all unsubordinated creditors;
- the instruments or subordinated loans are not hedged or covered by a guarantee that allows the receivable's ranking to be increased by the entity or its subsidiaries, parent company and any company that has close links with the entity;
- the instruments or subordinated loans are not subject to any provision that allows the receivable's ranking to be increased in any other way;
- the instruments or subordinated loans must have an original maturity of at least five years;
- the provisions governing the instruments or subordinated loans must not contain any incentive that encourages the entity to reimburse or repay the principal amount prior to maturity;
- if the instruments or subordinated loans include one or more call or early repayment options, these may be exercised at the sole discretion of the issuer or obligor;
- the instruments or subordinated loans cannot be repaid or repurchased or repaid in advance earlier than five years from the date of issue or assignment;
- the provisions governing the instruments or subordinated loans must not indicate, expressly or implicitly, that they shall or may be redeemed, repurchased or repaid in advance by the entity in cases other than those of insolvency or liquidation;

- the provisions governing the instruments or subordinated loans must not give the holder the right to accelerate future scheduled payments of interest or principal, except in the event of insolvency or liquidation;
- the level of payments of interest or dividends due on these instruments or subordinated loans cannot be changed on the basis of the creditworthiness of the entity or its parent company.

As of 31 December 2014, BPER had not issued any instrument which could be identifiable as additional Tier 1 capital (AT1).

3. Tier 2 - T2

Tier 2 capital (T2) consists of the following positive and negative elements:

- Equity instruments, subordinated loans and related share premiums;
- T2 instruments subject to transitional provisions ("grandfathering");
- General adjustments;
- Deductions.

On a **fully phased basis** (Fully Phased), the equity instruments listed above have to meet clearly defined requirements (art. 63 CRR):

- the instruments must be issued/assigned and fully paid up;
- the assignment of the instrument cannot be financed by the entity, neither directly nor indirectly;
- the capital receivable for these instruments has to be fully subordinated to the receivables of all unsubordinated creditors;
- the instruments cannot be hedged, nor subject to any form of guarantee;
- these instruments should not be subject to any provision that increases their credit ranking;
- the instruments must have an original maturity of at least five years;
- the provisions governing these instruments must not contain any kind of incentives that encourage the entity to reimburse or repay the principal prior to maturity;
- in the event that the instruments include in their rules one or more call or early repayment options, they can only be exercised at the discretion of the issuer or obligor;
- the provisions do not give the holder the right to accelerate future scheduled payments, except in the event of the entity's insolvency or liquidation;
- these instruments can be reimbursed, also in advance, but only in that the event that the entity asks for prior authorisation from the competent authority, and not earlier than five years from the date of issue, except in the following cases: a) the entity of reference replaces the above instruments with other instruments of Own Funds of equal or higher quality, at conditions that are sustainable considering its earning capacity, b) the entity can demonstrate that it complies with the minimum capital requirements imposed by the regulations to the satisfaction of the competent authority.

At 31 December 2014, the Group's subordinated loans not subject to grandfathering have been added to T2 instruments, as they were issued after the deadline of 31 December 2011 taken as a point of reference.

Transitional arrangements

The new regulations also provide for transitional arrangements (Phased in), during which the provisions contained in Circular no. 285/2013 Section II are gradually introduced. The application to the capital requirements and grandfathering rules develops over a period more or less of 4 years (2014-2017) involving partial computability and, at the same time, a gradual exclusion of those equity instruments that do not meet all of the requirements laid down in the CRR.

Regulatory requirements

The Supervisory rules introduced by Circular no. 285/13 require Italian banks belonging to banking groups to fully comply with the following minimum ratios:

- CET1 of 4.5%;
- Tier 1 of 5.5% (6% from 2015);
- Total Capital ratio of 8%.

In addition to the mandatory requirements prescribed in the Regulations, the following requirements have also been added:

- **Capital Conservation Buffer (CCB**): this consists of Common Equity Tier 1 capital, acting as an additional requirement that under full application will be equal to 2.5%; the requirement for 2014 is 0.625%;
- **Countercyclical Capital Reserve**: this is also made up of Tier 1 capital and must be accumulated in periods of economic growth against possible future losses on the basis of a specific coefficient established on a national basis;
- **Additional Reserves** for so-called “Global & Other Systemically Important Institutions” (G-SII & O-SII): both consist of Tier 1 capital and make direct reference to entities of particular importance at a global or national level. The buffer for G-SII can vary between a minimum level of 1% and a maximum of 3.5%, whereas the one for O-SII only provides for a non-binding maximum threshold of 2%;
- **Capital reserve for systemic risk**: it is at least 1% of the related risk exposures and is established by each Member State; it is essentially used to mitigate the risk of non-cyclical macro-prudential long-term risk, i.e. to deal with the negative effects related to unexpected crises in the banking system.

The sum of regulatory requirements and additional reserves determine the **minimum level of capital conservation** required at individual level; for 2014, that level is as follows:

- CET1 of 5.125%;
- Tier 1 of 6.125%;
- Total Capital ratio of 8.625%.

Failure to meet these ratios based on the sum of the reserves mentioned above ("Combined Requirement") leads to limitations on the distribution of earnings and the need to adopt a plan for the conservation of capital.

Conditions for the inclusion of interim or period-end earnings

With reference al EU Regulation 575/2013 (CRR), on 4 February 2015 the ECB issued a "Decision" that laid down the procedures to be followed by banks under their direct supervision (EU Regulation 468/2014) with regard to the inclusion in CET1 Capital of interim or year-end earnings before a formal decision is taken confirming the result.

They can only be included (art. 26 CRR) with the prior approval of the Competent Authority, which in this case is the BCE, and it will only give approval if the following conditions are met:

- earnings must be checked and certified by the Independent Auditors;
- the Bank must provide a specific declaration about the earnings with particular reference to the accounting standards applied and the inclusion of foreseeable charges and dividends. The latter have to be calculated according to specific methodologies as indicated.

The "Decision" also provides a standard letter and certification form that the Banks have to use when asking for approval.

Subordinated loans issued before 31 December 2011 included in the scope of grandfathering

Characteristics of subordinated instruments	Interest rate	Step up	Maturity date	Currency	Original amount (in Euro)	Contribution to Own Funds (in thousands of Euro)
EMTN B.P.E.R. subordinated non-convertible bond floating rate 3-month Euribor +100 bps, 2006-2016	floating rate	YES	23-03-2016	Eur	400,000,000	54,541
Lower Tier II B.P.E.R. subordinated non-convertible bond, amortizing 5.12%, 2009-2015	5.12%	NO	31-03-2015	Eur	25,000,000	986
Lower Tier II B.P.E.R. subordinated non-convertible bond 4.35%, 2010-2017	4.35%	NO	31-12-2017	Eur	18,000,000	8,640
Lower Tier II B.P.E.R. subordinated non-convertible bond 4.94%, 2010-2017	4.94%	NO	31-12-2017	Eur	51,000,000	24,480
Lower Tier II B.P.E.R. subordinated non-convertible bond 4.75%, 2011-2017	4.75%	NO	15-03-2017	Eur	700,000,000	247,319
Lower Tier II CARISPAQ subordinated non-convertible bond floating rate, 2010-2020	floating rate	NO	30-09-2020	Eur	25,000,000	3,400
Total					**1,219,000,000**	**339,366**

B. QUANTITATIVE INFORMATION

	31.12.2014	01.01.2014
A. Common Equity Tier 1 capital (Common Equity Tier 1 – CET1) before the application of prudential filters	**4,627,416**	**3,610,813**
of which CET1 instruments subject to transitional provisions	-	-
B. Prudential filters for CET1 (+/-)	(13,020)	(9,032)
C. CET1 gross of items to be deducted and of transitional arrangements (A+/-B)	**4,614,396**	**3,601,781**
D. Items to be deducted from CET1	(372,764)	(369,359)
E. Transitional arrangements - Impact on CET1 (+/-)	**(160,615)**	**(60,169)**
F. Total Common Equity Tier 1 (CET1) (C-D+/-E)	**4,081,017**	**3,172,253**
G. Additional Tier 1 capital (AT1) gross of items to be deducted and of transitional arrangements	-	-
of which AT1 instruments subject to transitional provisions	-	-
H. Items to be deducted from AT1	**(5,500)**	**21,708**
I. Transitional arrangements - Impact on AT1 (+/-)	5,500	(21,708)
L. Total Additional Tier 1 (AT1) (G-H+/-I)	-	-
M. Tier 2 capital (T2) gross of items to be deducted and of transitional arrangements	339,366	971,546
of which T2 instruments subject to transitional provisions	339,366	559,601
N. Items to be deducted from T2	-	-
O. Transitional arrangements - Impact on T2 (+/-)	**38,071**	**3,107**
P. Total Tier 2 (T2) (M-N+/-O)	**377,437**	**974,653**
Q. Total own funds (F+L+P)	**4,458,454**	**4,146,906**

The values shown at 1 January 2014 have been estimated with reference to the figures at 31 December 2013, implementing the new legislation that came into force on 1 January 2014.
The result for the year is not included.
The decision not to include unrealised profits or losses in any element of Own Funds, in connection with exposures versus Central Administrations classified in "Financial assets available for sale" in accordance with IAS 39 as approved by the EU, resulted in a negative impact of € 22.1 million, net of tax, on Tier 2 Capital.

2.2 Capital adequacy

A. QUALITATIVE INFORMATION

Particular importance is given to checking compliance with the capital adequacy requirements, both at CET1 level and in total. The responsible functions at the Parent Company perform this task on an ongoing basis, with the various departments involved (Group Finance and Capital Management, Group Risk Management and Group Head Office Administration and Financial Reporting) issuing regular reports as part of the broader process of verifying consolidated capital adequacy. The guidelines for this activity are stated in BPER Group's annual report on the verification of capital adequacy (ICAAP). This report identifies the functions, methodology and approach for measuring and assessing accepted risk on an ongoing basis, with a view to guiding operations and quantifying the capital required by the Bank to cover the various risks accepted.

B. QUANTITATIVE INFORMATION

The absolute amounts of risk-weighted assets have increased due to the impact of the mergers in 2014 of Banca Popolare di Ravenna s.p.a., Banca della Campania s.p.a., Banca Popolare del Mezzogiorno s.p.a.
The risk-weighted assets reported in point C.1 are now recalculated with reference to the reciprocal of the prudent requirement of 8% (C.1 = caption B.7 multiplied by 12.5).
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Description/Amounts	Unweighted amounts		Weighted amounts/Requirements	
	31.12.2014	01.01.2014	31.12.2014	01.01.2014
A. Assets at risk				
A.1 Credit and counterparty risk	**49,580,618**	**43,805,520**	**27,649,495**	**24,894,997**
1. Standardised methodology	**49,412,457**	**43,784,270**	**27,385,653**	**24,752,816**
2. Methodology based on internal ratings	**-**	**-**	**-**	**-**
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisations	**168,161**	**21,250**	**263,842**	**142,181**
B. Capital adequacy requirements				
B.1 Credit and counterparty risk			**2,211,960**	**1,988,850**
B.2 Credit down-rating risk			**14,975**	**12,160**
B.3 Settlement risk			**-**	**-**
B.4 Market risk			**56,758**	**34,183**
1. Standard methodology			56,758	34,183
2. Internal models			-	-
3. Concentration risk			-	-
B.5 Operational risk			**212,921**	**172,031**
1. Basic method			-	-
2. Standardised method			212,921	172,031
3. Advanced method			-	-
B.6 Other elements for the calculation			**-**	**-**
B.7 Total precautionary requirements			**2,496,614**	**2,207,224**
C. Risk assets and capital ratios				
C.1 Risk-weighted assets			31,207,675	27,590,300
C.2 Common Equity Tier 1 capital/Risk-weighted assets (CET1 capital ratio)			13.08%	11.50%
C.3 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)			13.08%	11.50%
C.4 Total own funds/Risk-weighted assets (Total capital ratio)			14.29%	15.03%

The capital ratios shown are all well above the regulatory limits established under the transitional ("Phased in") arrangements for 2014.

The Bank's capital ratios relating to CET1 and T1 at 31 December 2014, calculated for supervisory purposes, have increased significantly compared with 1 January 2014 by 158 bps. The Total Capital ratio, on the other hand, is slightly down by 74 bps.

Section 1 – Transactions carried out during the period

1.1 Business combinations

No business combinations as regulated by IFRS 3 have been carried out as at 31 December 2014.

1.2 Combinations under common control

As already mentioned in the Directors' Report on Group operations, BPER has carried out a "business combination between entities under common control"; however, it is outwith the scope of IFRS 3 and has therefore been recorded without any change in the carrying amounts.
This transaction formed part of the process to rationalise the organisational and governance structure of the Bank and the Group, and with a view to improvements in operating efficiency and easier monitoring and control of risks, together with cost synergies.

The transaction in question concerns the merger of Banca Popolare del Mezzogiorno s.p.a., Banca della Campania s.p.a. and Banca Popolare di Ravenna s.p.a. with BPER. This transaction has been widely discussed in the Directors' Report on Group Operations.

Section 2 – Transactions subsequent to the period end

No business combinations have been carried out after 31 December 2014.

Part H – RELATED-PARTY TRANSACTIONS

1. Information on the remuneration of Managers with strategic responsibilities

	Description	31.12.2014	31.12.2013
	Directors		
	- short-term benefits	3,148	2,582
	- other long-term benefits	31	30
	Statutory Auditors		
	- short-term benefits	522	522
	Managers with strategic responsibilities (General Manager, Deputy General Managers, Manager responsible for preparing the company's financial reports and Heads of Group Departments):		
1	- short-term benefits includes salaries, social security contributions, indemnities in lieu of untaken vacation, paid leave of absence and any fringe benefits, such as insurance, housing and car.	3,934	3,683
	- other short-term benefits - contributions for social security taxes	1,021	953
2	- post-employment benefits	413	373
	includes payments to supplementary pension funds and provisions for termination indemnities.		
3	- other long-term benefits	-	-
	there are no other long-term benefits, such as long-term incentive plans.	-	-
4	- indemnities for termination of employment	-	-
5	- share-based payments	-	-

The information provided is consistent with that required by § 16 of IAS 24.
The amounts relating to the Directors, including the Chief Executive Officer, and the Statutory Auditors represents their emoluments for the year, regardless of when paid. These amounts are classified in the income statement caption 150-a) "Payroll".
As regards the Directors, note that the amount shown (€ 3,179 thousand) is made up of:
- € 1,544 thousand (€ 1,577 thousand at 31 December 2013), being the amount of remuneration payable to Directors in accordance with art. 24 of the articles of association and which is below that fixed by the Shareholders' Meeting of 12 April 2013 (€ 1,600 thousand), consisting of fees payable to the members of the Board of Directors (€ 881 thousand), supplementary fees payable to members of the Executive Committee (€ 151 thousand) and of all subcommittees (€ 302 thousand), as well as for attendance fees payable to Directors for their participation at meetings of the Board, of the Executive Committee and of subcommittees (€ 210 thousand);
- € 344 thousand (€ 331 thousand at 31 December 2013) of additional emoluments payable to Directors appointed to particular positions in compliance with the articles of association (specifically Chairman and Deputy Chairmen); in fact, in accordance with art. 24 of the articles of association, this remuneration has to be set by the Board of Directors, after having sought the opinion of the Board of Statutory Auditors;
- € 1,252 thousand (€ 650 thousand at 31 December 2013) relating to additional emoluments payable to the Chief Executive Officer, again in compliance with the articles of association, taking account of the change-over that took place during the year, so subject to the contract with the outgoing Chief Executive Officer, in addition to € 8 thousand relating to a variable component of remuneration pertaining to 2014 for the Chief Executive Officer currently in office;
- Other long-term benefits of € 31 thousand relating, as indicated in the Report on Remuneration, to deferred variable remuneration payable to the Chief Executive Officer, inclusive of € 20 thousand relating to a phantom stock based remuneration plan.
The amounts shown for Managers with strategic responsibility (the General Manager, no. 3 Deputy General Managers, the Financial Reporting Manager and no. 14 other Senior Managers, in addition to the Deputy General Manager in charge until 15 April 2014) belong to the types of costs detailed above. They are disclosed in the Report on Remuneration (art. 123-ter of Legislative Decree 58/1998) in accordance with CONSOB requirements.
The amounts at 31 December 2013 referred to a total of no.15 Senior Managers.

2. Related-party disclosures

Related-party transactions

	Assets	Liabilities	Guarantees given	Revenues	Costs
Subsidiaries	2,736,576	2,804,457	724,097	108,793	165,048
Associates	588,273	19,832	82,510	7,912	918
Directors, Statutory Auditors and Managers	997	2,645	-	99	28
Other related parties	10,356	11,692	362	612	1,601
Total 31.12.2014	**3,336,202**	**2,838,626**	**806,969**	**117,416**	**167,595**
Subsidiaries	2,950,491	4,477,690	680,156	106,144	205,748
Associates	566,663	4,156	62,006	8,035	1,128
Directors, Statutory Auditors and Managers	1,657	205,654	-	283	133
Other related parties	110,052	123,575	1,674	2,931	1,512
Total 31.12.2013	**3,628,863**	**4,811,075**	**743,836**	**117,393**	**208,521**

"Managers" are understood to mean Managers with strategic responsibilities, as defined in the table on the previous page.
Other related parties comprise parties controlled by Directors, Statutory Auditors or Managers, or parties that may exercise influence over these individuals.
With reference to the entry into force with effect from 2012 of the regulations relating to "Risk activities and Conflicts of Interest in respect of Related Parties" issued by the Bank of Italy with the 9th update of Circular no. 263/2006, the BPER Group adopted a set of rules that includes, among other things, "Group Regulations for the monitoring of prudential limits to risk activities with related parties", which describes the following processes: definition of prudential limits to risk activities with related parties; continuous monitoring of the limits; managing situations where the limits have been exceeded, also governing the roles, responsibilities, tasks and coordination mechanisms of the Corporate Bodies and Top Management of the various functions at the Parent Company and at Group banks and companies.
The Group Regulations include an "internal threshold of attention" which makes reference to a weighted consolidated individual exposure limit that is lower than the regulatory threshold. This threshold is set at such a level as to constitute an adequate precaution against accepting particularly significant exposures to related parties and persons associated with them.
There are no doubtful loans and provisions were not needed in 2014 for doubtful loans relating to parties which, on 31 December 2014, qualified as related parties.

	Assets	Liabilities	Guarantees given	Revenues	Costs
Total reference amounts - 2014	49,162,321	44,526,713	3,455,515	2,185,937	1,569,531
Total reference amounts - 2013	42,684,549	39,145,542	3,520,374	1,819,237	1,330,170

The total reference amounts for revenues include interest income, commission income and other operating income; costs include interest expense, commission expense, other operating expenses and administrative expenses.

Related party transactions stated as a percentage of reference amounts (financial position and results)

	Assets	Liabilities	Guarantees given	Revenues	Costs
Subsidiaries	5.57%	6.30%	20.95%	4.98%	10.52%
Associates	1.20%	0.04%	2.39%	0.36%	0.06%
Directors, Statutory Auditors and Managers	0.00%	0.01%	0.00%	0.00%	0.00%
Other related parties	0.02%	0.03%	0.01%	0.03%	0.10%
Total 31.12.2014	**6.79%**	**6.38%**	**23.35%**	**5.37%**	**10.68%**
Subsidiaries	6.91%	11.43%	19.32%	5.83%	15.48%
Associates	1.33%	0.01%	1.76%	0.44%	0.08%
Directors, Statutory Auditors and Managers	0.00%	0.53%	0.00%	0.02%	0.01%
Other related parties	0.26%	0.32%	0.05%	0.16%	0.11%
Total 31.12.2013	**8.50%**	**12.29%**	**21.13%**	**6.45%**	**15.68%**

There are no critical outstanding balances or transactions with related parties. They all relate to routine banking and other services and arose normally during the year, as a consequence of needs and requirements in the common interests of the parties or, where applicable, of the Group. The conditions applied to individual balances and transactions with these companies are in line with those currently applied in the market.
No provisions for doubtful loans relating to parties which, on 31 December 2014, qualified as related parties have been made in 2014.

3. Balances and transactions between the Parent Company and subsidiary and/or correlated companies (CONSOB's recommendations of 20/2/1997 and of 27/2/1998)

There are intercompany balances and transactions with banks and other companies in which BPER has a direct or indirect interest and which form part of the consolidated financial statements. Balances and transactions with these companies are as follows.

	Assets	Liabilities	Guarantees and commitments	Revenues	Costs
Banco di Sardegna s.p.a.	108,443	2,003,561	5,967	12,323	31,698
Banca di Sassari s.p.a.	11,817	330,760	76	13,658	6,278
Cassa di Risparmio di Bra s.p.a.	114,399	31,751	280	567	75
BPER (Europe) International s.a.	44,776	397,778	307,812	1,693	4,099
Emilia Romagna Factor s.p.a.	527,804	2,149	72,204	6,624	17
ABF Leasing s.p.a.*	-	-	-	3,470	-
EMRO Finance Ireland ltd	254,971	8,175	125,909	2,554	1,032
Modena Terminal s.r.l.	1,911	644	126	126	144
Mutina s.r.l.	-	-	-	-	-
Nadia s.p.a.	14,224	1,060	625	706	4,562
Nettuno Gestione Crediti s.p.a.	111	2,298	-	679	1,620
Numera s.p.a.	3	188	-	-	284
Tholos s.p.a.	-	-	-	-	-
Optima s.p.a. SIM.	145	5,029	-	1,579	7,081
Bper Services s.c.p.a.	55,473	3,849	14,024	46,398	107,702
Estense Covered Bond s.r.l.	-	-	-	18	-
Sardaleasing s.p.a.	1,538,501	13,922	194,001	12,895	169
Melior Valorizzazioni Immobili s.r.l.	13,760	151	285	4,090	3
Bper Trust company s.p.a.	30	285	-	102	3
Galilei Immobiliare s.r.l.	584	-	-	37	-
Polo Campania s.r.l.	29,782	-	-	592	-
Italiana Valorizzazioni Immobiliari s.r.l.	237	2,067	-	671	280
Adras s.p.a.	19,605	790	2,788	11	1
Total subsidiaries	**2,736,576**	**2,804,457**	**724,097**	**108,793**	**165,048**
CO.BA.PO. s.con.	616	74	4	2	33
Sofipo Fiduciaire s.a.	-	-	-	-	-
CONFORM s.c.a.r.l.	276	1,553	599	27	481
Sintesi 2000 s.r.l.	-	7	-	-	191
Cassa di Risparmio di Fossano s.p.a.	-	265	-	-	-
CAT progetto Impresa Modena s.c.r.l.	168	16	99	9	-
Cassa di Risparmio di Saluzzo s.p.a.	-	696	-	-	-
Cassa di Risparmio di Savigliano s.p.a.	-	863	-	-	-
Resiban s.p.a.	27	2	5	6	-
Unione Fiduciaria s.p.a.	-	-	-	130	29
Sarda Factoring s.p.a.	2,449	-	-	36	-
Alba Leasing s.p.a.	583,351	13,338	81,803	7,304	182
Banca della Nuova Terra s.p.a.	38	2,884	-	398	2
Atrikè s.p.a.	1,348	102	-	-	-
Emil-Ro Service s.r.l.	-	32	-	-	-
Brozzu e Cannas in liquidazione s.r.l.	-	-	-	-	-
Compagnia Finanziaria Olbia Produce s.r.l.	-	-	-	-	-
Total associates	**588,273**	**19,832**	**82,510**	**7,912**	**918**
Total 31.12.2014	**3,324,849**	**2,824,289**	**806,607**	**116,705**	**165,966**
Total 31.12.2013	**3,517,154**	**4,481,846**	**742,162**	**114,179**	**206,876**

** Absorbed by Sardaleasing with effect for accounting and tax purposes from 1 April 2014.*

Part I – EQUITY-BASED PAYMENTS

A. QUALITATIVE INFORMATION

1. Description of equity-based payments

On 5 March 2014 the Bank's Board of Directors approved:

- the Remuneration Report pursuant to art. 123-*ter* of Legislative Decree 58 dated 24 February 1998, relating to the remuneration policies for 2014 of Banca popolare dell'Emilia Romagna Group;
- the remuneration plan pursuant to art. 114-*bis* of Legislative Decree 58 dated 24 February 1998, implementing the remuneration policies for 2014 of the BPER Group. The Plan is intended for BPER Group employees identified as "key personnel" as per the definition given in paragraph 3.2 of the "Guidelines on remuneration and incentive policies and practices of banks and banking groups" dated 30 March 2011 (the "Guidelines"), i.e. for persons whose activity has or may have a significant impact on the risk profile of the Bank.

Both documents were approved by BPER's Shareholders' Meeting held on 12 April 2014 at second calling.

The remuneration of key personnel consists of a fixed element and a variable element; even if the latter is within the theoretical maximum of 50% of the fixed element, it is governed by more stringent rules (see paragraphs 5.2.3, 5.2.4, and 5.3 of the Guidelines). With particular regard to risk alignment before the event, this is based on actual and lasting results, it also takes qualitative objectives into account, it is parameterised to performance indicators, it is measured net of risks and takes into account the level of capital resources.
The sustainability of the overall maximum amount of variable remuneration allocated to key personnel (those most responsible for running the company), is assessed in relation to the economic and financial stability of the Group as a whole.
The variable part of remuneration is in fact dependent on achieving basic economic and financial objectives (the so-called "entry gates") that all have to be achieved if there is to be a chance of being paid a variable element.

The entry gates that have been identified are based on the following parameters:

- Common Equity Tier 1 ratio on a consolidated basis;
- consolidated profit before income taxes;
- profit before income taxes.

In the event that the parameters that serve as entry gates reach higher levels than the minimum ones prescribed, but lower than the target levels approved, the variable remuneration of each person is reduced by a series of parameters previously laid down by the Board of Directors of the Parent Company.
After it has been verified that the minimum thresholds have been exceeded, the actual allocation and the related amount, within the maximum limits[13] of the variable remuneration are defined through a process of individual performance evaluation that includes an analysis of various indicators.

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[13] *The theoretical maximum amount of the bonus payable is the sum of the maximum bonuses obtainable at an individual level.*

If the bonus exceeds a specific amount established by the Board of Directors, the Plan envisages an allocation (which can also be deferred) of part of the total bonus through an assignment of "phantom stock"[14].

In particular, this Plan provides for:

- in the case of the Bank's Chief Executive Officer, assignment of 50% of the bonus in the form of phantom stock; 40% of the portion represented by phantom stock is allocated at the time the bonus is granted (up-front subject to a 2-year retention period), whereas the other 60% is allocated in equal portions over the next three, four or five[15] years, providing adequate earnings and capital standards are maintained (subject to a 1 year retention period from the vesting date of each deferred portion);
- in the case of the other recipients, allocation up to 50% of the bonus through phantom stock, entirely attributed in equal instalments in the three, four or five years subsequent to the grant year, providing adequate earnings and capital standards are maintained (subject to a 1 year retention period from the vesting date of each deferred portion).

The deferred instalments are subject to malus rules that can reduce the instalment to zero in the event of failure to achieve the access thresholds ("entry gates") for the financial year preceding the year of payment of each deferred instalment.

The application of clawback clauses is also foreseen on the bonuses that have been paid in the event of fraudulent behaviour or serious misconduct on the part of the personnel concerned, without which the results would not have been achieved.

Compensation plans for 2011 and 2013 are still outstanding, with the same characteristics as the 2014 plan described above.

B. QUANTITATIVE INFORMATION

2. Other information

With reference to the 2014 Remuneration Plan, considering the results achieved by the Group, allocations were approved for BPER's key personnel of 3,575 Phantom Stocks with a consideration of Euro 22.1 thousand.

It should be noted that following the cash increase in capital, approved by the Extraordinary Shareholders' Meeting of 7 June 2014, it was decided to recalculate Phantom Stocks already assigned in order to eliminate the economic effect related to the extraordinary transaction completed on 28 July 2014. The theoretical ex-rights price (TERP) was used for this purpose. With reference to the 2011 Plan, the number of Phantom Stocks attributable increased from 18,619 to 20,775, while that referring to the 2013 Plan increased from 2,287 to 2,552.

Please also note that the same results affect the 2013 Plan allowing the vesting of 510 Phantom Stocks, for a consideration of Euro 3.2 thousand and the 2011 Plan allowing the vesting of 10,388 Phantom Stocks for a consideration of Euro 64.3 thousand.

[14] *Phantom Stock: these are "virtual" financial instruments (free, personal and not transferable inter vivos) that assign to each recipient the right to demand on maturity an amount of money corresponding to the value of the BPER stock, calculated as per paragraph 3.8 of the information document on the remuneration plan based on financial instruments - Phantom Stock 2014, at the payment date.*

[15] *The time period varies according to the amount of the bonus awarded.*

Segment reporting is prepared on the basis of IFRS 8 "Operating Segments" adopted by EC Regulation No. 1358/2007, commencing from the first annual financial statements for periods ending after 1 January 2009. IFRS 8 establishes that, for reporting purposes, these operating segments must be identified with reference to internal reporting prepared for senior management in order to assess the performance of the various sectors and allocate resources among them.
The criteria used to allocate the various captions are based on qualitative and quantitative parameters consistent with the segmentation of customers adopted by the Bank for the determination of its commercial policies, which also provides the basis for operational reporting to management; each operating segment identified has similar economic characteristics and is internally consistent in terms of:

- nature of products and services offered and distribution processes;
- type of customers;
- marketing approach;
- nature of regulatory environment.

Given their strategic importance, the segments identified are covered in the disclosures made, even if their results are quantitatively lower than the thresholds envisaged, since this is deemed helpful to users of the financial statements.

OPERATING SEGMENTS

Economic and financial information is presented for the following operating segments:

- ***RETAIL***

  This segment comprises the economic and financial information deriving from relations with the following types of customers:
    - Individuals and joint accounts not regulated by the "BperPrivate service";
    - Sole traders;
    - Partnerships or limited companies with sales of less than Euro 2.5 million and agreed facilities with the banking totalling less than Euro 1 million.

- ***PRIVATE***

  This segment comprises the economic and financial information deriving from relations with the following types of customers:
    - Individuals and joint accounts regulated by the "BperPrivate service".

- ***CORPORATE***

  This segment comprises the economic and financial information deriving from relations with the following types of customers:
    - Public administration;
    - Non financial and non resident companies;
    - Non-financial partnerships and companies with turnover equal to or greater than 2.5 million but less than 250 million.

- Non-financial partnerships and companies with turnover greater than Euro 250 million or belonging to a corporate group (as reported in the General Register) with reported consolidated turnover equal to or greater than Euro 250 million.

- ***LARGE CORPORATE***

This segment comprises the economic and financial information deriving from relations with the following types of customers:

- Partnerships and companies, which on their own or as part of a group, ought to be considered in the Corporate macrosegment, but which are considered as Large Corporate to ensure maximum supervision. (Assignment to this segment is performed solely in expert mode and not automatically).

- ***FINANCE***

This segment includes the results and financial position deriving from treasury activities, management of the Group’s investment portfolio, access to financial markets and specialist operational support for the commercial network.

- ***CORPORATE CENTRE***

Included here are income statement and balance sheet captions arising from activities related to the governance of the Group, to strategic decisions and results thereof (shareholders' equity, equity investments, etc.) or from activities not directly connected to other areas of the business.

A.1 Distribution by operating segment: income statement

Based on the requirements established in IFRS 8, the income statement by operating segment contains the following information:

Captions	Retail	Private	Corporate	Large Corporate	Finance	Corporate centre	Total
Net interest income	381,359	3,998	416,084	41,311	165,315	(74,828)	933,239
Net commission income	333,519	37,168	126,218	18,021	-	-	514,926
Net interest and other banking income	669,462	39,675	541,205	59,333	335,065	(44,815)	1,599,925
Net profit from financial activities 31.12.2014	**486,877**	**39,587**	**101,091**	**48,682**	**294,926**	**(44,815)**	**926,348**
Net profit from financial activities 31.12.2013	**342,940**	**26,977**	**(11,396)**	**56,826**	**317,479**	**(165,194)**	**567,632**
Operating costs	(478,309)	(16,403)	(128,733)	(49,015)	(3,086)	(214,617)	(890,163)
Profit (loss) from current operations before tax 31.12.2014	**8,568**	**23,183**	**(27,641)**	**(333)**	**291,840**	**(266,951)**	**28,666**
Profit (loss) from current operations before tax 31.12.2013	**42,198**	**14,954**	**(92,615)**	**7,669**	**315,727**	**(303,708)**	**(15,775)**

The above captions have been allocated to the operating segments using the information held on the management information system, which has been reconciled with the accounting system.

A.2 Distribution by operating segment: balance sheet

Based on the requirements established in IFRS 8, the balance sheet by operating segment contains the following information:

Captions	Retail	Private	Corporate	Large Corporate	Finance	Corporate centre	Total
Financial assets	-	-	-	-	8,811,024	-	8,811,024
Due from banks	-	-	-	-	1,743,446	-	1,743,446
Loans to customers	13,151,608	123,470	19,240,160	1,761,637	-	-	34,276,875
Other assets	510,782	7,675	100,158	55,239	33,952	3,623,170	4,330,976
Total assets 31.12.2014	**13,662,390**	**131,145**	**19,340,318**	**1,816,876**	**10,588,422**	**3,623,170**	**49,162,321**
Total assets 31.12.2013	**10,448,503**	**74,312**	**16,606,551**	**2,137,372**	**9,384,961**	**4,032,850**	**42,684,549**
Due to banks	-	-	-	-	8,294,902	-	8,294,902
Due to customers	17,988,288	1,185,426	3,858,847	1,240,377	-	-	24,272,938
Debt securities in issue	6,868,997	812,218	297,680	-	395,290	-	8,374,185
Financial liabilities designated at fair value through profit and loss	1,464,052	173,115	63,447	-	-	-	1,700,614
Other liabilities and equity	213,160	25,205	9,238	-	9,114	6,262,965	6,519,682
Total liabilities and shareholders' equity 31.12.2014	**26,534,497**	**2,195,964**	**4,229,212**	**1,240,377**	**8,699,306**	**6,262,965**	**49,162,321**
Total liabilities and shareholders' equity 31.12.2013	**19,270,581**	**1,476,153**	**4,732,530**	**799,228**	**11,606,123**	**4,799,934**	**42,684,549**

Balance sheet information has been allocated to the operating segments using the criteria adopted for the allocation of the income statement.

B. Distribution by geographical areas

All banking activities are located in Italy.

ATTACHMENTS

Banca popolare dell'Emilia Romagna

The following documents, which are not attached to the financial statements as at 31 December 2014, could be consulted in the Italian version:

- Cash flow statements and balance sheets of the staff pension fund
- Schedule of properties revaluation
- Statement of significant equity investments pursuant to art. 126 of CONSOB Regulation dated 14 May 1999 and subsequent additions and amendments
- Statutory Auditors report

Fees for audit and non-audit services

Information pursuant to art. 149-*duodecies* of CONSOB's Issuers' Regulations

This schedule, prepared pursuant to art. 149-*duodecies* of CONSOB's Issuers' Regulations (Resolution 11971 and subsequent additions and amendments), reports the 2014 fees for audit and non-audit services provided by the Independent Auditors and member firms of the same network. These fees represent the costs incurred and recorded in the financial statements, excluding expenses, unrecoverable VAT and the CONSOB contribution.

(in thousands of Euro)

Type of services	Party providing the service	Recipient		Fees
Audit	PricewaterhouseCoopers s.p.a.	BPER	(1)	988
Certification services	PricewaterhouseCoopers s.p.a.	BPER	(2a)	1,011
	TLS-Associazione Professionale di Avvocati e Commercialisti	BPER	(2b)	250
Other services	PricewaterhouseCoopers Advisory S.p.A.	BPER	(3)	439
Total				**2,688**

(1) Audit:
- activity performed for BPER s.c., € 755 thousand: Separate financial statements (€ 509 thousand), Consolidated financial statements (€ 84 thousand) and condensed consolidated interim financial statements (€ 162 thousand);
- plus € 233 thousand, representing the balance of the limited review of the interim financial statements at 30 June 2014 and of the verification activities of the regular bookkeeping until 24 November 2014, held for the three banks merged with BPER with effect from the above date and effective for accounting and tax purposes from 1 January 2014: Banca Popolare di Ravenna s.p.a. for € 75 thousand, Banca della Campania s.p.a. for € 93 thousand and Banca Popolare del Mezzogiorno s.p.a. for € 65 thousand.
(2a) Certification services by PricewaterhouseCoopers s.p.a.:
- activities performed in relation to the translation into English of the auditors' reports on the separate and consolidated financial statements for the year ended 31 December 2013 and of the condensed consolidated interim financial statements for the period ended 30 June 2014 for € 30 thousand;"
- activities performed for the issue of comfort letters for the update and implementation of the covered bond issue programme for € 73 thousand;"
- activity performed to issue opinions pursuant to art. 2437-ter, second paragraph, of the Italian Civil Code as part of the procedure for determining the liquidation value of the shares in the event of the exercise of the right of withdrawal by the shareholders of Banca Popolare di Ravenna s.p.a., Banca della Campania s.p.a. and Banca Popolare del Mezzogiorno s.p.a., which were merged with BPER on 24 November 2014 for € 120 thousand;
- activities related to the offer to shareholders and admission to listing on the MTA market of ordinary shares of Banca Popolare dell'Emilia Romagna sc. for € 780 thousand.
- sign-off of the tax return for the year 2013 for the purpose of offsetting the tax credit of Banca popolare dell'Emilia Romagna s.c. for € 5 thousand;
- checking the aggregates used for the calculation of the contribution payable to the National Guarantee Fund by Banca di Campania s.p.a, for € 3 thousand, merged with BPER on 24 November 2014.
(2b) Certification services by TLS, a company that belongs to the network of PricewaterhouseCoopers s.p.a.:
- activity performed for the issue of comfort letters in relation to the increase in capital under option by issuing ordinary shares of Banca popolare dell'Emilia Romagna s.c.
(3) Other services:
- Technical and methodological support in the project to develop a group reporting model and formalisation of the main results of the automated safeguards in the Compliance field, for € 55 thousand;
- Technical and methodological support in the redefinition of the documentation used for company regulations in the Group Finance field, for € 24 thousand (balance);
- Technical and methodological support in the redefinition of Knowledge Management methodologies, for € 239 thousand;
- Analysis of the market for real estate services and development options for the Bank, for € 121 thousand.

CERTIFICATIONS AND OTHER REPORTS

Banca popolare dell’Emilia Romagna

Certification of the individual financial statements for 2014 pursuant to art. 81-ter of Consob Regulation no. 11971 dated 14 May 1999 and subsequent additions and amendments

➢ The undersigned
- Alessandro Vandelli, as Chief Executive Officer,
- Emilio Annovi, as the Manager responsible for preparing the Company's financial report,
of Banca Popolare dell'Emilia Romagna s.c., having considered the requirements of paras. 3 and 4 of art. 154-bis of Decree no. 58 dated 24 February 1998, confirm:
  - the adequacy in relation to the characteristics of the Bank and
  - the proper application

during 2014, of the administrative and accounting procedures adopted for the preparation for the financial statements.

➢ This assessment of the adequacy of the administrative and accounting procedures adopted for the preparation of the financial statements at 31 December 2014 is based on a model developed by Banca popolare dell'Emilia Romagna s.c., consistent with the Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Tradeway Commission. These framework represent reference standards for systems of internal control that are generally accepted at an international level.

➢ It is also certified that

- the financial statements at 31 December 2014:
  a) have been prepared in accordance with the applicable international accounting standards recognised within the European Union pursuant to European Parliament and Council Regulation (EC) no. 1606/2002 dated 19 July 2002, Decree 38/2005 and the enabling regulations for art. 9 of this Decree;
  b) agree with the underlying accounting records and entries;
  c) present a true and fair view of the financial position and results of operations of the Bank.
- The report on operations includes a reliable analysis of performance and the results of operations, as well as of the position of the Bank, together with a description of the principal risks and uncertainties to which it is exposed.

Modena, 3 March 2015

Chief Executive Officer	**Manager responsible for preparing the company's financial report**
Alessandro Vandelli	Emilio Annovi

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE NO. 39 OF 27 JANUARY 2010

To the Shareholders of
Banca popolare dell'Emilia Romagna S.C.

1. We have audited the separate financial statements of Banca popolare dell'Emilia Romagna S.C. as of 31 December 2014, which comprise the balance sheet, income statement, statement of comprehensive income, statement of changes in shareholders' equity, cash flow statement and related notes. The Directors of Banca popolare dell'Emilia Romagna S.C. are responsible for the preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005. Our responsibility is to express an opinion on these separate financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards and criteria recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the separate financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the separate financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 20 March 2014.

3. In our opinion, the separate financial statements of Banca popolare dell'Emilia Romagna S.C. as of 31 December 2014 comply with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position, result of operations and cash flows of Banca popolare dell'Emilia Romagna S.C. for the year then ended.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: **Milano** 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Piazza dei Martiri 58 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43100 Viale Tanara 20/A Tel. 0521275911 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Via Grazioli 73 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Verona** 37135 Via Francia 21/C Tel.0458263001

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4. The Directors of Banca popolare dell'Emilia Romagna S.C. are responsible for the preparation of a report on operations and a report on corporate governance and ownership structure published in section "Governance - Documents" of the website of Banca popolare dell'Emilia Romagna S.C. in compliance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and the information referred to in paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) of article 123-bis of Legislative Decree No. 58/1998 presented in the report on corporate governance and ownership structure, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard No. 001 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by Consob. In our opinion, the report on operations and the information referred to in paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) of article 123-bis of Legislative Decree No. 58/1998 presented in the report on corporate governance and ownership structure are consistent with the separate financial statements of Banca popolare dell'Emilia Romagna S.C. as of 31 December 2014.

Bologna, 26 March 2015

PricewaterhouseCoopers SpA

Signed by

Alessandro Parrini
(Partner)

This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers.

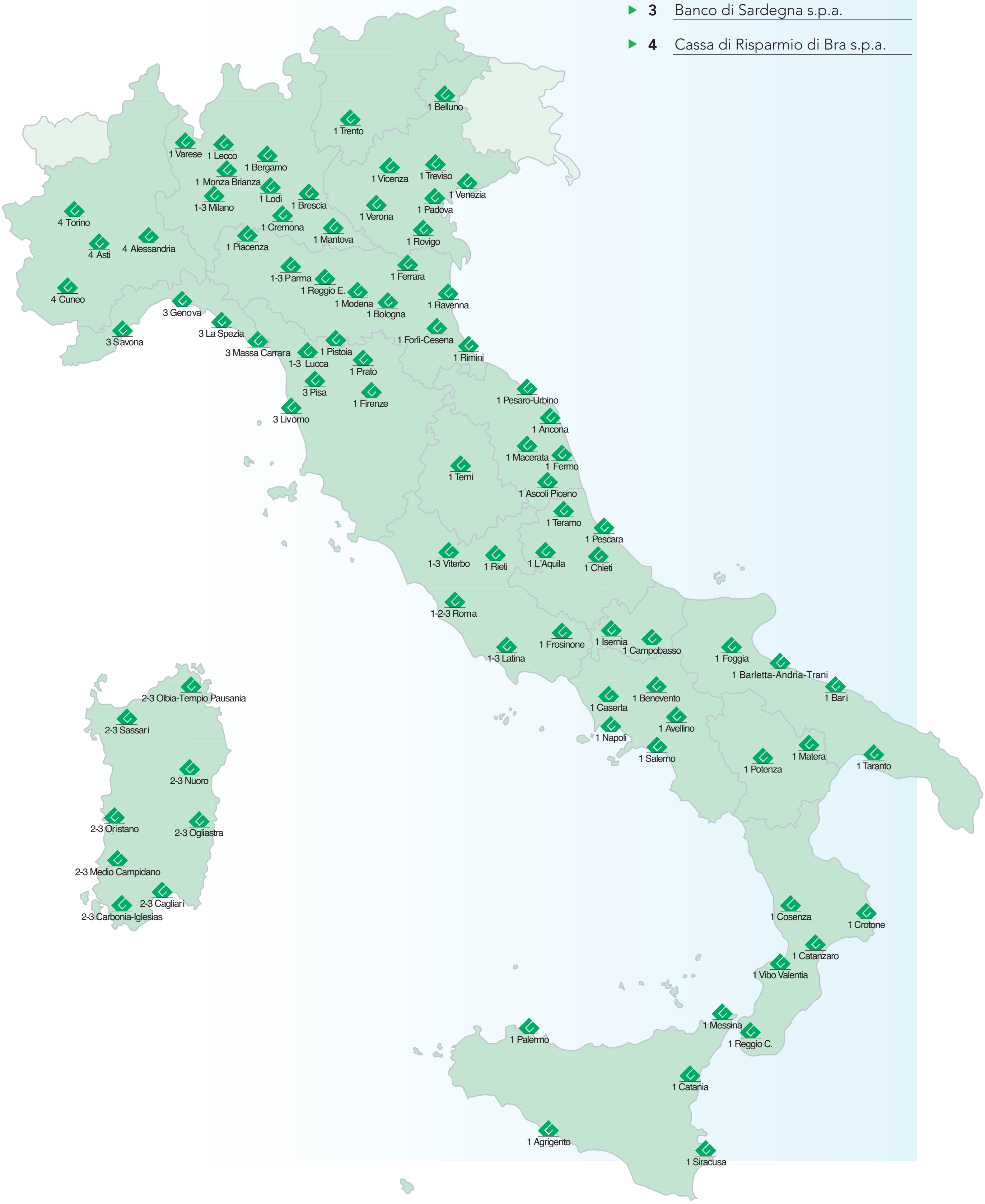
OTHER ATTACHMENTS

Banca popolare dell'Emilia Romagna Banking Group

Geographical organisation of the Group

geografical organisation of the group

- **1** Banca popolare dell'Emilia Romagna s.c.
- **2** Banca di Sassari s.p.a.
- **3** Banco di Sardegna s.p.a.
- **4** Cassa di Risparmio di Bra s.p.a.



Group commercial banks

Details	BPER	BSSS	BSAR	CRBRA	31.12.2014	31.12.2013
Emilia - Romagna	**315**		**1**		**316**	**320**
Bologna	56				56	58
Ferrara	15				15	15
Forlì – Cesena	33				33	33
Modena	83				83	84
Parma	27		1		28	28
Piacenza	5				5	5
Ravenna	39				39	39
Reggio Emilia	40				40	41
Rimini	17				17	17
Abruzzo	**98**				**98**	**101**
Chieti	36				36	36
L'Aquila	43				43	45
Pescara	11				11	12
Teramo	8				8	8
Basilicata	**35**				**35**	**35**
Matera	20				20	20
Potenza	15				15	15
Calabria	**43**				**43**	**44**
Catanzaro	10				10	10
Cosenza	14				14	14
Crotone	9				9	9
Reggio Calabria	6				6	7
Vibo Valentia	4				4	4
Campania	**104**				**104**	**108**
Avellino	29				29	29
Benevento	5				5	5
Caserta	7				7	7
Naples	24				24	26
Salerno	39				39	41
Lazio	**58**	**1**	**14**		**73**	**74**
Frosinone	3				3	3
Latina	9		1		10	10
Rieti	2				2	2
Rome	43	1	12		56	57
Viterbo	1		1		2	2
Liguria			**5**		**5**	**5**
Genoa			3		3	3
La Spezia			1		1	1
Savona			1		1	1
Lombardy	**42**		**4**		**46**	**49**
Bergamo	1				1	1
Brescia	4				4	4
Cremona	5				5	5
Lecco	1				1	1
Lodi	1				1	1
Mantua	11				11	11
Milan	17		4		21	24
Monza Brianza	1				1	1
Varese	1				1	1
Marche	**9**				**9**	**9**
Ancona	2				2	2
Ascoli Piceno	2				2	2
Fermo	1				1	1
Macerata	2				2	2
Pesaro-Urbino	2				2	2

Details	BPER	BSSS	BSAR	CRBRA	31.12.2014	31.12.2013
Molise	**10**				**10**	**10**
Campobasso	7				7	7
Isernia	3				3	3
Piedmont				**28**	**28**	**28**
Alessandria				3	3	3
Asti				4	4	4
Cuneo				17	17	17
Turin				4	4	4
Apulia	**37**				**37**	**37**
Bari	11				11	11
Barletta Andria Trani	5				5	5
Foggia	18				18	18
Taranto	3				3	3
Sardinia		**54**	**346**		**400**	**414**
Cagliari		15	84		99	100
Carbonia-Iglesias		3	21		24	24
Medio Campidano		4	22		26	27
Nuoro		6	45		51	52
Ogliastra		1	21		22	22
Olbia-Tempio		7	33		40	45
Oristano		2	53		55	59
Sassari		16	67		83	85
Sicily	**20**				**20**	**20**
Agrigento	4				4	4
Catania	3				3	3
Messina	7				7	7
Palermo	3				3	3
Siracusa	3				3	3
Tuscany	**6**		**4**		**10**	**14**
Florence	2				2	2
Grosseto					-	1
Livorno			1		1	1
Lucca	2		1		3	4
Massa Carrara			1		1	1
Pisa			1		1	2
Pistoia	1				1	1
Prato	1				1	2
Trentino-Alto Adige	**3**				**3**	**3**
Trento	3				3	3
Umbria	**2**				**2**	**2**
Terni	2				2	2
Veneto	**34**				**34**	**34**
Belluno	2				2	2
Padua	7				7	7
Rovigo	6				6	6
Treviso	2				2	2
Venice	3				3	3
Verona	11				11	11
Vicenza	3				3	3
Total 31.12.2014	**816**	**55**	**374**	**28**	**1,273**	**1,307**
Total 31.12.2013	**830**	**57**	**392**	**28**	**1,307**	**(34)**

List of IAS/IFRS endorsed by the European Commission as at 31 December 2014

ACCOUNTING STANDARDS

IAS/IFRS	ACCOUNTING STANDARDS	ENDORSEMENT (a)	AMENDMENTS
IAS 1	Presentation of Financial Statements	Reg. 1274/2008	Reg. 53/2009, 70/2009, 494/2009, 243/2010, 149/2011, 475/2012, 1254/2012, 1255/2012, 301/2013
IAS 2	Inventories	Reg. 1126/2008	Reg.70/2009, 1255/2012
IAS 7	Cash Flow Statement	Reg. 1126/2008	Reg. 1260/2008, 1274/2008, 70/2009, 494/2009, 243/2010, 1254/2012, 1174/2013
IAS 8	Accounting Standards, Changes in Accounting Estimates and Errors	Reg. 1126/2008	Reg. 1274/2008, 70/2009, 1255/2012
IAS 10	Events after the Reporting Period	Reg. 1126/2008	Reg. 1274/2008, 70/2009, 1142/2009, 1255/2012
IAS 11	Construction Contracts	Reg. 1126/2008	Reg. 1260/2008, 1274/2008
IAS 12	Income Taxes	Reg. 1126/2008	Reg. 1274/2008, 495/2009, 475/2012, 1254/2012, 1255/2012,1174/2013
IAS 16	Property, Plant and Equipment	Reg. 1126/2008	Reg. 1260/2008, 1274/2008, 70/2009, 495/2009, 1255/2012, 301/2013
IAS 17	Leases	Reg. 1126/2008	Reg. 243/2010, 1255/2012
IAS 18	Revenues	Reg. 1126/2008	Reg. 69/2009, 1254/2012, 1255/2012
IAS 19	Employee Benefits	Reg. 475/2012	Reg. 1255/2012
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance	Reg. 1126/2008	Reg. 1274/2008, 70/2009, 475/2012, 1255/2012
IAS 21	Effects of Changes in Foreign Exchange Rates	Reg. 1126/2008	Reg. 1274/2008, 69/2009, 494/2009, 149/2011, 475/2012, 1254/2012, 1255/2012
IAS 23	Borrowing Costs	Reg. 1260/2008	Reg. 70/2009
IAS 24	Related Party Disclosures	Reg. 632/2010	Reg. 475/2012, 1254/2012, 1174/2013
IAS 26	Accounting and Reporting by Retirement Benefit Plans	Reg. 1126/2008	
IAS 27	Separate financial statements	Reg. 1254/2012	Reg. 1174/2013
IAS 28	Investments in Associates and Joint Ventures	Reg. 1254/2012	Reg. 1255/2012
IAS 29	Financial Reporting in Hyperinflationary Economies	Reg. 1126/2008	Reg. 1274/2008, 70/2009
IAS 32	Financial Instruments: Presentation	Reg. 1126/2008	Reg. 1274/2008, 53/2009, 70/2009, 494/2009, 495/2009, 1293/2009, 149/2011, 475/2012, 1254/2012, 1255/2012, 1256/2012, 301/2013, 1174/2013

IAS/IFRS	ACCOUNTING STANDARDS	ENDORSEMENT (a)	AMENDMENTS
IAS 33	Earnings Per Share	Reg. 1126/2008	Reg. 1274/2008, 494/2009, 495/2009, 475/2012, 1254/2012, 1255/2012
IAS 34	Interim Financial Reporting	Reg. 1126/2008	Reg. 1274/2008, 70/2009, 495/2009, 149/2011, 475/2012, 1255/2012, 301/2013, 1174/2013
IAS 36	Impairment of assets	Reg. 1126/2008	Reg. 1274/2008, 69/2009, 70/2009, 495/2009, 243/2010, 1254/2012, 1255/2012, 1374/2013
IAS 37	Provisions, Contingent Liabilities and Contingent Assets	Reg. 1126/2008	Reg. 1274/2008, 495/2009
IAS 38	Intangible assets	Reg. 1126/2008	Reg. 1260/2008, 1274/2008, 70/2009, 495/2009, 243/2010, 1254/2012, 1255/2012
IAS 39	Financial Instruments: Recognition and Measurement	Reg. 1126/2008	Reg. 1274/2008, 53/2009, 70/2009, 494/2009, 495/2009, 824/2009, 839/2009, 1171/2009, 243/2010, 149/2011, 1254/2012, 1255/2012, 1174/2013, 1375/2013
IAS 40	Investment Property	Reg. 1126/2008	Reg. 1274/2008, 70/2009, 1255/2012, 1361/2014
IAS 41	Agriculture	Reg. 1126/2008	Reg. 1274/2008, 70/2009, 1255/2012
IFRS 1	First-time Adoption of International Financial Reporting Standards	Reg. 1136/2009	Reg. 1164/2009, 550/2010, 574/2010, 662/2010, 149/2011, 1205/2011, 475/2012, 1254/2012, 1255/2012, 183/2013, 301/2013, 313/2013, 1174/2013
IFRS 2	Share-Based Payment	Reg. 1126/2008	Reg. 1261/2008, 495/2009, 243/2010, 244/2010, 1254/2012, 1255/2012
IFRS 3	Business Combinations	Reg. 495/2009	Reg. 149/2011, 1254/2012, 1255/2012, 1174/2013, 1361/2014
IFRS 4	Insurance Contracts	Reg. 1126/2008	Reg. 1274/2008, 494/2009, 1165/2009, 1255/2012
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	Reg. 1126/2008	Reg. 1274/2008, 70/2009, 494/2009, 1142/2009, 243/2010, 475/2012, 1254/2012, 1255/2012
IFRS 6	Exploration for and Evaluation of Mineral Resources	Reg. 1126/2008	
IFRS 7	Financial Instruments: Disclosures	Reg. 1126/2008	Reg. 1274/2008, 53/2009, 70/2009, 495/2009, 824/2009, 1165/2009, 574/2010, 149/2011, 1205/2011, 475/2012, 1254/2012, 1255/2012, 1256/2012, 1174/2013

IAS/IFRS	ACCOUNTING STANDARDS	ENDORSEMENT (a)	AMENDMENTS
IFRS 8	Operating segments	Reg. 1126/2008	Reg. 1274/2008, 243/2010, 632/2010, 475/2012
IFRS 10	Consolidated Financial Statements	Reg. 1254/2012	Reg. 313/2013, 1174/2013
IFRS 11	Joint Agreements	Reg. 1254/2012	Reg. 313/2013
IFRS 12	Disclosure of Interests in Other Entities	Reg. 1254/2012	Reg. 313/2013, 1174/2013
IFRS 13	Fair Value Measurement	Reg. 1255/2012	Reg. 1361/2014

INTERPRETATION DOCUMENTS

IFRIC/SIC	INTERPRETATION DOCUMENTS	ENDORSEMENT (a)	AMENDMENTS
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	Reg. 1126/2008	Reg. 1260/2008, 1274/2008
IFRIC 2	Members' Shares in Co-operative Entities and Similar Instruments	Reg. 1126/2008	Reg. 53/2009, 1255/2012, 301/2013
IFRIC 4	Determining Whether an Arrangement Contains a Lease	Reg. 1126/2008	Reg. 254/2009, 1255/2012
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Funds	Reg. 1126/2008	Reg. 1254/2012
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	Reg. 1126/2008	
IFRIC 7	Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies	Reg. 1126/2008	Reg. 1274/2008
IFRIC 9	Reassessment of Embedded Derivatives	Reg. 1126/2008	Reg. 495/2009, 1171/2009, 243/2010, 1254/2012
IFRIC 10	Interim Financial Reporting and Impairment	Reg. 1126/2008	Reg. 1274/2008
IFRIC 12	Service Concession Arrangements	Reg. 254/2009	
IFRIC 13	Customer Loyalty Programmes	Reg. 1262/2008	Reg. 149/2011, 1255/2012

IFRIC/SIC	INTERPRETATION DOCUMENTS	ENDORSEMENT (a)	AMENDMENTS
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Reg. 1263/2008	Reg. 1274/2008, 633/2010, 475/2012
IFRIC 15	Agreements for the Construction of Real Estate	Reg. 636/2009	
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	Reg. 460/2009	Reg. 243/2010, 1254/2012
IFRIC 17	Distributions of Non-cash Assets to Owners	Reg. 1142/2009	Reg. 1254/2012, 1255/2012
IFRIC 18	Transfers of Assets from Customers	Reg. 1164/2009	
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	Reg. 662/2010	Reg. 1255/2012
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	Reg. 1255/2012	
IFRIC 21	Levies	Reg. 634/2014	
SIC 7	Introduction of the Euro	Reg. 1126/2008	Reg. 1274/2008, 494/2009
SIC 10	Government Assistance – No Specific Relation to Operating Activities	Reg. 1126/2008	Reg. 1274/2008
SIC 15	Operating Leases - Incentives	Reg. 1126/2008	Reg. 1274/2008
SIC 25	Income Taxes – Changes in the Tax Status of an Enterprise or its Shareholders	Reg. 1126/2008	Reg. 1274/2008
SIC 27	Evaluating the Substance of Transactions in the Legal Form of a Lease	Reg. 1126/2008	
SIC 29	Service Concession Arrangements: Disclosures	Reg. 1126/2008	Reg. 1274/2008, 254/2009
SIC 31	Revenue – Barter Transactions Involving Advertising Services	Reg. 1126/2008	
SIC 32	Intangible Assets - Web Site Costs	Reg. 1126/2008	Reg. 1274/2008

a) *The Regulation listed is that of the first publication of the Standard or the replacement of the same*

Directors and officers of the Parent Company as at 18 April 2015

Board of Directors

Chairman:		Ettore Caselli
Deputy chairmen:	*	Alberto Marri
	*	Giosuè Boldrini
	*	Luigi Odorici
Chief Executive Officer:	*	Alessandro Vandelli
Directors:		Antonio Angelo Arru
		Mara Bernardini
		Giulio Cicognani
		Cristina Crotti
	*	Pietro Ferrari
		Elisabetta Gualandri
		Giovampaolo Lucifero
		Giuseppe Lusignani
		Roberto Marotta
		Valeriana Maria Masperi
		Daniela Petitto
	*	Deanna Rossi
		Angelo Tantazzi

* Members of the Executive Committee

Board of Statutory Auditors

Chairman:	Antonio Mele
Acting Auditors:	Carlo Baldi
	Francesca Sandrolini
	Vincenzo Tardini
	Diana Rizzo
Substitute Auditors:	Giorgia Butturi
	Gianluca Spinelli

Board of Arbiters

Members:	Miranda Corradi
	Marcello Minutolo
	Paolo Cesarini
	Roberto Bernardi
	Cesare Busi
Substitute members:	Federico Ferrari Amorotti
	Massimo Turchi
	Pier Luigi Cerutti

General Management

General Manager:	Fabrizio Togni
Deputy General Managers:	Eugenio Garavini
	Pierpio Cerfogli
	Gian Enrico Venturini

Manager responsible for preparing the company's financial reports

Manager responsible for preparing the company's	Emilio Annovi

Independent Auditors

PricewaterhouseCoopers s.p.a.

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