BPER:
Gruppo

BPER:
Banca

ANNUAL REPORT 2015.

Banca popolare dell'Emilia Romagna
Cooperative Bank with head office in Modena
Via San Carlo, 8/20
Tel. 059/2021111 – Fax 059/2022033
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 222528 Share capital as at 31/12/2015 € 1,443,925,305.00
Member of the Interbank Deposit Guarantee Fund
Ordinary shares listed on the MTA market

Shareholders' Meeting

Modena, 15/16 April 2016

Agenda

Extraordinary part:

1) proposal to amend articles 1, 2, 27, 30, 31, 33, 37 and 57 of the Articles of Association; related resolutions.

Ordinary part:

1) presentation of the draft Financial statements for 2015 and related reports; presentation of the Consolidated financial statements; related resolutions;
2) appointment of five Directors;
3) proposal of the Directors' remuneration for 2016; related resolutions;
4) presentation of the Remuneration Report pursuant to art. 123-*ter* of Legislative Decree 58 dated 24 February 1998, comprising the Remuneration policies for 2016 of Banca popolare dell'Emilia Romagna Group and annual disclosure regarding implementation of remuneration policies for 2015; related resolutions;
5) proposal of the remuneration plan pursuant to art. 114-*bis* of Legislative Decree no. 58 dated 24 February 1998, implementing the Remuneration policies for 2016 of the Banca popolare dell'Emilia Romagna Group; related resolutions;
6) information on internal control policies in terms of risk activities and conflicts of interest with related parties, in compliance with the requirements of the Bank of Italy's Circular no. 263 of 27 December 2006. Three-year review.

Contents

Banca popolare dell'Emilia Romagna s.c.

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
		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
	Diana Rizzo
	Francesca Sandrolini
	Vincenzo Tardini
Substitute Auditors:	Giorgia Butturi
	Gianluca Spinelli

Board of Arbiters

Members:	Roberto Bernardi Cesare Busi Paolo Casarini Miranda Corradi Marcello Minutolo
Substitute members:	Pier Luigi Cerutti Federico Ferrari Amorotti Massimo Turchi

General Management

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

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.

Chairman's Message to the Shareholders' Meeting

Towards the end of 2015, the Italian economic recovery strengthened, even if less than expected, though it still led to an improvement in lending in both the Retail and Corporate sector.
In any case, very low interest rates and a high level of competition in our traditional business serving customers continued to exert pressure on the return on banks' assets, though the intensity gradually fell, while there are still some factors of uncertainty in the international context. In addition, the stock market registered a high level of volatility and the weak demand for productive investment limited the possibilities for a more rapid recovery.
In this general framework - an improvement, but not without its difficulties - for our Banking group, the past year marked a turning point for the better: in fact, after two consecutive years of decline, the stock of gross loans grew, while disbursements of new loans to households and businesses increased by more than 50%. There was also a sharp slowdown in the flow of new problematic loans, which will presumably continue in 2016.
This set of positive factors should support the prospects of profitability in the current year, while the implementation of major structural changes continued on the political-institutional front: after the transfer of the main Italian banks, including BPER, under the direct supervision of the European Central Bank, the transformation of the Bank's legal form from a cooperative into a joint-stock company is now imminent, in accordance with Law 33 of 24 March 2015. This important change will be submitted to the Extraordinary Shareholders's Meeting, which will probably be called in the last four months of 2016, to vote on the transformation.

In the meantime, the internal efficiency plan continued, receiving a further boost from the new three-year Business Plan for 2015-2017, which all of the Bank's structures made a considerable joint effort to develop during the year just ended. The results achieved are decidedly positive: among the main activities to be been completed, worth noting is the agreement with the Trade Unions on redundancy incentives and the Solidarity Fund, as well as reorganisation of the distribution network.

The Business Plan, which represents an important programme of growth and renewal, also includes the adoption, in April 2015, of the new "BPER Banca" brand, which is an immediate expression of the Bank's new market positioning: the objective is to combine the strength of a national bank with an in-depth knowledge of the territories in which customers live, working with them side by side.

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.

The BPER Group has a solid financial position which is continuing to improve, with a pro-forma CET1 ratio (the main indicator) of 11.54% under the transitional arrangements: this is well above the European Central Bank's minimum requirement (9.25%) following the Supervisory Review and Evaluation Process (SREP). The picture is completed by a leverage ratio that is one of the best in the system, liquidity ratios that are well over 100%, and a level of coverage of total impaired loans which is among the highest compared with our direct competitors. As regards the stock market's high volatility, which has recently affected the Bank's stock as well, we are of the opinion that it is not justified in light of the positive trend in the Bank's fundamentals.

BPER is very solid in terms of capital; it tends to be much admired in any comparison with other banks of a similar size and has created the conditions to carry on growing in the future, to everyone's considerable satisfaction. The gratifying result that we have achieved shows that the Bank is still managing to address this complex period in history 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 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 say, once again, that the resources and efforts that we have dedicated 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 on which to take advantage of any opportunities that the recovery may offer.

Directors' Report on Group Operations


BPER:
Banca
Vogliamo essere ancora più attenti al territorio.
Per realizzare grandi progetti, per esservi ancora più vicini, per superare le vostre aspettative. Banca popolare dell’Emilia Romagna adesso è BPER Banca.
Vicina. Oltre le attese.
www.bper.it
800 20 50 40
Messaggio pubblicitario

Contents

1. The macroeconomic context

1.1 Background

During the year the global economy again grew slower than the estimates made in early 2015. Among the main causes of the slowdown in growth, there is the deceleration of emerging economies, which have suffered a grave setback and seen a further reduction in the growth gap between their economies and those of other countries. The key to the destiny of financial markets and their respective economies was again held by the Central Banks. The differentiation between the state of health of the different areas has resulted in a gradual divergence between the monetary policies of certain major countries: in the USA, for example, in December 2015 the Fed launched a process of normalisation for its monetary policy through an initial rise in official interest rates. For many other economies (such as China and Japan), on the other hand, it has become inevitable to continue with expansionary monetary measures; in the Euro-zone, unconventional monetary policies have been reinforced in the hope of escaping the deflation trap.
World GDP in 2015, according to the projections of the International Monetary Fund (IMF) in January 2016, posted an increase of 3.1% year on year, down from the growth rate recorded a year before. Our comments on the main macro areas are as follows.

In the United States, the first quarter of 2015 was very disappointing (annualised quarterly GDP up by 0.6%) mainly due to severe weather conditions that slowed down consumption and investment; the US economy saw a strong acceleration immediately afterwards, but it then weakened again, stabilising in the second half of the year. Overall, compared with the manufacturing sector which is still struggling, weighed down by the strength of the dollar and the difficulties of companies belonging, above all, to the energy sector, 2015 saw a gradual improvement in the labour market, both in terms of the declining unemployment rate and an increase in data quality, as well as business and household confidence that bolstered consumption and capital investment, albeit to a lesser extent. Furthermore, the service sector, which plays a very important role in the American economy, confirmed its excellent state of health. All of these confirmations, despite an inflation rate that is still at extremely low levels, allowed the Federal Reserve, the US central bank, to decide, albeit in December 2015, an initial hike in official interest rates, thereby inaugurating the process of normalisation of its monetary policy that had been constantly expansive ever since 2007.

As regards the Euro-zone, the macroeconomic environment has seen a moderate rise in GDP (estimates for 2015 give a +1.5%), thanks to a combination of various factors (decline in oil prices, low interest rates and the weakness of the Euro), made possible by expectations of global growth, which remained low, and the official announcement to the market in January 2015, particularly for the last two factors, of the planned purchases of government bonds by the European Central Bank, a plan that was further strengthened at the end of 2015. Through this tool, known as Quantitative Easing (QE)*,* the ECB was following in the footsteps of other central banks, wanting to give a further boost to its monetary policy after the expansionary measures of various kinds adopted and implemented in previous years. By expanding the quantity of money in circulation, the objective of the Frankfurt bank was to stimulate the economy, boost the credit market and, above all, halt deflation. Thanks to QE, the ECB contributed decisively to a further reduction in interest rates and a new period of weakness for the single currency. These factors, combined with the continuous and increasingly marked decline in the price of raw materials, especially oil, which the Euro-zone countries imports, represented the decisive boost that produced the first real signal of economic recovery in the Euro-zone, an area that in 2015 had to cope not just with fears of a global economic slowdown, but also the major trouble spot represented by the "Greek question". In fact, because of the difficulties encountered by the Greek political leaders and international creditors in reaching an agreement on new aid for Athens, Greece found itself a step away from leaving the European Monetary Union (EMU). In any case, the entire Euro-zone economy certainly did not benefit from the agreement that was reached, at least certainly not in terms of trust and credibility. Despite all of the ECB's efforts, however, inflation has still not given any sign of improvement; it continues to be the entire area's main point of weakness: the latest figure, posted in December 2015 by Eurostat, showed price growth of a mere +0.2% year on year, while remaining stable compared with the previous month.

Again in 2015, Italy unfortunately confirmed itself one of the European countries most in difficulty in the entire Euro-zone. It has been estimated that Italy will have growth in 2015 of 0.8% on an annual basis, a very modest result, but at least it officially certifies our exit from recession. While exports in the first half of 2015 benefited from devaluation of the exchange rate and a greater geographical orientation towards growth markets (USA and the rest of Europe), in the second half of 2015, the picture changed due to the deceleration in emerging countries, so that total export volumes dropped. Business and household confidence indicators remain a source of optimism as they continue to improve. Domestic demand has given signs of revival, mainly thanks to better conditions for access to credit, improvements in the labour market and a rise in disposable income. Inflation in 2015 was at a standstill yet again, slowing down on average for the third consecutive year to come in at 0.1%, down from +0.2% in 2014.

The real protagonists of 2015, however, were emerging nations, where there has been no lack of volatility. 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). Signs of difficulty were shown, above all, by Russia (still having to deal, among other things, with the trade sanctions imposed by the USA and EU) and Brazil, whose GDPs in 2015 were reckoned by the World Bank to be shrinking by 3.8% and 3.7% respectively. However, the biggest question mark, in terms of contribution to growth, was China: local authorities are struggling with their long-term process of transformation of the "engines of economic growth" (manufacturing, public investment, exports, services and internal consumption) and, according to official data, GDP in 2015 decelerated for the umpteenth consecutive year, turning in a growth rate of +6.9% (the lowest since 1990).

(%)

	GDP			Inflation (annual average)			Unemployment (annual average)		
	2014	2015e	2016f	2014	2015e	2016f	2014	2015e	2016f
U.S.A.	2.4	2.5	2.6	1.6	0.2	1.2	6.2	5.3	4.8
Japan	-	0.6	1.0	2.8	0.3	0.6	3.6	3.4	3.2
European Monetary Union	0.9	1.5	1.7	0.4	0.1	1.0	11.6	10.9	10.4
Italy	0.4	0.8	1.3	0.2	0.1	0.5	12.7	11.9	11.3
Germany	1.6	1.5	1.7	0.8	0.3	0.9	6.7	6.4	6.4
France	0.2	1.1	1.3	0.6	0.1	1.2	10.3	10.5	10.3
Spain	1.4	3.2	2.7	(0.2)	(0.6)	0.8	24.5	22.2	20.5
UK	2.9	2.2	2.2	n.a	n.a	n.a	6.3	5.4	5.1
China	7.3	6.9	6.3	2.2	1.5	1.8	4.1	4.1	4.1
India	7.3	7.3	7.5	n.a	n.a	n.a	n.a.	n.a.	n.a.

Key:
e: estimate
f: forecast

Source: IMF for GDP, Prometeia for inflation, Bloomberg Professional (OUTL function) for unemployment.

1.2 Public-sector finance

In a short-term analysis[1], the trend in the debt/GDP ratio, from the start of the financial crisis in 2009 up to the end of 2014, shows that this ratio has increased by about 20 bps, going from 112.5% in 2009 to 132.1% in 2014.
The main reasons of this increase include: interest expense, low real growth and the payment of the old debts of the Public Administration.
By contrast, since 2011 the achievement of significant and increasing primary surpluses by subsequent governments has helped to reduce the increase in the debt/GDP ratio.

In the years 2015-2019, according to the Government's planning scenario, the debt/GDP ratio is expected to reach a maximum of 132.8% in 2015 and then gradually decline, in line with the European rule, reaching 119.8% of GDP in 2019. This result depends on inflation returning to levels not far from the 2% target. In addition, it is assumed that the Italian economy can return to levels of real growth that gradually increase over the next four years. Lastly, debt reduction will be helped by the public asset disposal from which the Government aims to collect revenues of around 1.5% of GDP in the years 2016-2018. The expected fall in the debt/GDP ratio over the coming years will depend largely on being able to maintain a high primary surplus, averaging around 3.0% of GDP over the period 2015-2019. This average is relatively high, though it is in line with the historical average achieved in the pre-crisis years.

[1] *Source: 2016 Annual Report Planning Document*

Public-sector finance balance (% of GDP)	2014	2015e	2016f
Net borrowing	(3.0)	(2.6)	(2.2)
Borrowing	132.1	132.8	131.4

Key:
e = estimate
f = forecast

Source: "Update of the 2015 Economics and Finance Document" approved by the Council of Ministers on 18 September 2015.

We expect a reduction in net debt (from 3.0% of GDP in 2014 to 2.2% in 2016). The estimated figure for 2015 could have a 0.2% margin resulting from a possible agreement at European level on recognition of the economic and financial impact of migration within the rules of the Stability and Growth Pact.
The analysis that emerges from the Update of the 2015 Economics and Finance Document guarantees the sustainability of Italy's public finances, both as regards short-term shocks and as regards medium-long term risks, such as those arising from the ageing of the population.

1.3 The financial market and interest rates

2015 was a year that overall featured greater risk aversion on the part of investors compared with 2014. The macroeconomic environment once again showed low and uneven growth. Thanks above all to the measures approved by the ECB in January 2015 and continued deferrals of the first rate rise by the Fed, monetary policies remained very accommodating for most of the year. This fostered a good performance by financial markets in the first months of 2015, though the situation changed drastically during the summer months. The deterioration in the situation concerning Greece's bailout to start with, but then above all the worrying news from China changed the mood of the markets: the collapse of the Shanghai Stock Exchange and the ambiguous currency policy measures taken by the Chinese authorities led to serious concerns about the true extent of the slowdown being experienced by the Chinese economy, and raised various doubts about their ability to handle this delicate situation. Overall, however, even though 2015 was worse than the previous year in terms of market performance, it still managed to ensure positive returns for most asset classes. Government bonds, particularly those of the peripheral Euro-zone countries, closed with positive returns, whereas there was a considerable lack of homogeneity in the main stock markets. It was a difficult year for other typically riskier assets, such as emerging government bonds and corporate bonds. The decline in oil prices again significantly characterised the past year on financial markets.

Stock market

The best performances by stock markets in developed countries were achieved by the European and Japanese markets (+7.97% for the Euro-Stoxx and +9.93% for the Topix index), driven by the ultra-expansionary manoeuvres already in place or introduced *ex-novo* by the respective Central Banks. The biggest novelty undoubtedly came from the Euro-zone, where in January 2015, the ECB announced the upcoming launch of its first round of Quantitative Easing, which was then repeated in December 2015, for a total of Euro 1,140,000 million (Euro 60,000 million per month for 19 months). The main beneficiaries of this action were stock markets in the European countries considered most vulnerable, so that the Italian equity market, the FTSE MIB closed 2015 with a remarkable +12.66%, and that was after having posted an increase of +25% during the year. The situation was different in the United States, where the first rate rise by the Fed was a long time in coming; the continuing strength of the dollar and the crisis in the energy sector weighed on the performance of the main US equity market, the S&P500, which closed 2015 slightly down (-0.73%). As always, the emerging countries' scenario was very varied, characterised, as we said, by a general weakness, but with excellent performances by some major economies, such as Russia (+26.12%). China was another story: in 2015 the local stock market turned into a bubble, thanks to the government authorities turning a blind eye: at a certain point, it had gained all of 60% since the start of the year, then in mid-June 2015 it literally collapsed, losing about 40% in the space of nearly three months, finally managing to return to some kind of stability. In the end, the overall result of the Shanghai share index in 2015 was still a remarkable +9.41%.

Bond market

On the subject of bond markets, yields on government bonds, which were held down by the Quantitative Easing decided by the ECB in January 2015, fell to all-time lows in many Euro Area countries early in the year, in certain countries even reaching negative returns also for medium-long maturities. With each passing month, partly thanks to the stalemate in the negotiations between Greece and its international creditors on the new aid plan for Athens, the market excess partially reversed, although the downward pressure on rates remained for the whole of 2015. The rate of Italian ten-year government bonds (BTP), which opened 2015 at 1.89% gross, closed the year at 1.60%. In the USA, yields on government securities rose slightly, driven by expectations of a first rate rise by the Fed, an event that actually took place in December 2015. However, the substantial absence of significant inflationary pressures and less optimistic growth expectations for the US economy than in the past contributed to limit the rise in interest rates. Riskier bonds (corporate bonds, both investment grade and high yield bonds, and emerging market bonds) followed this alternation of events, behaving well in the first half of the year and then falling significantly when risk aversion took over. Overall, all the above categories closed 2015 with a slightly negative performance, excluding the bonds of emerging markets denominated in local currency and US high yield bonds, which suffered the heaviest losses. Lastly, the interbank interest rates, depressed by the expansionary measures taken by the ECB (particularly the cut in the deposit rate, lowered in December 2015 to -0.30%), ended 2015 close to their all-time lows: - 0.13% for the 3-month Euribor and -0.04% for the 6-month Euribor.

Foreign exchange market

As in 2014, the different orientations of the larger Central Banks around the world and the continuing weakness of the commodities sector resulted in significant fluctuations in exchange rates. The US dollar, in particular, continued to appreciate against most other currencies: one of the currencies of advanced economies most affected by this, for reasons of divergence between monetary policies, was undoubtedly the Euro (which devalued during 2015 by 11.40%), but the currencies of countries strongly dependent on raw material exports, such as the Canadian dollar and the Norwegian krone, also suffered severe devaluations. Similarly, many developing economies saw their national currencies depreciate against the dollar, and, once again, those affected the most were above all the currencies of nations closely linked to commodities: the Brazilian real depreciated by 33%, the South African rand by 25% and the Russian rouble by 20%. The Japanese Yen remained broadly stable against the US dollar, but gained ground against the single European currency, appreciating against it by almost 11%. Also worth noting when talking about currencies was the action taken at the beginning of 2015 by the Swiss National Bank (SNB), Switzerland's central bank, which decided to abandon its interventionist policy on the exchange rate

(which had become too burdensome), which led to a significant appreciation of the Swiss franc, particularly against the Euro.
Another element of continuity with the previous year was the sharp drop in oil prices: after a -34% in 2014, they posted a another -38% in 2015, with prices for West Texas Intermediate (WTI) falling to below 35 dollars a barrel. The main reason behind this collapse is undoubtedly to be found in the trend of supply and demand: The main reason behind this collapse undoubtedly lies in the demand/supply dynamic: the former, which is heavily dependent on global growth estimates, is unlikely to recover strongly in the short term. In terms of supply, on the other hand, there has been a steady and progressive increase, due in particular to OPEC's confirmation that it did not intend to cut production (with Saudi Arabia as OPEC's main exponent). As a result, many oil-producing countries are continuing to extract large volumes, often at levels that coincide with their all-time high. The only ones that have slowly begun to reduce production were companies belonging to the US shale oil sector, but it is a decrease that is still totally insufficient to sustain prices. Worth noting, again as regards commodities, that in 2015 not only energy commodities suffered strong price cuts, but also industrial metals, which were particularly penalised by the slowdown in the Chinese economy.

1.4 The banking system and domestic interest rates

2015 was another very challenging year for the Italian and European banking systems. The crisis of 2007-2008 and that of the peripheral Euro-zone countries in 2011 continue to be felt on lending margins and loan quality, where at year-end gross bad loans posted values close to Euro 200 billion (ABI figures).
A clear demonstration of this is the crisis of four small and medium-sized Italian banks, in receivership for some time, for which on 22 November 2015 the Government and the Bank of Italy, in close cooperation with each other, were able to provide a solution, ensuring them business continuity and a turnaround, also by applying the new "burden sharing" rules introduced by the European BRRD Directive, which anticipated the even more restrictive "bail-in rules", that took effect from 1 January 2016.

Loans[2]
In this very challenging environment, we have recently seen some positive signs. For example, last autumn, growth in loans to the private non-financial sector strengthened. The easing of supply criteria continued with the cost of loans to households and businesses reaching historically very low levels, benefiting from the expansionary measures taken by the ECB. In fact, on 22 January 2015, the Governor Mario Draghi announced at the World Economic Forum that the European Central Bank intended to buy public and private debt securities from March 2015 until at least September 2016 (deadline later extended by a further six months) at a rate of Euro 60 billion per month and, in any case, until such time that Euro-zone inflation started getting closer to 2% again.
In the last quarter of 2015, the growth in loans to the private non-financial sector increased (to 1.5%, net of seasonal factors and annualised). Loans to households also accelerated; the dynamics of house purchase loans turned positive since the summer, driven by the low level of interest rates.
For the first time since the end of 2011, the change in loans to businesses reached significantly positive levels: they are increasing, but with different trends depending on the business sector and size of company. The growth in loans to manufacturing companies has gained in strength (+4.0% year-on-year in November); the change in loans to the service sector turned slightly positive again, albeit slowed down

[2] *Source: Bank of Italy Economic Bulletin 1/2016*

by the ongoing contraction of loans to companies linked to the real estate sector; lending to the construction industry (-2.3%) and non-manufacturing industry continued to shrink.
The gradual improvement in the economy is reflecting favourably on credit quality (as well as on banks' profitability and capitalisation).

As regards interest rates, in 2015 the average cost of new loans to businesses decreased almost constantly, reaching stability at 1.9% between August 2015 and November 2015, historically a very low level. The spread compared with the average rate in the Euro-zone disappeared (having been around 100 bps at the end of 2012). The scattering of lending conditions applied to different types of borrowers remains high, although less so than during the global crisis. Lastly, the cost of new mortgages to households fell by two tenths, to 2.6%: the spread against the Euro-zone average has been reduced to less than 30 bps.

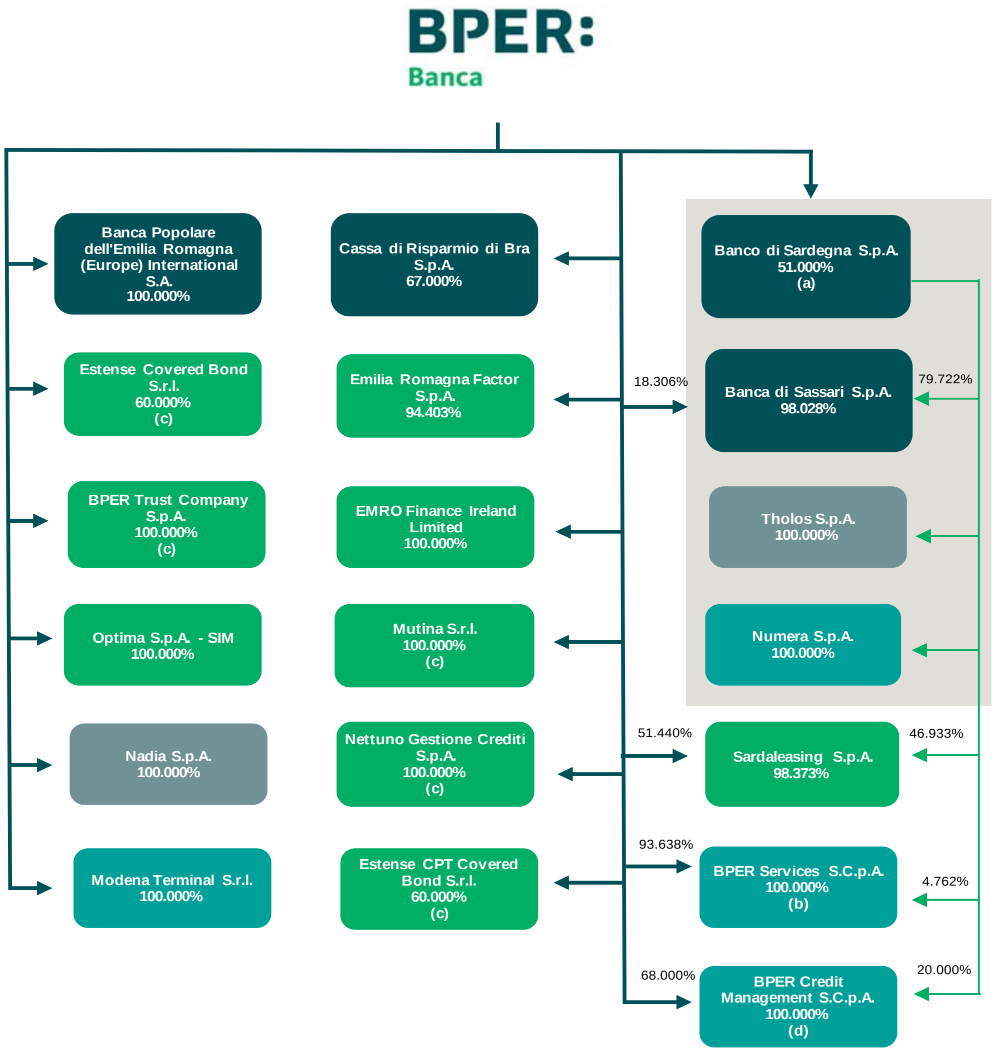
Funding[3]

In Italy, medium-long term funding, i.e. funding through bonds, decreased on an annual basis. In November 2015, bond funding was down by 13.7%, marking a decrease in absolute value of Euro 61.2 billion year on year. Deposits, on the other hand, have increased: at the end of November 2015, there was an increase in absolute value of Euro 34.2 billion compared with the previous year (+2.7% on an annual basis). The trend in total funding (deposits from resident customers and bonds) in November 2015 recorded a decrease of Euro 27 billion compared with November 2014, a change of -1.6% on an annual basis. From the end of 2007 to the present day, customer deposits have gone up from Euro 1,513 billion to Euro 1,679.8 billion, an increase in absolute terms of almost Euro 167 billion.
In November 2015, the average rate of total bank deposits from customers (sum of deposits, bonds and repos in Euro to households and non-financial companies) stood at 1.20% (1.22% the previous month; 2.89% at the end of 2007). The interest rate on deposits (current accounts, savings deposits and certificates of deposits) reached 0.53% (0.54% the previous month), while that on repos reached 0.83% (0.88% the previous month). The yield on bonds came to 2.96% compared with 3% the previous month.
The spread between the average lending rate and the average rate on deposits from households and non-financial companies in Italy is still very low, standing at 210 bps in November 2015 (211 bps the previous month). Before the start of the financial crisis, this spread exceeded 300 bps (329 bps at the end of 2007).
The ABI report says that in November 2015 the amount of loans granted to customers by banks operating in Italy, Euro 1,818.2 billion, is much higher (by almost Euro 138.5 billion) than total customer deposits, namely Euro 1,679.8 billion.

[3] *Source: ABI Monthly Outlook – December 2015*

2. Key figures

2.1 BPER Group structure as at 31 December 2015



a) Equivalent to 50.603% 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 Services S.C.p.A :
 - Banca di Sassari S.p.A. (0.400%);
 - Optima S.p.A. SIM (0.400%);
 - Sardaleasing S.p.A. (0.400%) and
 - Cassa di Risparmio di Bra S.p.A. (0.400%).

c) Subsidiary companies consolidated under the equity method.

d) The following Companies also are shareholders of BPER Credit Management S.C.p.A :
 - Sardaleasing S.p.A. (6.000%);
 - Banca di Sassari S.p.A. (3.000%);
 - Cassa di Risparmio di Bra S.p.A. (2.000%) and
 - Emilia Romagna Factor S.p.A. (1.000%).
 At 31 December 2015 the company is not operative as its operations are expected to start on 1 January 2016

In addition to the above members of the banking group, the scope of consolidation also includes the following subsidiaries companies which are not members of the banking group since they do not contribute directly to its activities. These companies are consolidated under the equity method:
- the **Parent Company** : Melior Valorizzazioni Immobili S.r.l. (100.000%), Adras S.p.A. (100.000% Italiana Valorizzazioni Immobiliari S.r.l. (100.000%), Polo Campania S.r.l. (100.000%) and Sifà S.p.A. (35.000%),
- **Nadia S.p.A.** : Galilei Immobiliare S.r.l. (100.000%),
- **Italiana Valorizzazioni Immobiliari S.r.l.** : Costruire Mulino S.r.l. (100%.000) and Sviluppo Formica S.r.l. (100.000%).

2.2 Summary of results

2015 closed with a profit of Euro 220.7 million (Euro 14.8 million at 31 December 2014), although this was affected by significant extraordinary income and expenses; in any case, this profit marks a sharp increase compared with last year, even if we consider it on a comparable basis.
Worth noting is the continuous improvement in asset quality, with at least three elements worth highlighting:

- the significant increase in the level of coverage of non-performing loans, up from 40.7% at the end of 2014 to over 44.2%, one of the highest percentages among our direct competitors;
- the significant reduction in inflows to non-performing loans recorded in 2015 compared with the previous year;
- the drop in net non-performing loans, the first major sign of a trend reversal since the beginning of the crisis.

In terms of traditional banking activities with customers, lending to customers showed a 0.70% increase in the gross stock for the first time after about two years of consecutive declines, thanks to the strong acceleration in new loan disbursements to households and businesses, an increase of over 50% compared with last year.

As regards the figures in the income statement, note that in the summary versions that follow as well as in paragraph 2.4, reference is made to the reclassified Consolidated financial statements[4] 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 profit from current operations before tax amounts to Euro 213.5 million in the year (Euro 58.2 million at 31 December 2014).

Operating profit amounted to Euro 2,370.6 million, up by 6.91% on 2014. In particular:

- net interest income is down by 4.98%, primarily because of changed market conditions and interest rates, which have led to pressures on asset yields that are not sufficient to offset the cost of funding;
- net commission income increased by 5.22%, as a combined effect of the positive trend in commissions on indirect deposits under management and bancassurance (+41.96%) and a decrease in commissions from traditional activities;
- positive net result from financial activities (excluding dividends), which amounted to Euro 347.9 million, strongly influenced by extraordinary income from the sale of a significant interest in ICBPI (Euro 174.3 million) and the transfer from the *"AFS"* portfolio to the *"Equity investments"* portfolio following the purchase of a significant interest in Arca SGR s.p.a., releasing the AFS reserve that existed previously.

Operating costs are down 1% year on year on a comparable basis, i.e. net of non-recurring charges for the two years and contributions to the Deposit Guarantee Fund and the Single Resolution Fund.
Net adjustments to loans and other financial assets are 14% down on the previous year.

In the balance sheet:

- net lending to customers of Euro 43,702.6 million show a decline of 0.49% compared with 31 December 2014, but an increase compared with both 30 June 2015 and 30 September 2015. It has increased by 0.70% if analysed on a gross basis;

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

- direct deposits (Euro 47,255.8 million) increased by 2.32%, with a loans/deposits ratio of 92.48% (95.10% at 31 December 2014);
- indirect deposits (Euro 30,373.9 million) turned in a good performance, with a significant increase (+7.72%) mainly for assets under management (+13.24%) and in the stock of life insurance policies (Euro 3,766.3 million, +23.55%).

The capital ratios, still determined using the standardised approach for the requirements to cover credit[5] and market risk, have been calculated on a pro-forma basis[6], as follows:

- Phased in Common Equity Tier 1 ratio of 11.54% (11.62% at 30 September 2015 and 11.26% at 31 December 2014). On a Fully Phased basis, it is estimated at 11.21%;
- Phased in Tier 1 ratio of 11.65% (11.71% at 30 September 2015 and 11.29% at 31 December 2014);
- Total Capital Ratio (Phased in) of 12.80% (13.10% at 30 September 2015 and 12.24% at 31 December 2014).

Leverage ratios calculated for 2015 in accordance with the regulations:

- transitional arrangements (Phased in) of 7.1% (7.2% at 31 December 2014);
- under full application (or "Fully Phased") of 6.9%, the same as at 31 December 2014.

Liquidity levels higher than the required minimums:

- Liquidity Coverage Ratio (LCR) of 136.1% (124.6% at 31 December 2014);
- Net Stable Funding Ratio (NSFR) of 110.9% (115% at 31 December 2014).

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[5] *Pre-validation of the AIRB models with the European Central Bank and the Bank of Italy, which officially commenced at the end of January, continued in 2015. A formal validation request was sent to the Supervisory Authorities in August, followed by the planned on-site inspection, which was completed at the end of October.*

[6] *The Fully Phased Common Equity Tier 1 ("CET1") ratio, estimated in January 2019 in accordance with the new Basel 3 regulations, and the Phased in CET1 ratio have been calculated on a pro-forma basis taking into account the profit for the second half of the year allocable to equity (Euro 118.6 million, corresponding to about 30 bp), having already included for regulatory purposes (as authorised by the ECB) the portion of net profit realised in the first half of the year (Euro 54 million corresponding to approximately 13 bp) that could be allocated to equity.*

2.3 Performance ratios

Financial ratios	31.12.2015	31.12.2014
Structural ratios (%)		
net loans to customers/total assets	71.34%	72.41%
net loans and advances to customers/direct deposits from customers	92.48%	95.10%
financial assets/total assets	18.88%	16.99%
fixed assets/total assets	2.21%	2.12%
goodwill/total assets	0.62%	0.63%
direct deposits/total assets	86.15%	86.83%
deposits under management/indirect deposits	48.48%	46.12%
financial assets/tangible equity *Tangible equity = total shareholders' equity net of intangible assets.*[7]	2.25	2.06
total tangible assets[8]/tangible equity	11.83	12.00
net interbank lending/borrowing (in thousands of Euro)	(4,435,679)	(4,770,260)
number of employees	11,447	11,593
number of national bank branches	1,216	1,273
Profitability ratios (%)		
ROE	4.57%	0.33%
ROTE	5.10%	0.37%
ROA (net profit/total assets)	0.36%	0.05%
Cost/income ratio[9]	57.69%	56.89%
Net adjustments to loans/net loans to customers	1.62%	1.85%
Basic EPS	0.459	0.041
Diluted EPS	0.459	0.041
Risk ratios (%)		
non-performing exposures/net loans to customers	14.54%	14.86%
net bad loans/net loans to customers	6.81%	6.42%
net unlikely to pay loans/net loans to customers	7.15%	8.00%
net past due loans/net loans to customers	0.58%	0.44%
adjustments to non-performing exposures/gross non-performing exposures	44.22%	40.66%
adjustments to bad loans/gross bad loans	58.16%	56.55%
adjustments to unlikely to pay loans/gross unlikely to pay loans	21.88%	18.28%
adjustments to past due loans/gross past due loans	10.02%	8.07%
adjustments to performing exposures/gross performing exposures	0.54%	0.56%

[7] *Tangible equity = total shareholders' equity net of intangible assets*
[8] *Total tangible assets = total assets net of intangible assets.*
[9] *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 58.98% (57.73% as at December 31, 2014).*

Financial ratios	31.12.2015	31.12.2014
Own Funds (Phased in)[10]		
Common Equity Tier 1 (CET1)	4,506,891	4,581,261
Common Equity Tier 1 (CET1) pro-forma	4,629,088	
Own Funds	5,011,605	4,982,079
Own Funds pro-forma	5,133,802	
Risk-weighted assets (RWA)	40,101,688	40,691,550
Capital and liquidity ratios [11]		
Common Equity Ratio (CET1 Ratio) - Phased in	11.24%	11.26%
Common Equity Ratio (CET1 Ratio) - Phased in pro-forma	11.54%	
Tier 1 Ratio (T1 Ratio) - Phased in	11.34%	11.29%
Total Capital Ratio (TC Ratio) - Phased in	12.50%	12.24%
Total Capital Ratio (TC Ratio) - Phased in pro-forma	12.80%	
Common Equity Tier 1 Ratio (CET1 Ratio) - Fully Phased pro-forma	11.21%	
Leverage Ratio - Phased in[12]	7.1%	7.2%
Leverage Ratio - Fully Phased[13]	6.9%	6.9%
Liquidity Coverage Ratio (LCR)	136.1%	124.6%
Net Stable Funding Ratio (NSFR)	110.9%	115.0%

Non-financial ratios	31.12.2015	31.12.2014
Productivity ratios (in thousands of Euro)		
direct deposits per employee	4,128.22	3,983.71
loans and advances to customers per employee	3,817.82	3,788.47
assets managed per employee	1,286.45	1,121.71
assets administered per employee	1,366.99	1,310.60
core revenues[14] per employee	170.72	171.01
net interest and other banking income per employee	202.50	187.14
operating costs per employee	119.43	108.03

[10] *The Fully Phased Common Equity Tier 1 ("CET1") ratio, estimated in January 2019 in accordance with the new Basel 3 regulations, and the Phased in CET1 ratio have been calculated on a pro-forma basis taking into account the profit for the second half of the year allocable to equity (€ 118.6 million, corresponding to about 30 b.p.), having already included for regulatory purposes (as authorised by the ECB) the portion of net profit realised in the first half of the year (€ 54 million corresponding to approximately 13 b.p.) that could be allocated to equity.*
[11] *See previous note.*
[12] *The ratio is calculated according to the provisions of Regulation (EU) 575/2013 (CRR), as amended by the Commission Delegated Regulation (EU) 2015/62.*
[13] *See previous note.*
[14] *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 123,302 thousand at 31 December 2015 and Euro 125,403 thousand at 31 December 2014);
- *"Net adjustments to property, plant and equipment and intangible assets"* include 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"* include captions 240, 260 and 270 in the reporting format.

Consolidated reclassified income statement as at 31 December 2015

(in thousands of Euro)

Captions		31.12.2015	31.12.2014	Change	% Change
10+20	Net interest income	1,227,541	1,291,809	(64,268)	-4.98
40+50	Net commission income	726,693	690,664	36,029	5.22
70	Dividends	15,953	19,392	(3,439)	-17.73
80+90+100+110	Net trading income	347,884	167,665	180,219	107.49
220 (*)	Other operating charges/income	52,502	47,865	4,637	9.69
	Operating income	**2,370,573**	**2,217,395**	**153,178**	**6.91**
180 a)	Payroll	(825,053)	(786,687)	(38,366)	4.88
180 b) (*)	Other administrative costs	(462,176)	(404,386)	(57,790)	14.29
200+210	Net adjustments to property, plant, equipment and intangible assets	(80,249)	(70,386)	(9,863)	14.01
	Operating costs	**(1,367,478)**	**(1,261,459)**	**(106,019)**	**8.40**
	Net operating income	**1,003,095**	**955,936**	**47,159**	**4.93**
130 a)	Net impairment adjustments to loan	(705,799)	(812,734)	106,935	-13.16
130 b)+c)	Net impairment adjustments to financial assets available for sale and held to maturity	(27,343)	(40,347)	13,004	-32.23
130 d)	Net impairment adjustments to other financial assets	(4,658)	(5,138)	480	-9.34
	Net impairment adjustments	**(737,800)**	**(858,219)**	**120,419**	**-14.03**
190	Net provisions for risks and charges	(52,137)	(38,782)	(13,355)	34.44
240+260+270	Gains (Losses) from equity instruments, on disposal of investments and adjustment to goodwill	356	(770)	1,126	-146.23
280	**Profit (Loss) from current operations before tax**	**213,514**	**58,165**	**155,349**	**267.08**
290	Income taxes on current operations for the period	5,718	(28,384)	34,102	-120.15
320	**Net profit (loss) for the period**	**219,232**	**29,781**	**189,451**	**636.15**
330	Net profit (loss) pertaining to minority interests	1,429	(14,984)	16,413	-109.54
340	**Profit (Loss) for the period pertaining to the Parent Company**	**220,661**	**14,797**	**205,864**	**--**
(*)	Caption net of recovery of taxes	123,302	125,403	(2,101)	-1.68

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

(in thousands)

Captions		1st quarter 2015	2nd quarter 2015	3rd quarter 2015	4th quarter 2015	1st quarter 2014	2nd quarter 2014	3rd quarter 2014	4th quarter 2014
10+20	Net interest income	314,095	308,370	302,036	303,040	329,820	328,639	320,040	313,310
40+50	Net commission income	179,203	180,650	177,844	188,996	171,450	174,028	169,012	176,174
70	Dividends	249	13,583	457	1,664	574	17,617	115	1,086
80+90+ 100+110	Net trading income	46,058	15,463	20,361	266,002	63,300	46,389	20,323	37,653
220 (*)	Other operating charges/income	15,443	9,269	12,274	15,516	18,666	11,133	5,851	12,215
	Operating income	**555,048**	**527,335**	**512,972**	**775,218**	**583,810**	**577,806**	**515,341**	**540,438**
180 a)	Payroll	(199,322)	(196,883)	(232,374)	(196,474)	(196,796)	(201,099)	(180,006)	(208,786)
180 b) (*)	Other administrative costs	(93,620)	(103,392)	(95,698)	(169,466)	(96,338)	(103,322)	(97,940)	(106,786)
210 + 220	Net adjustments to property, plant and equipment and intangible assets	(17,330)	(17,087)	(17,495)	(28,337)	(16,357)	(16,613)	(17,015)	(20,401)
	Operating costs	**(310,272)**	**(317,362)**	**(345,567)**	**(394,277)**	**(309,491)**	**(321,034)**	**(294,961)**	**(335,973)**
	Net operating income	**244,776**	**209,973**	**167,405**	**380,941**	**274,319**	**256,772**	**220,380**	**204,465**
130 a)	Net impairment adjustments to loans	(147,504)	(150,237)	(127,156)	(280,902)	(211,820)	(204,972)	(163,296)	(232,646)
130 b)+c)	Net impairment adjustments to financial assets available for sale and held to maturity	(6,347)	(2,552)	(7,563)	(10,881)	(466)	(3,189)	(680)	(36,012)
130 d)	Net impairment adjustments to other financial transactions	3,879	(4,997)	(348)	(3,192)	(2,424)	(614)	(3,115)	1,015
	Net impairment adjustments	**(149,972)**	**(157,786)**	**(135,067)**	**(294,975)**	**(214,710)**	**(208,775)**	**(167,091)**	**(267,643)**
190	Net provisions for risks and charges	(14,096)	(22,689)	(15,440)	88	(6,658)	(12,976)	(8,036)	(11,112)
240+260 +270	Gains (Losses) on disposal of investments and adjustments to goodwill	(1,773)	7,173	(6,846)	1,802	(972)	(2,770)	2,273	699
280	**Profit from current operations before income tax**	**78,935**	**36,671**	**10,052**	**87,856**	**51,979**	**32,251**	**47,526**	**(73,591)**
290	Income taxes on current operations	(27,234)	(7,367)	(2,313)	42,632	(20,760)	(20,922)	(14,258)	27,556
320	**Net profit (loss) for the period**	**51,701**	**29,304**	**7,739**	**130,488**	**31,219**	**11,329**	**33,268**	**(46,035)**
330	Net profit (loss) for the period pertaining to minority interests	(6,504)	(1,270)	1,616	7,587	(2,947)	(3,701)	(8,067)	(269)
340	**Profit (Loss) for the period pertaining to the Parent Company**	**45,197**	**28,034**	**9,355**	**138,075**	**28,272**	**7,628**	**25,201**	**(46,304)**

(*)	Caption net of recovery of taxes	30,864	31,763	30,804	29,871	29,789	32,392	31,705	31,517

3. Significant events and strategic transactions

3.1 Strategic transactions

Subscription to the increase in 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 comply 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.

Voluntary public exchange offer for BPER Lower Tier II bonds up to a maximum nominal value of Euro 320 million

The voluntary public exchange offer acceptance period ("Offer") for the "Banca popolare dell'Emilia Romagna Subordinated Lower Tier II 4.75% 31/12/2012-31/12/2018" bond ("Existing Notes") up to a maximum nominal value of Euro 320 million, ended on 5 June 2015. During the period, between 18 May 2015 and 5 June 2015, Existing Notes with a nominal value of Euro 224.9 million were validly tendered in acceptance of the Offer, as analysed below:

Description	ISIN	Nominal value tendered in acceptance (Euro)	Nominal value not tendered in acceptance (Euro)
Banca popolare dell'Emilia Romagna subordinated Lower Tier II 4.75% 31/12/2012 – 31/12/2018	IT0004869720	224,855,200	95,144,800.0

The Existing Notes tendered in acceptance have been cancelled.

The exchange was completed on 15 June 2015 and, for each of the Existing Notes tendered, BPER issued without charges or commission a new subordinated bond known as "Banca popolare dell'Emilia Romagna Subordinated Tier II 4.25% 15/06/2015 – 15/06/2025 Callable" and paid the interest accrued on the Existing Notes at the above exchange date.

Following the acceptances indicated above, the following nominal value of the Securities Offered has been assigned:

Description	ISIN	Nominal value assigned (Euro)
Banca popolare dell'Emilia Romagna subordinated Lower Tier II 4.25% 15/06/2015 – 15/06/2025 Callable	IT0005108060	224,855,200

Sale of a 9.14% interest in the share capital of Istituto Centrale delle Banche Popolari Italiane s.p.a.

On 19 June 2015, BPER took part in the signing of a preliminary contract between Mercury Italy s.r.l. (an SPV indirectly held by various Funds: Bain Capital, Advent International and Clessidra SGR), as promissory buyer, and Credito Valtellinese s.c., Banco Popolare s.c., Banca Popolare di Vicenza s.c.p.a., Veneto Banca s.c.p.a., Iccrea Holding s.p.a., Banca Popolare di Cividale s.c.p.a., UBI Banca s.c.p.a., Banca Popolare di Milano s.c.r.l., Banca Carige s.p.a. and Banca Sella Holding s.p.a., as promissory sellers, for the overall 85.79% of ICBPI's share capital held by them).

The sale price was determined:

- with reference to the appraised value of the entire share capital of ICBPI of Euro 2,150 million, or Euro 2,000 million depending on the structure selected for the transaction from the two possibilities identified;
- with reference to an additional earn-out component, which cannot be determined at this time.

In this regard, BPER confirmed:

- its commitment to sell 9.14% of the share capital of ICBPI and that, from an accounting standpoint, the transaction would have resulted in the recognition of:
  - a capital gain, net of tax, of about Euro 162 million, assuming a total price of Euro 2,150 million allocated proportionately among the potential sellers or
  - a capital gain, net of tax , of about Euro 149 million, assuming a total price of Euro 2,000 million allocated proportionately among the potential sellers;
- the transaction would have had an estimated positive impact on the Common Equity Tier 1 ratio of about 40 b.p. in the balance sheet at 31 March 2015;
- following the above sale, it would have retained a 1.5% interest in the share capital of ICBPI.

On 18 December 2015, following the authorisations received from the competent Supervisory Authorities, the sale of 85.29% to Mercury Italy s.r.l. was completed.

BPER therefore sold 1,296,897 shares (representing 9.1422% of the share capital) at a price of Euro 152.3677 each for a total of Euro 197,605 thousand, with a gain of Euro 174,259 thousand (Euro 162,156 thousand net of tax) recorded in the income statement under *"Gains on disposal or repurchase of financial assets available for sale"*. BPER will continue to remain part of the company's ownership structure with an interest of 1.5% shown under available-for-sale (AFS) securities and valued at Euro 32,422 thousand, with a positive valuation reserve of Euro 26,606 thousand.

Subscription for shares in Società Italiana Flotte Aziendali s.p.a. (SIFA')

On 2 July 2015 BPER acquired a 35% interest in SIFA' - Società Italiana Flotte Aziendali s.p.a. for Euro 323 thousand. This company, formed in 2012, is active in the long-term rental of motor vehicles to Corporate customers. Despite having acquired a 35% interest, the Parent Company has *de facto* control by virtue of being able to exercise significant influence over the company's strategic financial and operating decisions (in accordance with IFRS 10 § 7).

This investment is part of broader collaboration with the company that includes the provision of funding, via finance lease transactions, and commercial agreements for the placement of SIFA' products with the Bank's customers.

Purchase of shares in Arca SGR s.p.a.

Arca SGR s.p.a. ("Arca") recently initiated a process of redefinition of its organisational and governance model with a view to strengthening its competitive positioning on the market in the medium-long term and consolidating its role as a leading Italian player in the asset management sector.

On 23 July 2015, Arca's Shareholders' Meeting approved the amendments to the articles of association to permit implementation of a new organisational structure once it had obtained authorisation from the Supervisory Authority.
Given that the amendments to the articles change Arca's corporate objects, those shareholders who did not vote for the resolution have a right of withdrawal.
In this context, the shareholders Banco Popolare s.c., Holding di Partecipazioni Finanziarie Banco Popolare s.p.a. and Banca Popolare dell'Alto Adige s.c.p.a. exercised their right of withdrawal for all of the ordinary shares that they held in Arca (6,166,000, 3,784,000 and 1,000,000 respectively), for a total of 10,950,000 shares, representing 21.90% of Arca's share capital. The price for exercising the right of withdrawal has been set by Arca's Board of Directors at Euro 9.60 per share.
During the meeting on 22 September 2015, BPER's Board of Directors approved the hypothesis of exercising the option for its share of the Arca shares made available under the withdrawal procedure and to exercise its pre-emption right over any shares not taken up by other shareholders.
This decision was reached after considering, among other things, the importance of this project in redefining the current organisational and governance model to consolidate Arca's competitive positioning and the likelihood that this will boost the Company's value in the future.
As a result of the operational restructuring of Arca and as the company's "stable" shareholder and partner, BPER will play a key role in directing the assessment of future strategic scenarios of the company's development, though Arca's other main shareholders would obviously be involved in agreeing any decision.
On 22 December 2015, having obtained the necessary authorisations from the competent Supervisory Authorities, BPER completed the acquisition of 6,376,984 ordinary shares (12.754% of the share capital) of Arca SGR s.p.a., assigned on completion of the pre-emption process, at a cost of Euro 61,219 thousand.
As a result, at 31 December 2015 BPER owns 32.752% of Arca SGR s.p.a., including it as one of the significant investments in its portfolio: the interest held in Arca has therefore increased from 19.998% to 32.752%.
With the transfer of the pre-existing shares from the "AFS" portfolio to the "Equity investments" portfolio, this transaction resulted - only on a consolidated basis - in a capital gain shown in caption 100 b) of the income statement of Euro 68,993 thousand; the contra-entry was against the pre-tax value of the AFS valuation reserve, reducing it to zero, whereas in BPER's books of account it was reduced to zero with the contra-entry going to equity investments. The different accounting treatment was dictated by the fact that a step acquisition is explicitly regulated by IFRS 3. IAS 27, which dictates how investments in associates should be accounted for in the Separate financial statements, does not provide for this situation.

Transfer of assets from EMRO Finance Ireland limited to Bper (Europe) International s.a.

On 25 November 2015, the subsidiary EMRO Finance Ireland limited sold almost all of its assets to Banca popolare dell'Emilia Romagna (Europe) International s.a. This transaction forms part of a process of simplification of the Group structure, being the first step towards the disposal of the Irish company, which will then be absorbed by the Parent Company during the course of 2016.

The Irish subsidiary sold assets for a total of Euro 183,150 thousand, of which Euro 157,868 thousand is represented by financial assets and Euro 25,282 by credit assets. The financial assets include securities classified as "Loans & Receivables" for Euro 64,075 thousand, "Financial assets available for sale" for Euro 59,480 thousand and "Financial assets designated at fair value through profit and loss" for Euro 34,313 thousand.

The sale generated gains and losses on the income statement of the selling company. However, the transaction was neutral for consolidation purposes as any profit or loss on intercompany assets transfers gets eliminated as part of the consolidation process.

Further details are provided in the section "Significant subsequent events and outlook for operations".

3.2 The BPER Group's 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 targets for 2017 are:

- a ROTE (Return On Tangible Equity) of 9% and Euro 400 million of "Net profit";
- a CET1 ratio of 12%;
- a Dividend payout ratio of more than 30%.

The Plan, which was given the name “BECOMING BPER”, was devised with the close involvement of all Group personnel, who worked together on one single, agreed programme of change, drawing on three strategic guidelines:

- the strengthening of revenues, with objectives for the growth of commission income and the development of lines of business that support the needs of the territories served, households and small and medium-sized enterprises;
- the simplification and greater efficiency of the operational model, due to further rationalisation of the branch network and related organisational controls, the simplification of processes and investment in innovative technologies;
- optimisation of the risk profile, involving targeted evolution of the way the lending process is governed and the implementation of strategies that are tied to the Risk Appetite Framework, as well as more specialisation in the management of impaired loans, partly by the creation of a business unit dedicated to the recovery of non-core assets.

The Plan was determined with reference to the needs of the various stakeholders in the Group (Customers, Communities, Shareholders, Regulators and Employees).

After approval, a Transformation Program was devised in order to put the Business Plan into practice. This has involved establishing work groups and projects that address each of the three strategic guidelines, with strict monitoring of the time required and the progress made on the various tasks.

In addition, the Group has identified a dedicated project organisation that coordinates the various phases of the process (operational planning, project implementation, monitoring, reporting and the analysis of variances).

Managers have also been identified for the various work groups and related projects, each focused on their specific responsibilities. They are supported by a number of persons, within a matrix-style organisation, who monitor the progress of individual projects. Specific training courses have also been established, together with a virtual community whose primary purpose is to ensure maximum involvement of the persons concerned.

A number of projects were activated in 2015, including:

- presentation of the new brand image and launch of the new advertising campaign;
- renegotiation of contracts;
- closure of the first groups of branches (57 shut in 2015);
- migration of Cassa di risparmio di Bra (CRB) to the Group's IT system (completed on 26 October 2015), enabling CRB to align itself totally with the Group's models, processes and tools;
- agreement with the Trade Unions about the employment changes that are envisaged.

A total of 108 activities have commenced at 31 December 2015, out of the 147 envisaged in the Plan covering the period 2015-2017. In addition, work continues on 44 activities linked to projects not included in the Plan. Out of 152 activities commenced in 2015, 20 have already been completed.
Some significant projects were also commenced, involving extraordinary interventions on the Group's organisation structure and operations. These include:

Rebranding of the BPER Group

The process of rationalising and simplifying the BPER Group structure and the national *status* of BPER Banca led General Management to include in the projects of the 2015-2017 Business Plan the definition of a new positioning and a new brand identity for the Bank and the BPER Group.
This project involved many months of work by the central departments at the Parent Company, whose efforts were assisted by Interbrand s.r.l., the leading international brand consultancy. The new brand, BPER Banca, was officially presented to the press, our customers and the financial community on 16 April 2015.
The new brand was devised by combining analytical, strategic and creative thinking and expresses immediately our new positioning: to combine the strength of a national bank with an in-depth knowledge of the territories in which individuals and Corporate customers live, working with them side by side and helping them build a strong tomorrow. The positioning also generates the promise contained explicitly in the payoff: a bank that is close to you and able to exceed your expectations. Close to you. Beyond your expectations.
The new brand will also allow greater effectiveness in marketing and communication with improved recognition, distinctiveness and reputation of the logo, which should lead to easier acquisition of new customers and more attractiveness for investors and markets.

BPER: Banca

Various activities took place during the course of 2015 to ensure the alignment of all physical and digital touchpoints with the new identity. In particular, September saw the start of replacing the signs at all BPER Banca branches, which should be completed in 2016.

The rebranding has also affected the other Group companies that have adapted their logo to the new brand architecture: these include the Group Banks, BPER Services s.cons.p.a., BPER Trust Company s.p.a., Optima s.p.a. SIM, Nadia s.p.a. and BPER SICAV. Other companies have adopted the brand architecture by changing their name: this is the case of Emilia Romagna Factor s.p.a., which adopted the name BPER Factor, and Sardaleasing, which began a project initially involving the current brand alongside that of BPER Leasing, with the expectation that the latter would become the company's only brand.
The registered names of the companies involved obviously remain the same.

New branch concept

The new Reggio Emilia branch of BPER was inaugurated on 17 October 2015; we wanted to go beyond the traditional concept of a bank, creating a new type of relationship with the customer. The project is part of the activities envisaged in the Business Plan and, among other things, aims to give customers a distinctive experience in the new branches of BPER Banca. The "new" branch offers the visitor an engaging experience built around the metaphor of the botanical garden, welcoming and explaining the new standard of service that we are promising in line with the new brand.
All barriers have been eliminated because BPER believes this is the best way to be closer to its customers, to establish a strong relationship with people. A relationship that starts from listening and that is based on an open and equal dialogue. The Bank wants to give life to a different and innovative dimension, where people feel immediately welcomed and guided, where it becomes even easier to move around and explore. A place where care, discovery, expertise and guidance inspire people's behaviour, the configuration of the space and the solutions to needs.

"Non-Performing Loans" project

As part of the 2015-2017 Business Plan, it was decided that a review of the model for handling bad loans, was one of the Group's strategic issues.
After carrying out in-depth analyses and evaluated a number of possible scenarios that could be activated, it was decided that it would be best for the entire bad loans portfolio of the BPER Group to be managed by a single unit, which meant setting up a new consortium. The new company, called BPER Credit Management s.cons.p.a., was set up on 22 December 2015 and on 24 December 2015 was registered as part of the Banking group. The company, whose corporate purpose is "the recovery and management of impaired loans and any other operations designed to facilitate their disposal and/or collection", became operative on 1 January 2016.
The shareolders of BPER Credit Management s.cons.p.a. are:

- Banca popolare dell'Emilia Romagna s.c. (68,000%)
- Banco di Sardegna s.p.a. (20%)
- Banca di Sassari s.p.a. (3%)
- Cassa di risparmio di Bra s.p.a. (2%)
- Sardaleasing s.p.a. (6%)
- Emilia Romagna Factor s.p.a. (1%)

"Dinamo" project

The 2015-17 Business Plan also includes an important initiative to rationalise the distribution network of the Sardinian Hub, while at the same time focusing Banca di Sassari on Consumer Finance as a product company and centre of excellence at the service of the BPER Group.

The rationalisation of branches, concentrated in particular on those coexisting in the same area of Banco di Sardegna, will bring important benefits in terms of operational efficiency and simplification, also making fuller use of the skills available at local level.

The project began on 18 September 2015. According to the current schedule, the operation is expected be completed by the first half of 2016.

Agreement with the Trade Unions

Implementing the provisions of the 2015-2017 Business Plan in relation to the rationalisation of human resources, on 14 August 2015 a delegation representing the BPER Group and the Group's trade union delegation signed an important agreement that will enable us to achieve the objectives laid down in the Plan as regards optimisation of the workforce and the impact on expected future results.

Continuing the long-standing tradition of consultation that characterises the BPER Group's industrial relations, the agreement, reached after complex negotiations, will help to achieve the objectives of the Plan such as optimisation of the workforce and a structural reduction in personnel costs. In line with the original estimated total costs for the period of the Plan of around Euro 62 million before tax, it will permit annual savings of Euro 56 million compared with what they otherwise would have been according to the calculations.

In connection with the agreement, at 31 December 2015 we estimated costs of about Euro 58.6 million, recognised as *"Payroll costs"* and recorded under *"Provisions for risks and charges"* relating to the Solidarity Fund and redundancy incentives; this takes into account the actual number of people who accepted this measure, limiting the total in accordance with the agreements, and the analytical information received by INPS.

The agreement states that the projected reduction of personnel, involving those who will accrue pension requirements over a given period of time, as will be discussed below, will result in a reduction at the end of the Plan of 581 people throughout the entire Group (this being the net balance between arrivals and departures). In particular, given that there are 1,088 surplus members of staff, the use of retirement and pre-retirement plans, as well as the optimisation of staff turnover, will lead to an estimated 781 resignations on the part of internal resources. Together with the planned recruitment of around 200 specialised profiles (especially for the new business areas, Digital and Omnichannel) and the major relocation of 507 employees to match the needs of the Business Plan (involving the qualification, upgrading and conversion of resources, accompanied by professional and geographical mobility), there will limit overall staff reductions at the end of 2017 to 581 people.

The main points of the agreement are explained below:

- Part A - the departure of staff that will have accrued the state pension requirements by 31 December 2017.

  This envisages the obligatory departure of all resources who have or will have accrued state pension requirements by 31 December 2017, in particular:

  - the termination of employment, on 1 January 2017, of staff who have or will have accrued state pension requirements by 31 December 2016, with payment of an incentive;

- the termination of employment, on the date of maturity of state pension requirements, of staff that have or will have accrued state pension requirements between 1 January 2017 and 31 December 2017, with payment of an incentive. Alternatively, these employees can opt to suspend their working activity with access to the ordinary section of the Solidarity Fund, from 1 January 2017 up to the date that they start receiving their pension.

The departure of these resources is assisted by an incentive equal to the number of months of notice compensation provided for in the labour contract, with the possibility of an extra *bonus* for those who decide quickly.

- Part B - access to the banking sector's Solidarity Fund.

  There is also the possibility of access to the banking sector's Solidarity Fund (on a voluntary basis only) from 1 January 2017 up to the date of accrual of state pension requirements, for those who will accrue them between 1 January 2018 and 31 December 2020, with termination of employment on 31 December 2016. Also in this case, there is an incentive linked to the timeliness and months of membership.

  When identifying the persons concerned, numerical ceilings were applied for each area, based on situations considered to be of organisational excess with respect to the Plan, so as to generate efficiency and at the same time limit geographical mobility.

  The agreement also contains a provision to delay the termination of service, for a period not exceeding 12 months and in any event within the validity of the Plan, for a maximum of 10 persons who hold positions with a specialised and/or commercial nature of particular importance, especially with reference to positions of responsibility at department or unit level.

- Structural reduction in costs

  A progressive use of vacation time, suppressed public holidays, the hour bank and reduction/suspension of working activity has been agreed: these measures will contribute towards a structural reduction in payroll costs.

- Mobility

  Similar to the agreement signed in connection with the previous Business Plan, this one regulates mobility for employees affected by the transfers envisaged in the various projects of the Business Plan and identifies a number of areas, including the question of ordinary mobility, for which negotiations are scheduled at Group level to ensure a gradual harmonisation of treatments within it.

- Measures to enhance resources

  Other important aspects of the agreement relate to the identification of measures to enhance human resources, such as: work/life balance tools, above all facilitating access to part-time work, improving welfare policies and investing in specific training courses.

- Recruitment

  The recruitment of around 200 specialised profiles is foreseen, especially for the new business areas (Digital and Omnichannel), also using the tools available to both parties at a national level.

3.3 European Single Supervisory Mechanism (SSM)

Regulation (EU) 1024 of 15 October 2013 assigned specific tasks to the European Central Bank (ECB) regarding the prudential supervision of banks in cooperation with the national Supervisory Authorities of the participating countries, within the Single Supervisory Mechanism (SSM).
The ECB accepted the tasks assigned by this Regulation on 4 November 2014; they are performed with assistance from the Bank of Italy, in the manner envisaged in Regulation (EU) 468/2014 of 16 April 2014. The ECB works closely with the various European Supervisory Authorities including the European Banking Authority (EBA) in particular, since these supervisory authorities and the SSM must perform their functions in compliance with the EBA regulations.
BPER and its Group are among the major European banks supervised directly by the ECB.
Consistent with the European Single Supervisory Mechanism (SSM), following completion of the 2014 Supervisory Review and Evaluation Process (SREP) process, during the first quarter of 2015 and communication by the Regulator of the minimum capital requirements applicable to the Group, BPER has organised a process of constant discussion and alignment with the ECB that includes the provision of detailed periodic information flows in response to requests from the Joint Supervisory Team (JST).
The initial requests advanced by the supervisory team during the first nine months of 2015 mainly related to the information and documents needed for a better understanding of the Group and its dynamics and characteristics, with particular reference to the management of risks, the business model, profitability and capital adequacy.
With specific reference to the SREP, in 2015 the Supervisory Authority carried out checks on the business model, governance and capital and liquidity risk profiles. In the last few months of the year, the Supervisory Authority issued its overall assessment of the Group.
On 27 November 2015, BPER issued a press release to inform the market that it had received notification from the ECB of its decision regarding capital requirements.
Based on its review, the ECB decided that BPER should maintain a consolidated capital ratio in terms of Common Equity Tier 1 of 9.25%. This figure, on which we provide ample information in the chapters on the Group results, is widely respected, even though it is not yet benefiting from validation of the AIRB models for credit risk.
Still on the subject of SREP, the Group began and completed a self-assessment to identify our positioning with respect to the SREP Guidelines published by the EBA in December 2014. This work has resulted in ad detailed plan of action that will be implemented by the Group in order to strengthen our SREP profile.

In June 2015, the BPER Group started preparing its own Recovery Plan in line with the provisions of Directive 2014/59/EU (BRRD), with the involvement of a large part of the Parent Company's structures. These activities were completed in December 2015 with approval of the plan by the Board of Directors, after which it was submitted to the European Supervisory Authority.
The regulation therefore provides that the Supervisory Authority should express in the following six months, during which it can request changes, insights and additions, and, after formalisation of its approval, the plan will be made effective.

Annual supervisory contribution to the ECB

On 16 October 2015 the European Central Bank communicated to BPER as Parent Company the supervisory contribution due by the BPER Group for the last two months of 2014 (Euro 126 thousand) and for the year 2015 (Euro 1,294 thousand), pursuant to art. 30 of Regulation (EU) 1024/2013.

3.4 Contributions to the Single Resolution Fund and the Deposit Guarantee Fund and developments in the Interbank Deposit Guarantee Fund (voluntary scheme) and Solidarity Fund

Single Resolution Fund (SRF)

The Single Resolution Fund, which will be financed by contributions from the banking sector in each of the 28 member countries of the banking union, will be set up in the space of eight years, starting from 1 January 2016 and will have to reach at least 1% of total protected deposits of all authorised credit institutions (put at Euro 55 billion).

The contributions due by each bank are to be collected by the National Resolution Funds, starting in 2015, and will be calculated according to the amount of their liabilities (excluding Own Funds and protected deposits) in relation to the same figures of the entire banking system involved; the contributions will then be adapted in proportion to the risks assumed by each entity, with a potential maximum discount of 20% or a maximum penalty of up to 50%.

These contributions will then gradually be transferred to the Single Resolution Fund, which at the end of the transitional period will remain the sole custodian of the funds raised.

In the event that these funds have to be used, the rules also provide that an extraordinary contribution may be requested for an amount that cannot exceed three times the ordinary contribution.

In November 2015, the Bank of Italy, in its capacity as National Resolution Authority, set up the Single Resolution Fund for 2015 with Provision 1226609/15 of 18 November 2015.

It then proceeded to ask the intermediaries involved, i.e. the banks established in Italy, the Italian subsidiaries of non-EU banks and SIM belonging to Italian banking groups, limited to those that are subject to specific capital requirements in relation to services provided (in the BPER Group, only the four national banks are involved), payment of the contributions calculated in the manner provided by the EU Delegated Regulation 2015/63 by 1 December 2015.

The amount paid by the BPER Group on 26 November 2015 came to Euro 13,333 thousand (of which Euro 11,517 thousand attributable to the Parent Company BPER).

In addition to the ordinary contribution, the Bank of Italy (as the National Resolution Authority) then activated the process for requesting extraordinary contributions to cope with the rescue of four national banks eligible for the resolution process: Banca delle Marche; Carife - Cassa di Risparmio di Ferrara; Banca Popolare dell'Etruria e del Lazio; Carichieti – Cassa di Risparmio di Chieti.

The rescue was structured through the establishment of four new banks that have acquired the "good" business units of the four old banks, which will then be put into liquidation after transferring their bad loans, largely written down, to a fifth newco (a "bad bank" not established as a banking company).

From a financial point of view, three banks (Intesa San Paolo, UniCredit and UBI) anticipated the funds needed by making two bridging loans for a total of Euro 3.6 billion to the Banking Crisis Resolution Fund.

The Fund will then use around Euro 1.7 billion of the bridging loan to cover the losses of the original banks, Euro 1.8 billion to recapitalise the "good banks" (the four banking newcos) and Euro 140 million for the minimum capital of the newco "bad bank".

The rescue operation, which does not involve the use of public money, was able to reimburse (by 31 December 2015) approximately Euro 2.35 billion using the Fund fed by the ordinary contributions paid in by the various banks for 2015, plus an additional extraordinary contribution equal to three times the ordinary contribution. The second loan will have a maturity of 18 months and is guaranteed by Cassa Depositi e Prestiti.

The Bank of Italy then proceeded to ask for payment of these extraordinary contributions with due date 7 December 2015, quantified for the BPER Group at Euro 40,000 thousand (of which Euro 34,550 thousand for the Parent Company BPER), which was paid on 4 December 2015 .

Deposit Guarantee Scheme (DGS)

The Deposit Guarantee Scheme (DGS) is foreseen by Directive 2014/49/EU, which requires all Member States to adopt an *ex-ante* system of funding with a target set at 0.8% of guaranteed deposits to be achieved in 10 years.

For 2015, given that the Directive takes effect from 3 July 2015, the contribution to the scheme was 50% of the expected annual amount, with the quota for the year, which will remain in suspense, being spread over the next nine years.

The Fund will be managed by the Interbank Deposit Guarantee Fund, which amended its articles of association for this purpose, having to provide first for the *ex-ante* contribution mechanism as provided by the rules, and no longer *ex-post,* when only quantification of the commitment for each member bank was provided, to be allocated for accounting purposes as a guarantee given.

With the first payment made by direct debit by the Fund with a value date of 14 December 2015, the pre-existing commitment allocated for accounting purposes as a guarantee given no longer applied, including the approved portion assigned against the specific guarantee provided by the Interbank Deposit Guarantee Fund to Banca Popolare di Bari for tax risks linked to the rescue of Banca Tercas for a total of Euro 30 million.

The contributions charged to the BPER Group amounted to Euro 8,198 thousand (of which Euro 5,951 thousand for the Parent Company BPER).

Interbank Deposit Guarantee Fund – scheme of intervention on a voluntary basis

The General Meeting of the Members of the Interbank Deposit Guarantee Fund held on 26 November 2015 approved the amendment to the Fund's articles of association, with particular reference to art. 35, which provides for a scheme of intervention on a voluntary basis. The articles of association were further refined in mid-January 2016

In particular, the amendments involved:

- early introduction of the new *ex-ante* financing mechanism, aimed at giving the Fund the available resources, as required by Directive (EU) 2014/49 on deposit guarantee schemes, recently transposed into national legislation;
- the provision of a voluntary scheme for the implementation of support measures in favour of participating banks that are in receivership or in conditions of instability or risk of collapse.

A further change was also envisaged by introducing art.27 *bis* of the Fund's articles of association, concerning the Fund's decision to appoint an independent auditor.

In particular, as regards the amendments referred to in the second point, at the time provided for the resolution of the crisis of banks in special administration, in light of the decisions taken by the Authority for crisis resolution, it was immediately necessary to apply only with reference to Banca Tercas, to overcome the objections raised by the European Commission, which considers the intervention carried out in 2014 by the Interbank Deposit Guarantee Fund as alleged violation of the rules on state aid.

The introduction of the new voluntary mechanism by the new articles of association provides for the possibility to act in a completely independent way, separate from the obligatory scheme, using private resources provided by participating banks independently and in addition to the mandatory contributions owed. Membership is binding for two years.

The voluntary scheme was therefore formed with the membership of a number of banks with protected deposits representing at least 95% of total deposits recorded at the date of the latest available reporting (30 September 2015). Member banks can terminate the agreement at the end of the two years and decisions on individual interventions will be binding for the participating banks.

The voluntary scheme of intervention can therefore be used to resolve the Tercas affair. The scheme is as follows:

- the Interbank Deposit Guarantee Fund sets up a voluntary scheme of intervention (with membership expected to the extent indicated);
- the governing bodies of the voluntary mechanism approve the support intervention in favour of Banca Tercas;
- Banca Tercas returns to the Interbank Deposit Guarantee Fund the amount received at the time, including the guarantee for the tax position (Euro 30 million in total, with around Euro 2.7 million attributable to the BPER Group);
- the Interbank Deposit Guarantee Fund gives back to Banca Tercas the amount previously reimbursed, as well as the guarantee;

after the Board of Directors' approval at the meeting on 2 December 2015, BPER applied for membership, giving instructions to other Banks in the Group to do likewise. If we then take into account that the articles of association say that the first six Banking groups (in terms of proportionate share of the contribution base), including the BPER Group, should each appoint a director versus the 10 foreseen, the Bank indicated the appointment of BPER's General Manager, Fabrizio Togni, who then joined the Management Board of the Voluntary Scheme.

On 24 December 2015 the Interbank Deposit Guarantee Fund confirmed that almost all of the member banks had joined the Voluntary Scheme as of that date. The membership requests represented 98.4% of total protected deposits of the system, well beyond the 95% threshold mentioned in the current version of the articles of association (art.35) and further requests already announced informally were also expected.

The voluntary scheme is therefore formally constituted, for a maximum amount of Euro 300 million, for resolution of the problems mentioned above relating to Banca Tercas.

The portion estimated as the probable contribution to be paid by the BPER Group, taking into account first of all that the amount to be paid will be largely recovered with the amount paid in 2014 by the Interbank Deposit Guarantee Fund to Banca Tercas, amounting to Euro 266 million, so it is just an accounting entry, whereas the other portion of Euro 30 million mentioned above will have to be expensed by the participating banks.

The portion estimated as a possible contribution to be paid by the BPER Group, calculated taking into account the portions used by the Interbank Deposit Guarantee Fund for charging contributions to the Deposit Guarantee Scheme (DGS), amounted to around Euro 0.8 million (of which Euro 0.6 million for the Parent Company BPER).

Solidarity Fund

In order to protect investors involved in the resolution of the four banks, as discussed in a previous point of this chapter, the 2016 Stability Law provides for the establishment (paragraphs 855-861) of a Solidarity Fund in favour of individuals, Small Business owners, farmers or agricultural entrepreneurs who, at 23 November 2015, held subordinated securities issued by banks in special administration. It is fed by the Interbank Deposit Guarantee Fund with an endowment of up to a maximum of Euro 100 million in accordance with European rules on state aid and is managed by it with its own resources.

The rules mentioned above then refer to secondary measures for the definition, among other things, of the Fund's management approach and the terms and conditions of access, including the methods and deadlines for submitting applications and the procedures to be followed, which may also be of an adjudicatory nature. The appointment of arbitrators - who have to satisfy specific requirements of impartiality, independence, professionalism and integrity - is entrusted to a Decree of the President of

the Council of Ministers and they handle the procedures relating to the Fund; alternatively, the above measure can identify the procedures for their appointment. In any case, this is without prejudice to the right to compensation for any damages, providing for subrogation of the Fund in the compensation and within the limits of any sums already paid.
It has also been established that the higher or lower amounts deriving from the reduction or conversion of shares in bank resolution procedures, along with the contributions of the Resolution Fund and amounts paid by the guarantee scheme of depositors during the resolution process, do not form part of taxable income for the purposes of direct taxes, nor do they form part of the tax base for IRAP.
This legislative intervention envisages, as we said, that the Fund will be sustained by the Interbank Deposit Guarantee Fund for up to Euro 100 million and therefore already at 31 December 2015 it is certain that the BPER Group has participated for its share in supporting it, also taking account the fact that we joined the voluntary scheme.
The portion estimated as a possible contribution to be paid by the BPER Group, calculated taking into account the portions used by the Interbank Deposit Guarantee Fund for charging contributions to the Deposit Guarantee Scheme (DGS), amounted to around Euro 4 million (of which Euro 2.9 million for the Parent Company BPER).

For the accounting and tax aspects relating to the Single Resolution Fund, Deposit Guarantee Fund, Interbank Deposit Guarantee Fund and Solidarity Fund, please refer to Part A2 of the Notes, chapter 20 "Other information".

3.5 Structured finance operations, securitisations and other particular financial transactions

In view of the importance of maintaining an adequate liquidity profile, appropriate initiatives have been devised to diversify the forms of medium-long term funding. These include refinancing operations with the European Central Bank and the placement of bonds in the domestic and international markets.

Covered Bonds

On 8 February 2011, the Board of Directors authorised the structuring of a programme for the issue of guaranteed bank bonds ("GBB" or Covered Bonds). This programme envisages the issue to institutional investors on several occasions, by 31 December 2018, of Covered Bonds totalling a maximum of Euro 5 billion (subject to annual renewal of the related prospectus prepared in compliance with the relevant EU regulations).
The segregated loan portfolio used as collateral for bonds issued is made up entirely of residential mortgage loans.
GBB issues have been included in the BPER Group's Business Plan as a way to diversify funding, reduce the related costs and extending the maturities of liabilities.
In particular, Covered Bond issues are extremely appealing at a time when market yields are very low, partly due to institutional intervention by the ECB through its programmes of GBB purchases.
In this context, the following actions have been completed since the start of the programme:

- first issue on 1 December 2011, nominal amount of Euro 750 million, redeemed on 22 January 2014;
- second issue on 25 June 2012, nominal amount of Euro 300 million at a floating rate with a maturity of three years. Redeemed early, on 12 January 2015;

- third issue on 15 October 2013, nominal amount of Euro 750 million at a fixed rate with a tenor of five years, placed in full in the domestic and international markets. This issue was reopened on 24 February 2014, adding a further Euro 250 million;
- fourth issue on 22 January 2015, nominal amount of Euro 750 million, placed on full in the domestic and international markets;
- fifth issue on 29 July 2015, nominal amount of Euro 750 million, placed on full in the domestic and international markets.

So at 31 December 2015, the outstanding debt is equal to Euro 2,500 million; reference should be made to the chapter "Significant subsequent events and outlook for operations" for information on the sixth issue, which took place at the beginning of 2016.

On 3 March 2015, the Board of Directors approved the structuring of a second programme for the issue of guaranteed bank bonds ("GBB2"). The second programme envisages the issue of Covered Bonds (subject to annual renewal of the related prospectus prepared in compliance with the relevant EU regulations) to institutional investors or for refinancing transactions with the European Central Bank, within 10 years from the first issue.
The first issue for a nominal value of Euro 625 million, fully subscribed by BPER, was completed on 16 December 2015.

Securitisations arranged by the Parent Company

BPER has completed a number of securitisations pursuant to Law 130 of 30 April 1999 in order to strengthen the funding available from the ECB to tackle liquidity risk. The transactions carried out by the Parent Company are:

- securitisation of residential mortgages: 2009 saw the formation of Estense Finance s.r.l., an SPV held 9.9% by the Parent Company, to which performing loans were sold without recourse in exchange for asset-backed bonds issued by the SPV. The notional amount outstanding on the Senior securities after the November 2015 payment date comes to Euro 586.1 million. The Mezzanine and Junior Securities at 31 December 2015 amount to Euro 40 million and Euro 132.6 million respectively;
- securitisation of loans issued by BPER to SMEs: 2012 saw the formation of Estense S.M.E. s.r.l., an SPV held 9.9% by the Parent Company, to which performing loans made to SMEs were sold for a total of Euro 2.2 billion in exchange for bonds issued by the SPV. Senior Securities (Class A) were issued for Euro 1.5 billion, rated A-/A (low) by Standard & Poor's and DBRS respectively, as well as Junior Securities (Class B), which are unrated, for Euro 0.7 billion. The Senior Security is currently amortising according to expectations and the residual nominal capital after the payment date in December 2015 amounts to Euro 182.1 million.

Securitisations arranged by Group Banks and Companies

Cassa di Risparmio di Bra s.p.a. arranged two self-securitisations in 2011 and 2012. These securities, recognised as eligible by the ECB, comprise:

- Dedalo Finance: Senior Securities (class A) issued for Euro 166,800 thousand, subscribed by Cassa di Risparmio di Bra s.p.a. for Euro 77,000 thousand (at 31 December 2015 the securities show a nominal value of Euro 40,803 thousand) and 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 2015 the securities show a nominal value of Euro 15,625 thousand);
- Icaro Finance: Senior Securities (class A) issued for Euro 485,000 thousand, subscribed by Cassa di Risparmio di Bra s.p.a. for Euro 151,300 thousand (at 31 December 2015 the securities show

a nominal value of Euro 29,049.7 thousand) and 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 2015 the securities show a nominal value of Euro 83,650 thousand).

On 1 February 2013 Sardaleasing s.p.a. and ABF Leasing s.p.a. (absorbed by Sardaleasing s.p.a. on 24 June 2014) arranged a multioriginator securitisation of leasing loans via the block sale without recourse to Multi Lease AS s.r.l., the vehicle company, of a portfolio of performing leasing loans that had been selected using specific objective criteria.
The sale of the loans was formalised by a notice published in Official Gazette 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, rating: S&P "A" and Fitch "A-", listed on the Dublin Stock Exchange and recognised as eligible by the Irish Central Bank;
- two Junior Class B securities, of Euro 168.4 million and Euro 223.4 million, unrated and unlisted, that were subscribed for by the original sellers.

The aim was to raise funds for the benefit of the entire Banking group, at competitive costs, through refinancing with the ECB.
The securitisation transaction was closed early, in January 2016, with effect on the income statement at 31 December 2015.

A new securitisation transaction called Multi Lease2, worth over Euro 1,013 million, was launched towards the end of the year. The portfolio is made up of part of the loans already sold in the operation just closed, as mentioned above, including the 2013 and 2014 production and the contracts that were not eligible in 2012 for lack of "age".
As always, the new self-securitisation transaction responds to the need to transform the Group's assets into securities eligible for repo transactions with the ECB; as a direct result, this will make it possible to access sources of funding for 2016 at lower costs with respect to traditional funding.
The two rating agencies, Fitch and Standard & Poor's, carried out the due diligence and checked the historical performance statistics. Further details are provided in the section "Significant subsequent events and outlook for operations".

Avia Pervia self-securitisation

The transaction was arranged as part of the 2012-2014 Business Plan, in order to implement efficient management of bad loans aimed at allowing the Group to take extraordinary measures to reduce the stocks of such positions, while also optimising the direct costs involved in managing them.
These important objectives were also included in the current 2015-2017 Business Plan, which expanded the scope and strengthened the operational and management tools.
In this context, we set up a dedicated consortium, BPER Credit Management s.cons.p.a., which effectively absorbed the mission of the Avia Pervia securitisation.
On 15 December 2015 we proceeded with early closure of the transaction in question, with consequent termination of the related contracts, repayment of the notes issued and the return of the outstanding receivables to full ownership by the originator banks.

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.

On 30 June 2014, after approval by the Parent Company BPER, a third contribution of 25 properties was formalised for a value appraised by CB Richard Ellis of Euro 22 million, compared with a net book value of Euro 24.1 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 1.8 million.

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 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.
In 2014, Sardaleasing s.p.a. 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.
In 2015, having taken note that the value of the UCITS units had fallen over time and that according to internal rules the loss should be considered as an impairment, the AFS reserve of Euro 2.4 million was reduced to zero.

The carrying amounts of the UCITS units al 31 December 2015 are summarised below:

(in Euro)

Financial assets available for sale	Type of company	FV level	Val. type	Shares purchase price	No. of shares or quotas purchased	Fees for the purchase of quotas	Book value at 31.12.2015
1st tranche - June 2013	Other	3	FV	70,637.0	119	8,405,801.0	7,666,208.4
2nd tranche - December 2013	Other	3	FV	68,670.6	102	7,004,403.6	6,571,035.7
3rd tranche - June 2014	Other	3	FV	67,561.9	327	22,092,741.2	21,065,967.5
4th tranche - December 2014	Other	3	FV	66,770.9	407	27,175,738.4	26,219,721.0
Total equity investments classified as AFS					**955**	**64,678,684.2**	**61,522,932.6**

Securis Real Estate II Fund

In line with the indications of the Parent Company and in compliance with the guidelines of the 2015 budget, a new contribution of properties by Sardaleasing s.p.a. to the Securis Closed-end Real Estate Mutual Investment Fund was finalised during the year, similar to the previous ones, but separate from a management point of view.

The drivers that guided strategic decisions in the exit strategies of portfolios in default have been confirmed. The main ones are as follows:

- difficulty in direct redeployment of the assets (of a commercial/industrial nature) due to a stagnant real estate market since 2009;
- reduction in the incidence of ordinary direct costs (inspections, IMU, Tasi, insurance, condominium expenses), as well as extraordinary direct costs (maintenance, preparatory activities for sale on the market);
- rebalancing of the internal ratio of non-performing loans/loans.

On 30 December 2015, after approval by the Parent Company BPER, a new contribution to the Securis Real Estate II Fund was completed; 35 properties deriving from "non-performing contracts" have been transferred for a value appraised by Reag s.p.a. (company of the American Group Duff & Phelps and appointed by Società di Gestione Investire Immobiliare s.p.a) of Euro 33.2 million, compared with a net book value of Euro 32.5 million.
The ratio between the selling price and the net book value is 102.1%. The operation did not result in any losses on disposal.

For the sake of completeness, it should be remembered that the exposures in question were backed by guarantees issued by Group banks and/or credit consortia for a total of Euro 532 thousand, for which a request for enforcement has been made.
The transaction also involved properties not owned directly by the Company, but for which legal action has been taken for its restitution.
The carrying amounts of the UCITS units al 31 December 2015 are summarised below:

(in Euro)

Financial assets available for sale	Type of company	FV level	Val. type	Shares purchase price	No. of shares or quotas purchased	Fees for the purchase of quotas	Book value at 31.12.2015
1st tranche - December 2015	Other	3	FV	88,479.7	383	33,887,711.7	33,887,711.7
Total equity investments classified as AFS					**383**	**33,887,711.7**	**33,887,711.7**

Targeted Long Term Refinancing Operations – TLTRO

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 - TLTRO) 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 TLTRO 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 Euro-zone (so-called "eligible loans") outstanding at 30 April 2014. As part of the first two auctions, 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.
For each of the auctions after the first two (scheduled between March 2015 and June 2016), all counterparties could 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 (or "benchmark"), net of the amount previously borrowed at the auctions held during the period from March 2015 onwards.
The interest rate on the main refinancing operations of the Eurosystem in place at the time of issue is applied to TLTROs for the duration of each operation, with the exception of the first two, to which a fixed spread of +10 bps is applied. Interest will be paid in arrears at the time the loan is repaid.
Under the TLTRO programme, in 2014 the Parent Company took 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 was at a fixed rate of 0.15%.
The BPER Group did not participate in the four auctions held on March, June, September and December 2015.
All of the TLTROs 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 April 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.
By the deadline of 30 October 2015, the Parent Company BPER complied with all of the activities required by the Bank of Italy in its Circular of 1 September 2015 concerning "Targeted Long Term Refinancing Operations (TLTRO) - Annual check on the accuracy of reported data. Instructions for 2014", which makes reference to art. 8 para. 8 of ECB Decision of 29 July 2014 (ECB/2014/34) concerning annual checks on such operations.

3.6 Other significant events

Reform of cooperative banks: Decree 3 of 24 January 2015 converted into Law 33 of 24 March 2015

Decree 3 ("Urgent measures for the banking system and investment") was published on 24 January 2015 (Official Gazette 19 - General Series), making significant changes to the regulations that govern cooperative banks. In particular, cooperative banks with assets in excess of Euro 8 billion (on a consolidated basis for the parent banks of a banking group) must either reduce their assets below that threshold or hold an Extraordinary Shareholders' Meeting to transform themselves into joint-stock companies (SpA). Failing this, the Bank of Italy may:

- forbid further transactions pursuant to art. 78 of Legislative Decree no. 385 dated 1 September 1993 (Consolidated Banking Law - CBA) or adopt the measures envisaged in Title IV, Chapter I, Section I of the CBA;

- recommend that the European Central Bank withdraw the banking licence and that the Ministry of the Economy and Finance put the bank concerned into compulsory administrative liquidation.

Art. 2 of the Decree requires compliance with the above transformation regulations within 18 months of the entry into force of the related enabling instructions issued by the Bank of Italy.
Following completion of the parliamentary process of converting the Decree, conversion Law 33 was published on 24 March 2015 (Official Gazette 70 – Ordinary Supplement 15).
On 9 June 2015, the Bank of Italy issued the relevant enabling instructions (9th amendment of Bank of Italy Circular no. 285/2013) that entered into force on 27 June 2015, together with Legislative Decree no. 72 dated 12 May 2015 that adopted Directive 2013/36/EU. Accordingly, the 18-month period for compliance by the cooperative banks concerned with the above transformation regulations commenced from that date.
The Parent Company formally commenced the process required by the above regulations in July 2015.
On 9 July 2015 the Board of Directors of the Bank checked the assets of the BPER Group with reference to the consolidated reports prepared for supervisory purposes at 31 December 2014. The total of about Euro 60.7 billion exceeded the established threshold of Euro 8 billion. As a consequence, the Board determined the need to prepare and formalise a plan of action (the "Transformation Plan"), to be approved by the deadlines established in the supervisory instructions, for the transformation of the Bank into a joint-stock company (s.p.a.), together with the related implementation timetable.
At the following meeting held on 14 July 2015, the Board of Directors approved amendments to the Articles of Association of the Bank, solely to ensure their alignment with the new regulations introduced by Decree 3/2015. Once the Bank of Italy had issued its assessment of proper and prudent management as per art. 56 of the CBA on 8 September 2015, the new text of the Articles of Association was filed with the Companies Register on 15 September 2015.

At the meeting held on 6 October 2015, the Board of Directors, after having heard the opinion of the Board of Statutory Auditors, approved the plan for BPER's transformation into a joint-stock company, as well as the initiatives necessary for that purpose and the timing for their implementation in accordance with the law. In particular, the expected timing of the "Transformation Plan" envisages holding an Extraordinary General Meeting to resolve on the transformation and approve the relevant changes to the Articles of Association in the last four months of 2016, subject to the right to anticipate the Meeting if there is any reason to do so.

Group Management: new appointments

The following Directors were appointed at the Shareholders' Meeting held on 18 April 2015 for the three-year period 2015-2017: Ettore Caselli, Alessandro Vandelli, Giosuè Boldrini, Giulio Cicognani (independent), Elisabetta Gualandri (independent) Valeriana Maria Masperi (independent) and Roberto Marotta (independent).
The following were also appointed as Statutory Auditors for the three-year period 2015-2017: Carlo Baldi, Francesca Sandrolini, Vincenzo Tardini, Diana Rizzo and Antonio Mele (Chairman). As Alternate Statutory Auditors: Giorgia Butturi and Gianluca Spinelli.

During the board meeting on 21 April 2015, the Board of Directors appointed Ettore Caselli as Chairman, Giosuè Boldrini as Deputy Chairman, and Alessandro Vandelli as Chief Executive Officer. The Deputy Chairmen currently in office are therefore: Alberto Marri, Luigi Odorici and Giosuè Boldrini. In addition, the Executive Committee has been reconstituted and consists of: Alberto Marri, Giosuè Boldrini, Luigi Odorici, Alessandro Vandelli (*ex officio* member), Pietro Ferrari and Deanna Rossi.

From 1 January 2016, General Management was integrated by the new Deputy General Manager, Claudio Battistella, and is now made up of:

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

From April 2015, Mr. Battistella held the position of Chief Lending Officer (CLO) and Head of Group Credit and Loans.

First national agreement in support of innovative Italian firms

On 16 July 2015, the European Investment Fund (EIF) and the BPER Group signed the first agreement for the support of SMEs and other medium-sized Italian firms. In particular, the BPER Group will have funds totalling Euro 100 million available for disbursement over the next two years.
The importance of this agreement lies in its intention to strengthen the financial support available for SMEs, which is a customer segment that BPER has always assisted.
The Chairman of the EIF, Dario Scannapieco, considers that this first agreement turns the Juncker Plan into reality for SMEs, especially with regard to those innovative and start-up firms that ensure the competitiveness of the economic system.

JESSICA Sardinian Urban Development Fund

In 2011, the Autonomous Region of Sardinia (ARS) activated JESSICA (Joint European Support for Sustainable Investment in City Areas), an EU investment instrument. This instrument was devised in 2006 as a joint initiative between the European Commission and the EIB, in collaboration with the Council of Europe Development Bank (CEB), in order to promote sustainable investment, growth and employment in city areas.

ARS and the EIB signed a loan agreement for the creation of a JESSICA Sardinia Investment Fund (FPJS) that would manage the resources available under axis III (Energy) and axis V (Urban Development) of the ERDF Regional Operational Programme 2007-2013. In order to transfer resources from the EIB to the managers, two urban development funds (FSU) endowed with Euro 33.1 million each were established: the Energy Fund and the Urban Renewal Fund. The managers of these two UDF were chosen by means of a competitive selection process, with Banco di Sardegna being selected for lot 1 with the technical consultancy of Sinloc s.p.a.: Urban Renewal (Axis V).

In July 2012, the EIB and Banco di Sardegna signed an operational agreement at the Regional Planning Centre of the Sardinia Region for the granting of a loan amounting to Euro 33.1 million (subject to possible increases), to be accompanied by co-financing of about Euro 99 million from Banco di Sardegna and other lenders identified by the latter, and invested on a rotating basis. In order to implement the JESSICA Project, Banco di Sardegna decided to create a separate fund within the UDF by making a loan for a specific purpose, pursuant to art. no. 2447 *decies* of the Italian Civil Code.

The JESSICA instrument allows investment in eligible projects within an integrated Plan that are presented, implemented and managed by public entities or, alternatively, presented by public entities and implemented and managed by private parties.

The resources may be made available in the following ways:

- direct loans to authorities and public entities;
- loans to private companies, selected by a public call for tenders, for the design, construction and management of publicly-owned facilities created under a direct concession or on a project-financing basis;
- investment in the risk capital of selected private companies.

The amendment to the Operating Agreement of 19 July 2012 between the EIB and Banco di Sardegna, for the allocation of Euro 6.3 million of additional resources, was signed on 29 December 2015. This is a concrete demonstration of approval of the way that Banco di Sardegna has managed the Fund, confirming recognition of the excellent work celebrated at the public event held in July 2015 in the presence of representatives of the EIB and the Sardinia Region.

At 31 December 2015, the Investment Committee of the FSU has approved the following loans.

(in Euro)

	Investment	JESSICA loan	Investment in the capital of JESSICA	Contract date	Disbursements	
					Loan	Risk capital
					Disbursed as at 31.12.2015	Paid as at 31.12.2015
Purchase of 12 modern trolleybuses	7,200,000	6,840,000	-	18.12.2013	338,485	-
Construction and running of a natural gas distribution network	45,120,239	7,000,000	-	15.04.2014	7,000,000	-
Construction and running of a new cruise terminal at the Rinascita Pier in Cagliari	400,000	300,000	-	18.12.2014	120,000	-
Two projects involving the construction and running of a natural gas distribution network based on two separate catchment areas	40,842,759	8,000,000	4,000,000	16.02.2015	6,638,152	4,000,000
Construction of the roof of the municipal swimming pool in Alghero (loc. Maria Pia)	1,750,000	1,582,526	-		-	-
Renovation and expansion of the Municipal Market of Oristano with adjacent parking	4,133,055	1,140,000	-	12.06.2015	1,140,000	-
Redevelopment of a building owned by the Municipality of Borutta destined to bar diner	265,000	251,750	-	22.06.2015	251,750	-
Construction of a residential and daytime comprehensive rehabilitation centre for the intellectually and relationally disabled in the Municipality of Selargius	2,150,000	1,432,695	-	31.08.2015	531,360	-
Redevelopment of Alghero Town Hall	600,000	570,000	-	30.10.2015	570,000	-
Total	**102,461,053**	**27,116,971**	**4,000,000**		**16,589,747**	**4,000,000**

The following table shows simplified accounts for the JESSICA Urban Development Fund at 31 December 2015.

Balance sheet

(in Euro)

Assets		31.12.2015	31.12.2014
60.	Due from banks	11,160,395	27,332,686
150.	Other assets	4,812	85,457
	Total assets	**11,165,207**	**27,418,143**

(in Euro)

Liabilities and shareholders' equity		31.12.2015	31.12.2014
10.	Due to banks	11,567,815	27,775,466
100.	Other liabilities	106,697	20,199
200.	Net profit (loss) for the period	(509,305)	(377,522)
	Total liabilities and shareholders' equity	**11,165,207**	**27,418,143**

Income statement

(in Euro)

Captions		31.12.2015	31.12.2014
10.	Interest and similar income	336,817	192,535
30.	**Net interest income**	**336,817**	**192,535**
40.	Commission income	59,497	49,041
50.	Commission expense	(905,619)	(619,098)
60.	**Net commission income**	**(846,122)**	**(570,057)**
290.	**Net profit (loss) for the period**	**(509,305)**	**(377,522)**

Dissolution of the Shareholders' Agreement with Fondazione Banco di Sardegna

Fondazione Banco di Sardegna and BPER (hereinafter the "Parties"), by mutual agreement, decided not to proceed with the renewal of the Shareholders' Agreement (hereinafter the "Agreement") executed on 26 October 2012 and which reached its natural expiry on 26 October 2015; it concerns all of the ordinary and preference shares issued by Banco di Sardegna s.p.a. and owned by it, the existing quantities and nature of which were disclosed to the market at the time that the Agreement was signed.

The Parties are of the opinion that the changed scenario in the sector requires them to weigh up the opportunity to mutually revise the agreed terms, without prejudice to the statutory rights and obligations to which they are subject in their role as shareholders of Banco di Sardegna s.p.a. To this end, in their usual spirit of fruitful cooperation, the Parties are currently examining the terms for the potential execution of a new shareholders' agreement.

4. Summary of activities and strategic direction

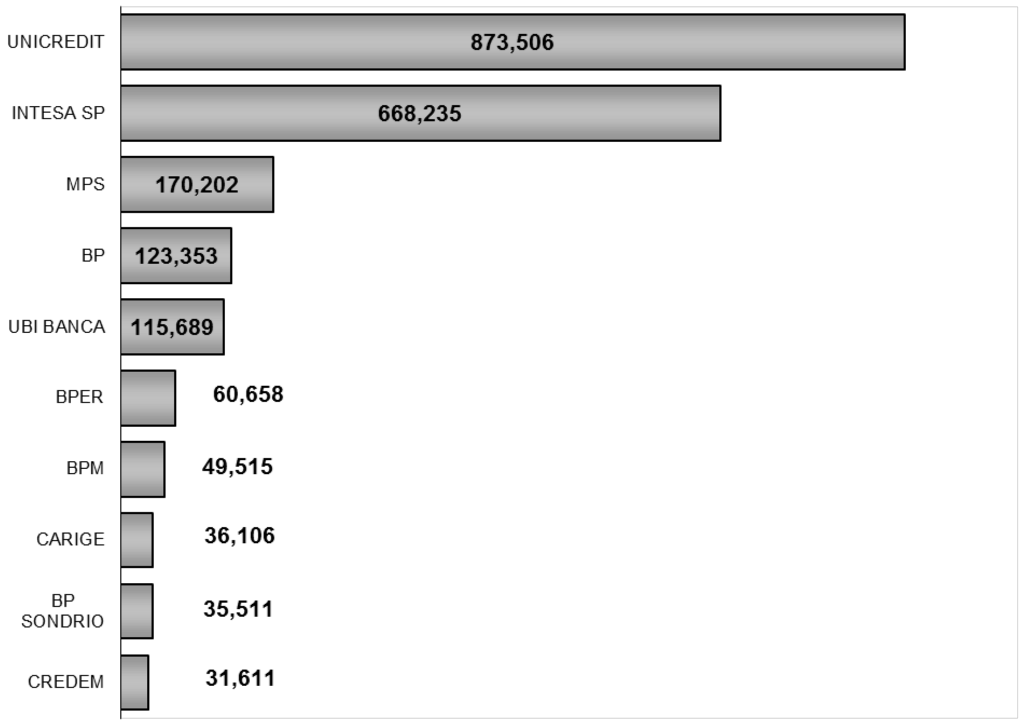
4.1 The BPER Group’s market positioning

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 enterprises through the parent company BPER, which operates throughout the country, except in Piedmont and Sardinia: the former is served by Cassa di Risparmio di Bra s.p.a., while the latter is covered by Banco di Sardegna s.p.a. and Banca di Sassari s.p.a.
At 31 December 2015, the Group's network consists of 1,216 branches located in 18 Italian regions, as well as a branch office in the Grand Duchy of Luxembourg, with a domestic market share of 4.1%.
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 another series of important financial products, such as leasing and factoring.
On the Italian banking scene, the BPER Group:

- ranks sixth by total assets, deposits and loans;
- is the third largest cooperative banking group in terms of total assets.

Positioning with respect to competitors

Figures at 30 September 2015 (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 30 September 2015 comes to 2.49%, down on the same period in 2014, when it stood at 2.56%. There has been a decrease in the Group's market share of Large Corporate loans over the twelve months (3.04% compared with 3.12% the previous year) and loans to SMEs (3.44% compared with 3.52% in September 2014); the market share of loans to households has increased slightly (to 2.14% from 2.10% at the end of September 2014).

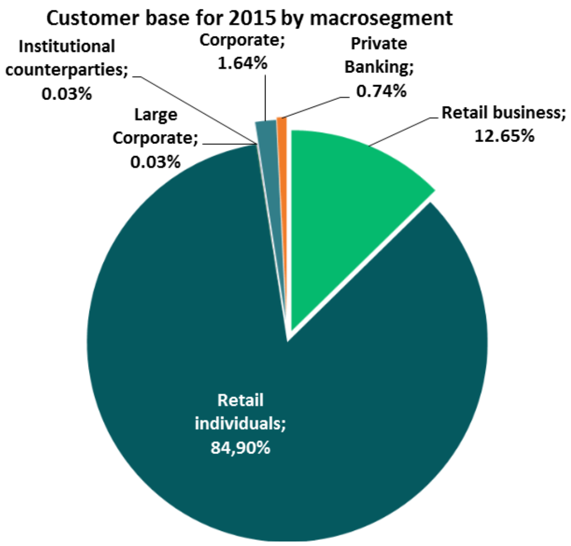
The Group's share of deposits at 30 September 2015 was in decline compared with the same period in 2014 (2.39% versus 2.52%). The largest fall related to deposits from family businesses (down from 5.77% at the end of September 2014 to 5.59%) and from large companies (down from 3.82% at the end of September 2014 to 3.52%).

Deposits from households were also slightly down (2.24% compared with 2.28% in the previous year).

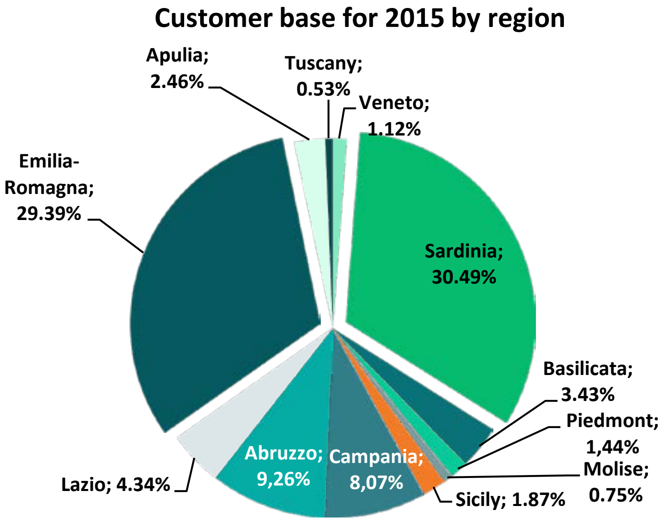
4.2 Relations with customers

Composition of the customer base

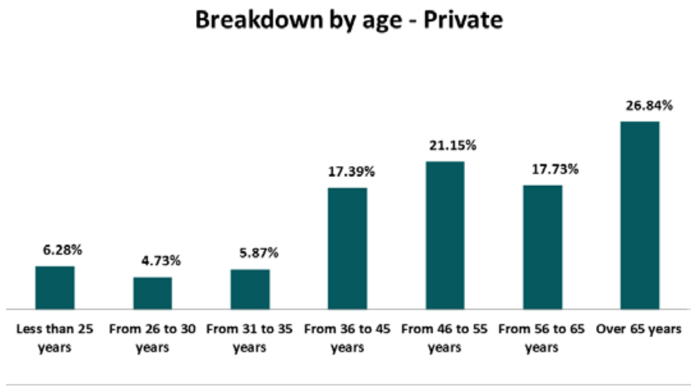
The BPER Group confirms itself as a Bank dedicated to households and small and medium-sized enterprises, consistent with the aim of active support and proximity to the needs and plans expressed by the social and economic fabric of the territories served.

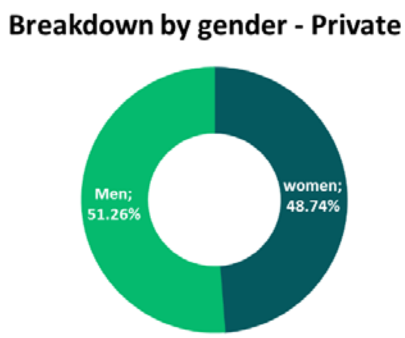


Key:
Retail Individuals: individual customers;
Private Banking: private banking customers with assets of more than € 500,000.00 who sign up for a specific service model;
Retail Business: businesses and entities with turnover of up to Euro 2.5 million;
Corporate: companies and groups with turnover of more than € 2.5 million;
Large Corporate: companies and groups with a turnover of more than € 250 million selected by experts for their more complex management;
Institutional Counterparties: banks and financial sector companies.

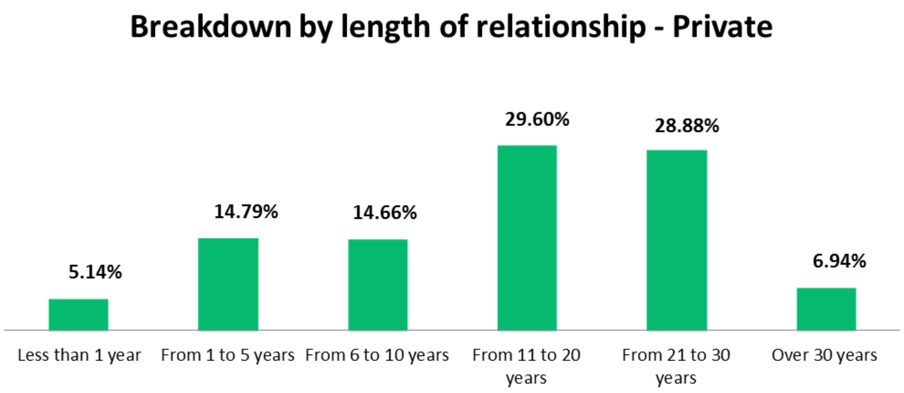


The distribution of private banking customers by type is substantially homogeneous, though there is a slightly higher proportion of men. A significant share of customers is of a certain age (over 46 years). This figure is in line with the average for the traditional banking system and is unchanged compared with previous years.



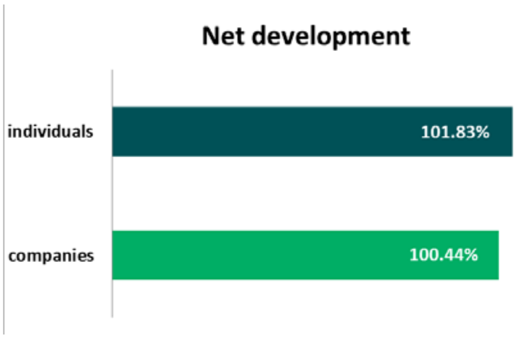


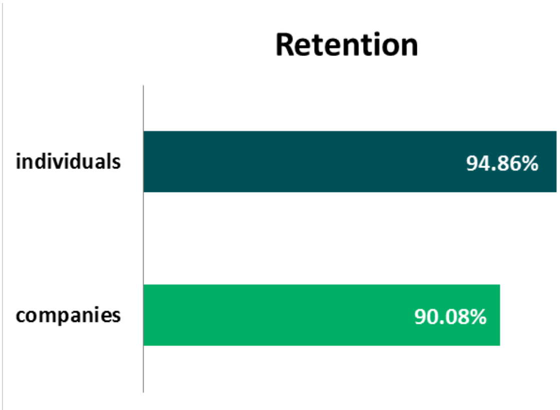
The distribution of customers by length of relationship remains substantially the same and there is a predominant share of customers who have a long relationship with the BPER Group.



The main trends in the customer base

The summary indicators of business performance, which are an essential tool for guiding and monitoring corporate strategies, show an improvement in the BPER Group's performance.





The net growth indicator shows an increase in both Individuals (+2.23% compared with 31 December 2014) and Companies (+2.05% compared with 31 December 2014). There is also an increase in the Bank's ability to maintain stable relationships with its customers ("retention rate": Private +0.85%, Companies +0.65%).

Communication

The new identity has also brought with it an important revision of the visual codes used in product communication, to make it consistent with the guidelines of the new brand.

The communication style reflects the Group's new market positioning and communicates with realistic images, in a reportage style, with a tone of voice that reflects the personality of the Bank: transparent and concrete.

Media planning adopted in 2015 and integrated media mix saw the almost daily presence of the BPER Group brand on all major media (traditional, digital and social), achieving the objective of increasing conversion to the commercial products on offer and consideration of the brand.

Customer Satisfaction and listening to customers

Listening systematically to its customers, which the BPER Group began in 2010, is realised through a series of Customer Satisfaction (CS) surveys on the various customer segments.

The measurement cycle of the Retail segment, which began in 2014 involving all Group Banks, was completed in 2015. The research system is the same as in 2013 and has the following new features compared with previous surveys:

- perception and appreciation of the new brand;
- analysis of the effects of the mergers in 2014 of Banca Popolare di Ravenna s.p.a., Banca della Campania s.p.a. and Banca Popolare del Mezzogiorno s.p.a.

The main results are reported below:

Service model	Summary index of Customer Satisfaction of BPER Group 2015
Retail	77.5
Private Banking	70.1

Source: 2014-2015 Doxametrics surveys.

Synthetic index of satisfaction that weights the index of overall satisfaction with the index of satisfaction compared with expectations. Score expressed on a scale from 0 to 100; 12,100 interviews

Especially for Individual Customers, the index of satisfaction, which shows a high level of appreciation on the part of customers, is stable compared with the previous survey and significantly higher than for customers of our competitors in Italy.

The main aspects that determine satisfaction in the relationship with BPER Group Banks are:

- the image of fairness and consistency of behaviour over time;
- branch procedures and ambience;
- the professionalism and competence of the account manager and the close relationship with branch personnel;
- internet banking and its user-friendliness.

The first Customer Satisfaction survey for Private Banking customers, which involved all of the Group's Banks, was carried out in the second half of 2015.

Service model	Summary index of Customer Satisfaction of BPER Group 2015
Private Banking	76.4

Source: 2015 Doxametrics surveys.

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; 437 interviews

The Private Banking model met with a good level of satisfaction, the index is at 76.4 points on a scale of 0-100. Assessments showed a strong relationship with the Bank and an image of solidity, security, fairness, and consistency over time.

Media Relations

In 2015, the activities of the Media Relations office were focused on many important institutional appointments and events in the life of the Bank, as well as a series of important initiatives that required effective and widespread communication, with the aim of adequately enhancing the various operations being carried out. In particular:

- the BPER Group's Business Plan for 2015-2017 was presented to the media and the market in Milan on 11 February 2015 at the Lombardy-Triveneto Territorial Offices. The meeting was attended by many journalists, investors, analysts and market operators. Interview sessions were held at the end, first with newspaper and agency journalists and then with TV and radio representatives. The leading national and local newspapers were well represented among the journalists in attendance;
- the Parent Company's new identity was presented at an event held in the Enzo Ferrari Museum in Modena on 16 April 2015, which was attended by top management and the Directors, stakeholders and a large number of journalists. The objective of the press conference held on the sidelines of the event and the subsequent media relations work was to explain the new brand positions, which seeks to combine the strength of a national bank with an in-depth knowledge of the territories in which customers live and work;
- the Ordinary and Extraordinary Shareholders' Meeting held on 18 April 2015 approved the draft 2014 financial statements and related reports, as well as the Consolidated financial statements, adopting the related and consequent resolutions. Multiple media relations activities were carried out at the time (interviews with top management, press releases and dissemination of their content), culminating in a press conference at the close of the meeting that was attended by Alessandro Vandelli, the Chief Executive Officer;
- Board approval at the meetings held on 12 May 2015, 6 August 2015 and 11 November 2015 of the consolidated interim report on operations as at 31 March 2015, the consolidated half-year report and the consolidated interim report on operations as at 30 September 2015, after which press releases were issued and supported by widespread media relations to promote the news in the most effective way possible;
- suitable communications and press conferences were held to draw attention to the 88th National Meeting of Alpini, held in L'Aquila from 15 to 17 May 2015, which was sponsored by BPER Banca;
- the event held on 19 May 2015 at Forum Monzani in Modena drew the public's attention to the "Premio Strega Giovani", promoted by BPER Banca together with Fondazione Maria e Goffredo

Bellonci, as part of the 69th edition of the "Premio Strega". The event was attended by about 350 upper school students from around the country, who were able to discuss matters with the competitors for the 2015 "Strega" prize present on stage. This event received broad media attention as a result of the press releases issued and the radio and TV interviews carried out;

- four round tables organised in the spring and autumn together with Poligrafici Editoriale (QN-il Resto del Carlino-La Nazione-Il Giorno) in Ravenna, Modena, Reggio Emilia and Bologna on "How to create value for the local economy", with considerable participation on the part of the general public;
- press conferences that illustrated the two cycles (spring and autumn) of the "Meetings with the Author" event, sponsored by BPER Banca, at the Forum Guido Monzani of Modena, which saw the involvement of the most important names in contemporary Italian literature, in the presence of a large audience;
- the publication in April, August and December 2015 of three issues of the house magazine, whose name has been changed from "BXVOI" to "Per Voi" with graphics revamped in line with the rebranding guidelines. The on-line version of this magazine is kept constantly updated on the institutional website;
- the activities carried out between May and August 2015 using press conferences and press releases to advertise the initiative called "BPER Banca 2015 Beach Games", based on amateur tournaments of beach volleyball and beach tennis, which took place in five stages in different locations on the Adriatic Riviera. The Games were well attended by the general public and the new brand gained considerably in terms of recognition as a result;
- the organisation of the press conference/event on 16 July 2015 at the Enzo Ferrari Museum in Modena to present to the national and local media the agreement between the BPER Group and the European Investment Fund (EIF), with which Euro 100 million was made available to grant loans to Italian SMEs. This was the first agreement in Italy to benefit from the support of the European Fund for Strategic Investments (EFSI), the instrument through which the European Commission and the EIB Group have implemented the Investment Plan for Europe;
- the organisation and promotion – together with Etica SGR – of the national conference entitled "The impact of finance on climate change", which was held on 13 October 2015 in Milan, at the Expo 2015 pavilions, with excellent feedback from the public and considerable interest shown by the media;
- organisation of the round table at the Forum Monzani of Modena and a later event at the headquarters of Modena Terminal in Campogalliano, on 9 November 2015, in the presence of the Chief Executive Officer, Mr. Vandelli, and the Minister of Agriculture, Food and Forestry, Maurizio Martina, to discuss the topic "Agriculture, environment, local products: the Modena Terminal case". On this occasion, the structure of Modena Terminal, extensively rebuilt after the damage suffered as a result of the earthquake in 2012, with advanced technological systems to ensure environmental sustainability, was presented to the authorities, specialised operators and the general public.
- the activities carried out as part of the "Be Atlas" project, with which the Bank promotes social and financial inclusion for migrants, to promote in the media the international event "Africa Italy Awards", organised by the African communities with the support of BPER Banca and aimed at rewarding persons and entities that excelled in integration activities in 2015. The presentation press conference was held on 29 September 2015 and the awards ceremony took place on 5 December 2015 in front of a large audience at the Forum Monzani of Modena. The "Be Atlas" project is generating considerable feedback. In late February 2016, the Parent Company was

awarded first place in the category "The bank for sustainability" at the "Prize of Prizes" ceremony, a prestigious appointment for innovation in 2015;

- the organisation and management of the press conference held on 1 December 2015 in Milan, at the headquarters of the Lombardy-Triveneto Territorial Offices, which explained the agreement between Società Italiana Flotte Aziendali s.p.a. (SIFA') and BPER Banca, which led to the Bank acquiring a 35% interest in this company, thereby officially entering into the long-term vehicle rental market;
- 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;
- media relations activities, with interviews of BPER Banca top management by the *Class-CNBC* and other national and local television stations, at the time of the Forex Conference in February 2015 in Milan, the "Final Considerations" of the Governor of the Bank of Italy on 26 May 2015 in Rome, the World Savings Day on 28 October 2015 again in Rome and the meeting with the President of the ECB Mario Draghi at the fortieth anniversary of Prometeia on 14 December 2015 in Bologna.

From a quantitative point of view, there were over 25,000 articles (in the press and on the web) mentioning BPER Banca in 2015, the main topics being:

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

BPER Banca was mentioned on national and local television about 750 times in the above period.
The media relations activity of the External Relations Office made efforts to enhance the dual role that characterises BPER: a large national Banking group that maintains strong local roots. 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 institutional websites www.bper.it and www.gruppobper.it, updating the contents of the sections in its sphere of competence.

Multichannel

Internet banking

In the first half of 2015, the Smart Web, Smart Trading Online and Smart Mobile digital channels (as regards the m-site) completely renovated their graphics. The new look, common to all Group Banks, gives the channel a style that is in line with current trends of the digital world and consistent with the guidelines of the new brand image. Subsequently, a new version for both operating systems (IOS and Android) was released for the Smart Mobile app, evolved not only in the graphical interface, but also in usability and certain functions (navigation side menu, profile customisation, introduction of the privacy mode and initial tutorial). The subscription path for SMARTY_CONTONLINE has been also updated with a new look and feel, so as to make it consistent with all the other channels.

At the same time as the graphic restyling, the Smart Mobile m-site solution has been evolving to become the new way of working online for blind and visually impaired customers. The implementations have enabled the dedicated use of the m-site using a PC in order to fulfil the needs of these customers (adaptation to the size of the screen and use of screenreaders of different platforms), introducing certain functions relating to password management, which were previously available only on the internet banking channel and thus precluded for autonomous use by visually impaired users.
In October, the login pages for Smart Web and Smart Trading Online were revamped from the point of view of their graphics and user-friendliness, putting greater emphasis on the instructions for first-time access regarding the dual mode of delivery of credentials introduced with the start-up of the new sales portal.

The same month, following completion of the IT alignment of Cassa di Risparmio di Bra s.p.a., saw the start of the issue of Smart user licences to give customers of the Piedmont bank access to the Smart channels.
The monitoring of Customer Satisfaction for Smart Web and Smart Mobile users also continued with the third annual survey.

Interbank Corporate Banking service (ICB)

As part of the commercial presence and development of Internet banking services for businesses, including assistance and support to customers, BPER carried out the following activities in 2015:

- study and implementation of the CBILL creditor service;
- XY Wide Project - customisations for sending financial data to customers operating in the financial advisory sector;
- study of migration of WEB ICB to BPER ICB: rationalisation of ICB products according to the new BPER ICB product;
- evolution of the electronic billing service and electronic storage of documents as required by law: renegotiation with ICBPI to improve the BPER Group's proposal to its customers and definition of two new profiles more oriented to market needs;
- rebranding of Corporate Banking services;
- termination and migration from the old home banking system to BPER CBI: transfer of more than 50,000 customers;
- digital signature - kit and automated: project for the definition of a remote signature kit to be sold in association with the electronic billing package;
- Cookies project: analysis of the obligations arising from the Cookie Law (provision of the Guarantor for the protection of personal data).

Contact Centre

The BPER Group's Contact Center was created in 2012 with the task of providing assistance to individual customers who have signed up for the Smart Web internet banking service.
During 2015, in line with the provisions of the 2015-17 Business Plan, the structure was gradually developed with a view to expanding operations with particular attention to providing support to the commercial growth of the Bank and the Group. All customers will find an alternative access to the Bank's services through a telephone channel.
Development activities, which will continue over the coming years, have to date included: the transfer of the structure to a new specially created site at the BPER Group's Service Center in Modena; an increase

in staff from 16 to 25 people; expansion of services provided and the possibility to interact with customers also via social networks.
The main indicators of the activity carried out during the year are reported below: 145,000 calls answered (with a level of service equal to 93%), 12,500 calls made for information and promotion campaigns, 1,190 different calls made, 5,800 appointments made on behalf of the branches with Group customers or potential customers and 17,000 replies to customers via e-mail.

Electronic Money, ATM and POS

In terms of e-money instruments, two new products have been designed and created:

- prepaid card with rebates;
- plastic "scented" cards able to release customisable perfumed essences.

As for the ATM channel, various activities were carried out during 2015 to achieve the commitments taken when preparing the 2015-2017 Business Plan.
First of all, as part of the BPER Services consortium, an "ATM Test Room" was created, a key component for the development of useful new features to redefine the role of the ATM channel.
In addition, a social collaboration activity was carried out by creating a community that involved the network staff and the General Management of Group banks and BPER Services, a number of suppliers of the ATM service (CartaSì), as well as parties outside the financial sector for support in defining a new role for the ATM channel. The community created two parallel projects: one regarding the development of new banking and non-banking utilities, that would be useful to increase the attractiveness and profitability of the channel, and the other to define a new business model for the installation of evolved self-service machines.
As regards POS, both physical and virtual, an analysis of the spending habits of consumer customers has been started. The observatory, currently being developed, aims to develop high value-added tools and services, creating multichannel business opportunities and using commercial levers with a view to profit sharing.

4.3 The Group's commercial and service policies

Group processes

With the aim of increasing the quality of customer relationships and to simplify and speed up the commercial activities of the Banks' distribution network, the BPER Group has for some time been using a powerful CRM (Customer Relationship Management) tool. This tool is being constantly refined in order to identify target customers more and more precisely and increase the effectiveness of our commercial offer.
In order to maximise commercial performance in an increasingly complex market environment where customers ask for a service that meets their needs, we have launched a project called "Footprint" which redesigns the BPER Group's distribution model. The project, which will gradually be applied to the entire network in 2016, is based on local coverage with Hub & Spoke branches, the presence of new specialist roles in the branch business model, a multi-channel operating model with new service and relationship approaches to meet customers' need of flexibility.
During 2015, the Group has continued the project linked with the multi-channel strategy and renewal of the direct channels. This effort is designed to renew the BPER Group's presence in the telematic channels and further improve the user experience of customers.

BStore has been available since 15 September 2015, with a progressive release to the Parent Company's network and then to that of the BPER Group. BStore is a new procedure to support the branches in making proposals and selling the following products/services to Individual customers:

- current accounts;
- charge cards (ATM cards);
- multi-channel products (Smart Web, Info and Dispo+ packages).

The objective of the portal is to significantly improve customer experience and branch efficiency.

The Group's distribution agreements

The BPER Group has joined Guarantee Funds (first home and SME loans), agreements and memoranda of understanding to support, for example, families, workers of companies in a crisis and female entrepreneurship. Partnerships have also been developed with entities, universities and associations based on collaboration and proximity to the territory.
In order to support the people and businesses affected, unfortunately, by frequent natural disasters that occur on the territory, a coherent plan of interventions (loans) has been drawn up, characterised by the speed of availability, a key element in emergency situations.
The BPER Group has stipulated agreements in order to provide products to companies, such as loans with EIB (European Investment Bank) and EIF (European Investment Fund) funds and financial advantages granted by the Regions and the Ministry of Economic Development.
As part of the primary and agro-industry sectors, agreements have been signed with AGREA (Regional Agency for Agricultural Payments for granting agricultural loans in order to anticipate the contributions payable along with applications under the Single Payment System and the Rural Development Plan) and CreditAgri Italia (credit guarantee entity).
A partnership has been commenced with MutuiOnline s.p.a., a company formed at the end of 1999 to develop the distribution of Retail loan products using direct channels (the Internet and call centres), which presents the products of banks and finance companies on its website (www.mutuionline.it).
The BPER Group's Banks have signed agreements with loan brokers, such as Finimpresa Serfina s.r.l. (a newly-formed offshoot of CNA Modena), Prefina s.r.l. (a newly-formed offshoot of CNA Reggio Emilia) and Auxilia Finance s.r.l.
In order to expand the services offered to customers, an agreement has been signed between the Parent Company and SIFA’ (Società Italiana Flotte Aziendali s.p.a.), which has been in business since 2012 managing innovative mobility products in the field of long-term car rentals. A 35% interest in this company was acquired in 2015; BPER has de facto control by virtue of being able to exercise significant influence over the company's financial decisions.
Activities continued as part of the "Contract of Association in Participation" with Arca SGR s.p.a., which aims to improve the advisory services provided to customers in the field of asset management. At year-end, BPER was this company's most important shareholder (32.572%).

Products and commercial activities

Retail

During 2015, the customer management process was further consolidated through more and more sophisticated methods of contact and relationship governance. The commercial proposition was focused on the management - both proactive and reactive - of all customers' basic needs. Advisory services to higher net worth customers also continued. Particular attention has been given to the protection of assets and of the family, the restructuring of financial portfolios and succession planning.

As part of the growing needs of smaller companies, there is the strengthening of business service models, intended to bring the Bank's level of service into line with the needs of each customer.
The commercial offer ranges from deposit-investment products (proposed in accordance with the needs, targets and risk tolerance of the customer), to consumer credit products (primarily intended for families, expressing great attention to the customer and their requirements), up to non-banking services in collaboration with external partners intended for multi-utility services.

Private Banking – BPERPrivate

The BPER Group has continued along the path of qualitative and quantitative development of the service with the goal of improving the quality of the offer aimed at satisfying the needs of high-standing customers and standardising the level of service in line with the local particularities of the individual banks.
Training activities continued in 2015 for branch managers, in order to standardise the approach in the management of Private Banking networks, as well as for Private Bankers, to develop skills in line with the complexity of the market and customers' multiple needs.
At the same time, the certification and registration of our Private Bankers as financial advisors was completed.
As regards non-financial advisory services, in 2015 the work of the team of experts in the field of non-life and health protection was further strengthened, joining the network in customer advisory services for the evaluation of needs in the field of personal, health and asset protection. The results achieved reflect BPER's he ongoing commitment to offering advisory services for global wealth management.
The financial offer has also been further 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.

Corporate

In 2015, Corporate customers have been taken care of by means of a comprehensive development activity implemented through sales campaigns with the aim of increasing the quality of lending. The main change compared with the previous year was the development of commercial campaigns characterised by proposing financing at particularly favourable conditions for businesses, to meet the requests from Corporate customers, increasingly careful about holding down their costs; also to take account of the downward trend in prices being charged to customers by the major national banks, in a scenario of increased competition and a reduction in the number of branches by all banking networks.
In particular, new customers with high credit worthiness and strong balance sheets were acquired by offering the following Corporate products:

- short-term and medium-long term loans against liquidity made available by the European Central Bank (ECB): new short-term loans (with maturities up to 18 months) and medium term loans (with maturities between 30 and 48 months) at very favourable conditions for Corporate customers, in terms of the spread to be applied on the interbank parameter and in terms of fees;
- Innovfin: thanks to the guarantee provided by the European Investment Fund (EIF), new loans at very favourable conditions for SMEs involved in the production and development of innovative goods, processes or services, characterised by intensive research & development and/or innovation activities;
- traditional medium-long term loans backed by government guarantees provided by the Guarantee Fund for SMEs, various type of loans with different maturities backed by the

guarantee of SACE (export credit insurance and support for Italian exports) as well as longer-term loans with funding from the European Investment Bank (EIB);
- innovative services of a financial and non-financial nature in the Internet banking segment;
- loans at particularly good conditions for higher standing export companies and "financial packages" linked to specific export contracts for all Corporate customers.

The project started in the two-year period 2013/2014, aimed at providing support for Corporate companies for their presence abroad, was finally implemented in 2015 and began to show the first interesting results in terms of appreciation on the part of Corporate customers. Therefore, the activities of the staff of trained specialists dedicated to assisting export companies continued; this working group 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, other Central and Southern American countries, 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 accelerate growth in GDP, the BPER Group again decided in 2015 to invest significantly in this area and the portal www.bperestero.it was created to support the internationalisation of companies.
Lastly, also in 2015, we continued to foster relations with public and private third parties, which support the development and presence of Italian companies abroad (such as Simest s.p.a - Società italiana per le imprese all’estero; BERS – Banca Europea per la Ricostruzione e lo Sviluppo and the World Bank), as well as developing relations with foreign correspondent banks.

4.4 Lending policies

Some favourable economic signs emerged in 2015 after three consecutive years of steady decline, confirming, in the second half, the gradual continuation of the economic recovery already highlighted earlier this year and supported by a favourable trend in industrial production and increasing confidence on the part of households and businesses.

On the basis of the macroeconomic environment and the scenario expected in 12 months' time, as explained in the first chapter of this Report, and subject to the risk objectives and the Group's marketing budget, specific credit policy guidelines were defined with a view to optimising the loan portfolio in terms of risk-return.
These guidelines define the scope within which lending activities should be developed, in both sectoral and geographical terms, and on which assessments of customers' actual creditworthiness should be carried out. This approach is aimed at ensuring consistency over time between the operational activities and the various profiles of risk-return, growth and support of the territory, in accordance with current laws (ICAAP Regulations) and the concepts of sound and prudent management.

With reference to the 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 (identifying "in" sectors for the development of lending, due to the better expected performance and the development of excellence, and "out" sectors faced by ongoing difficulties and significant levels of risk);
- risk segments (with an increased focus on individuals and, more in general, Retail customers, given the better risk-return-capital absorption ratio);

- internal ratings (providing guidance on the development of low-risk counterparties and operational guidelines for others);
- geographical areas (identifying areas or districts characterised by lower risk, development potential or specific entrepreneurial excellence in which to acquire new customers and develop lending);
- potential customer loans (determining market share with reference to total lending by the banking system as a whole).

By using objective instruments, risk measurement systems developed internally and qualitative analysis taken from an in-depth knowledge of the territory, objectives have been set for the restructuring of the loan portfolio. The purpose is to prioritise loans to Retail customers (primarily households, but also Small Businesses and Retail SMEs), consistent with the 2015-2017 Business Plan, and to develop sectors that are expected to grow and those with a high degree of internationalisation, such as food processing, transport, chemicals, rubber and plastics, as well as their related supply chains.

The Group's product-specific companies have also been given guidelines for their leasing, factoring and lending-against-salary operations, considering the intrinsic characteristics of these products and their reduced risk profile with respect to similar banking transactions.

Specific funds have been set aside by the Group in the year for loans to target customer groups, with a view to stimulating a recovery in the demand for loans and support the volume of lending.
The Group continues to support the ABI initiatives in favour of SMEs (Lending agreement 2015 – Firms returning to growth) and individuals ("Mortgage solidarity fund", "Suspension of household loan repayments", "Guarantee fund for the first home"), while also guaranteeing support for areas hit by natural disasters via the suspension of loan repayments, as envisaged by law.

4.5 Information technology and organisation

The objectives set by the BPER Group in the 2015-2017 Business Plan are reflected in the 2015 IT Plan of BPER Services, which during the year took action to strengthen its competitive position, rationalise its operational IT processes and guarantee compliance with regulatory requirements.

The principal activities completed by the Systems Division during 2015 are summarised below:

- set up of data analysis and reporting tools and processes needed for the distribution to the Central Offices and Distribution Network of information that is consistent and shared among the various business units of the Group;
- development of the new sales platform ("BStore"), which will simplify branch administration and give priority to commercial proposal processes;
- construction of a crowdfunding platform to raise financial support for projects proposed by the international community in Italy;
- integration of the Customer Relationship Management (CRM) system with the Financial Advisory Platform (Pi.Co.), in order to give the Manager the ability to "surf" between CRM and Pi.Co. and between CRM and MiFID Questionnaire maintaining the concurrency on the Customer, with the aim of increasing business performance and cross-selling by leveraging on specific alerts for investments that might interest customers;

- integration of the Multi-channel platform with the CRM system adopted by branch managers and addition of a Virtual Assistant to the Private and Small Business (SmartWeb) Internet Banking system; further development of commercial metrics and the logic for the segmentation of customers;
- development of the Group's finance systems in order to add the certificates within the range of BPER funding products;
- development of a tool to assist with the analysis and processing of forecast financial statements ("Sibilla") for borrowing firms/potential borrowers, combining the existing assessment processes with the analysis of prospective (forward looking) income and financial dynamics; declination of the new management model of problem loans of the BPER Group and complete review of the clustering engine system and the engine for the allocation of dossiers to the new organisational structures;
- implementation of a multidimensional analysis environment dedicated to Credit & Loans, that makes it possible to create reports and perform analyses ("free reporting") on the areas of asset quality, provisions, loan portfolio with details of the lines of credit, real estate credit, types of guarantees (secured, mortgage, financial);
- evolution of the internal rating system to ensure regulatory compliance and complete the process of Validation at the European Central Bank (New Rating Models, LGD and EAD);
- further development of the BPER Group's framework of IRB reporting by the Credit Risk Management (CRMS) platform;
- migration of Cassa di Risparmio di Bra (CRBRA) to the BPER Group IT system, which completes the process of CRBRA's integration with the BPER Group after buying a majority stake in it in 2013. The migration resulted in its alignment to the internal models and operating, organisational, governance and control approaches of the BPER Group;
- adoption via "Global Custody ICBPI" of Target 2-Securities (T2S), which is a new pan-European system for the settlement of security transactions that offers an integrated settlement platform for all central security depositories (CSD);
- completion of the roll-out of the Group's new corporate intranet to all users;
- activation and roll-out of the support platform (BHelp);
- definition of operational and contractual models and IT improvements ahead of the migration to "Global Custody ICBPI" of security custody and settlement services, depositary bank services and the management of uninvested liquidity. The migration of international operations was completed in April 2015; this was the last activity envisaged by the plan.

The following initiatives were started during 2015 and will continue during 2016:

- identification, definition and implementation of the guidelines for the evolution of the physical Distribution Network in order to maintain control of all service models and strengthen the focus on value customers (Personal, PMO and Corporate) through specialist development managers trained in supporting current and potential customers;
- evolution of digital capabilities to open new channels for the acquisition of "prospects", including current customers, through the creation of an "e-commerce" process that involves the customer and makes it possible to sign up for products and services (known as "cross-selling" and "up-selling");
- evolution of the model for the interception of customers with a potential risk of default;
- integration within the credit granting platform of the main drivers of credit policies and of the positioning of the transactions proposed by the Network in respect of these drivers;

- rationalisation of printing outputs of the credit-granting platform;
- design of the guidelines for the simplification of workflows and of the credit approval and granting process. The logic of differentiation of decision-making processes was designed in 2015 in order to minimise the "time to yes" on low-risk positions and focus on the chain of more complex loan dossiers;
- outsourcing of the anti-money laundering platform and of the Gianos application in order to activate a single integrated framework for the transmission and supply of data to the Single IT Archive;
- definition and implementation of the Data Governance and Data Quality framework through the activation of organisational procedures and operational regulations, change management and implementation of an integrated platform to support operating activities and the control of governance and quality of data in a centralised manner. Implementation of the framework is being supported at the same time by re-engineering of the Data Warehouse environment.

Additionally, the IT Plan prepared by BPER Services envisages continuation of the following activities:

- adaptation to new European supervisory provisions through 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), the new measurements of fair value (IFRS 13) and Basel 3 reports on the liquidity ratios of the BPER Group.
- development of an integrated platform that allows the definition of a system of remote indicators and controls, in order to improve the ability to identify at any time those anomalies that represent a concrete risk for the Group. This will benefit the Group's various control functions (Internal Audit Department, Anti-Money Laundering Unit and Compliance Unit). The platform will also allow more efficient control processes, improve governance (management and monitoring) of the Network and Central Offices according to a risk-based approach with more efficient utilisation.

4.6 Technical/property management

The external environment, which makes it necessary to place a special focus on governance of real estate assets, as well as the internal one, which provides for the evolution and homogenisation of structures and processes, led to the set-up in February 2015 of the Group Real Estate Department, whose mission involves:

- guidance and coordination of real estate issues on the scope of reference at Group level;
- management and maintenance of information relating to properties;
- planning and control of revenues, costs and investments relating to properties within the scope;
- preparation of reports relating to the real estate sector.

The real estate department's activity essentially involves management of the Group's business assets and enhancement of its non-business assets.

The Group Real Estate Department is made up of the Group Technical and Property Unit and the Group Real Estate Asset Management Unit.

In 2015, technical and real estate activities mainly involved renovation of the "branch network" and the administrative offices, as well as maintenance of properties, plant and furnishings especially in the Southern areas and those in Emilia Romagna/Tuscany.

Several design projects were implemented to support multiple drivers of innovation envisaged in the Business Plan such as the new brand, with the replacement of signs, the creation of pilot branches designed according to the new concept and the launch of the "Hub and Spoke" project, aimed at optimising spaces and implementing the IT network.
A very significant impact was had from the design, demolition and reconstruction works of the branches affected by the 2012 earthquake in the Emilia Romagna region and for those buildings affected by the earthquake in L'Aquila in 2009.
In order to seek the best balance between cost and quality of interventions, significant property transactions involving large amounts were completed throughout the country.
The Group Real Estate Asset Management Unit performs the following activities:

- study of innovative models of space management;
- identification of opportunities for space optimisation, together with other Corporate Functions involved;
- coordination of important real estate projects (in terms of value and strategic impact).

It operates through a proactive approach to the property market, having become a centre of expertise on issues of enhancement and the commercialisation of real estate assets, ensuring a contribution to the activity of space management and an integrated oversight of major initiatives in the real estate sector (e.g. major restructuring projects, real estate development projects).
Activities aimed at the enhancement and commercialisation of the Group's own real estate portfolio led to the signing during the year of new lease contracts and deeds of sale, which generated gross capital gains of Euro 359 thousand. As regards the subsidiary Nadia Immobiliare s.p.a., new leases have been signed as well as a sale which generated a gross capital gain of Euro 53 thousand.
As regards project areas relating to commercial exploitation, worth noting is the success of the renegotiation of rents that resulted in a saving, on an annual basis, of about 10% of total leased assets.

4.7 Group human resources

Group Human Resources Department

Close cooperation between the various staff functions, Group Banks and Companies has led to the achievement of significant results, especially in view of the challenging targets set by the Business Plan.

Staff search and selection

In 2015, in line with the provisions of the Group's three-year Business Plan, the recruitment of external resources focused very much on the need to find specialists, while the replacement of normal staff turnover was limited.
Depending on the nature of the staff positions that need to be filled and the type of person required, recourse was made 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;
- in other cases (temporary replacements), short-term contracts were used, mainly under temping contracts and, marginally, under fixed-period contracts.

Management and Development of Resources

Work started on the implementation of the projects foreseen in the 2015-2017 Business Plan. In particular:

- the project in the HR area dedicated to personnel interventions confirmed the oversight already created during the previous Business Plans with a view to further downsizing the Group's headcount during the current three-year period. The complexity of the project lies in the need for consistency and compatibility between the freeing up of "resources released" (so-called "sources") and their use in new job positions (so-called "uses");
- the development of the organisational structure of the central functions and the distribution structure of the territorial organisations has a strong influence on the Parent Company with inevitable repercussions on the management of human resources, which are still affected by the consolidation started with the mergers of the previous Business Plan. The action taken has made a practical compromise between the essential maintenance of governance, the safeguarding of operational standards and the appropriate professional development of the personnel concerned;
- the diagnosis and development of staff skills and potential within the new operational model continues. Training projects have been almost completed for the HR managers of the companies recently absorbed (the Parent Company's managers are organised into five operational offices within a single department that serves the entire Group). The synergies with the Business Plan project dedicated to professional enhancement (also part of the HR project area) are evident;
- work on the Mobility Centre continues in accordance with the union agreements reached in 2012, 2014 and 2015. The objective is to optimise and maximise the transfer of resources within the Group, in order to satisfy the numerous needs deriving from the reorganisation while heavily restricting the level of recruitment. 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.

The Group's headcount at 31 December 2015 came to 11,452 people (in addition to 21 on leave). The decrease of 141 compared with 31 December 2014 and 81 compared with 30 June 2015 relates to a large extent to those who left under the agreement signed with the Trade Unions at the end of 2014 for voluntary redundancies and recourse to the "Solidarity Fund", included in the agreement for the absorption by BPER of Banca Popolare di Ravenna s.p.a., Banca della Campania s.p.a. and Banca Popolare del Mezzogiorno s.p.a. in November 2014. This agreement was then absorbed by the one signed last August 2015 with the Trade Unions, as explained in the chapter entitled "The BPER Group's 2015-2017 Business Plan".

These results 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 2015, in addition to the routine activities of monitoring and forecasting the trends in staffing costs, specific activities have been planned and implemented to limit part of these costs.

The Planning Unit, in consultation with other relevant corporate functions, helps the Corporate Bodies to define suitable remuneration policies by performing analyses and by monitoring the Group and the banking system as a whole, ensuring that these policies are consistent with those approved by the shareholders.

Training and internal communications

Numerous training courses were given during 2015 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 Legislative Decree no. 231/01 and the State-Regions Agreement in connection with Law 81/06.

The training associated with the maintenance of IVASS certification has been redesigned and delivered following major changes included in the new IVASS regulations.

In addition, a seven-day course was organised to prepare 23 Group employees for the examination that grants registration in Section A of the RUI (Central Register of Brokers, for the placement of non-standard insurance policies).

Training was also given to the resources of Cassa di Risparmio di Bra s.p.a., thus allowing migration and use of the procedures used within the Group, with internal trainers who held on-site courses and periods of coaching.

As regards training for the development of management skills, the second edition of BPER*Academy*, dedicated to "talents", was completed during the period with the awarding of diplomas by General Management. "Talents" are 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 edition of BPER*Academy* just ended involved 30 people from across the Banking group.

The thirteenth edition of the Banking Master's degree has also started. This is a twelve-month course for 50 high potential deputy branch managers within the Group.

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.

In 2015, internal communication supported the Group structures in the following activities:

- institutional activities to support Top Management in the strategic moments of the company (e.g. publication of financial statements, transformation of the Bank into a joint-stock company, transition to European Supervisory Regulations);
- business activities for the communication of commercial initiatives (e.g. new brand, BPER Goes Social);
- organisational activities to support corporate changes (e.g. merger of CrBra and new sales portal);
- promotion of internal culture through listening and involvement of people (Blink and the communities, surveys).

In particular, 2015 was marked by the release of the new corporate intranet to all colleagues in the Group; this activity was accompanied by a specific internal communication campaign and a series of support actions, helped by use of the social collaboration platform (Enterprise Social Network - ESN) introduced by the new intranet.

Guidelines for using the ESN have been prepared and published, in the form of internal regulations governing the behaviour of colleagues using the platform.

The principal events and initiatives addressed by internal communications in 2015 are discussed below.

2015	topic	channel
January	Presentation of the "Insieme per Crescere" initiative	BXNOI
February	Presentation of the new "BHelp" procedure	BXNOI
March	Teaser for the new "Blink" Group intranet	newsletter
March	New brand project: teaser	newsletter
April	Presentation of the new brand	BXNOI
April	New brand project	BXNOI
April	Update of the Business Plan	BXNOI
May	Launch of Blink, the Group's new intranet	BXNOI
June	"Essere BPER Banca" project: the Charter of Conduct	workshop
June	Restyling of "Per NOI"	PER NOI
July	Transformation into joint-stock company	PER NOI
September	Presentation of the "BPER Goes Social" project	PER NOI
October	Presentation of the BStore portal	PER NOI
October	Presentation of CRBRA	PER NOI
November	Organisation of the Second Meeting of the Group Business Area	meeting
November	Presentation of the Second Meeting of the Group Business Area	PER NOI
December	Organisation of Meeting of Group Managers	meeting
December	Footprint project	PER NOI

Group Labour Relations Office

With regard to the Group's industrial relations, the presentation of the 2015-2017 Business Plan and renewal of the National Payroll Contract on 31 March 2015 were significant events with a major impact on the activities of the HR Department. Subsequently, routine trade union relations recommenced at all levels, as part of a transparent and constructive dialogue between the parties.

Presentation of the Business Plan brought to the opening of complex labour negotiations that led to the definition of common rules for the Parent Company and Group companies in the handling of surplus personnel deriving from the operations to be carried out over the period of the three-year plan, as well as the definition of guidelines for the structural reduction of payroll costs, management of territorial and professional mobility, and steps taken for the enhancement of resources.

The exchange of ideas has again made it possible to sign agreements that are a source of mutual satisfaction.

The following union agreements are of particular importance:

- variable element of remuneration: agreements signed by various Group companies (e.g. with regard to BPER, agreements on the *bonus* plan, profit sharing and a special payment for social purposes);
- check on compliance with the personnel measures contained in the Framework Agreement signed on 17 December 2014;
- conclusion of the procedure entitled "Banking Sector: Model for Group banks";
- election of the Supervisory Body for the Corporate Pension Fund;
- extension of staff secondments to Optima s.p.a. SIM;
- individual training plans (financed training agreements);
- working hours;
- reorganisation, restructuring and upgrading and consequent employment tensions (Framework Agreement on personnel measures signed on 14 August 2015);
- industrial relations protocol and trade union feasibility agreement;
- migration of Cassa di Risparmio di Bra s.p.a. (subsidiary bank);

- network rationalisation;
- rules for access to the ordinary benefits of the Solidarity Fund;
- evolution of Group risks;
- renewal of health insurance for various Group companies.

Activation of the Welfare portal was completed during the first half of 2015. In addition to BPER, this is now available to personnel at BPER Services s.cons.p.a., Optima s.p.a. SIM, Banco di Sardegna s.p.a. and Banca di Sassari s.p.a. In total, 73% of employees are registered.

Membership of the Welfare Plan now counts 25% of registered employees or 2,888 persons (+10% compared with last year), confirming the success of the project launched by BPER in 2013 and gradually extended to other banks and Group companies.

In the area of Pensions, the Pension Fund Supervisory Body for Section A "defined benefits" has been renewed with the appointment of new members who will remain in office for the three-year period 2015-2018.

In the field of Health Insurance, worth noting is the transfer to the insurance agreement signed with Rbm Salute s.p.a. for employees of the former Banca Popolare del Mezzogiorno s.p.a., as well as the renewal at the end of 2015, for various Group companies, of the health insurance with UniSalute s.p.a. to replace Rbm Salute s.p.a., with the intermediation of Casdic.

Following the absorption by BPER of Banca della Campania s.p.a. in 2014, 250 employees have been transferred from the Fondiaria Sai fund to the ARCA and Previbank Pension Funds and health cover has been arranged for 900 employees.

Of the various activities foreseen in the 2012-2014 Business Plan, the personnel manoeuvre linked to the merger of Banca Popolare del Mezzogiorno s.p.a., Banca della Campania s.p.a. and Banca Popolare di Ravenna s.p.a. was completed in 2015: as part of the 2015-2017 Business Plan, on the other hand, the manoeuvre regarding redundant staff was initiated.

4.8 Corporate Social Responsibility

During 2015, the CSR function (which operates on behalf of the entire Group and is carried out by the External Relations and CSR Office) focused on the following areas:

- the creation of BPER Banca's third Sustainability Report which was presented at the Shareholders' Meeting last April. This report acts as a summary that allows the reader, in a few pages, to appreciate the Parent Company's efforts on behalf of its stakeholders in 2014. The brochure is available in print at the Parent Company's branches, and electronically on the website www.bper.it. The 2014 report contains some new features: the materiality matrix, studies on Financial Education, Arms Policy, the prevention of Pathological Gambling (GAPS), as well as a check on the achievement of the objectives set for 2014;
- 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 (Modena) and the "Fides et Labor" initiative of the Diocese of Carpi are also available at local level in the Carpi area (Modena);
- regarding the package of initiatives to tackle GAPS, worth noting is the participation at a conference dealing with this topic that was organised in Bologna on 1 July 2015 by a company called Nomisma s.p.a., during the course of which BPER Banca outlined its commitment to combat GAPS. Furthermore, work continued on the completion of the updated version of the guide to "Pathological gamblers and banking services" (an absolute novelty in Italy) together

with the Reggio Emilia non-profit association "Papa Giovanni XXIII", Vignola based L.A.G. and the Centro Servizi per il Volontariato di Modena;

- the activation at Group level of financial education initiatives promoted by the Foundation for Financial Education and Saving, which are particularly directed at middle school students;
- participation at the Francescano Festival in Bologna, during the course of which, on 27 September 2015, a presentation was made as part of the workshop "Construct a common good: participation in the economic and financial life of a country", of the activities performed by the Parent Company with the "Be Atlas" project, which is aimed at favouring the social and financial inclusion of immigrants and that was developed within the Bank thanks to a social collaboration project that involved numerous colleagues;
- 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;
- participation as representatives of the BPER Group in Working Groups (ABI, Fondazione per l'educazione finanziaria e al risparmio, 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;
- the work done in close collaboration with the network to verify full compliance with the Group guidelines on relations with defence contractors and manufacturers of armaments;
- participation in the "Carbon Disclosure Project" (CDP) by means of the compilation of a detailed questionnaire that documents the tons of CO_2 savings achieved by the Parent Company. CDP is an international independent non-profit organisation, which provides the only global system for measuring, publishing, managing and sharing key environmental information. Furthermore, in 2015 the Parent Company participated in a CDP programme on climate change, in its capacity as financial investor;
- BPER Banca's commitment to reduce CO_2 atmospheric emissions has resulted in the Bank being awarded a certificate of merit in connection with the "Green Globe Banking Award 2015" that was presented during the course of a ceremony held in Milan on 22 October 2015. The certificate notes *"the quality of the work presented in relation to corporate initiatives aimed at environmental protection and dissemination of the culture of sustainability"*;
- adoption of the Decree issued by the Ministry of the Economy and Finance (MEF) and the Ministry of Economic Development (MED), which sets out the obligations of banks towards firms that have a Legality Rating.

The "Be Atlas" project and the conference organised together with Etica SGR, already detailed above, as well as the Report on the Arms Industry detailed in chapter "Other information" of this Report, are also considered Corporate Social Responsibility activities.

5. Scope of consolidation of the BPER Group

5.1 Composition of the Group as at 31 December 2015

The BPER Group has been registered since 7 August 1992 with code no. 5387.6 in the Register of Banking groups referred to in art. 64 of Legislative Decree no. 385 of 1 September 1993.

The following is a list of the banks and companies included in the scope of consolidation at 31 December 2015, distinguishing between banks and companies consolidated line-by-line and banks and companies, whether or not belonging to the Group, measured using the equity method.

The BPER Group has decided to align the consolidation methodology used for accounting purposes with that required for prudential reporting purposes. This is discussed further in Part A of the Explanatory notes.

Details are also provided of the percentage held by the Group[15], with further specific information provided, where necessary, by means of footnotes.

a) Group 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%);
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 46.166% of savings shares (without Voting rights, listed on the Italian Stock Exchange), representing 50.603% of total capital;
4) Banca di Sassari s.p.a., based in Sassari (98.028%)[16];
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%)[17];
10) Emilia Romagna Factor s.p.a, based in Bologna, a factoring company (94.403%);
11) Optima s.p.a. SIM, based in Modena, investment broker (100%);
12) Sardaleasing s.p.a., based in Sassari, leasing company (98.373%)[18];
13) Numera s.p.a., based in Sassari, IT company and subsidiary of Banco di Sardegna s.p.a. which holds 100% of share capital;
14) Tholos s.p.a., based in Sassari, property company and subsidiary of Banco di Sardegna s.p.a. which holds 100% of share capital;

[15] *unless otherwise specified, the percentage shown refers to the Parent Company.*
[16] *held by: Banco di Sardegna s.p.a. (79.722%) and the Parent Company (18.306%).*
[17] *held by: the Parent Company (93.638%), Banco di Sardegna s.p.a. (4.762%), Banca di Sassari s.p.a. (0.400%), Optima s.p.a. SIM (0.400%), Sardaleasing s.p.a. (0.400%) and Cassa di Risparmio di Bra s.p.a. (0.400%).*
[18] *held by: the Parent Company (51.440%) and Banco di Sardegna s.p.a. (46.933%).*

b) Other subsidiaries measured using the equity method[19]*:*

1) Mutina s.r.l., based in Modena, used as a vehicle for the securitisation of receivables (100%);
2) Nettuno Gestione Crediti s.p.a., based in Bologna, provider of debt recovery services (100%);
3) 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%);
4) 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%);
5) Estense CPT 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%).

Following the alignment of the consolidation methodologies described in Part A of the Explanatory notes, the above companies have been measured using the equity method at 31 December 2015, rather than consolidated on a line-by-line basis, since art. 19 of Regulation (EU) 575/2013 (CRR) requires the exclusion of financial and operating companies, including those belonging to the Banking group, if their total assets and off-balance sheet amounts fall below the lower of the following amounts:

- Euro 10 million;
- 1% of the total assets and off-balance sheet amounts of the Parent Company or the company that holds the investment.

In addition to the above companies that belong to the Banking group, the following direct and indirect subsidiaries are including in this grouping at 31 December 2015, even though they are not members of the Banking group since they do not contribute to its banking activities[20]:

- 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%);
- Galilei Immobiliare s.r.l. wholly owned by Nadia s.p.a.;
- Costruire Mulino s.r.l., a wholly-owned subsidiary of Italiana Valorizzazioni Immobiliari s.r.l.[21];
- Sviluppo Formica s.r.l., a wholly-owned subsidiary of Italiana Valorizzazioni Immobiliari s.r.l.[22].
- SIFA'- Società Italiana Flotte Aziendali s.p.a. (35%), of which the Bank has de facto control by virtue of being able to exercise significant influence over the company's strategic financial and operating decisions.

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[19] *following alignment of the consolidation methodology with that used for prudential reporting purposes.*
[20] *See previous note.*
[21] *this company was formed on 2 April 2015 and is still dormant at 31 December 2015.*
[22] *this company was formed on 2 April 2015 and is still dormant at 31 December 2015.*

c) Companies measured using 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 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%)[23];
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%)[24];
15) Emil-Ro Service s.r.l., based in Bologna (25%)[25];
16) Lanciano Fiera Polo fieristico d'Abruzzo - consortium based in Lanciano (20%);
17) Arca SGR s.p.a., based in Milan (32.752%).

5.2 Changes in the scope of consolidation

Companies consolidated on a line-by-line basis

The list of companies consolidated on a line-by-line basis has changed since 31 December 2014, as all of the companies listed in point b) of the previous paragraph are carried at equity from 30 June 2015 rather than consolidated on a line-by-line basis[26].

These also comprise:

- Costruire Mulino s.r.l. and Sviluppo Formica s.r.l., formed on 2 April 2015, which are wholly owned by Italiana Valorizzazione Immobiliari s.r.l. Both companies are still dormant at the time of preparing these financial statements;
- SIFA' – Società Italiana Flotte Aziendali s.p.a., in which the Parent Company took a 35% interest on 2 July 2015. Having considered issues relating to governance and the terms of transfer of the shares, there is a situation of de facto control over the company;
- Estense CPT Covered Bond s.r.l., in which the Parent Company subscribed for 60% of the capital on 7 September 2015.

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[23] *held by: the Parent Company (46.430%) and Banco di Sardegna s.p.a. (2.980%).*
[24] *held by: Banco di Sardegna s.p.a. (13.401%) and the Parent Company (8.083%).*
[25] *held by: the Parent Company (16.667%) and Emilia Romagna Factor s.p.a. (8.333%).*
[26] *following alignment of the consolidation methodology with that used for prudential reporting purposes.*

The following changes in the interests also took place during the year:

- Banca di Sassari s.p.a.: the Parent Company, which already owned 18.095% at 31 December 2014, increased its holding to 18.306% following various purchases by shareholders;
- Banco di Sardegna s.p.a.: the Parent Company, which already owned 50.583% at 31 December 2014, increased its holding to 50.603% after buying savings shares on the market;
- Sardaleasing s.p.a.: the Parent Company, which already owned 51.404% at 31 December 2014, increased its holding to 51.440% after purchasing shares from the Cagliari Chamber of Commerce;
- Emilia Romagna Factor s.p.a.: the Parent Company, which already owned 86.081% at 31 December 2014, increased its holding to 94.403% following purchases from shareholders;
- BPER Services s.cons.p.a.: within the Group there was transfer of a 0.400% holding from the Parent Company BPER to Cassa di Risparmio di Bra s.p.a. At 31 December 2015, the Parent Company's investment the in BPER Services stood at 93.638%;
- on 22 December 2015 a new consortium called BPER Credit Management s.cons.p.a. was set up (100%)[27]. On 24 December 2015 it was registered as part of the Banking group and its operations began on 1 January 2016.

Companies measured using the equity method

The scope of consolidation of companies measured using the equity method has changed since 31 December 2014 due to the following events:

- following the reduction of the consortium fund in Lanciano Fiere, BPER contributed proportionally to the recapitalisation and raised the interest held to 20%;
- on 22 December 2015, having obtained the required authorisation from the Supervisory Authority, the Parent Company purchased shares in Arca SGR S.p.A. from Banco Popolare s.c. (6,166,000 shares, representing 12.332% of the share capital) and from Banca Popolare dell'Alto Adige s.c.p.a. (210,984 shares, representing 0.422% of the share capital), for a total of Euro 61,219 thousand. As a result, the Parent Company's interest in Arca has increased from 19.998% to 32.752%.

As mentioned, the companies listed in point b) of section 5.1 above have been measured using the equity method from 30 June 2015.

[27] *held by: the Parent Company (68.000%), Banco di Sardegna s.p.a. (20.000%), Banca di Sassari s.p.a. (3.000%), Sardaleasing s.p.a. (6.000%), Cassa di Risparmio di Bra s.p.a. (2.000%) and Emilia Romagna Factor s.p.a. (1.000%).*

6. The BPER Group's results of operations

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 2014, in thousands of Euro, indicating the changes between periods in absolute and percentage terms.

Assets

(in thousands of Euro)

Assets	31.12.2015	31.12.2014	Change	% Change
10. Cash and cash equivalents	390,371	450,766	(60,395)	-13.40
20. Financial assets held for trading	790,403	1,033,286	(242,883)	-23.51
30. Financial assets designated at fair value through profit and loss	86,639	110,249	(23,610)	-21.42
40. Financial assets available for sale	8,022,164	6,944,927	1,077,237	15.51
50. Financial assets held to maturity	2,663,859	2,213,497	450,362	20.35
60. Due from banks	1,087,313	1,709,298	(621,985)	-36.39
70. Loans to customers	43,702,561	43,919,681	(217,120)	-0.49
80. Hedging derivatives	38,182	36,744	1,438	3.91
100. Equity investments	415,200	257,660	157,540	61.14
120. Property, plant and equipment	941,121	1,028,931	(87,810)	-8.53
130. Intangible assets	515,164	498,009	17,155	3.44
of which: goodwill	380,395	380,416	(21)	-0.01
140. Tax assets	1,471,928	1,361,322	110,606	8.12
a) current	208,238	181,989	26,249	14.42
b) deferred	1,263,690	1,179,333	84,357	7.15
b1) of which L. 214/2011	1,072,618	1,018,156	54,462	5.35
150. Non-current assets and disposal groups held for sale	-	2,817	(2,817)	-100.00
160. Other assets	1,136,326	1,085,733	50,593	4.66
Total assets	**61,261,231**	**60,652,920**	**608,311**	**1.00**

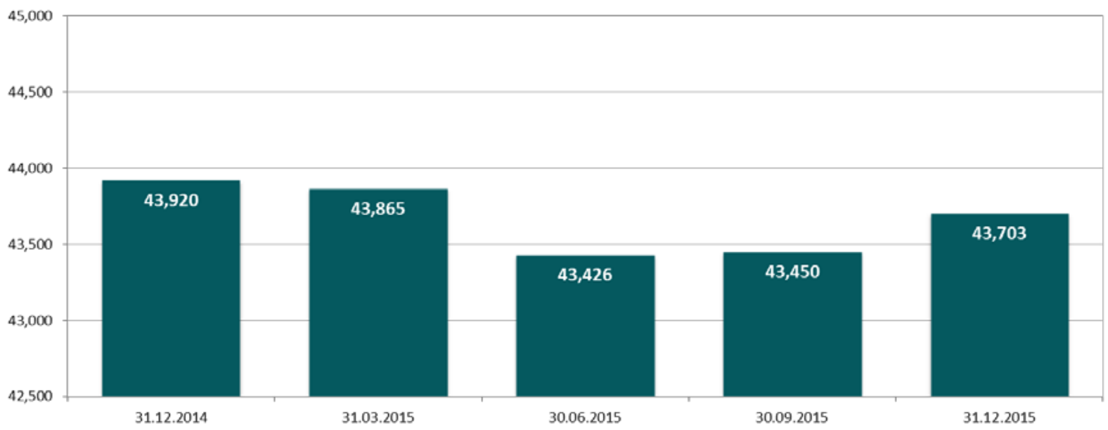
Loans to customers

(in thousands of Euro)

Captions	31.12.2015	31.12.2014	Change	% Change
Current accounts	5,879,609	6,514,397	(634,788)	-9.74
Mortgage loans	25,082,198	24,895,887	186,311	0.75
Repurchase agreements	-	122,893	(122,893)	-100.00
Leases and factoring	3,352,774	3,502,760	(149,986)	-4.28
Debt securities	348,521	391,870	(43,349)	-11.06
Other transactions	9,039,459	8,491,874	547,585	6.45
Net loans to customers	**43,702,561**	**43,919,681**	**(217,120)**	**-0.49**

Loans to customers, net of adjustments, amount to Euro 43,702.6 million (Euro 43,919.7 million as at 31 December 2014) and are down since the start of the year (0.49%), but with a growing trend in the second half of the year, as shown in the graph below.
There have been reductions in current accounts by about Euro 634.8 million (-9.74%), leasing and factoring transactions by Euro 150 million (-4.28%) and debt securities by Euro 43.3 million (-11.06%). Repurchase agreements were almost close to zero, while mortgage loans rose by Euro 186.3 million (+0.75%) and other loan transactions increased by Euro 547.6 million, (+6.45%). This last category mainly comprises bullet loans totalling Euro 2,287.4 million and advances against notes of Euro 2,208.2 million.

Net loans to customers in millions of euro



The average interest rate for the year on loans to customers amounted to 3.05%, a decrease of about 45 bps compared with the previous year's average rate.
The spread between lending and deposit rates of banking relationships with customers came to 2.25% (2.30% at 31 December 2014).
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%, down on last year (when it was 2.12%).

In the following review of non-performing loans, with reference to the "unlikely to pay" category introduced from 1 January 2015 by the new supervisory regulations (in particular, Bank of Italy Circular no. 272 – 7th amendment dated 20 January 2015 and Bank of Italy Circular no. 262 – 4th update dated 15 December 2015), the comparative figures are shown as an aggregation of exposures classified at 31 December 2014 as "problem loans" and "restructured loans".

(in thousands of Euro)

Captions	31.12.2015	31.12.2014	Change	% Change
Gross non-performing exposures	**11,394,823**	**10,998,439**	**396,384**	**3.60**
Bad loans	7,108,668	6,487,495	621,173	9.57
Unlikely to pay loans	4,002,044	4,301,749	(299,705)	-6.97
Past due loans	284,111	209,195	74,916	35.81
Gross performing exposures	**37,547,932**	**37,603,529**	**(55,597)**	**-0.15**
Total gross exposure	**48,942,755**	**48,601,968**	**340,787**	**0.70**
Adjustments non-performing exposures	**5,038,988**	**4,471,566**	**567,422**	**12.69**
Bad loans	4,134,682	3,668,419	466,263	12.71
Unlikely to pay loans	875,839	786,259	89,580	11.39
Past due loans	28,467	16,888	11,579	68.56
Adjustments to performing exposures	**201,206**	**210,721**	**(9,515)**	**-4.52**
Total adjustments	**5,240,194**	**4,682,287**	**557,907**	**11.92**
Net non-performing exposures	**6,355,835**	**6,526,873**	**(171,038)**	**-2.62**
Bad loans	2,973,986	2,819,076	154,910	5.50
Unlikely to pay loans	3,126,205	3,515,490	(389,285)	-11.07
Past due loans	255,644	192,307	63,337	32.94
Net performing exposures	**37,346,726**	**37,392,808**	**(46,082)**	**-0.12**
Total net exposure	**43,702,561**	**43,919,681**	**(217,120)**	**-0.49**

The adjustments that relate to performing loans total Euro 201.2 million (Euro 210.7 million at 31 December 2014; -4.52%), giving a coverage ratio of 0.54% (0.56% at 31 December 2014).
Adjustments to non-performing loans amount to Euro 5,039 million (Euro 4,471.6 million at 31 December 2014; +12.69%) with a coverage ratio of 44.22% (40.66% at 31 December 2014). The total coverage ratio is 10.71% versus 9.63% at 31 December 2014. If we take into account the direct write-downs of non-performing loans involved in bankruptcy proceedings for Euro 1,244.7 million (Euro 1,318.4 million at 31 December 2014), the coverage ratio increases to 12.92% (12.02% at 31 December 2014). The total actual value of the claim for non-performing loans comes to Euro 8,353.4 million (Euro 7,805.9 million at 31 December 2014) and the effective coverage ratio comes to 64.40% (63.89% at 31 December 2014). If we take into account the direct writedowns, the effective coverage of non-performing loans amounts to 49.71% (47.01% at 31 December 2014).

(in thousands of Euro)

Loans to customers	31.12.2015		31.12.2014		% Gross change	% Net change	% Coverage ratio
	Gross	Net	Gross	Net			
1. Banca popolare dell'Emilia Romagna s.c.	37,692,717	33,885,273	37,618,793	34,276,875	0.20	-1.14	10.10
2. Bper (Europe) International s.a.	308,220	308,160	211,885	211,825	45.47	45.48	0.02
3. Banca di Sassari s.p.a.	1,420,984	1,289,223	1,391,928	1,270,186	2.09	1.50	9.27
4. Banco di Sardegna s.p.a.	7,678,493	6,674,774	7,840,175	6,890,772	-2.06	-3.13	13.07
5. Cassa di Risparmio di Bra s.p.a.	1,161,440	1,030,203	1,154,577	1,054,484	0.59	-2.30	11.30
Total banks	**48,261,854**	**43,187,633**	**48,217,358**	**43,704,142**	**0.09**	**-1.18**	**10.51**
6. Sardaleasing s.p.a.	2,958,954	2,810,756	3,022,754	2,875,950	-2.11	-2.27	5.01
7. Emil-Ro Factor s.p.a.	743,192	728,552	748,145	734,140	-0.66	-0.76	1.97
Other companies and consolidation adjustments	(3,021,245)	(3,024,380)	(3,386,289)	(3,394,551)	-10.78	-10.90	-0.10
Total	**48,942,755**	**43,702,561**	**48,601,968**	**43,919,681**	**0.70**	**-0.49**	**10.71**

As already indicated in the chapter on "Significant events and strategic transactions", as part of the project of simplification of the Group's structure envisaged by the 2015-2017 Business Plan, the subsidiary Bper (Europe) International s.a. acquired almost all of the assets of Emro Finance Ireland Ltd, including securities classified as Loans & Receivables for a value of Euro 64.1 million and other credit assets for Euro 25.3 million.

The non-performing loans (bad loans, unlikely to pay loans and loans past due by more than 90 days) indicated here relate solely to those exposures associated with the *"Loans to customers"* portfolio. Their net amount of Euro 6,355.8 million (-2.62%) is equal to 14.54% of total net loans to customers (14.86% at 31 December 2014), whereas, on a gross basis, it is equal to 23.28% (22.63% at 31 December 2014). More specifically, net bad loans amount to Euro 2,974 million (+5.50%), net "unlikely to pay" loans come to Euro 3,126.2 million (-11.07%) and net past due loans total Euro 255.6 million (+32.94%).
The coverage ratio is significantly up and suitable for the portfolio's level of risk: the coverage ratio of total non-performing loans comes to 44.22% versus 40.66% at the end of 2014, an increase of 356 bps.
If we take into account the direct write-offs of bad loans involved in bankruptcy proceedings for Euro 1,244.7 million (Euro 1,318.4 million at 31 December 2014), the effective coverage ratio comes to 49.71% (47.01% at 31 December 2014).

(in thousands of Euro)

Non-performing loans	31.12.2015		31.12.2014		% Gross change	% Net change	% Coverage ratio
	Gross	Net	Gross	Net			
1. Banca popolare dell'Emilia Romagna s.c.	7,952,978	4,286,724	7,633,373	4,435,209	4.19	-3.35	46.10
2. Bper (Europe) International s.a.	60	-	60	-	-	n.s.	100.00
3. Banca di Sassari s.p.a.	271,050	147,499	261,922	148,212	3.49	-0.48	45.58
4. Banco di Sardegna s.p.a.	2,096,839	1,119,928	2,065,181	1,149,145	1.53	-2.54	46.59
5. Cassa di Risparmio di Bra s.p.a.	300,846	174,651	252,360	156,099	19.21	11.88	41.95
Total banks	**10,621,773**	**5,728,802**	**10,212,896**	**5,888,665**	**4.00**	**-2.71**	**46.07**
6. Sardaleasing s.p.a.	690,922	557,009	686,349	556,299	0.67	0.13	19.38
7. Emil-Ro Factor s.p.a.	30,399	21,430	43,501	34,478	-30.12	-37.84	29.50
Other companies and consolidation adjustments	51,729	48,594	55,693	47,431	-7.12	2.45	6.06
Total	**11,394,823**	**6,355,835**	**10,998,439**	**6,526,873**	**3.60**	**-2.62**	**44.22**
Direct write-downs of bad loans	1,244,739	-	1,318,437	-	-5.59	n.s.	100.00
Adjusted total	**12,639,562**	**6,355,835**	**12,316,876**	**6,526,873**	**2.62**	**-2.62**	**49.71**
non-performing exposures/net loans to customers	**23.28%**	**14.54%**	**22.63%**	**14.86%**			

The bad loans shown here relate solely to exposures in the *"Loans to customers"* portfolio. Their net amount of Euro 2,974 million (+5.50%) comes to 6.81% of total net loans to customers (6.42% at 31 December 2014), whereas, on a gross basis, the ratio of bad loans to total *"Loans to customers"* comes to 14.52% (13.35% at 31 December 2014).
The coverage of bad loans is 58.16%, up compared with 56.55% in December 2014.
If we take account of the direct write-offs made to non-performing loans involved in bankruptcy procedures for Euro 1,244.7 million (Euro 1,318.4 million at 31 December 2014), the total actual value of the claim for bad loans comes to Euro 8,353.4 million (Euro 7,805.9 million at 31 December 2014) and the effective coverage ratio is 64.40% (63.89% at 31 December 2014).

(in thousands of Euro)

Bad loans	31.12.2015		31.12.2014		% Gross change	% Net change	% Coverage ratio
	Gross	Net	Gross	Net			
1. Banca popolare dell'Emilia Romagna s.c.	4,813,975	1,884,520	4,387,776	1,814,821	9.71	3.84	60.85
2. Bper (Europe) International s.a.	-	-	-	-	-	-	-
3. Banca di Sassari s.p.a.	184,253	76,837	167,870	70,195	9.76	9.46	58.30
4. Banco di Sardegna s.p.a.	1,550,598	666,766	1,391,093	588,679	11.47	13.26	57.00
5. Cassa di Risparmio di Bra s.p.a.	141,220	47,382	113,689	40,085	24.22	18.20	66.45
Total banks	**6,690,046**	**2,675,505**	**6,060,428**	**2,513,780**	**10.39**	**6.43**	**60.01**
6. Sardaleasing s.p.a.	401,487	289,693	409,769	296,647	-2.02	-2.34	27.84
7. Emil-Ro Factor s.p.a.	17,135	8,788	15,498	8,649	10.56	1.61	48.71
Other companies and consolidation adjustments	-	-	1,800	-	-100.00	n.s.	0.00
Total	**7,108,668**	**2,973,986**	**6,487,495**	**2,819,076**	**9.57**	**5.50**	**58.16**
Direct write-downs of bad loans	1,244,739	-	1,318,437	-	-5.59	n.s.	100.00
Adjusted total	**8,353,407**	**2,973,986**	**7,805,932**	**2,819,076**	**7.01**	**5.50**	**64.40**
net bad loans/net loans to customers	**14.52%**	**6.81%**	**13.35%**	**6.42%**			

"Unlikely to pay" loans shown here relate solely to the exposures associated with the *"Loans to customers"* portfolio. The net amount of Euro 3,126.2 million (-11.07%) represents 7.15% of total net loans to customers (8.00% at 31 December 2014), whereas, on a gross basis, the ratio of "unlikely to pay" loans to total *"Loans to customers"* is 8.18% (8.85% at 31 December 2014).
The coverage of "unlikely to pay" loans has increased since the end of 2014 to 21.88%, compared with 18.28% at 31 December 2014.

(in thousands of Euro)

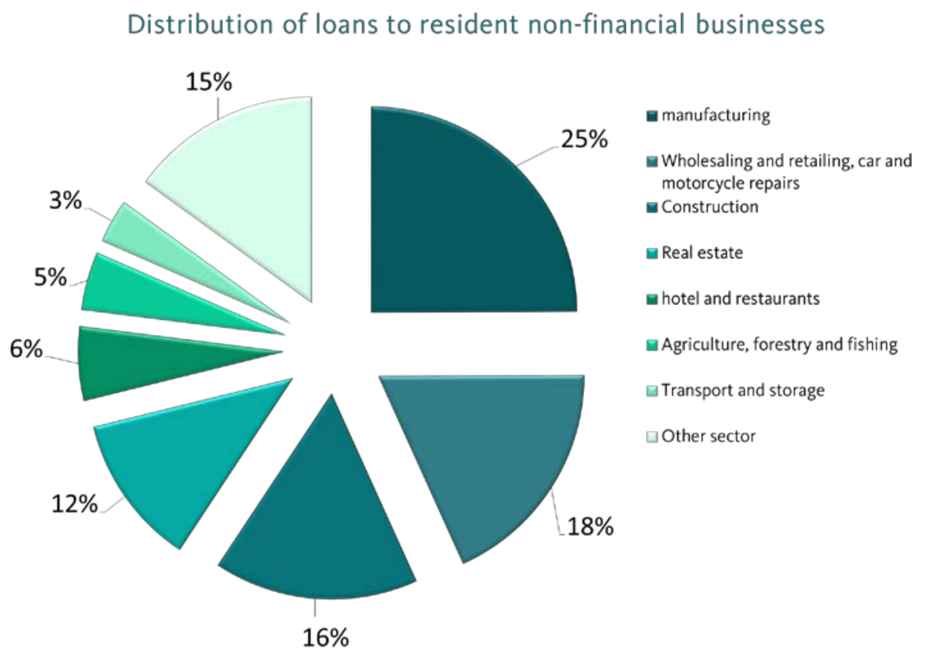
Unlikely to pay loans	31.12.2015		31.12.2014		% Gross change	% Net change	% Coverage ratio
	Gross	Net	Gross	Net			
1. Banca popolare dell'Emilia Romagna s.c.	2,940,665	2,226,296	3,106,907	2,494,147	-5.35	-10.74	24.29
2. Bper (Europe) International s.a.	60	-	60	-	-	-	100.00
3. Banca di Sassari s.p.a.	81,513	65,896	85,109	69,733	-4.23	-5.50	19.16
4. Banco di Sardegna s.p.a.	509,436	420,247	645,589	534,199	-21.09	-21.33	17.51
5. Cassa di Risparmio di Bra s.p.a.	150,130	118,779	124,560	102,934	20.53	15.39	20.88
Total banks	**3,681,804**	**2,831,218**	**3,962,225**	**3,201,013**	**-7.08**	**-11.55**	**23.10**
6. Sardaleasing s.p.a.	266,668	245,121	262,898	246,406	1.43	-0.52	8.08
7. Emil-Ro Factor s.p.a.	1,843	1,272	22,733	20,640	-91.89	-93.84	30.98
Other companies and consolidation adjustments	51,729	48,594	53,893	47,431	-4.02	2.45	6.06
Total of balance sheet	**4,002,044**	**3,126,205**	**4,301,749**	**3,515,490**	**-6.97**	**-11.07**	**21.88**
net unlikely to pay loans/net loans to customers	**8.18%**	**7.15%**	**8.85%**	**8.00%**			

The past due loans shown here relate solely to the exposures associated with the *"Loans to customers"* portfolio. The net amount of Euro 255.6 million (+32.94%) represents 0.58% of total net loans to customers (0.44% at 31 December 2014), whereas, on a gross basis, the ratio of past due loans to total *"Loans to customers"* is 0.58% (0.43% at 31 December 2014). The coverage of past due loans is 10.02% (8.07% at 31 December 2014).

(in thousands of Euro)

Past due loans	31.12.2015		31.12.2014		% Gross change	% Net change	% Coverage ratio
	Gross	Net	Gross	Net			
1. Banca popolare dell'Emilia Romagna s.c.	198,338	175,908	138,690	126,241	43.01	39.34	11.31
2. Bper (Europe) International s.a.	-	-	-	-	-	-	-
3. Banca di Sassari s.p.a.	5,284	4,766	8,943	8,284	-40.91	-42.47	9.80
4. Banco di Sardegna s.p.a.	36,805	32,915	28,499	26,267	29.14	25.31	10.57
5. Cassa di Risparmio di Bra s.p.a.	9,496	8,490	14,111	13,080	-32.70	-35.09	10.59
Total bank	**249,923**	**222,079**	**190,243**	**173,872**	**31.37**	**27.73**	**11.14**
6. Sardaleasing s.p.a.	22,767	22,195	13,682	13,246	66.40	67.56	2.51
7. Emil-Ro Factor s.p.a.	11,421	11,370	5,270	5,189	116.72	119.12	0.45
Total of balance sheet	**284,111**	**255,644**	**209,195**	**192,307**	**35.81**	**32.94**	**10.02**
net past due loans/net loans to customers	**0.58%**	**0.58%**	**0.43%**	**0.44%**			

The table and graph below show the amount of loan disbursements to resident non-financial companies at 31 December 2015, 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	31.12.2015	%	31.12.2014	% Change
A. Agriculture, forestry and fishing	1,268,244	2.90	1,238,511	2.40
B. Mining and quarrying	63,715	0.15	60,066	6.07
C. Manufacturing	6,894,959	15.78	6,936,487	-0.60
D. Provision of electricity, gas, steam and air-conditioning	651,997	1.49	661,235	-1.40
E. Provision of water, sewerage, waste management and rehabilitation	290,115	0.66	299,892	-3.26
F. Construction	4,440,700	10.16	4,869,579	-8.81
G. Wholesaling and Retailing, car and motorcycle repairs	5,068,843	11.60	4,902,495	3.39
H. Transport and storage	913,457	2.09	958,033	-4.65
I. Hotel and restaurants	1,601,476	3.66	1,642,828	-2.52
J. Information and communication	325,841	0.76	336,830	-3.26
K. Finance and insurance	355,027	0.81	377,878	-6.05
L. Real estate	3,287,464	7.52	3,406,966	-3.51
M. Professional, scientific and technical activities	950,754	2.18	941,473	0.99
N. Rentals, travel agencies, business support services	569,591	1.30	590,251	-3.50
O. Public administration and defence, compulsory social security	10,806	0.02	17,330	-37.65
P. Education	32,478	0.07	27,646	17.48
Q. Health and welfare	454,461	1.04	449,271	1.16
R. Arts, sport and entertainment	214,445	0.49	216,905	-1.13
S. Other services	213,596	0.49	226,773	-5.81
T. Activities of households as employers for domestic staff, production of undifferentiated goods and services for own use by households	1	-	-	n.s.
U. Extraterritorial organisations and bodies	57,931	0.13	-	n.s.
Total loans to resident non-financial businesses	**27,665,901**	**63.30**	**28,160,449**	**-1.76**
Loans to non-resident, non-financial businesses	134,704	0.31	128,581	4.76
Total loans to non-financial businesses	**27,800,605**	**63.61**	**28,289,030**	**-1.73**
Individuals and other not included above	10,945,800	25.05	10,529,182	3.96
Financial businesses	2,520,879	5.77	2,737,444	-7.91
Securities	348,521	0.80	391,870	-11.06
Governments and other public entities	2,072,164	4.74	1,961,973	5.62
Insurance companies	14,592	0.03	10,182	43.31
Total loans	**43,702,561**	**100.00**	**43,919,681**	**-0.49**

Considering total loans made, the sectors with the largest increases, in terms of absolute value, were agriculture, forestry and fishing, up by Euro 29.7 million (+2.40%), and wholesale and Retail commerce, up by Euro 166.3 million (+3.39%), while the sectors with the largest reductions were property, down by Euro 119.5 million (-3.51%), and construction, down by Euro 428.9 million (-8.81%).

Financial assets and equity investments

(in thousands of Euro)

Captions	31.12.2015	31.12.2014	Change	% Change
Financial assets held for trading	790,403	1,033,286	(242,883)	-23.51
- of which: derivatives	*194,348*	*243,468*	*(49,120)*	*-20.18*
Financial assets designated at fair value through profit and loss	86,639	110,249	(23,610)	-21.42
Financial assets available for sale	8,022,164	6,944,927	1,077,237	15.51
Financial assets held to maturity	2,663,859	2,213,497	450,362	20.35
Total financial assets	**11,563,065**	**10,301,959**	**1,261,106**	**12.24**

Financial assets amount to Euro 11,563.1 million, including Euro 10,700.3 million of debt securities (92.54% of the total): of these, Euro 6,741 million relates to sovereign States and Central Banks (substantially unchanged compared with 31 December 2014) and Euro 3,176.6 million to Banks (+42.88%).
There has been a significant increase in "Financial assets available for sale", up by Euro 1,077.2 million (+15.51%), principally due to the purchase of banking debt securities; the increase in "Financial assets held to maturity" of Euro 450.4 million (+20.35%) has 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, while "Financial assets held for trading" decreased by Euro 242.9 million (-23.51%).
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 349.9 million (3.03% of the total), inclusive of Euro 281.6 million of stable equity investments classified in the AFS portfolio. The decline compared with the previous year (Euro 385.8 million, -9.31%) is mainly due to the purchase of an interest in Arca SGR s.p.a. that led to its transfer from the "AFS" portfolio to the "Equity investments" portfolio. During the year, a 9.142% interest in Istituto Centrale delle banche popolari (ICBPI) was sold, generating a gross capital gain of Euro 174.3 million; at 31 December 2015 there were 212,787 ICBPI shares in portfolio, for a book value of Euro 32.4 million.
The impairment testing of securities classified as "Financial assets available for sale", in accordance with the accounting policies adopted by the Group, resulted in write-downs of Euro 27.3 million (Euro 40.3 million at 31 December 2014), of which Euro 20.6 million related to equity instruments (Euro 16.3 million for Release s.p.a.) and Euro 6.7 million to the UCITS portfolio.
"Financial assets held for trading" include financial derivatives of Euro 194.3 million (-20.18%) made up of Euro 25.3 million (-54.23%) 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 2015 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 8,022.2 million, there are positive net valuation reserves for a total of Euro 161.8 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 182.6 million and negative reserves of Euro 20.8 million. The net reserve only for government bonds was a positive Euro 90.2 million (-7.81% compared with 31 December 2014).
The portfolio of "Financial assets held to maturity" also includes unrealised gains of Euro 194.2 million (Euro 184.2 million at 31 December 2014, +5.45%), or Euro 130 million net of the theoretical tax effect.

(in thousands of Euro)

Financial assets	31.12.2015	31.12.2014	Change	% Change
1. Banca popolare dell'Emilia Romagna s.c.	10,261,926	8,811,024	1,450,902	16.47
2. Bper (Europe) International s.a.	152,646	50,371	102,275	203.04
3. Banca di Sassari s.p.a.	19,160	89	19,071	--
4. Banco di Sardegna s.p.a.	900,849	1,028,597	(127,748)	-12.42
5. Cassa di Risparmio di Bra s.p.a.	133,364	133,660	(296)	-0.22
Total banks	**11,467,945**	**10,023,741**	**1,444,204**	**14.41**
Other companies and consolidation adjustments	95,120	278,218	(183,098)	-65.81
Total	**11,563,065**	**10,301,959**	**1,261,106**	**12.24**

As already indicated in the chapter "Significant events and strategic transactions", as part of the project of simplification of the Group's structure envisaged by the 2015-2017 Business Plan, the subsidiary Bper (Europe) International s.a. acquired almost all of the assets of Emro Finance Ireland Ltd, including securities classified as Financial assets available for sale for a value of Euro 59.5 million and securities classified as Financial assets designated at fair value through profit and loss for Euro 34.3 million.

(in thousands of Euro)

Captions	31.12.2015	31.12.2014	Change	% Change
Equity investments	415,200	257,660	157,540	61.14
of which subsidiaries	*7,731*	-	*7,731*	*n.s.*
of which associates	*407,469*	*257,660*	*149,809*	*58.14*

Following the alignment of the consolidation methodologies described in Part A of the Explanatory notes, this caption comprises significant investments (non-Group companies subject to considerable influence being, usually, investments in which the equity interest is greater than or equal to 20%), subsidiaries that are not members of the Banking group since they do not contribute to its banking activities, and Group companies not meeting the requirements of art. 19 of Regulation 575/2013 that are measured using the equity method.
During the year, an interest in Arca SGR s.p.a. (12.75%) was acquired, leading to its transfer from the "AFS" portfolio to the "Equity investments" portfolio. The investment is now equal to 32.752% of the company's share capital and is recorded for a value of Euro 166.1 million, including Euro 98.5 million of goodwill.
The part relating to goodwill in the "Equity investments" portfolio amounted to Euro 118.7 million (Euro 21.4 million in December 2014).
The impairment testing resulted in writedowns on the "Equity investments" portfolio for Euro 5.4 million, with particular reference to Banca della Nuova Terra s.p.a. (Euro 2.9 million), Cassa di Risparmio di Fossano s.p.a. (Euro 1.4 million) and Alba Leasing s.p.a. (Euro 0.4 million).

Fixed assets

(in thousands of Euro)

Captions	31.12.2015	31.12.2014	Change	% Change
Intangible assets	515,164	498,009	17,155	3.44
of which: goodwill	*380,395*	*380,416*	*(21)*	*-0.01*

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

Goodwill	31.12.2015	31.12.2014
1. Group companies	**380,395**	**380,416**
1.1 Banks	**91,734**	**91,734**
- 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**	**280,236**
-Purchase of UniCredit branches	83,650	83,650
- 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	6,876
- Banca Popolare del Mezzogiorno s.p.a.	6,124	6,124
- Banca della Campania s.p.a.	51,346	51,346
1.3 Other companies	**8,425**	**8,446**
- Sardaleasing s.p.a.	1,657	1,657
- Emilia Romagna Factor s.p.a.	6,768	6,769
- Estense Covered Bond s.r.l. (*)	-	2
- Adras s.p.a. (*)	-	18
Total	**380,395**	**380,416**

(*) at 31 December 2015, these companies have been consolidated using the equity method.
The detailed figures relating to the Parent Company BPER represent a purely historical and accounting situation, in any case combined in the only identifiable CGU for impairment testing purposes represented by the Legal Entity BPER.

(in thousands of Euro)

Captions	31.12.2015	31.12.2014	Change	% Change
Property, plant and equipment	941,121	1,028,931	(87,810)	-8.53
including owned land and properties	*864,460*	*943,915*	*(79,455)*	*-8.42*

Interbank and liquidity position

(in thousands of Euro)

Net interbank position	31.12.2015	31.12.2014	Change	% Change
A. Due from banks	**1,087,313**	**1,709,298**	**(621,985)**	**-36.39**
1. Current accounts and deposits	425,818	1,110,054	(684,236)	-61.64
2. Reverse repurchase agreements	16	31,735	(31,719)	-99.95
3. Debt securities	44,858	139,923	(95,065)	-67.94
4. Other	616,621	427,586	189,035	44.21
B. Due to banks	**5,522,992**	**6,479,558**	**(956,566)**	**-14.76**
Total (A-B)	**(4,435,679)**	**(4,770,260)**	**334,581**	**-7.01**

The following table gives details of such operations with the ECB. The overall reduction in the outstanding principal since 31 December 2014, Euro 375 million, reflects the following repayments and subscriptions:

- Euro 65 million, repayment of the LTRO that matured in January 2015;
- Euro 1,310 million, repayment of the LTRO that matured in February 2015;
- Euro 1,000 million, subscription in November 2015 to the LTRO with maturity in February 2016.

(in millions of Euro)

Refinancing transactions with the European Central Bank	Capital	Maturity
1. Long Term Refinancing Operation (LTRO)	1,000	Feb-16
2. Targeted Long Term Refinancing Operation (T-LTRO)	2,000	Sep-18
Total	**3,000**	

At 31 December 2015, 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 11,861 million (Euro 11,508 million at 31 December 2014). The available portion amounts to Euro 5,174 million (Euro 4,633 million at 31 December 2014).

(in millions of Euro)

Counterbalancing Capacity	Nominal value	Guarantee value	Restricted portion	Available portion
Eligible securities and loans		**11,861**	**6,687**	**5,174**
1 Securities as collateral for own and third-party commitments		543	543	
2 Securities subject to funding repurchase agreements		3,140	3,140	
3 Securities and loans not transferred to the Pooling Account		2,847	-	2,847
4 Securities and loans transferred to the Pooling Account		5,331	3,004	2,327
of which:				
Own debt guaranteed by the Italian Government	*-*	*-*		
Own securitisations	*920*	*764*		
Guaranteed Bank Bonds issued by the Bank	*625*	*543*		
Collaterized Bank Assets (A.BA.CO.)	*1,968*	*1,084*		

Liabilities and shareholders' equity

(in thousands of Euro)

Liabilities and shareholders' equity	31.12.2015	31.12.2014	Change	% Change
10. Due to banks	5,522,992	6,479,558	(956,566)	-14.76
20. Due to customers	35,887,658	33,964,259	1,923,399	5.66
30. Debt securities in issue	10,494,565	10,518,262	(23,697)	-0.23
40. Financial liabilities held for trading	242,149	243,210	(1,061)	-0.44
50. Financial liabilities designated at fair value through profit and loss	873,558	1,700,614	(827,056)	-48.63
60. Hedging derivatives	23,715	12,986	10,729	82.62
80. Tax liabilities	109,013	118,794	(9,781)	-8.23
a) current	3,911	5,263	(1,352)	-25.69
b) deferred	105,102	113,531	(8,429)	-7.42
100.Other liabilities	1,844,715	1,527,412	317,303	20.77
110. Provision for termination indemnities	200,669	221,919	(21,250)	-9.58
120. Provisions for risks and charges	410,399	355,775	54,624	15.35
a) pensions and similar commitments	124,500	145,078	(20,578)	-14.18
b) other provisions	285,899	210,697	75,202	35.69
140. Valuation reserves	148,982	186,840	(37,858)	-20.26
170. Reserves	2,288,125	2,301,760	(13,635)	-0.59
180. Share premium reserve	930,073	930,077	(4)	-
190. Share capital	1,443,925	1,443,925	-	-
200. Treasury shares	(7,255)	(7,259)	4	-0.06
210. Minority interests	627,287	639,991	(12,704)	-1.99
220. Profit (Loss) for the period	220,661	14,797	205,864	--
Total liabilities and shareholders' equity	**61,261,231**	**60,652,920**	**608,311**	**1.00**

Deposits

(in thousands of Euro)

Captions	31.12.2015	31.12.2014	Change	% Change
Current accounts and demand deposits	29,018,832	27,487,204	1,531,628	5.57
Restricted deposits	2,423,865	2,968,817	(544,952)	-18.36
Repurchase agreements	1,862,690	1,062,767	799,923	75.27
Other short-term loans	2,582,271	2,445,471	136,800	5.59
Bonds	7,819,099	8,319,682	(500,583)	-6.02
- subscribed by institutional customers	2,737,105	1,248,417	1,488,688	119.25
- subscribed by ordinary customers	5,081,994	7,071,265	(1,989,271)	-28.13
Certificates of deposit	3,549,024	3,899,194	(350,170)	-8.98
Direct customer deposits	**47,255,781**	**46,183,135**	**1,072,646**	**2.32**
Indirect deposits (off-balance sheet figure)	30,373,936	28,197,815	2,176,121	7.72
- of which managed	14,725,981	13,004,015	1,721,966	13.24
- of which administered	15,647,955	15,193,800	454,155	2.99
Customer funds under management	**77,629,717**	**74,380,950**	**3,248,767**	**4.37**
Bank borrowing	5,522,992	6,479,558	(956,566)	-14.76
Funds under administration or management	**83,152,709**	**80,860,508**	**2,292,201**	**2.83**

Direct borrowing from customers, Euro 47,255.8 million, is up by 2.32% compared with 31 December 2014; restricted deposits have fallen by Euro 545 million (-18.36%), bonds are down by Euro 500.6 million (-6.02%) and certificates of deposit by Euro 350.2 million (-8.98%), while repurchase agreements are up by Euro 799.9 million (+75.27%) and current accounts by Euro 1,531.6 million (+5.57%). As regards the bond sector, it should be noted that there was a decline in bonds placed with ordinary customers of Euro 1,989.3 million, largely offset by bonds placed with institutional investors (+1,488.7 million).

Indirect customer deposits, marked to market, come to Euro 30,373.9 million, up on 31 December 2014 (+7.72%).
The total nominal value of indirect deposits of Euro 23,790.2 million has increased by 12.32% since 31 December 2014.
Total funds administered or managed by the Group, including deposits from banks (Euro 5,523 million) amount to Euro 83,152.7 million, an increase of 2.83% compared with 31 December 2014.

The average cost of funding from customers incurred by Group banks during the period was 0.81%, which is down by about 39 basis points with respect to the previous year (1.20%).
Against total interest-bearing liabilities, the cost incurred came to 0.72%, a decrease of 35 bps compared with 1.07% in the previous year.

(in thousands of Euro)

Direct deposits	31.12.2015	31.12.2014	Change	% Change
1. Banca popolare dell'Emilia Romagna s.c.	34,771,735	34,347,737	423,998	1.23
2. Bper (Europe) International s.a.	776,556	578,532	198,024	34.23
3. Banca di Sassari s.p.a.	1,489,234	1,407,685	81,549	5.79
4. Banco di Sardegna s.p.a.	9,715,406	9,239,256	476,150	5.15
5. Cassa di Risparmio di Bra s.p.a.	1,007,210	1,077,613	(70,403)	-6.53
Total banks	**47,760,141**	**46,650,823**	**1,109,318**	**2.38**
Other companies and consolidation adjustments	(504,360)	(467,688)	(36,672)	7.84
Total	**47,255,781**	**46,183,135**	**1,072,646**	**2.32**

Direct deposits include subordinated liabilities:

(in thousands of Euro)

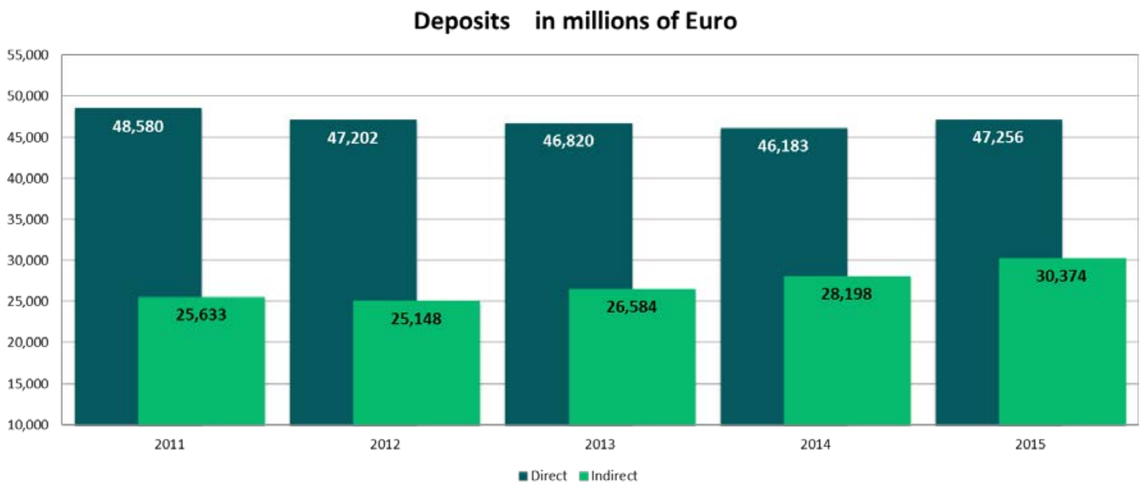
Captions	31.12.2015	31.12.2014	Change	% Change
Non-convertible subordinated liabilities	903,882	1,291,794	(387,912)	-30.03
Total subordinated liabilities	**903,882**	**1,291,794**	**(387,912)**	**-30.03**

The reduction reflects the payment of instalments on loans issued by the Parent Company.
There are no convertible subordinated liabilities at 31 December 2015 (as in 2014).

(in thousands of Euro)

Indirect deposits	31.12.2015	31.12.2014	Change	% Change
1. Banca popolare dell'Emilia Romagna s.c.	26,817,664	25,229,874	1,587,790	6.29
2. Bper (Europe) International s.a.	497,037	515,956	(18,919)	-3.67
3. Banca di Sassari s.p.a.	365,034	357,795	7,239	2.02
4. Banco di Sardegna s.p.a.	2,997,486	2,914,531	82,955	2.85
5. Cassa di Risparmio di Bra s.p.a.	397,441	488,347	(90,906)	-18.62
Total banks	**31,074,662**	**29,506,503**	**1,568,159**	**5.31**
Other companies and consolidation adjustments	(700,726)	(1,308,688)	607,962	-46.46
Total	**30,373,936**	**28,197,815**	**2,176,121**	**7.72**

The graph shows the dynamics of direct and indirect deposits in the last five years:



Indirect deposits do not include the placement of insurance policies, which has increased by 23.55% since 31 December 2014, mainly due to the life insurance business.

(in thousands of Euro)

Bancassurance	31.12.2015	31.12.2014	Change	% Change
Insurance policy portfolio	**3,766,334**	**3,048,358**	**717,976**	**23.55**
- of which: life sector	*3,686,330*	*2,970,545*	*715,785*	*24.10*
- of which: non-life sector	*80,004*	*77,813*	*2,191*	*2.82*

Life insurance premiums plus the indirect deposits under management total Euro 18,412.3 million, which represents 54.06% of the overall total (Euro 34,060.3 million).

Shareholders' equity

(in thousands of Euro)

Captions	31.12.2015	31.12.2014	Change	% Change
Consolidated shareholders' equity	**5,024,511**	**4,870,140**	**154,371**	**3.17**
- of which net profit (loss) for the period	*220,661*	*14,797*	*205,864*	*--*
- of which shareholders' equity excluding net profit (loss) for the period	*4,803,850*	*4,855,343*	*(51,493)*	*-1.06*

(in thousands of Euro)

Captions	31.12.2015	31.12.2014	Change	% Change
Minority interests	**627,287**	**639,991**	**(12,704)**	**-1.99**
- of which net profit (loss) pertaining to minority interests	*(1,429)*	*14,984*	*(16,413)*	*-109.54*
- of which shareholders' equity pertaining to minority interests excluding their share of net profit (loss) for the period net profit pertaining to minority interests	*628,716*	*625,007*	*3,709*	*0.59*

(in thousands of Euro)

Shareholders' equity	31.12.2015	31.12.2014	Change	% Change
1. Banca popolare dell'Emilia Romagna s.c.	4,593,094	4,620,159	(27,065)	-0.59
2. Bper (Europe) International s.a.	52,155	50,260	1,895	3.77
3. Banca di Sassari s.p.a.	259,094	238,170	20,924	8.79
4. Banco di Sardegna s.p.a.	1,154,543	1,143,542	11,001	0.96
5. Cassa di Risparmio di Bra s.p.a.	65,567	76,668	(11,101)	-14.48
Total banks	**6,124,453**	**6,128,799**	**(4,346)**	**-0.07**
Other companies and consolidation adjustments	(693,316)	(633,465)	(59,851)	9.45
Total	**5,431,137**	**5,495,334**	**(64,197)**	**-1.17**
Net profit (loss) for the year	220,661	14,797	205,864	--
Total shareholders' equity	**5,651,798**	**5,510,131**	**141,667**	**2.57**

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

The total net tangible shareholders' equity (after deduction of intangible assets of Euro 515.2 million) amounted to Euro 5,136.6 million.

6.2 Own Funds and capital ratios

The new harmonised rules for banks and investment companies contained in Regulation (EU) 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.
This 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 capital ratios at 31 December 2015 have been determined using the standardised approach, which excludes the potential benefits of adopting advanced internal models for the measurement of credit risk (AIRB - Advanced Internal Ratings-Based approach). These models are at the pre-validation stage, which officially began at the end of January 2015. In this connection, a formal validation request was sent to the Supervisory Authorities in August 2015 and in the subsequent months, activities and discussions with the Supervisory Authority continued with a view to obtaining validation.
The value of capital has also been calculated on a pro-forma basis taking into account the profit for the second half allocable to equity (Euro 118.6 million, corresponding to about 30 bps), having already included for regulatory purposes (as authorised by the ECB on 11 August 2015) the portion of net profit realised in the first half of the year (Euro 54 million corresponding to approximately 13 bps) that could be allocated to equity.

The following table shows the BPER Group's capital ratios and the minimum capital adequacy requirements for regulatory purposes as at 31 December 2015, calculated under the transitional ("Phased in") arrangements for 2015.

(in millions of Euro)

	31.12.2015 regulatory	31.12.2015 pro-forma	31.12.2014	Change	% Change %
Common Equity Tier 1 capital- CET1	4,506,891	4,629,088	4,581,261	47,827	1.04
Additional Tier 1 capital - ATI	42,063	42,063	10,826	31,237	288.54
Tier 1 capital - Tier 1	**4,548,954**	**4,671,151**	**4,592,087**	**79,064**	**1.72**
Tier 2 capital - Tier 2 - T2	462,651	462,651	389,992	72,659	18.63
Total Own Funds	**5,011,605**	**5,133,802**	**4,982,079**	**151,723**	**3.05**
Total Risk-weighted assets (RWA)	**40,101,688**	**40,101,688**	**40,691,550**	**(589,862)**	**-1.45**
CET1 Ratio (CET1/RWA)	**11.24%**	**11.54%**	**11.26%**	**28 b.p.**	
Tier 1 Ratio (Tier 1/RWA)	**11.34%**	**11.65%**	**11.29%**	**36 b.p.**	
Total Capital Ratio (Total Own Funds/RWA)	**12.50%**	**12.80%**	**12.24%**	**56 b.p.**	
RWA/Total assets	**65.46%**	**65.46%**	**67.09%**	**-163 b.p.**	

The capital ratios at 31 December 2015, calculated on a pro-forma basis as described above, are therefore as follows:

- Common Equity Tier 1 (CET 1) ratio "Phased in" of 11.54%, while on a Fully Phased basis it is estimated at 11.21%;
- Tier 1 ratio "Phased in" of 11.65%;
- Total Capital Ratio Phased in of 12.80%.

The capital ratios are all much higher than the minimum levels required by the regulations (at 31 December 2015 equal to 7%, 8.50% and 10.50% respectively). The CET1 ratio is also well above the specific obligations for additional Own Funds imposed by the ECB in the year as part of the 2015 SREP process, set at 9.25%.

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 575 and Capital Requirements Directive 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 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 becomes applicable in the above terms.

Accordingly, commencing from the 31 March 2014 reporting date, the reserves arising from the measurement of these securities were not included in the determination of Own Funds.

At 31 December 2015 the amount concerned is Euro 90.2 million.

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 2015 of the following Group banks and companies included in the scope of line-by-line consolidation.

(in thousands of Euro)

Reconciliation of consolidated net profit	31.12.2015
Banca popolare dell'Emilia Romagna s.c.	**161,962**
Other Group companies:	**(5,506)**
Bper (Europe) International s.a.	*348*
Banco di Sardegna s.p.a. (consolidated value)	*(1,039)*
Cassa di Risparmio di Bra s.p.a.	*(1,487)*
Nadia s.p.a.	*(5,900)*
BPER Services s.cons.p.a.	*4*
EMRO Finance Ireland limited	*(6,849)*
Optima s.p.a. SIM	*3,257*
Modena Terminal s.r.l.	*404*
Emilia Romagna Factor s.p.a.	*4,300*
Sardaleasing s.p.a.	*1,456*
Total Group share	**156,456**
Consolidation adjustments (*)	64,205
Consolidated net profit (loss)	**220,661**

(*) adjustments also include the effects of Group companies measured using the equity method.

As required by current regulations, the following statement is presented with regard to the position at 31 December 2015:

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

	Increase (decrease)	
	Net profit (loss) for the period	Shareholders' equity
AMOUNTS RELATING TO THE PARENT COMPANY	**161,962**	**4,755,056**
	-	-
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:	71,240	251,529
	-	-
- adjustments to goodwill related to consolidated companies	-	-
- elimination of intercompany profits and losses	*75,696*	-
- share of the results of fully consolidated companies, net of tax effect	*(4,456)*	-
	-	-
DIVIDENDS collected from companies consolidated on a line-by-line basis or stated under the equity method	(17,462)	-
	-	-
DIFFERENCE between book value and the interest in shareholders' equity (including results for the period) of companies carried at equity:	4,921	17,926
	-	-
- share attributable to subsidiaries	*(1,431)*	2,810
- share attributable to associates	*6,532*	15,116
NET PROFIT FOR THE PERIOD AND SHAREHOLDERS' EQUITY OF THE PARENT COMPANY AS AT 31.12.2015	**220,661**	**5,024,511**
NET PROFIT FOR THE PERIOD AND SHAREHOLDERS' EQUITY OF MINORITY INTERESTS	(1,429)	627,287
TOTAL CONSOLIDATED NET PROFIT FOR THE PERIOD AND SHAREHOLDERS' EQUITY AS AT 31.12.2015	**219,232**	**5,651,798**
NET PROFIT FOR THE PERIOD AND SHAREHOLDERS' EQUITY OF THE PARENT COMPANY AS AT 31.12.2014	**29,781**	**5,510,131**

6.4 Income statement aggregates

Consolidated income statement

(in thousands of Euro)

Captions	31.12.2015	31.12.2014	Change	% Change
10. Interest and similar income	1,648,399	1,908,288	(259,889)	-13.62
20. Interest and similar expense	(420,858)	(616,479)	195,621	-31.73
30. Net interest income	**1,227,541**	**1,291,809**	**(64,268)**	**-4.98**
40. Commission income	762,474	739,119	23,355	3.16
50. Commission expense	(35,781)	(48,455)	12,674	-26.16
60. Net commission income	**726,693**	**690,664**	**36,029**	**5.22**
70. Dividends and similar income	15,953	19,392	(3,439)	-17.73
80. Net trading income	32,831	16,533	16,298	98.58
90. Net hedging gains (losses)	(889)	1,074	(1,963)	-182.77
100. Gains/losses on disposal or repurchase of:	315,466	164,299	151,167	92.01
a) loans	4,023	(29,959)	33,982	-113.43
b) financial assets available for sale	313,171	194,546	118,625	60.98
c) financial assets held to maturity	221	-	221	n.s.
d) financial liabilities	(1,949)	(288)	(1,661)	576.74
110. Net results on financial assets and liabilities designated at fair value	476	(14,241)	14,717	-103.34
120. Net interest and other banking income	**2,318,071**	**2,169,530**	**148,541**	**6.85**
130. Net impairment adjustments to:	(737,800)	(858,219)	120,419	-14.03
a) loans	(705,799)	(812,734)	106,935	-13.16
b) financial assets available for sale	(27,343)	(40,347)	13,004	-32.23
d) other financial assets	(4,658)	(5,138)	480	-9.34
140. Net profit from financial activities	**1,580,271**	**1,311,311**	**268,960**	**20.51**
180. Administrative costs:	(1,410,531)	(1,316,476)	(94,055)	7.14
a) payroll	(825,053)	(786,687)	(38,366)	4.88
b) other administrative costs	(585,478)	(529,789)	(55,689)	10.51
190. Net provision for risks and charges	(52,137)	(38,782)	(13,355)	34.44
200. Net adjustments to property, plant and equipment	(48,336)	(43,765)	(4,571)	10.44
210. Net adjustments to intangible assets	(31,913)	(26,621)	(5,292)	19.88
220. Other operating charges/income	175,804	173,268	2,536	1.46
230. Operating costs	**(1,367,113)**	**(1,252,376)**	**(114,737)**	**9.16**
240. Profit (Loss) from equity investments	97	(837)	934	-111.59
270. Gains (Losses) on disposal of investments	259	67	192	286.57
280. Profit (Loss) from current operations before tax	**213,514**	**58,165**	**155,349**	**267.08**
290. Income taxes on current operations for the period	5,718	(28,384)	34,102	-120.15
300. Profit (Loss) from current operations after tax	**219,232**	**29,781**	**189,451**	**636.15**
320. Net profit (loss) for the period	**219,232**	**29,781**	**189,451**	**636.15**
330. Net profit (Loss) pertaining to minority interests	1,429	(14,984)	16,413	-109.54
340. Profit (Loss) for the period pertaining to the Parent Company	**220,661**	**14,797**	**205,864**	**--**

Consolidated income statement by quarter as at 31 December 2015

(in thousands of Euro)

Captions	1st quarter 2015	2nd quarter 2015	3rd quarter 2015	4th quarter 2015	1st quarter 2014	2nd quarter 2014	3rd quarter 2014	4th quarter 2014
10. Interest and similar income	431,035	415,453	402,855	399,056	494,548	489,785	470,618	453,337
20. Interest and similar expense	(116,940)	(107,083)	(100,819)	(96,016)	(164,728)	(161,146)	(150,578)	(140,027)
30. Net interest income	**314,095**	**308,370**	**302,036**	**303,040**	**329,820**	**328,639**	**320,040**	**313,310**
40. Commission income	188,020	189,373	187,648	197,433	184,023	186,210	182,429	186,457
50. Commission expense	(8,817)	(8,723)	(9,804)	(8,437)	(12,573)	(12,182)	(13,417)	(10,283)
60. Net commission income	**179,203**	**180,650**	**177,844**	**188,996**	**171,450**	**174,028**	**169,012**	**176,174**
70. Dividends and similar income	249	13,583	457	1,664	574	17,617	115	1,086
80. Net trading income	20,413	(6,009)	591	17,836	4,290	5,646	4,406	2,191
90. Net hedging gains (losses)	355	(520)	(634)	(90)	231	91	513	239
100. Gains/losses on disposal or repurchase of:	28,438	15,882	22,809	248,337	67,761	32,660	25,636	38,242
a) loans	3,804	601	(200)	(182)	107	59	(29,716)	(409)
b) financial assets available for sale	25,092	15,486	23,048	249,545	67,430	32,784	55,393	38,939
c) financial assets held to maturity	(92)	300	-	13	-	-	-	-
d) financial liabilities	(366)	(505)	(39)	(1,039)	224	(183)	(41)	(288)
110. Net results on financial assets and liabilities designated at fair value	(3,148)	6,110	(2,405)	(81)	(8,982)	7,992	(10,232)	(3,019)
120. Net interest and other banking income	**539,605**	**518,066**	**500,698**	**759,702**	**565,144**	**566,673**	**509,490**	**528,223**
130. Net impairment adjustments to:	(149,972)	(157,786)	(135,067)	(294,975)	(214,710)	(208,775)	(167,091)	(267,643)
a) loans	(147,504)	(150,237)	(127,156)	(280,902)	(211,820)	(204,972)	(163,296)	(232,646)
b) financial assets available for sale	(6,347)	(2,552)	(7,563)	(10,881)	(466)	(3,189)	(680)	(36,012)
d) other financial assets	3,879	(4,997)	(348)	(3,192)	(2,424)	(614)	(3,115)	1,015
140. Net profit from financial activities	**389,633**	**360,280**	**365,631**	**464,727**	**350,434**	**357,898**	**342,399**	**260,580**
180. Administrative costs:	(323,806)	(332,038)	(358,876)	(395,811)	(322,923)	(336,813)	(309,651)	(347,089)
a) payroll	(199,322)	(196,883)	(232,374)	(196,474)	(196,796)	(201,099)	(180,006)	(208,786)
b) other administrative costs	(124,484)	(135,155)	(126,502)	(199,337)	(126,127)	(135,714)	(129,645)	(138,303)
190. Net provision for risks and charges	(14,096)	(22,689)	(15,440)	88	(6,658)	(12,976)	(8,036)	(11,112)
200. Net adjustments to property, plant and equipment	(9,944)	(9,171)	(9,295)	(19,926)	(10,402)	(10,253)	(10,192)	(12,918)
210. Net adjustments to intangible assets	(7,386)	(7,916)	(8,200)	(8,411)	(5,955)	(6,360)	(6,823)	(7,483)
220. Other operating charges/income	46,307	41,032	43,078	45,387	48,455	43,525	37,556	43,732
230. Operating costs	**(308,925)**	**(330,782)**	**(348,733)**	**(378,673)**	**(297,483)**	**(322,877)**	**(297,146)**	**(334,870)**
240. Profit (Loss) from equity investments	(1,886)	7,270	(6,843)	1,556	(973)	(2,792)	2,270	658
270. Gains (Losses) on disposal of investments	113	(97)	(3)	246	1	22	3	41
280. Profit (Loss) from current operations before tax	**78,935**	**36,671**	**10,052**	**87,856**	**51,979**	**32,251**	**47,526**	**(73,591)**
290. Income taxes on current operations for the period	(27,234)	(7,367)	(2,313)	42,632	(20,760)	(20,922)	(14,258)	27,556
300. Profit (Loss) from current operations after tax	**51,701**	**29,304**	**7,739**	**130,488**	**31,219**	**11,329**	**33,268**	**(46,035)**
320. Net profit (Loss) for the period	**51,701**	**29,304**	**7,739**	**130,488**	**31,219**	**11,329**	**33,268**	**(46,035)**
330. Net profit (Loss) pertaining to minority interests	(6,504)	(1,270)	1,616	7,587	(2,947)	(3,701)	(8,067)	(269)
340. Profit (Loss) for the period pertaining to the Parent Company	**45,197**	**28,034**	**9,355**	**138,075**	**28,272**	**7,628**	**25,201**	**(46,304)**

The following are the key figures from the consolidated income statement at 31 December 2015, suitably compared with the figures at 31 December 2014.

Net interest income

Net interest income comes to Euro 1,227.5 million and is down by 4.98% (Euro 1,291.8 million at 31 December 2014), primarily because of changed market conditions and interest rates, which have led to pressures on asset yields that are not sufficiently offset by the decrease in the cost of funding, however significant it may be. Comparison with the previous quarter shows a slight increase (+0.33%) in net interest income, with growth in commercial loans and stability in the overall spread.

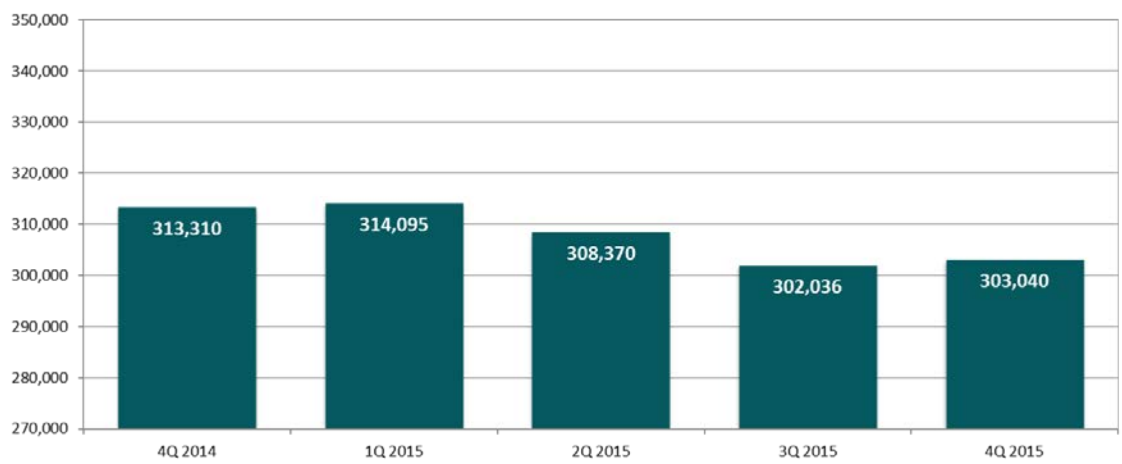
Note that since 31 December 2015 "opposite sign" interest arising from the application of negative interest rates is no longer allocated for accounting purposes as commission, but as interest income when referring to forms of deposits or interest expense when referring to forms of lending.

In quantitative terms, the impact on 2015 was Euro 3.9 million and Euro 0.9 million respectively.

(in thousands of Euro)

Net interest income	31.12.2015	31.12.2014	Change	% Change
1. Banca popolare dell'Emilia Romagna s.c.	898,232	933,239	(35,007)	-3.75
2. Bper (Europe) International s.a.	2,727	2,947	(220)	-7.47
3. Banca di Sassari s.p.a.	51,506	52,043	(537)	-1.03
4. Banco di Sardegna s.p.a.	194,997	219,651	(24,654)	-11.22
5. Cassa di Risparmio di Bra s.p.a.	24,535	26,417	(1,882)	-7.12
Total banks	**1,171,997**	**1,234,297**	**(62,300)**	**-5.05**
Other companies and consolidation adjustments	55,544	57,512	(1,968)	-3.42
Total	**1,227,541**	**1,291,809**	**(64,268)**	**-4.98**

Net interest income in thousands of euro



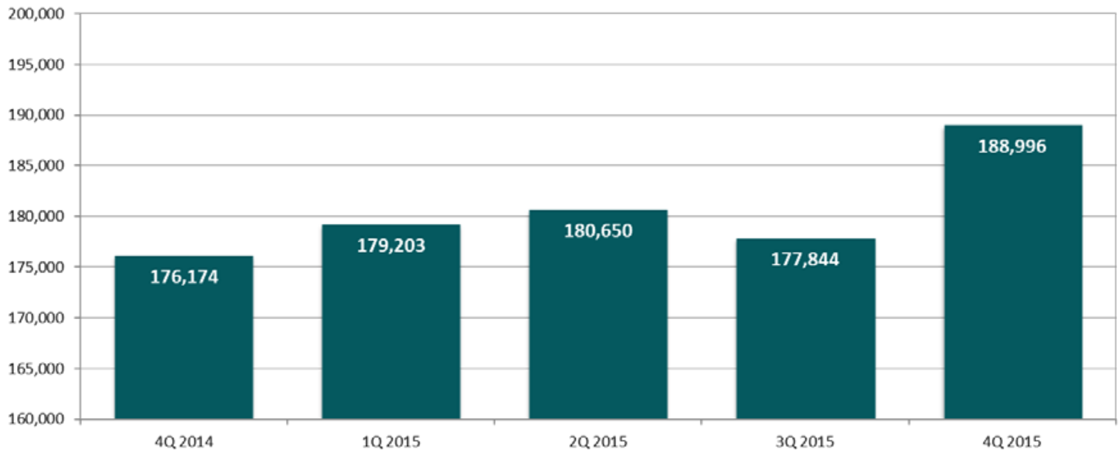
Net commission income

Net commissions, Euro 726.7 million, were 5.22% higher than in the comparative period of 2014. Commissions on indirect deposits performed very well, with particular reference to managed assets and "bancassurance" (+36.27% compared with 31 December 2014), but there were falls in commissions from loans and guarantees (-4.05%) and from collections and payment instruments (-1.61%).

(in thousands of Euro)

Net commission income	31.12.2015	31.12.2014	Change	% Change
Trading in currency/financial instruments	6,494	6,588	(94)	-1.43
Indirect deposits and insurance policies	198,130	145,390	52,740	36.27
Credit cards, collections and payments	152,355	154,853	(2,498)	-1.61
Loans and guarantees	339,812	354,158	(14,346)	-4.05
Other commissions	29,902	29,675	227	0.76
Total net commission income	**726,693**	**690,664**	**36,029**	**5.22**

Net commission income in thousands of euro



Net trading income

The net result from trading activities (including dividends) was income of Euro 363.8 million, which was significantly higher than at 31 December 2014 (Euro 187.1 million). This outcome mainly benefited from significant extraordinary items totalling Euro 243.3 million, relating to the sale of an interest in the share capital of Istituto Centrale della Banche Popolari s.p.a. (Euro 174.3 million) and the purchase of a shareholding in Arca SGR s.p.a. that led to its transfer from the "AFS" portfolio to the "Equity investments" portfolio, with a positive impact on the income statement as the pre-existing valuation reserve was reversed to zero (Euro 69 million).

Excluding these components, the result is still positive, featuring Euro 80.5 million of income from the sale of financial assets and Euro 9.4 million of net gains on financial assets.

The gains on disposal of *"Financial assets available for sale*" include the price adjustment (Euro 4 million) relating to the sale of Arca Assicurazioni s.p.a., which took place in 2010 as part of the bancassurance agreement with Unipol Gruppo Finanziario s.p.a. (UGF) calculated at the end of the first significant period (five years) pursuant to the sale contract.

The AFS reserve was positive, amounting to Euro 161.8 million (Euro 211.3 million at 31 December 2014), of which Euro 90.2 million on government securities (Euro 97.9 million at 31 December 2014).

Application of the fair value option to liabilities shows a negative value of Euro 3.1 million (it was negative by Euro 19.7 million at 31 December 2014).

(in thousands of Euro)

Net trading income (including dividends)	31.12.2015	31.12.2014	Change	% Change
Dividends	15,953	19,392	(3,439)	-17.73
Gain on disposal of financial assets and loans	323,793	170,738	153,055	89.64
Gains on financial assets	21,260	19,434	1,826	9.40
Losses on financial assets	(11,916)	(7,390)	(4,526)	61.24
Fair value option	(3,074)	(19,660)	16,586	-84.36
Other revenues (losses)	17,821	4,543	13,278	292.27
Total	**363,837**	**187,057**	**176,780**	**94.51**

Net interest and other banking income

Net interest and other banking income amount to Euro 2,318.1 million, an increase compared with 2014 (+6.85%).

(in thousands of Euro)

Net interest and other banking income	31.12.2015	31.12.2014	Change	% Change
1. Banca popolare dell'Emilia Romagna s.c.	1,717,242	1,599,925	117,317	7.33
2. Bper (Europe) International s.a.	4,608	5,705	(1,097)	-19.23
3. Banca di Sassari s.p.a.	98,876	97,813	1,063	1.09
4. Banco di Sardegna s.p.a.	328,904	370,148	(41,244)	-11.14
5. Cassa di Risparmio di Bra s.p.a.	41,106	53,278	(12,172)	-22.85
Total banks	**2,190,736**	**2,126,869**	**63,867**	**3.00**
Other companies and consolidation adjustments	127,335	42,661	84,674	198.48
Total	**2,318,071**	**2,169,530**	**148,541**	**6.85**

Net adjustments to loans and other financial assets

Net adjustments to loans and other financial assets amounted to Euro 737.8 million, a decrease on 2014 (-14.03%).

Net adjustments to loans, Euro 705.8 million, were lower than in the previous year (-13.16%). This amount includes an adjustment relating to a subordinated security issued by Banca Marche, classified in the "Loans & Receivables" category, written down for its full nominal value of Euro 10 million (previously written down by Euro 7.8 million at 30 September 2015).
The coverage of non-performing loans has again improved (44.22%) since the end of 2014 (+356 bps), as explained in detail earlier.
Net adjustments to *"Financial assets available for sale"* amounted to Euro 27.3 million (Euro 40.3 million at 31 December 2014) following the identification of lasting impairment in accordance with the Group's accounting policies, comprising Euro 20.6 million recorded in the equities portfolio (in particular, Euro 16.3 million relating to the investment in Release s.p.a.), and net adjustments to the UCITS portfolio of Euro 6.7 million to reflect our extremely prudent approach to the measurement of financial assets.

(in thousands of Euro)

Net impairment adjustments to loans (caption 130 a)	31.12.2015	31.12.2014	Change	% Change
1. Banca popolare dell'Emilia Romagna s.c.	558,844	626,531	(67,687)	-10.80
2. Bper (Europe) International s.a.	-	(639)	639	-100.00
3. Banca di Sassari s.p.a.	11,132	20,821	(9,689)	-46.53
4. Banco di Sardegna s.p.a.	79,599	92,576	(12,977)	-14.02
5. Cassa di Risparmio di Bra s.p.a.	21,083	44,261	(23,178)	-52.37
Total banks	**670,658**	**783,550**	**(112,892)**	**-14.41**
Other companies and consolidation adjustments	35,141	29,184	5,957	20.41
Total	**705,799**	**812,734**	**(106,935)**	**-13.16**

The total cost of credit at 31 December 2015 comes to 162 bps (185 bps at 31 December 2014).

The net profit from financial activities of Euro 1,580.3 million is up by 20.51% on 31 December 2014.

Operating costs

Operating costs amount to Euro 1,367.1 million, 9.16% up compared with 2014. This result was negatively affected by:

- Euro 58.6 million of extraordinary provisions for voluntary redundancies and the "Solidarity Fund" made following the agreement signed with the Trade Unions on 14 August 2015, as envisaged by the 2015-2017 Business Plan;
- ordinary and extraordinary contributions to the Single Resolution Fund, as established by Directive (EU) 59/2014 (BRRD) in force from 1 January 2015 for an amount of Euro 53.3 million, and to the Deposit Guarantee Scheme required by Directive (EU) 49/2014 in force from 3 July 2015 for Euro 8.2 million.

The main components of operating costs are as follows.
"Administrative expenses – a) payroll costs", Euro 825.1 million, are up by 4.88% compared with the previous year; net of the extraordinary provision mentioned above (Euro 58.6 million), payroll costs amounted to Euro 766.4 million, a decrease compared with 31 December 2014, taking into account a similar extraordinary cost for 2014 of Euro 9.6 million (-1.37%).

"Administrative expenses – b) other administrative expenses" amount to Euro 585.5 million, an increase of 10.51% compared with the previous year; net of the recovery of taxation, classified under *"Other operating charges/income"*, Euro 123.3 million (Euro 125.4 million at 31 December 2014) and of the contributions to the resolution funds mentioned above (Euro 61.5 million), other administrative expenses (Euro 400.6 million) were 0.93% lower than at 31 December 2014.

"Net provisions for risks and charges" (Euro 52.1 million) are up by Euro 13.4 million; this item includes the extraordinary provisions amounting to Euro 4.8 million for the estimated contributions that are expected to be due to the Solidarity Fund established by the Stability Law 2016 enacted at the end of the year and for the voluntary scheme established under the Interbank Deposit Guarantee Fund to finance the new intervention in favour of Banca Tercas, already carried out in 2014 then recently identified as state aid, and now totally revised.

"Net impairment losses on tangible and intangible assets" amount to Euro 80.2 million, influenced in the last quarter by writedowns on property owned by Euro 10.5 million (Euro 2.8 million at 31 December 2014).

(in thousands of Euro)

Operating costs	31.12.2015	31.12.2014	Change	% Change
1. Banca popolare dell'Emilia Romagna s.c.	973,532	890,163	83,369	9.37
2. Bper (Europe) International s.a.	4,014	3,565	449	12.59
3. Banca di Sassari s.p.a.	79,171	71,874	7,297	10.15
4. Banco di Sardegna s.p.a.	257,072	237,267	19,805	8.35
5. Cassa di Risparmio di Bra s.p.a.	22,487	21,731	756	3.48
Total banks	**1,336,276**	**1,224,600**	**111,676**	**9.12**
Other companies and consolidation adjustments	30,837	27,776	3,061	11.02
Total	**1,367,113**	**1,252,376**	**114,737**	**9.16**

Profit (loss) from equity investments

The caption *"Profit (loss) from equity investments"* has a positive balance of Euro 0.1 million. The impairment testing created writedowns of Euro 5.4 million, which mainly relate to the investments held in Banca della Nuova Terra s.p.a. (Euro 2.9 million), Cassa di Risparmio di Fossano s.p.a. (Euro 1.4 million), Alba Leasing s.p.a. (Euro 0.4 million), while the item was positively affected by the result of investments measured using the equity method, a positive Euro 2.7 million, and by the price adjustment for the sale of Arca Vita s.p.a., under the bancassurance agreement, adjusted by UGF for an amount of Euro 2.7 million.

Net profit

The profit from current operations before tax amounts to Euro 213.5 million (Euro 58.2 million at 31 December 2014).

Income taxes for the period are positive by Euro 5.7 million, positively affected in particular by reduced taxation (Pex regime) on the gain on the sale of ICBPI, the fiscal neutrality of the gain on the portfolio transfer of Arca SGR s.p.a. and by the effects of other unrelated elements (in particular for effects of the ACE deduction).

With reference to the 2016 Stability Law issued at year-end, the rate of IRES has been reduced from 27.5% to 24% from 2017 (paragraph 61). However, credit and financial institutions will not be entitled to this reduction, as an IRES surtax of 3.5% (paragraph 65) was introduced for them at the same time.

This situation did not therefore have any impact on the valuation of the deferred tax assets (DTA) already shown in the financial statements, as they have not undergone any change.

The overall result, net of taxes, was a profit of Euro 219.2 million (Euro 29.8 million at 31 December 2014).

Minority interests show a loss of Euro 1.4 million (profit of Euro 15 million at 31 December 2014).
The net profit attributable to the Parent Company, net of minority interests, is Euro 220.7 million (Euro 14.8 million at 31 December 2014).

(in thousands of Euro)

Net profit	31.12.2015	31.12.2014	Change	% Change
1. Banca popolare dell'Emilia Romagna s.c.	161,962	15,449	146,513	948.37
2. Bper (Europe) International s.a.	348	1,849	(1,501)	-81.18
3. Banca di Sassari s.p.a.	5,738	4,021	1,717	42.70
4. Banco di Sardegna s.p.a.	(6,233)	32,327	(38,560)	-119.28
5. Cassa di Risparmio di Bra s.p.a.	(2,220)	(9,918)	7,698	-77.62
Total banks	**159,595**	**43,728**	**115,867**	**264.97**
Other companies and consolidation adjustments	61,066	(28,931)	89,997	-311.07
Total	**220,661**	**14,797**	**205,864**	**--**

6.5 Group employees

Employees	31.12.2015	31.12.2014	Change
1. Banca popolare dell'Emilia Romagna s.c.	8,021	8,127	(106)
2. Bper (Europe) International s.a.	17	17	-
3. Banca di Sassari s.p.a.	532	542	(10)
4. Banco di Sardegna s.p.a.	2,346	2,380	(34)
5. Cassa di Risparmio di Bra s.p.a.	185	188	(3)
Total banks	**11,101**	**11,254**	**(153)**
Subsidiaries consolidated line-by-line	346	339	7
Total of balance sheet	**11,447**	**11,593**	**(146)**
Subsidiaries consolidated under the equity method	5	-	5
Total	**11,452**	**11,593**	**(141)**

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 2015 include 864 persons seconded to the Group, of which 802 are with BPER Services s.cons.p.a.; the equivalent numbers at 31 December 2014 were 894 and 840, respectively.

6.6 Geographical organisation of the Group

Branches	31.12.2015	31.12.2014	Change
1. Banca popolare dell'Emilia Romagna s.c.	780	816	(36)
2. Banca di Sassari s.p.a.	55	55	-
3. Banco di Sardegna s.p.a.	353	374	(21)
4. Cassa di Risparmio di Bra s.p.a.	28	28	-
Total commercial banks	**1,216**	**1,273**	**(57)**
5. Bper (Europe) International s.a.	1	1	-
Total	**1,217**	**1,274**	**(57)**

7. Principal risks and uncertainties

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", in line with Circular no. 285 of the Bank of Italy of 17 December 2013 – Supervisory instructions for banks), 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, Risk Appetite Framework 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 Executive Board, 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 consultative powers, assists the Chief Executive Officer in the activities related to 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 (risk governance), in the process of capital adequacy of the Group, in the preparation of management reporting on risks and development and monitoring of the system of operating limits.
The Risks Committee is also responsible for the examination of methodologies, tools, reporting and internal regulations attributable to the Risk Control, Compliance, Anti-Money Laundering and Validation functions and to the Manager responsible for preparing the Company's financial reports.
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.

Credit risk

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 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, Regional Division, General Management, Bank and Group) and hierarchical visibility cones.

Important activities in 2015 concerning the Basel 2 project included the following:

- update of the Retail and Corporate models (trends and acceptance phase);
- development of a model for estimating the EAD for Retail counterparts;
- 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, with extension of the time series for all the components *(LGD,* non-performing loans and danger rate).

Advanced methodologies (AIRB) based on internal ratings have long been used as part of the process of defining capital adequacy (ICAAP), but they have to be ratified by the Supervisory Authority before they can be used to measure capital requirements.

For regulatory purposes, in 2015 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.

Financial risk

For the management of financial risk, 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 ALCO and Finance Committee and the Liquidity Committee.

Operational risk

As regards the governance of operational risk, starting from the supervisory reports at 31 December 2013, the BPER Group adopted the Traditional Standardised Approach (TSA) to calculate the capital requirement for operational risk.

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 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).

Since 2015, the Group has implemented an analytical framework for IT risk, with the aim of providing a representation of the current situation and the adjustment interventions necessary to avoid exceeding the threshold set for the Group's risk appetite.

Business Continuity

During 2015, the BPER Group continued to strengthen its business continuity system and solutions with the aim to ensure alignment and compliance with regulatory requirements and, in particular, with the Regulations for Prudential Supervision that came into force with the Bank of Italy's Circular no. 285/13.

For business continuity management, a unique organisational model was defined with distributed responsibilities: this allows the Parent Company to exercise its responsibilities of governance and control. The model was formalised as part of the Business Impact Analysis (BIA) which made it possible to identify the processes and critical resources for the provision of banking services and expected recovery time.

In accordance with these results, a plan for the extension of recovery solutions has been defined for each type of critical resources (human resources, operating sites, IT system). The plan was commenced during the course of 2015 and led to the creation of a new recovery site at the Cesena office, the identification of back-up resources to be engaged in an emergency and the verification of compliance with respect to the completeness of recovery solutions provided for the IT system.

Particular attention was paid to the training of the resources involved in various ways in business continuity management. There has been a specific training course for the main Group Business Continuity Managers (two of them obtained certification from the Business Continuity Institute), as well as the provision of specific classroom sessions for members of staff that oversee the delivery of critical processes. Specific sessions were held for testing and certification of recovery solutions with respect to the scenarios of non-availability of operating sites and the IT system.
The Boards of Directors of individual Group Banks and Companies approved their Business Continuity Plans. At Group level, an implementation plan was also defined to be developed during the course of 2016, which provides for the implementation of other measures of a logistic/real estate, IT and contractual nature for the management of suppliers. New actions are also planned in the field of training of critical resources and conducting testing and certification activities.

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 2011/226 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 half-year 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:			**6,051,423**	**6,717,948**	**6,877,074**	**134,344**	**99.21%**
Italy	BBB+		**5,646,574**	**6,300,709**	**6,457,697**	**132,984**	**93.05%**
		HFT	269,325	315,369	315,369	#	
		CFV	10,000	12,213	12,213	#	
		AFS	4,129,750	4,565,241	4,565,241	132,984	
		HTM	1,237,499	1,407,886	1,564,874	#	
		L/R	-	-	-	#	
U.S.A	AAA		**268,669**	**271,913**	**271,913**	**(1,704)**	**4.02%**
		HFT	-	-	-	#	
		CFV	-	-	-	#	
		AFS	268,669	271,913	271,913	(1,704)	
		HTM	-	-	-	#	
		L/R	-	-	-	#	
U.K	AA+		**40,875**	**44,099**	**44,099**	**3,306**	**0.65%**
		HFT	-	-	-	#	
		CFV	-	-	-	#	
		AFS	40,875	44,099	44,099	3,306	
		HTM	-	-	-	#	
		L/R	-	-	-	#	
European Stability Fund	AA		**35,000**	**40,030**	**40,030**	**(791)**	**0.59%**
		HFT	-	-	-	#	
		CFV	-	-	-	#	
		AFS	35,000	40,030	40,030	(791)	
		HTM	-	-	-	#	
		L/R	-	-	-	#	
Spain	BBB+		**30,000**	**30,277**	**31,026**	**9**	**0.45%**
		HFT	20,000	20,123	20,123	#	
		CFV	-	-	-	#	
		AFS	5,000	5,139	5,139	9	
		HTM	5,000	5,015	5,764	#	
		L/R	-	-	-	#	
Austria	AA+		**13,657**	**13,925**	**13,925**	**530**	**0.21%**
		HFT	4,657	4,768	4,768	#	
		CFV	-	-	-	#	
		AFS	9,000	9,157	9,157	530	
		HTM	-	-	-	#	
		L/R	-	-	-	#	
Portugal	BB+		**10,000**	**10,255**	**11,644**	**-**	**0.15%**
		HFT	-	-	-	#	
		CFV	-	-	-	#	
		AFS	-	-	-	-	
		HTM	10,000	10,255	11,644	#	
		L/R	-	-	-	#	

Issuer	Rating	Cat	Nominal value	Book value	Fair value	AFS Reserves	%
Australia	AAA		**6,646**	**6,738**	**6,738**	**10**	**0.10%**
		HFT	-	-	-	#	
		CFV	-	-	-	#	
		AFS	6,646	6,738	6,738	10	
		HTM	-	-	-	#	
		L/R	-	-	-	#	
Germany	AAA		**2**	**2**	**2**	**-**	**0.00%**
		HFT	2	2	2	#	
		CFV	-	-	-	#	
		AFS	-	-	-	-	
		HTM	-	-	-	#	
		L/R	-	-	-	#	
Central Banks:			**22,963**	**23,031**	**23,031**	**(2)**	**0.34%**
U.K	AA+		**22,963**	**23,031**	**23,031**	**(2)**	**0.34%**
		HFT	-	-	-	#	
		CFV	-	-	-	#	
		AFS	22,963	23,031	23,031	(2)	
		HTM	-	-	-	#	
		L/R	-	-	-	#	
Other public entities:			**30,492**	**30,438**	**31,238**	**(39)**	**0.45%**
Italy	-		**2,121**	**2,120**	**2,460**	**-**	**0.03%**
		HFT	13	13	13	#	
		CFV	-	-	-	#	
		AFS	-	-	-	-	
		HTM	-	-	-	#	
		L/R	2,108	2,107	2,447	#	
France	-		**28,371**	**28,318**	**28,778**	**(39)**	**0.42%**
		HFT	-	-	-	#	
		CFV	-	-	-	#	
		AFS	18,371	18,364	18,364	(39)	
		HTM	10,000	9,954	10,414	#	
		L/R	-	-	-	#	
Total debt securities			**6,104,878**	**6,771,417**	**6,931,343**	**134,303**	**100.00%**

(*) The sum of the percentages shown in the table does not agree with the Issuer's total, but only because of roundings.
The ratings indicated are those of Fitch Rating at 31 December 2015.

Loans

Issuer	Rating	Cat	Nominal value	Book value	Fair value	AFS Reserves	%
Governments:			**1,713,377**	**1,713,377**	**1,713,377**	**-**	**82.69%**
Italy	BBB+		**1,713,377**	**1,713,377**	**1,713,377**	**-**	**82.69%**
		L/R	1,713,377	1,713,377	1,713,377	#	
Other public entities:			**358,787**	**358,787**	**377,450**	**-**	**17.32%**
Italy	-		**354,267**	**354,267**	**372,930**	**-**	**17.10%**
		L/R	354,267	354,267	372,930	#	
Algeria	-		**4,520**	**4,520**	**4,520**	**-**	**0.22%**
		L/R	4,520	4,520	4,520	#	
Total loans			**2,072,164**	**2,072,164**	**2,090,827**	**-**	**100.00%**

(*) The sum of the percentages shown in the table does not agree with the Issuer's total, but only because of roundings.
The ratings indicated are those of Fitch Rating at 31 December 2015.

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	-	609,122	3,107,096	3,055,199	6,771,417
Loans	197,972	298,993	450,730	1,124,469	2,072,164
Total	**197,972**	**908,115**	**3,557,826**	**4,179,668**	**8,843,581**

The BPER Group has no exposures to Greece at 31 December 2015.

7.3 Main litigation and legal proceedings pending

Tax disputes

At 31 December 2015, the overall risks relating to tax disputes are covered by appropriate *"Provisions for risks and charges"* totalling Euro 1,352.7 thousand.

Up to letter c), we report disputes already commented on in the 2014 financial statements.

a) EMRO Finance Ireland ltd tax years 2005-2009

This is a dispute concerning the alleged fictitious relocation abroad of the company's activities for the years 2005-2007 and the consequent omitted declaration of IRES taxation of Euro 14.8 million, plus penalties and interest.
Having considered the authoritative opinion of its advisors, management determined that the demands of the tax authorities were entirely unfounded and, strengthened by the propriety of its conduct, appealed to the Modena provincial tax commission.
The Company won the first round in connection with the tax years 2005 and 2006; tax year 2007 was discussed at the hearing held on 8 February 2016, the results of which are reported in the section on "Significant subsequent events".
As in the case of the earlier tax years, management does not believe that this matter is likely to have adverse consequences.

b) BPER (formerly Em.Ro. popolare s.p.a) tax years 2008-2009

No new elements emerged in 2015. Please refer to the 2014 financial statements. At the reporting date, the related provision amounts to Euro 447 thousand.

c) BPER (formerly Banca della Campania s.p.a) tax years 2009-2010

In the face of disputes arising in the course of 2014 for Banca della Campania (absorbed by BPER on 24 November 2014), the assessment with acceptance procedure pursuant to Legislative Decree no. 218/97 was completed in May 2015, with settlement of the taxes and payment of interest and penalties reduced to one third. The total amount paid was Euro 367 thousand, against which the related provision was released.

d) Nadia s.p.a tax year 2010

On 26 November 2014, the Modena Provincial Tax Authority notified the company of formal irregularities pursuant to art. 36-*ter* of Decree 600/73, regarding the disallowance of the tax credit deducted from the 2011 Tax Declaration. This credit arose in relation to the civil and fiscal revaluation of certain land owned by the company, which was recorded in the 2010 financial statement pursuant and consequent to the Finance Law 266/2005.
Despite the timely application for cancellation, the related amount of Euro 1 million, excluding penalties and interest, was registered for enforced collection.
Convinced that the tax demand is unjustified, the company has challenged the collection notice by appeal to the Modena Provincial Tax Commission.
Pending the outcome, the matter of the litigation has ceased, following relief from the Tax Office.

e) BPER (former Cassa di Risparmio dell'Aquila and Banca popolare di Lanciano e Sulmona): subsidised loans relating to the "Abruzzo earthquake" for the 2010-2011-2012 tax years

This is a dispute relating to the three-year period from 2010 to 2012, involving the reclassification for tax purposes of subsidised loans for the reconstruction and purchase of buildings used as principal place of residence damaged by the earthquake of 6 April 2009, provided by Decree Law 39/2009, converted into law with modification of art. 1, paragraph 1 of Law 77/2009 (so-called "earthquake loans"). The proceedings are challenging the deduction of negative components of income relating to the general writedown made pursuant to art. 106 paragraph 3 of the Consolidated Income Tax Law on receivables arising from the above types of financing. The total amount claimed by the Tax Authorities comes to Euro 3,132.3 thousand, of which Euro 1,565 thousand for the additional tax due and the balance for fines and interest, applied to the extent of the statutory minimum (100% of the additional tax due).
In this regard, it should be noted that the Bank and, before that, the Merged Companies operated in accordance with accounting and tax rules and with the operational notes published at the time by the Bank of Italy. Convinced that the tax demand is unjustified, in the light of the favourable opinion issued to the Bank by the ABI and in consideration of the assessments made by the external legal consultant, the Bank appealed before the competent Tax Commission, and has decided not to make any provision.

f) BPER (formerly Meliorbanca): writedown of agricultural loans as per art. 106 of the Consolidated Income Tax Law, tax year 1999

This is a dispute arising from the former Meliorbanca s.p.a. concerning the alleged unlawful deduction for IRPEG and IRAP purposes of writedowns on agricultural loans made pursuant to art. 106 paragraph 3 of the Consolidated Income Tax Law.
After two rounds in the Company's favour, the Supreme Court unexpectedly upheld the arguments of the Tax Authorities, quashing the second instance sentence in the Company's favour and referring the case to another section of the Lombardy Regional Tax Commission.
As a result of the foregoing, the tax risk borne by the Bank in the dispute in question has been recalculated, setting aside the amount corresponding to the tax assessment, namely Euro 706 thousand.

g) BPER: Audit by the Tax Authorities

In July 2015, the Emilia-Romagna Regional Tax Authorities - Audit and Collection Sector commenced a general tax inspection of Banca popolare dell'Emilia Romagna s.c., principally focused on the 2012 tax year. This inspection was carried out pursuant to the criteria specified in art. 33 of Presidential Decree 600/73 and art. 52 of Presidential Decree 633/72.
On 19 December 2015, a report of audit findings was notified to the Bank following the tax audit carried out by the Regional Tax Directorate of Emilia-Romagna - Audit and Collection Sector on the tax year 2012.
The Bank will deposit defence briefs in accordance with art. 12 Law 212/2000.

h) Banco di Sardegna s.p.a.: audits by the Tax Authorities

On 19 October 2015, Banco di Sardegna received a report of audit findings following the tax audit by the Regional Tax Directorate of Sardinia that began on 10 February 2015, as part of the periodic monitoring of so-called large taxpayers, the category to which the Bank belongs.
The principal issues relate to the determination of the tax base for IRAP purposes, with particular reference to the inclusion in it of the writebacks on collection of default interest and matters of mere accruals relating to out-of-period expenses for revenues assessed and taxed in previous years.

All the findings made by the report, which does not constitute a notice of assessment, are believed to be opposable with valid defensive arguments in the case they are confirmed in a subsequent tax assessment.

Banco di Sardegna s.p.a. - Litigation concerning Istituto per il Credito Sportivo

Istituto per il Credito Sportivo, public credit institute held by Banco di Sardegna s.p.a. (hereinafter "the Bank"), was put into receivership on 28 December 2011. Following the initiative taken by the Special Commissioners, aimed at obtaining the redetermination of the legal nature of a provision made by the Government (provision as per Law 50/83) and the review of the resolutions of distribution to the private shareholders of profits for the years from 2005 to 2010, an interministerial decree was issued on 4 April 2013, which cancelled the institute's 2005 Articles of Association. Subsequently, the Commissioners, with resolution 424 of 13 September 2013, cancelled the resolutions approving the distribution of profits for the years from 2005 to 2010, making a judicial request for the amounts to be returned to the individual shareholders. The proceedings initiated against the Bank are before the Civil Court of Cagliari, although still pending as a result of numerous and complex judicial actions carried out in turn by private shareholders, including the Bank, mainly aimed at challenging the interministerial decree of 4 April 2013 and the Commissioners' resolution 424 of 13 September 2013. Other proceedings brought by another bank against the Istituto per il Credito Sportivo are also pending before the Civil Court of Rome, with a joinder of the other private shareholders, to appeal for the above resolution of Commissioners involving the cancellation of the resolutions approving the distribution of profits.

Ministerial 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 Capital of Istituto per il Credito Sportivo had been reduced from 2.702% to 0.468%. Banco di Sardegna, together with the other participating banks, promptly challenged this last measure.

It should be noted that with ruling 4379 of 9 June 2015, filed on 21 September 2015, the Council of State dismissed the appeals brought by the private shareholders of Istituto per il Credito Sportivo against the unfavourable rulings issued by the Administrative Tribunal of Lazio relating to the cancellation of the interministerial decree of 4 April 2013 and the Commissioners' resolution 424 of 13 September 2013 cancelling the resolutions approving the distribution of profits for the years from 2005 to 2010.

However, as regards the specific issue of cancellation of the resolutions approving the distribution of profits by the Commissioners, the Council of State confirmed the lack of jurisdiction of the administrative courts in favour of the ordinary courts.

The Bank, together with the other private shareholders, is considering taking further legal action. Even if the judgement of the Council of State has not directly affected the civil lawsuits still pending before the ordinary courts, it was considered appropriate to make a prudent provision of Euro 1.6 million to cover the risk.

Banco di Sardegna s.p.a. - Investigations by the Guardia di Finanza (Tax Police)

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 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.

BPER (former Cassa di Risparmio dell'Aquila) - 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 the former CARISPAQ, from 27 May 2013 absorbed by BPER.

In this context it should be noted that CARISPAQ has been cited as being civil responsible in the criminal proceedings before the Court of Rome, 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.

On 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.

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, revoked the first degree judgement against BPER, 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 (*res judicata* in legal jargon).

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, ended on 30 September 2015 with full acquittal of the accused.

In particular, one of them was 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 no. 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. no. 2049 of the Italian Civil Code. Our defence has been entrusted to a leading Bologna law firm.

As mentioned previously, the first degree criminal proceeding was concluded with a favourable outcome for the defendants and, consequently, for BPER. In particular, the judgement of the Court in Rome of 30 September 2015 declared the two defendants not guilty because the offence is not a crime and the third defendant for not having committed the crime.

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 (there are currently 62 plaintiffs with claims of about Euro 41.5 million), 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, which are also now excluded from the above judgements in criminal matters. The *status* of these civil proceedings is at different stages of completion and in only one of them, where a decision has been reached, BPER was ordered to pay damages for Euro 16 thousand. With regard to this decision, for which the reasons appear to be absurd and groundless, the Bank presented its appeal based on a series of reasons.

For an assessment of the potential financial and economic impacts that could arise from this situation, 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, at first instance and now finally and successfully completed in the Supreme Court, 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 by the judgement of the Supreme Court of 3 February 2015, as well as by the acquittal at first instance by the Criminal Court of Rome dated 30 September 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.

BPER - 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[28] has established internal control guidelines for the entire BPER Group by issuing and implementing the "Guidelines for the Group internal control system", updated, in particular with the implementation of the adjustments to the new Regulations for the prudential supervision of banks (Circular no. 285 of the Bank of Italy dated 17 December 2013 – "Supervisory Instructions for Banks" and subsequent updates).
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 "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 11th update of Circular no. 285/2013, Part I, Title IV, Chapter 3 of July 2015.
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 "Internal control system of the BPER Group" is designed to take account of the business specifics of each Group company and comply with the principles established by the Supervisory Authorities, being:

- proportionality in the application of rules according to size and operations;
- graduality in progressively transferring to more advanced methodologies and processes for measuring risk and the capital that is available as a result;
- unity in the definition of the approaches used by the various functions foreseen in the Group's organisational system;
- economy, defined as containment of costs for intermediaries.

In application of the principles described and as a general rule, the internal control system of the Group envisages outsourcing to the Parent Company the second and third-level control functions of the Italian Group companies; however, as required by the regulations, the latter still remain responsible for their performance.

[28] *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.*

Group companies are responsible for ensuring that operations are carried out properly, in particular by performing the necessary line controls.
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.

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) and related operational limits and the maximum assumable risk (risk capacity).
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 summary 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.

The process defines the roles and responsibilities of the Corporate Bodies and functions involved, adopting coordination mechanisms that ensure the effective inclusion of risk appetite within operational activities. In particular, the Group reconciles the RAF, business model, strategic plan, ICAAP and budget in a consistent manner via a complex system of coordination mechanisms.
Consistent with the process of managing the RAF, a series of activities were carried out in 2015 in order to consolidate the risk appetite objectives:

- Group regulations for the process of managing the RAF: describes the process of managing the RAF, defining the roles and responsibilities of the bodies and functions involved and identifies those elements that express the Group's risk appetite for both measurable and non-measurable risks;
- Risk Appetite Statement (RAS) for the BPER Group: formalises the decisions made regarding the RAF, contains a qualitative declaration about the orientation of the Group towards the acceptance of risk, consistent with the short/long-term strategy adopted, and identifies the risks that are significant for the Group, the metrics and the relate levels of significance (risk appetite, risk tolerance, risk capacity) that express the Group's risk appetite for measurable risks. provides qualitative indications for the manage of risks that are difficult to measure;
- monitoring and management of threshold overruns: consistent with the RAF Regulation, the process of monitoring and quarterly reporting has been implemented in order to highlight the performance of the risk profile and the RAF metrics with respect to the related risk appetite parameters.

8.3 Managing 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[29].

[29] *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").*

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;
- 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.

The Board of Directors appoints and dismisses the heads of the corporate control functions and the Manager responsible for preparing the Company's financial reports, after consultation with the Control and Risk Committee, the Nominations Committee, the Board of Statutory Auditors and the Chief Executive Officer[30].

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 supervisory regulations, 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;
- 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;

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

- 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[31], 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:

[31] *Supervisory instructions for banks – Circular no. 285 of the Bank of Italy, Part I, Title IV, Chapter 3, Section II, paragraph 2 "assures 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".*

- 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;
- monitors, with the assistance of the relevant functions, effective use of internal systems for management purposes and their compliance with regulatory requirements;
- 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[32].

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

[32] *a) 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".

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 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 collaborate in the definition and implementation of the RAF and the related risk governance policies, through an adequate risk management process, by checking adequacy. To define methodologies, processes and tools to be used in the activity of risk management. To ensure consistency of the measurement and risk control systems with processes and methodologies to assess business operations. To ensure correct representation of the risk profile and enhancement of credit positions, perform assessments on monitoring and recovery processes, oversee the process of attribution/monitoring of the official rating and exercise second level controls on the credit chain. 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 BPER Group functions

8.5.1. Group Internal Audit Department

The mission of the Internal Audit function consists of promoting the continuous improvement of the internal control system through the assessment of its effectiveness and verification of the regularity of operations and risk trends, in order to bring to the attention of Senior Management and management

any potential improvements to policies, to risk management procedures and to the means used for monitoring and control.
Internal Audit's activities are aimed at the creation of value added and the improvement of the Group's business processes.
The mission of the 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 other components of the internal control system, risk management and other corporate processes. It brings to the attention of the Corporate Bodies any improvements that can be made, especially to the Risk Appetite Framework (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 increased, subsequently evolving with the absorption of various Group Banks in recent years and with the centralisation of the internal audit function of the Sardinian subsidiaries within the Parent Company.
At 31 December 2015, the only exception remaining is Cassa di Risparmio di Bra s.p.a., whose third-level control functions will be centralised within the Parent Company from 1 January 2016.

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.

The organisational structure of the Department is made up as follows: 4 offices in staff functions for the Head of Department; 1 Office and 2 Units reporting to the Head of Department.

8.5.2 Group Risk Management Department

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 Risk Governance 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 Banks and Companies included in the banking group and to all subsidiaries that are not members of the banking group, since they do not contribute directly to its activities, 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 Group Anti-Money Laundering Unit

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 banks and non-banking companies subject to money laundering regulations.

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 aimed at preventing and combating money laundering, in order to ensure adequate control over the non-compliance risks that have been identified and to monitor 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 General Manager 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 to confirm proper input to the Single IT Archive (SITA), as part of compliance with the obligation to keep the SITA properly in accordance with art. 36 et seq. of Legislative Decree no. 231/07, and to detect any 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 no. 231/07;
- manages relations with the Financial Information Office, 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 Group Compliance Unit

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, paragraph 2-*bis* of Legislative Decree no. 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 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 Administration and 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 governance 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 no. 231/01

The Parent Company, in compliance with arts. 6 and 7 of Legislative Decree no. 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 specialist skills, especially of a legal/organisational nature, including experience of controls, 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 no. 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 no. 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;
- adoption by Group Banks and the BPER Services s.cons.p.a. Consortium of 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 inform the Supervisory Board, on the basis specified in the Model of Organisation and Management, about:

- 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 no. 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 Legislative Decree no. 231/01;
- routine reports requested 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, Group Compliance, Risk Management, Human Resources, Financial Reporting Monitoring Office);
- 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 no. 231/01;
- information about activities identified by the Model as “sensitive” in terms of their frequency and operational significance;
- 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 no. 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 no. 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 no. 231/01 by the individual Group banks and by BPER Services s.cons.p.a., in compliance with the provisions of Legislative Decree no. 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.

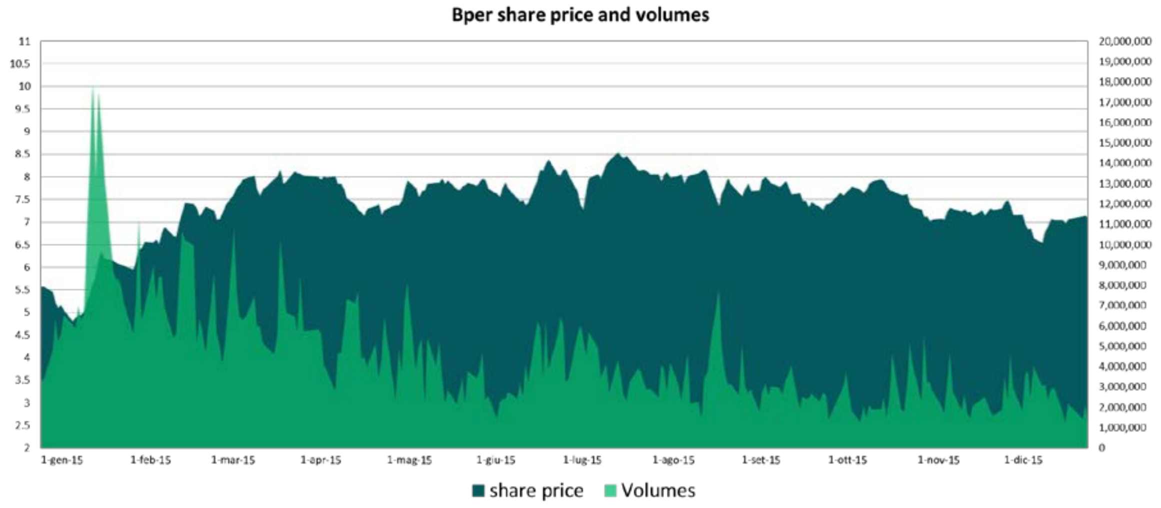
The carrying amount of the Group’s interest in the treasury shares held by consolidated companies, classified as a deduction from shareholders' equity caption 200, is Euro 7,255 thousand, of which Euro 7,253 thousand relates to BPER shares held by the Parent Company.

Shares of Banca popolare dell'Emilia Romagna s.c.	Number of shares	Total par value	Group interest
Total as at 31.12.2015	455,458	1,366,374	7,253,180
Total as at 31.12.2014	455,458	1,366,374	7,257,112

There are also 25,361 shares relating to Banca di Sassari s.p.a., held by it, for a total of Euro 2.3 thousand, the same as at 31 December 2014.

9.2 Share price performance

The Italian FTSE MIB index has risen by 12.7% since the start of the year, while the French CAC index increased by 9.5% during the year and the Spanish IBEX index decreased by 6.2%. The Frankfurt exchange was also up by 9.6%, while London fell during the year (-4.2%). In the USA, the S&P500 index on Wall Street closed 2015 down by 0.8% and the Dow Jones index declined by 2.2%. In Japan, the Tokyo exchange rose significantly, with a rise of 9% during the year.
In 2015, the FTSE MIB index of the Italian Stock Exchange closed at 21,418 points, with a high on 20 July 2015 at 24,031 points and a low on 7 January 2015 at 18,123 points. Overall, the BPER stock turned in a very positive performance in 2015 (+28.8%) compared with the performance of the FTSE Italia All Share Banks sector index, which posted a +14.8%.
BPER's official share price at 2 January 2015 was Euro 5.58 and at 30 December 2015 it was Euro 7.04, with a high of Euro 8.64 (on 21 July 2015), a low of Euro 4.704 (on 12 January 2015) and a straight average of Euro 7.4171.
Average daily volumes increased significantly from the start of the year, settling at around 4.5 million shares, reflecting the share's rising level of liquidity and its visibility to investors.



9.3 Shareholders

At 31 December 2015 there were 85,296 members (excluding 214 who had sold their shares and were formally no longer entitled to membership, who were struck off the related register by a Board resolution on 12 January 2016), compared with 89,790 members at 31 December 2014.
A total of 1,714 registered shareholders were admitted during 2015, while 6,208 lapsed. Forfeitures essentially derive from the removal from the Register of Members of those who, having deposited their BPER shares at branches not belonging to the BPER Group, following payment of the dividend on 18 May 2015, it came to our attention that they no longer held sufficient BPER shares compared with the minimum number required to maintain Membership (currently 100 shares).

9.4 Ratings as at 31 December2015

International Rating Agency	Issue date	Long term	Short-term	Outlook
Standard & Poor's	2 December 2015	BB-	B	Positive
Fitch Ratings	19 May 2015	BB	B	Stable

Standard & Poor's

On 2 December 2015, Standards & Poor's confirmed its long and short-term rating to BB-/B and improved outlook on the Bank from "positive" to "stable". The "positive" outlook reflects the Rating Agency's opinion that more favourable economic conditions in Italy should help improve the Bank's asset quality and profitability in the next two years.

Fitch Ratings

On 19 May 2015, as part of a review of Italian and international banks, Fitch revised the Long-Term rating of the Bank from "BB+" to "BB". At the same time, Fitch confirmed the Short-Term rating as "B". The outlook was improved to stable from negative, with an indication that the outlook for the solvency of BPER on a stand-alone basis, without support from the Italian State if necessary, is currently stable.
The Agency also confirmed the viability rating as "bb" and revised the support rating ("SR") of BPER to "5" from "3" and the support rating floor ("SRF") to "No Floor" from "BB+".

9.5 Investigations and audits

CONSOB

On 19 September 2014, CONSOB summoned management of the Parent Company to examine certain profiles worthy of study with regard to the model adopted for the provision of investment services and related activities. On 10 December 2014, BPER sent CONSOB a report minuting the topics that had been discussed.
Early 2015 saw completion of all the planned activities for the implementation of structures relating to the customer protection model, as part of the provision of investment services. At the date of this report, no further requests have been received.

Bank of Italy

An inspection pursuant to arts. 54 and 68 of Legislative Decree no. 385/1993 began at BPER on 5 February 2015 and was completed during May 2015. The purpose was to evaluate "Compliance with the rules on the transparency of transactions, fairness in dealings with customers and the combating of money laundering".
BPER considers that this inspection was 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.
The report identified areas of improvement, many of which were recognised at the time of the inspection. Corrective action has already commenced and, in general terms, will take priority over all the other work already planned.
On 23 September 2015 the Bank sent its response to the Supervisory Authority.

European Central bank – ECB

In accordance with Council Regulation (EU) 1024/2013 of 15 October 2013 and Regulation ECB/2014/17 of 16 April 2014, the ECB commenced an inspection of BPER on 16 June 2015, focusing on governance, risk management, remuneration system and the Group's internal control system. The inspection was completed on 18 September 2015. The conclusions had still not been notified at 31 December 2015 . As regards further developments, please refer to the chapter of this report on "Significant subsequent events".

9.6 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. no. 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, BPER adopted the "Group Regulations for the management of transactions with related parties and associated persons", implemented by all of the Group Banks and other Companies as well. These Regulations, last 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 and associated persons" 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 also adopted the following documents:

- "Group policy on controls over risk activities and conflicts of interest with related parties and associated persons", in effect from 31 December 2012, which was firstly announced at the Shareholders' Meeting held on 20 April 2013 and whose current version was updated on 11 November 2015;
- "Group Regulations for the monitoring of prudential limits on risk activities – monitoring of prudential limits on risk activities with related parties and associated persons", lastly updated on 24 June 2014.

Note that on 31 December 2015, 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 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 counterparty	Object of the transaction	Consideration for each transaction completed (Euro/000)	Other information
1	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 Banca popolare dell'Emilia Romagna: framework resolution	2,000,000	Information document of 9 February 2015
2	Banco di Sardegna s.p.a.	Banca popolare dell'Emilia Romagna s.c.	Direct Parent Company	Purchases and sales of Italian and foreign government bonds and Corporate securities with the Parent Company Banca popolare dell'Emilia Romagna: framework resolution	6,000,000	Information document of 9 February 2015
3	Banco di Sardegna s.p.a.	Banca popolare dell'Emilia Romagna s.c.	Direct Parent Company	Repo transactions in government securities with the Parent Company Banca popolare dell'Emilia Romagna: framework resolution	2,000,000	Information document of 9 February 2015
4	Banco di Sardegna s.p.a.	Banca popolare dell'Emilia Romagna s.c. and other Group banks and companies	Direct Parent Company	Subscription to bonds issued by the Parent Company Banca popolare dell'Emilia Romagna: framework resolution	1,000,000	Information document of 9 February 2015
5	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 Banca popolare dell'Emilia Romagna: framework resolution	2,000,000	Information document of 9 February 2015
6	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 Banca popolare dell'Emilia Romagna: framework resolution	1,000,000	Information document of 9 February 2015

No.	Company that initiated the transaction	Name of the transaction counterparty	Nature of the relationship with the counterparty	Object of the transaction	Consideration for each transaction completed (Euro/000)	Other information
7	Banca popolare dell'Emilia Romagna s.c.	EMRO Finance Ireland Limited	Directly controlled subsidiary	Renewal of credit line	400,000	Transaction exempt from market disclosure pursuant to art. 14 paragraph 2 of Regulation 17221
8	Banca popolare dell'Emilia Romagna s.c.	EMRO Finance Ireland Limited	Directly controlled subsidiary	Renewal of credit line	250,000	Transaction exempt from market disclosure pursuant to art. 14 paragraph 2 of Regulation 17221
9	Banca popolare dell'Emilia Romagna s.c.	Sardaleasing s.p.a.	Directly controlled subsidiary	Renewal of credit line	777,000	Transaction exempt from market disclosure pursuant to art. 14 paragraph 2 of Regulation 17221
10	Banca popolare dell'Emilia Romagna s.c.	Sardaleasing s.p.a.	Directly controlled subsidiary	Renewal of credit line	500,000	Transaction exempt from market disclosure pursuant to art. 14 paragraph 2 of Regulation 17221
11	Banca popolare dell'Emilia Romagna s.c.	Banco di Sardegna s.p.a.	Directly controlled subsidiary	Repo transactions	261,852	Transaction exempt from market disclosure pursuant to art. 14 paragraph 2 of Regulation 17221
12	Banca popolare dell'Emilia Romagna s.c.	Banco di Sardegna s.p.a.	Directly controlled subsidiary	Repo transactions	299,538	Transaction exempt from market disclosure pursuant to art. 14 paragraph 2 of Regulation 17221

No.	Company that initiated the transaction	Name of the transaction counterparty	Nature of the relationship with the counterparty	Object of the transaction	Consideration for each transaction completed (Euro/000)	Other information
13	Banca popolare dell’Emilia Romagna s.c.	Estense Covered Bond s.r.l.	Directly controlled subsidiary	Repo transactions	359,998	Transaction exempt from market disclosure pursuant to art. 14 paragraph 2 of Regulation 17221
14	Banco di Sardegna s.p.a.	Sardaleasing s.p.a.	Directly controlled subsidiary	credit line	300,000	Transaction exempt from market disclosure pursuant to art. 14 paragraph 2 of Regulation 17221
15	Banca popolare dell’Emilia Romagna s.c.	Banco di Sardegna s.p.a.	Directly controlled subsidiary	Repo transactions	277,120	Transaction exempt from market disclosure pursuant to art. 14 paragraph 2 of Regulation 17221
16	Banca popolare dell’Emilia Romagna s.c.	Banco di Sardegna s.p.a.	Directly controlled subsidiary	Repo transactions	277,100	Transaction exempt from market disclosure pursuant to art. 14 paragraph 2 of Regulation 17221
17	Banca popolare dell’Emilia Romagna s.c.	Banco di Sardegna s.p.a.	Directly controlled subsidiary	Repo transactions	276,945	Transaction exempt from market disclosure pursuant to art. 14 paragraph 2 of Regulation 17221
18	Banca popolare dell’Emilia Romagna s.c.	Banco di Sardegna s.p.a.	Directly controlled subsidiary	Repo transactions	276,975	Transaction exempt from market disclosure pursuant to art. 14 paragraph 2 of Regulation 17221

No.	Company that initiated the transaction	Name of the transaction counterparty	Nature of the relationship with the counterparty	Object of the transaction	Consideration for each transaction completed (Euro/000)	Other information
19	Banca popolare dell'Emilia Romagna s.c.	Banco di Sardegna s.p.a.	Directly controlled subsidiary	Repo transactions	276,650	Transaction exempt from market disclosure pursuant to art. 14 paragraph 2 of Regulation 17221
20	Banca popolare dell'Emilia Romagna s.c.	Banco di Sardegna s.p.a.	Directly controlled subsidiary	Repo transactions	331,890	Transaction exempt from market disclosure pursuant to art. 14 paragraph 2 of Regulation 17221
21	Banca popolare dell'Emilia Romagna s.c.	Banco di Sardegna s.p.a.	Directly controlled subsidiary	Repo transactions	331,590	Transaction exempt from market disclosure pursuant to art. 14 paragraph 2 of Regulation 17221
22	Banca popolare dell'Emilia Romagna s.c.	Banco di Sardegna s.p.a.	Directly controlled subsidiary	Repo transactions	331,170	Transaction exempt from market disclosure pursuant to art. 14 paragraph 2 of Regulation 17221
23	Banca popolare dell'Emilia Romagna s.c.	Banco di Sardegna s.p.a.	Directly controlled subsidiary	Repo transactions	330,150	Transaction exempt from market disclosure pursuant to art. 14 paragraph 2 of Regulation 17221
24	Banca popolare dell'Emilia Romagna s.c.	Banco di Sardegna s.p.a.	Directly controlled subsidiary	Repo transactions	330,060	Transaction exempt from market disclosure pursuant to art. 14 paragraph 2 of Regulation 17221

No.	Company that initiated the transaction	Name of the transaction counterparty	Nature of the relationship with the counterparty	Object of the transaction	Consideration for each transaction completed (Euro/000)	Other information
25	Banca popolare dell'Emilia Romagna s.c.	Banco di Sardegna s.p.a.	Directly controlled subsidiary	Repo transactions	330,270	Transaction exempt from market disclosure pursuant to art. 14 paragraph 2 of Regulation 17221
26	Banca popolare dell'Emilia Romagna s.c.	Banco di Sardegna s.p.a.	Directly controlled subsidiary	Repo transactions	330,210	Transaction exempt from market disclosure pursuant to art. 14 paragraph 2 of Regulation 17221
27	Banca popolare dell'Emilia Romagna s.c.	Emilia Romagna Factor S.p.A.	Directly controlled subsidiary	Renewal of credit line	900,000	Transaction exempt from market disclosure pursuant to art. 14 paragraph 2 of Regulation 17221
28	Banca popolare dell'Emilia Romagna s.c.	Alba Leasing S.p.A.	Direct associated company	Renewal of credit line	570,000	Transaction exempt from market disclosure pursuant to art. 14 paragraph 2 of Regulation 17221
29	Banco di Sardegna s.p.a.	Banca popolare dell'Emilia Romagna s.c.	Direct Parent Company	Bank savings deposit	2,200,000	Information document of 10 November 2015
30	Banco di Sardegna s.p.a.	Banca popolare dell'Emilia Romagna s.c.	Direct Parent Company	Subscription to bonds	950,000	Information document of 10 November 2015

No.	Company that initiated the transaction	Name of the transaction counterparty	Nature of the relationship with the counterparty	Object of the transaction	Consideration for each transaction completed (Euro/000)	Other information
31	Banco di Sardegna s.p.a.	Banca popolare dell'Emilia Romagna s.c.	Direct Parent Company	Repo transactions	300,000	Information document of 10 November 2015
32	Banca popolare dell'Emilia Romagna s.c.	Banco di Sardegna s.p.a.	Directly controlled subsidiary	Renewal of credit line	400,000	Transaction exempt from market disclosure pursuant to art. 14 paragraph 2 of Regulation 17221
33	Banca popolare dell'Emilia Romagna s.c.	Sardaleasing s.p.a.	Directly controlled subsidiary	Renewal of credit line	700,000	Transaction exempt from market disclosure pursuant to art. 14 paragraph 2 of Regulation 17221
34	Banca popolare dell'Emilia Romagna s.c.	Sardaleasing s.p.a.	Directly controlled subsidiary	Renewal of credit line	777,000	Transaction exempt from market disclosure pursuant to art. 14 paragraph 2 of Regulation 17221
35	Banca popolare dell'Emilia Romagna s.c.	Banco di Sardegna s.p.a.	Directly controlled subsidiary	94 repo transactions concluded in the 2nd half of 2015	(*)	Transaction exempt from market disclosure pursuant to art. 14 paragraph 2 of Regulation 17221
36	Banca popolare dell'Emilia Romagna s.c.	Estense Covered Bond s.r.l.	Directly controlled subsidiary	Repo transactions	420,023	Transaction exempt from market disclosure pursuant to art. 14 paragraph 2 of Regulation 17221

(*) With regard to repurchase agreements concluded bilaterally between the Parent Company and the subsidiary Banco di Sardegna s.p.a., it should be noted that these increased in the second half of 2015, due to changes in operations which permitted a more effective supply of liquidity to the market by recourse to this subsidiary bank.
It should be noted that the 94 transactions mentioned above are included in the range between Euro 265,453 thousand and Euro 331,080 thousand.

b) other individual transactions with related parties as defined under article no. 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

Note that during 2015, Tholos s.p.a., a subsidiary of Banco di Sardegna s.p.a., completed an increase in capital of Euro 35 million, which was fully subscribed by Banco di Sardegna.
As required by CONSOB Regulation 17221/10 with regard to other transactions with related parties, it is confirmed that no transactions have had a significant effect on the balance sheet or results of the company.

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.

9.7 Information on atypical, unusual or non-recurring transactions

During the first half of 2015 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, as defined by CONSOB regulations. As regards strategic and extraordinary transactions, please refer to what has already been discussed in other parts of this report.

9.8 Information on business continuity, financial risks, impairment tests and uncertainties regarding 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 Group's 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 Parent Company's 2015 financial statements have been measured in the context of long-term business continuity. To confirm and strengthen this assessment, it should be noted that, on 11 February 2015, the Parent Company's Board of Directors approved the new Business Plan for 2015-2017, which is discussed further in chapter 3.2 of this Report.

Financial risk

Part E of the Explanatory notes provides qualitative and quantitative information on the principal types of financial risk normally faced by the Group.

With regard to market risks, the quantification of the capital required to cover them shows that the amount is insignificant (Euro 51.3 million, being 1.60% of total capital requirements at 31 December 2015).
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 Parent Company trades on own account.
With regard to liquidity, the composition of assets shows a customer loans/deposits ratio of 92.48% (down on 95.10% on 31 December 2014) and financial investments (represented by the asset captions from 20 to 50, under Financial assets) as a ratio of customer indebtedness (liability caption 20 *"Due to customers"*) is 32.32% (30.33% at 31 December 2014) and as a ratio of direct deposits is 25.47% (22.31% at 31 December 2014).
The net interbank position at 31 December 2015 is a negative balance of Euro 4,436 million (Euro 4,770 million at the end of 2014).
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 5,331 million, of which Euro 3,004 million have been refinanced (Euro 2,327 million is still available). These include:

- securities from self-securitisations of portfolios of performing residential mortgage loans granted to the Bank's own customers (currently Euro 586 million, eligible for refinancing up to Euro 480 million), using the special purpose vehicle Estense Finance s.r.l.;
- securities from self-securitisations of portfolios of performing residential mortgage loans granted to the Bank's own customers in the SME segment (currently Euro 334 million, eligible for refinancing up to Euro 284 million), using the special purpose vehicles Estense SME s.r.l. and Multi Lease AS s.r.l.;
- Guaranteed Bank Bonds issue by the Bank with a nominal value of Euro 625 million, eligible for refinancing up to Euro 543 million, using the special purpose vehicle Estense Covered Bond S.r.l;
- Collateralised Bank Assets (A.BA.CO) for Euro 1,968 million at 31 December 2015, of which Euro 1,084 million eligible for refinancing.

In view of the amount of securities available for refinancing, the Parent Company'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 Group 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 (so-called "trigger events"); 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.
Disclosure has already been made of the methodologies and assumptions adopted for the performance of these activities in Parts A and B of the Explanatory notes, which also include the results of Stress Tests required by law.

This testing for impairment revealed the need to make adjustments to the overall investment portfolio of Euro 5.4 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 notes, revealed cases in which impairment adjustments had to be made for a total of Euro 27.3 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 performed by Praxi s.p.a. (except for Cassa di Risparmio di Bra for which it was decided to carry on as before until such time that appraisals are realigned for the entire Group) 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 2015) 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.
During 2015, full appraisals were commissioned for buildings subject to commercial negotiations to be sold and certain other properties potentially sellable, with a significant value.
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 by Euro 10.5 million, compared with the Group's total real estate assets of Euro 608.4 million (net book value of the buildings), in addition to writedowns of "property held for resale" by Group real estate companies for Euro 3 million.

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 Group has taken the greatest possible care when measuring its exposures at 31 December 2015, 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.

9.9 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, 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 companies

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 notes, in paragraph "23 - Business Combinations: allocation of the purchase cost".

The tests were carried out on the basis of an updated discount rate (Ke) of 9.36% (a rate of 8.36% was used at 31 December 2014), in line with market conditions and relevant benchmarks.

For 2015 and 2016, reference was also made to the financial projections made on the basis of the budgets approved by the individual banks, especially for the subsidiaries.

For the period 2017-2020, 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 on goodwill allocated to subsidiary companies did not have any 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 Group 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 - Methods of determining fair value".

9.10 Remuneration policies

The remuneration policies of the entire BPER Group were established during 2015 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 2016.

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 no. 58 of 24 February 1998, comprising the remuneration policies for 2016 of the BPER Group and the annual disclosure regarding implementation of the remuneration policies for 2015".

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. 2016 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 2016;
II. 2015 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 2015 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 no. 58 dated 24 February 1998, implementing the remuneration policies for 2016 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.
Please refer to Part I of the notes for further details.

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.

9.11 Report on the Arms Industry

As already mentioned in the chapter on Corporate social responsibility (CSR), it is worth noting the preparation of the 2015 Report on the Arms Industry in compliance with the Group Guidelines for the regulation of relations with the Armed Forces and arms manufacturers.
This annual report, which has been approved by the Board of Directors of the Parent Bank, is the second of its kind to be prepared by the Group. It reports on the following types of activities in 2013-2014:

- the identification of counterparties affected by the Guidelines;
- calculation of the aggregate of transactions by individual Group bank with an indication of the number and total amounts;
- other relevant aspects such as decisions regarding embargos of specific countries, any exceptions to the guidelines, staff training, relations with civil society, businesses and entities for identification purposes.

The report will be published on the websites of the Bank and the Group, together with the Separate financial statements of BPER and the Consolidated financial statements of the Group, in the section dedicated to documentation for the Shareholders' Meeting, as well as in the "sustainability" section.

9.12 CONSOB Communication 0007780/16 on the issues of particular importance in financial reports at 31 December 2015

On 28 January 2016, CONSOB distributed Communication 0007780/16, which tells listed companies the areas to be highlighted with particular emphasis in their 2015 and subsequent financial statements. The Communication follows a similar document published by ESMA (European Securities and Markets Authority) on 27 October 2015 (ESMA/2015/1608).
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 impact of current market conditions on disclosures in the financial statements (IAS 1 and IAS 36):
  To start with, the BPER Group provides ample disclosure of the parameters used in the valuation models applied in Part A.2 of the notes; in addition, other parts of the notes provide information on this matter;
- The application of accounting principles relating to the preparation and presentation of financial statements (IAS 7):

BPER's banking *status* leads us to believe that the disclosures made in accordance with the rules issued by the Bank of Italy with Circular no. 262/2005 are completely exhaustive.

- The calculation and disclosure of the fair value of non-financial assets and liabilities recorded in the financial statements (IFRS 13):
  The BPER Group provides disclosure in Part A.4 of the notes on the use of fair value. At 31 December 2015, the BPER Group did not have any non-financial assets and liabilities as foreseen in IFRS 3, IFRS 5 and IAS 40 as referred to in IFRS 13;
- the financial reporting of joint agreements (IFRS 11 and IFRS 12):
  The BPER Group does not have any Joint Agreements.
- The impact of application of new accounting standards (IFRS 9 and IFRS 15):
  BPER participates in the Working Group promoted by ABI for the analysis of the new IFRS 9, which will to a large extent replace the current IAS 39 with effect from 1 December 2018.
  At the same time, the Parent Company is activating its own specific project, whose first target is an assessment of the areas impacted by the new standard and any gaps that may derive from it.
  At the same time, we are carrying our analyses to implement suitable parameters for measuring risk. Only once the project has been developed, presumably towards the end of 2016, will the first estimates of the capital, economic and organisational impact be obtained in an important and pervasive way.
  On the other hand, no project has yet been commenced with regard to IFRS 15, though it is believed that it will not have any real impact on the BPER Group.

In line with the opinion expressed by ESMA, CONSOB has also drawn the attention of the persons involved in the preparation of financial statements to provide clear and comprehensive disclosure, focused on specific factors of greater importance for the entity in order to improve the relevance, consistency and legibility of the information contained in financial reports.

10. Significant subsequent events and outlook for operations

10.1 Significant events subsequent to 31 December 2015

Draft Amendments to the Articles of Association

On 12 January 2016, the Parent Company's Board of Directors, with the approval of the Board of Statutory Auditors, approved draft amendments to the Articles of Association to be submitted at the next Shareholders' Meeting, which will be convened to approve the 2015 financial statements.
The draft forms part of the plan to transform the legal form of the Bank from a cooperative to a joint-stock company in accordance with the current regulations.
With this in mind, without prejudice to further changes that may be proposed to the Extraordinary Shareholders' Meeting that will be called to resolve on the transformation, the draft, which meets the need to bring the Company's governance more into line with market best practices, provides for:

- introduction of the so-called *"simul stabunt, simul cadent"* clause, which envisages the forfeiture of the entire Board in the event of termination of the majority of directors appointed by the Shareholders' Meeting;
- elimination of the current system for the appointment of directors with different expiry dates (the so-called "staggered board" system), adopting a single system of electing the administrative body as a result. This innovation will be implemented gradually thanks to a transitional system whereby the mandates granted to Directors at the next two elections (i.e. the AGMs in 2016 and 2017 for partial renewal of the Board) will only last for one year). This will already ensure the election of a majority of the directors on the occasion of partial appointment of the Board to be held at the AGM in 2017 (and therefore, presumably, the first general meeting after the transformation into a joint-stock company), and its complete renewal starting from the AGM for the appointment of the Board of Directors to be held in 2018;
- certain changes to the transitional provisions contained in the Articles of Association, aimed at achieving a single system for electing the administrative coinciding with the election of the Board of Statutory Auditors, i.e. at the AGM called to approve the 2017 financial statements;
- a number of related minor amendments to the Articles of Association to coordinate the whole.

Sardaleasing: Multi Lease2 self-securitisation

On 26 January 2016, the sale of a pool of performing loans to the SPV Multi Lease AS s.r.l. was formalised, with effect from 1 January 2016, while the securities were issued on 22 February 2016 for a total of Euro 658 million.

Covered Bonds: GBB1 new issues

On 28 January 2016 the sale of EUR 1.1 billion of residential mortgage loans was formalised as part of the first issue programme of Covered Bonds (or Guaranteed Bank Bonds, hence GGB). The sale took effect as of 1 January 2016. This additional sale - the sixth of the Programme - is aimed at creating the conditions for a possible further bond issue exclusively to institutional investors to be implemented during the course of 2016, subject to market conditions. This initiative is in line with the BPER Group's Business Plan which identifies Covered Bond issues as a way to diversify funding, reduce its cost and extend liability maturities.

Tax disputes: EMRO Finance Ireland ltd tax years 2005-2009

It should be noted that, following the hearing held on 8 February 2016, the Modena Provincial Tax Commission ruled in favour of the Company, cancelling the entire tax assessment for the tax year 2007 and ordering the Tax Authorities to reimburse the costs.

European Central bank – ECB

After the year-end, the dialogue with the European Central Bank continued with regard to the inspection, completed in 2015, involving the areas of governance, risk management, the remuneration system and the Group's internal control system. The results of the inspection were anticipated in a preliminary communication dated 1 February 2016 and will be discussed at a final meeting with the Joint Supervisory Team. They will then be finalised in a follow-up letter from the Supervisory Authority with recommendations on the matters than were checked. The inspection did not result in the application of sanctions by the Supervisory Authority.

On 26 January 2016 the ECB commenced an inspection of BPER that addressed the system of management and control of credit and counterparty risk.

Moreover, as anticipated to the press on 18 January, since the end of January the BPER Group has been involved in an assessment of the strategy, governance, processes and methodology adopted by the Group in the field of non-performing loans. This activity, planned as part of the ongoing supervision procedures provided for under the Single Supervisory Mechanism (SSM), is being carried out at European level and also involves other Italian banks.

Cross-border merger of Emro Finance Ireland Ltd with BPER

The Boards of Directors of the Parent Company and of Emro Finance Ireland ltd (on 1 March 2016 on 26 February 2016 respectively) approved the common draft terms for the cross-border merger of the Irish subsidiary with BPER.

The merger is in line with the guidelines of the BPER Group's 2015-2017 Business Plan and aims to achieve further simplification and streamlining of the organisational and governance structure of the Banking group, with the aim of achieving cost synergies.

The merger will be carried out in simplified form as per art. 18 of Legislative Decree no. 108 of 30 May 2008, implementing Directive 2005/56/EC on cross-border mergers of limited liability companies, and art. no. 2505 of the Italian Civil Code, as the Merging Company holds 100% of the share capital of the Merged Company. The merger is subject to prior authorisation by the Supervisory Authority, pursuant to art. 57 of Legislative Decree 385/93.

10.2 Outlook for operations

The Italian economy's recovery that began last year seems able to continue in 2016 as well. The first signs of improvement in lending have materialized, both for individuals and for the Corporate sector. In 2016, the dynamics of loans to customers should improve and consolidate thanks to economic factors and a particularly favourable monetary policy. The still very low level of market interest rates and high competition in the field of traditional lending to customers will continue to exert pressure on the return on assets, albeit with a gradual reduction in intensity; at the same time, the repricing of liabilities will allow a further decline in the cost of funding aimed at limiting pressure on margins. A positive contribution to revenue is expected to come from fee income, especially in asset management. Payroll costs are expected to fall slightly, due to the decline in personnel, whereas administrative expenses will feel the effects of implementing various projects in the Business Plan. The sharp slowdown in the flows of new problem loans recorded in the period should continue in 2016 as well, helping to improve the cost of credit considerably compared with 2015. All of these factors should bolster the Group's profitability prospects for the current year (before considering any extraordinary items).

Modena, 1 March 2016

The Board of Directors
The Chairman
Ettore Caselli

Consolidated financial statements

Consolidated balance sheet as at 31 december 2015

(in thousands of Euro)

Assets	31.12.2015	31.12.2014
10. Cash and cash equivalents	390,371	450,766
20. Financial assets held for trading	790,403	1,033,286
30. Financial assets designated at fair value through profit and loss	86,639	110,249
40. Financial assets available for sale	8,022,164	6,944,927
50. Financial assets held to maturity	2,663,859	2,213,497
60. Due from banks	1,087,313	1,709,298
70. Loans to customers	43,702,561	43,919,681
80. Hedging derivatives	38,182	36,744
100. Equity investments	415,200	257,660
120. Property, plant and equipment	941,121	1,028,931
130. Intangible assets	515,164	498,009
of which: goodwill	380,395	380,416
140. Tax assets	1,471,928	1,361,322
a) current	208,238	181,989
b) deferred	1,263,690	1,179,333
b1) of which L. 214/2011	1,072,618	1,018,156
150. Non-current assets and disposal groups held for sale	-	2,817
160. Other assets	1,136,326	1,085,733
Total assets	**61,261,231**	**60,652,920**

Liabilities and shareholders' equity	31.12.2015	31.12.2014
10. Due to banks	5,522,992	6,479,558
20. Due to customers	35,887,658	33,964,259
30. Debt securities in issue	10,494,565	10,518,262
40. Financial liabilities held for trading	242,149	243,210
50. Financial liabilities designated at fair value through profit and loss	873,558	1,700,614
60. Hedging derivatives	23,715	12,986
80. Tax liabilities	109,013	118,794
a) current	3,911	5,263
b) deferred	105,102	113,531
100.Other liabilities	1,844,715	1,527,412
110. Provision for termination indemnities	200,669	221,919
120. Provisions for risks and charges	410,399	355,775
a) pensions and similar commitments	124,500	145,078
b) other provisions	285,899	210,697
140. Valuation reserves	148,982	186,840
170. Reserves	2,288,125	2,301,760
180. Share premium reserve	930,073	930,077
190. Share capital	1,443,925	1,443,925
200. Treasury shares	(7,255)	(7,259)
210. Minority interests	627,287	639,991
220. Profit (Loss) for the period	220,661	14,797
Total liabilities and shareholders' equity	**61,261,231**	**60,652,920**

Consolidated income statement as at 31 december 2015

(in thousands of Euro)

Captions	31.12.2015	31.12.2014
10. Interest and similar income	1,648,399	1,908,288
20. Interest and similar expense	(420,858)	(616,479)
30. Net interest income	**1,227,541**	**1,291,809**
40. Commission income	762,474	739,119
50. Commission expense	(35,781)	(48,455)
60. Net commission income	**726,693**	**690,664**
70. Dividends and similar income	15,953	19,392
80. Net trading income	32,831	16,533
90. Net hedging gains (losses)	(889)	1,074
100. Gains/losses on disposal or repurchase of:	315,466	164,299
a) loans	4,023	(29,959)
b) financial assets available for sale	313,171	194,546
c) financial assets held to maturity	221	-
d) financial liabilities	(1,949)	(288)
110. Net results on financial assets and liabilities designated at fair value	476	(14,241)
120. Net interest and other banking income	**2,318,071**	**2,169,530**
130. Net impairment adjustments to:	(737,800)	(858,219)
a) loans	(705,799)	(812,734)
b) financial assets available for sale	(27,343)	(40,347)
d) other financial assets	(4,658)	(5,138)
140. Net profit from financial activities	**1,580,271**	**1,311,311**
180. Administrative costs:	(1,410,531)	(1,316,476)
a) payroll	(825,053)	(786,687)
b) other administrative costs	(585,478)	(529,789)
190. Net provision for risks and charges	(52,137)	(38,782)
200. Net adjustments to property, plant and equipment	(48,336)	(43,765)
210. Net adjustments to intangible assets	(31,913)	(26,621)
220. Other operating charges/income	175,804	173,268
230. Operating costs	**(1,367,113)**	**(1,252,376)**
240. Profit (Loss) from equity investments	97	(837)
270. Gains (Losses) on disposal of investments	259	67
280. Profit (Loss) from current operations before tax	**213,514**	**58,165**
290. Income taxes on current operations for the period	5,718	(28,384)
300. Profit (Loss) from current operations after tax	**219,232**	**29,781**
320. Net profit (loss) for the period	**219,232**	**29,781**
330. Net profit (Loss) pertaining to minority interests	1,429	(14,984)
340. Profit (Loss) for the period pertaining to the Parent Company	**220,661**	**14,797**

	Earnings per share (Euro) 31.12.2015	Earnings per share (Euro) 31.12.2014
Basic EPS	0.459	0.041
Diluted EPS	0.459	0.041

Statement of consolidated comprehensive income

(in thousands of Euro)

Statement of consolidated comprehensive income	31.12.2015	31.12.2014
10. Profit (loss) for the period	**219,232**	**29,781**
Other income items, net of income taxes, without release to the income statement	-	-
40. Defined benefit plans	21,018	(30,752)
60. Portion of the valuation reservesx of equity instruments carried at equity	(4,448)	556
Other income items, net of income taxes, with release to the income statement:	-	-
90. Cash-flow hedges	(1,744)	13,040
100. Financial assets available for sale	(49,518)	61,538
130. Total other element of income	**(34,692)**	**44,382**
140. Total comprehensive income (Captions 10+130)	**184,540**	**74,163**
150. Total comprehensive income pertaining to minority interests	939	14,041
160. Consolidated comprehensive income attributable to the Parent Company	**183,601**	**60,122**

Statement of changes in consolidated shareholders' equity

(in thousands of Euro)

	Balance as at 31.12.14	Changes in opening balances	Balance as at 1.1.15	Allocation of prior year results		Changes during the year									Shareholders' equity as at 31.12.2015	
						Changes in reserves	Transactions on shareholders' equity							Comprehensive income as at 31.12.2015		
				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
Share capital:	**1,544,887**	**-**	**1,544,887**	**-**	**-**	**(4)**	**-**	**-**	**-**	**-**	**-**	**-**	**(3,244)**	**-**	**1,443,925**	**97,714**
a) ordinary shares	1,544,887	-	1,544,887	-	-	(4)	-	-	-	-	-	-	(3,244)	-	1,443,925	97,714
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	**974,014**	**-**	**974,014**	**-**	**-**	**(1)**	**(4)**	**-**	**-**	**-**	**-**	**-**	**(1,056)**	**-**	**930,073**	**42,880**
Reserves:	**2,732,815**	**-**	**2,732,815**	**20,024**	**-**	**(28,165)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,288,125**	**436,549**
a) from profits	1,982,956	-	1,982,956	20,024	-	136,628	-	-	-	-	-	-	-	-	1,744,978	394,630
b) other	749,859	-	749,859	-	-	(164,793)	-	-	-	-	-	-	-	-	543,147	41,919
Valuation reserves:	**235,895**	**-**	**235,895**	**-**	**-**	**(646)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(34,692)**	**148,982**	**51,575**
Equity instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Treasury shares	**(7,261)**	**-**	**(7,261)**	**-**	**-**	**-**	**8**	**(4)**	**-**	**-**	**-**	**-**	**-**	**-**	**(7,255)**	**(2)**
Net profit (loss) for the period	**29,781**	**-**	**29,781**	**(20,024)**	**(9,757)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**219,232**	**220,661**	**(1,429)**
Group shareholders' equity	**4,870,140**	**-**	**4,870,140**	**-**	**(9,757)**	**(22,943)**	**4**	**(4)**	**-**	**-**	**-**	**-**	**3,470**	**183,601**	**5,024,511**	**-**
Minority interests	**639,991**	**-**	**639,991**	**-**	**-**	**(5,873)**	**-**	**-**	**-**	**-**	**-**	**-**	**(7,770)**	**939**	**-**	**627,287**

	Balance as at 31.12.13	Changes in opening balances	Balance as at 1.1.14	Allocation of prior year results		0									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
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**

Consolidated cash flow statement

Indirect method

(in thousands of Euro)

A. Operating activities	31.12.2015	31.12.2014
1. Cash generated from operations	**1,201,862**	**1,105,621**
net profit (loss) for the period	220,661	14,797
net gains/losses from financial assets held for trading and financial assets/liabilities designated at fair value through profit and loss	(23,001)	7,086
gains (losses) from hedging activities	889	(1,074)
net adjustments for impairment	737,800	858,219
impairment/write-backs to property, plant and equipment and intangible assets	80,249	70,386
net provisions for risks and charges and other costs/income	191,338	127,053
unsettled taxes	(5,718)	28,384
other adjustments	(356)	770
2. Cash generated/absorbed by financial assets	**(945,035)**	**1,285,174**
financial assets held for trading	271,552	100,826
financial assets designated at fair value through profit and loss	6,884	22,130
financial assets available for sale	(1,155,163)	(294,104)
loans to customers	(478,451)	(519,095)
due from banks: on demand	525,168	397,274
due from banks: other receivables	86,589	1,782,627
other assets	(201,614)	(204,484)
3. Cash generated/absorbed by financial liabilities	**279,843**	**(2,083,503)**
due to banks: on demand	38,621	(22,405)
due to banks: other debts	(995,187)	(1,318,756)
due to customers	1,923,399	282,812
debt securities in issue	(23,697)	331,572
financial liabilities held for trading	(1,061)	45,151
financial liabilities designated at fair value through profit and loss	(815,266)	(1,256,596)
other liabilities	153,034	(145,281)
Net cash generated/absorbed by operating activities	**536,670**	**307,292**

B. Investing activities	31.12.2015	31.12.2014
1. Cash generated by	**164,459**	**140,066**
sale of financial assets held to maturity	158,105	127,584
sale of property, plant and equipment	6,354	12,282
sale of intangible assets	-	200
2. Cash absorbed by	**(751,035)**	**(1,232,926)**
purchase of equity investments	(61,341)	-
purchase of financial assets held to maturity	(621,162)	(1,142,038)
purchase of property, plant and equipment	(19,183)	(57,262)
purchase of intangible assets	(49,349)	(33,626)
Net cash generated/absorbed by investing activities	**(586,576)**	**(1,092,860)**

C. Financing activities	31.12.2015	31.12.2014
issue/purchase of treasury shares	-	748,376
dividend distribution and other	(9,757)	-
Net cash generated/absorbed by financing activities	**(9,757)**	**748,376**
Net cash generated/absorbed in the period	**(59,663)**	**(37,192)**

Reconciliation

Captions	31.12.2015	31.12.2014
Cash and cash equivalents at beginning of the period	450,766	488,522
Net cash generated/absorbed in the period	(59,663)	(37,192)
Cash and cash equivalents: effect of exchange rate variations	(732)	(564)
Cash and cash equivalents at end of the period	**390,371**	**450,766**

Consolidated Explanatory notes

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
L1: Fair value hierarchy – Level 1
L2: Fair value hierarchy – Level 2
L3: Fair value hierarchy – Level 3
#: not applicable

Part A - Accounting policies

A.1 – General information

Section 1 – Declaration of compliance with International Financial Reporting Standards

The Consolidated financial statements for the year ended 31 December 2015 have been prepared in accordance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), endorsed by the European Commission, as provided by EU Regulation 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 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 (Legislative Decrees no. 5 and 6 dated 17 January 2003, and subsequent amendments, including Decree 310 dated 28 December 2004), and the enabling instructions issued for art. 9 of Legislative 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 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 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;
- measurement of goodwill/intangible 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.

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 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 1254/2012 and in force since 1 January 2014).

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)[33], 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.

[33] *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 2015.

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.

Current regulations require the scope of consolidation to be managed on two levels:

- the accounting scope of consolidation governed by IFRS 10[34] "Consolidated financial statements", IAS 27 "Separate financial statements", IAS 28 "Investments in Associates and Joint Ventures" and, if required by the circumstances, IFRS 3 "Business Combinations" and IFRS 11 "Joint Agreements" (all adopted by Regulation (EU) 1254/2012 and effective from 1 January 2014).
- the prudential scope of consolidation governed by Regulation (EU) 575/2013, in which art. 19 indicates the entities to be excluded from the prudential consolidation.

The above regulations contribute to determining the scope of consolidation at each level, as well as the methodologies to be used for each consolidation.
International accounting standards require subsidiaries to be 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. Art. 19 of the CRR excludes from the scope of line-by-line consolidation all financial entities and operating companies, including members of the Banking group, whose total assets and off-balance sheet amounts are less than the lower of the following two amounts:

- Euro 10 million;
- 1% of the total assets and off-balance sheet amounts of the parent company or the entity that holds the equity investment.

From 30 June 2015 the BPER Group has decided to adopt the consolidation methodology envisaged for prudential supervisory purposes. This approach was also applied when determining the financial disclosures to be made, thus aligning the two levels of consolidation.

This decision was necessary in order to rationalise, simplify and streamline the production of consolidated information for supervisory and financial reporting purposes. Its effects on the latter are negligible. In terms of the areas affected, the marginal dynamics previously indicated in the income

[34] *IFRS 10 §B86 in relation to consolidation procedures.*

statement on a line-by-line basis are now summarised in "Profit (loss) from equity investments"; while the limited intercompany balances have not been eliminated from the assets and liabilities reported in the balance sheet. Shareholders' equity, on the other hand, is unaffected.
The following companies are members of the Banking group but, at 31 December 2015, do not satisfy the requirements of art. 19 of the CRR:

- Mutina s.r.l.;
- Nettuno Gestione Crediti s.p.a.;
- Estense Covered Bond s.r.l.;
- BPER Trust Company s.p.a.;
- Estense CPT Covered Bond s.r.l.;
- BPER Credit Management s.cons.p.a;

These companies, together with the other subsidiaries that are not formally members of the Banking group since their activities do not contribute to its banking operations, being:

- Melior Valorizzazioni Immobili s.r.l.;
- Italiana Valorizzazioni Immobiliari s.r.l.;
- Adras s.p.a.;
- Polo Campania s.r.l.;
- Galilei Immobiliare s.r.l.;
- SIFA' – Società Italiana Flotte Aziendali s.p.a.;
- Costruire Mulino s.r.l.;
- Sviluppo Formica s.r.l.

At 31 December 2015, the above subsidiaries have been consolidated under the equity method.

1.Investments in subsidiaries

1.1 Equity investments of the Group consolidated line-by-line

	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.	50.603	51.000
2.	Banca di Sassari s.p.a.	Sassari	Sassari	1	74,458,607	B. Sard.	79.722	
						B.P.E.R.	18.306	
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.	93.638	
						B. Sard.	4.762	
						Optima	0.400	
						B.S.S.	0.400	
						Sardaleasing	0.400	
						CR Bra	0.400	
8.	Sardaleasing s.p.a.	Milan	Sassari	1	93,951,350	B.P.E.R.	51.440	
						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	52,015,811	B. Sard.	100.000	
11.	Numera s.p.a.	Sassari	Sassari	1	2,065,840	B. Sard.	100.000	
12.	Modena Terminal s.r.l.	Campogalliano	Campogalliano	1	8,000,000	B.P.E.R.	100.000	
13.	Emilia Romagna Factor s.p.a.	Bologna	Bologna	1	36,393,940	B.P.E.R.	94.403	

The "% Voting rights" column is only used if the actual share of votes exercisable at the Ordinary Shareholders' Meeting is different from the interest 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.

1.2 Equity investments belonging to the Group or just controlled consolidated under the equity method

	Name	Operational head office	Registered head office	Type of relationship (1)	Share capital in Euro	Nature of holding		% Voting rights (2)
						Parent company	% held	
A. Companies that are not members of the Banking group								
1.	Galilei Immobiliare s.r.l.	Modena	Modena	1	100,000	Nadia	100.000	
2.	Melior Valorizzazioni Immobili s.r.l.	Milan	Milan	1	10,000	B.P.E.R.	100.000	
3.	Polo Campania s.r.l.	Avellino	Avellino	1	110,000	B.P.E.R.	100.000	
4.	Adras s.p.a.	Milan	Milan	1	1,954,535	B.P.E.R.	100.000	
5.	Italiana Valorizzazioni Immobiliari s.r.l.	Milan	Milan	1	2,000,000	B.P.E.R.	100.000	
6.	SIFA' - Società Italiana Flotte Aziendali s.p.a.	Milan/Reggio Emilia	Milan	4	92,308	B.P.E.R.	35.000	
B. Companies that are members of the Banking group but do not satisfy the requirements of art. 19 of the CRR								
7.	Mutina s.r.l.	Modena	Modena	1	10,000	B.P.E.R.	100.000	
8.	Nettuno Gestione Crediti s.p.a.	Bologna	Bologna	1	1,500,000	B.P.E.R.	100.000	
9.	Estense Covered Bond s.r.l.	Conegliano	Conegliano	1	10,000	B.P.E.R.	60.000	
10.	BPER Trust Company s.p.a.	Modena	Modena	1	500,000	B.P.E.R.	100.000	
11.	Estense CPT Covered Bond s.r.l.	Conegliano	Conegliano	1	10,000	B.P.E.R.	60.000	

The "% Voting rights" column is only used if the actual share of votes exercisable at the Ordinary Shareholders' Meeting is different from the interest held in the company's share capital.
Costruire Mulino s.r.l., Sviluppo Formica s.r.l. and BPER Credit Management s.cons.p.a. have not been included in the list as they are not yet operational at 31 December 2015.

Key:

(1) Type of relationship:
1 Majority of votes at the ordinary Shareholders' Meeting.
4 Other forms of control.
(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 2015 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 2015, 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.	49.397	49.000	5,642
2. Cassa di Risparmio di Bra s.p.a.	33.000	33.000	-
3. Banca di Sassari s.p.a.	1.972	1.972	32
4. Emilia Romagna Factor s.p.a.	5.597	5.597	116
5. Sardaleasing s.p.a.	1.627	1.627	-

For consolidation purposes, we used the consolidation of the sub-holding company Banco di Sardegna and its subsidiaries (including Banca di Sassari 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.	11,521,822	91,456	10,806,368	216,228	10,041,005	1,148,309	194,997	328,904
2. Cassa di Risparmio di Bra s.p.a.	1,253,528	9,104	1,182,105	14,061	1,163,857	63,348	24,535	41,106
3. Banca di Sassari s.p.a.	1,882,108	12,943	1,748,097	38,027	1,508,895	264,832	51,506	98,876
4. Emilia Romagna Factor s.p.a.	742,497	2	730,405	6,077	632,905	84,207	11,144	18,275
5. Sardaleasing s.p.a.	3,003,041	4	2,933,518	18,128	2,811,305	145,657	40,528	39,938

(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.	(257,072)	(10,050)	(6,233)	-	(6,233)	(9,958)	(16,191)
2. Cassa di Risparmio di Bra s.p.a.	(22,487)	(3,125)	(2,220)	-	(2,220)	(1,183)	(3,403)
3. Banca di Sassari s.p.a.	(79,171)	8,115	5,738	-	5,738	18,455	24,193
4. Emilia Romagna Factor s.p.a.	(9,353)	7,033	4,555	-	4,555	69	4,624
5. Sardaleasing s.p.a.	(12,081)	2,482	1,936	-	1,936	661	2,597

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 line-by-line consolidation was carried out using the approved financial statements prepared at 31 December 2015 by the subsidiaries concerned. 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. For the purposes of preparing the Consolidated financial statements, all of the other Group companies and Bper (Europe) International s.a. that are subject to local accounting principles have had to prepare accounting schedules in compliance with the IAS/IFRS used for the consolidation.
The value of subsidiaries carried at equity was measured with reference to their accounting information prepared and approved at 31 December 2015.
Where available, the book figures at 31 December 2015 have been used to consolidate the other associates at net equity.

Section 4 – Subsequent events

These draft Consolidated financial statements were approved on 1 March 2016 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 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 2015.

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

No significant impact is reflected in the Group's Consolidated financial statements, except for IFRIC 21 – Levies, with reference to the accounting treatment of contributions paid to the National Single Resolution Fund and the Deposit Guarantee Fund charged by the Interbank Deposit Guarantee Fund. These contributions are detailed in the section "Other information" in Part A.2 of these Explanatory notes.

The following table shows the new international accounting standards or amendments to standards already in force, whose application is mandatory from 1 January 2016 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
28/2015	Improvements to IFRS - 2010-2012 Cycle The purpose of the annual improvements is to deal with necessary topics relating to inconsistencies in IFRSs or clarifications in terminology that are not particularly urgent, but that have been discussed by the IASB during the project cycle that began in 2011. In some cases, the changes are clarifications or corrections to these principles (IFRS 8, IAS 16, IAS 24 and IAS 38), in others, the changes involve amendments to existing regulations or provide additional information on how they are to be applied (IFRS 2 and 3).	1 January 2016
29/2015	EU Commission Regulation 2015/29 of 17 December 2014, published in the Official Journal L 5 of 9 January, adopts Amendments to IAS 19 - Defined Benefit Plans: Employee Contributions. The amendment to IAS 19 was necessary to facilitate, under certain conditions, the accounting for defined benefit plans that provide for contributions to be made by employees or third parties. If certain conditions are not complied with, recognition of these contributions is more complex, because they have to be allocated to each period of the plan by an actuarial calculation of the liability involved.	1 January 2016
2113/2015	EU Commission Regulation 2015/2113 of 23 November 2015, published in the Official Journal L 306 of 24 November 2015 adopts Amendments to IAS 16 - Property, Plant and Equipment and IAS 41 - Agriculture The amendment to IAS 16 was necessary because the IASB decided that plants that are used exclusively for the cultivation of agricultural products for various years, known as fruiting plants, should be subject to the same accounting treatment as property, plant and equipment.	1 January 2016
2173/2015	EU Commission Regulation 2015/2173 of 24 November 2015, published in the Official Journal L 307 of 25 November 2015 adopts Amendments to IFRS 11 - Joint Agreements. The amendment provides new guidance on accounting for acquisitions of interests in joint ventures that constitute a business.	1 January 2016
2231/2015	EU Commission Regulation 2015/2231 of 2 December 2015, published in the Official Journal L 317 of 3 December 2015 adopts Amendments to IAS 16 - Property, Plant and Equipment and IAS 38 - Intangible Assets The amendment was necessary to clarify which depreciation/amortisation methods should be used to calculate the asset's depreciation/amortisation.	1 January 2016

EC Approval Regulation	Title	In force from years beginning
2343/2015	EU Commission Regulation 2015/2343 of 15 December 2015, published in the Official Journal L 330 of 16 December 2015 adopts amendments on certain international accounting standards (Improvements to IFRSs 2012-2014) The amendments to IFRS 5, IFRS 7 and IFRS 1 form part of the normal rationalisation and clarification of international accounting standards.	1 January 2016
2406/2015	EU Commission Regulation 2015/2406 of 18 December 2015, published in the Official Journal L 333 of 19 December 2015 adopts Amendments to IAS 1 - Presentation of Financial Statements The amendments, entitled "Disclosure initiative", aim to submit to the professional judgement of the company the relevant and explanatory information to be provided to the market.	1 January 2016
2441/2015	EU Commission Regulation 2015/2406 of 18 December 2015, published in the Official Journal L 336 of 23 December 2015 adopts amendments to IAS 27 - Separate financial statements The amendments allow entities to apply the equity method, as described in IAS 28, to include investments in subsidiaries, associates and joint ventures in their Separate financial statements.	1 January 2016

Documents of the Supervisory Authority

Bank of Italy

On 20 January 2015, the Bank of Italy published the 7th amendment of Circular no. 272/2008 which aligns the definitions of impaired financial assets with the new concepts of non-performing exposures and forbearance introduced by the ITS, in order to establish a single definition for both individual and consolidated supervisory reporting.

For supervisory reporting, impaired financial assets are now classified into the following categories:

- bad loans;
- unlikely to pay loans;
- past due loans and/or impaired overdrawn exposures;

the sum of these categories corresponds to the non-performing exposures aggregate established in the ITS.

The concepts of watchlist and restructured loans have been eliminated.

In addition, the category of "forborne exposures" is introduced, coinciding with the "exposures subject to tolerance" category included in the FINREP section of the consolidated reporting for supervisory purposes.

The new categories of non-performing exposures apply to cash assets (loans and debt securities) and "off balance sheet" items (guarantees given, irrevocable and revocable commitments to grant loans), other than the financial instruments classified as *"Financial assets held for trading"* and derivative contracts. The decision to classify financial assets as non-performing is made regardless of any secured or unsecured guarantees that assist them.

The key aspects of the new categories are discussed below:

- unlikely to pay loans: loans, other than non-performing loans, that the bank considers are unlikely to be repaid in full (principal and/or interest) without recourse to such action as the enforced collection of guarantees. Exposures to Retail customers may be classified in the unlikely to pay category at the individual transaction level, rather than at individual customer level, if the bank does not believe that the conditions exist for classifying the entire exposure to that customer in that category;
- past due loans and/or impaired overdrawn exposures: exposures, other than those classified as bad or unlikely to pay, that are past due and/or overdrawn at the reporting date by more than 90 days and that exceed a pre-determined materiality limit. past due loans and/or impaired overdrawn exposures may be determined at individual debtor level - solely for Retail exposures - at individual transaction level;
- forborne exposures: these exposures (forbearance) comprise:
  - non-performing exposures with forbearance measures: these exposures represent one aspect, depending on the circumstances, of bad loans, unlikely to pay loans or past due loans and/or impaired overdrawn exposures; accordingly, they do not form a separate category of impaired assets;
  - forborne performing exposures.

On 15 December 2015, the Bank of Italy published its 4th update of Circular no. 262/2005 "Banks' financial statements: layout and preparation”
In particular, the update adjusts the disclosures given in the notes on "credit quality" to the new definitions of impaired financial assets (for example, "unlikely to pay" loans and forborne exposures), already introduced in the supervisory reports in January 2015 and which are in line with the concepts of non-performing exposures and forborne exposures established by the European Commission with Regulation 2015/227 on the European Banking Authority's proposal.
The tables relating to encumbered assets provided under Section 3 "Liquidity Risk" in Part E "Information on risks and hedging policies" have also been eliminated.
This opportunity was taken also to rationalise Part B "Information on the balance sheet" and Part E "Information on risks and related hedging policy" of the Explanatory notes.
The update applies to financial statements for the year ended or in progress at 31 December 2015, except for the disclosure in the notes on changes in gross exposures and adjustments to forborne exposures, which is required from the financial statements for the year ended or in progress at 31 December 2016. As regards the disclosure on "credit quality", comparative information for the year T-1 does not have to be provided for financial statements for the year ended or in progress at 31 December 2015. It is left to the discretion autonomy of the Corporate Bodies concerned to provide information concerning year T-1 at the foot of the relevant tables.
Already in the preparation of the consolidated interim report on operations at 31 March 2015, BPER anticipated the change regarding the various types of loans and provided T-1 data (at 31 December 2014), proposing the sum of watchlist and restructured loans as the equivalent of "unlikely to pay" loans and maintaining the balances of the other categories as they were.

On 30 December 2015, as required by the European prudential supervisory regulations, the Bank of Italy communicated to the banking sector the coefficient for the countercyclical capital reserve.
Art. 136 of Directive EU/2013/36 (Capital Requirements Directive, CRD IV) establishes the obligation for the designated National Authorities to activate an operational framework for the definition of the

coefficient of the countercyclical capital reserve (known officially as the Countercyclical Capital Buffer, or CCyB), with effect from 1 January 2016. The coefficient is subject to review every three months.
The European prudential supervisory regulations were implemented in Italy by the Bank of Italy with Circular no. 285/2013; subsequently, with Legislative Decree no. 72 of 12 May 2015, the Bank of Italy was appointed as the designated authority to adopt the macro-prudential measures for the banking sector, including the CCyB.
The regulations apply to banks and investment companies at individual and consolidated level: exercising the option foreseen in art. 130, paragraph 2 of the CRD IV, the Bank of Italy excluded small and medium-sized Italian investment companies.

The businesses affected by these regulations have to calculate the capital buffer to be observed, based on their risk exposure, by applying the weighted average of the countercyclical coefficients provided for in the various countries where significant credit exposures are located.
Based on an analysis of the reference indicators ("credit to GDP gap"), the Bank of Italy decided to set the countercyclical coefficient of exposures to Italian counterparties at 0% (zero percent) for the first three months of 2016.

CONSOB

On 19 January 2015, following the results of a review of financial disclosures published in 2014 in line with what was being down by the ESMA (publication of document ESMA/2014/1309 of 28 October 2014 "European common enforcement priorities for 2014 financial statements") and other European Supervisory Authorities, CONSOB issued Communication 3907 entitled "Communication on key issues of financial relationships at 31.12.2014".
In this communication, CONSOB draws the attention of those involved in preparing financial statements to a number of points that need special attention on the part of listed companies:

- the application of accounting principles on the preparation and presentation of consolidated financial reports;
- the representation of joint venture agreements in financial statements;
- the recognition and measurement of deferred tax assets;
- impairment tests of non-financial assets, with particular regard to goodwill and intangible assets with indefinite useful life (priority indicated also by ESMA with reference to the 2013 financial statements).
- correct application of the rules envisaged by IAS 1 and IAS 8 with reference to the accounting impacts of the Asset Quality Review carried out by the European Central Bank (ECB). In particular, notes should provide specific information regarding any changes in accounting policies for the measurement of loans, the correction of errors, as well as any other information that is relevant to a fair representation of the Company's economic and financial situation.

European Central Bank: dividend distribution policy

On 28 December 2015, the European Central Bank sent the Parent Company a recommendation regarding its dividend distribution policy for 2016. It applies to both the Parent Company and the various entities in the Group.
The recommendation, which the ECB says should be considered with the utmost care, is in favour of conservative and prudent dividend distribution policies; it also asks banks and investment companies to meet certain requirements at any times, on both an individual and consolidated basis:

a) the minimum capital requirements (or so-called "First Pillar Requirements"), pursuant to Article 92 of (EU) Regulation 575/2013;
b) the capital requirements imposed as a result of the Decision on the Review and Prudential Evaluation Process (RPEP) in application of Article 16, paragraph 2, letter (a) of EU Regulation 1024/2013 and that go beyond the First Pillar Requirements of (the so-called "Second Pillar Requirements");
c) the countercyclical capital reserve and systemic reserves pursuant to Article 128, paragraph 2, 3, 4 and 5 of Directive 2013/36/EU and all of the other reserves adopted by the competent and designated National Authorities;
d) its own "fully loaded" Common Equity Tier 1 Capital Ratio, its own Tier 1 Capital Ratio and its own Total Capital Ratio by the date of full implementation (2019). This refers to full application of the above ratios after application of the transitional provisions, as well as that relating to the countercyclical capital reserve and to the systemic reserves pursuant to Article 128, paragraph 2, 3, 4 and 5 of Directive 2013/36/EU, and all of the other reserves adopted by the National Authorities. The transitional provisions are set out in Title XI of Directive 2013/36/EU and in Part Ten of (EU) Regulation 575/2013.

For the payment of dividends by credit institutions in 2016, based on financial year 2015, the ECB classified them in three specific categories and made recommendations for each of them.

- Category 1: Credit institutions which meet the capital requirements set out in points (a) (b) and (c) above, and which at 31 December 2015 have already achieved their fully loaded ratios pursuant to point (d), have to take a conservative approach if they want to distribute their net profits in the form of dividends, thereby enabling them to continue to comply with all of the requirements, even if the economic and financial conditions deteriorate;
- Category 2: Credit institutions which meet the capital requirements set out in points (a) (b) and (c) above at 31 December 2015, but which did not reach their fully loaded ratios according to previous point (d) by that date, have to take a conservative approach to distributing their net profits as dividends so that they can continue to comply with all of the requirements, even if the economic and financial conditions deteriorate. They must also pay dividends only to the extent that payments are covered, at a minimum, by a linear path to reach the fully loaded capital requirements, in accordance with point (d) above;
- Category 3: In theory, credit institutions which do not meet the above conditions should not distribute any dividends.

BPER, the Parent Company, will have to formally classify itself and the banks belonging to the group, as well as its Banking group, into one of these three categories and give the ECB proof that its dividend distribution policies are in line with the recommendation, making pertinent disclosures if the policies are not in line.

Domestic tax group election

Commencing from 2007, BPER has elected to establish a domestic tax group, which was introduced by Legislative 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 with held from and paid by the above group companies, which are classified as "*Current tax assets*" following their transfer to the consolidating company.
Since the tax period 2015, the total scope of consolidation of the companies concerned has been as follows:

Consolidated companies	2013	2014	2015	2016	2017
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 Legislative 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.

A.2 – Main captions in the financial statements

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 and finance leases (which are accounted for under the "financial method", in accordance with IAS 17). The amount shown on the assets side of the lessor's balance sheet reflects the value of the loan granted, net of the principal portions of the lease instalments that have fallen due and been paid by the lessee. The income statement includes the interest income and the 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, "unlikely to pay" and past due 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 analytically the position of bad loans for "unlikely to pay" loans with exposures above the thresholds set by internal procedures. For "unlikely to pay" loans with exposures above the thresholds set by in 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 as of that date.

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 2004) 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 *"Due to banks"* and *"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 *"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 Group 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

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. Any difference between the cost incurred and the share of interest in the fair value of the net identifiable assets of the investment is recorded in a way similar to the provisions of IFRS 3 "Business Combinations".

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.

The Parent Company's share of any losses of the investee, exceeding the book value of the investment, is recorded in a specific reserve to the extent that the company is required to fulfil legal or implicit obligations of the investee, or, in any case, to cover its losses.

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[35], 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.

[35] *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 (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 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 tax assets and liabilities are calculated on temporary differences between the carrying amounts and the corresponding amounts recognised for tax purposes, applying the tax rate in force on the date on

which the temporary difference will reverse, determined on the basis of the tax rates that are foreseeable under current rules at the reporting date.

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.
Deferred tax assets not recognised in the financial statements are re-analysed at each balance sheet date and recognised to the extent that it is now probable that there will be sufficient taxable income in the future to recover the deferred tax asset.
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".
The provision for tax liabilities also takes account any charges that might derive from assessments received or outstanding disputes with the tax authorities.

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.

For liabilities that are merely potential and not likely, no provision has been made, but information is provided on the more significant situations in the Directors' Report on Group Operations in the section "Principal risks and uncertainties".

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.

Provisions are made on the basis of the best estimate of the amount that the company would reasonably pay to settle the obligation or to transfer it to third parties at the balance sheet date. When the financial effect of time is significant and the payment dates of obligations can be reliably estimated, the provision is calculated by discounting the expected future cash flows taking into account the risks associated with the obligation; the increase in the provision due to the passage of time is recognised in the income statement.

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 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 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.

The information not specifically detailed here, is provided in the Remuneration Report and in the Remuneration Policies referred to in Part I of these notes.

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:

- the amount of the revenues can be reliably measured;
- it is probable that the economic benefits associated with the transaction will flow to the business;
- the stage of completion of the transaction at the balance sheet date can be reliably measured;
- 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.

c) commission income on services is recorded in the period when the services are rendered, based on contractual agreements. Commissions considered in amortised cost for the purpose of determining the effective interest rate are recognised as interest.

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 following repurchase are stated at purchase cost and shown in "Treasury shares" caption with a negative sign. 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.

– Offsetting financial assets and financial liabilities

Financial assets and liabilities have to be offset when the criteria laid down in IAS 32 § 42 are satisfied. IFRS 7 requires specific disclosures about any financial instruments that are governed by "master netting or similar agreements" that do not meet all of the criteria laid down in IAS 32 § 42. Please refer to Part B of these Explanatory notes, in the section entitled "Other information".

- Internal recognition rules

a) Transfer of securities from "Equity investments" to other portfolios.

All BPER Group companies, with the exception of Banco di Sardegna, being listed, are not required to prepare Consolidated financial statements, taking advantage of the exception foreseen in IAS 27 § 10. 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 § 38.

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 § 35 and IAS 28 §§ 18 and 19 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.
This internal rule, which was established some time ago, now ought to be eliminated, as there is no reason for it to exist as such cases are now regulated by an update of IAS 28 "Investments in associates and joint ventures", which came into effect on 1 January 2014 based on Regulation 1254/2012. The current version of IAS 28 § 22 confirms the approach that we had already adopted internally: if a security is transferred out of the "Equity investments" portfolio, the difference between fair value and cost has to be recognised in the income statement.

b) Transfer of securities from other portfolios to "Equity investments"

Applying what was said in point a) above, the Parent Company 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).
This internal rule, which was established some time ago, also has to be eliminated as, even if Regulation 1254/2012 does not govern these particular circumstances, it has changed the basic rules.
Under current legislation, if a security is transferred out of the "AFS" portfolio and into the "Equity investments" portfolio, the new investment should be accounted for according to IAS 27 "Separate financial statements", a standard in which step acquisitions are not mentioned. The issue of step acquisitions is explicitly governed by IFRS 3 "Business Combinations", which explains situations in which a significant interest develops into a controlling interest. The standard says that you have to assume that the entire interest that you hold gets sold and then bought back at the latest fair value. The sale envisages writing off the AFS security's valuation reserve (part of equity) to the income statement. However, this accounting treatment is only applicable in the Consolidated financial statements. On the other hand, in the Separate financial statements, since there are no reference standards, we considered it more appropriate to adopt a different profile, recording the carrying amount of the investment after the "*change of status*" as a cost incurred at the original purchase value (historical cost), to which are added subsequent changes in fair value that had been booked to the reserve. The valuation reserve of the AFS security in equity then gets reversed against the value of the security in "Equity investments".

- Negative interest

As regards interest, 2015 was significantly influenced by the presence of negative interest rates, accentuating certain effects that already began to be seen at the end of 2014, with reference in particular to repurchase agreements, being accounted for in the income statement with the opposite sign

compared with the balance sheet items to which they refer (interest income on some type of funding or interest expense on some form of lending).
Up until 30 September 2015, in accordance with IAS 18, the Group's accounting treatment was to consider it as commission rather than as net interest income.
Benchmark analyses have shown that since the end of 2014, and even more so in 2015, accounting treatments have become increasingly varied; from a regulatory point of view, there have been various recommendation made during the year, but nothing definitive that could add clarity, giving form to what has been clear evidence of substance.
On 7 January 2015, the EBA sent a letter to the IFRS Interpretations Committee saying that the issue had to be reconsidered; above all, clarification had to be given with regard to a single, correct accounting treatment for these economic components; later on, in the Guidelines issued on 22 May 2015 relating to interest rate risk management, it also asked for "negative interest" to be considered in this context, even if booked to other captions.
At the year end, the Bank of Italy issued a statement on the question of interest resulting from the application of negative rates, even if not specifically with reference to financial statements, reiterating the recommendations made during the year by the EBA with regard to the supervisory regulations for the FINREP (Q&A no. 2015_1940). The matter was treated as of 31 December 2015, as part of the update of the unified technical documentation for banks (Puma2), containing the changes relating to implementation of the 4th update of the Bank of Italy's Circular no. 262/2005.
This documentation envisages that negative returns on financial assets should be represented as "interest expense on other liabilities" and that positive returns on financial liabilities should be represented as "interest income on other assets".
In this context, the BPER Group considered it appropriate to change its accounting approach to bring it into line with these instructions, also adjusting the financial statements to reflect the supervisory requirements. Interest generated by the application of negative rates has been recorded in net interest income, as mentioned previously, giving appropriate disclosures in the footnotes to the tables in Part C of the notes.

– *Single Resolution Fund, Deposit Guarantee Fund, Interbank Deposit Guarantee Fund and Solidarity Fund: accounting and tax aspects*

On 19 January 2016, the Bank of Italy published its own communication which shows the correct approach to be used when accounting for the contributions to be made to the Deposit Guarantee Fund.
The Bank of Italy recalls IAS 37 "Provisions, contingent liabilities and contingent assets" and IFRIC 21 "Levies" (approved and effective from 2015). The latter, in fact, "*deals with the recognition of a liability for the payment of a tax in the case where the liability falls within the scope of IAS 37*". Under IFRIC 21, "*a tax represents a use of resources that includes economic benefits imposed by government entities in accordance with legislation*".
The communication of the Bank of Italy then notes that the contra-entry of the liability (or cash outflow) connected with the contributions foreseen in the decrees implementing the BRRD and DGSD Directives, is represented by a charge to be recorded in the income statement.
The mandatory contributions to the Single Resolution Fund, both in the "ordinary" and "extraordinary" form, derive from legislative provisions and therefore fall within the definition of "Levies" as provided by IFRIC 21. The same conclusions can also be drawn with respect to contributions to the DGS. As regards the income statement caption that includes such contributions, the communication of the Bank of Italy noted that, since these are forms of contributions similar to taxes for accounting purposes, they have to be reported by banks in the income statement under *"Administrative expenses - Other administrative*

expenses", which should also include, among other things, indirect taxes (paid or not yet paid) for the year (see Circular no. 262/2005 "Banks' financial statements: layout and preparation").

As regards contributions assessed on the basis of estimates, with reference to the voluntary scheme of the IDGF or for the Solidarity Fund, given that their amount is uncertain, the accounting treatment is as a provision in "*Provisions for risks and charges*".
As regards the related tax aspects, the 2016 Stability Law, issued at the year-end, introduced (paragraphs 987-989) a specific discipline regarding the contributions to mandatory consortia (such as those for the Single Resolution Fund and the Deposit Guarantee Fund). These contributions are deductible from income taxes and IRAP, even if paid on a voluntary basis (such as contributions to the voluntary scheme established under the Interbank Deposit Guarantee Fund), regardless of the accounting treatment and providing they are used for the purposes of the consortia. The incentives introduced in this way apply retroactively, i.e. from the year in progress at 31 December 2015.
This context also includes the contributions assessed for the Solidarity Fund, which was also set up by the same 2016 Stability Law (paragraphs 855-861).

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:

- market approach for identical or comparable assets and liabilities;
- use of matrix pricing;
- present value techniques;
- option pricing models;
- 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:

- 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 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 Group'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 Group 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 for the period (before tax)	
			31.12.2015	31.12.2015	measured	other	measured	other
Debt securities	Financial assets held for trading	Due from banks	2,430	2,266	295	94	-	264
Debt securities	Financial assets held for trading	Loans to customers	-	-	-	-	-	-
Debt securities	Financial assets available for sale	Due from banks	4,956	4,621	(3,994)	210	(10,032)	302
Debt securities	Financial assets available for sale	Loans to customers	54,521	54,385	312	1,162	-	(431)
Debt securities	Financial assets held for trading	Financial assets available for sale	-	-	-	-	-	-
UCITS units	Financial assets held for trading	Financial assets available for sale	2,233	2,233	116	-	116	-

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 held by the subsidiary Bper (Europe) International s.a., 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	(609)

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 the 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	31.12.2015			31.12.2014		
	L1	L2	L3	L1	L2	L3
1. Financial assets held for trading	393,053	369,984	27,366	470,604	530,518	32,164
2. Financial assets designated at fair value through profit and loss	65,441	17,516	3,682	73,651	26,583	10,015
3. Financial assets available for sale	7,194,180	381,388	446,596	6,140,825	334,382	469,720
4. Hedging derivatives	-	38,182	-	-	36,744	-
5. Property, plant and equipment	-	-	-	-	-	-
6. Intangible assets	-	-	-	-	-	-
Total	**7,652,674**	**807,070**	**477,644**	**6,685,080**	**928,227**	**511,899**
1. Financial liabilities held for trading	22,868	192,188	27,093	41	213,506	29,663
2. Financial liabilities designated at fair value through profit and loss	-	873,558	-	-	1,700,614	-
3. Hedging derivatives	-	23,715	-	-	12,986	-
Total	**22,868**	**1,089,461**	**27,093**	**41**	**1,927,106**	**29,663**

Transfers of assets from Level 1 to Level 2 of the fair value hierarchy during the year amounted to € 10,184 thousand and those from Level 2 to Level 1 amounted to € 38,606 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 breadth 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	**32,164**	**10,015**	**469,720**	**-**	**-**	**-**
2. Increases	**1,816**	**2,244**	**241,658**	**-**	**-**	**-**
2.1 Purchases	1,772	46	83,276	-	-	-
2.2 Profits posted to:	12	1,589	157,121	-	-	-
2.2.1 Income statement	12	1,589	117,498	-	-	-
- of which: gains	7	1,587	-	-	-	-
2.2.2 Shareholders' equity	#	#	39,623	-	-	-
2.3 Transfers from other levels	6	-	3	-	-	-
2.4 Other increase	26	609	1,258	-	-	-
3. Decreases	**6,614**	**8,577**	**264,782**	**-**	**-**	**-**
3.1 Sales	1,156	4,180	243,605	-	-	-
3.2 Redemptions	-	3,040	6,121	-	-	-
3.3 Losses posted to:	5,432	475	7,044	-	-	-
3.3.1 Income statement	5,432	475	4,107	-	-	-
- of which: losses	5,426	324	-	-	-	-
3.3.2 Shareholders' equity	#	#	2,937	-	-	-
3.4 Transfers to other levels	-	-	-	-	-	-
3.5 Other decreases	26	882	8,012	-	-	-
4. Closing balance	**27,366**	**3,682**	**446,596**	**-**	**-**	**-**

Transfers of assets to Level 3 of the fair value hierarchy during the period amounted to € 9 thousand and related to securities that have been suspended.
There were no transfers of assets from Level 3 of the fair value hierarchy during 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	**29,663**	**-**	**-**
2. Increases	**2,377**	**-**	**-**
2.1 Issues	618	-	-
2.2 Losses posted to:	1,759	-	-
2.2.1 Income statement	1,759	-	-
- of which: losses	-	-	-
2.2.2 Shareholders' equity	#	#	-
2.3 Transfers from other levels	-	-	-
2.4 Other increase	-	-	-
3. Decreases	**4,947**	**-**	**-**
3.1 Redemptions	-	-	-
3.2 Buybacks	-	-	-
3.3 Profits posted to:	4,947	-	-
3.3.1 Income statement	4,947	-	-
- of which: gains	4,946	-	-
3.3.2 Shareholders' equity	#	#	-
3.4 Transfers to other levels	-	-	-
3.5 Other decreases	-	-	-
4. Closing balance	**27,093**	**-**	**-**

There were no transfers of assets 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	31.12.2015				31.12.2014			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets held to maturity	2,663,859	2,732,671	125,432	-	2,213,497	2,242,709	154,999	-
2. Due from banks	1,087,313	-	46,234	1,042,455	1,709,298	-	135,579	1,569,375
3. Loans to customers	43,702,561	-	165,763	45,006,034	43,919,681	-	163,551	47,806,609
4. Investment property, plant and equipment	217,399	-	-	239,871	292,999	-	-	323,353
5. Non-current assets and disposal groups held for sale	-	-	-	-	2,817	-	-	-
Total	**47,671,132**	**2,732,671**	**337,429**	**46,288,360**	**48,138,292**	**2,242,709**	**454,129**	**49,699,337**
1. Due to banks	5,522,992	-	-	5,522,992	6,479,558	-	-	6,479,558
2. Due to customers	35,887,658	-	-	35,887,658	33,964,259	-	-	33,964,259
3. Debt securities in issue	10,494,565	2,606,780	4,471,513	3,549,024	10,518,262	1,116,003	5,680,376	3,899,194
4. Liabilities associated with non-current assets held for sale	-	-	-	-	-	-	-	-
Total	**51,905,215**	**2,606,780**	**4,471,513**	**44,959,674**	**50,962,079**	**1,116,003**	**5,680,376**	**44,343,011**

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 2015 between the value of transactions and their corresponding fair values.

Part B - Information on the consolidated balance sheet

Assets

Section 1- Cash and cash equivalents
Caption 10

1.1 Cash and cash equivalents: breakdown

	31.12.2015	31.12.2014
a) Cash	390,371	450,766
b) Demand deposits with Central Banks	-	-
Total	**390,371**	**450,766**

Section 2 – Financial assets held for trading
Caption 20

2.1 Financial assets held for trading: breakdown by sector

Description/Amounts	31.12.2015			31.12.2014		
	L1	L2	L3	L1	L2	L3
A. Cash assets						
1. Debt securities	259,322	202,940	16	385,688	319,119	26
1.1 Structured securities	19,236	1,349	-	3,300	1,358	-
1.2 Other debt securities	240,086	201,591	16	382,388	317,761	26
2. Equities	67,682	48	7	39,112	68	1
3. UCITS units	66,040	-	-	45,804	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	**393,044**	**202,988**	**23**	**470,604**	**319,187**	**27**
B. Derivatives						
1. Financial derivatives	9	166,996	27,343	-	211,331	32,137
1.1 Trading	9	141,656	27,343	-	155,968	32,137
1.2 Connected with the fair value option	-	25,340	-	-	55,363	-
1.3 Other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 Trading	-	-	-	-	-	-
2.2 Connected with the fair value option	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
Total B	**9**	**166,996**	**27,343**	**-**	**211,331**	**32,137**
Total A+B	**393,053**	**369,984**	**27,366**	**470,604**	**530,518**	**32,164**

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	31.12.2015	31.12.2014
A. Cash assets		
1. Debt securities	**462,278**	**704,833**
a) Governments and Central Banks	340,262	446,960
b) Other public entities	13	17
c) Banks	88,650	226,597
d) Other issuers	33,353	31,259
2. Equity instruments	**67,737**	**39,181**
a) Banks	13,632	9,514
b) Other issuers	54,105	29,667
- insurance companies	4,063	2,912
- financial companies	578	40
- non-financial companies	49,464	26,715
- other	-	-
3. UCITS units	**66,040**	**45,804**
4. Loans	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other parties	-	-
Total A	596,055	789,818
B. Derivative instruments		
a) Banks	119,408	138,914
- fair value	119,408	138,914
b) Customers	74,940	104,554
- fair value	74,940	104,554
Total B	194,348	243,468
Total (A+B)	790,403	1,033,286

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	31.12.2015			31.12.2014		
	L1	L2	L3	L1	L2	L3
1. Debt securities	15,502	17,040	325	16,541	24,838	388
1.1 Structured securities	-	-	-	-	4,000	-
1.2 Other debt securities	15,502	17,040	325	16,541	20,838	388
2. Equity instruments	3	476	-	3	465	4,151
3. UCITS units	49,936	-	3,357	57,107	1,280	5,476
4. Loans	-	-	-	-	-	-
4.1 Structured	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total	**65,441**	**17,516**	**3,682**	**73,651**	**26,583**	**10,015**
Cost	**60,571**	**17,812**	**2,413**	**69,100**	**26,270**	**13,835**

Financial assets designated at fair value through profit and loss: use of the fair value option

Description	31.12.2015	31.12.2014
a) Natural hedges using derivatives	12,213	14,901
a) Natural hedges using other financial instruments	-	-
c) Other cases of accounting mismatches	-	-
d) Financial instruments managed and mesured at fair value	74,426	91,348
e) Structured products with embedded derivatives	-	4,000
Total	**86,639**	**110,249**

3.2 Financial assets designated at fair value through profit and loss: breakdown by borrower/issuer

Description/Amounts	31.12.2015	31.12.2014
1. Debt securities	**32,867**	**41,767**
a) Governments and Central Banks	12,213	12,057
b) Other public entities	-	-
c) Banks	7,274	10,856
d) Other issuers	13,380	18,854
2. Equity instruments	**479**	**4,619**
a) Banks	-	-
b) Other issuers:	479	4,619
- insurance companies	-	-
- financial companies	-	-
- non-financial companies	479	4,619
- other	-	-
3. UCITS units	**53,293**	**63,863**
4. Loans	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other parties	-	-
Total	**86,639**	**110,249**

Analysis of UCITS units

Description	31.12.2015	31.12.2014
1. Equities	-	998
2. Property - closed end	8,079	7,451
3. Equities - open end	7,855	7,191
4. Balanced - open end	-	-
5. Bonds - open end	2,008	2,002
6. Equities closed end	2,464	3,049
7. Speculative securities	4,191	8,509
8. Bonds - short term	-	-
9. Bonds - long term	-	19,075
10. Other	28,696	15,588
Total	**53,293**	**63,863**

Section 4 – Financial assets available for sale
Caption 40

4.1 Financial assets available for sale: breakdown by sector

Description/Amounts	31.12.2015			31.12.2014		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**7,149,796**	**381,388**	**10,134**	**6,105,478**	**334,382**	**10,177**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	7,149,796	381,388	10,134	6,105,478	334,382	10,177
2. Equity instruments	**4,783**	**-**	**276,855**	**2,702**	**-**	**339,249**
2.1 Valued at fair value	4,783	-	244,296	2,702	-	289,088
2.2 Valued at cost	-	-	32,559	-	-	50,161
3. UCITS units	**39,601**	**-**	**159,607**	**32,645**	**-**	**120,294**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**7,194,180**	**381,388**	**446,596**	**6,140,825**	**334,382**	**469,720**

"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.
"Equity instruments" are represented by stable equity investments.
The "UCITS" units mainly relate to closed-end investment funds.

4.2 Financial assets available for sale: breakdown by borrower/issuer

Description/Amounts	31.12.2015	31.12.2014
1. Debt securities	**7,541,318**	**6,450,037**
a) Government and Central Banks	4,965,348	4,780,108
b) Other public entities	18,364	-
c) Banks	2,105,334	1,456,521
d) Other issuers	452,272	213,408
2.Equity instruments	**281,638**	**341,951**
a) Banks	119,475	180,135
b) Other issuers:	162,163	161,816
- insurance companies	54,462	55,332
- financial companies	66,872	51,771
- non-financial companies	40,726	54,613
- other	103	100
3. UCITS units	**199,208**	**152,939**
4. Loans	**-**	**-**
a) Government and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other parties	-	-
Total	**8,022,164**	**6,944,927**

4.3 Micro-hedged financial assets available for sale

	31.12.2015	31.12.2014
1. Financial assets covered by specific fair value hedges	**893,382**	**-**
a) Interest rate risk	893,382	-
b) Price risk	-	-
c) Foreign exchange risk	-	-
d) Credit risk	-	-
e) Multiple risks	-	-
2. Financial assets covered by specific cash flow hedges	**284,181**	**271,680**
a) Interest rate risk	284,181	271,680
b) Foreign exchange risk	-	-
c) Other	-	-
Total	**1,177,563**	**271,680**

Section 5 – Financial assets held to maturity Caption 50

5.1 Financial assets held to maturity: breakdown by sector

	31.12.2015				31.12.2014			
	BV	FV			BV	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	2,663,859	2,732,671	125,432	-	2,213,497	2,242,709	154,999	-
- Structured securities	-	-	-	-	-	-	-	-
- Other	2,663,859	2,732,671	125,432	-	2,213,497	2,242,709	154,999	-
2. Loans	-	-	-	-	-	-	-	-

More than half of the portfolio comprises government debt securities, in order to support net interest income and reduce its exposure to interest rate fluctuations, given 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	31.12.2015	31.12.2014
1. Debt securities	**2,663,859**	**2,213,497**
a) Governments and Central Banks	1,423,156	1,501,136
b) Other public entities	9,954	9,973
c) Banks	975,305	529,313
d) Other issuers	255,444	173,075
2. Loans	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other entities	-	-
Total	**2,663,859**	**2,213,497**
Total fair value	**2,858,103**	**2,397,708**

Section 6 – Due from banks
Caption 60

6.1 Due from banks: breakdown by sector

Type of transaction/Amounts	Total 31.12.2015				Total 31.12.2014			
	BV	FV			BV	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Due from Central Banks	254,597	-	-	254,597	119,094	-	-	119,094
1. Restricted deposits	-	#	#	#	-	#	#	#
2. Reserve requirement	254,597	#	#	#	119,094	#	#	#
3. Repurchase agreements	-	#	#	#	-	#	#	#
4. Other	-	#	#	#	-	#	#	#
B. Due from banks	832,716	-	46,234	787,858	1,590,204	-	135,579	1,450,281
1. Loans	787,858	-	-	787,858	1,450,281	-	-	1,450,281
1.1. Current accounts and demand deposits	208,661	#	#	#	733,829	#	#	#
1.2. Restricted deposits	217,157	#	#	#	376,225	#	#	#
1.3. Other loans	362,040	#	#	#	340,227	#	#	#
- Repurchase agreements	16	#	#	#	31,735	#	#	#
- Finance leases	18	#	#	#	42	#	#	#
- Other	362,006	#	#	#	308,450	#	#	#
2. Debt securities	44,858	-	46,234	-	139,923	-	135,579	-
2.1 Structured securities	-	#	#	#	-	#	#	#
2.2 Other debt securities	44,858	#	#	#	139,923	#	#	#
Total	1,087,313	-	46,234	1,042,455	1,709,298	-	135,579	1,569,375

Key:

FV = fair value
BV = book value

6.3 Finance leases

Finance lease instalments due: timing of instalments

Time bands	Present value 31.12.2015	Present value 31.12.2014
up to 3 months	5	5
between 3 months and 1 year	13	13
between 1year and 5 years	-	24
beyond 5 years	-	-
Total	**18**	**42**

Section 7 – Loans to customers Caption 70

7.1 Loans to customers: breakdown by sector

Type of transaction/Values	31.12.2015					
	Book value			Fair value		
	Performing exposures	Non-performing exposures		L1	L2	L3
		Purchased	Other			
Loans	**36,999,115**	**-**	**6,354,925**	**-**	**-**	**44,807,650**
1. Current accounts	4,888,282	-	991,327	#	#	#
2. Repurchase agreements	-	-	-	#	#	#
3. Mortgage loans	21,706,144	-	3,376,054	#	#	#
4. Credit cards, personal loans and assignments of one-fifth of salary	1,505,464	-	57,839	#	#	#
5. Finance leases	2,097,269	-	550,137	#	#	#
6. Factoring	691,147	-	14,221	#	#	#
7. Other loans	6,110,809	-	1,365,347	#	#	#
Debt securities	**347,611**	**-**	**910**	**-**	**165,763**	**198,384**
8. Structured securities	-	-	-	#	#	#
9. Other debt securities	347,611	-	910	#	#	#
Total	**37,346,726**	**-**	**6,355,835**	**-**	**165,763**	**45,006,034**

Type of transaction/Values	31.12.2014					
	Book value			Fair value		
	Performing exposures	Non-performing exposures		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**

The sub-caption "Other loans" of performing loans includes: € 2,287 million of bullet loans (+2.51%), € 2,208 million of advances on invoices subject to collection (+3.52%), € 836 million of import/export advances (+4.63%), € 57 million of credit assignment (-44.12%) and € 723 million of other miscellaneous entries (+27.29%).

7.2 Loans to customers: breakdown by issuer/borrower

Type of transaction/Values	31.12.2015			31.12.2014		
	Performing exposures	Non-performing		Performing exposures	Non-performing exposures	
		Purchased	Other		Purchased	Other
1. Debt securities	**347,611**	**-**	**910**	**388,794**	**-**	**3,076**
a) Governments	-	-	-	-	-	-
b) Other public entities	2,107	-	-	7,410	-	-
c) Other issuers	345,504	-	910	381,384	-	3,076
- non-financial companies	9,854	-	910	9,788	-	888
- financial companies	232,080	-	-	254,355	-	2,188
- insurance companies	103,570	-	-	117,241	-	-
- other	-	-	-	-	-	-
2. Loans to	**36,999,115**	**-**	**6,354,925**	**37,004,014**	**-**	**6,523,797**
a) Governments	1,713,376	-	1	1,591,704	-	-
b) Other public entities	350,542	-	8,245	363,524	-	6,745
c) Other parties	34,935,197	-	6,346,679	35,048,786	-	6,517,052
- non-financial companies	22,347,748	-	5,452,857	22,643,510	-	5,645,520
- financial companies	2,315,893	-	204,986	2,570,256	-	167,188
- Insurance companies	14,592	-	-	10,182	-	-
- other	10,256,964	-	688,836	9,824,838	-	704,344
Total	**37,346,726**	**-**	**6,355,835**	**37,392,808**	**-**	**6,526,873**

7.3 Loans to customers: hedged assets

	31.12.2015	31.12.2014
1. Loans subject to micro-hedging of fair value	**15,261**	**22,903**
a) Interest rate risk	15,261	22,903
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	**15,261**	**22,903**

7.4 Finance leases

Finance lease instalments due: timing of instalments

Time bands	Present value 31.12.2015	Present value 31.12.2014
up to 3 months	74,412	85,808
between 3 months and 1 year	874,461	198,552
between 1 year and 5 years	532,359	1,423,582
beyond 5 years	1,166,174	1,090,389
Total	**2,647,406**	**2,798,331**

Section 8 – Hedging derivatives Caption 80

8.1 Hedging derivatives: breakdown by type and level

	FV 31.12.2015			NV	FV 31.12.2014			NV
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives	**-**	**38,182**	**-**	**2,013,208**	**-**	**36,744**	**-**	**1,346,458**
1) Fair value	-	38,182	-	2,013,208	-	36,357	-	1,288,958
2) Cash flows	-	-	-	-	-	387	-	57,500
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**38,182**	**-**	**2,013,208**	**-**	**36,744**	**-**	**1,346,458**

Key:

FV = fair value
NV = notional value

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								
	Interest rate risk	Exchange risk	Credit risk	Price risk	Multiple risks	General	Specific	General	
1. Financial assets available for sale	-	-	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-	-	-
3. Financial assets held to maturity	-	-	-	-	-	-	-	-	-
4. Portfolio	-	-	-	-	-	-	-	-	-
5. Other operations	-	-	-	-	-	-	-	-	-
Total assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	38,182	-	-	-	-	-	-	-	-
2. Portfolio	-	-	-	-	-	-	-	-	-
Total liabilities	**38,182**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
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 Arca SGR s.p.a.	Modena	Modena	8	eur	50,000,000	B.P.E.R.	32.752	
3 Atriké s.p.a.	Milan	Milan	8	eur	120,000	B.P.E.R.	45.000	
4 Banca della Nuova Terra s.p.a.	Sassari	Sassari	8	eur	50,000,000	B.P.E.R.	30.369	
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	17,850	B.P.E.R.	23.587	
10 CONFORM Consulenza Formazione e Management s.cons.a r.l.	Sassari	Sassari	8	eur	200,000	B.P.E.R.	46.430	
	Avellino	Avellino	8			B. Sard.	2.980	
11 Emil-Ro Service s.r.l.			8	eur	93,600	B.P.E.R.	16.667	
	Bologna	Bologna	8			Emil-Ro Factor	8.333	
12 Lanciano Fiera - Polo Fieristico d'Abruzzo Consorzio	Lanciano	Lanciano	8	eur	250,000	B.P.E.R.	20.000	
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 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 "% Voting rights" column is only used if the actual share of votes exercisable at the Ordinary Shareholders' Meeting is different from the interest 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.	133,240	-	-
2. Arca SGR s.p.a.	166,142	-	-
3. Banca della Nuova Terra s.p.a.	9,519	-	-
4. Cassa di Risparmio di Fossano s.p.a.	35,482	-	665
5. Cassa di Risparmio di Saluzzo s.p.a.	22,871	-	465
6. Cassa di Risparmio di Savigliano s.p.a.	29,815	-	416
7. Sarda Factoring s.p.a.	2,038	-	-
8. Unione Fiduciaria s.p.a.	7,239	-	259
Total	**406,346**	**-**	**1,805**

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; the controlling interests measured using the equity method are reported in table 10.10.

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.	#	4,849,426	122,762	4,534,324	34,668	140,750	#
2 Arca SGR s.p.a.	#	125,326	201,407	87,283	32,986	289,072	#
3 Banca della Nuova Terra s.p.a.	#	33,193	13,303	5,501	4,821	6,637	#
4 Cassa di Risparmio di Fossano s.p.a.	#	1,927,763	51,907	1,836,415	28,515	70,395	#
5 Cassa di Risparmio di Saluzzo s.p.a.	#	1,060,006	32,408	992,711	29,179	53,990	#
6 Cassa di Risparmio di Savigliano s.p.a.	#	1,311,864	48,852	1,312,690	42,329	58,334	#
7 Sarda Factoring s.p.a.	#	60,249	1,509	52,087	444	2,809	#
8 Unione Fiduciaria s.p.a.	#	49,842	18,490	31,589	9,955	35,896	#

(cont.)

Name	Net adjustments to property, plant and equipment 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.	#	1,415	5,007	-	5,007	118	5,125
2 Arca SGR s.p.a.	#	42,257	27,596	-	27,596	(697)	26,899
3 Banca della Nuova Terra s.p.a.	#	(11,201)	(10,067)	-	(10,067)	(60)	(10,127)
4 Cassa di Risparmio di Fossano s.p.a.	#	10,443	6,275	-	6,275	(2,580)	3,695
5 Cassa di Risparmio di Saluzzo s.p.a.	#	4,319	2,637	-	2,637	1,465	4,102
6 Cassa di Risparmio di Savigliano s.p.a.	#	6,046	3,362	-	3,362	3,603	6,965
7 Sarda Factoring s.p.a.	#	141	3	-	3	-	3
8 Unione Fiduciaria s.p.a.	#	5,219	3,477	-	3,477	-	3,477

The economic and financial information was taken from the latest approved financial statements.

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)	Other changes	Book value
A. Investments in companies under joint control					
B. Companies subject to significant influence					
1 Alba Leasing s.p.a.	397,760	133,240	-	-	133,240
2 Arca SGR s.p.a.	206,467	67,622	98,520	-	166,142
3 Banca della Nuova Terra s.p.a.	31,344	9,519	-	-	9,519
4 Cassa di Risparmio di Fossano s.p.a.	116,242	26,825	13,125	(4,468)	35,482
5 Cassa di Risparmio di Saluzzo s.p.a.	63,388	19,662	3,209	-	22,871
6 Cassa di Risparmio di Savigliano s.p.a.	80,719	25,028	4,787	-	29,815
7 Sarda Factoring s.p.a.	9,228	1,982	56	-	2,038
8 Unione Fiduciaria s.p.a.	35,700	8,568	(1,329)	-	7,239

For the values and parameters, see Part A.1 of these Explanatory notes.
The goodwill relating to and included in the value of significant equity investments (formerly positive/negative differences in shareholders' equity) amounts to € 118,515 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.

Arca SGR s.p.a. is one the oldest Italian asset management companies, a market leader since 1983; it is characterised by independence and a presence all over the country through a network of placement agencies that operate through branches, financial advisors and online channels.

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 Piedmontese credit 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.

Unione Fiduciaria s.p.a. 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	1,123	5,411	4,483	3,054	(235)	-	(235)	-	(235)

10.5 Equity investments: changes in the period

	31.12.2015	31.12.2014
A. Opening balance	**257,660**	**250,970**
B. Increases	**177,426**	**13,041**
B.1 Purchases	61,341	-
B.2 Write-backs	-	-
B.3 Revaluation	-	-
B.4 Other changes	116,085	13,041
C. Decreases	**19,886**	**6,351**
C.1 Sales	-	-
C.2 Adjustments	5,373	3,508
C.3 Other changes	14,513	2,843
D. Closing balance	**415,200**	**257,660**
E. Total revaluations	**-**	**-**
F. Total adjustments	**159,683**	**154,310**

"Purchases" refer to the purchase of shares of Arca SGR s.p.a. by Banco Popolare s.c. (6,166,000 shares, representing 12.332% of the share capital) and by Banca Popolare dell'Alto Adige s.c.p.a. (210,984 shares, representing 0.422% of the share capital) which took place on 22 December 2015 as a result of the authorisations received by the competent Supervisory Authorities and on completion of the pre-emption procedure. As a result, the Parent Company's interest in Arca at 31 December 2015 has increased from 19.998% to 32.752%.
This means that a step acquisition has been carried out; step acquisitions are explicitly governed by IFRS 3 "Business Combinations". This standard governs such cases, saying that you have to assume that the entire interest that you hold gets sold and then bought back at the latest fair value. For the Consolidated financial statements, a "policy choice" has been made as by analogy it is believed that this accounting approach can also be extended to step acquisitions that take place when there is a transfer from an AFS security to a significant equity investment. The transfer from the AFS portfolio to the related "Equity investments" portfolio is similar to a sale: the Consolidated financial statements recorded a gain under caption 100 b) of the income statement of € 68,993 thousand, against the elimination of the AFS valuation reserve (pre-tax amount). For further clarification, please refer to the information in the Directors' Report on Group Operations under "Significant events and strategic transactions" and in Part A.2 of these notes under chapter 20 "Other information".

"Adjustments" refer to the impairment test performed on the following companies subject to significant influence: Banca della Nuova Terra s.p.a. (€ 2,894 thousand), Cassa di Risparmio di Fossano s.p.a. (€ 1,416 thousand), Alba Leasing s.p.a. (€ 410 thousand), Sofipo s.a. (€ 103 thousand) and CAT Progetto Impresa Modena s.c.r.l. (€ 2 thousand); and on the following subsidiaries measured under the equity method: Melior Valorizzazioni Immobili s.r.l. (€ 452 thousand), Galilei Immobiliare s.r.l. (€ 51 thousand) and BPER Trust Company s.p.a. (€ 45 thousand).
"Other changes" include the Group's portions of the positive or negative results of affiliates and the consolidation entries under the equity method.

10.9 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.

10.10 Other information

Controlling interests measured using the equity method

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)
Controlling interests measured using the equity method	7,731	91,095	83,476	5,095	(3,650)	-	(3,650)	-	(3,650)

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	31.12.2015	31.12.2014
1. Assets owned	**720,186**	**731,841**
a) land	169,138	169,378
b) buildings	477,923	481,538
c) furniture	31,714	35,298
d) electronic systems	20,024	19,879
e) other	21,387	25,748
2. Assets purchased under finance leases	**3,536**	**4,091**
a) land	-	-
b) buildings	3,536	4,091
c) furniture	-	-
d) electronic systems	-	-
e) other	-	-
Total	**723,722**	**735,932**

12.2 Investment property: breakdown of assets valued at cost

Description/Amounts	31.12.2015				31.12.2014			
	Book value	Fair value			Book value	Fair value		
		L1	L2	L3		L1	L2	L3
1 Assets owned	**217,399**	**-**	**-**	**239,871**	**292,999**	**-**	**-**	**323,353**
a) land	90,423	-	-	102,214	97,846	-	-	106,707
b) buildings	126,976	-	-	137,657	195,153	-	-	216,646
2. Assets purchased under finance leases	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
Total	**217,399**	**-**	**-**	**239,871**	**292,999**	**-**	**-**	**323,353**

The Group has opted to measure both assets used in the business and investment property at cost.

12.5 Property, plant and equipment used in business: changes in the period

	Land	Buildings	Furniture	Electronic systems	Other	31.12.2015
A. Opening gross amount	**169,378**	**694,522**	**188,980**	**175,257**	**197,672**	**1,425,809**
A.1 Total net write-downs	-	208,893	153,682	155,378	171,924	689,877
A.2 Opening net amount	**169,378**	**485,629**	**35,298**	**19,879**	**25,748**	**735,932**
B. Increases	**1,440**	**27,812**	**2,672**	**6,625**	**6,077**	**44,626**
B.1 Purchases	-	3,985	2,577	6,625	5,857	19,044
B.2 Capitalised improvement expenditure	-	5,363	-	-	-	5,363
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	754	13,753	-	-	-	14,507
B.7 Other changes	686	4,711	95	-	220	5,712
C. Decreases	**1,680**	**31,982**	**6,256**	**6,480**	**10,438**	**56,836**
C.1 Sales	458	5,279	176	97	26	6,036
C.2 Depreciation	-	15,430	5,663	6,382	7,398	34,873
C.3 Impairment charges posted to:	-	6,176	-	-	-	6,176
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	6,176	-	-	-	6,176
C.4 Negative changes in fair value posted to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange rate adjustments	-	-	-	-	-	-
C.6 Transfer to:	474	4,561	-	-	-	5,035
a) property, plant and equipment held for investment	474	4,561	-	-	-	5,035
b) non-current assets held for sale	-	-	-	-	-	-
C.7 Other changes	748	536	417	1	3,014	4,716
D. Closing net balance	**169,138**	**481,459**	**31,714**	**20,024**	**21,387**	**723,722**
D.1 Total net write-downs	-	227,127	158,790	158,671	176,329	720,917
D.2 Closing gross amount	**169,138**	**708,586**	**190,504**	**178,695**	**197,716**	**1,444,639**

12.6 Investment property: changes in the period

	31.12.2015	
	Land	Buildings
A. Opening gross amount	**97,846**	**241,407**
A.1 Total net write-downs	-	46,254
A.2 Opening net amount	**97,846**	**195,153**
B. Increases	**2,090**	**7,345**
B.1 Purchases	-	139
B.2 Capitalised improvement expenditure	-	225
B.3 Positive changes in fair value	-	-
B.4 Write-backs	-	-
B.5 Exchange gains	-	-
B.6 Transfers from assets used in business	474	4,561
B.7 Other changes	1,616	2,420
C. Decreases	**9,513**	**75,522**
C.1 Sales	105	213
C.2 Depreciation	-	2,959
C.3 Negative changes in fair value	-	-
C.4 Impairment changes	912	3,416
C.5 Exchange losses	-	-
C.6 Transfers to other asset portfolios:	754	13,753
a) property used in business	754	13,753
b) non-current assets held for sale	-	-
C.7 Other changes	7,742	55,181
D. Closing net balance	**90,423**	**126,976**
D.1 Total net write-downs	-	30,227
D.2 Closing gross amount	**90,423**	**157,203**
E. Measured at fair value	**102,214**	**137,657**

Useful life of the main fixed asset categories

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

Depreciation is calculated with reference to the estimated useful lives of the assets concerned, commencing from when they enter into service.

Section 13 – Intangible assets
Caption 130

13.1 Intangible assets: breakdown by type

Description/Amounts	31.12.2015		31.12.2014	
	Limited duration	Unlimited duration	Limited duration	Unlimited duration
A.1 Goodwill	**#**	**380,395**	**#**	**380,416**
A.1.1 attributable to the group	#	380,395	#	380,416
A.1.2 attributable to minority interests	#	-	#	-
A.2 Other intangible assets	**134,769**	**-**	**117,593**	**-**
A.2.1 Carried at cost:	134,769	-	117,593	-
a) Intangible assets generated internally	-	-	10	-
b) Other assets	134,769	-	117,583	-
A.2.2 Carried at fair value:	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**134,769**	**380,395**	**117,593**	**380,416**

"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.
The residual "Other intangible assets" include € 14,667 thousand representing the value of the client relationships identified on final allocation of the purchase price paid at the end of 2008 for the former UniCredit branches. These relationships are estimated as having a useful life of 18 years.

13.2 Intangible assets: changes in the period

	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total
		Lim.	Unilm.	Lim.	Unilm.	
A. Opening balance	**464,052**	**50**	**-**	**275,349**	**-**	**739,451**
A.1 Total net write-downs	83,636	40	-	157,766	-	241,442
A.2 Opening net amount	**380,416**	**10**	**-**	**117,583**	**-**	**498,009**
B. Increases	**-**	**-**	**-**	**49,352**	**-**	**49,352**
B.1 Purchases	-	-	-	49,349	-	49,349
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	-	-	-	3	-	3
C. Decreases	**21**	**10**	**-**	**32,166**	**-**	**32,197**
C.1 Sales	-	-	-	-	-	-
C.2 Adjustments	-	10	-	31,903	-	31,913
- Amortisation	#	10	-	31,903	-	31,913
- 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	21	-	-	263	-	284
D. Closing net balance	**380,395**	**-**	**-**	**134,769**	**-**	**515,164**
D.1 Total net value adjustments	83,636-	51	-	188,082	-	188,133
E. Closing gross amount	**464,031**	**51**	**-**	**322,851**	**-**	**703,297**

All intangible assets are stated at cost.

Key:

Fin.: finite duration
Indef.: indefinite duration

13.3 Other information

13.3.1 Goodwill

The items of goodwill reported in the Consolidated financial statements are summarised in the following table:

Goodwill	31.12.2015	31.12.2014
1. Group companies	**380,395**	**380,416**
1.1 Banks	**91,734**	**91,734**
- 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**	**280,236**
-Purchase of UniCredit branches	83,650	83,650
- 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	6,876
- Banca Popolare del Mezzogiorno s.p.a.	6,124	6,124
- Banca della Campania s.p.a.	51,346	51,346
1.3 Other companies	**8,425**	**8,446**
- Sardaleasing s.p.a.	1,657	1,657
- Emilia Romagna Factor s.p.a.	6,768	6,769
- Estense Covered Bond s.r.l. (*)	-	2
- Adras s.p.a. (*)	-	18
Total	**380,395**	**380,416**

(*) at 31 December 2015, these companies have been consolidated using the equity method

The detailed figures relating to the Parent Company BPER represent a purely historical and accounting situation, in any case combined in the only identifiable CGU represented by the Legal Entity BPER.

Impairment test

IFRS 3 "Business Combinations" requires that new intangible assets should be recorded, including any goodwill that arises as the result of an acquisition; Goodwill represents the difference between the acquisition cost and the fair value at the acquisition date, as described in detail in Part A2 of these notes under paragraph 23 "Business Combinations: allocation of purchase cost, assets and liabilities of the acquired company".
In accordance with IAS 36, the value of the assets characterised by an indefinite useful life, including goodwill, must be tested annually for impairment to verify their recoverability. In addition, for intangible assets with a finite useful life, the test should be performed whenever there are signs of impairment.
Impairment testing has to be performed by comparing the carrying amount of an asset with its recoverable value, where the recoverable amount is the higher of its fair value less costs to sell and its value in use. When the recoverable amount of an individual asset cannot be measured, the recoverable amount of the Cash Generating Unit (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.

Goodwill to be tested

According to IAS 36, there is a need to correlate the level at which goodwill is tested with the internal reporting level at which management controls movements in this value. In this regard, the definition of this level is closely dependent on the organisational models and the attribution of management responsibilities for the definition of operating activities and subsequent monitoring. Organisational models can be related to the articulation of legal entities through which operations are developed or to the definition of the business's operating sectors that are the basis of segment reporting as envisaged by IFRS 8.
Due to the characteristics of the individual entities (mainly focused 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 2015, 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.

(in millions)

CGU	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. (BdS's share)	4.9

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 these 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 half-year report at 30 June is being prepared.

Measurement methodology

For the purpose of impairment testing, reference was made to the value in use which based on the valuation method proposed by IAS 36, is the one 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, including the terminal value calculated as a perpetuity estimated on the basis of an economically sustainable normalised cash flow and consistent with the long-term growth rate. 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:

$$W = \sum_{i=0}^{n} CF_i (1 + k_e)^{-i} + TV (1 + k_e)^{-n}$$

Key:
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.

Estimate of cash flows

The value in use of each CGU was estimated by discounting future cash flows relating to an explicit forecast period of five years, from 2016 to 2020. The forecasts were drawn up following three stages of evaluation:

- for 2015, reference was made to the preliminary results of each entity;
- for 2016, budget figures were used;
- for the period 2017-2020, financial projections were developed in a context of inertial growth in order to identify sustainable long-term normalised income.

The table below shows the average growth rate assumptions for deposits and profitability indicators in respect of the projections used to estimate the value in use.

CGU	CAGR 2015-2020			Profitability indicators at 2020		
	Loans	Direct deposits	Indirect deposits	Net interest and other banking income/VH	Net impairment loans	Operating costs/WH
BPER	2.2%	1.9%	3.0%	1.57%	0.60%	0.88%
CR Bra s.p.a.	3.7%	1.5%	5.1%	1.56%	0.60%	0.73%
Banco di Sardegna s.p.a.	2.3%	0.0%	5.5%	1.68%	0.60%	1.17%
Banco di Sassari s.p.a.	1.7%	0.4%	5.4%	3.05%	0.60%	2.21%

Key:
VH = Volumes handled (Loans+Total Deposits)

Briefly, in the explicit forecast period we expect:

- a growth in loans helped by a recovery, albeit weak, in the economy that will affect all components of demand (mortgages, loans, etc.);
- development in direct deposits that reflects a recovery in savings for households, influenced in any case by a situation of limited economic growth;
- a significant increase in indirect deposits in the field of assets under management/ insurance;
- a gradual, if limited, recovery in customer spread in the medium term helped by a faster increase in interest rates on loans rather than on deposits;
- higher net commission income thanks to the increase in volumes;
- cost of credit falling gradually from 2016, favoured by an improvement in the economic environment and more selective lending;
- operating costs down slightly in 2016-2017, mainly because of the decline in payroll costs, though they will tend to rise again in the following period.

The forecast figures used in the inertial period are characterised by limited growth and are in line with the evolution expected in the budget; however, it should be noted that the forecasts are sensitive to changes in the macroeconomic scenario which is significantly impacted by the situation of uncertainty on the timing and strength of the Italian economy's recovery. For this reason, sensitivity analyses of the value in use of the CGU to changes in certain significant parameters used for valuation purposes have been carried out.

The Terminal Value, i.e. the value for the period following that covered by the explicit projections, has been estimated by considering a normalised flow generated by income in the last year of the projections, net of physiological capital absorption, and applying a nominal long-term growth rate of 2.0%, substantially in line with expected long-term inflation.
Distributable cash flows have been calculated assuming a Tier 1 Ratio target of 8.5%, in line with supervisory provisions, and able to maintain a satisfactory level of capitalisation in line with the expected growth in business.

Discount rate

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), using the following formula:

$$k_e = R_f + \beta \times (R_m - R_f)$$

Key:
R_f = Risk free rate;
$(R_m - R_f)$ = Market risk premium;
β = Beta.

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 9.36%, considering the following parameters:

- the risk free rate 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). In the latter period the yield on Italian government bonds reduced the gap compared with German Bunds, 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;
- 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 of 5.50%, as used in valuations by various operators;
- 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. Unlike past years, when a beta calculated on a sample composed of mainly regional banks was used, the BPER Group's beta has been used, given the increasing integration of subsidiary banks and therefore more sharing of the Group's specific risk. We used a 3-year period of observation which eliminates or at least limits any particular fluctuations.

The following table provides a comparison with the discount rate used for impairment tests at the end of the previous year.

Discount rate	2015	2014
Risk free rate	1.66%	2.35%
Market risk premium	5.50%	5.50%
Beta	1.4	1.14
Cost of capital (Ke)	**9.36%**	**8.63%**

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 estimated at 31 December 2015 in proportion to the investment held and the value of goodwill recorded in the Consolidated financial statements attributable to the individual Bank.

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.

Based on the above assumptions, the values in use of each CGUs were estimated and compared with their respective carrying amounts; the differential margin obtained for each entity was then compared with the related goodwill, with the results shown in the following table.

(in millions)

CGU	Goodwill	Differential margin
BPER	280.2	*1,100.2*
CR Bra s.p.a.	4.6	*24.9*
Banco di Sardegna s.p.a.	82.3	*36.9*
Banco di Sassari s.p.a (BdS's share)	4.9	*56.3*

Key:
Differential margin = difference between the value in use and the book value of the CGU

The testing performed did not reveal any need to record impairment losses of goodwill recorded at the balance sheet date. In addition, the differential margin for CR Bra s.p.a. also makes it possible to confirm the value of specific intangible assets with a finite life, represented by the "Core Deposits" identified after 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 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 estimates of value in use and therefore on the results of the impairment test, of changes in the key parameters on which the valuation model was based. In particular, we verified the impact on the value in use of a change in the:

- basic discount rate (9.36%) of +25 bps;
- basic long-term growth rate "g" (2.0%) of -50 bps;
- basic Tier 1 ratio (8.5%) of +50 bps;
- adjustments to loans in the last year of the basic forecast (to 0.60%) of +10 bps.

The following table shows the sensitivity (in percentage terms) of the value in use of the CGU compared with that obtained using the "basic" parameters.

CGU	Change in the basic value in use			
	Ke Rate +25 bps	"g" Rate -50 bps	Tier 1 ratio +50 bps	Adjustments +10 bps
BPER	-2.2%	-1.7%	-2.6%	-4.0%
CR Bra s.p.a.	-3.9%	-3.2%	-4.5%	-7.3%
Banco di Sardegna s.p.a.	-1.5%	-1.1%	-1.5%	-3.3%
Banco di Sassari s.p.a (quota BdS)	-1.8%	-1.5%	-1.7%	-2.8%

According to what is shown in the above table, changes in the k_e (up), in the "g" rate (down), the Tier 1 ratio or adjustments to loans (the latter two both up) would result in a decrease in the value in use of between 1.09% and 7.33%.
In none of these cases is a value in use recalculated on the basis of changed parameters lower than the book amount of the CGU. The following table shows (in percentage terms) the excess of value in use recalculated on the basis of the sensitivity parameters compared with the book value of the CGU.

CGU	Excess of value in use recalculated on the book value			
	ke Rate +25 bps	"g" Rate -50 bps	Tier 1 ratio +50 bps	Adjustments +10 bps
BPER	19.6%	20.1%	19.1%	17.3%
CR Bra s.p.a.	44.6%	45.7%	43.7%	39.5%
Banco di Sardegna s.p.a.	4.1%	4.5%	4.0%	2.1%
Banco di Sassari s.p.a (quota BdS)	26.3%	26.6%	26.4%	25.0%

Again from a Stress Test point of view, alternative variations were considered:

- in the discount rate;
- in the normalised cash flow of the last period of the projections (used to estimate the Terminal Value);
- in the Tier 1 ratio

such that BPER's value in use is equal to its book value; in other words, the threshold value of the main inputs, beyond which impairment testing of the CGU would result in a loss.

CGU	Ke limit rate	Limit redaction normalised cash flow	Tier 1 ratio limit
BPER	12.09%	-38.5%	12.1%
CR Bra s.p.a.	12.21%	-39.9%	12.2%
Banco di Sardegna s.p.a.	10.65%	-21.4%	10.2%
Banco di Sassari s.p.a (BdS's share)	14.48%	-61.4%	15.1%

The results of these analyses show that there is a gap between the amounts used for the impairment test 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.

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 2015.

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.

The estimates of potentially distributable cash flows were based on consolidated financial projections, calculated on the basis of the assumptions already discussed above with reference to each CGU; the excess/deficit with respect to the Basel 3 capital requirements was then added/subtracted and applied to the specific case on the basis of the indications received from the Supervisory Authority; specifically, a target Tier 1 ratio of 10.75% was considered.

The estimated cash flows were discounted at a rate of 9.36%, which corresponds to that used in the impairment test of the individual CGUs, so reference should be made to them for further details on the inputs used.

On the basis of these assumptions, the value in use of the entire BPER Group is higher than the carrying amount by about Euro 520 million and therefore confirms that there has been no impairment of the overall goodwill of Euro 380.4 million recorded in the Consolidated financial statements.

As for the impairment tests of the individual CGUs, a sensitivity analysis was also performed in this case to assess the impact on the estimates of value in use, and therefore on the results of the test, of changes in the key parameters on which the valuation model is based. In particular, we verified the impact on the value in use of a variation:

- in the basic discount rate (9.36%) of +25 bps;
- in the basic long-term "g" growth rate (2.0%) of -50 bps;
- in the basic Tier 1 ratio (10.75%) of +50 bps;
- of adjustments to loans in the last year of the basic forecast (0.60%) of +10 bps.

The following table shows the sensitivity (in percentage terms) of the value in use of the CGU compared with that obtained using the "basic" parameters.

CGU	Change in the basic value in use			
	ke Rate +25 bps	"g" Rate -50 bps	Tier 1 ratio +50 bps	Adjustments +10 bps
BPER Group	-2.7%	-1.2%	-3.6%	-5.2%

According to what is shown in the above table, changes in the ke (up), in the "g" rate (down), the Tier 1 ratio or adjustments to loans (the latter two both up) would result in a decrease in the value in use of between 1.19% and 5.20%.
In none of these cases is a value in use recalculated on the basis of changed parameters lower than the book amount of the CGU. The following table shows (in percentage terms) the excess of value in use recalculated on the basis of the sensitivity parameters compared with the book value of the CGU.

CGU	Excess of value in use recalculated on the book value			
	ke Rate +25 bps	"g" Rate -50 bps	Tier 1 ratio +50 bps	Adjustments +10 bps
BPER Group	7.4%	9.1%	6.4%	4.6%

Again from a Stress Test point of view, alternative variations were considered:

- in the discount rate;
- in the normalised cash flow of the last period of the projections (used to estimate the Terminal Value);
- in the Tier 1 ratio such that BPER's value in use is equal to its book value; in other words, the threshold value of the main inputs, beyond which impairment testing of the CGU would result in a loss.

CGU	Ke limit rate	Limit redaction normalised cash flow	Tier 1 ratio limit
BPER Group	10.32%	-16.7%	12.1%

The results of these analyses show that there is an adequate gap between the amounts used for the impairment test and the threshold values, indicating, as a consequence, that there is sufficient headroom (the amount by which the recoverable amount exceeds the carrying amount) even with an adverse change in the current market scenario.

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	824,320	72,257	896,577
Write-downs of equity investments and securities	23,952	7,725	31,677
Goodwill	146,434	29,650	176,084
Personnel provisions	64,383	5,491	69,874
Endorsement credits, revocatory action during bankruptcy proceedings and outstanding lawsuits	59,720	3,823	63,543
Depreciation of property, plant and equipment and amortisation of intangible assets	11,421	619	12,040
Other deferred tax assets	12,931	964	13,895
Total	**1,143,161**	**120,529**	**1,263,690**

14.2 Deferred tax liabilities: breakdown

	IRES	IRAP	Total
Gains on disposal of lines of business	996	-	996
Gains from the sale of shares and bonds	51,835	12,117	63,952
Equity investments	693	1,270	1,963
Payroll costs	1,674	-	1,674
Gains from the sale of property, plant and equipment	110	-	110
Depreciation of property, plant and equipment and amortisation of intangible assets	8,092	927	9,019
Goodwill	10,442	2,115	12,557
Other deferred tax liabilities	12,973	1,858	14,831
Total	**86,815**	**18,287**	**105,102**

"Deferred tax assets" and "Deferred tax liabilities" are determined on the basis of IRES and IRAP tax rates which are expected to be in force at the time of their recovery.
The recognition of deferred tax assets is made after checking the probability that there will be sufficient future taxable income to recover them. For further details, please refer to the comments on table 14.3.1.
Decree Law 83 of 27 June 2015 converted by Law 132 of 6 August 2015 amended art. 106 of the Consolidated Income Tax Law, establishing the full deductibility of adjustments to loans; the same Decree changed the timing of recovery of deferred tax assets on adjustments to loans recorded at 1 January 2015, establishing that no recovery should be made in the tax year in progress at 31 December 2015.
The 2016 Stability Law reduced the rate of IRES from 27.5% to 24% with effect from the tax year in progress at 31 December 2017. The same law introduced an IRES surtax of 3.5% for banks with effect from the same tax year. This change resulted in a reduction in the deferred tax liabilities of the Group's non-banking companies of around € 1 million, with a positive impact on the income statement.

14.3 Changes in deferred tax assets (with contra-entry to income statement)

	31.12.2015	31.12.2014
1. Opening balance	**1,123,567**	**999,418**
2. Increases	**132,787**	**273,935**
2.1 Deferred tax assets recognised during the year	116,237	271,119
a) relating to prior years	56	-
b) due to changes in accounting policies	-	-
c) write-backs	-	-
d) other	116,181	271,119
2.2 New taxes or increases in tax rates	3,262	-
2.3 Other increases	13,288	2,816
3. Decreases	**33,834**	**149,786**
3.1 Deferred tax assets derecognised during the year	29,532	136,516
a) reversals	28,733	135,098
b) written down as no longer recoverable	-	-
c) due to changes in accounting policies	-	-
d) other	799	1,418
3.2 Reduction in tax rates	22	-
3.3 Other decreases	4,280	13,270
a) transformation of tax credits referred as per L. 214/2011	2,785	3,499
b) other	1,495	9,771
4. Closing balance	**1,222,520**	**1,123,567**

14.3.1 Changes in deferred tax assets as per Law 214/2011 (with contra-entry to income statement)

	31.12.2015	31.12.2014
1. Opening balance	**1,018,156**	**893,224**
2. Increases	**62,529**	**239,958**
3. Decreases	**8,067**	**115,026**
3.1 Reversals	4,513	104,022
3.2 Transformations into tax credits	2,785	3,499
a) arising from losses	2,785	3,499
b) arising from tax losses	-	-
3.3 Other decreases	769	7,505
4. Closing balance	**1,072,618**	**1,018,156**

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 possibility to transform into tax credits any DTAs recognised in the financial statements for the part of IRES tax losses arising from deduction of temporary differences relating to adjustments to loans and goodwill.
Subsequently, Law 214/2013 (Stability Law 2014) extended the conversion of IRAP DTAs 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 DTAs 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 assets of Euro 1,072.6 million of deferred tax assets.
The residual DTAs, of € 143 million, represent assets whose recovery is linked to the presence of future taxable income. They have been recognised in the light of various elements:
- option for tax consolidation exercised by BPER: tax consolidation extends the probability of making taxable income for IRES purposes that can absorb the recoveries that gave rise to the deferred tax assets;
- the 2015-2017 Business Plan confirmed the forecast of future taxable income at consolidated level, confirming what happened in previous years.

Lastly, note that the smaller companies excluded from the tax consolidation do not recognise deferred tax assets on tax losses carried forward if they do not any taxable income to offset them.

The details of DTAs for IRES and IRAP purposes are shown below:

	31.12.2015			31.12.2014		
	IRES	IRAP	Total	IRES	IRAP	Total
Net impairment adjustments to loans	824,320	72,257	896,577	777,658	59,881	837,539
Goodwill	146,391	29,650	176,041	150,234	30,383	180,617
Total	**970,711**	**101,907**	**1,072,618**	**927,892**	**90,264**	**1,018,156**

14.4 Changes in deferred tax liabilities (with contra-entry to income statement)

	31.12.2015	31.12.2014
1. Opening balance	**25,854**	**28,554**
2. Increases	**2,762**	**2,390**
2.1 Deferred tax liabilities recognised during the year	2,383	2,176
a) relating to prior years	22	111
b) due to change in accounting policies	-	-
c) other	2,361	2,065
2.2 New taxes or increases in tax rates	9	-
2.3 Other increases	370	214
3. Decreases	**6,385**	**5,090**
3.1 Deferred tax liabilities derecognised during the year	3,359	3,756
a) reversals	2,159	1,857
b) due to change in accounting policies	-	-
c) other	1,200	1,899
3.2 Reduction in tax rates	1,030	-
3.3 Other decreases	1,996	1,334
4. Closing balance	**22,231**	**25,854**

14.5 Changes in deferred tax assets (with contra-entry to shareholders' equity)

	31.12.2015	31.12.2014
1. Opening balance	**55,766**	**39,160**
2. Increases	**7,935**	**25,742**
2.1 Deferred tax assets recognised during the year	7,385	16,773
a) relating to prior years	-	-
b) due to changes in accounting policies	-	-
c) other	7,385	16,773
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	550	8,969
3. Decreases	**22,531**	**9,136**
3.1 Deferred tax assets cancelled during the year	10,550	8,505
a) reversals	10,526	8,475
b) written down as no longer recoverable	-	-
c) due to changes in accounting policies	-	-
d) other	24	30
3.2 Reduction in tax rates	5	-
3.3 Other decreases	11,976	631
4. Closing balance	**41,170**	**55,766**

14.6 Changes in deferred tax liabilities (with contra-entry to shareholders' equity)

	31.12.2015	31.12.2014
1. Opening balance	**87,677**	**93,914**
2. Increases	**30,696**	**72,227**
2.1 Deferred tax liabilities recognised during the year	30,323	53,651
a) relating to prior years	-	-
b) due to change in accounting policies	-	-
c) other	30,323	53,651
2.2 New taxes or increase in tax rates	204	-
2.3 Other increases	169	18,576
3. Decreases	**35,502**	**78,464**
3.1 Deferred tax liabilities cancelled during the year	35,117	18,767
a) reversals	34,944	18,765
b) due to change in accounting policies	-	-
c) other	173	2
3.2 Reduction in tax rates	17	-
3.3 Other decreases	368	59,697
4. Closing balance	**82,871**	**87,677**

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

	31.12.2015	31.12.2014
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 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	-	-

(cont.)

	31.12.2015	31.12.2014
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 is in place at the balance sheet date. At 31 December 2014 this caption included a property owned by the Parent Company.

Section 16 – Other assets
Caption 160

16.1 Other assets: breakdown

	31.12.2015	31.12.2014
Taxes withheld on interest, withholdings and tax credits on dividends, advance taxation	131,859	113,614
Amounts recoverable from the tax authorities for higher taxes paid for previous years and related accrued interest	2,328	11,387
Sundry amounts to be charged to customers	576,057	484,633
Bank charges to be debited to customers or banks	57,669	53,333
Cheques being processed	5,290	6,619
Cheques drawn on other banks	114,615	116,465
Items relating to securities transactions	89,108	23,191
Items in transit with branches	66	304
Leasehold improvement expenditure	10,808	15,410
Gold, silver and precious metals	234	236
Accrued income and prepaid expenses	44,774	33,688
Other items for sundry purposes	103,518	226,853
Total	**1,136,326**	**1,085,733**

BPER has recorded as "Other items for sundry purposes" receivable positions, acquired following the absorption of Banca della Campania s.p.a., totalling € 2.1 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. These items have been recognised following specific approval from the Board of Directors, having consulted the Board of Statutory Auditors and the 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	31.12.2015	31.12.2014
1. Due to Central Banks	**3,003,907**	**3,395,954**
2. Due to banks	**2,519,085**	**3,083,604**
2.1 Current accounts and demand deposits	302,322	340,943
2.2 Restricted deposits	52,780	64,689
2.3 Loans	2,161,978	2,675,571
2.3.1 Repurchase agreements	1,499,914	2,069,389
2.3.2 Other	662,064	606,182
2.4 Payables for commitments to repurchase own equity instruments	-	-
2.5 Other payables	2,005	2,401
Total	**5,522,992**	**6,479,558**
Fair value - level 1	-	-
Fair value - level 2	-	-
Fair value - level 3	5,522,992	6,479,558
Total fair value	**5,522,992**	**6,479,558**

The net interbank position is negative for € 4,436 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	31.12.2015	31.12.2014
1. Current accounts and demand deposits	29,018,832	27,487,204
2. Restricted deposits	2,423,865	2,968,817
3. Loans	3,694,678	2,780,795
3.1 repurchase agreements	1,862,690	1,062,767
3.2 other	1,831,988	1,718,028
4. Payables for commitments to repurchase own equity instruments	-	-
5. Other payables	750,283	727,443
Total	**35,887,658**	**33,964,259**
Fair value - level 1	-	-
Fair value - level 2	-	-
Fair value - level 3	35,887,658	33,964,259
Total fair value	**35,887,658**	**33,964,259**

2.5 Finance lease payables

Total minimum future payments for lease transactions

Time bands	Present value 31.12.2015	Present value 31.12.2014
Up to 3 months	36	33
Between 3 months and 12 months	109	103
Between 1 and 5 years	649	610
Beyond 5 years	204	371
Total	**998**	**1,117**

Section 3 – Debt securities in issue Caption 30

3.1 Debt securities in issue: breakdown by sector

Type of security/Amounts	31.12.2015				31.12.2014			
		Fair value				Fair value		
	Book value	Level 1	Level 2	Level 3	Book value	Level 1	Level 2	Level 3
A. Securities								
1. Bonds	6,945,541	2,606,780	4,471,513	-	6,619,068	1,116,003	5,680,376	-
1.1 structured	99,992	-	99,431	-	50,510	-	50,902	-
1.2 other	6,845,549	2,606,780	4,372,082	-	6,568,558	1,116,003	5,629,474	-
2. Other securities	3,549,024	-	-	3,549,024	3,899,194	-	-	3,899,194
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	3,549,024	-	-	3,549,024	3,899,194	-	-	3,899,194
Total	10,494,565	2,606,780	4,471,513	3,549,024	10,518,262	1,116,003	5,680,376	3,899,194

Bonds include subordinated bonds issued by the Group totalling € 546,226 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 2015 show a net negative fair value of € 5,667 thousand, recorded in liability caption 40.

3.2 Analysis of caption 30 "Debt securities in issue": subordinated securities

	Book value 31.12.2015	Nominal value 31.12.2015	Book value 31.12.2014	Nominal value 31.12.2014
EMTN B.P.E.R. subordinated non-convertible bond floating rate 3-month Euribor +100 bps, 2006-2016	61,823	61,816	67,750	67,766
EMTN B.P.E.R. subordinated non-convertible bond floating rate 3-month Euribor +95 bps, 2007-2017	153,192	153,043	156,466	156,301
Lower Tier II B.P.E.R. subordinated non-convertible bond 4.75%, 2012-2018	71,041	71,100	319,693	320,000
Lower Tier II B.P.E.R. subordinated non-convertible bond 5.81%, 2013-2020	12,564	11,945	12,565	11,945
Tier II B.P.E.R. subordinated non-convertible bond 4.25%, 2015-2025 callable	224,806	224,383	-	-
Cassa di Risparmio di Bra s.p.a. floating-rate subordinated bond 2008-2015 nom. 10,000,000	-	-	9,853	9,847
Cassa di Risparmio di Bra s.p.a. fixed-rate Lower Tier II subordinated bond 2010-2017 amortising 4%	4,063	4,000	6,062	5,966
Cassa di Risparmio di Bra s.p.a. fixed-rate Lower Tier II subordinated bond 2011-2021 amortising nom. 7,000,000	7,095	7,000	7,031	6,945
Cassa di Risparmio di Bra s.p.a. subordinated bond 2012-2020 amortising 5.25%	5,110	5,000	5,117	5,000
Cassa di Risparmio di Bra s.p.a. floating-rate irredeemable Tier I subordinated bond	-	-	-	-
Lower Tier II CARISPAQ subordinated non-convertible bond floating rate, 2010-2020	4,272	4,250	4,273	4,250
Total non-convertible bonds	**543,966**	**542,537**	**588,810**	**588,020**
Lower Tier II B.P.E.R. subordinated non-convertible bond floating rate 3-month Euribor +130 bps, 2008-2014	-	-	20,069	20,000
Lower Tier II B.P.E.R. subordinated non-convertible bond 4.75%, 2012-2018	26,046	23,786	89,500	80,000
Total expired non convertible bonds (*)	**26,046**	**23,786**	**109,569**	**100,000**
Total bonds	**570,012**	**566,323**	**698,379**	**688,020**

(*) Tranches of loans maturing 31 December 2015 for which accounting confirmation from ICBPI (Istituto Centrale delle Banche Popolari Italiane s.p.a.) was received on 4 January 2016.

There are no convertible subordinated loans outstanding at 31 December 2015.

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 on caption 30 "Debt securities in issue": micro-hedged securities

	31.12.2015	31.12.2014
1. Payables with fair value micro-hedge	**2,036,344**	**1,296,623**
a) interest rate risk	2,036,344	1,296,623
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	**2,036,344**	**1,296,623**

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	31.12.2015					31.12.2014				
	NV	FV			FV*	NV	FV			FV*
		L1	L2	L3			L1	L2	L3	
A. Cash liabilities										
1. Due to banks	1,930	2,124	-	-	2,124	-	-	-	-	-
2. Due to customers	20,007	20,068	-	-	20,068	68	41	15	-	56
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	**21,937**	**22,192**	**-**	**-**	**22,192**	**68**	**41**	**15**	**-**	**56**
B. Derivatives										
1. Financial derivatives	-	676	192,188	27,093	-	-	-	213,491	29,663	-
1.1 For trading	#	676	184,521	27,093	#	#	-	207,077	29,663	#
1.2 Connected with the fair value option	#	-	2,000	-	#	#	-	2,386	-	#
1.3 Other	#	-	5,667	-	#	#	-	4,028	-	#
2. Credit derivatives	-	-	-	-	-	-	-	-	-	-
2.1 For trading	#	-	-	-	#	#	-	-	-	#
2.2 Connected with the fair value option	#	-	-	-	#	#	-	-	-	#
2.3 Other	#	-	-	-	#	#	-	-	-	#
Total B	**#**	**676**	**192,188**	**27,093**	**#**	**#**	**-**	**213,491**	**29,663**	**#**
Total (A+B)	**#**	**22,868**	**192,188**	**27,093**	**#**	**#**	**41**	**213,506**	**29,663**	**#**

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 creditworthiness 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	31.12.2015					31.12.2014				
		FV					FV			
	NV	L1	L2	L3	FV*	NV	L1	L2	L3	FV*
1. Due to banks	-	-	-	-	-	-	-	-	-	-
1.1 Structured	-	-	-	-	#	-	-	-	-	#
1.2 Other	-	-	-	-	#	-	-	-	-	#
2. Due to customers	-	-	-	-	-	-	-	-	-	-
2.1 Structured	-	-	-	-	#	-	-	-	-	#
2.2 Other	-	-	-	-	#	-	-	-	-	#
3. Debt securities	**845,157**	-	**873,558**	-	**874,971**	**1,637,545**	-	**1,700,614**	-	**1,705,354**
3.1 Structured	-	-	-	-	#	-	-	-	-	#
3.2 Other	845,157	-	873,558	-	#	1,637,545	-	1,700,614	-	#
Total	**845,157**	-	**873,558**	-	**874,971**	**1,637,545**	-	**1,700,614**	-	**1,705,354**

"Debt securities" include subordinated bonds for a total of € 320,022 thousand, none of which are convertible into shares. The cumulative change in fair value attributable to the change in credit risk amounts to € 1,413 thousand; this change had a negative effect during the year of € 519 thousand.

Key:

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
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	31.12.2015		
	Due to banks	Due to customers	Debt securities
a) Natural hedges using derivatives	-	-	873,558
b) Natural hedges using other financial instruments	-	-	-
c) Other cases of accounting mismatches	-	-	-
d) Financial instruments managed and measured at fair value	-	-	-
e) Structured products with embedded derivatives	-	-	-
Total	-	-	**873,558**

5.2 Analysis of caption 50 "Financial liabilities designated at fair value through profit and loss": subordinated securities

	Book value 31.12.2015	Nominal value 31.12.2015	Book value 31.12.2014	Nominal value 31.12.2014
Lower Tier II B.P.E.R. subordinated non-convertible bond5,12%, 2009-2015	-	-	5,273	5,000
Lower Tier II B.P.E.R. subordinated non-convertible bond 4.35%, 2010-2017	7,507	7,200	11,191	10,800
Lower Tier II B.P.E.R. subordinated non-convertible bond 4.94%, 2010-2017	21,297	20,400	31,761	30,600
Lower Tier II B.P.E.R. subordinated non-convertible bond 4.75%, 2011-2017	289,284	277,927	437,248	418,003
Total non-convertible bonds	**318,088**	**305,527**	**485,473**	**464,403**
Lower Tier II B.P.E.R. subordinated non-convertible bond 5.20%, 2008-2014	-	-	70,910	70,000
Lower Tier II B.P.E.R. subordinated non-convertible bond 5.90%, 2008-2014	-	-	20,590	20,000
Lower Tier II B.P.E.R. subordinated non-convertible bond 4.35%, 2010-2017	4,070	3,600	4,226	3,600
Lower Tier II B.P.E.R. subordinated non-convertible bond 4.94%, 2010-2017	11,712	10,200	12,216	10,200
Total expired non convertible bonds (*)	**15,782**	**13,800**	**107,942**	**103,800**
Total bonds	**333,870**	**319,327**	**593,415**	**568,203**

(*) Tranches of loans maturing 31 December 2015 for which accounting confirmation from ICBPI (Istituto Centrale delle Banche Popolari Italiane s.p.a.) was received on 4 January 2016.

There are no convertible subordinated loans outstanding at 31 December 2015.

Section 6 – Hedging derivatives Caption 60

6.1 Hedging derivatives: breakdown by type and by levels

	Fair value 31.12.2015			NV	Fair value 31.12.2014			NV
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives	**-**	**23,715**	**-**	**1,132,756**	**-**	**12,986**	**-**	**184,929**
1) Fair value	-	8,006	-	902,756	-	4,200	-	19,929
2) Cash flows	-	15,709	-	230,000	-	8,786	-	165,000
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**23,715**	**-**	**1,132,756**	**-**	**12,986**	**-**	**184,929**

The cash flow hedge agreements have the following expiry dates: notional value of € 115 million in 2017 , € 50 million in 2021, € 15 million in 2022 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	4,650	-	-	-	-	#	15,709	#	#
2. Loans	3,049	-	-	#	-	#	-	#	#
3. Financial assets held to maturity	#	-	-	#	-	#	-	#	#
4. Portfolio	#	#	#	#	#	-	#	-	#
5. Other operations	-	-	-	-	-	#	-	#	-
Total assets	**7,699**	**-**	**-**	**-**	**-**	**-**	**15,709**	**-**	**-**
1. Financial liabilities	307	-	-	#	-	#	-	#	#
2. Portfolio	#	#	#	#	#	-	#	-	#
Total liabilities	**307**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
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 14.

Section 9 – Liabilities 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

	31.12.2015	31.12.2014
Amounts due to banks	12,134	13,458
Amounts due to customers	923,952	609,150
Net adjustments on collection of receivables for third parties	331,709	344,266
Staff emoluments and related social contributions	30,249	32,979
Amounts due to third parties for coupons, securities and dividends to be collected	35,445	25,112
Amounts due to the tax authorities on behalf of customers and personnel	119,747	115,341
Bank transfers for clearance	22,337	53,259
Advances for the purchase of securities	219	402
Due to suppliers	100,437	148,846
Third-part payments as surety for loans	106	51
Repayment to be made to INPS	186	17
Provisions for guarantees given	54,973	52,462
Pension fund liabilities	-	1
Items in transit	10,854	33,726
Accrued expenses and deferred income	24,139	23,033
Other liabilities to third parties	178,228	75,309
Total	**1,844,715**	**1,527,412**

Section 11 – Provision for termination indemnities Caption 110

11.1 Provision for termination indemnities: change in the year

	31.12.2015	31.12.2014
A. Opening balance	**221,919**	**208,390**
B. Increases	**2,166**	**23,562**
B.1 Provisions	2,159	6,013
B.2 Other increases	7	17,549
C. Decreases	**23,416**	**10,033**
C.1 Payments made	12,476	10,031
C.2 Other decreases	10,940	2
D. Closing balance	**200,669**	**221,919**
Total	**200,669**	**221,919**

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 (pursuant to IAS 19 § 64-66); lastly, table 11.2.3 presents the comparative information required by law.

11.2.1 Changes in termination indemnities during the year

Description/Amounts	31.12.2015	31.12.2014
A. Opening balance	**221,919**	**208,390**
B. Increases	**2,166**	**23,562**
1. Pension cost relating to current work	85	71
2. Financial charges	2,074	5,942
3. Contribution to the plan by employees	-	-
4. Actuarial losses	-	16,942
5. Translation differences	-	-
6. Pension cost of prior work	-	-
7. Other changes	7	607
C. Decreases	**23,416**	**10,033**
1. Benefits paid	12,476	10,031
2. Pension cost of prior work	-	-
3. Actuarial gains	9,829	-
4. Translation differences	-	-
5. Reductions	-	-
6. Positions closed	-	-
7. Other changes	1,111	2
D. Closing balance	**200,669**	**221,919**

11.2.2.Description of the principal actuarial assumptions

Principal actuarial assumptions/%	31.12.2015	31.12.2014
Discount rates	1.01%	0.85%
Expected increase in remuneration	n/a	n/a
Turnover	6.31%	1.83%
Inflation rate	1.50%	1.60%
Interest rate adopted for the calculation of interest cost	0.83%	2.64%

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 has been used;
- Turnover: time series analysis (last 3 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. The time series of reference included the effects of redundancies made during the three-year period;
- 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 1.1% for 2016, 1.3% for 2017 and 1.5% from 2018 onwards;
- Interest cost: it was calculated at a rate that reflected the duration of the liability.

Demographic assumptions

With reference to the technical demographic bases, the analyses performed on the time series of the Company's staff focused on monitoring the trend in the following reasons for elimination between 2011 and 2014:

- rate of employee mortality: the ISTAT life table of resident population was used, broken down by age and gender, updated to 2013, except for the Pension Fund Section A, for which the RG48 table was used (with age shifting);
- rate of employee disability: the tables used for the INPS model to generate "Initial prospects for 2010" were used;
- frequency and amount of advances on termination indemnities: in order to take into account the effects that these advances have on the timing of severance payments and, consequently on the discounting of the Company's liability, a probability table for the release of part of the accrued volumes was created. The frequency of advance payments and the average percentage of termination indemnities requested as an advance were taken from corporate data;
- probability of retirement, resignation, dismissal: these were taken from corporate data; in particular, a table showing the propensity of departure from the Company was created, based on age and gender.

11.2.3 Comparative information: history of the plan

Description/Amounts	31.12.2015	31.12.2014
1. Present value of provisions (+)	200,669	221,919
2. Fair value of assets servicing the plan (-)	-	-
3. Plan (surplus) deficit (±)	200,669	221,919
4. Adjustments to plan liabilities based on historical experience - actuarial (gains)/losses	(9,829)	16,942
5. Adjustments to plan assets based on historical experience	-	-

The sensitivity analysis was carried out on the individual legal entities. Reference should be made to the Parent Company's Separate financial statements.

Section 12 – Provisions for risks and charges
Caption 120

12.1 Provisions for risks and charges: breakdown

Item/Components	31.12.2015	31.12.2014
1. Pensions and similar commitments	124,500	145,078
2. Other provisions for risks and charges	285,899	210,697
2.1 Legal disputes	138,499	116,550
2.2 Personnel expenses	126,372	78,460
2.3 Other	21,028	15,687
Total	**410,399**	**355,775**

12.2 Provisions for risks and charges: change in the year

Items/Components	31.12.2015	
	Pensions and similar	Other provisions
A. Opening balance	**145,078**	**210,697**
B. Increases	**1,565**	**162,274**
B.1 Provisions	6	152,244
B.2 Changes due to the passage of time	1,559	3,713
B.3 Changes due to variations in the discount rate	-	507
B.4 Other changes	-	5,810
C. Decreases	**22,143**	**87,072**
C.1 Utilisations during the year	5,484	63,813
C.2 Changes due to variations in the discount rate	16,659	1,664
C.3 Other changes	-	21,595
D. Closing balance	**124,500**	**285,899**

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, 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 25 persons, of whom 14 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/Amount	31.12.2015	31.12.2014
Opening balance	**470**	**386**
A. Increases	**37**	**109**
1. Pension cost relating to current work	-	-
2. Financial charges	6	9
3. Contribution to the plan by employees	-	-
4. Actuarial losses	31	100
5. Translation differences	-	-
6. Pension cost of prior work	-	-
7. Other changes	-	-
B. Decreases	**(28)**	**(25)**
1. Benefits paid	(28)	(25)
2. Pension cost of prior work	-	-
3. Actuarial gains	-	-
4. Translation differences	-	-
5. Reductions	-	-
6. Positions closed	-	-
7. Other changes	-	-
Closing balance	**479**	**470**

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 1.1% for 2016, 1.3% for 2017 and 1.5% for 2018;
- 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 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	31.12.2015		+25 bps inflation rate		-25 bps inflation rate	
	DBO	Service Cost	DBO	Service Cost	DBO	Service Cost
Fund Section A	479	-	491	-	466	-

Funds	31.12.2015		+25 bps discount rate		-25 bps discount rate	
	DBO	Service Cost	DBO	Service Cost	DBO	Service Cost
Fund Section A	479	-	467	-	492	-

Service cost and duration of the plan	
Service cost 2015	-
Duration of the plan (years)	10.7

12.3.6 Cassa di Risparmio di Bra s.p.a. - Multi-employer plans

At 31 December 2015 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 2015 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 31.12.2015	Defined-benefit pension plans 31.12.2014
1. Present value of provisions (+)	479	470
2. Fair value of assets servicing the plan (-)	-	-
3. Plan (surplus) deficit (±)	479	470
4. Adjustments to plan liabilities based on historical experience - actuarial (gains)/losses	31	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

	31.12.2015	31.12.2014
A. Opening balance	**116,550**	**94,842**
b. Increases	53,803	42,039
Charge for the year	49,781	40,837
Other increases	4,022	1,202
C. Decreases	(31,854)	(20,331)
Other decreases	(21,799)	(8,199)
Utilisation during the year	(10,055)	(12,132)
D. Closing balace	**138,499**	**116,550**

There are no contingent liabilities for which it was not possible to record appropriate risk-related provisions.

Personnel charges relate to specific benefits granted to employees based on their length of service, the provisions for which are governed by IAS 19.

"Personnel charges" are analysed in the following table as an aid to understanding the phenomenon.

12.4.2 Personnel charges

Description/Amounts	Other personnel provisions	
	31.12.2015	31.12.2014
Opening balance	**78,460**	**73,931**
A. Increases	**100,212**	**44,467**
1. Pension cost relating to current work	65,779	33,240
2. Financial charges	232	639
3. Contribution to the plan by employees	-	-
4. Actuarial losses	55	2,377
5. Translation differences	-	-
6. Pension cost of prior work	-	-
7. Other changes	34,146	8,211
B. Decreases	**52,300**	**39,938**
1. Benefits paid	38,456	39,176
2. Pension cost of prior work	-	-
3. Actuarial gains	3,574	-
4. Translation differences	-	-
5. Reductions	-	-
6. Positions closed	295	-
7. Other changes	9,975	762
Closing balance	**126,372**	**78,460**

The figure for "Pension cost relating to current work" (A.1) includes extraordinary provisions for redundancy incentives and the Solidarity Fund for € 58,624 thousand, following the agreement with the Trade Unions and foreseen in the 20152-2017 Business Plan.
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 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 trend.

12.4.3 Other provisions

Captions	31.12.2015		31.12.2014	
	Other provisions	Provision for charitable donations	Other provisions	Provision for charitable donations
A. Opening balance	**14,622**	**1,065**	**14,603**	**1,561**
B. Allocation net profit	-	131	-	570
C. Provisions	10,357	-	4,511	-
D. Uses	(4,822)	(325)	(4,492)	(1,066)
E. Residual balance	**20,157**	**871**	**14,622**	**1,065**

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, 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 shares	Nominal value
Banca popolare dell'Emilia Romagna s.c.	455,458	1,366,374
Total	455,458	1,366,374

There are also 25,361 shares relating to Banca di Sassari s.p.a., held by it, for a total of about Euro 3 thousand, the same as at 31 December 2014.

15.2 Share capital - number of shares of the Parent Company: change in the year

Caption/Types	Ordinary	Others
A.Outstanding shares: at the beginning of the year	**481,308,435**	**-**
- fully paid	481,308,435	-
- not fully paid	-	-
A.1 Treasury shares (-)	(455,458)	-
A.2 Shares in issue: opening balance	**480,852,977**	**-**
B. Increases	**484**	**-**
B.1 New share issues	-	-
- for payment:	-	-
- on BusinessCcombinations	-	-
- on conversion of bonds	-	-
- exercise of warrants	-	-
- other	-	-
- *bonus* issues:	-	-
- to employees	-	-
- to directors	-	-
- other	-	-
B.2 Sale of treasury shares	484	-
B.3 Other changes	-	-
C. Decreases	**484**	**-**
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	484	-
C.3 Disposal of businesses	-	-
C.4 Other changes	-	-
D. Outstanding shares: closing balance	**480,852,977**	**-**
D.1 Treasury Shares (+)	455,458	-
D.2 Outstanding shares at the end of the year	481,308,435	-
- fully paid	481,308,435	-
- not fully paid	-	-

15.4 Profit reserves: other information

Revenue reserves are generally established when the net profit resulting from the financial statements is allocated through a specific reserve.

The Italian Civil Code obliges companies to set aside at least 5% of net profit in a special reserve until it reaches one-fifth of share capital. If , for whatever reason, the amount of the legal reserve falls below this limit of one-fifth of share capital, it has to be reinstated by setting aside at least one-twentieth of the net profit until the shortfall is covered.

Statutory reserves include all types of reserves envisaged in the company's articles of association. The conditions, constraints and methods of formation and management of these reserves are governed by the articles of association.

This caption also includes the consolidation reserves generated following the elimination of the book value of equity investments against the corresponding portion of equity of each of them.

This caption also includes the effects generated by the transition to international accounting standards.

The reserves can be used for different operations, depending on their constraints and nature; for the disclosures envisaged in art. no. 2427 paragraph 7 *bis* of the Italian Civil Code, please refer to the information provided in the Separate financial statements.

Section 16– Minority interests
Caption 210

16.1 Analysis of caption 210 "Minority interests"

Name	31.12.2015	31.12.2014
Equity investments in consolidated companies with significant minority interests	**626,738**	**639,462**
1. Banco di Sardegna (*)	564,879	569,846
2. Cassa di Risparmio di Bra s.p.a.	22,071	23,894
3. Sardaleasing s.p.a.	35,074	34,355
4. Emilia Romagna Factor s.p.a.	4,714	11,367
Other equity investments	**549**	**529**
Total	**627,287**	**639,991**

(*) consolidation of the sub-holding company Banco di Sardegna and its subsidiaries (including Banca di Sassari 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	31.12.2015	31.12.2014
1) Financial guarantees	761,282	456,147
a) Banks	13,766	73,040
b) Customers	747,516	383,107
2) Commercial guarantees	2,342,730	2,538,761
a) Banks	115,717	81,133
b) Customers	2,227,013	2,457,628
3) Irrevocable commitments to disburse loans	871,517	787,477
a) Banks:	6,883	5,590
i) certain to be called on	6,771	5,392
ii) not certain to be called on	112	198
b) Customers:	864,634	781,887
i) certain to be called on	19,398	112,530
ii) not certain to be called on	845,236	669,357
4) Commitments underlying credit derivatives: protection sale	-	-
5) Assets used to guarantee the commitments of third parties	11,620	14,120
6) Other commitments	291,330	11
Total	**4,278,479**	**3,796,516**

The decline in financial guarantees given to banks is due, above all, to the extinction of the commitment towards the Interbank Deposit Guarantee Fund (€ 71.8 million at 31 December 2014) following the application of the new regulatory provisions for which reference should be made to Part A.2 of these notes.

2. Assets used to guarantee own liabilities and commitments

Portfolios	31.12.2015	31.12.2014
1. Financial assets held for trading	227,848	407,950
2. Financial assets designated at fair value through profit and loss	7,274	7,162
3. Financial assets available for sale	4,634,410	4,277,745
4. Financial assets held to maturity	1,480,789	1,359,002
5. Due from banks	181,881	206,441
6. Loans to customers	8,259,258	7,867,030
7. Property, plant and equipment	-	-

Type of assets used to guarantee own liabilities and commitments

	31.12.2015	31.12.2014
1. Assets sold as part of Covered Bonds	3,025,338	2,022,718
2. Securities and deposits acting as collateral for derivative transactions	200,503	194,535
3. Securities guaranteeing securitisations	39,223	29,833
4. Securities guaranteeing treasury transactions	2,550,662	2,652,246
5. Loans guaranteeing treasury transactions	4,770,259	5,378,495
6. Securities guaranteeing the issue of bankers' drafts	9,551	8,826
7. Securities guaranteeing repurchase agreements	3,238,488	3,008,699
8. Loans sold guaranteeing the related funding	445,116	451,799
9. Securities guaranteeing the funding of subsidised loans	512,320	378,179

The amounts indicated at point 4 include:
- € 867,517 thousand relating to mortgage loans sold as part of the Estense Finance self-securitisation transaction,
- € 905,458 thousand relating to mortgage loans sold as part of the Estense SME self-securitisation transaction,
- € 147,882 thousand relating to mortgage loans sold as part of the Dedalo Finance and Icaro Finance self-securitisation transactions.
Operationally, the instruments provided as a guarantee are represented by the Senior Notes originated by the four transactions.
No securities pertaining to reverse repurchase agreements have been provided as collateral for guaranteed funding transactions (repurchase agreements).

5. Administration and trading on behalf of third parties

Type of services	31.12.2015
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	**2,962,873**
a) individual	2,962,873
b) collective	-
3. Custody and administration of securities	**51,069,091**
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	34,858,089
1. securities issued by consolidated companies	7,097,628
2. other securities	27,760,461
c) third-party securities in custody with others	32,533,943
d) own securities in custody with others	16,211,002
4. Other transactions	**11,184,556**

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 liabilities 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) 31.12.2015	Net amount (f=c-d-e) 31.12.2014
					Financial instruments (d)	Cash deposits received as collateral (e)		
1. Derivatives		174,271	-	174,271	124,430	37,547	12,294	35,728
2. Repurchase agreements		-	-	-	-	-	-	-
3. Securities lending		-	-	-	-	-	-	-
4. Other		-	-	-	-	-	-	-
Total	**31.12.2015**	**174,271**	**-**	**174,271**	**124,430**	**37,547**	**12,294**	**#**
Total	**31.12.2014**	**360,108**	**-**	**360,108**	**301,774**	**22,606**	**#**	**35,728**

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.
None of the amounts shown has been offset in the financial statements as the amounts in question do not meet the requirements of IAS 32 § 42.
The gross amounts (a) shown in the table relate to € 136,089 thousand of derivatives recorded under caption 20 "Financial assets held for trading" and € 38,182 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".

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 assets 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) 31.12.2015	Net amount (f=c-d-e) 31.12.2014
				Financial instruments (d)	Cash deposits used as collateral (e)		
1. Derivatives	228,182	-	228,182	124,430	102,248	1,504	1,794
2. Repurchase agreements	3,339,481	-	3,339,481	3,333,027	3,821	2,633	1
3. Securities lending	-	-	-	-	-	-	-
4. Other operations	-	-	-	-	-	-	-
Total 31.12.2015	**3,567,663**	**-**	**3,567,663**	**3,457,457**	**106,069**	**4,137**	**#**
Total 31.12.2014	**3,332,846**	**-**	**3,332,846**	**3,239,716**	**91,335**	**#**	**1,795**

With regard to the types of agreements, the points made in respect of the previous table apply here as well.
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 IAS 32 § 42.
The gross amounts (a) shown in the table relate to € 204,467 thousand of derivatives recorded under caption 40 "Financial liabilities held for trading" and € 23,715 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 € 1,501,981 thousand and under caption 20 "Due to customers" at an amount of € 1,837,500 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	31.12.2015
a) Banks	-	-	-	-	-
b) Public entities	-	-	63,028	-	63,028
c) Non-financial businesses	-	-	-	-	-
d) Financial businesses	-	-	-	-	-
e) Insurance companies	-	-	-	-	-
f) Other	-	-	1,806	-	1,806
Total	**-**	**-**	**64,834**	**-**	**64,834**

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	31.12.2015	31.12.2014
1. Financial assets held for trading	12,007	-	19,034	31,041	52,617
2. Financial assets designated at fair value through profit and loss	955	-	-	955	1,585
3. Financial assets available for sale	113,145	-	-	113,145	131,148
4. Financial assets held to maturity	60,283	-	-	60,283	50,251
5. Due from banks	1,814	4,609	-	6,423	18,181
6. Loans to customers	11,743	1,405,600	-	1,417,343	1,645,940
7. Hedging derivatives	#	#	15,083	15,083	7,152
8. Other assets	#	#	4,126	4,126	1,414
Total	**199,947**	**1,410,209**	**38,243**	**1,648,399**	**1,908,288**

Interest on loan exposures, classified as impaired, amounts to € 179,456 thousand, being the amounts shown in the "Loans" column relating to "Loans to customers", plus € 43 thousand shown in the "Debt securities" column.
"Other transactions" in point 8 include € 3,944 thousand of interest income on financial liabilities as explained in Part A.2 of these notes.
Default interest accrued in the year, but which has been fully written down, amounts to € 57,905 thousand. Default interest relating to prior years was collected on positions classified as bad loans for a total of € 3,329 thousand.

1.2. Interest and similar income: differentials on hedging transactions

Captions/Amounts	31.12.2015	31.12.2014
A. Positive differentials on hedging transactions	51,502	43,213
B. Negative differentials on hedging transactions	(36,419)	(36,061)
C. Balance (A-B)	**15,083**	**7,152**

1.3 Interest and similar income: other information

1.3.1 Interest income on foreign currency assets

Captions	31.12.2015	31.12.2014
Interest income on foreign currency assets	21,815	12,605

1.3.2 Interest income on finance lease transactions

Captions	31.12.2015	31.12.2014
Interest income on finance lease transactions	70,514	78,260

1.4 Interest and similar expense: breakdown

Captions/Technical forms	Debts	Securities	Other transactions	31.12.2015	31.12.2014
1. Due to Central Banks	3,581	#	-	3,581	7,075
2. Due to banks	9,561	#	-	9,561	10,660
3. Due to customers	149,668	#	-	149,668	243,418
4. Debt securities in issue	#	216,894	-	216,894	271,116
5. Financial liabilities held for trading	303	-	-	303	709
6. Financial liabilities designated at fair value through profit and loss	-	39,611	-	39,611	83,269
7. Other liabilities and provisions	#	#	1,240	1,240	232
8. Hedging derivatives	#	#	-	-	-
Total	**163,113**	**256,505**	**1,240**	**420,858**	**616,479**

"Other transactions" in point 7 include € 907 thousand of interest expense on financial assets as explained in Part A.2 of these notes.

1.6 Interest and similar expense: other information

1.6.1 Interest expense on foreign currency liabilities

Captions	31.12.2015	31.12.2014
Interest expense on foreign currency liabilities	3,896	1,858

1.6.2 Interest expense on finance lease obligations

Captions	31.12.2015	31.12.2014
Interest expense on finance leases	10	15

Section 2 - Commissions Captions 40 and 50

2.1 Commission income: breakdown

Type of service/Amounts	31.12.2015	31.12.2014
a) guarantees given	33,093	34,904
b) credit derivatives	-	-
c) management, brokerage and consulting services:	238,926	187,406
1. trading in financial instruments	1,612	1,982
2. trading in foreign exchange	5,628	5,400
3. asset management	22,369	19,968
3.1. individual	21,852	19,449
3.2. collective	517	519
4. custody and administration of securities	4,646	4,800
5. custodian bank	-	-
6. placement of securities	122,547	80,993
7. order taking	15,349	15,856
8. advisory services	4,501	4,734
8.1 regarding investments	-	-
8.2 regarding financial structuring	4,501	4,734
9. distribution of third-party services	62,274	53,673
9.1 asset management	1,793	1,755
9.1.1. individual	204	297
9.1.2. collective	1,589	1,458
9.2 insurance products	32,973	23,857
9.3 other products	27,508	28,061
d) collection and payment services	131,158	134,919
e) servicing related to securitisation	329	486
f) services for factoring transactions	8,751	8,697
g) tax collection services	-	-
h) management of multilateral trading systems	-	-
i) maintenance and management of current accounts	156,020	166,957
j) other services	194,197	205,750
- commission income on other loans to customers	143,680	156,187
- commission income on cash card services	25,932	25,489
- other commission income	24,585	24,074
Total	**762,474**	**739,119**

2.2 Commission expense: breakdown

Type of service/Amounts	31.12.2015	31.12.2014
a) guarantees received	1,732	12,587
b) credit derivatives	-	-
c) management and brokerage services	2,293	2,633
1. trading in financial instruments	742	768
2. trading in foreign exchange	-	24
3. asset management:	-	-
3.1. own portfolio	-	-
3.2. third-party portfolio	-	-
4. custody and administration of securities	1,547	1,839
5. placement of financial instruments	4	2
6. offer of securities, financial products and services through financial promoters	-	-
d) Collection and payment services	4,735	5,555
e) Other services	27,021	27,680
Total	**35,781**	**48,455**

Section 3 – Dividends and similar income Caption 70

3.1 Dividends and similar income: breakdown

Caption/Income	31.12.2015		31.12.2014	
	Dividends	Income from UCITS units	Dividends	Income from UCITS units
A. Financial assets held for trading	1,819	133	732	2
B. Financial assets available for sale	13,665	317	17,111	1,081
C. Financial assets designated at fair value through profit and loss	-	19	34	432
D. Equity investments	-	#	-	#
Total	**15,484**	**469**	**17,877**	**1,515**

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 31.12.2015 [(A+B)-(C+D)]
1. Financial assets held for trading	**15,933**	**10,685**	**(9,557)**	**(4,230)**	**12,831**
1.1 Debt securities	4,115	3,947	(4,815)	(3,586)	(339)
1.2 Equity instruments	8,862	5,811	(2,066)	(644)	11,963
1.3 UCITS units	2,956	887	(2,676)	-	1,167
1.4 Loans	-	-	-	-	-
1.5 Other	-	40	-	-	40
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Debts	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Other financial assets and liabilities: exchange differences	**#**	**#**	**#**	**#**	**10,162**
4. Derivatives	**55,918**	**130,218**	**(39,099)**	**(136,276)**	**9,838**
4.1 Financial derivatives:	55,918	130,218	(39,099)	(136,276)	9,838
- On debt securities and interest rates	53,318	126,436	(36,890)	(130,969)	11,895
- On equities and equity indices	2,600	3,766	(2,209)	(2,870)	1,287
- On currency and gold	#	#	#	#	(923)
- Other	-	16	-	(2,437)	(2,421)
4.2 Credit derivatives	-	-	-	-	-
Total	**71,851**	**140,903**	**(48,656)**	**(140,506)**	**32,831**

Section 5 – Net hedging gains (losses) Caption 90

5.1 Net hedging gains (losses): breakdown

Income items/Amounts	31.12.2015	31.12.2014
A. Income relating to:		
A.1. Fair value hedges	1,793	31,638
A.2. Hedged financial assets (fair value)	3,907	1,940
A.3. Hedged financial liabilities (fair value)	2,835	333
A.4. Cash flow hedges	-	-
A.5. Foreign currency assets and liabilities	-	-
Total income from hedging activity (A)	**8,535**	**33,911**
B. Charges relating to:		
B.1. Fair value hedges	7,216	2,257
B.2. Hedged financial assets (fair value)	554	44
B.3. Hedged financial liabilities (fair value)	1,654	30,536
B.4. Cash flow hedges	-	-
B.5. Foreign currency assets and liabilities	-	-
Total charges from hedging activity (B)	**9,424**	**32,837**
C. Net hedging gains (losses) (A-B)	**(889)**	**1,074**

Section 6 – Gains (losses) on disposal or repurchase Caption 100

6.1 Gains (losses) on disposal or repurchase: breakdown

Caption/Income items	31.12.2015			31.12.2014		
	Gains	Losses	Net Profit	Gains	Losses	Net Profit
Financial assets						
1. Due from banks	2	-	2	122	(3)	119
2. Loans to customers	6,286	(2,265)	4,021	2,019	(32,097)	(30,078)
3. Financial assets available for sale:	326,581	(13,410)	313,171	195,464	(918)	194,546
3.1 Debt securities	75,699	(11,261)	64,438	181,041	(146)	180,895
3.2 Equity instruments	249,174	(2,141)	247,033	13,777	(772)	13,005
3.3 UCITS units	1,708	(8)	1,700	646	-	646
3.4 Loans	-	-	-	-	-	-
4. Financial assets held to maturity	221	-	221	-	-	-
Total assets	**333,090**	**(15,675)**	**317,415**	**197,605**	**(33,018)**	**164,587**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Debt securities in issue	750	(2,699)	(1,949)	1,264	(1,552)	(288)
Total liabilities	**750**	**(2,699)**	**(1,949)**	**1,264**	**(1,552)**	**(288)**

Gains relating to equity instruments classified as "Financial assets available for sale" include the gain realised on the sale of an interest in the share capital of Istituto Centrale delle Banche Popolari s.p.a. for € 174.3 million and the purchase of a significant share in Arca SGR s.p.a. which led to its transfer from the "AFS" portfolio to the "Equity investments" portfolio, with a positive economic impact on elimination of the existing valuation reserve (€ 69 million).

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	Gains on disposal	Capital losses	Losses on disposal	Net result
	(A)	(B)	(C)	(D)	31.12.2015 [(A+B)-(C+D)]
1. Financial assets	**5,327**	**151**	**(2,359)**	**(228)**	**2,891**
1.1 Debt securities	351	19	(510)	(10)	(150)
1.2 Equity securities	10	-	-	(151)	(141)
1.3 UCITS units	4,966	132	(1,849)	(67)	3,182
1.4 Loans	-	-	-	-	-
2. Financial liabilities	**13,386**	**7,728**	**(1,596)**	**-**	**19,518**
2.1 Debt securities	13,386	7,728	(1,596)	-	19,518
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	-	-	-	-	-
3. Other financial assets and liabilities: exchange differences	**#**	**#**	**#**	**#**	**526**
4. Derivatives	**297**	**104**	**(20,517)**	**(2,343)**	**(22,459)**
Total	**19,010**	**7,983**	**(24,472)**	**(2,571)**	**476**

The net result of measurement of financial liabilities and operationally connected derivatives at fair value (under the fair value option for financial liabilities) is negative for € 3,074 thousand.

Section 8 – Net impairment adjustments
Caption 130

8.1 Net impairment adjustments to loans and advances: breakdown

Transactions/Income items	Adjustments			Write-backs				31.12.2015	31.12.2014
	Specific			Specific		Portfolio			
	Write-offs	Other	Portfolio	Interest	Other write-backs	Interest	Other write-backs		
A. Due from banks	**-**	**(10,228)**	**-**	**-**	**-**	**-**	**-**	**(10,228)**	**(304)**
- Loans	-	-	-	-	-	-	-	-	-
- Debt securities	-	(10,228)	-	-	-	-	-	(10,228)	(304)
B. Loans to customers	**(20,129)**	**(1,134,596)**	**(6,867)**	**118,757**	**339,593**	**-**	**7,671**	**(695,571)**	**(812,430)**
Non-performing exposures acquired	-	-		-	-			-	-
- Loans	-	-	#	-	-	#	#	-	-
- Debt securities	-	-	#	-	-	#	#	-	-
Other receivables	(20,129)	(1,134,596)	(6,867)	118,757	339,593	-	7,671	(695,571)	(812,430)
- Loans	(20,129)	(1,134,596)	-	118,757	339,593	-	7,671	(688,704)	(805,378)
- Debt securities	-	-	(6,867)	-	-	-	-	(6,867)	(7,052)
C. Total	(20,129)	(1,144,824)	(6,867)	118,757	339,593	-	7,671	(705,799)	(812,734)

8.2 Net impairment adjustments to financial assets available for sale: breakdown

Transactions/Income items	Adjustments		Write-backs		31.12.2015	31.12.2014
	Specific		Specific			
	Write-Offs	Other	Interest	Other write-backs		
A. Debt securities	-	-	-	-	-	-
B. Equity instruments	-	(20,608)	#	#	(20,608)	(39,500)
C. UCITS units	-	(6,735)	#	-	(6,735)	(847)
D. Due from banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	**-**	**(27,343)**	**-**	**-**	**(27,343)**	**(40,347)**

The adjustments to "Equity instruments" mainly consist of writedowns of the interest held in Release s.p.a. for € 16,302 thousand, Mediainvest s.r.l. for € 1,320 thousand, Banca Privata Leasing s.p.a. for € 637 thousand and Gec s.p.a. for € 584 thousand.

8.4 Impairment losses on other financial assets: breakdown

Transactions / Income items	Adjustments			Write-backs				31.12.2015	31.12.2014
	Specific			Specific		Portfolio			
	Write-offs	Other	Portfolio	Interest	Other write-backs	Interest	Other write-backs		
A. Guarantees given	-	(21,654)	-	-	13,287	-	3,709	(4,658)	(5,153)
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	-	-	-	-	-	-	15
D. Other transactions	-	-	-	-	-	-	-	-	-
E. Total	**-**	**(21,654)**	**-**	**-**	**13,287**	**-**	**3,709**	**(4,658)**	**(5,138)**

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	31.12.2015	31.12.2014
1) Employees	**800,478**	**760,469**
a) wages and salaries	537,144	544,399
b) social security charges	142,402	141,373
c) termination indemnities	31,378	29,866
d) pension expenses	-	-
e) provision for termination indemnities	2,159	6,013
f) provision for post-retirement benefits and similar commitments:	689	1,226
- defined contribution	-	-
- defined benefit	689	1,226
g) payments to external supplementary pension funds:	15,999	15,072
- defined contribution	15,999	15,072
- defined benefit	-	-
h) costs deriving from payment agreements based on own capital instruments	27	-
i) other personnel benefits	70,680	22,520
2) Other active employees	**15,536**	**13,244**
3) Directors and auditors	**8,123**	**10,954**
4) Retired personnel	**916**	**2,020**
Total	**825,053**	**786,687**

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 and the 2015-2017 Business Plan, for a total of € 58,624 thousand

11.2 Average number of employees, by level

	31.12.2015	31.12.2014
Employees:	**11,083**	**11,191**
a) Managers	226	232
b) Middle managers	3,477	3,443
c) Other employees	7,380	7,516
Other personnel	**285**	**269**

11.2.1 Number of employees, by level: Banking group

	31.12.2015	31.12.2014
Employees:	**11,447**	**11,593**
a) Managers	236	233
b) Total 3rd and 4th level middle managers	1,460	1,431
c) Total 1st and 2nd level middle managers	2,074	2,094
d) Other employees	7,677	7,835
Other personnel	**261**	**211**

11.3 Post-retirement defined benefit plans: total costs

Captions	31.12.2015	31.12.2014
Defined-benefit pension plans	689	1,226

11.4 Other personnel benefits

Captions	31.12.2015	31.12.2014
Other personnel benefits	70,680	22,520

11.5 Other administrative expenses: breakdown

	31.12.2015	31.12.2014
Taxation	**140,127**	**143,854**
Stamp duty	117,525	121,399
Other indirect taxes with right of recourse	6,490	5,340
Municipal property tax	9,472	9,809
Other	6,640	7,306
Other costs	**445,351**	**385,935**
Maintenance and repairs	39,694	35,098
Rental expense	60,499	61,032
Post office, telephone and telegraph	16,527	21,010
Data transmission fees and use of databases	31,519	33,198
Advertising	13,853	13,421
Consulting and other professional services	65,294	60,093
Lease of IT hardware and software	23,803	24,610
Insurance	10,288	10,561
Cleaning of office premises	8,584	8,347
Printing and stationery	9,818	9,525
Energy and fuel	17,754	18,991
Transport	13,853	14,177
Staff training and expense refunds	14,227	16,390
Information and surveys	11,345	11,371
Security	9,421	10,384
Use of external data gathering and processing services	7,198	6,717
Condominium expenses	2,943	2,981
Membership fees	6,782	4,849
Contribution to single resolution found and deposit guarantee schemes	61,544	-
Sundry other	20,405	23,180
Total	**585,478**	**529,789**

The amount relating to "Consulting and other professional services" of € 65.3 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 internal control system and the 2015-2017 Business Plan.
Details are as follows:
- services provided by various legal advisors, particularly for various types of litigation, for € 27.2 million;
- professional services provided by various firms, regarding the execution of a number of funding transactions completed in the period (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) for € 3.2 million;
- other sundry professional services (for example, appraisals and other technical support) for € 10 million;
- sundry advice in respect of continuous changes in legislation, improvements to the system of internal control and projects foreseen by the 2015-2017 Business Plan.
These are in fact genuine investments for the future, as can be seen from the work performed for the overall development of operations, related above all to the adoption of internal models for the measurement 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 € 24.9 million.

Section 12 – Net provisions for risks and charges Caption 190

12.1 Net provisions for risks and charges: breakdown

Type of risks and charges	31.12.2015	31.12.2014
A. Provisions	**(63,162)**	**(46,614)**
1. for legal disputes	(53,914)	(44,187)
2. other	(9,248)	(2,427)
B. Write-backs	**11,025**	**7,832**
1. for legal disputes	10,749	5,276
2. other	276	2,556
Total	**(52,137)**	**(38,782)**

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	Impairment adjustments	Write-backs	Net result
	(a)	(b)	(c)	31.12.2015 (a+b-c)
A. Property, plant and equipment				
A.1 Owned	(37,708)	(10,504)	-	(48,212)
- For business purposes	(34,749)	(6,176)	-	(40,925)
- For investment purposes	(2,959)	(4,328)	-	(7,287)
A.2 Held under finance leases	(124)	-	-	(124)
- For business purposes	(124)	-	-	(124)
- For investment purposes	-	-	-	-
Total	**(37,832)**	**(10,504)**	**-**	**(48,336)**

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	Impairment adjustments	Write-backs	Net result
	(a)	(b)	(c)	31.12.2015 (a+b-c)
A. Intangible assets				
A.1 Owned	(31,913)	-	-	(31,913)
- generated internally by the company	(10)	-	-	(10)
- other	(31,903)	-	-	(31,903)
A.2 Held under finance leases	-	-	-	-
Total	**(31,913)**	**-**	**-**	**(31,913)**

Section 15 – Other operating charges/income Caption 220

15.1 Other operating charges: breakdown

Description/Amounts	31.12.2015	31.12.2014
Loss on disposal of leased assets	-	13,972
Amortisation of leasehold improvement expenditure	5,683	6,522
Out-of-period expense	3,380	5,609
Other	32,340	47,835
Total	**41,403**	**73,938**

15.2 Other operating income: breakdown

Description/Amounts	31.12.2015	31.12.2014
Rental income	7,292	9,253
Recovery of taxes	123,302	125,403
Gains on disposal of fixed assets given under finance leases	46	8,381
Other income	86,567	104,169
Total	**217,207**	**247,206**

Section 16 – Profit (Loss) from equity investments Caption 240

16.1 Profit (loss) from equity investments: breakdown

Items/Amounts	31.12.2015	31.12.2014
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	13,911	3,015
1. Revaluations	11,171	3,015
2. Gains on disposals	2,740	-
3. Write-backs	-	-
4. Other gains	-	-
B. Charges	(13,814)	(3,852)
1. Write-downs	(8,441)	(344)
2. Impairment write-downs	(5,373)	(3,508)
3. Loss from disposals	-	-
4. Other charges	-	-
Net result	**97**	**(837)**
Total	**97**	**(837)**

As already mentioned in Part B, Section 10, Assets, the amount of sub-caption "Impairment adjustments" relates to impairment tests on the following companies subject to significant influence: Banca della Nuova Terra s.p.a. (€ 2,894 thousand), Cassa di Risparmio di Fossano s.p.a. (€ 1,416 thousand), Alba Leasing s.p.a. (€ 410 thousand), Sofipo s.a. (€ 103 thousand) and CAT Progetto Impresa Modena s.c.r.l. (€ 2 thousand); and on the following subsidiaries measured using the equity method: Melior Valorizzazioni Immobili s.r.l. (€ 452 thousand), Galilei Immobiliare s.r.l. (€ 51 thousand) and BPER Trust Company s.p.a. (€ 45 thousand).
The "Revaluations" and "Writedowns" reflect the results of the companies measured using the equity method.

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	31.12.2015	31.12.2014
A. Buildings	**280**	**113**
- Gains on disposal	359	115
- Losses on disposal	(79)	(2)
B. Other assets	**(21)**	**(46)**
- Gains on disposal	80	198
- Losses on disposal	(101)	(244)
Net result	**259**	**67**

Section 20 – Income taxes for the year on current operations
Caption 290

20.1 Income taxes for the period on current operations: breakdown

Items/Segments	31.12.2015	31.12.2014
1. Current taxes (-)	(86,791)	(181,856)
2. Change in prior period income taxes (+/-)	(21)	27,272
3. Reduction in current taxes (+)	-	-
3. *bis* Reduction in current taxes for tax credits under L. 214/2011 (+)	2,785	3,499
4. Change in deferred tax assets (+/-)	86,122	123,110
5. Change in deferred tax liabilities (+/-)	3,623	(409)
6. Income taxes for the year on current operations (-) (-1+/-2+3+3 *bis*+/-4+/-5)	**5,718**	**(28,384)**

IRES	31.12.2015
Result of current operations before income taxes	**213,514**
Negative components of the gross result definitively considered not relevant (+)	**72,095**
Non-deductible interest expense	16,356
Losses on disposal/remeasurement of AFS securities and equity investments	28,685
Non-deductible taxes (other than on income)	8,218
Administrative costs of limited deductibility	5,150
Other non-deductible costs	5,409
Provisions for tax disputes	859
Other	7,417
Positive components of the gross result definitively considered not relevant (-)	**(254,913)**
Non-relevant portion of gains on disposal/remeasurement of AFS securities and equity investments	(242,622)
Non-relevant portion of dividends	(11,240)
Other	(1,051)
Definitive increases not linked to elements of the gross result (+)	**9**
Other	9
Definitive decreases not linked to elements of the gross result (-)	**(72,629)**
Recovery of intercompany interest expense deductibility for tax consolidation	(2,175)
Standard deduction 10% IRAP	(2,746)
Deduction of payroll cost for IRAP	(3,710)
A.C.E. (aid for economic growth) deduction	(62,627)
Other	(1,370)
Basis of calculation of IRES shown in the income statement	**(41,924)**
IRES tax rate	*27.50%*
Effective IRES	**(11,529)**
Effective IRES tax rate	*-5.40%*

IRAP	31.12.2015
Result of current operations before income taxes	**213,514**
Negative components of the gross result definitively considered not relevant (+)	**196,183**
Non-deductible interest expense	17,673
Non-deductible portion of depreciation/amortisation on assets used in business	10,825
Other non-deductible administrative costs	80,334
Payroll, net of permitted deductions	27,475
Other net impairment adjustments (caption 130 of the income statement)	9,405
Net provisions for risks and charges	44,549
Municipal property tax	1,491
Other	4,431
Positive components of the gross result definitively considered not relevant (-)	**(134,844)**
Non-relevant portion of dividends	(659)
Profit from equity investments	(68,684)
Other operating income	(65,501)
Definitive increases not linked to elements of the gross result (+)	**(199)**
Other	(199)
Definitive decreases not linked to elements of the gross result (-)	**(31,509)**
Recovery of non-relevant charges of prior periods	(30,689)
Other	(819)
Basis of calculation of IRAP shown in the income statement	**243,146**
Weighted average nominal rate of IRAP	*5.57%*
Effective IRAP	**13,543**
Effective IRAP tax rate	6.34%

Out-of-period IRES and IRAP and other taxes	31.12.2015
Total impact	**(7,732)**
IRES - Changes in current out-of-period IRES	(1,088)
IRES - Tax credit on energy savings	(955)
IRAP - Changes in current out-of-period IRAP	(360)
Other	(1,068)
IRAP tax rate adjustment on deferred taxes	(3,250)
Deferred tax adjustment for reduced IRES tax rate (Stability Law 2016)	(1,010)
Effective out-of-period IRES and IRAP and other taxes	*-3.62%*

Total tax on gross result	31.12.2015
IRES + IRAP + other taxes	**(5,718)**
Overall effective tax rate	*-2.68%*

Section 21 – Profit (Loss) after tax on non-current assets held for sale
Caption 310

There are no amounts in this section.

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	31.12.2015	31.12.2014
Consolidated equity investments with significant minority interests	**(1,429)**	**14,984**
1. Banco di Sardegna (*)	(1,350)	17,404
2. Cassa di Risparmio di Bra s.p.a.	(814)	(3,273)
3. Sardaleasing s.p.a.	480	243
4. Emilia Romagna Factor s.p.a.	255	610
Other equity investments	-	-
Total	**(1,429)**	**14,984**

(*) consolidation of the sub-holding company Banco di Sardegna and its subsidiaries (including Banca di Sassari 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:

- the earnings attributable to ordinary shareholders,
- and the weighted average number of shares outstanding during the period.

Diluted earnings per share reflect the relationship between:

- the earnings used to calculate basic EPS, as adjusted by the economic effects of converting all outstanding convertible bonds into shares at period end,
- 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.

	31.12.2015			31.12.2014		
	Attributable earnings	Weighted average ordinary shares	Earnings per share (Euro)	Attributable earnings	Weighted average ordinary shares	Earnings per share (Euro)
Basic EPS	220,661	480,852,977	0.459	14,666	362,085,234	0.041
Diluted EPS	220,661	480,852,977	0.459	14,666	362,085,234	0.041

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)

	31.12.2015	31.12.2014
Weighted average number of outstanding ordinary shares for Basic EPS calculation	480,852,977	362,085,234
Weighted dilutive effect of the potential conversion of convertible bonds	-	-
Weighted average number of outstanding ordinary shares for diluted EPS calculation	**480,852,977**	**362,085,234**

24.2 Other information

	31.12.2015	31.12.2014
Net profit for the period	220,661	14,797
Allocations not attributable to the shareholders	-	(131)
Net profit for Basic EPS calculation	220,661	14,666
Change in income and charges deriving from conversion	-	-
Net profit for diluted EPS calculation	**220,661**	**14,666**

Part D - Consolidated comprehensive income

Analytical statement of consolidated comprehensive income

(in thousands of Euro)

Captions	Gross amount	Income taxes	Net amount
10. Profit (loss) for the period	**213,514**	**5,718**	**219,232**
Other income items, net of income taxes, without release to the income statement			
40. Defined benefit plans	28,968	(7,950)	21,018
60. Portion of the valuation reserves of the equity investments carried at equity	(4,448)	-	(4,448)
Other income items, net of income taxes, with release to the income statement			
90. Cash-flows hedges:	**(2,604)**	**860**	**(1,744)**
a) changes in fair value	(2,604)	860	(1,744)
b) release to the income statement	-	-	-
c) other changes	-	-	-
100. Financial assets available for sale:	**(64,858)**	**15,340**	**(49,518)**
a) changes in fair value	**47,621**	**(14,275)**	**33,346**
b) reclassification through profit or loss	(112,479)	27,865	(84,614)
- impairment write-downs	27,343	(1,336)	26,007
- gains/losses on disposals	(139,822)	29,201	(110,621)
c) other changes	-	1,750	1,750
130. Total other elements of income	**(42,942)**	**8,250**	**(34,692)**
Total consolidated comprehensive income (Captions 10+130)	**170,572**	**13,968**	**184,540**
150. Total comprehensive income pertaining to minorities interests			939
160. Consolidated comprehensive income attributable to the Parent Company			**183,601**

Part E - Information on risks and related hedging policy

Section 1 – Risks faced by the Banking group

In compliance with the prudential regulations intended to strengthen the ability of banks to absorb shocks deriving from economic and financial tensions, the Group monitors capital adequacy, the exposure to risks and the general characteristics of the related management and control systems, in order to facilitate market discipline.
This document has been prepared pursuant to the requirements of Circular no. 285 of 17 December 2013 and subsequent updates issued by the Bank of Italy, Regulation (EU) 575/2013 of the European Parliament and of the Council of 26 June 2013 (CRR) and the EBA Guidelines dated 23 December 2014 that came into force on 1 January 2015.

Entitled "Public Disclosures – Pillar 3 at 31 December 2015", this document has been published together with the financial statements on the websites of both the Parent Company – www.bper.it – and 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

The Group's organisation provides for centralisation of the credit risk control function at the Parent Company; consequently, the qualitative information set out below also reflects the individual position of Banca popolare dell'Emilia Romagna s.c.

Qualitative information

General aspects

Despite an international context characterised by weak macroeconomic conditions and turmoil on financial markets, the domestic economic environment during 2015 showed favourable economic indicators after three consecutive years of recession.
Domestic demand, especially household consumption, was the main driver of the recovery, which partially offset the decline in export growth.
The increase in GDP at sector level is mainly due to a recovery in the Manufacturing cycle (automotive in particular) and to the Services sector which is growing, but also to stabilisation of the Construction industry after a deep and long slump.

In line with what was defined in the 2015-2017 Business Plan, the BPER Group has been pursuing credit policy guidelines aimed at optimising the risk-return profile of the loan portfolio through indications of growth in the Retail segment, focusing on those sectors of the economy that are expected to improve their performance or feature particular types of excellence.

Targeted commercial initiatives (definition of special credit lines aimed at target customers at very favourable conditions) during the year permitted a significant recovery in the demand for credit by both businesses and private individuals, also thanks to a better climate of confidence that is gradually spreading.

The Banking group also confirmed its participation in initiatives based on ABI agreements in favour of companies and individuals ("Lending agreement 2015 – Firms returning to growth", "Mortgage solidarity fund", "Suspension of household loan repayments" and "Guarantee fund for the first home" respectively), as well as guaranteed support for areas hit by natural disasters via a temporary suspension of loan repayments.

With reference to Group companies operating in the "near-banking" sector, there was a good recovery in the volumes achieved by Sardaleasing s.p.a., both with reference to the number of transactions and the average amount involved in each contract; turnover in factoring, on the other hand, decreased, even if this was largely due to a few important customers.

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 BPER 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, as well as financial information in the case of businesses;
- the models for Corporate SMEs, Long-term Property SMEs, Holding SMEs and Large Corporates add a qualitative element to the purely statistical side. 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: a more complex and sophisticated structure is foreseen for medium-large businesses (Corporate SMEs, Long-term Property SMEs, Holding SMEs and Large Corporates), which are fewer but with larger average exposures, while there is a simpler structure for Retail customers (Retail SMEs, Individuals and Small Businesses), which are more numerous, but with lower exposures.

The estimation of LGD (Loss Given Default: representing the extent of the loss expected to occur on default of the borrower, dependent on type of exposure to the counterparty) 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 2015 as part of the Basel 2 Project included:

- new estimate and calibration of the PD models based on an updated definition of default (management of past due amounts using new materiality thresholds) that is more consistent with the instructions issued by the European Central bank and the European Banking Authority;
- update of the LGD model in line with the new definition of default;
- refinement of the parallel running system (for the calculation of capital requirements using the standardised approach and an Internal Rating Based (IRB) approach);

- the introduction of a rating calculation model for counterparties belonging to the Holding SME risk segment;
- the introduction of a rating calculation model for counterparties acting as guarantors for individuals, aimed at the quantification and measurement of credit risk attributable to private counterparties that provide personal guarantees to BPER Group's customers;
- the definition of an approach for the assignment of ratings also to counterparties without credit lines in the Corporate SME, Long-term Property SME and Large Corporate segments.

In addition to indicating the principles of governance, assumption and management of credit risk, the Group Credit Risk Governance Policy - updated in 2015 together with a review of the approval limits - 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, Regional Division, 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 exposure. 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

With reference to impaired financial assets, the Group classifies its positions according to the rules laid down by the Supervisory Authority. The regulatory classification is accompanied by a management practice that envisages a series of internal classifications based on the quality of the debtors and the risks associated with individual transactions. These various internal classifications act as more specific sub-categories of the regulatory ones.

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, when specific events take place; 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*; this last transfer, which always takes place after subjective and analytical assessments, may result, in the final analysis, in a return to "performing", again within the limits set by the supervisory regulations. 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 adopted 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

On 9 January 2015 the European Commission approved the Implementing Regulation 227/2015, published in the Official Journal of the European Union on 20 February 2015, which transposed the "Implementing Technical Standards" that the EBA issued in 2013 containing the definition of non-performing exposures and forbearance.
Forbearance measures (or "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.

The provisions of European law on the new criteria for classifying credit quality were adopted by the Bank of Italy with the update of Circular no. 272 and Circular no. 262 as explained in Part A of these notes.

Quantitative information

A. Credit Quality

A.1 Non-performing and performing exposures: amounts, adjustments, trends, economic and territorial distribution

A.1.1 Distribution of credit exposure by portfolio and quality of lending (book values)

Portfolio/quality		Bad loans	Unlikely to pay loans	Impaired past due loans	Past due loans not impaired	Performing loans	Total
1. Financial assets available for sale		-	-	-	-	7,541,318	7,541,318
2. Financial assets held to maturity		-	-	-	-	2,663,859	2,663,859
3. Due from banks		-	-	1	771	1,086,541	1,087,313
4. Loans to customers		2,973,986	3,126,205	255,644	1,182,656	36,164,070	43,702,561
5. Financial assets designated at fair value through profit and loss		-	-	-	-	32,867	32,867
6. Financial assets being sold		-	-	-	-	-	-
Total	**31.12.2015**	**2,973,986**	**3,126,205**	**255,645**	**1,183,427**	**47,488,655**	**55,027,918**
Total	**31.12.2014**	**2,819,098**	**3,515,490**	**192,307**	**1,638,404**	**46,168,981**	**54,334,280**

The following table analyses, portfolio by portfolio, the maturities of loans that are past due but not impaired, as required by IFRS 7, paragraph 37.

Portfolio/Quality	Other assets not overdue	Past due unimpaired loans			
		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
3. Due from banks	1,086,541	767	4		
4. Loans to customers	36,164,070	859,751	179,861	119,148	23,896
Total	**37,250,611**	**1,183,427**			

A.1.2 Distribution of credit exposures by portfolio and quality of lending (gross and net values)

Portfolio/quality		Non-performing loans			Performing loans			Total
		Gross exposure	Specific provisions	Net exposure	Gross exposure	General portfolio provisions	Net exposure	(Net exposure)
1. Financial assets available for sale		-	-	-	7,541,318	-	7,541,318	7,541,318
2. Financial assets held to maturity		-	-	-	2,663,859	-	2,663,859	2,663,859
3. Due from banks		12,382	12,381	1	1,087,313	1	1,087,312	1,087,313
4. Loans to customers		11,394,823	5,038,988	6,355,835	37,547,932	201,206	37,346,726	43,702,561
5. Financial assets designated at fair value through profit and loss		-	-	-	32,867	#	32,867	32,867
6. Financial assets being sold		-	-	-	-	-	-	-
Total	**31.12.2015**	**11,407,205**	**5,051,369**	**6,355,836**	**48,873,289**	**201,207**	**48,672,082**	**55,027,918**
Total	**31.12.2014**	**11,000,716**	**4,473,821**	**6,526,895**	**48,018,107**	**210,722**	**47,807,385**	**54,334,280**

Derecognised non-performing loans to customers involved in insolvency proceedings amount to € 1,244,739 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.

Portfolio/quality		Low credit quality assets		Other activities
		Cumulated losses	Net exposures	Net exposure
1. Financial assets held for trading		1,339	4,838	651,788
2. Hedging derivatives		-	-	38,182
Total	**31.12.2015**	**1,339**	**4,838**	**689,970**
Total	**31.12.2014**	**-**	**4,905**	**980,140**

A.1.3 Banking group - Cash and off-balance sheet exposures to banks: gross and net values and past-due buckets

Type of exposure/Amounts	Gross exposure					Specific provisions	General portfolio provisions	Net exposure
	Non performing loans				Performing loans			
	up to 3 months	from 3 to 6 months	from 6 to 12 months	Over 1 year				
A. Cash exposures								
a) Bad loans	-	10,032	-	2,349	#	12,381	#	-
- of which: forborne exposures	-	-	-	-	#	-	#	-
b) Unlikely to pay loans	-	-	-	-	#	-	#	-
- of which: forborne exposures	-	-	-	-	#	-	#	-
c) Past due loans impaired	-	-	-	1	#	-	#	1
- of which: forborne exposures	-	-	-	-	#	-	#	-
d) Past due loans not impaired	#	#	#	#	771	#	-	771
- of which: forborne exposures	#	#	#	#	-	#	-	-
e) Other performing assets	#	#	#	#	4,286,136	#	1	4,286,135
- of which: forborne exposures	#	#	#	#	-	#	-	-
Total A	**-**	**10,032**	**-**	**2,350**	**4,286,907**	**12,381**	**1**	**4,286,907**
B. Off-balance sheet exposures								
a) Non-performing exposures	-	-	-	-	#	-	#	-
b) Performing exposures	#	#	#	#	1,806,972	#	-	1,806,972
Total B	**-**	**-**	**-**	**-**	**1,806,972**	**-**	**-**	**1,806,972**
Total (A+B)	**-**	**10,032**	**-**	**2,350**	**6,093,879**	**12,381**	**1**	**6,093,879**

A.1.4 Banking group - On-Balance sheet credit exposures to banks: gross change in non-performing exposures

Description/categories	Bad loans	Unlikely to pay loans	Impaired past due loans
A. Opening balance - gross exposure	**2,277**	**-**	**-**
- of which: assets sold but not derecognised	-	-	-
B. Increases	**10,206**	**-**	**1**
B.1 transfers from performing exposures	10,032	-	1
B.2 transfer from other impaired exposure categories	-	-	-
B.3 other increases	174	-	-
C. Reductions	**102**	**-**	**-**
C.1 transfers to performing exposures	-	-	-
C.2 derecognised items	-	-	-
C.3 recoveries	-	-	-
C.4 sales proceeds	-	-	-
C.5 *bis* losses from disposal	-	-	-
C.6 transfer to other impaired exposure categories	-	-	-
C.7 other reductions	102	-	-
D. Gross exposure closing balance	**12,381**	**-**	**1**
- of which: assets sold but not derecognised	-	-	-

A.1.4 *bis* Banking group - On-balance sheet credit exposures to banks: dynamics of gross forborne exposures by credit quality

The information on the dynamics of gross on-balance sheet forborne exposures to banks will be provided from the 2016 financial statements onwards, in line with the Bank of Italy's instructions.

A.1.5 Banking group – Non-performing balance sheet credit exposures to banks: change in overall impairments

Description/categories	Bad loans	Unlikely to pay loans	Impaired past due loans
A. Opening gross write-downs	**2.255**	**-**	**-**
- of which: assets sold but not derecognised	-	-	-
B. Increases	**10.228**	**-**	**-**
B.1 write-downs	10.228	-	-
B.2 lost from disposals	-	-	-
B.3 transfer from other impaired exposure categories	-	-	-
B.4 other increases	-	-	-
C. Reductions	**102**	**-**	**-**
C.1 write-backs from assessments	-	-	-
C.2 write-backs from recoveries	-	-	-
C.3 profit from disposals	-	-	-
C.4 write-offs	-	-	-
C.5 transfer to other impaired exposure categories	-	-	-
C.6 other reductions	102	-	-
D. Final gross write-downs	**12.381**	**-**	**-**
- of which: assets sold but not derecognised	-	-	-

Detailed disclosure on changes in total adjustments on gross on-balance sheet forborne exposures to banks will be provided from the 2016 financial statements onwards, in line with the Bank of Italy's instructions.

A.1.6 Banking group - Cash and off-balance sheet credit exposures to customers: gross and net values and past-due buckets

Type of exposure/Amounts	Gross exposure					Specific provisions	General Portfolio provisions	Net exposure
	Non performing loans				Performing loans			
	up to 3 months	from 3 to 6 months	from 6 to 12 months	Over 1 year				
A. Cash exposures								
a) Bad loans	2,132	179	48	7,106,309	#	4,134,682	#	2,973,986
- of which: forborne exposures	-	-	-	573,867	#	242,643	#	331,224
b) Unlikely to pay loans	1,544,716	179,352	605,940	1,672,036	#	875,839	#	3,126,205
- of which: forborne exposures	1,028,037	90,096	288,773	600,389	#	379,228	#	1,628,067
c) Impaired past due loans	25,812	70,460	166,004	21,835	#	28,467	#	255,644
- of which: forborne exposures	321	9,464	11,083	1,779	#	1,479	#	21,168
d) Past due loans	#	#	#	#	1,207,443	#	24,787	1,182,656
- of which: forborne exposures	#	#	#	#	202,901	#	5,673	197,228
e) Other assets	#	#	#	#	43,841,217	#	176,419	43,664,798
- of which: forborne exposures	#	#	#	#	842,961	#	12,877	830,084
Total A	**1,572,660**	**249,991**	**771,992**	**8,800,180**	**45,048,660**	**5,038,988**	**201,206**	**51,203,289**
B. Off-Balance sheet exposure								
a) Non-performing exposures	207,554	-	-	-	#	46,155	#	161,399
b) Others	#	#	#	#	3,871,732	#	8,429	3,863,303
Total B	**207,554**	**-**	**-**	**-**	**3,871,732**	**46,155**	**8,429**	**4,024,702**
Total (A+B)	**1,780,214**	**249,991**	**771,992**	**8,800,180**	**48,920,392**	**5,085,143**	**209,635**	**55,227,991**

A.1.7 Banking group - Cash credit exposures to customers: dynamics of gross impaired loans

Description/categories	Bad loans	Unlikely to pay loans	Impaired past due loans
A. Opening gross exposure	**6,487,495**	**4,301,749**	**209,195**
- of which: sold but not derecognised	1,402	-	-
B. Increases	**1,185,131**	**1,843,990**	**387,879**
B.1 transfers from performing loans	192,677	1,174,291	297,057
B.2 transfers from other categories of impaired exposures	821,095	122,176	8,094
B.3 other increases	171,359	547,523	82,728
C. Decreases	**563,958**	**2,143,695**	**312,963**
C.1 transfers to performing loans	2,864	242,428	64,443
C.2 write-offs	102,020	15,351	3
C.3 collections	307,670	1,058,312	92,527
C.4 proceeds from disposals	54,773	13,116	918
C.5 losses from disposals	39,473	11,600	-
C.6 transfers to other categories of impaired exposures	6,085	800,840	144,440
C.7 other decreases	51,073	2,048	10,632
D. Closing gross exposure	**7,108,668**	**4,002,044**	**284,111**
- of which: assets sold but not derecognised	1,402	-	-

A.1.7 *bis* Banking group - On-balance sheet credit exposures to customers: dynamics of gross forborne exposures by credit quality

The information on the dynamics of gross on-balance sheet forborne exposure to customers will be provided from the 2016 financial statements onwards, in line with the Bank of Italy's instructions.

A.1.8 Banking group – Non-performing cash credit exposures to customers: dynamics of total write-downs

Description/categories	Non-performing loans	Unlikely to pay loans	Impaired past due loans
A. Total opening adjustments	**3.668.419**	**786.259**	**16.888**
- of which: sold but not derecognised	1.402	-	-
B. Increases	**951.375**	**444.399**	**29.838**
B.1 adjustments	750.143	433.517	28.970
B.2 loss from disposals	1.999	58	-
B.3 transfer from other categories of impaired exposures	189.490	10.824	811
B.4 other increases	9.743	-	57
C. Reductions	**485.112**	**354.819**	**18.259**
C.1 write-backs on valuation	235.533	66.967	4.795
C.2 write-backs due to collections	82.048	71.212	1.124
C.3 *bis* profit from disposals	5.380	200	-
C.4 write-offs	102.020	15.351	3
C.5 transfer to other categories of impaired exposures	2.098	188.009	11.018
C.6 other decreases	58.033	13.080	1.319
D. Total closing adjustments	**4.134.682**	**875.839**	**28.467**
- of which: sold but not derecognised	1.402	-	-

Detailed disclosure on changes in total adjustments on gross on-balance sheet forborne exposures to banks will be provided from the 2016 financial statements onwards, in line with the Bank of Italy's instructions.
The adjustments (B.1) include default interest accrued in the year, but which has been fully written down (€ 57,905 thousand).
Writebacks also take into account prior year default interest that has been collected for an amount of € 3,329 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 that are not aligned to the Group's IT system

The method used for determining collective impairment is managed by each Group company 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	410,576	7,617,824	585,664	873,073	120,282	88,529	9,695,948
B. Derivatives	-	1,905	479	11,187	1,913	1	15,485
B.1 Financial derivatives	-	1,905	479	11,187	1,913	1	15,485
B.2 Credit derivatives	-	-	-	-	-	-	-
C. Guarantees given	-	341,720	150,832	243,694	5,786	1,431	743,463
D. Commitments to make loans	-	47,822	91,409	21,114	661	-	161,006
E. Other	-	-	-	-	-	-	-
Total	**410,576**	**8,009,271**	**828,384**	**1,149,068**	**128,642**	**89,961**	**10,615,902**

	With external rating	Unrated	Total
A. Cash exposures	9,695,948	45,794,248	55,490,196
B+C+D. Off-balance sheet exposures	919,954	4,911,720	5,831,674
Total	**10,615,902**	**50,705,968**	**61,321,870**

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	1,412,217	1,136,588	1,050,443	1,277,075	1,968,663	721,539	589,667
B. Derivatives	14	2	1	74	-	45	37
B.1 Financial derivatives	14	2	1	74	-	45	37
B.2 Credit derivatives	-	-	-	-	-	-	-
C. Guarantees given	6,758	10,117	6,552	4,633	9,822	12,387	3,088
D. Commitments to make loans	6,350	3,383	7,539	6,748	6,912	2,981	3,027
E. Other	-	-	-	-	-	-	-
Total	**1,425,339**	**1,150,090**	**1,064,535**	**1,288,530**	**1,985,397**	**736,952**	**595,819**

Exposures	Internal rating class						
	8	9	10	11	12	13	Total
A. Cash exposures	484,850	266,156	223,005	176,147	69,488	125,213	9,501,051
B. Derivatives	2	-	6	-	-	-	181
B.1 Financial derivatives	2	-	6	-	-	-	181
B.2 Credit derivatives	-	-	-	-	-	-	-
C. Guarantees given	4,653	3,559	576	165	178	154	62,642
D. Commitments to make loans	1,327	899	111	236	17	92	39,622
E. Other	-	-	-	-	-	-	-
Total	**490,832**	**270,614**	**223,698**	**176,548**	**69,683**	**125,459**	**9,603,496**

Exposure to businesses:

Exposures	Internal rating class						
	1	2	3	4	5	6	7
A. Cash exposures	1,139,072	1,226,511	1,995,201	2,233,289	1,913,010	1,381,832	856,039
B. Derivatives	1,176	1,436	1,650	6,419	11,393	15,326	947
B.1 Financial derivatives	1,176	1,436	1,650	6,419	11,393	15,326	947
B.2 Credit derivatives	-	-	-	-	-	-	-
C. Guarantees given	183,451	194,401	248,484	158,100	126,273	94,885	40,795
D. Commitments to make loans	11,999	11,051	31,704	44,766	16,291	22,669	5,557
E. Other	-	-	-	-	-	-	-
Total	1,335,698	1,433,399	2,277,039	2,442,574	2,066,967	1,514,712	903,338

Exposures	Internal rating class						
	8	9	10	11	12	13	Total
A. Cash exposures	606,148	377,661	203,349	137,185	82,592	164,946	12,316,835
B. Derivatives	7,568	2,288	8	-	1,856	579	50,646
B.1 Financial derivatives	7,568	2,288	8	-	1,856	579	50,646
B.2 Credit derivatives	-	-	-	-	-	-	-
C. Guarantees given	31,752	15,682	6,215	3,953	930	6,090	1,111,011
D. Commitments to make loans	10,578	876	1,016	1,633	321	1,405	159,866
E. Other	-	-	-	-	-	-	-
Total	656,046	396,507	210,588	142,771	85,699	173,020	13,638,358

Exposure to large businesses:

Exposures	Internal rating class						
	1	2	3	4	5	6	7
A. Cash exposures	89,967	169,048	410,408	634,274	555,817	369,489	221,216
B. Derivatives	225	292	1,174	1,286	54	105	87
B.1 Financial derivatives	225	292	1,174	1,286	54	105	87
B.2 Credit derivatives	-	-	-	-	-	-	-
C. Guarantees given	46,137	140,422	108,384	153,087	286,604	134,954	46,814
D. Commitments to make loans	3,222	43,879	1,520	3,545	28,471	93,012	840
E. Other	-	-	-	-	-	-	-
Total	139,551	353,641	521,486	792,192	870,946	597,560	268,957

Exposures	Internal rating class						
	8	9	10	11	12	13	Total
A. Cash exposures	121,167	57,233	117,970	18,322	33,166	4,843	2,802,920
B. Derivatives	185	-	24	-	-	-	3,432
B.1 Financial derivatives	185	-	24	-	-	-	3,432
B.2 Credit derivatives	-	-	-	-	-	-	-
C. Guarantees given	60,984	6,964	2,773	11,026	7	-	998,156
D. Commitments to make loans	4,229	106	2,004	-	-	-	180,828
E. Other	-	-	-	-	-	-	-
Total	186,565	64,303	122,771	29,348	33,173	4,843	3,985,336

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:	**11,878**	**-**	**-**	**-**	**-**
1.1. fully guaranteed	11,002	-	-	-	-
- of which: non-performing exposures	-	-	-	-	-
1.2. partially guaranteed	876	-	-	-	-
- of which: non-performing exposures	-	-	-	-	-
2. Guaranteed off-balance sheet credit exposures:	**6,529**	**-**	**-**	**-**	**-**
2.1. fully guaranteed	5,868	-	-	-	-
- of which: non-performing exposures	-	-	-	-	-
2.2. partially guaranteed	661	-	-	-	-
- of which: non-performing exposures	-	-	-	-	-

(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:	**-**	**-**	**-**	**-**	**-**	**9,624**	**-**	**2,140**	**-**	**11,764**
1.1. fully guaranteed	-	-	-	-	-	9,624	-	1,378	-	11,002
- of which: non-performing exposures	-	-	-	-	-	-	-	-	-	-
1.2. partially guaranteed	-	-	-	-	-	-	-	762	-	762
- of which: non-performing exposures	-	-	-	-	-	-	-	-	-	-
2. Guaranteed off-balance sheet credit exposures:	**-**	**-**	**-**	**-**	**-**	**5,138**	**-**	**730**	**352**	**6,220**
2.1. fully guaranteed	-	-	-	-	-	5,138	-	730	-	5,868
- of which: non-performing exposures	-	-	-	-	-	-	-	-	-	-
2.2. partially guaranteed	-	-	-	-	-	-	-	-	352	352
- of which: non-performing exposures	-	-	-	-	-	-	-	-	-	-

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:	**30,406,080**	**18,490,342**	**2,039,477**	**676,041**	**1,583,309**
1.1. fully guaranteed	27,935,839	18,118,590	2,039,477	544,608	1,519,905
- of which: non-performing exposures	4,812,940	3,307,808	451,548	33,471	135,437
1.2. partially guaranteed	2,470,241	371,752	-	131,433	63,404
- of which: non-performing exposures	639,183	209,323	-	7,489	15,400
2. Guaranteed off-balance sheet credit exposures:	**1,230,111**	**10,576**	**-**	**99,323**	**68,172**
2.1. fully guaranteed	824,864	1,726	-	70,277	54,301
- of which: non-performing exposures	43,151	602	-	2,318	5,185
2.2. partially guaranteed	405,247	8,850	-	29,046	13,871
- of which: non-performing exposures	26,635	500	-	486	36

(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:	**-**	**-**	**-**	**-**	**-**	**69,857**	**512,289**	**70,894**	**6,036,377**	**29,478,586**
1.1. fully guaranteed	-	-	-	-	-	11,195	242,120	67,822	5,336,478	27,880,195
- of which: non-performing exposures	-	-	-	-	-	1,202	24,402	31,624	798,230	4,783,722
1.2. partially guaranteed	-	-	-	-	-	58,662	270,169	3,072	699,899	1,598,391
- of which: non-performing exposures	-	-	-	-	-	6,261	10,077	356	212,197	461,103
2. Guaranteed off-balance sheet credit exposures:	**-**	**-**	**-**	**-**	**-**	**1,039**	**948**	**14,080**	**955,610**	**1,149,748**
2.1. fully guaranteed	-	-	-	-	-	515	53	10,926	687,067	824,865
- of which: non-performing exposures	-	-	-	-	-	-	-	7,357	27,690	43,152
2.2. partially guaranteed	-	-	-	-	-	524	895	3,154	268,543	324,883
- of which: non-performing exposures	-	-	-	-	-	367	-	-	15,797	17,186

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 Bad loans	-	-	#	100	115	#	50,907	179,624	#
- of which: forborne exposures	-	-	#	-	-	#	9,474	27,978	#
A.2 Unlikelyt to pay loans	1	1	#	6,423	733	#	152,353	40,598	#
- of which: forborne exposures	-	-	#	5,649	628	#	102,192	16,819	#
A.3 Impaired past due loans	1	#	-	1,721	83	-	1,726	321	-
- of which: forborne exposures	-	#	-	-	#	-	1,530	286	-
A.5 Performing exposures	8,431,323	#	-	380,981	#	5,077	3,123,630	#	5,486
- of which: forborne exposures	-	#	-	7,079	#	61	12,010	#	225
Total A	**8,431,325**	**1**	**-**	**389,225**	**931**	**5,077**	**3,328,616**	**220,543**	**5,486**
B. Off-Balance sheet exposures									
B.1Bad loans	-	-	#	-	-	#	-	-	#
B.2 Unlikely to pay loans	-	-	#	-	-	#	9,136	1	#
B.3 Other impaired loans	-	-	#	60	-	#	-	-	#
B.4 Performing exposures	185,902	#	-	32,315	#	21	490,606	#	30
Total B	**185,902**	**-**	**-**	**32,375**	**-**	**21**	**499,742**	**1**	**30**
Total (A+B) 31.12.2015	**8,617,227**	**1**	**-**	**421,600**	**931**	**5,098**	**3,828,358**	**220,544**	**5,516**
Total (A+B) 31.12.2014	**8,409,333**	**-**	**-**	**431,883**	**775**	**7,310**	**3,617,020**	**187,679**	**6,360**

(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 Bad loans	-	-	#	2,600,810	3,474,249	#	322,169	480,694	#
- of which: forborne exposures	-	-	#	296,287	169,420	#	25,463	45,245	#
A.2 Unlikelyt to pay loans	-	-	#	2,648,799	765,103	#	318,629	69,404	#
- of which: forborne exposures	-	-	#	1,386,564	337,907	#	133,662	23,874	#
A.3 Impaired past due loans	-	-	#	204,158	24,087	#	48,038	3,976	#
- of which: forborne exposures	-	-	#	16,357	1,036	#	3,281	157	#
A.5 Performing exposures	123,511	#	3	22,530,878	#	169,748	10,257,131	#	20,892
- of which: forborne exposures	-	#	-	836,490	#	16,837	171,733	#	1,427
Total A	**123,511**	**-**	**3**	**27,984,645**	**4,263,439**	**169,748**	**10,945,967**	**554,074**	**20,892**
B. Off-Balance sheet exposures									
B.1 Bad loans	-	-	#	19,457	19,721	#	244	154	#
B.2 Unlikely to pay loans	-	-	#	126,793	26,052	#	625	40	#
B.3 Other impaired loans	-	-	#	5,002	184	#	82	3	#
B.4 Performing exposures	15,429	#	4	2,982,514	#	5,322	127,979	#	3,052
Total B	**15,429**	**-**	**4**	**3,133,766**	**45,957**	**5,322**	**128,930**	**197**	**3,052**
Total (A+B) 31.12.2015	**138,940**	**-**	**7**	**31,118,411**	**4,309,396**	**175,070**	**11,074,897**	**554,271**	**23,944**
Total (A+B) 31.12.2014	**138,599**	**-**	**17**	**31,711,887**	**3,808,078**	**187,092**	**10,674,839**	**515,718**	**21,720**

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 Bad loans	2,972,210	4,107,916	1,731	26,321	45	395	-	18	-	32
A.2 Unlikely to pay loans	3,017,446	839,526	104,329	34,751	4,430	1,562	-	-	-	-
A.3 Impaired *past due* loans	255,443	28,437	86	15	115	13	-	1	-	1
A.5 Performing exposures	43,367,251	199,999	912,289	1,147	548,240	30	4,046	26	15,628	4
Total	**49,612,350**	**5,175,878**	**1,018,435**	**62,234**	**552,830**	**2,000**	**4,046**	**45**	**15,628**	**37**
B. Off-Balance sheet exposures										
B.1 Bad Loans	19,701	19,875	-	-	-	-	-	-	-	-
B.2 Unlikely to pay loans	135,957	25,245	597	848	-	-	-	-	-	-
B.3 Other impaired loans	5,144	187	-	-	-	-	-	-	-	-
B.4 Performing exposures	3,616,264	8,423	216,060	6	258	-	-	-	2,163	-
Total	**3,777,066**	**53,730**	**216,657**	**854**	**258**	**-**	**-**	**-**	**2,163**	**-**
Total 31.12.2015	**53,389,416**	**5,229,608**	**1,235,092**	**63,088**	**553,088**	**2,000**	**4,046**	**45**	**17,791**	**37**
Total 31.12.2014	**53,797,120**	**4,668,867**	**944,290**	**63,977**	**164,125**	**1,504**	**16,812**	**158**	**61,214**	**243**

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 Bad loans	332,269	501,675	828,199	1,104,634	350,632	589,805	1,461,110	1,911,802	1,776	26,766
A.2 Unlikely to pay loans	279,881	95,535	1,170,128	397,973	409,432	101,959	1,158,005	244,059	108,759	36,313
A.3 Impaired past due loans	46,901	6,833	64,632	6,989	37,661	5,226	106,249	9,389	201	30
A.4 Performing exposures	5,079,921	24,414	14,931,684	71,049	11,486,271	29,548	11,869,375	74,988	1,480,203	1,207
Total	**5,738,972**	**628,457**	**16,994,643**	**1,580,645**	**12,283,996**	**726,538**	**14,594,739**	**2,240,238**	**1,590,939**	**64,316**
B. Off-Balance sheet exposures										
B.1 Bad loans	1,746	1,098	9,177	11,739	5,555	3,206	3,223	3,832	-	-
B.2 Unlikely to pay loans	16,503	2,327	76,561	18,986	13,864	1,586	29,029	2,346	597	848
B.3 Other impaired loans	496	29	416	23	2,183	25	2,049	110	-	-
B.4 Performing exposures	666,250	964	1,813,723	5,685	464,333	532	671,958	1,242	218,481	6
Total	**684,995**	**4,418**	**1,899,877**	**36,433**	**485,935**	**5,349**	**706,259**	**7,530**	**219,078**	**854**
Total 31.12.2015	**6,423,967**	**632,875**	**18,894,520**	**1,617,078**	**12,769,931**	**731,887**	**15,300,998**	**2,247,768**	**1,810,017**	**65,170**
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**	**65,883**

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 Bad loans	-	10,032	-	2,349	-	-	-	-	-	-
A.2 Unlikely to pay loans	-	-	-	-	-	-	-	-	-	-
A.3 Impaired past due loans	1	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	1,442,069	1	2,072,320	-	189,677	-	48,712	-	534,128	-
Total	**1,442,070**	**10,033**	**2,072,320**	**2,349**	**189,677**	**-**	**48,712**	**-**	**534,128**	**-**
B. Off-Balance sheet exposures										
B.1 Bad loans	-	-	-	-	-	-	-	-	-	-
B.2 Unlikely to pay loans	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired loans	-	-	-	-	-	-	-	-	-	-
B.4 Performing exposures	1,245,847	-	428,027	-	24,975	-	37,398	-	16,583	-
Total	**1,245,847**	**-**	**428,027**	**-**	**24,975**	**-**	**37,398**	**-**	**16,583**	**-**
Total 31.12.2015	**2,687,917**	**10,033**	**2,500,347**	**2,349**	**214,652**	**-**	**86,110**	**-**	**550,711**	**-**
Total 31.12.2014	**5,137,377**	**1**	**1,664,709**	**2,255**	**102,199**	**-**	**48,586**	**-**	**395,557**	**-**

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 Bad loans	-	-	-	-	-	10,032	-	-	-	2,349
A.2 Unlikely to pay loans	-	-	-	-	-	-	-	-	-	-
A.3 Impaired past due loans	-	-	-	-	1	-	-	-	-	-
A.Performing exposures	617,945	-	324,284	-	497,645	1	2,195	-	2,844,837	-
Total A	**617,945**	**-**	**324,284**	**-**	**497,646**	**10,033**	**2,195**	**-**	**2,844,837**	**2,349**
B. Off-Balance sheet exposures										
B.1 Bad loans	-	-	-	-	-	-	-	-	-	-
B.2 Unlikely to pay loans	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired loans	-	-	-	-	-	-	-	-	-	-
B.4 Performing exposures	19,420	-	1,216,848	-	7,248	-	2,331	-	506,983	-
Total B	**19,420**	**-**	**1,216,848**	**-**	**7,248**	**-**	**2,331**	**-**	**506,983**	**-**
Total 31.12.2015	**637,365**	**-**	**1,541,132**	**-**	**504,894**	**10,033**	**4,526**	**-**	**3,351,820**	**2,349**
Total 31.12.2014	**1,073,564**	**1**	**3,578,212**	**-**	**484,419**	**-**	**1,182**	**-**	**2,211,051**	**2,255**

B.4 Large exposures

	31.12.2015	31.12.2014
a) Book value	12,980,918	13,180,679
b) Weighted value	2,509,057	3,096,096
c) Number	5	7

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 5 "large exposures" for an overall amount of € 12,980.9 million, corresponding to € 2,509.1 million after CRM and exemptions under art. 400 CRR. Of these, repurchase agreements account for € 1,860.7 million and € 23.2 million respectively.
For an amount in excess of 80% 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 € 11,411.4 million, € 1,193.1 million after CRM and exemptions.
The balance consists of one of the largest domestic Banking groups (€ 505.1 million - € 450.8 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: 31.12.2015	Amount of the exposure	Amount of the exposure after CRM and exemptions under art. 400 CRR
First 5 exposures	12,980,918	2,509,057
First 10 exposures	14,945,589	3,124,449
First 20 exposures	17,017,306	4,597,893

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

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 2015:

- Sardegna no. 1;
- Mutina.

Sardegna n.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 december 1997
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 31.12.2015	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 2015 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. This is because the cash flows of the underlying assets ("non-

performing" mortgage loans) will not be sufficient to repay these securities on maturity, as they will be used to pay the loan granted by the Bank to reimburse the Mezzanine securities.

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)(2); - Banca Popolare di Aprilia s.p.a. (4)(4); - Banca Popolare dell'Irpinia s.p.a. (1)(1); - Banca Popolare di Lanciano e Sulmona s.p.a. (4)(4); - Banca Popolare del Materano s.p.a. (3)(3); - Banca Popolare di Salerno s.p.a. (1)(1); - Cassa di Risparmio della Provincia dell'Aquila s.p.a. (4)(4); - Banca Popolare di Crotone s.p.a. (3)(3); - Banca di Sassari s.p.a. (1) (1) merged with Banca della Campania s.p.a. on 23/06/03 (2)(2) merged with Banca della Campania s.p.a. on 28/12/06 (3)(3) merged with Banca popolare del Mezzogiorno on 3/11/08. (4)(4) now part of BPER as a result of the merger on 27/05/13. (1)(2)(3)(1)(2)(3) Banca della Campania and Banca Popolare del Mezzogiorno 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. Until 31 December 2015, the Parent Company BPER was the back-up servicer. The new "Master Servicing Agreement" was signed on 15 December 2015, providing for the appointment of BPER (former back-up servicer) as a new Master Servicer in place of Nettuno Gestione Crediti s.p.a., with effect from 1 January 2016.
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 31.12.2015	Fitch rating	S&P's rating
IT0003444327	*Senior*	Aug-09	228,000	-	AA-	A+
IT0003444350	*Junior*	Feb-19	12,069	2,384	n.a.	n.a.
IT0003444376	*Junior*	Feb-19	12,143	7,653	n.a.	n.a.
IT0003444392	*Junior*	Feb-19	24,001	13,974	n.a.	n.a.
IT0003444459	*Junior*	Feb-19	61,830	41,160	n.a.	n.a.
IT0003444509	*Junior*	Feb-19	9,987	198	n.a.	n.a.
IT0003444517	*Junior*	Feb-19	10,487	10,487	n.a.	n.a.
IT0003444525	*Junior*	Feb-19	3,432	1,198	n.a.	n.a.
IT0003444558	*Junior*	Feb-19	31,094	24,347	n.a.	n.a.
IT0003444566	*Junior*	Feb-19	19,466	8,431	n.a.	n.a.
Total			**412,509**	**109,832**		

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 109,832 thousand:

- Euro 24,347 thousand in portfolio at Banca di Sassari s.p.a. for Euro 4,387 thousand;
- Euro 85,485 thousand in portfolio at the Parent Company BPER, following the mergers in 2013 and 2014. The book value is Euro 26,289 thousand.

Quantitative information

C.1 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	**1,371**	**-**	**316**	**-**	**30,676**	**654**
- performing residential mortgages	1,371	-	316	-	-	-
- non-performing residential mortgages	-	-	-	-	2,733	58
- non-performing no residential mortgages	-	-	-	-	15,368	328
- other non-performing loans	-	-	-	-	12,575	268
B. Derecognised in part	**-**	**-**	**-**	**-**	**-**	**-**
C. Not derecognised	-	-	-	-	-	-

The book values in the Junior securities section represent the securities of the Mutina portfolio. Details are given in the quantitative information as it is still in progress as a Group operation.
The book values in the Senior and Mezzanine securities section represent the securities involved in the Sestante securitisations. The originator bank for these operations was Meliorbanca, which is now BPER. In 2011, Meliorbanca sold its servicer and corporate servicer business to Italfondiario s.p.a.
"Adjustments/writebacks" show the annual flow of writedowns and writebacks as required by the Bank of Italy's Circular no. 262/2005.
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 "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
- performing residential mortgages	18,079	-	9,544	-	-	-
- performing no residential mortgages	325	-		-	-	-
- other performing loans	115,128	6,213	1,922	-	-	-
- titoli performing	6,642	-	3,967	-	12	-

(cont.)

Type of underlying asset/Exposures	Credit lines					
	Senior		Mezzanine		Junior	
	Book value	Adjustments/ write-backs	Book value	Adjustments/ write-backs	Book value	Adjustments/ write-backs
- performing residential mortgages	-	-	-	-	-	-
- performing no residential mortgages	-	-	-	-	-	-
- other performing loans	2,100	-	-	-	-	-
- titoli performing	-	-	-	-	-	-

The parts of the table relating to guarantees given have not been shown as there is nothing to report.

C.3 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	34,637	-	3,205	-	-	36,045

The Mutina SPV is wholly-owned by the Parent Company but it has not been consolidated line-by-line as reported in Part A.1 of these notes.

C.4 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%	775,034	-	105,177	626,080	-	132,632
Estense S.M.E. s.r.l.	Conegliano (TV)	9.9%	883,056	-	34,091	182,181	-	668,700

C.5 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	
		Non-performing loans	Performing loans	Non-performing loans	Performing loans	Impaired	Performing	Impaired	Performing	Impaired	Performing
Nettuno Gestione Crediti s.p.a.	Mutina s.r.l.	34,637	-	6,365	-	100.00%				40.47%	
Banco di Sardegna s.p.a.	Sardegna N.1	6,180	-	50	-		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 2015, 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 2015, 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 2015, 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 2015 unconsolidated SPVs are those provided in this Part E of the Explanatory notes, Section C "Securitisation Transactions" in Table C.4 "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		**98,127**		**-**	**98,127**	**101,255**	**3,128**
	AFS	98,127		-		101,255	
3. Other companies		**84**		**135**	**(51)**	**-**	**51**
	AFS	83	Debts to customers	135			
	Loans to customers	1		-			

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		
	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	**6,521**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	6,521	-	-	-	-	-
2. Equity instruments	-	-	-	-	-	-
3. UCITS units	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
B. Derivatives	**-**	**-**	**-**	**#**	**#**	**#**
Total 31.12.2015	**6,521**	**-**	**-**	**-**	**-**	**-**
- of which: impaired	-	-	-	-	-	-
Total 31.12.2014	**37,046**	**-**	**-**	**-**	**-**	**-**
- 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	**2,439,333**	**-**	**-**	**786,641**	**-**	**-**
1. Debt securities	2,439,333	-	-	786,641	-	-
2. Equity instruments	-	-	-	#	#	#
3. UCITS units	-	-	-	#	#	#
4. Loans	-	-	-	-	-	-
B. Derivatives	**#**	**#**	**#**	**#**	**#**	**#**
Total 31.12.2015	**2,439,333**	**-**	**-**	**786,641**	**-**	**-**
- of which: impaired	-	-	-	-	-	-
Total 31.12.2014	**2,047,358**	**-**	**-**	**888,139**	**-**	**-**
- 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)	2015	2014
A. Cash assets	-	-	-	-	-	-	**3,232,495**	**3,008,699**
1. Debt securities	-	-	-	-	-	-	3,232,495	2,977,960
2. Equity instruments	#	#	#	#	#	#	-	-
3. UCITS units	#	#	#	#	#	#	-	-
4. Loans	-	-	-	-	-	-	-	30,739
B. Derivatives	#	#	#	#	#	#	-	-
Total 31.12.2015	-	-	-	-	-	-	**3,232,495**	#
- of which: impaired	-	-	-	-	-	-	-	#
Total 31.12.2014	**33,182**	-	-	**2,974**	-	-	#	**3,008,699**
- of which: impaired	-	-	-	-	-	-	#	-

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	**6,509**	-	**1,660,030**	**129,296**	-	-	**1,795,835**
a) for assets recorded in full	6,509	-	1,660,030	129,296	-	-	1,795,835
b) for assets recorded in part	-	-	-	-	-	-	-
2. Due to banks	-	-	**779,761**	**720,153**	-	-	**1,499,914**
a) for assets recorded in full	-	-	779,761	720,153	-	-	1,499,914
b) for assets recorded in part	-	-	-	-	-	-	-
3. Debt securities in issue	-	-	-	-	-	-	-
a) for assets recorded in full	-	-	-	-	-	-	-
b) for assets recorded in part	-	-	-	-	-	-	-
Total 31.12.2015	**6,509**	-	**2,439,791**	**849,449**	-	-	**3,295,749**
Total 31.12.2014	**36,565**	-	**1,951,384**	**959,153**	**91,764**	**4,684**	**3,043,550**

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

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).

On 8 February 2011, the Board of Directors launched the structuring of a first programme for the issue of guaranteed bank bonds ("GBB1"), based on a collateralised portfolio of residential mortgage loans pursuant to art. 7-*bis* of Law 130 of 30 April 1999 ("Law 130/99"), the Ministry of Economy and Finance's Decree no. 310 of 14 December 2006 (the "MEF Decree") and the 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").

On 3 March 2015 the Board of Directors launched the structuring of a second programme for the issue of guaranteed bank bonds ("GBB2"), based on a collateralised portfolio of residential and commercial mortgage loans, as already mentioned in the Directors' Report on Group Operations.

The basic structure of a guaranteed bank bond issue

"Guaranteed Bank Bonds", also known as "Covered Bonds", 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").

Key elements of the BPER Group's Programmes for the issue of Covered Bonds

The BPER's Covered Bond Programmes (the "Programmes") have been structured as follows:

- the sale without recourse to Estense Covered Bond s.r.l. (the "SPV" or "Estense Covered Bond") for GBB1, and to Estense CPT Covered Bond s.r.l. (the "SPV" or "Estense CPT Covered Bond") for GBB2, initially just by BPER and then, during the Programmes, also by other Group Banks, of assets with a high credit quality, which constitute segregated assets pursuant to Law 130/99;
- the provision to the assignee SPVs, by BPER and other Group Banks that will eventually join the programmes as selling banks, of subordinated loans to provide the assignees with the funding required to purchase the assets sold;
- the issue by the SPVs, up to the amount of the segregated assets, of guarantees in favour of the holders of the Guaranteed Bank Bonds issued by BPER.

Although they are presented as Group programmes, the initial and subsequent transactions only involved BPER as the selling bank, the understanding being that BPER will always take on the role of issuing bank. Only at a later stage, after an expert assessment of the risks and opportunities, is it expected that other Group Banks will join the Programmes as selling banks to sell additional Eligible Assets.

The portfolios of Eligible Assets involved in the initial sales are composed of loans originating from residential mortgage loans for GBB1 and of residential and commercial mortgage loans for GBB2, which meet the requirements of the Regulations. These portfolios were identified based on general and specific criteria indicated in the sale agreements. Additional portfolios of Eligible Assets may include 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 portfolios is 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 portfolios - without recourse and under the combined provisions of articles 1 and 4 of Law 130/99 and art. 58 of the CFA - is communicated to the mortgage holders by publishing a notice of sale by the seller with the above selection criteria in the Official Journal and by filing the same notice of sale with the Registrar of Companies. Further formalities are also carried out for privacy legislation purposes (Legislative Decree no. 196/2003).
The mortgage holders maintain a direct operational relationship with BPER - or, in the case of sale of Eligible Assets by other selling banks that will join the Programmes, with the other Group Banks that the mortgage holders originally obtained the loans from - since the two SPVs have given BPER responsibility for managing and administering the loans sold and the related collection and payment services (servicing activities), with BPER having the power to grant a sub-proxy to the pertinent selling banks to perform servicing activities for the 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 guarantees issued with reference to specific legal parameters and the parameters set by the Programmes' documentation based on indications provided by rating agencies, on which the credit rating assigned to the Guaranteed Bank Bonds depends.
In the case of non-compliance with one or more of the required parameters, it will be necessary to add to the portfolios sold by selling further Eligible Assets. The portfolios can be added to by using the SPVs' liquid funds or by further drawdowns of the subordinated loans granted by BPER (or by the other selling banks) to the two SPVs.
Other initiatives are required in the case of violation of contractual conditions, up to the extreme consequences of enforcement of the guarantees provided by the SPVs 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 Covered Bonds).
Moreover, on predetermined dates, the functions responsible for supervising the Bank's risk management verify the quality and integrity of the assets provided as collateral for Covered Bonds issued.
The structure of the Programmes, as outlined, permits the creation of segregated assets (consisting of the Eligible Assets assigned from time to time to the SPVs), to serve as a preferred guarantee for the

Covered Bond holders, for the counterparties to derivative contracts entered into under the Programmes to hedge the risks inherent in the portfolios of transferred Eligible Assets and for the payment of other transaction costs.
Normally, the charges for payment and redemption of the Covered Bonds remain with the Issuer and, only when there is an Event of Default by the Issuer will automatic protection mechanisms be activated to protect the investors.
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 portfolios 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 Guaranteed Bank Bonds 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 Guaranteed Bank Bonds 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 Guaranteed Bank Bonds.

These contracts can be linked to back-to-back swap agreements between the swap counterparties and BPER, a situation that currently exists in the case of the third, fourth and fifth issue of the GBB1 Programme.
In this respect, it should be noted that the first issue of the GBB1 Programme was redeemed on 22 January 2014, whereas the second issue, redemption of which should have taken place in April 2015, was redeemed early on 12 January 2015. For the third, fourth and fifth 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 Guaranteed Bank Bonds by trading them for the expected return on portfolio of loans sold.
The first issue of the GBB2 Programme also envisages a floating rate and did not therefore need any hedging by derivatives.

The GBB1 Programme

The GBB1 Programme provides for the issue of Covered Bonds up to a maximum of Euro 5 billion, to be carried out in a number of issues over time, by 31 December 2018 at latest (subject to the obligations for annual renewal of the prospectus prepared in compliance with EU regulations).
The first series of Guaranteed Bank Bonds 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 2011 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 Guaranteed Bank Bonds 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 BPER, 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 or from other Group banks merged into the Parent Company. On 12 January 2015 the second series of GBB was all repaid early.

On 15 October 2013, a third issue of Guaranteed Bank Bonds 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 BPER or by other Group banks absorbed by Parent Company in the meantime, were sold on the basis of the same general assumptions.

On 22 January 2015, a fourth issue of Guaranteed Bank Bonds 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.
On 28 April 2015, another Euro 1,074 million of residential mortgage loans, originated exclusively by BPER or by other Group banks absorbed by Parent Company in the meantime, were sold on the basis of the same general assumptions.

On 29 January 2015, a fifth issue of Guaranteed Bank Bonds 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.
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 currently amounts to Euro 5 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 purpose of adding to segregated assets) and with a remuneration that guarantees a return to the transferor of the yield on the segregated mortgage loans, albeit residual with respect to 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 Guaranteed Bank Bonds 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. Subsequently, in October 2015 and again in January 2016, an additional Euro 250 million and Euro 120 million, respectively, were reimbursed, again drawing on the resources of the principal generated by the loan portfolio sold.

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 - are 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 in the GBB1 Programme

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 Third series of bonds issued: RBS, Citibank, Mediobanca, Société Générale, UBS.
Joint Lead Manager of re-opening of the Third series of bonds issued: Citibank, Raiffeisen Bank International.
Joint Lead Manager of the Fourth series of bonds issued: RBS, BNP Paribas, Natixis, Nomura International plc., UniCredit Bank AG.
Joint Lead Manager of the Fifth series of bonds issued: RBS, Banca IMI, Credit Suisse International, Raiffeisen Bank International, Société Générale.
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; for the fifth issue, Credit Suisse International.
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 GBB2 Programme

The GBB2 Programme provides for the issue of Covered Bonds up to a maximum of Euro 5 billion, to take place in a number of issues over time, by 31 December 2025 at latest (subject to the obligations for annual renewal of the prospectus prepared in compliance with EU regulations).
The first series of Guaranteed Bank Bonds with par value of Euro 625 million was issued on 16 December 2015, after the sale on 17 September 2015 by BPER to Estense CPT Covered Bond s.r.l. of a portfolio of

loans that met eligibility requirements under the regulations for a nominal value of Euro 870 million, selected on the basis of the criteria outlined above and having the following main characteristics:

- residential and commercial mortgage loans;
- granted by 31 December 2014;
- final instalment due after 31 December 2015;
- ratio of outstanding debt to the value of secured property, revalued close to the date of sale, up to a maximum of 80% for residential mortgage loans and up to a maximum of 60% for commercial mortgage loans.

The first bond issue of Euro 625 million was fully subscribed by BPER in order to increase the collateral for refinancing operations with the European Central Bank.

The subordinated loan granted by BPER to Estense CPT Covered Bond s.r.l., under the form of a credit facility, to finance the purchase of the assigned portfolios, amounted to Euro 1.5 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 Guaranteed Bank Bonds that, in turn, will allow the release of the loan portfolio or the cash collections generated thereby.

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 by the portfolio of sold Eligible Assets - for which BPER will remain as Servicer - are transferred to current accounts with Citibank N.A., either in Italy or the UK, since this is a third party with an appropriate rating.

The specific financial feature of the GBB2 Programme is a different structural technique which, in the event of the Parent Company's default and under other circumstances foreseen in the GBB2 Programme, makes it possible to transform the repayment plan of the Covered Bonds according to the loan portfolio amortisation schedule given in guarantee. This eliminates the financial risk associated with a forced and peremptory liquidation of this portfolio, thereby transforming the outstanding Covered Bonds into securities similar to pass-through securities issued as part of securitisation transactions. In this way, the risk profile of a default on the Covered Bonds is clearly attenuated, making it possible to obtain a higher rating.

Counterparties involved in the GBB2 Programme

Issuing Bank, initial Selling Bank, Servicer, Investment Agent, Primary 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: Finanziaria Internazionale Securitisation Group s.p.a.
Initial Dealer of the first series of bonds issued: Banca Finanziaria Internazionale s.p.a..

Guarantor: Estense CPT Covered Bond s.r.l.
Representative of the Bondholders (RoB): Securitisation Services s.p.a.
Subsequent Paying Agent, Cash Manager and Account Bank: Citibank N.A. (both Italian and London branches).
Corporate Servicer: Securitisation Services s.p.a.
Guarantor Calculation Agent: Securitisation Services s.p.a.
Legal advisor to Banca popolare dell'Emilia Romagna s.c.: Allen & Overy Studio Legale Associato.
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.

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%.

These requirements must be satisfied, on a consolidated basis, even by selling banks, where the latter, as provided for by the Programmes' 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 2015, the Own Funds of the BPER Group, calculated under the transitional arrangements ("Phased in"), amount to Euro 5,011.6 million and the Total Capital Ratio is equal to 12.50%.

Limits on the sale of Eligible Assets

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 2015, the Tier 1 ratio was 11.34% and the Common Equity Tier 1 ratio 11.24% (Phased in).

Organisational structure and procedures

The structuring process for the GBB Issue Programmes meant organising a team to coordinate the activities of all the departments involved. In this regard, a specific structure was set up, the Structured Finance Management Office, which 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 Programmes, 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 GBB, 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 transactions, therefore, do not qualify for derecognition: the selling banks must continue to recognise the transferred assets in their entirety in the balance sheet and the considerations received from the sale must be accounted for as opposite entries to the financial liabilities due to the SPVs (IAS 39, § 29).

In turn, these liabilities must be shown net of the subordinated loans granted to the vehicles, due to the principle of substance over form: it is as if the purchase of loans by the SPVs had never taken place.

The subordinated loans are not taken into consideration for the purposes of counterparty risk; these loans 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 both the SPVs are BPER Group's entities, as the Parent Company has a 60% holding; they are therefore subject to consolidation, although limited to their 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 sales of the loans had never taken place.

Again, to ensure that the operation was neutral for tax purposes, it was established, as foreseen in art. 7 *bis*, paragraph 7 of Law 130/99, that the sale price would be equal *"to the latest carrying amount of the loans"*, or as certified by the Independent Auditors of the selling Bank.

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 the sale price specifically certified by the auditors of the selling Bank.

The risks associated with the transaction

The GBB1 and GBB2 Programmes involve 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, by the Manager responsible for preparing the Company's financial reports. 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 Covered Bonds 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 "bullet" Covered Bonds 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 Guaranteed Bank Bonds, together with management and internal operating rules, require a precise and formal structuring of activities under the Programmes, 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 Programmes 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 Programmes, which will be formally integrated into the body of the contract and management processes, as and when other Group Banks join the Programmes as originators.

- Risk of financial inadequacy. The regulatory provisions, in the discipline of Covered 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 projects by the Board of Directors, highlighted:
  - regarding the impact on results, the transactions would have led to, with reference to available market data, a lower cost of funding compared with equivalent senior transactions and this would have allowed start-up costs to be fully covered, already in the first year, as well as to cover ongoing costs for the period. Under current market conditions, this original estimate may be considered highly conservative;
  - regarding the impact on the financial position, having valued the portfolio of eligible residential or commercial mortgage loans, at Group level, there was an assumed plan for 7 and 10 year issues respectively, for the first and second Programme, so as to have appropriate margins for restoration of the cover pool, if necessary, without this having an impact on the Group's financial position or commercial practices.

These findings have allowed the Board to determine that the transactions do 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 them) and the contracts entered into as part of the Programmes, "Reports on the transferee company" have been prepared by external legal consultants, in order to ensure that the contracts entered into as part of the Programmes contain clauses that ensure the regular and efficient performance of functions by the assignees, as required by the Regulations.

Assessment of legal aspects of the Programmes for Issue of Covered Bonds

Studio Legale Linklaters and Studio Legale Allen & Overy, for the GBB1 and GBB2 Programme respectively, also issued reports to assess the legal aspects of the activities involved in the Programmes in accordance with the Rules. The reports contain a thorough assessment of legal structures and contractual arrangements used, with particular attention to the characteristics of the guarantees given by the assignee companies and the overall relationships between and among the participants in the Programmes.

Annual assessment of the Programmes for Issue of Covered 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 annual reviews of the Programmes' *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, 2013 and 2014 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 set out below also reflects the individual position of Banca popolare dell'Emilia Romagna s.c.

Qualitative information

A. General aspects

As a primary activity, the Group trades on own account.
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 Parent Company 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 governance process is centralised in BPER 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 governance of market risk has been centralised by the Parent Company on the basis of decisions taken by the ALCO and Finance Committee, which is chaired 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 readings determined over time horizons of ten days and one day are set out below, in relation to the rate risk associated with the trading portfolio reported for supervisory purposes at 31 December 2015.

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	36,898	492	1.33%	156	0.42%
CCT	45,648	40	0.09%	13	0.03%
Other government securities	35,635	1,042	2.92%	329	0.92%
Bonds	364,203	4,170	1.14%	1,319	0.36%
Mutual funds and SICAVs	35,225	120	0.34%	38	0.11%
Derivatives/Transactions to be settled	(14,227)	8,659	-60.86%	2,738	-19.25%
Effect of diversification		(7,459)		(2,359)	
Total portfolio 2015	**503,382**	**7,064**	**1.40%**	**2,234**	**0.44%**
Total portfolio 2014	**688,385**	**7,578**	**1.10%**	**2,396**	**0.35%**

The value of the trading portfolio at 31 December 2015 given a parallel shift of +/- 100 basis points (sensitivity analysis) is set out below.

	+100 bps	-100 bps
31 Dec 2015	17,886	(20,602)
31 Dec 2014	3,579	(6,034)

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 2015.

Descriptive data		VaR		VaR	
		Time horizon: 10 days		Time horizon: 1 day	
		Confidence interval: 99%		Confidence interval: 99%	
Type of transaction	Present value	VaR	Var/Present Value	VaR	Var/Present Value
Equities	72,699	5,978	8.22%	1,891	2.60%
Mutual funds and SICAVs	35,225	2,136	6.06%	675	1.92%
Derivatives/Transactions to be settled	7,086	-	0.00%	-	0.00%
Effect of diversification		(266)		(84)	
Total portfolio 2015	**115,010**	**7,848**	**6.82%**	**2,482**	**2.16%**
Total portfolio 2014	**68,162**	**5,979**	**8.77%**	**1,891**	**2.77%**

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 Parent Company. 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 BPER 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).

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 the Parent Company'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 governance of rate risk and compliance with regulatory requirements;
- segregation between governance processes and the management 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.

$$\Delta VA = VA_{(Curva1)} - VA_{(Curva2)}$$

In order to incorporate the phenomenon known as prepayment of loans[36], 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 "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.

[36] *Prepayment can be defined as a total or partial early repayment of the residual loan by the borrower.*

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 Parent Company concerning the scope of application of the fair value option, 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 2015) and trend data (minimum, average, maximum) for the year are provided below in relation to the change in the banking book for interest rate risk following a parallel shift of +/-50 basis points.

	+50 bps	-50 bps
31 December 2015	**2,677**	**2,346**
maximum change	15,178	2,751
minimum change	2,677	451
average change	10,010	608
31 December 2014	**13,018**	**(4,956)**

Year-end (31 December 2015) and trend date (minimum, maximum, average) for the year are provided below in relation to changes in the banking book for interest rate risk following a parallel shift of +/- 100 basis points (sensitivity analysis).

	+100 bps	-100 bps
31 December 2015	**(124,052)**	**(74,922)**
maximum change	(144,556)	(174,852)
minimum change	(66,166)	(6,663)
average change	(98,448)	(99,539)
31 December 2014	**(87,040)**	**(109,341)**

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 2015.

Descriptive data		VaR Time horizon: 10 days		VaR Time horizon: 1 day	
		Confidence interval: 99%		Confidence interval: 99%	
Type of transaction	Present value	VaR	Var/Present Value	VaR	Var/Present Value
Equities Instruments	274,447	23,289	8.49%	7,364	2.68%
Mutual funds and SICAVs	159,827	9,281	5.81%	2,935	1.84%
Derivatives/Transactions to be settled	-	-		-	
Effect of diversification		(444)		(140)	
Total portfolio 2015	**434,274**	**32,126**	**7.40%**	**10,159**	**2.34%**
Total portfolio 2014	**499,454**	**55,476**	**11.11%**	**17,543**	**3.51%**

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 Parent Company'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	**1,011,404**	**257,269**	**4,384**	**1,458**	**13,389**	**15,608**
A.1 Debt securities	773,124	217,424	-	-	-	6,738
A.2 Equity instruments	13,792	179	-	169	158	-
A.3 Loans to banks	36,932	3,333	2,349	715	1,024	6,924
A.4 Loans to customers	187,556	36,333	2,035	574	12,207	1,946
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**6,566**	**2,493**	**163**	**481**	**1,598**	**957**
C. Financial liabilities	**816,503**	**214,777**	**1,818**	**6,632**	**6,220**	**7,374**
C.1 Due to banks	525,944	194,415	10	4	994	71
C.2 Due to customers	290,559	20,362	1,808	6,628	5,226	7,303
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**2,896**	**147**	**893**	**-**	**58**	**659**
E. Financial derivatives						
- Options						
+ long positions	46,821	3,913	7,308	-	-	-
+ short positions	127,389	381	8,002	-	-	622
- Other derivatives						
+ long positions	297,990	7,266	4,906	4,972	4,725	15,071
+ short positions	403,878	86,470	10,044	38	24,642	12,136
Total assets	**1,362,781**	**270,941**	**16,761**	**6,911**	**19,712**	**31,636**
Total liabilities	**1,350,666**	**301,775**	**20,757**	**6,670**	**30,920**	**20,791**
Net balance (+/-)	**12,115**	**(30,834)**	**(3,996)**	**241**	**(11,208)**	**10,845**

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%
2015 figures	46,955	14,848
2014 figures	7,811	2,470

1.2.4 Derivatives

A. Financial Derivatives

A.1 Trading portfolio for supervisory purposes: period-end values

Underlying assets/Type of derivative	31.12.2015		31.12.2014	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	**4,944,772**	**1,144,474**	**4,643,128**	**452,818**
a) Options	1,284,873	150,926	513,485	-
b) Swaps	3,659,899	-	4,129,643	-
c) Forwards	-	-	-	-
d) Futures	-	993,548	-	452,818
e) Other	-	-	-	-
2. Equities and stock indices	**554**	**6,133**	**35,239**	**4,860**
a) Options	554	4,844	35,239	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	1,289	-	4,860
e) Other	-	-	-	-
3. Currency and gold	**1,117,748**	**11,482**	**961,121**	**-**
a) Options	401,609	11,482	332,244	-
b) Swaps	-	-	-	-
c) Forwards	716,139	-	628,877	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Goods	**-**	**4,913**	**-**	**3,277**
5. Other underlyings	**-**	**-**	**-**	**-**
Total	**6,063,074**	**1,167,002**	**5,639,488**	**460,955**

A.2 Banking portfolio: period-end values

A.2.1 For hedging

Underlying assets/Type of derivative	31.12.2015		31.12.2014	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	**3,145,964**	**-**	**1,531,387**	**-**
a) Options	-	-	-	-
b) Swaps	3,145,964	-	1,531,387	-
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	**3,145,964**	**-**	**1,531,387**	**-**

A.2.2 Other derivatives

Underlying assets/Type of derivative	31.12.2015		31.12.2014	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	**7,549,699**	**-**	**5,588,684**	**-**
a) Options	5,799	-	6,469	-
b) Swaps	7,543,900	-	5,582,215	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equities and stock indices	**265,412**	**-**	**88,487**	**-**
a) Options	265,412	-	88,487	-
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	**7,815,111**	**-**	**5,677,171**	**-**

A.3 Financial derivatives: positive gross fair value - allocation by product

Portfolio/Type of derivative	Positive fair value			
	31.12.2015		31.12.2014	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Trading portfolio for supervisory purposes	**100,252**	**-**	**125,800**	**-**
a) Options	12,202	-	13,237	-
b) Interest rate swaps	76,574	-	97,277	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	11,476	-	15,286	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
B. Banking portfolio - for hedging	**38,182**	**-**	**36,744**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	38,182	-	36,744	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking portfolio - other derivatives	**103,398**	**-**	**120,413**	**-**
a) Options	9,497	-	29	-
b) Interest rate swaps	93,901	-	120,384	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**241,832**	**-**	**282,957**	**-**

A.4 Financial derivatives: gross negative fair value - breakdown by product

Portfolio/Type of derivative	Negative fair value			
	31.12.2015		31.12.2014	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Trading portfolio for supervisory purposes	**145,354**	**676**	**170,380**	**-**
a) Options	19,195	676	10,835	-
b) Interest rate swaps	120,512	-	142,498	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	5,647	-	17,047	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
B. Banking portfolio - for hedging	**23,715**	**-**	**12,986**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	23,715	-	12,986	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking portfolio - other derivatives	**83,229**	**-**	**75,519**	**-**
a) Options	9,332	-	4,223	-
b) Interest rate swaps	73,897	-	71,296	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**252,298**	**676**	**258,885**	**-**

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	-	-	38	14,832	-	1,119,635	13,065
- positive fair value	-	-	2	449	-	56,591	178
- negative fair value	-	-	-	-	-	2,088	-
- future exposure	-	-	-	61	-	5,802	29
2) Equities and stock indicess							
- notional value	-	-	1	-	-	553	-
- positive fair value	-	-	-	-	-	36	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	44	-
3) Currency and gold							
- notional value	-	-	46	16,738	-	497,416	1,668
- positive fair value	-	-	-	114	-	5,418	25
- negative fair value	-	-	1	142	-	11,473	7
- future exposure	-	-	-	122	-	4,996	17
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	-	-	2,824,633	856,356	-	116,213	-
- positive fair value	-	-	13,361	379	-	9,732	-
- negative fair value	-	-	109,259	19,589	-	1	-
2) Equities and stock indices							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
3) Currency and gold							
- notional value	-	-	551,520	50,360	-	-	-
- positive fair value	-	-	12,360	1,607	-	-	-
- negative fair value	-	-	2,600	194	-	-	-
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	-	-	-	564	-	35,150	104,223
- positive fair value	-	-	-	12	-	-	-
- negative fair value	-	-	-	1	-	-	5,667
- future exposure	-	-	-	24	-	1,605	-
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	-	-	9,876,255	819,408	-	-	-
- positive fair value	-	-	125,433	6,657	-	-	-
- negative fair value	-	-	95,610	2,162	-	-	-
2) Equities and stock indices							
- notional value	-	-	123,225	2,250	-	-	-
- positive fair value	-	-	9,478	-	-	-	-
- negative fair value	-	-	3,215	289	-	-	-
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	**2,737,808**	**1,381,237**	**1,944,029**	**6,063,074**
A.1 Financial derivatives on debt securities and interest rates	1,713,419	1,292,468	1,938,885	4,944,772
A.2 Financial derivatives on equities and stock indices	-	554	-	554
A.3 Financial derivatives on exchange rates and gold	1,024,389	88,215	5,144	1,117,748
A.4 Financial derivatives on other	-	-	-	-
B. Banking portfolio	**725,806**	**5,958,826**	**4,276,443**	**10,961,075**
B.1 Financial derivatives on debt securities and interest rates	725,656	5,725,628	4,244,379	10,695,663
B.2 Financial derivative contracts on equity securities and stock indexes	150	233,198	32,064	265,412
B.3 Financial derivatives on exchange rates and gold	-	-	-	-
B.4 Financial derivatives on other instruments	-	-	-	-
Total 31.12.2015	**3,463,614**	**7,340,063**	**6,220,472**	**17,024,149**
Total 31.12.2014	**2,388,147**	**6,061,280**	**4,398,619**	**12,848,046**

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	-	-	37,320	2,789	-	9,731	-
- negative fair value	-	-	87,372	16,380	-	-	-
- future exposure	-	-	84,049	4,721	-	1,182	-
- net counterparty risk	-	-	85,867	4,610	-	10,913	-
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 risk (Liquidity Policy Handbook), as well as the plan for emergencies covering the objectives, processes and strategies for action (Contingency Funding Plan).

Liquidity Policy Handbook

This document establishes the Bank's policy for the efficient governance of liquidity under normal conditions, formalising:

- the governance model in terms of the parties involved in the governance 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);
- risk appetite and limits designed to contain liquidity and funding 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 governance 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 Parent Company 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 the Parent Company 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[37].
In the context of funding risk, a distinction is made between:

- mismatch liquidity risk, being the liquidity risk implicit in the structure of the Parent Company'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);

[37] *Bank of Italy, "New regulations for the prudential supervision of banks", Title IV, Chapter 6, Circ. 285 dated 17 December 2013 and subsequent updates.*

- contingency liquidity risk, being the risk that future events may require access to significantly more liquidity than previously planned by the Parent Company; 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 macro 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.

Hedging policies and risk mitigation

BPER Group's liquidity risk governance model has the following objectives:

- to enable the Parent Company 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 Parent Company's specific operating characteristics;
- to ensure a level of liquidity that enables the Parent Company 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 centralised governance of liquidity and the related risk. In particular, BPER:

- is responsible for liquidity policy;
- governs both short-term and medium-long term liquidity;
- defines and governs the funding plan;
- monitors and manages liquidity risk.

The above governance model is based on the following principles:

- segregation between the processes of Liquidity Management and Liquidity Risk Controlling;
- 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 updates of the Liquidity Policy Handbook 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, according to the Liquidity Risk Mismatch Model;
- 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 Policy Mismatch Model is based on the liquidity policy and on the metrics aimed at monitoring and managing liquidity risk; these can be split into short-term liquidity and medium-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.

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

The Contingency Funding Plan 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, which is defined in the Liquidity Policy Handbook, envisages the centralised governance 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 document 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 and its 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 (CRR), as currently updated, also introduced new liquidity indicators:

- Liquidity Coverage Ratio (LCR): this is an indicator of coverage of short-term liquidity whose 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 2015 it comes to 136.1%.
- 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. At 31 December 2015 it comes to 110.9%.

The liquidity requirements are therefore well over 100%, so considerably above the minimum requirements of Basel 3.
Moreover, in its 14th update of Circular no. 285 dated 24 November 2015, the Bank of Italy established a transitional limit for the Liquidity Coverage Ratio (LCR) of 60% at 31 December 2015 (70% for 2016, 80% for 2017 and 100% from 1 January 2018).

The new rules also place the leverage ratio alongside these indicators. Further details are given in Part F of these Explanatory notes in the section on capital adequacy.

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	**6,637,451**	**395,135**	**658,394**	**1,804,418**	**2,886,291**	**2,393,046**	**6,135,393**	**18,016,876**	**17,238,969**	**279,274**
A.1 Government securities	212	-	-	20,381	28,443	40,264	657,568	2,626,565	2,515,339	-
A.2 Other debt securities	1,220	-	507	28,722	94,183	44,649	201,691	1,828,989	1,388,150	-
A.3 UCITS units	276,414	-	-	-	-	-	-	-	-	31,249
A.4 Loans	6,359,605	395,135	657,887	1,755,315	2,763,665	2,308,133	5,276,134	13,561,322	13,335,480	248,025
- Banks	381,623	291	1,275	66,443	202,923	46,356	21,606	143	-	248,025
- Customers	5,977,982	394,844	656,612	1,688,872	2,560,742	2,261,777	5,254,528	13,561,179	13,335,480	-
Cash liabilities	**29,886,235**	**2,265,869**	**580,767**	**1,027,950**	**3,004,538**	**2,227,935**	**2,230,972**	**8,362,431**	**2,573,859**	**-**
B.1 Deposits and current accounts	29,748,757	2,188,939	406,958	770,350	1,863,958	860,383	766,207	2,927,522	1,274,154	-
- Banks	304,289	230,222	133,379	497,946	1,139,449	46,891	53,635	2,335,336	191,439	-
- Customers	29,444,468	1,958,717	273,579	272,404	724,509	813,492	712,572	592,186	1,082,715	-
B.2 Debt securities	137,478	76,930	173,809	257,600	1,140,580	1,367,552	1,464,765	5,434,909	1,299,705	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	40,491	49,439	176,945	100,082	72,091	90,030	34,363	5,238	-
- Short positions	-	25,999	12,405	24,162	58,697	78,754	65,347	16,353	4,818	-
C.2 Financial derivatives without exchange of capital										
- Long positions	81,944	-	-	-	-	-	-	-	-	-
- Short positions	130,288	-	-	-	-	-	-	-	-	-
C.3 Deposit and loans to be received										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to make loans										
- Long positions	26,504	395	3,988	8,153	6,605	12,333	73,155	331,882	348,855	45
- Short positions	171,503	1,785	-	-	279,265	47,050	243,595	40,000	-	-
C.5 Financial guarantees given	-	-	-	-	-	30,000	-	-	-	-
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 2015, as shown below.

Estense Finance self-securitisation

During 2009, BPER 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 residential mortgages granted to developers and residential mortgages granted to home owners, totalling Euro 1,922,631,856, to Estense Finance s.r.l., a 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, which initially had a rating only from Standard & Poor’s, have since been rated by a second agency, Fitch Ratings, as required by the subsequent 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

Estense S.M.E. self-securitisation

During 2012, BPER 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 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.

Classi	A	B
Importo Emissione	1,488,000,000	668,700,000
Divisa	Euro	Euro
Scadenza	27-dec-55	27-dec-55
Quotazione	Luxembourg Stock Exchange	Luxembourg Stock Exchange
Codice ISIN	IT0004881014	IT0004881006
Ammortamento	*Pass Through*	*Pass Through*
Indicizzazione	3-month Euribor	3-month Euribor
Spread	0.50%	Residual
Rating S&P all'emissione	A-	Unrated
Rating DBRS all'emissione	A low	Unrated
Rating S&P corrente	A-	Unrated
Rating Fitch corrente	A low	Unrated

The Senior Security is currently amortising according to expectations and the residual nominal capital after the payment date in December 2015 amounts to Euro 606 million.

Avia Pervia self-securitisation

As mentioned previously, the 2015-2017 Business Plan envisages significant steps to increase the efficiency of the bad debt recovery.
A key step in this initiative was the formation of BPER Credit Management s.cons.p.a., a consortium in which to centralise all of the analysis and coordination functions relating to credit disputes.
The new organisational solution absorbed, among others, the function of "highly specialised supervision", previously entrusted to Master Servicer Nettuno Gestione Crediti s.p.a. and also realised through the Avia Pervia operation.
A natural consequence was the early closure of this operation, which was completed on 15 December 2015, with the repurchase by the respective originators of the residual loans in the portfolio of the SPV (the operation was published in the Official Journal, Second Part, no. 146 of 19.12.2015); at the same time, outstanding securities and subordinated debt used to finance the structure have been extinguished.
Procedures are currently underway for the voluntary liquidation of Avia Pervia SPV.

Multi Lease AS self-securitisation

The Multi Lease AS self-securitisation was set up in 2013 with the aim of raising cash in favour of the entire Banking group, with the help of refinancing from the ECB, as detailed in the Directors' Report on Group Operations. This operation exhausted its financial value at the end of 2015 as expected, as a result of amortising the underlying lease portfolio.
The residual portfolio of approximately Euro 581 million was therefore repurchased in January 2016, taking effect in the income statement at 31 December 2015.
In 2015, Sardaleasing s.p.a. worked with the Parent Company to complete the preparatory structuring phase for the implementation of a new transaction with underlying unimpaired lease receivables. The new transaction, called "Multi Lease AS 2" took effect in the income statement from 1 January 2016.

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 multioriginator 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 ECB, 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 2015 the securities show a nominal value of Euro 40,803 thousand).

- Junior Securities (class B) issued for a total of Euro 33,837 thousand, subscribed by Cassa di Risparmio di Bra s.p.a. for Euro 15,625 thousand (at 31 December 2015 the securities show a nominal value of Euro 15,625 thousand).

The securities have gained eligibility at the European Central Bank.

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 Cassa di risparmio di Cesena s.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 ECB, 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 2015 the securities show a nominal value of Euro 29,049.7 thousand).
- Junior Securities (class B) issued for a total of Euro 268,190 thousand, subscribed by Cassa di Risparmio di Bra s.p.a. for Euro 83,650 thousand (at 31 December 2015 the securities show a nominal value of Euro 83,650 thousand).

The securities have gained eligibility at the European Central Bank.

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	**97,590**	**4,856**	**6,774**	**42,990**	**99,335**	**41,569**	**29,959**	**895,343**	**129,029**	**46**
A.1 Government securities	-	-	-	-	413	-	-	272,500	50,000	-
A.2 Other debt securities	-	2	514	27	2,313	2,136	6,288	602,835	61,986	-
A.3 UCITS units	10,832	-	-	-	-	-	-	-	-	46
A.4 Loans	86,758	4,854	6,260	42,963	96,609	39,433	23,671	20,008	17,043	-
- Banks	34,425	-	40	2,675	4,983	7,673	4,671	-	-	-
- Customers	52,333	4,854	6,220	40,288	91,626	31,760	19,000	20,008	17,043	-
Cash liabilities	**369,832**	**-**	**137,450**	**168,581**	**359,126**	**49,104**	**718**	**6**	**60**	**-**
B.1 Deposits and current accounts	369,832	-	137,450	168,581	359,126	49,104	718	6	60	-
- Banks	4,833	-	136,300	167,843	357,220	48,342	-	-	60	-
- Customers	364,999	-	1,150	738	1,906	762	718	6	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	72,029	19,111	77,414	59,773	80,810	67,202	17,038	4,241	-
- Short positions	-	89,528	56,099	226,944	103,275	72,272	92,382	33,481	4,263	-
C.2 Financial derivatives without exchange of capital										
- Long positions	1,215	-	-	-	-	-	-	-	-	-
- Short positions	1,719	-	-	-	-	-	-	-	-	-
C.3 Deposit and loans to be received										
- Long positions	195	1,382	-	-	-	-	-	-	-	-
- Short positions	195	1,382	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds										
- Long positions	81	7	81	99	257	13	-	-	-	-
- Short positions	-	7	-	-	-	-	-	-	-	-
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 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*[38]".
Starting from the supervisory reports at 31 December 2013, the BPER Group adopted the Traditional Standardised Approach (TSA) to the calculate the individual capital requirement 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[39].

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 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 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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[38] *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.*
[39] *See CRR – Part three, Title III, Chapter 3, art.317.*

Since 2015, the Group has implemented an analytical framework for IT risk, with the aim of providing a representation of the current situation and the adjustment interventions necessary to avoid exceeding the threshold set for the Group's risk appetite.

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[40] 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 2015, 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;

[40] *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 – Breakdown by Frequency

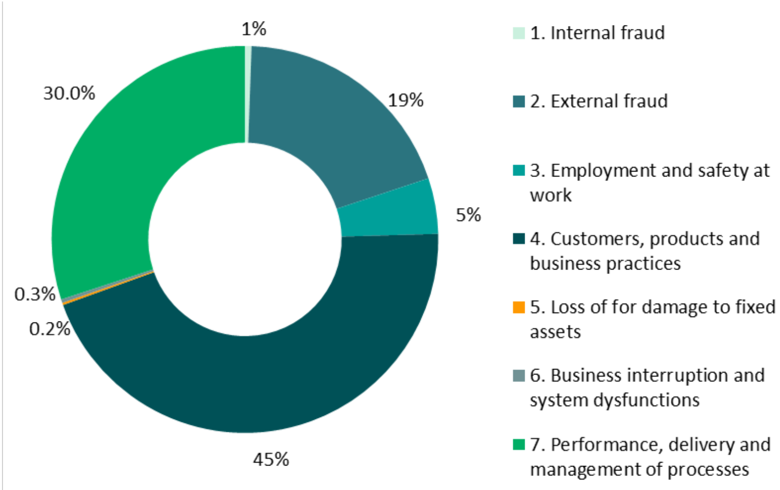
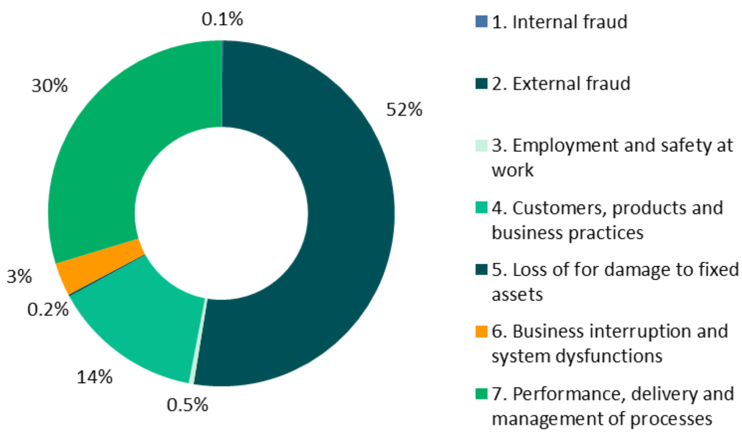


Figure 2 – Breakdown by Gross Actual Loss



An analysis of the graphs shows that the most relevant type of event in terms of frequency is:

- "Performance, delivery and management of processes", with 30% of the total frequency;
- "External fraud" with 52% of the total frequency.

In terms of economic impact the most significant events related to:

- "Customers, products and business practices", with 45% of the total gross loss;
- "External fraud", with 19% of the total gross loss.

Part F - Information on consolidated shareholders' equity

Section 1 - Consolidated shareholders' equity

Qualitative information

The Parent Company 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 capitalisation instruments and continual updates on regulatory changes have enabled BPER to ensure a solid and adequate capital profile consistent with the risks assumed and in compliance with the regulatory requirements.

By means of an active style of capital management, the Parent Company has succeeded in combining development projects and the best possible use of its capital; the size of the Group's consolidated capital resources and those of the individual Group companies are verified periodically and brought to the attention of management and of the Board of Directors and Board of Statutory Auditors. The capital position is monitored as part of the RAF (Risk Appetite Framework) process, by the Risk Committees, in periodic reports relating to the financial statements and in the impact simulations relating to extraordinary transactions and regulatory changes. As 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 Parent Company 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" (SA) to determine the capital requirement to cover credit risk, but the Group is waiting for validation to use AIRB (Advanced Internal Ratings-Based approach) for the measurement of credit risk, which is currently used only for internal management purposes. For the second pillar, capital absorption for credit risk is calculated using AIRB.

Capital management activities are intended to govern the current and future financial strength of the Group with the use of levers linked to the level of capital, such as conservative pay-out policies, strategic finance transactions (capital increases, convertible bonds, subordinated bonds) and levers linked to the limiting of risk, such as insurance, managing lending policy on the basis of counterparty risk, type of exposure and the guarantees provided.

Quantitative information

B.1 Consolidated shareholders' equity: breakdown by business type

Captions	Banking group	Insurance companies	Other businesses	Consolidation adjustments and eliminations	31.12.2015
Share capital	2,004,275	-	-	(462,636)	1,541,639
Share premium	1,261,072	-	-	(288,119)	972,953
Reserves	3,547,136	-	-	(822,462)	2,724,674
Interim dividends	-	-	-	-	-
Equity instruments	-	-	-	-	-
(Treasury shares)	(7,256)	-	-	(1)	(7,257)
Valuation reserves	203,984	-	-	(3,427)	200,557
- Financial assets available for sale	161,809	-	-	1	161,810
- Property, plant and equipment	-	-	-	-	-
- Intangible assets	-	-	-	-	-
- Foreign investments hedges	-	-	-	-	-
- Cash-flow hedges	2,777	-	-	-	2,777
- Exchange differences	-	-	-	-	-
- Non-current assets and disposal groups held for sale	-	-	-	-	-
- Actuarial gains (losses) on defined-benefit pension plans	(105,113)	-	-	-	(105,113)
- Portion of valuation reserves relating to investments carried at equity	-	-	-	3,337	3,337
- Special revaluation laws	145,713	-	-	-	145,713
- Other	(1,202)	-	-	(6,765)	(7,967)
Profit (loss) of the period pertaining to the Group and minority interests	155,444	-	-	63,788	219,232
Consolidated shareholders' equity	**7,164,655**	**-**	**-**	**(1,512,857)**	**5,651,798**

B.2 Valuation reserves for financial assets available for sale: breakdown

Assets/Amount	Banking group		Insurance companies		Other businesses		Consolidation adjustments and eliminations		31.12.2015	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	120,686	13,013	-	-	-	-	1,857	17	122,543	13,030
2. Equity instruments	57,794	4,346	-	-	-	-	(25)	-	57,769	4,346
3. UCITS units	2,009	1,321	-	-	-	-	320	2,134	2,329	3,455
4. Loans	-	-	-	-	-	-	-	-	-	-
Total 2015	**180,489**	**18,680**	**-**	**-**	**-**	**-**	**2,152**	**2,151**	**182,641**	**20,831**
Total 2014	**218,596**	**7,212**	**-**	**-**	**-**	**-**	**(56)**	**-**	**218,540**	**7,212**

The valuation reserve for financial assets available for sale at 31 December 2015 has a positive net balance of € 161,810 thousand (at 31 December 2014 it had a positive balance of € 211,328 thousand).
The net reserve for government debt securities amounts to € 90,218 thousand.

B.3 Valuation reserves for financial assets available for sale: change in year

Captions/Amounts	Debt securities	Equity instruments	UCITS units	Loans
1. Opening balance	**137,499**	**74,535**	**(706)**	**-**
2. Positive changes	**118,521**	**64,321**	**13,416**	**-**
2.1 Increases in fair value	79,335	38,990	2,664	-
2.2 Release to the income statement of negative reserves:	300	20,629	9,119	-
- from impairment	-	20,608	6,735	-
- from disposal	300	21	2,384	-
2.3 Other changes	38,886	4,702	1,633	-
3. Negative changes	**146,507**	**85,433**	**13,836**	**-**
3.1 Reductions in fair value	38,862	23,840	10,667	-
3.2 Impairment write-downs	-	-	-	-
3.3 Releases to the income statement of positive reserves:				
from disposal	82,027	58,779	1,721	-
3.4 Other changes	25,618	2,814	1,448	-
4. Closing balance	**109,513**	**53,423**	**(1,126)**	**-**

B.4 Valuation reserves about actuarial gains (losses) on defined-benefit pension plans

Captions/Amounts	31.12.2015	31.12.2014
1. Opening balance	(126,722)	(95,663)
2. Positive changes	**29,642**	**248**
2.1 Actuarial gains	29,075	246
2.2 Other changes	567	2
3. Negative changes	**8,033**	**31,307**
3.1 Actuarial losses	31	31,000
3.2 Other changes	8,002	307
4. Closing balance	**(105,113)**	**(126,722)**

Section 2 - Own Funds and capital adequacy ratios

2.1 Scope of application and regulations

The new harmonised rules for banks and investment companies contained in Regulation (EU) 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

In accordance with the instructions contained in Circular no. 285/2013 (and subsequent updates) and Regulation (EU) 575/2013, the Group also provides information on Own Funds in the document "Disclosure document - Pillar 3" available, as provided by law, on the website of the Parent Company - www.bper.it - and on that of the Group - www.gruppobper.it.

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 Tier 1 Capital, which added to Tier 2 Capital 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 terms 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, the equity instruments listed above have to meet clearly defined requirements (art. 52 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 redeemed or repurchased or called 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 called 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.

At 31 December 2015 the instruments included in this category relate to investments that involve minority interests, which are subject to transitional arrangements: specifically, they comprise the preferred and savings shares issued by Banco di Sardegna s.p.a.

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, 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 2015 the T2 instruments included the Group's subordinated loans covered by the grandfathering rules, since they were issued prior to the deadline of 31 December 2011 identified by the regulations, together with the "Banca popolare dell’Emilia Romagna Subordinated Tier II 4.25% 15/06/2015-15/06/2025 Callable" bond deriving from the voluntary public exchange offer that expired on 5 June 2015.

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. Their applicability to the capital requirements and grandfathering rules develops over a period of about 4 years (2014-2017), during which partial inclusion is replaced by the gradual exclusion of equity instruments that do not meet all the requirements of the CRR.

Specific 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 for 2015:

- CET1 ratio of 4.5%;
- Tier 1 ratio of 6%;
- 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 2015, that level is as follows:

- CET1 ratio of 7%;
- Tier 1 ratio of 8.5%;
- Total Capital Ratio of 10.5%.

At the end of November 2015, the Parent Company received notification from the European Central Bank (ECB) of its decision on additional Own Funds, in accordance with art. 16 of Regulation (EU) 1024/2013.

With this decision, under the 2015 Supervisory Review and Evaluation Process (SREP), the ECB requires compliance with a minimum Common Equity Tier 1 (CET1) ratio of 9.25%; non-compliance would result in restrictions on distribution of profits and the need to adopt a capital conservation plan.

As can be seen from the figures below, BPER amply complies with all of the regulatory and additional limits.

At CONSOB's request, the Bank has made specific disclosures to the market about these figures.

Conditions for the inclusion of interim or year-end earnings

With reference to EU Regulation 575/2013 (CRR), on 4 February 2015 the ECB issued a "Decision" published in the Official Journal of the European Union on 25 April 2015, that laid down the procedures to be followed by banks under its 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 ECB, 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.
On 28 December 2015, the European Central Bank sent a recommendation to the Parent Company on the dividend distribution policy for 2016, as disclosed in Part A of these notes.

At 31 December 2015, the value of capital was calculated taking into account the capitalisable portion of the net profit for the first half of 2015, Euro 54 million, equal to 13 bps, for which inclusion was approved by the ECB on 11 August 2015.
It has also been calculated on a pro-forma basis taking into account the profit for the second quarter which can be allocated to equity (Euro 118.6 million, corresponding to about 30 bps).

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	TV	Yes	23-03-2016	Eur	400,000,000	11,436
Lower Tier II B.P.E.R. subordinated non convertible bond, amortizing 4.35%, 2010-2017	4.35%	No	31-12-2017	Eur	18,000,000	5,040
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	14,280
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	117,906
Lower Tier II CARISPAQ subordinated non convertible bond floating rate, 2010-2020	TV	No	30-09-020	Eur	25,000,000	2,825
Total bonds included in the scope of grandfathering					**1,194,000,000**	**151,487**
Tier II B.P.E.R. subordinated non-convertible bond 4.25%, 2015-2025 callable	4.25%	No	15-06-2025	Eur	224,855,200	224,383
Total bonds not included in the scope of grandfathering					**224,855,200**	**224,383**
Total bonds					**1,418,855,200**	**375,870**

B. Quantitative information

	31.12.2015	31.12.2014
A. Common Equity Tier 1 capital (Common Equity Tier 1 - CET1) before the application of prudential filters	**5,087,258**	**5,034,773**
of which CET1 instruments subject to transitional provisions	-	-
B. Prudential filters for CET1 (+/-)	(17,300)	(14,503)
C. CET1 gross of items to be deducted and of transitional arrangements (A+/-B)	**5,069,958**	**5,020,270**
D. Items to be deducted from CET1	698,403	582,607
E. Transitional arrangements - Impact on CET1 (+/-), including minority interests subject to transitional provisions	**135,336**	**143,598**
F. Total Common Equity Tier 1 - CET1 (C-D+/-E)	**4,506,891**	**4,581,261**
G. Additional Tier 1 capital (AT1) gross of items to be deducted and of transitional arrangements	**51,687**	**19,075**
of which AT1 instruments subject to transitional provisions	-	-
H. Items to be deducted from AT1	13,748	13,749
I. Transitional arrangements - Impact on AT1 (+/-), including instruments issued by affiliates and included in AT1 following transitional provisions	**4,124**	**5,500**
L. Total additional Tier 1 - AT1 (G-H+/-I)	**42,063**	**10,826**
M. Tier 2 capital (T2) gross of items to be deducted and of transitional arrangements	**447,921**	**350,705**
of which T2 instruments subject to transitional provisions	*151,487*	*338,250*
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	**14,730**	**39,287**
P. Total Tier 2 (T2) (M-N+/-O)	**462,651**	**389,992**
Q. Total Own Funds (F+L+P)	**5,011,605**	**4,982,079**

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 € 55.8 million, net of tax, on total Own Funds.

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 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 Group to cover the various risks accepted.

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.

B. Quantitative information

Description/Amounts	Unweighted amounts		Weighted amounts/Requirements	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
A. Assets at risk	-		-	
A.1 Credit and counterparty risk	61,095,748	60,511,752	35,571,923	36,094,158
1. Standardised methodology	60,900,783	60,378,521	35,197,330	35,648,578
2. Methodology based on internal ratings	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisations	194,965	133,231	374,594	445,580
B. Capital adequacy requirements				
B.1 Credit and counterparty risk			2,845,754	2,887,533
B.2 Credit down-rating risk			23,504	14,975
B.3 Settlement risk			-	
B.4 Market risk			51,327	57,207
1. Standard methodology			51,327	57,207
2. Internal models			-	-
3. Concentration risk			-	-
B.5 Operational risk			280,050	288,318
1. Basic method			-	-
2. Standardised method			280,050	288,318
3. Advanced method			-	-
B.6 Other elements for the calculation			7,500	7,291
B.7 Total precautionary requirements			3,208,135	3,255,324
C. Risk assets and capital ratios				
C.1 Risk-weighted assets			40,101,688	40,691,550
C.2 Common Equity Tier 1 capital/Risk-weighted assets (CET1 Capital ratio)			11.24%	11.26%
C.3 Tier 1 Capital/Risk-weighted assets (Tier 1 Capital ratio)			11.34%	11.29%
C.4 Total Own Funds/Risk-weighted assets (Total Capital Ratio)			12.50%	12.24%

The amount indicated in caption B.6 consists of the Bank of Italy's capital requirements for assets at risk, specifically relating to Banca di Sassari s.p.a. It has been determined on the basis of an additional 10% of risk-weighted assets on loans (capital requirement of € 7,406 thousand), plus the requirements relating to the exposures towards central counterparties in the form of pre-financed contributions to the guarantee fund (capital requirement of € 94 thousand).

At 31 December 2015, the CET1 ratio on a "Fully Phased" basis is estimated to be approximately 10.90% (10.91% at 31 December 2014).

Leverage Ratio (LR)

The leverage ratios are:

- transitional arrangements (Phased in) of 7.1% (7.2% at 31 December 2014);
- under full application (or "Fully Phased") of 6.9% (unchanged compared with 31 December 2014).

Part G - Business Combinations

Section 1 – Transactions carried out at 31 December 2015

1.1 Business Combinations

In September, the Parent Company, as part of the second issue of Covered Bonds, acquired a 60% holding in the SPV Estense CPT Covered Bond s.r.l.
For details, reference should made to Part E, Section E.4, "Banking group - Covered Bond transactions".

Section 2 – Transactions subsequent to the year end

No Business Combinations have been carried out after 31 December 2015.

Part H - Related-party transactions

1. Information on the remuneration of Managers with strategic responsibilities

	Description	31.12.2015	31.12.2014
	Directors		
-	short-term benefits (as shown in the Parent Company's annual report)	2,903	3,148
-	other long-term benefits (as shown in the Parent Company's annual report)	177	31
-	Directors' emoluments received from other banks and companies within the scope of consolidation on a line-by-line basis	561	615
	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 on a line-by-line basis	45	17
	Other 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.	4,831	3,934
	- other short-term benefits - contributions for social contributions (as shown in the Parent Company's annual report)	1,342	1,021
	- Directors' emoluments received from other banks and companies withit the scope of consolidation on a line-by-line basis	264	315
2	post-employment benefits includes payments to supplementary pension funds and provisions for termination indemnities	489	413
3	other long-term benefits	271	-
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";
As regards the Directors, note that the amount shown (€ 3,080 thousand) consists of their emoluments for the period in accordance with art. 24 of the Articles of Association; more specifically:
- € 1,520 thousand (€ 1,544 thousand at 31 December 2014), 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 18 April 2014 (€ 1,600 thousand), consisting of fees payable to the members of the Board of Directors (€ 884 thousand), supplementary fees payable to members of the Executive Committee (€ 141 thousand) and of all subcommittees (€ 271 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 (€ 223 thousand);
- € 489 thousand (€ 344 thousand at 31 December 2014) 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;
- € 850 thousand (€ 1,252 thousand at 31 December 2014) of additional emoluments payable to the Chief Executive Officer, again in compliance with the Articles of Association, plus € 44 thousand of variable component of remuneration pertaining to 2015;
- Other long-term benefits of € 177 thousand relating, as indicated in the Report on Remuneration, to deferred variable remuneration payable to the Chief Executive Officer, inclusive of € 111 thousand relating to a phantom stock based remuneration plan.

The amounts shown for other Managers with strategic responsibility (the General Manager, 3 Deputy General Managers, the Manager responsible for preparing the Company's financial reports and 14 other Group Senior Managers in the Parent Company BPER) belong to the types of costs detailed above. They are disclosed in the Report on Remuneration (art. 123-ter of Legislative Decree no. 58/1998) in accordance with CONSOB requirements. The amounts at 31 December 2014 referred to a total of 19 Senior Managers.
Other long-term benefits relating to other managers with strategic responsibilities relate entirely to the valuation of the Phantom Stocks assigned.

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	711,852	22,532	83,446	9,392	3,317
Directors, Statutory Auditors and Managers	1,448	3,275	-	88	67
Other related parties	12,992	14,754	1,936	382	1,677
Total 31.12.2015	**726,292**	**40,561**	**85,382**	**9,862**	**5,061**
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**

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 € 16.4 million (€ 15 million at 31 December 2014). The above amount represents 0.03% of total cash and endorsement loans.
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 non-performing loans and provisions were not needed in 2015 for non-performing loans relating to parties which, on 31 December 2015, qualified as related parties.

	Assets	Liabilities	Guarantees given	Revenues	Costs
Total reference amounts - 31.12.2015	61,261,231	55,609,433	3,115,632	2,628,080	1,908,573
Total reference amounts - 31.12.2014	60,652,920	55,142,789	3,009,028	2,894,613	2,055,348

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	1.16%	0.04%	2.68%	0.36%	0.17%
Directors, Statutory Auditors and Managers	0.00%	0.01%	0.00%	0.00%	0.00%
Other related parties	0.02%	0.03%	0.06%	0.01%	0.09%
Total 31.12.2015	**1.18%**	**0.08%**	**2.74%**	**0.37%**	**0.26%**
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 31.12.2014	**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 10 March 2015 the Bank's Board of Directors approved:

- the Remuneration Report pursuant to art. 123-*ter* of Legislative Decree no. 58 dated 24 February 1998, relating to the remuneration policies for 2015 of Banca popolare dell'Emilia Romagna s.c. Group.;
- the remuneration plan pursuant to art. 114-*bis* of Legislative Decree no. 58 dated 24 February 1998, implementing the remuneration policies for 2015 of the BPER Group. The Plan covers those employees of the BPER Group identified as "key personnel" in accordance with the 7th update of 18 November 2014 of Circular no. 285 "supervisory provisions for banks", Title IV, Chapter 2 "Remuneration and incentive policies and practices" and in Delegated EU Regulation 604 of 4 March 2014.

Both documents were approved by BPER's Shareholders' Meeting held on 18 April 2015 at second calling.

The remuneration of key personnel is composed of a fixed element and a variable element, even if it is lower than the theoretical maximum of 60% of the fixed component, and it is governed by particularly stringent rules (Bank of Italy's Circular no. 285, 7th update of 18 November 2014, Section III, paragraphs 1.2, 2.1 points 3 and 4, 2.2.1 and 2.2.2). 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 payment of bonuses is in fact dependent on achieving basic economic and financial objectives (the so-called "entry gates") that have to be achieved at the same time.

The entry gates that have been identified are based on the following parameters:

- Common Equity Tier 1 ratio on a consolidated basis (CET 1 Ratio);
- Liquidity Coverage Ratio (LCR);
- 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 entry gates have been exceeded, the actual allocation and the related amount, within the maximum limits[41] of the variable remuneration are defined through a process of individual performance evaluation that includes an analysis of various indicators.

[41] *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"[42]. 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[43] 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.

There are also clawback clauses on the bonuses paid, applicable in cases of fraudulent behaviour or gross negligence on the part of the staff, without which the results would not have been achieved, behaviour that caused a significant loss to the Bank or Company, breach of the obligations under art. 26 of the Consolidated Banking Act or, when the subject is an interested party, art. 53, paragraphs 4 et seq. of the Consolidated Banking Act or of the obligations relating to incentives and remuneration.

Compensation plans for 2011, 2013 and 2014 are still outstanding, with the same characteristics as the 2015 plan described above.

B.Quantitative information

In in accordance with the instructions contained in Circular no. 285/2013 (and subsequent updates) and Regulation (EU) 575/2013, the Group provides information on Remuneration Policies also in the document "Disclosure document - Pillar 3" available, as provided by law, on the website of the Parent Company – www.bper.it- and on that of the Group - www.gruppobper.it.

2. Other information

With reference to the Compensation plan for 2015, considering the financial results achieved by the Group, allocations were approved for 114,250 Phantom Stocks with a consideration of Euro 596.4 thousand.

Please also note that the same results affect the 2014 Plan allowing the vesting of 1,416 Phantom Stocks, for a consideration of Euro 7.4 thousand and the 2013 Plan allowing the vesting of 510 Phantom Stocks for a consideration of Euro 2.7 thousand.

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[42] *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 2015, at the payment date.*

[43] *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 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;
- Financial companies.

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	475,019	5,593	497,068	33,647	180,154	27,987	8,073	1,227,541
Net commission income	479,276	54,287	176,159	15,254	-	-	1,717	726,693
Net interest and other banking income	950,508	59,602	674,427	49,341	539,150	27,987	17,056	2,318,071
Net profit from financial activities 31.12.2015	**740,887**	**59,304**	**196,970**	**34,139**	**514,189**	**27,987**	**6,795**	**1,580,271**
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**
Operating costs	(687,078)	(25,810)	(178,431)	(36,051)	(4,423)	(329,385)	(105,935)	(1,367,113)
Profit (Loss) from current operations before tax 31.12.2015	**53,809**	**33,494**	**18,539**	**(1,912)**	**509,766**	**(300,854)**	**(99,328)**	**213,514**
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**

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	Other activities	Total
Financial assets	41,578	-	95,730	-	11,269,627	-	156,130	11,563,065
Due from banks	-	-	-	-	1,055,108	-	32,205	1,087,313
Loans to customers	17,944,037	163,575	22,567,792	2,531,975	131,746	-	363,436	43,702,561
Other assets	606,311	14,645	210,084	35,450	71,248	3,594,339	376,215	4,908,292
Total assets 31.12.2015	**18,591,926**	**178,220**	**22,873,606**	**2,567,425**	**12,527,729**	**3,594,339**	**927,986**	**61,261,231**
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**
Due to banks	-	-	-	-	5,521,700	-	1,292	5,522,992
Due to customers	24,795,358	1,443,711	6,047,020	1,007,925	1,837,543	-	756,101	35,887,658
Debt securities in issue	9,483,544	715,812	212,864	82,345	-	-	-	10,494,565
Financial liabilities designated at fair value through profit and loss	784,529	64,652	15,766	8,611	-	-	-	873,558
Other liabilities and equity	249,867	18,115	197,986	2,411	24,382	7,841,445	148,252	8,482,458
Total liabilities and shareholders' equity 31.12.2015	**35,313,298**	**2,242,290**	**6,473,636**	**1,101,292**	**7,383,625**	**7,841,445**	**905,645**	**61,261,231**
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**

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	2,300,994	17,077	2,318,071
Segment revenues 31.12.2015	**1,573,454**	**6,817**	**1,580,271**
Segment revenues 31.12.2014	**1,298,515**	**12,796**	**1,311,311**

B.2 Distribution by geographical area: balance sheet

Captions	Italy	Abroad	Total
Total assets 31.12.2015	**60,706,409**	**554,822**	**61,261,231**
Total assets 31.12.2014	**59,971,864**	**681,056**	**60,652,920**

Attachments

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 of 14 May 1999 and subsequent amendments), reports the 2015 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, including 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		905
	PricewaterhouseCoopers s.p.a.	Subsidiaries		687
	PricewaterhouseCoopers s.p.a. network	Subsidiaries		114
Certification services:	PricewaterhouseCoopers s.p.a.	Parent Company BPER	(1a)	215
	PricewaterhouseCoopers s.p.a.	Subsidiaries	(1b)	16
	PricewaterhouseCoopers s.p.a. network	Subsidiaries	(1c)	5
Tax advisory services	TLS-Associazione Professionale di Avvocati e Commercialisti	Parent Company BPER	(2a)	15
	PricewaterhouseCoopers s.p.a. network	Subsidiaries	(2b)	29
Other services	PricewaterhouseCoopers s.p.a.	Subsidiaries	(3a)	23
	PricewaterhouseCoopers Advisory s.p.a.	Parent Company BPER	(3b)	350
	PricewaterhouseCoopers Advisory s.p.a.	Subsidiaries	(3c)	319
	Rete PricewaterhouseCoopers s.p.a.	Parent Company BPER	(3d)	1
Total				**2,679**

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 2014 and of the condensed consolidated half-year report for the period ended 30 June 2015 for € 30 thousand;*
- *activities performed for the issue of comfort letters for the update and implementation of the Covered Bond issue programme for € 83 thousand;*
- *activities performed for the issue of comfort letters as part of the "Euro Medium Term Notes" issue Programme for € 20 thousand;*
- *activities involved in signing off the consolidated national and international tax return for the year 2014 for the purpose of offsetting a tax credit worth € 7 thousand;*
- *activities involved in issuing the report on the accuracy of the reported data with regard to Targeted Long Term Refinancing Operations for € 75 thousand;*

(1b) Activities involved in signing off the tax return for the year 2014 for the purpose of offsetting the tax credit of Cassa di Risparmio di Bra s.p.a. worth € 5 thousand; 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; activities performed in relation to the translation into English of the financial statements of Emil-Ro Factor for € 5 thousand

(1c) Activities involved in signing off the 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.

(2a) Tax advisory services rendered to the Parent Company by TLS-Associazione Professionale di Avvocati e Commercialisti belonging to the PricewaterhouseCoopers s.p.a. network for the first module of the Patent Box project;

(2b) Tax advisory services rendered by foreign companies belonging to the local correspondents of the PricewaterhouseCoopers network on behalf of Banca popolare dell'Emilia Romagna (Europe) International s.a. in Luxembourg.

Other services:
(3a) - pool audit activities relating to a securitisation performed on behalf of Sardaleasing s.p.a.

(3b) Other services rendered to the Parent Company by PricewaterhouseCoopers Advisory s.p.a.:
- *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 € 54 thousand;*
- *technical and methodological support as part of the project to assess and analyse the organisational model with a view to ensuring consistency in the Group's compliance policies, for € 140 thousand;*
- *technical and methodological support as part of the project for implementation of the model for handling outsourcing arrangements, for € 51 thousand;*
- *technical and methodological support in the redefinition of Knowledge Management methodologies, for € 105 thousand;*

(3c) Other services rendered to Group companies by PricewaterhouseCooopers Advisory s.p.a.:
- *technical and methodological support in the redefinition of Knowledge Management methodologies on behalf of Banca di Sassari s.p.a. for € 6 thousand and Banco di Sardegna s.p.a. for € 17 thousand;*
- *technical and methodological support as part of the project for implementation of the model for handling outsourcing arrangements on behalf of Banco di Sardegna s.p.a. for € 12 thousand and Banca di Sassari s.p.a. for € 2 thousand;*
- *technical and methodological support as part of the project for implementation of the model for handling outsourcing arrangements on behalf of BPER Services s.cons.p.a. for € 16 thousand;*
- *technical and methodological support for implementation of an IT system architecture governance model, with reference to the provisions of Bank of Italy Circular no. 263/2006 and subsequent updates, on behalf of BPER Services s.cons.p.a. for € 266 thousand;*

(3d) - activities performed by PriceWaterhouseCoopers Société Cooperative (Luxembourg) for the Parent Company BPER for the publication of notices on behalf of BPER International SICAV.

Public disclosure - Country by country reporting as at 31 December 2015

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 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	1,763,782	7,304	210,727	8,215	25
Banco di Sardegna s.p.a.	Italy	Banking	290,816	2,102	(11,350)	3,853	75
Banca di Sassari s.p.a.	Italy	Banking	110,170	468	8,115	(2,376)	-
Cassa di Risparmio di Bra s.p.a.	Italy	Banking	41,960	163	(3,439)	1,030	
Sardaleasing s.p.a.	Italy	Leasing	71,246	73	2,482	(546)	-
Emilia Romagna Factor s.p.a.	Italy	Factoring	21,481	45	7,033	(2,486)	-
Optima s.p.a. S.I.M.	Italy	Asset management	1,560	18	4,586	(1,329)	-
Bper Services s.cons.p.a.	Italy	IT services	(1)	98	124	(122)	
Numera s.p.a.	Italy	IT services	1	46	952	(289)	-
Nadia s.p.a.	Italy	Real estate	(6)	-	(6,036)	119	-
Tholos s.p.a.	Italy	Real estate	-	-	(825)	124	-
Modena Terminal s.r.l	Italy	Storage and safekeeping warehouse	(15)	27	440	(36)	-
Total Italy			**2,300,994**	**10,344**	**212,809**	**6,157**	**100**

Name	Head office	Nature of the activity	Turnover (a)	Number of employees	Profit (Loss) before tax (b)	Income taxes (c)	Government grants received
Bper (Europe) International s.a.	Luxembourg	Banking	3,518	16	491	(143)	-
Total Luxembourg			**3,518**	**16**	**491**	**(143)**	**-**
EMRO Finance Ireland ltd.	Ireland	Finance	13,559	4	214	(296)	-
Total Ireland			**13,559**	**4**	**214**	**(296)**	**-**
Total			**2,318,071**	**10,365**	**213,514**	**5,718**	**100**

Key:

(a) net interest and other banking income, in thousands of euro, net of eliminations 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 eliminations where necessary.

Certificates and other reports

Certification of the consolidated financial statements for 2015 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 2015, 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 2015 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 2015:
  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, 1 March 2016

Chief executive officer

Alessandro Vandelli

Manager responsible for preparing the company's financial report

Emilio Annovi

INDEPENDENT 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.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of the Banca popolare dell'Emilia Romagna group, which comprise the balance sheet as of 31 December 2015, the income statement, statement of comprehensive income, statement of changes in shareholders' equity, cash flow statement for the year then ended and the related explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of Banca popolare dell'Emilia Romagna S.C. are responsible for the preparation of consolidated financial statements that give a true and fair view 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.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11, paragraph 3, of Legislative Decree no. 39 of 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Banca popolare dell'Emilia Romagna group as of 31 December 2015 and of the result of its operations and cash flows for the year then ended 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.

Report on compliance with other laws and regulations

Opinion on the consistency with the consolidated financial statements of the report on operations and of certain information set out in the report on corporate governance and ownership structure

We have performed the procedures required under auditing standard (SA Italia) no. 720B in order to express an opinion, as required by law, on the consistency of the report on operations and of the information set out in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree no. 58/98, which are the responsibility of the directors of Banca popolare dell'Emilia Romagna S.C., with the consolidated financial statements of the Banca popolare dell'Emilia Romagna group as of 31 December 2015. In our opinion, the report on operations and the information in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of the Banca popolare dell'Emilia Romagna group as of 31 December 2015.

Milan, 24 March 2016

PricewaterhouseCoopers SpA

Signed by

Lia Lucilla Turri
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers.

Director's Report on Operations

Contents

1. The Bank in 2015

1.1 Competitive positioning

Brand

The process of rationalising and simplifying the BPER Group structure and the national *status* of BPER Banca led General Management to include in the projects of the 2015-2017 Business Plan the definition of a new positioning and a new brand identity for the Bank and the BPER Group.

This project involved many months of work in 2015 by the central Departments at the Bank, whose efforts were assisted by Interbrand s.r.l., the leading international brand consultancy. The new brand, BPER Banca, was officially presented to the press, our customers and the financial community on 16 April 2015.

The new brand was devised by combining analytical, strategic and creative thinking and expresses immediately our new positioning: to combine the strength of a national bank with an in-depth knowledge of the territories in which individuals and Corporate customers live, working with them side by side and helping them build a strong tomorrow. The positioning also generates the promise contained explicitly in the pay off: a bank that is close to you and able to exceed your expectations. Close to you. Beyond your expectations.

The new brand will also allow greater effectiveness in marketing and communication with improved recognition, distinctiveness and reputation of the logo, which should lead to easier acquisition of new customers and more attractiveness for investors and markets.

BPER:
Banca

Various activities took place during the course of 2015 to ensure the alignment of all physical and digital touchpoints with the new identity. In particular, September saw the start of replacing the signs at all BPER Banca branches, which should be completed in 2016.

The rebranding also affected the other Group companies, as explained in the "Directors' Report on Group Operations".

Market positioning

BPER's share of the market for direct deposits in September 2015 reflects a general downturn in all sectors of the economy over the past twelve months (to 1.78% from 1.89% in September 2014). The largest decline was in deposits from businesses, whose share went from 3.07% to 2.82% y/y. In terms of loans, there has been a decrease in the domestic market share (to 1.95% from 2% in September 2014), mainly relating to companies whose share fell from 2.56% to 2.49% y/y, while there was a growth in loans to family businesses from 2.68% to 2.65% 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
30-Sep-15	1.78%	1.64%	2.82%	4.12%
31-Aug-15	1.80%	1.65%	2.94%	4.13%
31-Jul-15	1.81%	1.64%	2.90%	4.10%
30-Jun-15	1.81%	1.66%	2.90%	4.14%
31-May-15	1.80%	1.64%	2.96%	4.09%
30-Apr-15	1.82%	1.64%	2.93%	4.16%
31-Mar-15	1.80%	1.66%	2.83%	4.18%
28-Feb-15	1.80%	1.65%	2.91%	4.19%
31-Jan-15	1.85%	1.69%	3.07%	4.23%
31-Dec-14	1.92%	1.70%	3.27%	4.28%
30-Nov-14	1.89%	1.67%	3.14%	4.25%
31-Oct-14	1.88%	1.66%	3.10%	4.26%
30-Sep-14	1.89%	1.69%	3.07%	4.30%

Market shares - Lending

Period	Total Customers	Households	Companies	Family businesses
30-Sep-15	1.95%	1.57%	2.49%	2.68%
31-Aug-15	1.95%	1.57%	2.51%	2.68%
31-Jul-15	1.95%	1.55%	2.50%	2.68%
30-Jun-15	1.94%	1.54%	2.49%	2.66%
31-May-15	1.95%	1.55%	2.52%	2.69%
30-Apr-15	2.00%	1.55%	2.56%	2.69%
31-Mar-15	1.97%	1.54%	2.52%	2.67%
28-Feb-15	1.97%	1.53%	2.52%	2.66%
31-Jan-15	1.97%	1.52%	2.52%	2.66%
31-Dec-14	1.97%	1.53%	2.52%	2.66%
30-Nov-14	1.99%	1.53%	2.56%	2.67%
31-Oct-14	2.00%	1.53%	2.56%	2.66%
30-Sep-14	2.00%	1.52%	2.56%	2.65%

Source: Market shares - Planus Corp. analysis of Regulatory Reports

Branch network

The total number of branches decreased compared with 2014 following the closure of 36 branches: at 31 December 2015, there were in fact 780 full-service branches and small branches compared with 816 in 2014.

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, the San Martino Buon Albergo and Ginosa branches were transferred and the new offices of the Rimini, Salerno and Avellino-Benevento areas were set up.

During 2015, the new branch concept was developed (fully described in the "Directors' Report on Group Operations" in the paragraph regarding the Business Plan) with the creation of two pilot branches (Reggio and Bologna branch no. 19).

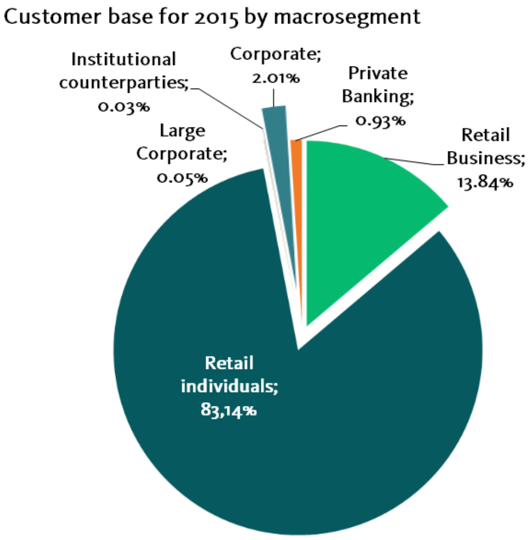
36 branches were closed in accordance with the Branch Plan, distributed as follows:

- 7 in the province of Ravenna;
- 6 in the province of Modena;
- 3 in the province of Salerno;
- 2 in the provinces of L’Aquila, Reggio Emilia, Foggia, Avellino, Milan, Messina;
- 1 in the provinces of Bologna, Benevento, Caserta, Palermo, Matera, Naples, Forlì/Cesena, Ferrara.

1.2 Relations with customers

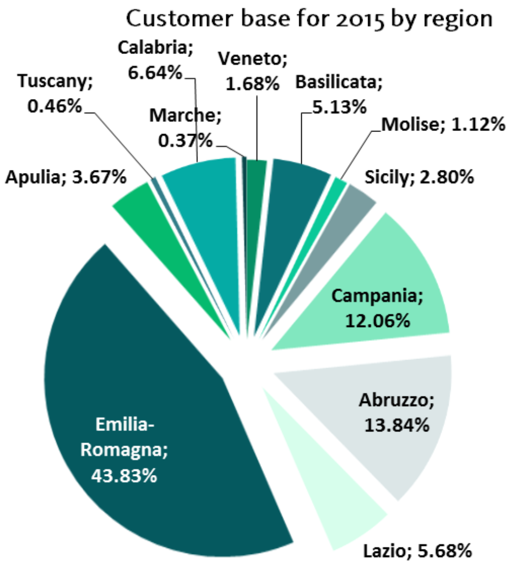
Composition of the customer base

BPER confirms itself as a Bank dedicated to households and small and medium-sized businesses, consistent with the aim of active support and proximity to the needs and plans expressed by the social and economic fabric of the territories served.

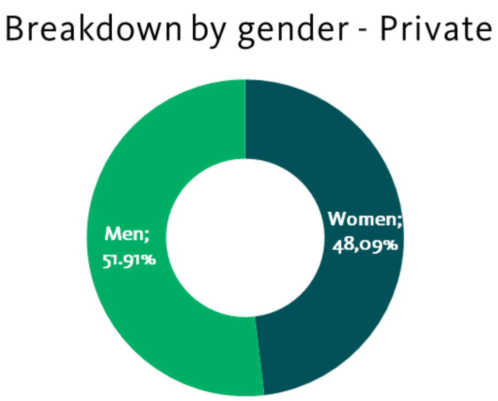


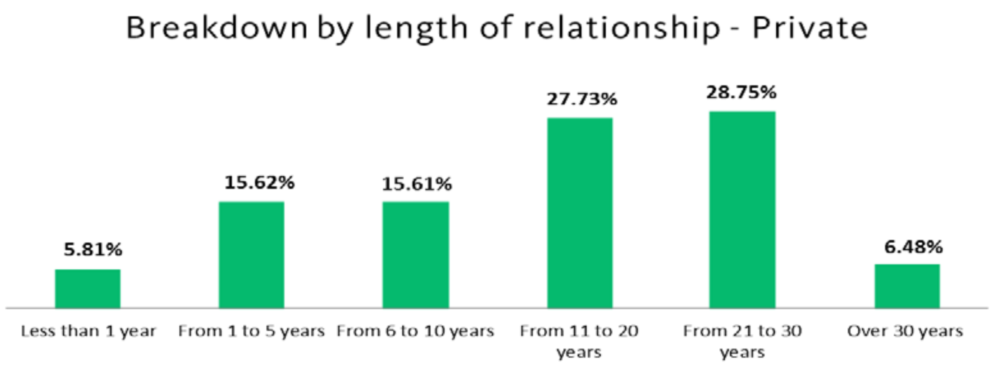
Key:

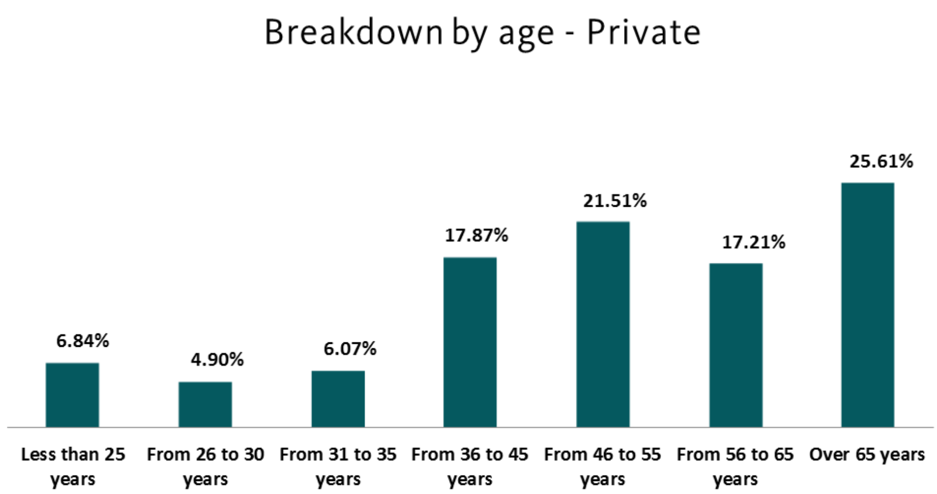
Retail Individuals: individual customers;
Private Banking: private banking customers with assets of more than Euro 500,000.00 who sign up for a specific service model;
Retail Business: businesses and entities with turnover of up to Euro 2.5 million;
Corporate: companies and groups with turnover of more 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.



An analysis of Retail customers shows that there is an even distribution between male and female. The average age of our customers is in line with previous years and with the traditional banking system. Customers of a certain age represent a significant share of the customer composition, even though the percentage of young people under 30 years is slightly up (+0.62%).



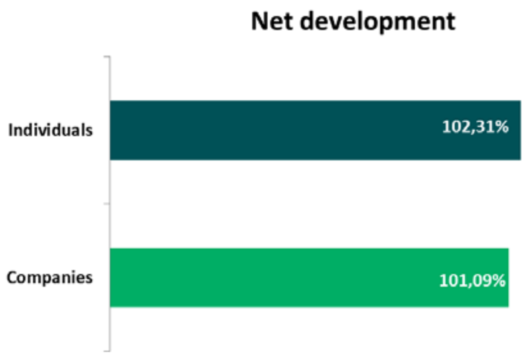




In addition, there is a certain growth in recently acquired customers (+1.16%), while customers who have a long relationship with the Bank are more or less stable, representing the predominant share of our clientèle.

The main trends in the customer base

Metrics on customer trends, which are an essential tool for guiding and monitoring corporate strategies, are showing an improvement in BPER's performance.
The net growth indicator shows an increase in both Individuals (+2.46%) and Businesses (+2.03%). There is also an increase in the Bank's ability to maintain stable relationships with its customers ("retention rate": Private +0.77%, Companies +0.87%).



Communication

Full disclosure of our institutional, traditional and digital communication and use of social networks is provided in the "Directors' Report on Group Operations".

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. A Customer Satisfaction survey was carried out among the Bank's Retail customers during 2015. The research system used was the same as in 2013 and there were only two new features compared with previous surveys:

- perception and appreciation of the new brand;
- analysis of the effects of the mergers in 2014 of Banca Popolare di Ravenna s.p.a., Banca della Campania s.p.a. and Banca Popolare del Mezzogiorno s.p.a.

The main results are reported below:

Service model	Summary index of satisfaction in 2015
Family	77.7
Personal	74.8
Retail Business Other	70.9
Retail Business PMI	69.0

Source: Doxametrics surveys in 2015

Synthetic index of satisfaction that weights the index of overall satisfaction with the index of satisfaction compared with expectations. Score expressed on a scale from 0 to 100; 7,500 interviews.

Especially for individual customers, the index of satisfaction, which shows a high level of appreciation on the part of customers, is stable compared with the previous survey and significantly higher than for customers of our competitors in Italy.
The main aspects that determine satisfaction in the relationship with BPER are:

- the image of fairness and consistency of behaviour over time;
- familiarity, a sense of closeness: perceived by more than one customer in two, including those shared with other banks, as the real strength of BPER;
- the professionalism and competence of the account manager and the close relationship with branch personnel.

The first Customer Satisfaction survey for BPER's Private Banking customers was carried out in the second half of 2015.

Service model	Summary index of satisfaction in 2015
Private Banking	76.7

Source: Doxametrics surveys in 2015

Synthetic index of satisfaction that weights the index of overall satisfaction with the index of satisfaction compared with expectations. Score expressed on a scale from 0 to 100; 437 interviews.

The Private Banking model met with a good level of satisfaction, the index is at 76.7 points on a scale of 0-100. Assessments showed a strong relationship with the Bank and an image of solidity, security, fairness, and consistency over time.

In addition to these surveys of the main customer segments, BPER Banca carries out market research constantly on specific products and services in support of projects in the commercial area, as well as concept tests for the development of communications.

Complaints

The timely and proper handling of claims and complaints is a tool of fundamental importance, whether or not there are inefficiencies that are objectively verifiable. Careful analysis of complaints can highlight areas for improvement in services and provide opportunities for recouping dissatisfied customers and regaining their loyalty.

BPER Banca takes an average of 17 days to process a claim, compared with 30 days set by law for ordinary complaints and 90 days for investment complaints.

For analytical information on the topic, please refer to the report on the handling of complaints, published annually on the website of the Bank pursuant to the Bank of Italy's Provision dated 29 July 2009, as amended, entitled: "Transparency of banking and financial transactions and services - correctness of relations between intermediaries and customers".

Commercial and service policies

Processes

The BPER Group has for some time been using a powerful CRM (Customer Relationship Management) tool with the aim of increasing the quality of customer relationships and to simplify and speed up the commercial activities of the distribution networks.

Please refer to the "Directors' Report on Group Operations".

Distribution agreements

The BPER Group has concluded distribution agreements for the Parent Company and other Group banks and companies.

Please refer to the "Directors' Report on Group Operations" for an analysis of the individual agreements.

Products and commercial activities

Retail

During 2015, the customer management process was further consolidated through more and more sophisticated methods of contact and relationship governance. The commercial proposition was focused on the management - both proactive and reactive - of all customers' basic needs. Advisory services to higher net worth customers continued and particular attention has been given to the protection of assets and of the family, the restructuring of financial portfolios and succession planning. As part of the growing needs of smaller companies, there is the strengthening of business service models, intended to bring the Bank's level of service into line with the needs of each customer.

As part of our investments on behalf of clients, we continued the process of optimisation of the commercial catalogue, product development (for both direct deposits and indirect deposits under management) and enhancement of product range, also through the revival and relaunch of alternative investment instruments such as "Oro Sicuro".

As regards loans to households, new products have been introduced with pricing logic expressing great attention to customer needs, such as "Prestito Grande!" designed to finance the costs of children up to 12 years old.

Local businesses have benefited from dedicated initiatives, among which:

- "FIN PMI Microcredito", unsecured loan guaranteed by Medio Credito Centrale;
- "BPER Finanziamento Turismo", loans dedicated to businesses in the tourism sector.

The range of non-banking products aimed at multi-utility services was also extended in collaboration with external partners.

In support of the distribution network, the launch of each product or service is supported by specific advertising and communication (brochures, posters, digital commercials, mailing activities and other initiatives).

In 2014, we launched the BeAtlas project with the aim of supporting migrant communities in the realisation of their projects. Following a model based on the importance of the "relationship" and "co-development", the project analyses the characteristics of the community, analyses their needs and finds solutions that meet those needs. Ethics, availability and innovation are the hallmarks of this project, in keeping with the spirit of collaboration and community.

The project includes the establishment and strengthening of the relationship through three complementary communication channels: physical, phone and digital.

The physical channel features the role of the Social Business Manager (SBM), a relationship specialist who is aware of the cultural specificities of each community, able to understand their interests and anticipate their needs.

The phone channel is the Relationship Center, a point of reference, but also a proactive "contact" engine for community representatives and individual members.

The portal www.beatlas.it is the online platform for interaction between BeAtlas and members of the various communities to understand their needs and to collect ideas, dreams and feedback. The portal is designed for social interaction and to encourage the exchange and comparison of experiences, in a multilingual online space, dedicated and customised for each community.

During 2015, the SBMs identified 538 communities in the target areas (Milan, Bergamo, Brescia, Modena, Bologna, Reggio Emilia), contacted 145 and encountered 131 of them.

Private Banking – BperPrivate

BPER Banca's Private Banking structure continues along the path of qualitative and quantitative service development with the aim of improving the quality of the offer aimed at satisfying the needs of high net worth customers.

Training activities continued in 2015 for branch managers, in order to standardise the approach in the management of Private Banking networks, as well as for Private Bankers, to develop skills in line with the complexity of the market and customers' multiple needs.

At the same time, the certification and registration of our Private Bankers as financial advisors was completed.

As regards non-financial advisory services, in 2015 the work of the team of experts in the field of non-life and health protection was further strengthened, joining the network in customer advisory services for the evaluation of needs in the field of personal, health and asset protection. The results achieved reflect an ongoing commitment to offering advisory services for global wealth management.

On the commercial side, an exclusive offer of banking solutions has been created for those who choose BPER Private Banking for the first time. The proposal is in addition to the customised solutions for the protection, enhancement and overall management of customers' personal and family assets.

The financial offer has also been further 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.

In line with the launch of the new brand, we held nine important events in our territory to present to over 900 high profile prospects the offer of private banking services to primary customers. Through a range of topics that went from economic interest and financial issues to behavioural finance and cooking, we achieved the important goal of addressing potential customers to inform them of BPER's Private Banking values and services and to propose them as a solution for overall management of their assets.

Corporate

In 2015, Corporate customers were followed by means of a comprehensive development activity implemented through sales campaigns with the aim of increasing the quality of lending. The main change compared with the previous year was the development of commercial campaigns characterised by proposing financing at particularly favourable conditions for businesses. The objective was to meet the requests from Corporate customers, who are more and more careful about holding down their costs, taking into account the increasingly fierce competition between the major banks and the drop in the number of branches for all banking networks.

In particular, new customers with high credit worthiness and strong balance sheets were acquired by offering the following Corporate products:

- short-term and medium-long term loans against liquidity made available by the European Central Bank (ECB): new short-term loans (with maturities up to 18 months) and medium-term loans (with maturities between 30 and 48 months) at very favourable conditions for Corporate customers, in terms of the spread to be applied on the interbank parameter and in terms of fees;
- innovfin: thanks to the guarantee provided by the European Investment Fund (EIF), new loans at very favourable conditions for SMEs involved in the production and development of innovative goods, processes or services, characterised by intensive research and development and/or innovation activities;
- traditional medium-long term loans backed by government guarantees provided by the Guarantee Fund for SMEs, various type of loans with different maturities backed by the guarantee of SACE (export credit insurance and support for Italian exports) as well as longer-term loans with funding from the European Investment Bank (EIB);
- innovative services of a financial and non-financial nature in the Internet banking segment;
- loans at particularly good conditions were issued for export companies with a high standing, as well as "financial packages" linked to specific export contracts for all Corporate customers.

The project started in the two-year period 2013/2014, aimed at providing support for Corporate companies for their presence abroad, was finally implemented in 2015 and began to show the first interesting results in terms of appreciation on the part of Corporate customers. Therefore, the activities of the staff of trained specialists dedicated to assisting export companies continued; this working group 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, the other 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 accelerate growth in GDP, BPER again decided in 2015 to invest significantly in this area and the portal www.bperestero.it was created to support the internationalisation of companies. Lastly, we continued to foster relations with public and private third parties, which support the development and presence of Italian companies abroad (such as Simest s.p.a - Società italiana per le imprese all'estero; BERS – Banca Europea per la Ricostruzione e lo Sviluppo and the World Bank), as well as developing relations with foreign correspondent banks.

1.3 Human resources

Key data

During 2015, 66 new employees were hired, including 21 apprentices.
Agreements for contract staff (to meet temporary needs) were in place for 225 persons at the end of 2015 (with an average of 223 during the year).
In 2015, internships involved 13 undergraduates and graduates from three-year degree courses and longer specialist courses.
During the course of 2015, 178 persons terminated their employment with the Bank[1] (up on 111 persons in 2014). The number of employees in active service at the end of 2015 was 8,021 (excluding 16 who were on leave). The number of secondments to other Group businesses decreased by 31 persons compared with the prior year, reaching a total of 864 persons, of which 802 are with the Group consortium, BPER Services s.cons.p.a.; 109 people from other Group banks are on secondment with BPER.

Training and internal communications

During 2015, training initiatives aimed at developing managerial, behavioural, regulatory and technical skills, with particular attention to strengthening those required to adequately cover the network roles deriving from service models, involved almost all colleagues.
These courses highlighted legal and regulatory issues, such as anti-money laundering, the MiFID legislation, transparency, updating the Organisation, Management and Control Model under Legislative Decree no. 231/01 and the State-Regions Agreement in connection with Law 81/06.
The new rules and EU supervision have highlighted (especially for resources in the central offices) that there is a greater need to know English and this has led to a sharp increase in the hours of language training.
The training associated with the maintenance of IVASS certification has been redesigned and delivered following major changes included in the new IVASS regulations.
The second half saw the start of an important training course on the new credit management process, which involved all network and central office roles.
Private Banking colleagues not yet registered as financial advisors took a twelve-day course in preparation for the related examination. The members of staff who handle the Corporate Area market and the Territorial Division have completed a technical training course certified by Università Cattolica.
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.
2015 was a year of consolidation of the role of internal communication, thanks to the release of BLink, the Group's new intranet, in the following activities:

- institutional activities to support Top Management in the strategic moments of the company (e.g. publication of financial statements, transformation of the Bank into a joint-stock company, transition to European Supervisory Regulations...);
- business activities for the communication of commercial initiatives (new brand, Bper Goes Social),
- organisational activities to support corporate changes (merger of CrBra, new sales portal)

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[1] *Including those that ran from 1 January 2016, i.e. those for whom 31 December 2015 was their last working day and those who terminated their work relationship in the course of the year for the three merged banks.*

- promotion of internal culture by listening to people and getting them involved (BLink and the communities, brand engagement plan)

In particular, for BPER only, we launched a project of Brand Engagement entitled "Essere BPER Banca" whose objective is to support and reinforce the new positioning and identity of the Bank internally (i.e. for employees) through the identification and communication of the Company's "values".

Industrial relations

As in previous years, in 2015 the methods of discussion and negotiation with the Trade Unions have confirmed a proper system of labour relations.

This system was based on constructive dialogue between the parties, despite complexities given by different factors, including a difficult environment due to various elements of instability in the political, economic and social scene and complex dynamics of the banking sector, which continued again in the early months of 2015. During these months, discussions among the social parties at national level for the renewal of the national collective labour contract was fragmented and full of by contrasting positions (which resulted in strikes and the continuing suspension of labour relations at all levels, until negotiations were resumed and an agreement for the renewal of the national collective labour contract was signed on 31 March 2015).

In this difficult scenario outlined above, we held the presentation, in February 2015, of the new Business Plan, which saw the need to carry out a personnel manoeuvre to reduce the staff by 581 resources. Various projects were commenced during the first year of the plan, which had repercussions on the staff of both the Parent Company and the rest of the Group.

Of the main agreements reached, worth mention in terms of their importance are those relating to:

- variable part of remuneration: starting with the corporate social *bonus* and the special donation for social purposes;
- election of the Supervisory Body for the Corporate Pension Fund;
- working hours.

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 2015. The Bank has 590 differently-able/other protected categories employees at 31 December 2015.

Report on the application of Decree 81/08 "Health and safety in the workplace" and subsequent amendments

Risk assessment

The following table shows the number of accidents registered in 2015, 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		
	2013	2014	2015
Total number of *accidents*	**50**	**69**	**88**
of which: while travelling	88 %	80 %	68 %
traumas and bruising	12 %	20 %	32 %

The increase in the number of accidents in 2015 (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 November 2014. As part of the assessment of the risk of work-related stress (which BPER carried out in 2015), a comparison between corporate data on accidents with those of a substantial sample of the Italian banking system (held by an outside consultancy) was also carried out in order to obtain more precise and meaningful indicators to properly direct the corporate 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, we are continuing to provide the branches with technology designed to reduce the presence of ready cash as a way of deterring robberies (cash-in cash-out, sophisticated safe systems, integrated time locks, etc.).
Statistics for the number of robberies in the last four years are reported below, showing a significant drop compared with the number of branches. BPER's figure is consistent with that reported on a national basis (-40%).
This figure has been taken seriously into consideration for new initiatives that will be undertaken in 2016 (together with the Safety and Security Functions), in order to fight this phenomenon with increasing zeal.

	Year				
	2011	2012	2013	2014	2015
Attempted robberies	7	8	5	4	2
Robberies that took place	18	17	15	14	17
Number of branches	381	376	515	816	780

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 events. 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 2015, all of the Emergency Management Plans of the branches and BPER offices were completely reviewed. In October 2015 evacuation drills began at complex sites (where there are buildings) according to the new standard; they will continue during the current year and end by mid-2016.

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 check-ups 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 was completed in 2015 to establish scientifically whether or not members of staff belonged to the category of "video display workers". This activity produced an updated "snapshot" on the presence of video display workers in BPER throughout the country. A contract was then entered into with a network that performs healthcare activities for large entities. This will make it possible to improve the service along with a substantial reduction in costs.

Training and information
During 2015, the Bank continued 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
First Aid Staff	12	119	1,428
First Aid Staff: maintenance of certification	4	421	1,684
Update for RLS	8	21	168
Health and safety at the Bank	8	136	1,088
Training for Security Officers (State-Regions Agreement)	8	126	1,008
Fire-Fighting Training	8	193	1,544
Vulnerability of the conceptual tool for the evaluation of all risks (course valid for RSPP upgrade, Legislative Decree no. 81/08) - External course	8	1	8
Refresher course for the security manager - External course	30	1	30
Total in classroom		**1,018**	**6,958**

1.4 Technical/property management

The external environment, which makes it necessary to place a special focus on governance of real estate assets, as well as the internal one, which provides for the evolution and homogenisation of structures and processes, led to the set-up in February 2015 of the Group Real Estate Department, whose mission involves:

- guidance and coordination of real estate issues on the scope of reference at Group level;
- management and maintenance of information relating to properties;
- planning and control of revenues, costs and investments relating to properties within the scope;
- preparation of reports relating to the real estate sector.

The real estate Department's activity essentially involves management of the Group's business assets and enhancement of its non-business assets.
In 2015, technical and real estate activities mainly involved renovation of the "branch network" and the administrative offices, as well as maintenance of properties, plant and furnishings especially in the Southern areas and those in Emilia Romagna/Tuscany.
Several design projects were implemented to support multiple drivers of innovation envisaged in the Business Plan such as the new brand, with the replacement of signs, the creation of pilot branches designed according to the new concept and the launch of the "Hub and Spoke" project, aimed at optimising spaces and implementing the IT network.

A very significant impact was had from the design, demolition and reconstruction works of the branches affected by the 2012 earthquake in the Emilia Romagna region and for those buildings affected by the earthquake in L'Aquila in 2009.
In order to seek the best balance between cost and quality of investments, significant property transactions involving large amounts were completed throughout the country.
The Group Real Estate Asset Management Unit performs the following activities:

- study of innovative models of space management;
- identification of opportunities for space optimisation, together with other Corporate Functions involved (General Affairs Department, Organisation Department, Enhancement and Commercialisation Department);
- coordination of important real estate projects (in terms of value and strategic impact).

It operates through a proactive approach to the property market, having become a centre of expertise on issues of enhancement and the commercialisation of real estate assets, ensuring a contribution to the activity of space management and an integrated oversight of major initiatives in the real estate sector (e.g. major restructuring projects, real estate development projects).
Activities aimed at the enhancement and commercialisation of the Group's own real estate portfolio led to the signing during the year of new lease contracts and deeds of sale, which generated gross capital gains of Euro 359 thousand. As regards project areas relating to commercial exploitation, worth noting is the success of the renegotiation of rents that resulted in a saving, on an annual basis, of about 10% of total leased assets.

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:

- the organisation of the Investor Day in Milan on 11 February 2015 for the presentation of the new 2015-2017 Business Plan;
- 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 about 450 institutional investors;
- periodic meetings with institutional investors and analysts who monitor BPER for their own independent research (currently BPER shares are actively followed by 16 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:

- New Sant'Agostino Estense Civil Hospital in Baggiovara (MO), for the purchase of surgical equipment in oncology, to be paid out over five years;
- Modena Polyclinic, Complex structure of Ophthalmology, for the hire of an ophthalmologic laser, to be paid out over three years;
- ASEOP Modena, for the "La Casa di Fausta" Project, for the construction of an apartment, to be paid out over two years.

In 2015, a total of Euro 1,274 thousand was disbursed, of which Euro 949 thousand charged to the income statement, whereas Euro 325 thousand was paid out of the reserve for charitable donations and payments for the public benefit, which still contains Euro 870 thousand, though this amount is already fully committed.
Overall, these payments have been made with particular attention to the most diverse needs expressed in the territories where the Bank 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

Activation of the "Corporate Welfare Portal" was completed in 2015. This is now available to personnel at BPER, BPER Services, Optima S.I.M., Banco di Sardegna and Banca di Sassari.
To confirm the validity of the project started in 2013, the trend of membership to the "Welfare Plan" posted a 10% increase over the previous year; BPER employees who opted to convert their variable compensation into welfare were 29% of the staff.
As for the health area, in partnership with the Association "Il cesto di ciliegie" as part of the "Pink October" initiative, a public meeting was organised dedicated to the importance of prevention and early diagnosis of breast cancer, which was followed by a day of breast screening aimed at female employees between the ages of 25 and 44.

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 made available to all employees has been expanded with a course on "Diversity Management: gender and the impact on leadership".
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-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 2015 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 well-being 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 continued in 2015 by issuing Circulars on the 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.
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

The Bank closed 2015 with a profit of Euro 162 million, albeit influenced by significant extraordinary items; even excluding these non-recurring items, the profit is still higher than last year.

More specifically, the results compared with the figures at 31 December 2014 are summarised below:

- net interest income (Euro 898.2 million) is showing a decrease of Euro 35 million (-3.75%) due to the spread, whereas net commission income (Euro 545.6 million) is up by Euro 30.7 million (+5.96%);
- the result from financial activities including dividends (Euro 273.4 million), influenced by the sale of an interest in Istituto Centrale delle Banche Popolari Italiane s.p.a., which generated a gain of Euro 174.3 million, shows a marked increase over the previous year (+80.15%);
- total net adjustments (Euro 585.1 million) have declined by Euro 88.4 million (-13.13%): net adjustments to cash loans are significantly down (558.8 million; -10.80%) with a coverage of non-performing loans of 46.10% (+420 bps), while adjustments to assets available for sale (AFS) amounted to Euro 23.4 million, particularly as a result of the impairment on the Release s.p.a. security (Euro 16.3 million);
- operating costs, net of other operating income (Euro 973.5 million), increased compared with 31 December 2014 (+9.37%), mainly for non-recurring items such as provisions for redundancy incentives and the Solidarity Fund (Euro 34.3 million) and ordinary and extraordinary contributions paid to resolution funds (Euro 52.1 million);
- the net operating result, which is positive for Euro 158.6 million, has to be added to the non-operating loss of Euro 4.8 million stemming primarily from impairment adjustments to equity investments;
- the pre-tax result for the year comes to Euro 153.7 million; taxes have a positive effect on the result for Euro 8.2 million, resulting in a net profit for the year of Euro 162 million (Euro 15.4 million at 31 December 2014).

In terms of the balance sheet, the results at 31 December 2015 can be summarised as follows:

- direct deposits of Euro 34,771.7 million (1.23%);
- indirect deposits of Euro 26,817.7 million (+6.29%);
- net loans to customers of Euro 33,885.3 million (-1.14%), with an impact on net non-performing loans (Euro 1,884.5 million) of 5.56%; the level of coverage comes to 10.10%, an increase of nearly 122 bps;
- shareholders' equity, including the net profit for the year, amounts to Euro 4,755.1 million (+2.58%).

2.2 Balance sheet aggregates

The balance sheet figures of BPER are compared with those reported in the 2014 financial statements.

Assets

(in thousands of Euro)

	Assets	31.12.2015	31.12.2014	Change	% Change
10.	Cash and cash equivalents	276,777	306,329	(29,552)	-9.65
20.	Financial assets held for trading	815,114	1,035,358	(220,244)	-21.27
30.	Financial assets designated at fair value through profit and loss	36,899	62,756	(25,857)	-41.20
40.	Financial assets available for sale	6,746,054	5,499,413	1,246,641	22.67
50.	Financial assets held to maturity	2,663,859	2,213,497	450,362	20.35
60.	Due from banks	1,737,029	1,743,446	(6,417)	-0.37
70.	Loans to customers	33,885,273	34,276,875	(391,602)	-1.14
80.	Hedging derivatives	35,715	33,660	2,055	6.11
100.	Equity investments	1,471,789	1,379,467	92,322	6.69
110.	Property, plant and equipment	438,260	453,707	(15,447)	-3.40
120.	Intangible assets	298,292	300,240	(1,948)	-0.65
	of which: goodwill	280,236	280,236	-	-
130.	Tax assets:	1,187,605	1,096,913	90,692	8.27
	a) current	188,100	160,794	27,306	16.98
	b) deferred	999,505	936,119	63,386	6.77
	b1) of which L. 214/2011	862,146	818,508	43,638	5.33
140.	Non-current assets and disposal groups held for sale	-	2,817	(2,817)	-100.00
150.	Other assets	803,659	757,843	45,816	6.05
	Total assets	**50,396,325**	**49,162,321**	**1,234,004**	**2.51**

Loans to customers

(in thousands of Euro)

Loans to customers	31.12.2015	31.12.2014	% Change	Composition % 31.12.2015	Composition % 31.12.2014
Performing loans to customers	**29,326,881**	**29,545,742**	**-0.74**	**86.55**	**86.20**
Current accounts	5,349,289	4,463,168	19.85	15.79	13.02
Repurchase agreements	-	253,231	-100.00	-	0.74
Mortgage loans	17,628,982	17,108,523	3.04	52.03	49.91
Credit cards, personal loans and assignments of one-fifth of salary	886,941	680,699	30.30	2.62	1.99
Other transactions	5,461,669	7,040,121	-22.42	16.11	20.54
Assets represented by securities	**271,668**	**295,924**	**-8.20**	**0.80**	**0.86**
Non-performing loans	**4,286,724**	**4,435,209**	**-3.35**	**12.65**	**12.94**
Total loans to customers	**33,885,273**	**34,276,875**	**-1.14**	**100.00**	**100.00**

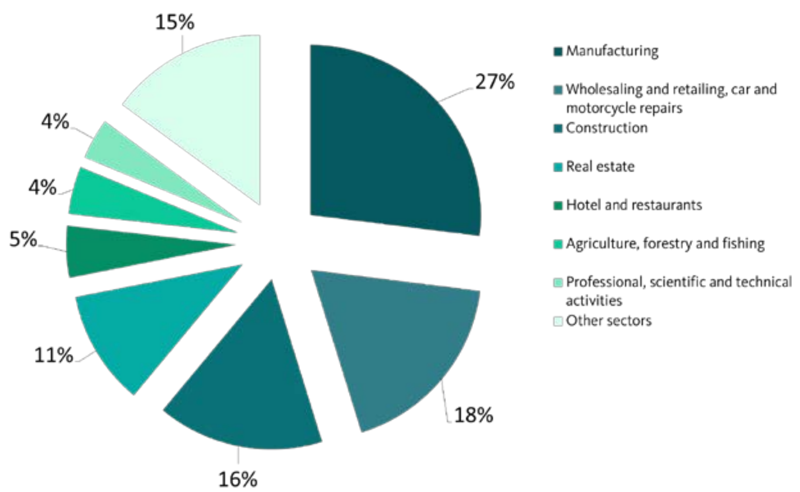
Net loans to customers at 31 December 2015 amount to Euro 33,885.3 million, a decrease of Euro 391.6 million (-1.14%) compared with the figure at the end of 2014. These represent 67.24% of total assets and are stated net of writedowns for potential losses of Euro 3,807.4 million (Euro 3,341.9 million at 31 December 2014), an increase of 13.93%. The provision includes a specific provision of Euro 3,666.3 million determined on a detailed analytical basis with respect to non-performing loans, as well as a general provision of Euro 141.2 million against performing loans.
Assets represented by securities, which are a minimal component of total loans and advances (0.80%), amount to Euro 271.7 million, lower than at 31 December 2014 (-8.20%). As regards the main types of loans, there has been an increase in both the mortgage loans (Euro 520.5 million, +3.04%) and current accounts, an increase of Euro 886.1 million (+19.85%). On an average liquid basis, loans come to Euro 35,936 million, down on the end of last year (-1.87%).

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 (15.86%), construction companies (9.30%), in activities related to the wholesaling and retailing of cars and motorcycles (10.73%) and real estate companies (6.41%). Compared with the previous year, the main decreases concern construction companies (- Euro 383.6 million) and real estate activities (- Euro 111.4 million), while loans granted to wholesale and Retail activities increased (+ Euro 233.5 million).

(in thousands of Euro)

Distribution of loans to resident non-financial businesses	31.12.2015	%	31.12.2014	% Change
A. Agriculture, forestry and fishing	896,577	2.65	860,625	4.18
B. Mining and quarrying	52,915	0.16	48,016	10.20
C. Manufacturing	5,374,101	15.86	5,383,284	-0.17
D. Provision of electricity, gas, steam and air-conditioning	547,665	1.62	549,988	-0.42
E. Provision of water, sewerage, waste management and rehabilitation	204,927	0.60	216,400	-5.30
F. Construction	3,151,384	9.30	3,535,025	-10.85
G. Wholesaling and retailing, car and motorcycle repairs	3,636,431	10.73	3,402,926	6.86
H. Transport and storage	595,947	1.76	673,939	-11.57
I. Hotel and restaurants	965,473	2.85	995,784	-3.04
J. Information and communication	300,412	0.89	296,233	1.41
K. Finance and insurance	250,381	0.74	213,034	17.53
L. Real estate	2,170,402	6.41	2,281,811	-4.88
M. Professional, scientific and technical activities	763,782	2.25	735,223	3.88
N. Rentals, travel agencies, business support services	383,287	1.13	422,215	-9.22
O. Public administration and defence, compulsory social security	10,398	0.03	9,162	13.49
P. Education	26,585	0.08	20,362	30.56
Q. Health and welfare	320,635	0.95	309,725	3.52
R. Arts, sport and entertainment	139,152	0.40	139,961	-0.58
S. Other services	139,072	0.40	140,653	-1.12
Total loans to resident non-financial businesses	**19,929,526**	**58.81**	**20,234,366**	**-1.51**
Loans to non-resident, non-financial businesses	110,926	0.33	92,601	19.79
Total loans to non-financial businesses	**20,040,452**	**59.14**	**20,326,967**	**-1.41**
Individuals and other not included above	7,958,689	23.49	7,389,172	7.71
Financial businesses	3,801,122	11.22	4,548,805	-16.44
Securities	272,578	0.80	296,812	-8.16
Governments and other public entities	1,798,246	5.31	1,705,880	5.41
Insurance companies	14,186	0.04	9,239	53.54
Total loans	**33,885,273**	**100.00**	**34,276,875**	**-1.14**

Distributions of loans to resident non-financial businesses



In the following review of non-performing loans, with reference to the "unlikely to pay" category introduced from 1 January 2015 by the new supervisory regulations (in particular, Bank of Italy Circular no. 272 – 7th amendment dated 20 January 2015 and Bank of Italy Circular no. 262 – 4th update dated 15 December 2015), the comparative figures are shown as an aggregation of exposures classified at 31 December 2014 as "problem loans" and "restructured loans".

(in thousands of Euro)

Loans to customers		31.12.2015	31.12.2014	Change %
Non performing loans	Gross exposure	7,952,978	7,633,373	4.19
	Adjustments	*3,666,254*	*3,198,164*	*14.64*
	Net exposure	**4,286,724**	**4,435,209**	**-3.35**
- Bad loans	Gross exposure	4,813,975	4,387,776	9.71
	Adjustments	*2,929,455*	*2,572,955*	*13.86*
	Net exposure	**1,884,520**	**1,814,821**	**3.84**
- Unlikely to pay loans	Gross exposure	2,940,665	3,106,907	-5.35
	Adjustments	*714,369*	*612,760*	*16.58*
	Net exposure	**2,226,296**	**2,494,147**	**-10.74**
- Past due loans	Gross exposure	198,338	138,690	43.01
	Adjustments	*22,430*	*12,449*	*80.18*
	Net exposure	**175,908**	**126,241**	**39.34**
Performing loans	Gross exposure	29,739,739	29,985,420	-0.82
	Adjustments	*141,190*	*143,754*	*-1.78*
	Net exposure	**29,598,549**	**29,841,666**	**-0.81**
Total loans to customers	Gross exposure	37,692,717	37,618,793	0.20
	Adjustments	*3,807,444*	*3,341,918*	*13.93*
	Net exposure	**33,885,273**	**34,276,875**	**-1.14**

(in percentage)

Indicators of Asset Quality	31.12.2015	31.12.2014
Gross non-performing loans/Gross lending	21.10	20.29
Net non-performing loans/Net lending	12.65	12.94
Gross bad loans/Gross lending	12.77	11.66
Net bad loans/Net lending	5.56	5.29
Gross unlikely to pay loans/Gross lending	7.80	8.26
Net unlikely to pay loans/Net lending	6.57	7.28
Gross past due loans/Gross lending	0.53	0.37
Net past due loans/Net lending	0.52	0.37
Coverage of bad loans	60.85	58.64
Coverage of unlikely to pay loans	24.29	19.72
Coverage of past due loans	11.31	8.98
Coverage of non-performing loans	46.10	41.90
Coverage of loans to customers	10.10	8.88

Total non-performing loans (bad loans, "unlikely to pay" loans, restructured and loans past due by more than 90 days), net of specific adjustments, total Euro 4,286.7 million, down by 3.35% since 31 December 2014.

Net non-performing loans represent 12.65% of total loans to customers (12.94% at the end of 2014). The coverage ratio has increased by about 420 bps. The related writedowns, up by 14.64% to Euro 3,666.3 million (Euro 3,198.2 million at the end of 2014) represent 46.10% of the gross amount of these loans of Euro 7,953 million (+4.19%).

Bad loans, gross of writedowns, amount to Euro 4,814 million (+9.71%). These represent 12.77% of loans before writedowns (11.66% at 31 December 2014). Net of writedowns (Euro 2,929.5 million), they total Euro 1,884.5 million, or 5.56% of total net lending (5.29% at 31 December 2014). The level of coverage has risen by 221 bps.

Taking into account the direct write-downs made to bad loans, on outstanding positions, of Euro 841.4 million, giving overall claims of Euro 5,655.4 million, the level of coverage comes to 66.68%.

Unlikely to pay loans, gross of writedowns, are Euro 2,940.7 million, down by 5.35% (Euro 3,106.9 million at the end of 2014). These represent 7.80% of loans before writedowns (8.26% at 31 December 2014). Net of writedowns (Euro 714.4 million) they amount to Euro 2,226.3 million (-10.74% since the end of 2014).

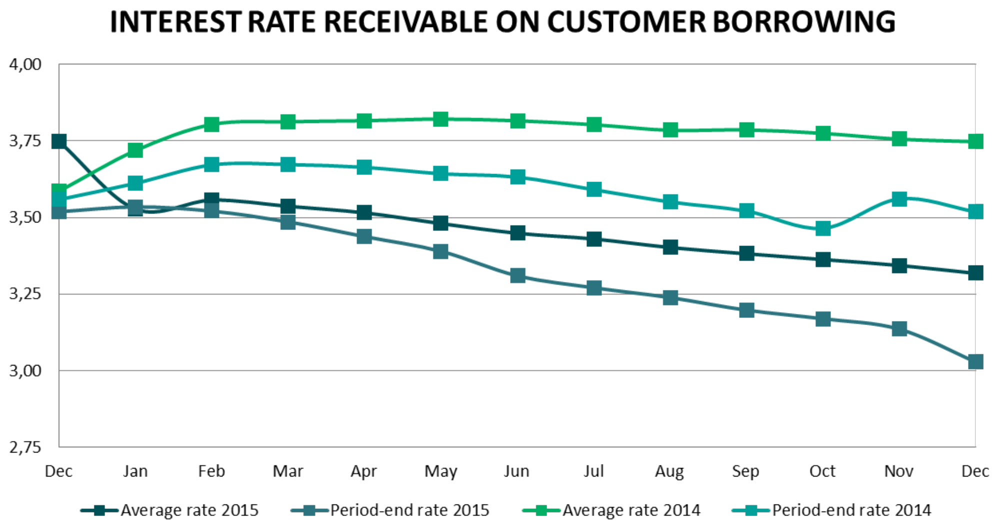
Past due loans, gross of writedowns, are Euro 198.3 million, up by 43.01% (Euro 138.7 million at the end of 2014). These represent 0.53% of loans before writedowns (0.37% at 31 December 2014). Net of writedowns (Euro 22.4 million) they amount to Euro 175.9 million (+39.34% since the end of 2014).

The allowance for performing loans, Euro 141.2 million, represents 0.47% of the gross amount of performing loans (0.48% at the end of the previous year).

The losses and provisions made to the allowance for non-performing accounts resulted in a cost of credit of 165 bps, on 183 bps recorded at the end of last year.

Interest income

Interest rates on loans fell steadily during the year, particularly in the second half.
The average interest rate for the year on loans to customers amounted to 2.90%, a decrease of about 43 bps compared with the previous year's average rate.
The total remuneration of interest-bearing assets came to 3.02%, a decrease of about 46 bps on the figure reported in 2014.



Financial assets and equity investments

(in thousands of Euro)

Captions	31.12.2015	31.12.2014	Change	% Change
Financial assets held for trading	815,114	1,035,358	(220,244)	-21.27
- of which: derivatives	*202,867*	*251,982*	*(49,115)*	*-19.49*
Financial assets designated at fair value	36,899	62,756	(25,857)	-41.20
Financial assets available for sale	6,746,054	5,499,413	1,246,641	22.67
Financial assets held to maturity	2,663,859	2,213,497	450,362	20.35
Total financial assets	**10,261,926**	**8,811,024**	**1,450,902**	**16.47**

Total financial assets, Euro 10,262 million, are 16.47% higher than at the end of 2014. The increase relates in particular to the items "Financial assets available for sale" (Euro 1,246.6 million) and *"Financial assets held to maturity"* (Euro 450.4 million) and is mainly represented by purchases of government debt securities.
The shares held in the banking book amount to Euro 320 million (-14.63%) and represent 3.12% of financial assets. These mainly consist of stable equity investments classified as "*Financial assets available for sale*". This decline is represented in particular by the sale of ICBPI and the purchase of a significant shareholding in Arca SGR s.p.a., which resulted in the transfer to the *"Equity investments"* portfolio, and by writedowns as a result of impairment testing for a total of Euro 23.4 million, of which Euro 16.3 million relating to Release s.p.a., taking an extremely conservative approach to the valuation of financial assets. As for ICBPI, a 9.142% share was sold during the year, generating a gain of Euro 174.3 million; At 31 December 2015 there were 212,787 ICBPI shares in portfolio, for a value of Euro 32.4 million.

"Financial assets held for trading" include financial derivatives of Euro 202.9 million (-19.49%) made up of Euro 25.3 million (-54.23%) 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 2015 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	31.12.2015	31.12.2014	Change	% Change
Equity investments	1,471,789	1,379,467	92,322	6.69

"Equity investments", which comprise holdings in banks, subsidiaries and companies over which the Bank has significant influence, amount to Euro 1,471.8 million, up on 31 December 2014 (+6.69%).
The main increases relate to changes in:

- the purchase of a significant shareholding in Arca SGR s.p.a. that led to its transfer from the "AFS" portfolio to the "Equity investments" portfolio (Euro 88.3 million);
- the establishment of the BPER Credit Management s.cons.p.a. consortium of the Group for the management of impaired loans, held 68% by BPER (Euro 0.7 million);
- the purchase of a 35% shareholding in SIFA' - Società Italiana Flotte Aziendali s.p.a. for a total of 0.3 million;
- the purchase of additional shares of Emil-Ro Factor s.p.a. (Euro 6.8 million) and Banca di Sassari s.p.a. for Euro 0.4 million as well as savings shares of Banco di Sardegna s.p.a. for Euro 0.1 million;
- capital contributions to three non-operating subsidiaries for Euro 3.2 million.

Decreases worth mentioning are the impairment of the investments in Banca della Nuova Terra s.p.a. (Euro 2.9 million), Polo Campania s.r.l. (Euro 2.2 million), Cassa di Risparmio di Fossano s.p.a. (Euro 1.4 million), Alba Leasing s.p.a. (Euro 0.4 million) and Melior Valorizzazioni Immobili s.r.l. (Euro 0.5 million) as a result of impairment tests.

(in thousands of Euro)

Net interbank position	31.12.2015	31.12.2014	Change	% Change
Due from banks	1,737,029	1,743,446	(6,417)	-0.37
Due to banks	8,655,264	8,294,902	360,362	4.34
Net interbank position	**(6,918,235)**	**(6,551,456)**	**(366,779)**	**5.60**

Funding from banks, Euro 6,918.2 million greater than amounts due from banks, includes centralised management of the liquidity of Group banks; funds are managed in an astute 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 3,000 million, of which Euro 1,000 million (LTRO) maturing in February 2016 and Euro 2,000 million (TLTRO) maturing in September 2018.

Liabilities

(in thousands of Euro)

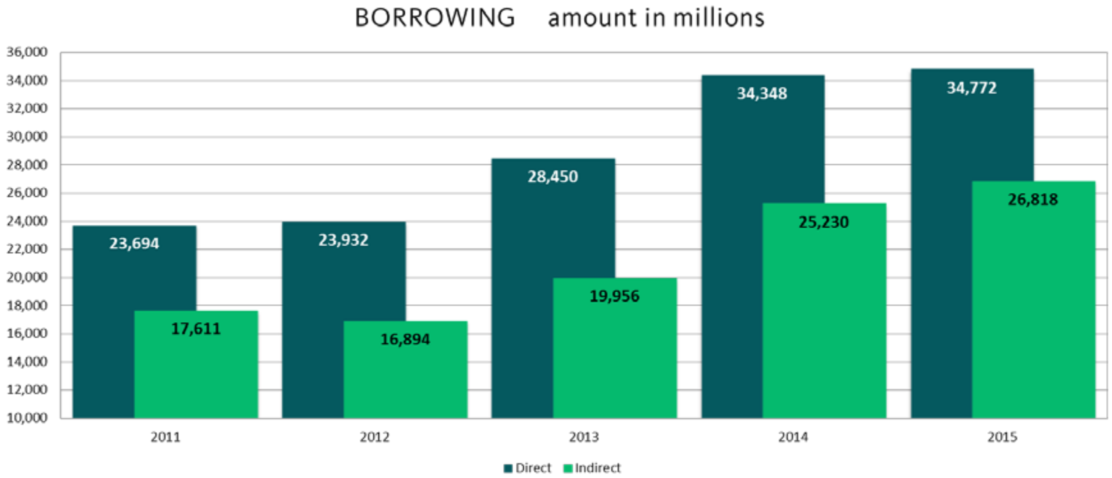
	Liabilities and shareholders' equity	31.12.2015	31.12.2014	Change	% Change
10.	Due to banks	8,655,264	8,294,902	360,362	4.34
20.	Due to customers	25,198,115	24,272,938	925,177	3.81
30.	Debt securities in issue	8,700,062	8,374,185	325,877	3.89
40.	Financial liabilities held for trading	247,408	247,604	(196)	-0.08
50.	Financial liabilities designated at fair value through profit and loss	873,558	1,700,614	(827,056)	-48.63
60.	Hedging derivatives	20,359	9,114	11,245	123.38
80.	Tax liabilities:	70,792	72,893	(2,101)	-2.88
	a) current	-	-	-	n.s.
	b) deferred	70,792	72,893	(2,101)	-2.88
100.	Other liabilities	1,435,114	1,132,669	302,445	26.70
110.	Provision for termination indemnities	120,872	135,589	(14,717)	-10.85
120.	Provisions for risks and charges:	319,725	286,205	33,520	11.71
	a) pensions and similar commitments	124,021	144,607	(20,586)	-14.24
	b) other provisions	195,704	141,598	54,106	38.21
130.	Valuation reserves	33,640	66,500	(32,860)	-49.41
160.	Reserves	2,192,709	2,186,914	5,795	0.26
170.	Share premium reserve	930,073	930,077	(4)	-
180.	Share capital	1,443,925	1,443,925	-	-
190.	Treasury shares	(7,253)	(7,257)	4	-0.06
200.	Net profit (loss)	161,962	15,449	146,513	948.37
	Total liabilities and shareholders' equity	**50,396,325**	**49,162,321**	**1,234,004**	**2.51**

Funding

(in thousands of Euro)

Analysis of funds under administration, as reported in the financial statements	31.12.2015	31.12.2014	Change	% Change
Due to customers	25,198,115	24,272,938	925,177	3.81
Debt securities in issue	8,700,062	8,374,185	325,877	3.89
Financial liabilities designated at fair value through profit and loss - debt securities	873,558	1,700,614	(827,056)	-48.63
Indirect deposits	26,817,664	25,229,874	1,587,790	6.29
Total customer funds under administration	**61,589,399**	**59,577,611**	**2,011,788**	**3.38**
Due to banks	8,655,264	8,294,902	360,362	4.34
Grand total	**70,244,663**	**67,872,513**	**2,372,150**	**3.50**

At 31 December 2015, the total amount of funds under administration or management, including interbank deposits, was Euro 70,244.7 million, around Euro 2,372.2 million higher than the figures at 31 December 2014 (+3.50%).
The portion relating to customers amounts to Euro 61,589.4 million and increases compared with the previous year (+3.38%), as did bank borrowing (+4.34%).



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 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 2011 and 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 2011-2013 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	31.12.2015	31.12.2014	Change %	Composition %	
				31.12.2015	31.12.2014
Due to customers	**25,198,115**	**24,272,938**	**3.81**	**72.47**	**70.67**
Current accounts and demand deposits	20,776,490	19,506,241	6.51	59.75	56.79
Restricted deposits	2,035,904	2,518,725	-19.17	5.86	7.33
Loans obtained	1,828,849	1,714,053	6.70	5.26	4.99
Repurchase agreements	24,810	36,565	-32.15	0.07	0.11
Other payables	532,062	497,354	6.98	1.53	1.45
Debt securities in issue	**9,573,620**	**10,074,799**	**-4.97**	**27.53**	**29.33**
Certificates of deposit	3,123,036	3,385,339	-7.75	8.98	9.86
Bonds	5,556,704	5,419,461	2.53	15.98	15.77
Subordinated loans	893,880	1,269,999	-29.62	2.57	3.70
Total direct borrowing	**34,771,735**	**34,347,737**	**1.23**	**100.00**	**100.00**

At the period end, total fiduciary deposits and other forms of funding amount to Euro 34,771.7 million, an increase of Euro 424 million (+1.23%) compared with 31 December 2014.
In terms of the amounts due to customers, there has been an increase in current accounts and demand deposits (+ Euro 1,270.2 thousand), while other forms of deposits, including repurchase agreements (- Euro 11.8 million, -32.15%) and restricted deposits (- Euro 482.8 million, -19.17%) decreased.

Debt securities in issue include certificates of deposit which are down on the end of last year (-7.75%), as well as for the subordinated component relating to funding bonds (- Euro 376.1 million), while there is an increase in the ordinary component (+ Euro 137.2 million).
Outstanding loans with a subordination clause, with a carrying value of Euro 894 million, are down by Euro 376.1 million, due to repayments according to the amortisation plan of various outstanding loans.
These loans have a nominal value of Euro 838.3 million, of which:

- Euro 221.1 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 573.4 million relates to bonds placed with customers;
- Euro 43.8 million relates to bonds taken up by Fondazione Banco di Sardegna (Euro 20.4 million), Fondazione Siniscalco Ceci - Banca del Monte di Foggia (Euro 7.2 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 2015.

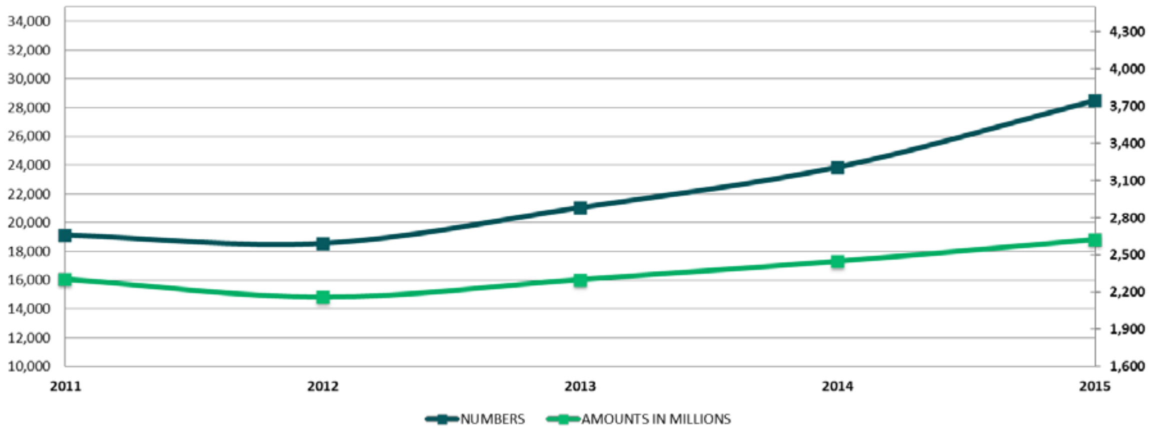
Customer deposits averaged Euro 33,352.8 million during the year: it is lower (-1.81%) than the average liquid stock in the previous year (Euro 33,967.6 million).

(in thousands of Euro)

Indirect deposits	31.12.2015	31.12.2014	Change	% Change
Assets under management	**2,566,827**	**2,481,866**	**84,961**	**3.42**
- of which: in funds and SICAVs	*884,796*	*649,719*	*235,077*	*36.18*
Assets under administration	**24,250,837**	**22,748,008**	**1,502,829**	**6.61**
- of which: in funds and SICAVs	*9,966,100*	*8,575,325*	*1,390,775*	*16.22*
Total indirect deposits	**26,817,664**	**25,229,874**	**1,587,790**	**6.29**
of which: overall management	12,532,927	11,057,191	1,475,736	13.35
administered	14,284,737	14,172,683	112,054	0.79

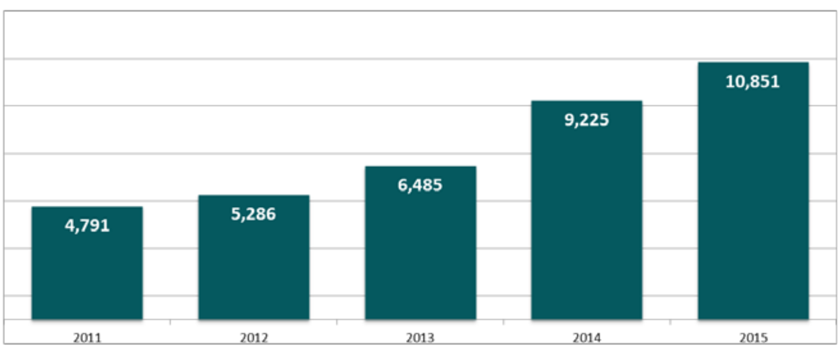
Indirect deposits, comprising securities held for administration and assets under management, at 31 December 2015 total Euro 26,817.7 million, with a rise of 6.29%; assets under management come to Euro 2,566.8, up on the previous year (+3.42%), while assets under administration amount to Euro 24,250.8 million (+6.61%). The nominal value of securities corresponds to a total of Euro 20,622.5 million, up on the previous year (+6.19%).

ASSET MANAGEMENT



Mutual funds and SICAVs under administration total Euro 9,966.1 million (+16.22%), while those under management amount to Euro 884.8 million (+36.18%); the grand total is Euro 10,850.9 million (+17.63%). 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 7,148.1 million.
The total amount under management therefore comes to Euro 12,532.9 million.

MUTUAL FUNDS AND SICAV - amounts in millions

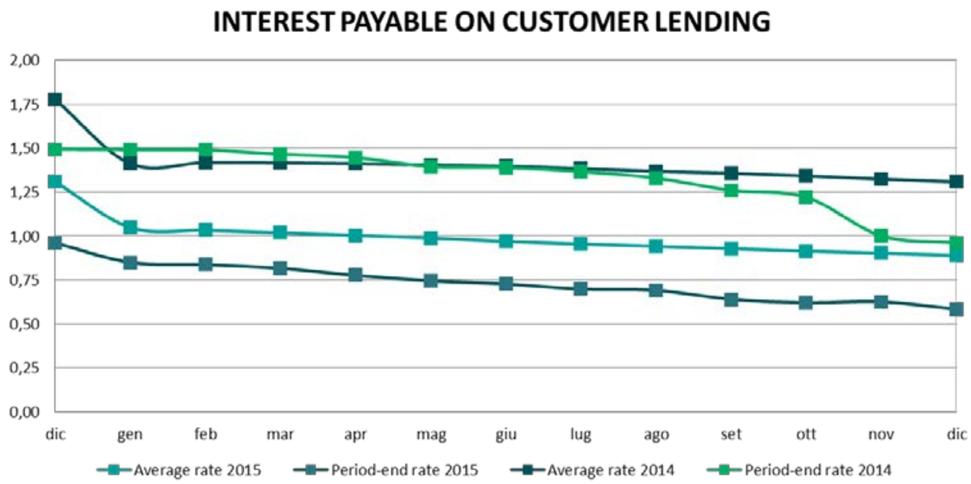


The historical figures shown in the chart have not been restated on a pro-forma basis, so:

- for 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 2011 and 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 2012-2013 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.

Borrowing rates

The average cost of borrowing from the Bank's customers was 0.88%, which is down on 2014 (1.3%), a decrease of around 42 basis points. The average cost of all "interest-bearing liabilities" also shows a decrease of around 39 bps compared with last year. The graph shows the trend for the year, which shows a slight decline in rates, constant for all twelve months.



Bancassurance

(in thousands of Euro)

Bancassurance	31.12.2015	31.12.2014	Change	% Change
Insurance policy portfolio	**3,004,611**	**2,411,341**	**593,270**	**24.60**
- of which: life sector	*2,945,277*	*2,353,600*	*591,677*	*25.14*
- of which: non-life sector	*59,334*	*57,741*	*1,593*	*2.76*

The placement of insurance policies, which are not included in indirect deposits, showed a significant increase in the life sector (+25.14%), while the non-life sector posted more limited growth on last year (+2.76%).

The portfolio of premiums paid by customers amounts to Euro 3,004.6 million at the end of the year (+24.60% on 31 December 2014). A total of 24,155 life policies were written during the year, involving premiums of Euro 823.6 million, and 48,841 non-life policies were written with premiums of Euro 14.3 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 those of the financial statements at 31 December 2014.

(in thousands of Euro)

Captions		31.12.2015	31.12.2014	Change	% Change
10.	Interest and similar income	1,256,241	1,462,141	(205,900)	-14.08
20.	Interest and similar expense	(358,009)	(528,902)	170,893	-32.31
30.	**Net interest income**	**898,232**	**933,239**	**(35,007)**	**-3.75**
40.	Commission income	575,352	555,254	20,098	3.62
50.	Commission expense	(29,745)	(40,328)	10,583	-26.24
60.	**Net commission income**	**545,607**	**514,926**	**30,681**	**5.96**
70.	Dividends and similar income	33,349	46,627	(13,278)	-28.48
80.	Net trading income	30,959	15,741	15,218	96.68
90.	Net hedging gains (losses)	(689)	895	(1,584)	-176.98
100.	Gains (losses) on disposal or repurchase of:	209,355	104,965	104,390	99.45
	a) loans	3,624	(29,862)	33,486	-112.14
	b) financial assets available for sale	206,439	134,956	71,483	52.97
	c) financial assets held to maturity	222	-	222	n.s.
	d) financial liabilities	(930)	(129)	(801)	620.93
110.	Net results on financial assets and liabilities designated at fair value	429	(16,468)	16,897	-102.61
120.	**Net interest and other banking income**	**1,717,242**	**1,599,925**	**117,317**	**7.33**
130.	Net impairment adjustments to:	(585,135)	(673,577)	88,442	-13.13
	a) loans	(558,844)	(626,531)	67,687	-10.80
	b) financial assets available for sale	(23,369)	(40,138)	16,769	-41.78
	d) other financial assets	(2,922)	(6,908)	3,986	-57.70
140.	**Net profit from financial activities**	**1,132,107**	**926,348**	**205,759**	**22.21**
150.	Administrative costs:	(1,041,374)	(965,984)	(75,390)	7.80
	a) payroll costs	(523,844)	(507,779)	(16,065)	3.16
	b) other administrative costs	(517,530)	(458,205)	(59,325)	12.95
160.	Net provisions for risks and charges	(40,704)	(30,911)	(9,793)	31.68
170.	Net adjustments to property, plant and equipment	(28,105)	(25,258)	(2,847)	11.27
180.	Net adjustments to intangible assets	(2,473)	(2,235)	(238)	10.65
190.	Other operating charges/income	139,124	134,225	4,899	3.65
200.	**Operating costs**	**(973,532)**	**(890,163)**	**(83,369)**	**9.37**
210.	Profit (loss) from equity investments	(5,179)	(7,487)	2,308	-30.83
240.	Gains (losses) on disposal of investments	351	(32)	383	--
250.	**Profit (loss) from current operations before tax**	**153,747**	**28,666**	**125,081**	**436.34**
260.	Income taxes on current operations	8,215	(13,217)	21,432	-162.15
270.	**Profit (loss) from current operations after tax**	**161,962**	**15,449**	**146,513**	**948.37**
290.	**Net profit (loss) for the period**	**161,962**	**15,449**	**146,513**	**948.37**

Income statement by quarter for the year ended 31 December 2015

(in thousands of Euro)

	Captions	1st quarter 2015	2nd quarter 2015	3rd quarter 2015	4th quarter 2015	1st quarter 2014	2nd quarter 2014	3rd quarter 2014	4th quarter 2014
10.	Interest and similar income	330,339	315,039	306,576	304,287	379,586	373,497	359,382	349,676
20.	Interest and similar expense	(98,884)	(90,702)	(86,452)	(81,971)	(141,910)	(137,924)	(129,983)	(119,085)
30.	**Net interest income**	**231,455**	**224,337**	**220,124**	**222,316**	**237,676**	**235,573**	**229,399**	**230,591**
40.	Commission income	143,325	142,894	140,625	148,508	138,907	140,821	135,884	139,642
50.	Commission expense	(7,269)	(7,532)	(7,814)	(7,130)	(11,135)	(10,948)	(10,417)	(7,828)
60.	**Net commission income**	**136,056**	**135,362**	**132,811**	**141,378**	**127,772**	**129,873**	**125,467**	**131,814**
70.	Dividends and similar income	249	27,013	437	5,650	574	22,880	96	23,077
80.	Net trading income	19,295	(6,276)	586	17,354	3,305	5,470	4,588	2,378
90.	Net hedging gains (losses)	265	(416)	(627)	89	74	(12)	602	231
100.	Gains (losses) on disposal or repurchase of:	8,304	13,704	9,254	178,093	55,151	21,158	3,037	25,619
	a) loans	3,800	17	(203)	10	101	55	(29,600)	(418)
	b) financial assets available for sale	4,805	13,825	9,413	178,396	54,882	21,270	32,591	26,213
	c) financial assets held to maturity	(92)	300	-	14	-	-	-	-
	d) financial liabilities	(209)	(438)	44	(327)	168	(167)	46	(176)
110.	Net results on financial assets and liabilities designated at fair value	(4,018)	6,656	(2,181)	(28)	(10,434)	7,243	(10,298)	(2,979)
120.	**Net interest and other banking income**	**391,606**	**400,380**	**360,404**	**564,852**	**414,118**	**422,185**	**352,891**	**410,731**
130.	Net impairment adjustments to:	(116,094)	(127,014)	(97,284)	(244,743)	(167,427)	(166,667)	(119,857)	(219,626)
	a) loans	(120,332)	(114,019)	(97,256)	(227,237)	(162,811)	(161,295)	(116,490)	(185,935)
	b) financial assets available for sale	-	(8,579)	-	(14,790)	(1)	(3,571)	(20)	(36,546)
	d) other financial assets	4,238	(4,416)	(28)	(2,716)	(4,615)	(1,801)	(3,347)	2,855
140.	**Net profit from financial activities**	**275,512**	**273,366**	**263,120**	**320,109**	**246,691**	**255,518**	**233,034**	**191,105**
150.	Administrative costs:	(237,254)	(246,248)	(257,641)	(300,231)	(234,136)	(245,300)	(228,411)	(258,137)
	a) payroll costs	(126,598)	(126,879)	(147,092)	(123,275)	(126,153)	(128,410)	(116,985)	(136,231)
	b) other administrative costs	(110,656)	(119,369)	(110,549)	(176,956)	(107,983)	(116,890)	(111,426)	(121,906)
160.	Net provisions for risks and charges	(10,445)	(19,308)	(9,574)	(1,377)	(4,648)	(9,337)	(7,330)	(9,596)
170.	Net adjustments to property, plant and equipment	(5,629)	(5,610)	(5,493)	(11,373)	(5,828)	(5,797)	(5,780)	(7,853)
180.	Net adjustments to intangible assets	(607)	(615)	(623)	(628)	(522)	(556)	(577)	(580)
190.	Other operating charges/income	36,794	31,957	34,059	36,314	36,454	31,487	29,900	36,384
200.	**Operating costs**	**(217,141)**	**(239,824)**	**(239,272)**	**(277,295)**	**(208,680)**	**(229,503)**	**(212,198)**	**(239,782)**
210.	Profit (loss) from equity investments	(2,192)	4,396	(4,001)	(3,382)	(159)	(1,993)	-	(5,335)
240.	Gains (losses) on disposal of investments	120	(17)	1	247	5	24	26	(87)
250.	**Profit (loss) from current operations before tax**	**56,299**	**37,921**	**19,848**	**39,679**	**37,857**	**24,046**	**20,862**	**(54,099)**
260.	Income taxes on current operations	(17,682)	(4,896)	(3,109)	33,902	(16,833)	(14,594)	(6,862)	25,072
270.	**Profit (loss) from current operations after tax**	**38,617**	**33,025**	**16,739**	**73,581**	**21,024**	**9,452**	**14,000**	**(29,027)**
290.	**Net profit (loss) for the period**	**38,617**	**33,025**	**16,739**	**73,581**	**21,024**	**9,452**	**14,000**	**(29,027)**

The comments below describe in order the most significant income statement captions:

- Net interest income, Euro 898.2 million, shows a drop of 3.75% compared with December 2014 (Euro 933.2 million) due to the reduction in interest spread. From 2015, it includes interest generated by negative interest rates (a positive value of Euro 1.9 million) which in 2014 was included in net commission income (Euro 0.1 million).

- Net commission income, Euro 545.6 million (+5.96% compared with December 2014) shows a decline in commission income on loans and current accounts, whereas fees on the placement of securities and distribution of third-party services are up. The reduction in commission expense reflects the early repayment, in October 2014, of liabilities guaranteed by the State (-10.2 million).

- Dividends, accounted for on a cash basis, amount to Euro 33.3 million and decreased by Euro 13.3 million compared with 2014, mainly because of the Irish subsidiary Emro Finance.

- The net profit from financial activities (captions 80, 90, 100 and 110) comes to Euro 240.1 million, showing an increase of Euro 134.9 million on 2014. This outcome mainly benefited from the sale of an interest in Istituto Centrale della Banche Popolari Italiane s.p.a. (Euro 174.3 million). Excluding this non-recurring item, the net profit from trading in securities comes to Euro 42.4 million (Euro 113.9 million in December 2014); in addition, gains on securities were Euro 19.9 million, losses on securities Euro 10.5 million and net gains of Euro 16.5 million on derivatives associated with securities (the equivalent figures in December 2014 were as follows: gains of Euro 17.6 million and losses of Euro 6.7 million on securities, plus other net gains of Euro 2.9 million on derivatives associated with securities).
  The gains on disposal of *"Financial assets available for sale*" include the price adjustment (Euro 4 million) relating to the sale of Arca Assicurazioni s.p.a., which took place in 2010 as part of the bancassurance agreement with Unipol Gruppo Finanziario s.p.a. (UGF) calculated at the end of the first significant period (five years) pursuant to the sale contract.
  There is also a negative net result of Euro 3.1 million from the measurement of financial liabilities under the fair value option, compared with a negative amount recorded in 2014 of Euro 19.7 million.
  In addition to the above, there were also net exchange gains of Euro 8.3 million (Euro 8.4 million in December 2014) and a net loss on financial liabilities issued of Euro 0.9 million (Euro 0.1 million in December 2014).

- Net interest and other banking income comes to Euro 1,717.2 million, an increase of Euro 117.3 million on December 2014 (+7.33%).

- Net adjustments to loans and other financial transactions after write-backs amount to Euro 585.1 million and have decreased (-13.13%) compared with the previous year (Euro 673.6 million). More specifically:
  - adjustments to cash loans amount to Euro 881.7 million (Euro 935.5 million in 2014), including a component of Euro 92.5 million due to the impact of discounting future cash flows;
  - write-backs on loans and advances amount to Euro 322.9 million (Euro 309 million at 31 December 2014), with a discounting element of Euro 130 million;

  - net impairment adjustments to endorsement credits amounted to Euro 2.9 million (Euro 6.9 million in December 2014);
  - net impairment adjustments on securities available for sale amount to Euro 23.4 million (Euro 40.1 million in 2014), mainly due to the impairment of the shares in Release s.p.a. (Euro 16.3 million), Mediainvest s.r.l. (Euro 1.3 million) and Banca Privata Leasing s.p.a. (Euro 0.6 million), as well as writedowns on UCITS for Euro 4.4 million.

- The net profit from financial activities comes to Euro 1,132.1 million, 22.21% up on December 2014 (Euro 926.3 million).

- Net operating costs amounted to Euro 973.5 million, a rise of 9.37% compared with 2014 (Euro 890.2 million).
  In detail:
  - payroll costs of Euro 523.8 million, up by 3.16% on December 2014 (Euro 507.8 million): this caption includes expenses in relation to additional provisions for redundancy incentives and the Solidarity Fund (Euro 34.3 million), accounted for as a result of the agreement signed with the Trade Unions on 14 August 2015, in line with the 2015-2017 Business Plan;
  - other administrative costs amount to Euro 517.5 million, an increase of 59.3 million (+12.95%); this result was negatively affected by ordinary and extraordinary contributions to the Single Resolution Fund, as established by Directive (EU) 59/2014 (BRRD) in force from 1 January 2015 for an amount of Euro 46.1 million, and to the Deposit Guarantee Scheme required by Directive (EU) 49/2014 in force from 3 July 2015 for Euro 6 million.
    Of these, Euro 102.2 million relates to direct and indirect taxes (-2.42% on 2014), whose recovery of Euro 94.3 million is recorded under "Other operating income", while other expenses, net of taxes, amounted to Euro 415.4 million, an increase of Euro 61.9 million (+17.50%);
    - the most significant decreases refer to postal and telephone expenses of Euro 10.1 million (-23.66%), data transmission fees of Euro 20.2 million (-6.55%) and energy and fuel of Euro 11.7 million (-7.81%);
    - the most significant increases are in expenses for contributions to the deposit protection system of Euro 52 million, use of external data processing services of Euro 71.7 million (+9.25%), administrative services of Euro 49.5 million (+11.30%) and professional consulting and services of Euro 48.5 million (+8.89%).
  - net provisions for risks and charges amount to Euro 40.7 million (Euro 30.9 million in December 2014, +31.68%): the increase is mainly attributable to higher provisions for legal disputes and extraordinary provisions amounting to Euro 3.5 million for the estimated contributions that are expected to be due to the Solidarity Fund established by the Stability Law 2016 enacted at the end of the year and for the voluntary scheme established under the Interbank Deposit Guarantee Fund to finance the new intervention in favour of Banca Tercas, carried out in 2014, then recently identified as state aid, and now totally revised.
  - net adjustments to property, plant and equipment and to intangible assets (depreciation and amortisation) come to Euro 30.6 million, up on the figure at

December 2014 (Euro 27.5 million), affected by writedowns on property owned by Euro 5.7 million (Euro 2.1 million at 31 December 2014).

- operating income, net of related charges, amounts to Euro 139.1 million (Euro 134.2 million in December 2014):
    - income, of Euro 165 million, is down by 2.08% (Euro 168.5 million in 2014), in particular for rapid investigation commissions (Euro 34.6 million), which showed a decrease of 20.38% (Euro 43.5 million in 2014);
    - charges amount to Euro 25.9 million, a decrease on the previous year (Euro 34.3 million).

- Dividing operating costs by net interest and other banking income gives us a cost/income ratio of 56.69% (it was 55.64% at December 2014).

- The non-operating result, a loss of Euro 4.8 million, is mainly represented by impairment adjustments to the investments held in Banca della Nuova Terra s.p.a., Euro 2.9 million, Polo Campania s.r.l., Euro 2.2 million, Cassa di Risparmio di Fossano s.p.a., Euro 1.4 million, Melior Valorizzazioni Immobili s.p.a., Euro 0.5 million, Alba Leasing s.p.a., Euro 0.4 million and, on the positive side, by the price adjustment for the sale of Arca Vita s.p.a., under the bancassurance agreement, adjusted by UGF for an amount of Euro 2.7 million.

- The result of current operations, gross of income taxes, was Euro 153.7 million (Euro 28.7 million at 31 December 2014).

- Income taxes, which have a positive impact on the result for Euro 8.2 million, are split between negative current taxes of Euro 57.3 million and deferred tax assets of Euro 65.5 million.

- The result of current operations, net of income taxes, comes to Euro 162 million, significantly up by Euro 146.5 million (+948.35%) on the prior year.

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.

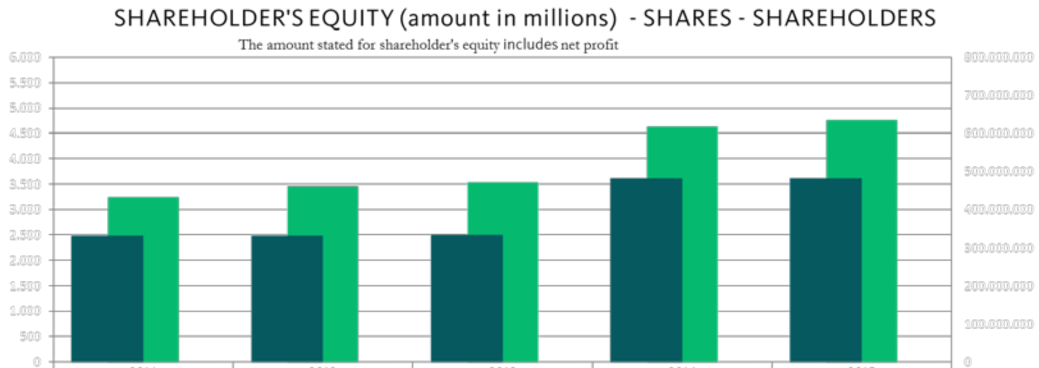
The main work statistics for 2015 are shown below, together with comparative figures for 2014:

- current accounts, 1,148,378 (+1.91%); 121,613 new accounts were opened in 2015, while 100,103 were closed;
- a total of 175.7 million current account transactions were carried out (+3.90% compared with last year);
- 16.1 million bills and notes were presented for collection, totalling Euro 25.5 billion (-1.47%);
- self-liquidating advances against Italian invoices amounted to Euro 32.8 billion (-6.08%);
- 5,948,853 bills and notes were paid at branches, for a total of Euro 15.3 billion (respectively -1.20% and +0.07%);
- endorsement credits and financial and commercial guarantees amounted to Euro 3.2 billion (-10.34%);
- 24,461 mortgages were granted (+21.38%), for a total of Euro 4.6 billion (+29.05%);
- loans granted (personal, business and assignments of one-fifth of salary) numbered 39,134, for a total of Euro 975.1 million (+23.96% and +65.58% respectively);
- over 11 million standing order instructions were carried out on behalf of customers, for a total of Euro 3.3 billion;
- bank transfers made totalled Euro 120 billion (+42.74%), while those received from third parties amounted to Euro 84.5 billion (+16.71%);
- 936 Bancomat ATMs were operational at year end and they were used to make 21.5 million withdrawals (+4.86%) for a total of Euro 3.3 billion (+4.26%);
- commercial foreign exchange transactions outside the SEPA totalled Euro 11.5 billion (+11.79%);
- there are now 47,864 P.O.S. units installed in shops or public service locations (3,564 more than at the end of 2014, an increase of +8.05%) and they were used for 55.7 million transactions (-4.07%) for a total of Euro 3.8 billion (-2.07%);
- the number of remote banking connections has risen to 75,349 (27,442 more than in 2014, up 57.28%);
- a total of 426,327 Internet banking contracts (-4.26%) 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 386,728 (+3.79%).

3. Shareholders' equity and capital ratios

3.1 Shareholders' equity

At the start of the year, the Bank's shareholders' equity amounted to Euro 4,620.2 million. In 2015, it decreased by Euro 27.1 million.



	2011	2012	2013	2014	2015
Shareholders' equity	3.254	3.469	3.539	4.636	4.755
Shares	332.141.858	332.721.655	333.827.659	481.308.435	481.308.435
Shareholders' equity	96.898	104.826	101.163	89.790	85.296

As regards the profits from unrealised capital gains of 2014 (net of tax) as per art. 6 of Legislative Decree no. 38/2005, which amounted to Euro 1,511 thousand, they have been covered by assigning them to the "Non-distributable reserve pursuant to art. 6, paragraph 1, letter a) of Legislative Decree no. 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 2015 comes to Euro 6,469.8 thousand.

Positive changes:

- Euro 17.8 million to adjust the reserve for actuarial gains/losses, net of the tax effect;
- Euro 5.7 million on the allocation of 2014 net profit;
- Euro 0.1 million for recognition of the tax effects of the various movements that had taken place.

Negative changes:

- Euro 49 million, for the net changes in the valuation reserve set up for financial assets available for sale;
- Euro 1.7 million for the net changes in the valuation reserve, net of the tax effect, created in connection with hedging transactions.

Shareholders' equity now amounts to Euro 4,593.1 million, down by 0.59% compared with 31 December 2014. Taking into account the net result for the year (Euro 162 million), shareholders' equity comes to Euro 4,755.1 million (+2.58% on the shareholders' equity at 31 December 2014).

At 31 December 2015, the share capital was Euro 1,443,925,305, consisting of 481,308,435 shares; of these, 455,458 are treasury shares, the same as in December 2014.

3.2 Own Funds and capital ratios

(in thousands of Euro)

	31.12.2015	31.12.2014	Change	% Change
Common Equity Tier 1 - CET1	**4,167,712**	**4,081,017**	**86,695**	**2.12**
Additional Tier 1 - ATI	-	-	-	n.s.
Tier 1	**4,167,712**	**4,081,017**	**86,695**	**2.12**
Tier 2 - T2	386,944	377,437	9,507	2.52
Total Own Funds	**4,554,656**	**4,458,454**	**96,202**	**2.16**
Total Risk-weighted assets (RWA)	**31,301,600**	**31,207,675**	**93,925**	**0.30**
CET1 Ratio (CET1/RWA)	**13.31%**	**13.08%**	**23 b.p.**	
Tier 1 Ratio (Tier 1/RWA)	**13.31%**	**13.08%**	**23 b.p.**	
Total Capital Ratio (Total Own Funds/RWA)	**14.55%**	**14.29%**	**26 b.p.**	
RWA/Total assets	**62.11%**	**63.48%**	**-137 b.p.**	

Capital ratios, starting with CET1 and the other ratios that derive from it, are represented here on a regulatory basis and therefore without the share of profit realised in the 2nd half of 2015 (the share of 1st half profit is included, as authorised by the ECB) attributable to equity, amounting to Euro 61,442 thousand, about 20 bps.
RWA on loans and the market are calculated using the standardised approach.

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 575 and Capital Requirements Directive 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 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 becomes 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 2011/226 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 half-year 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 BPER to the aggregate in question.

Debt securities

Issuer	Rating	Cat	Nominal value	Book value	Fair value	AFS Reserves	%
Governments: (*)			**5,097,181**	**5,633,372**	**5,792,498**	**97,292**	**99.09%**
Italy	BBB+		**4,697,332**	**5,221,272**	**5,378,260**	**95,941**	**91.84%**
		HFT	267,823	313,811	313,811	#	
		CFV	-	-	-	#	
		AFS	3,192,010	3,499,575	3,499,575	95,941	
		HTM	1,237,499	1,407,886	1,564,874	#	
		L/R	-	-	-	#	
UK	AA+		**40,875**	**44,099**	**44,099**	**3,306**	**0.78%**
		HFT	-	-	-	#	
		CFV	-	-	-	#	
		AFS	40,875	44,099	44,099	3,306	
		HTM	-	-	-	#	
		L/R	-	-	-	#	
U.S.A.	AAA		**268,669**	**271,913**	**271,913**	**(1,704)**	**4.78%**
		HFT	-	-	-	#	
		CFV	-	-	-	#	
		AFS	268,669	271,913	271,913	(1,704)	
		HTM	-	-	-	#	
		L/R	-	-	-	#	
Germany	AAA		**2**	**2**	**2**	**-**	**0.00%**
		HFT	2	2	2	#	
		CFV	-	-	-	#	
		AFS	-	-	-	-	
		HTM	-	-	-	#	
		L/R	-	-	-	#	
Spain	BBB+		**25,000**	**25,138**	**25,887**	**-**	**0.44%**
		HFT	20,000	20,123	20,123	#	
		CFV	-	-	-	#	
		AFS	-	-	-	-	
		HTM	5,000	5,015	5,764	#	
		L/R	-	-	-	#	
Austria	AA+		**13,657**	**13,925**	**13,925**	**530**	**0.24%**
		HFT	4,657	4,768	4,768	#	
		CFV	-	-	-	#	
		AFS	9,000	9,157	9,157	530	
		HTM	-	-	-	#	
		L/R	-	-	-	#	
European Stability Fund	AA		**35,000**	**40,030**	**40,030**	**(791)**	**0.70%**
		HFT	-	-	-	-	
		CFV	-	-	-	-	
		AFS	35,000	40,030	40,030	(791)	
		HTM	-	-	-	-	
		L/R	-	-	-	-	

Issuer	Rating	Cat	Nominal value	Book value	Fair value	AFS Reserves	%
Portugal	BB+		**10,000**	**10,255**	**11,644**	**-**	**0.18%**
		HFT	-	-	-	#	
		CFV	-	-	-	#	
		AFS	-	-	-	-	
		HTM	10,000	10,255	11,644	#	
		L/R	-	-	-	#	
Australia	AAA		**6,646**	**6,738**	**6,738**	**10**	**0.12%**
		HFT	-	-	-	#	
		CFV	-	-	-	#	
		AFS	6,646	6,738	6,738	10	
		HTM	-	-	-	#	
		L/R	-	-	-	#	
Other	-		**-**	**-**	**-**	**-**	**0.00%**
		HFT	-	-	-		
		CFV	-	-	-		
		AFS	-	-	-	-	
		HTM	-	-	-		
		L/R	-	-	-		
Central Banks:			**22,963**	**23,031**	**23,031**	**(2)**	**0.41%**
UK	AA+		**22,963**	**23,031**	**23,031**	**(2)**	**0.41%**
		HFT	-	-	-	-	
		CFV	-	-	-	-	
		AFS	22,963	23,031	23,031	(2)	
		HTM	-	-	-	-	
Other public entities:			**28,666**	**28,613**	**29,074**	**(39)**	**0.50%**
Italy	-		**295**	**295**	**296**	**-**	**0.01%**
		HFT	13	13	13	#	
		CFV	-	-	-	#	
		AFS	-	-	-	-	
		HTM	-	-	-	#	
		L/R	282	282	283	#	
France	-		**28,371**	**28,318**	**28,778**	**(39)**	**0.50%**
		HFT	-	-	-	#	
		CFV	-	-	-	#	
		AFS	18,371	18,364	18,364	(39)	
		HTM	10,000	9,954	10,414	#	
		L/R	-	-	-	#	
Total debt securities			**5,148,810**	**5,685,016**	**5,844,603**	**97,251**	**100.00%**

(*) The sum of the percentages shown in the table does not agree with the Issuer's total, but only because of roundings.
The ratings indicated are those of Fitch Rating at 31 December 2015.

Loans

Issuer	Rating	Cat	Nominal value	Book value	Fair value	AFS Reserves	%
Governments:			**1,680,876**	**1,680,876**	**1,680,876**	**-**	**93.47%**
Italy	BBB+		**1,680,876**	**1,680,876**	**1,680,876**	**-**	**93.47%**
		HFT				#	
		CFV				#	
		AFS					
		HTM				#	
		L/R	1,680,876	1,680,876	1,680,876	#	
Other public entities:			**117,369**	**117,369**	**120,367**	**-**	**6.53%**
Italy	-		**117,369**	**117,369**	**120,367**	**-**	**6.53%**
		HFT				#	
		CFV				#	
		AFS					
		HTM				#	
		L/R	117,369	117,369	**120,367**	#	
Total loans			**1,798,245**	**1,798,245**	**1,801,243**	**-**	**100.00%**

The ratings indicated are those of Fitch Rating at 31 December 2015.

Based on their "Book value", repayment of these positions is distributed as follows:

	on demand	until 1 year	from 1 to 5 years	over 5 years	Total
Debt securities	-	479,838	2,816,717	2,388,461	5,685,016
Loans	103,294	246,812	386,069	1,062,070	1,798,245
Total	**103,294**	**726,650**	**3,202,786**	**3,450,531**	**7,483,261**

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 Articles of Association 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 Articles of Association 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 2016.
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 of welcome to new Members, containing a Membership Card and a presentation of the "Bper Speciale Soci" project;
- BXVoi, a quarterly magazine with information on the Bank's activities, which is available both in printed form and online;
- the Bank's website (www.bper.it) 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 discounts 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 Members and Shareholders, with a discounted annual fee;
- 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 2016 Annual Shareholders' Meeting to approve BPER's 2015 financial statements (directly or by proxy) there will be:

- a further 10% discount on various current account charges (the maximum discount for the quarter is Euro 125 per current account).
- 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 2015.
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 2015; 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 18 April 2015 for the three-year period 2015-2017: Ettore Caselli, Alessandro Vandelli, Giosuè Boldrini, Giulio Cicognani (independent), Elisabetta Gualandri (independent) Valeriana Maria Masperi (independent) and Roberto Marotta (independent).

The following were also elected for the three-year period 2015-2017 as Serving Statutory Auditors: Antonio Mele, Chairman, Carlo Baldi, Diana Rizzo, Francesca Sandrolini, Vincenzo Tardini, and as Alternate Statutory Auditors: Giorgia Butturi and Gianluca Spinelli.
The Shareholders' Meeting appointed the Board of Arbiters for the three-year period 2015-2017, made up as follows: as Serving Members: Roberto Bernardi, Cesare Busi, Paolo Casarini, Miranda Corradi and Marcello Minutolo; as Alternate Members: Pier Luigi Cerutti, Federico Ferrari Amorotti and Massimo Turchi.

As part of General Management, Claudio Battistella was appointed as the new Deputy General Manager with effect from 1 January 2016; from April 2015, he already held the position of Chief Lending Officer (CLO) and Head of Group Credit and Loans.

6.2 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 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 adopted the "Group Regulations for the management of transactions with related parties and associated persons", subsequently implemented by other Group banks and companies. The Regulations, last 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 and associated persons" as contained in the 9th update of 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 deference to the Bank of Italy's recommendations, the Bank also adopted the following documents:

- "Group policy on controls over risk activities and conflicts of interest with related parties", in effect from 31 December 2012, which was announced for the first time at the Shareholders' Meeting held on 20 April 2013; the policy was reviewed on 11 November 2015;
- "Group Regulations for the monitoring of prudential limits on risk activities – monitoring of prudential limits on risk activities with related parties and associated persons", lastly 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 Limited	Directly controlled subsidiary	Renewal of credit line	400,000	Transaction exempt from market disclosure pursuant to art. 14 paragraph 2 of Regulation 17221
2	Banca popolare dell'Emilia Romagna s.c.	EMRO Finance Ireland Limited	Directly controlled subsidiary	Renewal of credit line	250,000	Transaction exempt from market disclosure pursuant to art. 14 paragraph 2 of Regulation 17221
3	Banca popolare dell'Emilia Romagna s.c.	Sardaleasing s.p.a.	Directly controlled subsidiary	Renewal of credit line	777,000	Transaction exempt from market disclosure pursuant to art. 14 paragraph 2 of Regulation 17221
4	Banca popolare dell'Emilia Romagna s.c.	Sardaleasing s.p.a.	Directly controlled subsidiary	Renewal of credit line	500,000	Transaction exempt from market disclosure pursuant to art. 14 paragraph 2 of Regulation 17221
5	Banca popolare dell'Emilia Romagna s.c.	Banco di Sardegna s.p.a.	Directly controlled subsidiary	Repo transactions	261,852	Transaction exempt from market disclosure pursuant to art. 14 paragraph 2 of Regulation 17221
6	Banca popolare dell'Emilia Romagna s.c.	Banco di Sardegna s.p.a.	Directly controlled subsidiary	Repo transactions	299,538	Transaction exempt from market disclosure pursuant to art. 14 paragraph 2 of Regulation 17221
7	Banca popolare dell'Emilia Romagna s.c.	Estense Covered Bond s.r.l.	Directly controlled subsidiary	Repo transactions	359,998	Transaction exempt from market disclosure pursuant to art. 14 paragraph 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
8	Banca popolare dell'Emilia Romagna s.c.	Banco di Sardegna s.p.a.	Directly controlled subsidiary	Repo transactions	277,120	Transaction exempt from market disclosure pursuant to art. 14 paragraph 2 of Regulation 17221
9	Banca popolare dell'Emilia Romagna s.c.	Banco di Sardegna s.p.a.	Directly controlled subsidiary	Repo transactions	277,100	Transaction exempt from market disclosure pursuant to art. 14 paragraph 2 of Regulation 17221
10	Banca popolare dell'Emilia Romagna s.c.	Banco di Sardegna s.p.a.	Directly controlled subsidiary	Repo transactions	276,945	Transaction exempt from market disclosure pursuant to art. 14 paragraph 2 of Regulation 17221
11	Banca popolare dell'Emilia Romagna s.c.	Banco di Sardegna s.p.a.	Directly controlled subsidiary	Repo transactions	276,975	Transaction exempt from market disclosure pursuant to art. 14 paragraph 2 of Regulation 17221
12	Banca popolare dell'Emilia Romagna s.c.	Banco di Sardegna s.p.a.	Directly controlled subsidiary	Repo transactions	276,650	Transaction exempt from market disclosure pursuant to art. 14 paragraph 2 of Regulation 17221
13	Banca popolare dell'Emilia Romagna s.c.	Banco di Sardegna s.p.a.	Directly controlled subsidiary	Repo transactions	331,890	Transaction exempt from market disclosure pursuant to art. 14 paragraph 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
14	Banca popolare dell'Emilia Romagna s.c.	Banco di Sardegna s.p.a.	Directly controlled subsidiary	Repo transactions	331,590	Transaction exempt from market disclosure pursuant to art. 14 paragraph 2 of Regulation 17221
15	Banca popolare dell'Emilia Romagna s.c.	Banco di Sardegna s.p.a.	Directly controlled subsidiary	Repo transactions	331,170	Transaction exempt from market disclosure pursuant to art. 14 paragraph 2 of Regulation 17221
16	Banca popolare dell'Emilia Romagna s.c.	Banco di Sardegna s.p.a.	Directly controlled subsidiary	Repo transactions	330,150	Transaction exempt from market disclosure pursuant to art. 14 paragraph 2 of Regulation 17221
17	Banca popolare dell'Emilia Romagna s.c.	Banco di Sardegna s.p.a.	Directly controlled subsidiary	Repo transactions	330,060	Transaction exempt from market disclosure pursuant to art. 14 paragraph 2 of Regulation 17221
18	Banca popolare dell'Emilia Romagna s.c.	Banco di Sardegna s.p.a.	Directly controlled subsidiary	Repo transactions	330,270	Transaction exempt from market disclosure pursuant to art. 14 paragraph 2 of Regulation 17221
19	Banca popolare dell'Emilia Romagna s.c.	Banco di Sardegna s.p.a.	Directly controlled subsidiary	Repo transactions	330,210	Transaction exempt from market disclosure pursuant to art. 14 paragraph 2 of Regulation 17221
20	Banca popolare dell'Emilia Romagna s.c.	Emilia Romagna Factor S.p.A.	Directly controlled subsidiary	Renewal of credit line	900,000	Transaction exempt from market disclosure pursuant to art. 14 paragraph 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
21	Banca popolare dell'Emilia Romagna s.c.	Alba Leasing S.p.A.	Direct associated company	Renewal of credit line	570,000	Transaction exempt from market disclosure (art. 14.2 of Regulation 17221)
22	Banca popolare dell'Emilia Romagna s.c.	Banco di Sardegna s.p.a.	Directly controlled subsidiary	Renewal of credit line	400,000	Transaction exempt from market disclosure (art. 14.2 of Regulation 17221)
23	Banca popolare dell'Emilia Romagna s.c.	Sardaleasing s.p.a.	Directly controlled subsidiary	Renewal of credit line	700,000	Transaction exempt from market disclosure (art. 14.2 of Regulation 17221)
24	Banca popolare dell'Emilia Romagna s.c.	Sardaleasing s.p.a.	Directly controlled subsidiary	Renewal of credit line	777,000	Transaction exempt from market disclosure (art. 14.2 of Regulation 17221)
25	Banca popolare dell'Emilia Romagna s.c.	Banco di Sardegna s.p.a.	Directly controlled subsidiary	94 repo transactions concluded in the 2nd half of 2015	(*)	Transaction exempt from market disclosure (art. 14.2 of Regulation 17221)
26	Banca popolare dell'Emilia Romagna s.c.	Estense Covered Bond s.r.l.	Directly controlled subsidiary	Repo transactions	420,023	Transaction exempt from market disclosure (art. 14.2 of Regulation 17221)

(*) With regard to repurchase agreements concluded bilaterally between the Bank and the subsidiary Banco di Sardegna s.p.a., it should be noted that these increased in the second half of 2015, due to changes in operations which permitted a more effective supply of liquidity to the market by recourse to this subsidiary bank.
It should be noted that the 94 transactions mentioned above are included in the range between Euro 265,453 thousand and Euro 331,080 thousand.

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 required by CONSOB Regulation 17221/10 with regard to other transactions with related parties, it is confirmed that no transactions have had a significant effect on the balance sheet or results of the company.

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.

6.3 Information on atypical, unusual or non-recurring transactions

During 2015 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, as defined by current regulations. As regards strategic and extraordinary transactions, please refer to what has already been discussed in other parts of this report.

6.4 Information on the ownership structure - (art. 123-*bis* of Legislative Decree no. 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.

6.5 Information on decisions taken with regard to the admission of new members - 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 2014-2015:

	2015	2014
Shareholders admitted	1,714	6,419
Admissions deferred	-	1
Members excluded	-	-
Members ceasing	6,208	17,792

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 no. 385/1993, as introduced by art. 23-*quater*, letter a.3, of Decree Law 179 of 18 October 2012, converted into Law 221/2012.

6.6 Application of MiFID

On 22 December 2014, CONSOB issued Communication 0097996 concerning important clarifications with regard to the distribution of complex products to Retail customers. This need arose as a result of the gradual extension to Retail customers of investment products previously reserved only for institutional or professional customers.
The Communication aims to provide guidance to intermediaries about the cautions and monitoring tools to be adopted in the distribution of certain types of investment products which, by their nature, could create difficulties for customers in understanding the risk/return profile of the products.
In particular, the Communication recommends that intermediaries who intend to distribute, recommend or sell complex financial products should take specific measures to protect the interests of Retail investors, according to the level of complexity of the product and the type of relationship established with the customer.
These measures, described in part in the Communication and in part in the European Supervisory Authority's Opinion on Financial Markets (ESMA), concern: (i) the behaviour that banks must keep in the stages of design, structuring and development of products, (ii) the types of relationships with customers during their distribution, recommendation and sale; (iii) the organisational and control systems to ensure compliance with the first two points.
In this context, the BPER Group decided to adopt a system for the management and monitoring of complex products and a policy to ensure that the guidelines set by the Italian and European Supervisory Authorities are taken into adequate consideration.
On 2 December 2015, BPER approved issuance of the Group policy for the management of complex products, which considers as "complex products" those listed in the Attachment to CONSOB's Communication, namely those falling into categories VI to XII (the so-called "Grey List"), and those in categories I to V of the attachment to the Communication (the so-called "Black List").
In relation to complex products on the so-called "Black List", the Group decided not to recommend, distribute or sell complex products in this category to Retail customers, not even on the secondary market, nor in the event of a customer's request for them. In the case professional customers, the Group still refrains from recommending "Black List" products, which can only be purchased on the express request of the customers. BPER has developed a plan of action to promote the adoption of the necessary implementation measures following the issue of regulations regarding the distribution of complex products.
With reference to the "multi-line" service provided as part of "portfolio management", the Bank also took steps to change the approach to assessing adequacy in line with the procedures already adopted in the provision of advisory services in the field of "portfolio" investments. In particular, according to the new

logic, the risk of asset management is calculated taking into account all of the lines included in the mandate given by the customer.
Under this new approach, the dimensional control carried out on the single line has been replaced by a new control over the consistency between the overall market risk of the management mandate (PM contract consisting of one or more lines) and the objective of asset management declared by the customer in the MiFID 91000 questionnaire.
We took advantage of this opportunity to update the contract forms for portfolio management services, also in the interests of simplification and clarity of the documentation produced:

- by making the appropriate contractual changes/additions;
- by changing the way of displaying the characteristics of all management lines on offer.

These changes, which did not result in amendments of any real substance, are designed to explain more clearly the specific details of each management line and the investment limits within which the managers can exercise their discretionary power of decision.
With regard to contractual integrations in the field of multi-line management, the Bank has informed customers on the adequacy assessment criteria of the chosen lines, indicating that adequacy is assessed in relation to the combination of lines that the customer intends to subscribe in the mandate.
In addition, the activities involved in implementation of the "Orders HUB" interface were completed during the year, thereby creating a direct link between the platform used for providing advisory services and the input of orders/instructions.
This implementation allows a significant increase in the efficiency of the network operating processes, favouring the relationship aspect with customers that benefits from an improvement in the quality of service.

Again in 2016, the Bank will make every effort to carry out all of the activities needed for governance and control to ensure proper provision of Investment Services, with special attention to the latest changes in sector legislation, MiFID II and MiFIR, which are currently expected to enter into force on 2 January 2017.

6.7 Information on business continuity, financial risks, impairment tests and uncertainties regarding the use of estimates

Please refer to the Directors' Report on Group Operations.

6.8 Information to be provided about impairment tests, the contractual clauses that govern borrowing, the restructuring of debt and the “fair value hierarchy”

Please refer to the Directors' Report on Group Operations.

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 18 April 2015 established that the amount of fees payable to Directors, in accordance with art. 24 of the Articles of Association, for the 2015 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. Additional emoluments payable to Directors appointed to particular positions were excluded 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 1,519.5 thousand (Euro 1,544 thousand at 31 December 2014), 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 884 thousand (Euro 880.8 thousand at 31 December 2014), the fees due to members of the Executive Committee of Euro 141.1 thousand (Euro 151.2 thousand at 31 December 2014), the fees for participation in various internal Committees set up to meet the obligations of Corporate Governance of Euro 271.3 thousand (Euro 301.8 thousand at 31 December 2014) and attendance fees for Directors attending meetings of the Board of Directors of Euro 123.9 thousand (Euro 111.3 thousand at 31 December 2014), and of the Executive Committee and the various internal committees of Euro 99.2 thousand (Euro 99 thousand at 31 December 2014).

In addition to these amounts, there were also emoluments payable to the Chairman and Deputy Chairmen of Euro 489.3 thousand (Euro 344.5 thousand at 31 December 2014) and to the Chief Executive Officer of Euro 850 thousand (Euro 1,252.1 thousand at 31 December 2014, which took account of the change in this role that took place last year). The total amount is therefore Euro 2,858.9 thousand, compared with Euro 3,140.7 thousand for 2014.

Having shown the Directors' fees for 2015, we now submit a proposal for their remuneration for 2016, confirming the amount of Euro 1,600 thousand, already established as the limit for 2015 and 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 operations 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 161,962,354.43.

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 4,072,690.49 to the restricted reserve under Legislative Decree no. 38/2005 (art. 6.a) for unrealised gains, net of tax.

Accordingly, there is a residual balance of Euro 157,889,663.94 to be allocated, comprising an allocation to reserves in line with the minimum requirements of law and the Articles of Association, totalling Euro 109,758,820.44.

The total amount that could be allocated to equity is therefore Euro 113,831,510.93, i.e. 70.28% of the net profit for the year.

This allows us to propose the allocation to Members and Shareholders of a dividend of Euro 0.10 for each of the 481,308,435 shares representing the share capital, excluding those held in portfolio at the ex-dividend date (455,458 at 31 December: a number that is confirmed as of today's date). The total amount allocated for dividends therefore comes to Euro 48,130,843.50, i.e. 29.72% of the net profit for the year.

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 0.34. This rate of return corresponds to 7.22% of the market price at the time of preparing this report (Euro 4.71) and 4.58% of the average market price over the year (Euro 7.42).

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 year	**Euro**	**161,962,354.43**
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	4,072,690.49
Residual profit to be distributed	**Euro**	**157,889,663.94**
- to ordinary reserve (10%)	Euro	15,788,966.39
- to statutory reserve (20%)	Euro	31,577,932.79
- to reserve for charitable donations and payments for the public benefit	Euro	62,391,921.26
- To the Shareholders as a dividend of Euro 0.10 for the 481,308,435 shares making up the share capital	Euro	48,130,843.50

According to Borsa Italiana S.p.A.'s calendar, payment of the proposed dividend will take place as from 25 May 2016. As regards its market price, BPER's stock will go ex-coupon on Monday, 23 May 2016, while the record date is scheduled for Tuesday, 24 May 2016.

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 2015

Please refer to the Directors' Report on Group Operations.

9.2 Outlook for operations

Please refer to the Directors' Report on Group Operations.

10. Acknowledgements

2015 was once again a very important year for the Bank. In fact, it marked the beginning of full direct supervision on the part of the European Central Bank (ECB), after successful completion of the Comprehensive Assessment that took place in 2014. It should also be noted that the new 2015-2017 Business Plan of the BPER Group was approved and presented to the market in February, while in October the Board of Directors of Banca popolare dell'Emilia Romagna defined the project to transform BPER from a cooperative into a joint-stock company, in compliance with Law 33 of 24 March 2015.

Over the past year, BPER could count on a large group of participants to achieve these positive results.

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.

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 2015 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: Luigi Odorici (Deputy Chairman), Antonio Angelo Arru, Daniela Petitto, Angelo Tantazzi, Pietro Ferrari and Deanna Rossi.

As required by art. 57 of the Articles of Association, the Meeting is called upon to elect five members of the Board of Directors.

Modena, 1 March 2016

The Board of Directors
The Chairman
Ettore Caselli

Financial statements

Balance sheet as at 31 December 2015

(in Euro)

Assets	31.12.2015	31.12.2014
10. Cash and cash equivalents	276,777,304	306,329,153
20. Financial assets held for trading	815,113,713	1,035,358,233
30. Financial assets designated at fair value through profit and loss	36,898,910	62,755,774
40. Financial assets available for sale	6,746,054,249	5,499,413,439
50. Financial assets held to maturity	2,663,859,255	2,213,496,780
60. Due from banks	1,737,029,322	1,743,445,889
70. Loans to customers	33,885,272,988	34,276,874,930
80. Hedging derivatives	35,715,277	33,659,659
100. Equity investments	1,471,789,249	1,379,466,967
110. Property, plant and equipment	438,260,175	453,706,644
120. Intangible assets	298,290,661	300,240,093
of which: goodwill	280,235,895	280,235,895
130. Tax assets	1,187,605,089	1,096,912,520
a) current	188,099,963	160,794,197
b) deferred	999,505,126	936,118,323
b1) of which L. 214/2011	862,145,923	818,507,638
140. Non-current assets and disposal groups classified as held for sale	-	2,816,793
150. Other assets	803,659,168	757,844,404
Total assets	**50,396,325,360**	**49,162,321,278**

Liabilities and shareholders' equity	31.12.2015	31.12.2014
10. Due to banks	8,655,264,359	8,294,902,367
20. Due to customers	25,198,114,652	24,272,937,632
30. Debt securities in issue	8,700,062,489	8,374,184,614
40. Financial liabilities held for trading	247,407,660	247,604,424
50. Financial liabilities designated at fair value through profit and loss	873,558,293	1,700,613,750
60. Hedging derivatives	20,358,563	9,113,511
80. Tax liabilities	70,792,167	72,893,117
b) deferred	70,792,167	72,893,117
100.Other liabilities	1,435,113,834	1,132,669,919
110. Provision for termination indemnities	120,872,278	135,588,568
120. Provisions for risks and charges	319,724,578	286,205,107
a) pensions and similar commitments	124,020,912	144,607,384
b) other provisions	195,703,666	141,597,723
130. Valuation reserves	33,640,369	66,499,890
160. Reserves	2,192,709,016	2,186,914,339
170. Share premium reserve	930,072,623	930,076,556
180. Share capital	1,443,925,305	1,443,925,305
190. Treasury shares	(7,253,180)	(7,257,112)
200. Net profit (loss) for the period	161,962,354	15,449,291
Total liabilities and shareholders' equity	**50,396,325,360**	**49,162,321,278**

Income statement as at 31 December 2015

(in Euro)

Captions	31.12.2015	31.12.2014
10. Interest and similar income	1,256,240,508	1,462,141,210
20. Interest and similar expense	(358,009,296)	(528,901,630)
30. Net interest income	**898,231,212**	**933,239,580**
40. Commission income	575,351,847	555,253,536
50. Commission expense	(29,745,176)	(40,328,371)
60. Net commission income	**545,606,671**	**514,925,165**
70. Dividends and similar income	33,349,105	46,627,034
80. Net trading income	30,958,550	15,741,411
90. Net hedging gains (losses)	(688,948)	894,624
100. Gains/losses on disposal or repurchase of:	209,354,770	104,964,877
a) loans	3,624,220	(29,861,809)
b) financial assets available for sale	206,439,072	134,955,984
c) financial assets held to maturity	221,532	-
d) financial liabilities	(930,054)	(129,298)
110. Net results on financial assets and liabilities designated at fair value	429,373	(16,468,461)
120. Net interest and other banking income	**1,717,240,733**	**1,599,924,230**
130. Net impairment adjustments to:	(585,135,255)	(673,577,535)
a) loans	(558,844,011)	(626,530,776)
b) financial assets available for sale	(23,369,310)	(40,138,337)
d) other financial assets	(2,921,934)	(6,908,422)
140. Net profit from financial activities	**1,132,105,478**	**926,346,695**
150. Administrative costs:	(1,041,374,347)	(965,984,662)
a) payroll	(523,844,014)	(507,779,390)
b) other administrative costs	(517,530,333)	(458,205,272)
160. Net provisions for risks and charges	(40,703,936)	(30,911,030)
170. Net adjustments to property, plant and equipment	(28,104,945)	(25,257,768)
180. Net adjustments to intangible assets	(2,473,273)	(2,234,809)
190. Other operating charges/income	139,126,542	134,227,473
200. Operating costs	**(973,529,959)**	**(890,160,796)**
210. Profit (loss) from equity investments	(5,179,211)	(7,487,443)
240. Gains (losses) on disposal of investments	351,238	(31,816)
250. Profit (loss) from current operations before tax	**153,747,546**	**28,666,640**
260.Income taxes on current operations	8,214,808	(13,217,349)
270. Profit (loss) from current operations after tax	**161,962,354**	**15,449,291**
290. Net profit (loss) for the period	**161,962,354**	**15,449,291**

	Earnings per share (Euro) 31.12.2015	Earnings per share (Euro) 31.12.2014
Basic EPS	0.337	0.042
Diluted EPS	0.337	0.042

Statement of comprehensive income

(in Euro)

	31.12.2015	31.12.2014
10. Net profit (loss) for the period	**161,962,354**	**15,449,291**
Other income items, net of income taxes, without release to the income statement	**17,882,364**	**(26,053,356)**
40. Defined benefit plans	17,882,364	(26,053,356)
Other income items, net of income taxes, with release to the income statement	**(50,741,885)**	**62,858,131**
90. Cash-flows hedges	(1,743,135)	13,039,815
100. Financial assets available for sale	(48,998,750)	49,818,316
130. Total other elements of income (net of income taxes)	**(32,859,521)**	**36,804,775**
140. Comprehensive income (caption 10+130)	**129,102,833**	**52,254,066**

Statement of changes in shareholders' equity

(in thousands of Euro)

	Balance as at 31.12.14	Changes in opening balances	Balance as at 1.1.15	Allocation of prior year results		Changes during the year								Shareholders' equity as at 31.12.15
				Reserves	Dividends and other allocations	Changes in reserves	Transactions on shareholders' equity						Comprehensive income as at 31.12.15	
							Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury shares	Stock options		
Share capital:	**1.443.925**	-	**1.443.925**	-	-	-	-	-	-	-	-	-	-	**1.443.925**
a) ordinary shares	1443.925	-	1443.925	-	-	-		-	-	-	-	-	-	1443.925
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	**930.077**	-	**930.077**	-	-	-	(4)	-	-	-	-	-	-	**930.073**
Reserves:	**2.186.914**	-	**2.186.914**	**5.701**	-	**94**	-	-	-	-	-	-	-	**2.192.709**
a) from profits	1686.708	-	1686.708	5.701	-	94	-	-	-	-	-	-	-	1692.503
b) other	500.206	-	500.206	-	-	-	-	-	-	-	-	-	-	500.206
Valuation reserves	**66.500**	-	**66.500**	-	-	-	-	-	-	-	-	-	**(32.860)**	**33.640**
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	**(7.257)**	-	**(7.257)**	-	-	-	**8**	**(4)**	-	-	-	-	-	**(7.253)**
Net profit (loss)	**15.449**	-	**15.449**	**(5.701)**	**(9.748)**	-	-	-	-	-	-	-	**161.962**	**161.962**
Shareholders' equity	**4.635.608**	-	**4.635.608**	-	**(9.748)**	**94**	**4**	**(4)**	-	-	-	-	**129.102**	**4.755.056**

	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	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	1001483	-	1001483	-	-	-	442.442	-	-	-	-	-	-	1443.925
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	1667.056	-	1667.056	(12.789)	-	32.441	-	-	-	-	-	-	-	1686.708
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**

Cash flow as at 31 December 2015

Indirect method

(in thousands of Euro)

A. Operating activities	31.12.2015	31.12.2014
1. Cash generated from operations	**816,085**	**791,991**
net profit (loss) for the period	161,962	15,449
net gains/losses from financial assets held for trading and financial assets/liabilities designated at fair value through profit and loss	(34,137)	6,060
gains (losses) from hedging activities	689	(895)
net adjustments for impairment	585,135	673,578
impairment/write-backs to property, plant and equipment and intangible assets	30,578	27,493
net provisions for risks and charges and other costs/income	92,353	79,614
unsettled taxes	(8,215)	13,217
other adjustments	(12,280)	(22,525)
2. Cash generated/absorbed by financial assets	**(1,273,471)**	**908,224**
financial assets held for trading	259,396	82,607
financial assets designated at fair value through profit and loss	13,115	2,018
financial assets available for sale	(1,225,471)	(174,617)
loans to customers	(168,795)	407,671
due from banks: on demand	175,212	(415,422)
due from banks: other receivables	(167,242)	1,139,380
other assets	(159,686)	(133,413)
3. Cash generated/absorbed by financial liabilities	**960,307**	**(1,437,043)**
due to banks: on demand	68,138	854,132
due to banks: other debts	292,224	(1,273,182)
due to customers	925,177	(50,220)
debt securities in issue	326,577	409,494
financial liabilities held for trading	(197)	35,660
financial liabilities designated at fair value through profit and loss	(815,265)	(1,266,670)
other liabilities	163,653	(146,257)
Net cash generated/absorbed by operating activities	**502,921**	**263,172**

B. Investing activities	31.12.2015	31.12.2014
1. Cash generated by	**180,654**	**159,570**
sale of equity investments	80	-
dividends collected on equity investments	17,460	30,012
sale of financial assets held to maturity	158,105	127,585
sale of property, plant and equipment	5,009	1,973
2. Cash absorbed by	**(703,222)**	**(1,205,087)**
purchase of equity investments	(69,639)	(48,037)
purchase of financial assets held to maturity	(621,161)	(1,142,038)
purchase of property, plant and equipment	(11,898)	(13,175)
purchase of intangible assets	(524)	(1,837)
Net cash generated/absorbed by investing activities	**(522,568)**	**(1,045,517)**

C. Financing activities	31.12.2015	31.12.2014
issue/purchase of treasury shares	-	748,376
dividend distribution and other	(9,748)	-
Net cash generated/absorbed by financing activities	**(9,748)**	**748,376**
Net cash generated/absorbed in the period	**(29,395)**	**(33,969)**

Key
(+) generated
(-) absorbed

Reconciliation

Captions	31.12.2015	31.12.2014
Cash and cash equivalents at beginnin	306,329	340,095
Net cash generated/absorbed in the period	(29,395)	(33,969)
Cash and cash equivalents: effect of exchange rate variations	(157)	203
Cash and cash equivalents at end of the period	**276,777**	**306,329**

Explanatory notes

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
L1: Fair value hierarchy – Level 1
L2: Fair value hierarchy – Level 2
L3: Fair value hierarchy – Level 3
#: not applicable

Part A - Accounting policies

A.1 General Information

Section 1 – Declaration of compliance with International Financial Reporting Standards

The Separate financial statements for the year ended 31 December 2015 have been prepared in accordance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), endorsed by the European Commission, as provided by EU Regulation 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 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 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 (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 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;
- measurement of goodwill/intangible 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.

Section 3 - Subsequent events

These draft financial statements were approved on 1 march 2016 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 2016" in the Directors' Report on Group Operations.

Section 4 – 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 2015.

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

No significant impact is reflected in the Group's Consolidated financial statements, except for IFRIC 21 – Levies, with reference to the accounting treatment of contributions paid to the National Single Resolution Fund and the Deposit Guarantee Fund charged by the Interbank Deposit Guarantee Fund. These contributions are detailed in the section "Other information" in part A.2 of these Explanatory Notes.

The following table shows the new international accounting standards or amendments to standards already in force, whose application is mandatory from 1 January 2016 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
28/2015	Improvements to IFRS - 2010-2012 Cycle The purpose of the annual improvements is to deal with necessary topics relating to inconsistencies in IFRSs or clarifications in terminology that are not particularly urgent, but that have been discussed by the IASB during the project cycle that began in 2011. In some cases, the changes are clarifications or corrections to these principles (IFRS 8, IAS 16, IAS 24 and IAS 38), in others, the changes involve amendments to existing regulations or provide additional information on how they are to be applied (IFRS 2 and 3).	1 January 2016
29/2015	EU Commission Regulation 2015/29 of 17 December 2014, published in the Official Journal L 5 of 9 January, adopts Amendments to IAS 19 - Defined Benefit Plans: Employee Contributions. The amendment to IAS 19 was necessary to facilitate, under certain conditions, the accounting for defined benefit plans that provide for contributions to be made by employees or third parties. If certain conditions are not complied with, recognition of these contributions is more complex, because they have to be allocated to each period of the plan by an actuarial calculation of the liability involved.	1 January 2016
2113/2015	EU Commission Regulation 2015/2113 of 23 November 2015, published in the Official Journal L 306 of 24 November 2015 adopts Amendments to IAS 16 - Property, Plant and Equipment and IAS 41 - Agriculture The amendment to IAS 16 was necessary because the IASB decided that plants that are used exclusively for the cultivation of agricultural products for various years, known as fruiting plants, should be subject to the same accounting treatment as property, plant and equipment.	1 January 2016
2173/2015	EU Commission Regulation 2015/2173 of 24 November 2015, published in the Official Journal L 307 of 25 November 2015 adopts Amendments to IFRS 11 - Joint Agreements. The amendment provides new guidance on accounting for acquisitions of interests in joint ventures that constitute a business.	1 January 2016
2231/2015	EU Commission Regulation 2015/2231 of 2 December 2015, published in the Official Journal L 317 of 3 December 2015 adopts Amendments to IAS 16 - Property, Plant and Equipment and IAS 38 - Intangible Assets The amendment was necessary to clarify which depreciation/amortisation methods should be used to calculate the asset's depreciation/amortisation.	1 January 2016

EC Approval Regulation	Title	In force from years beginning
2343/2015	EU Commission Regulation 2015/2343 of 15 December 2015, published in the Official Journal L 330 of 16 December 2015 adopts amendments on certain international accounting standards (Improvements to IFRSs 2012-2014) The amendments to IFRS 5, IFRS 7 and IFRS 1 form part of the normal rationalisation and clarification of international accounting standards.	1 January 2016
2406/2015	EU Commission Regulation 2015/2406 of 18 December 2015, published in the Official Journal L 333 of 19 December 2015 adopts Amendments to IAS 1 - Presentation of Financial Statements The amendments, entitled "Disclosure initiative", aim to submit to the professional judgement of the company the relevant and explanatory information to be provided to the market.	1 January 2016
2441/2015	EU Commission Regulation 2015/2406 of 18 December 2015, published in the Official Journal L 336 of 23 December 2015 adopts amendments to IAS 27 - Separate financial statements The amendments allow entities to apply the equity method, as described in IAS 28, to include investments in subsidiaries, associates and joint ventures in their Separate financial statements.	1 January 2016

Documents of the Supervisory Authority

Bank of Italy

On 20 January 2015, the Bank of Italy published the 7th amendment of Circular no. 272/2008 which aligns the definitions of impaired financial assets with the new concepts of non-performing exposures and forbearance introduced by the ITS, in order to establish a single definition for both individual and consolidated supervisory reporting.

For supervisory reporting, impaired financial assets are now classified into the following categories:

- bad loans;
- unlikely to pay loans;
- past due loans and/or impaired overdrawn exposures;

the sum of these categories corresponds to the non-performing exposures aggregate established in the ITS.
The concepts of watchlist and restructured loans have been eliminated.
In addition, the category of "forborne exposures" is introduced, coinciding with the "exposures subject to tolerance" category included in the FINREP section of the consolidated reporting for supervisory purposes.
The new categories of non-performing exposures apply to cash assets (loans and debt securities) and "off balance sheet" items (guarantees given, irrevocable and revocable commitments to grant loans), other than the financial instruments classified as *"Financial assets held for trading"* and derivative contracts. The decision to classify financial assets as non-performing is made regardless of any secured or unsecured guarantees that assist them.

The key aspects of the new categories are discussed below:

- unlikely to pay loans: loans, other than non-performing loans, that the bank considers are unlikely to be repaid in full (principal and/or interest) without recourse to such action as the enforced collection of guarantees. Exposures to Retail customers may be classified in the unlikely to pay category at the individual transaction level, rather than at individual customer level, if the bank does not believe that the conditions exist for classifying the entire exposure to that customer in that category;
- past due loans and/or impaired overdrawn exposures: exposures, other than those classified as bad or unlikely to pay, that are past due and/or overdrawn at the reporting date by more than 90 days and that exceed a pre-determined materiality limit. Past due loans and/or impaired overdrawn exposures may be determined at individual debtor level - solely for Retail exposures - at individual transaction level;
- forborne exposures: these exposures (forbearance) comprise:
    - non-performing exposures with forbearance measures: these exposures represent one aspect, depending on the circumstances, of bad loans, unlikely to pay loans or past due loans and/or impaired overdrawn exposures; accordingly, they do not form a separate category of impaired assets;
    - forborne performing exposures.

On 15 December 2015, the Bank of Italy published its 4th update of Circular no. 262/2005 "Banks' financial statements: layout and preparation”
In particular, the update adjusts the disclosures given in the notes on "credit quality" to the new definitions of impaired financial assets (for example, "unlikely to pay" loans and forborne exposures), already introduced in the supervisory reports in January 2015 and which are in line with the concepts of non-performing exposures and forborne exposures established by the European Commission with Regulation 2015/227 on the European Banking Authority's proposal.
The tables relating to encumbered assets provided under Section 3 "Liquidity Risk" in Part E "Information on risks and hedging policies" have also been eliminated.
This opportunity was taken also to rationalise Part B "Information on the balance sheet" and Part E "Information on risks and related hedging policy" of the Explanatory Notes.
The update applies to financial statements for the year ended or in progress at 31 December 2015, except for the disclosure in the notes on changes in gross exposures and adjustments to forborne exposures, which is required from the financial statements for the year ended or in progress at 31 December 2016. As regards the disclosure on "credit quality", comparative information for the year T-1 does not have to be provided for financial statements for the year ended or in progress at 31 December 2015. It is left to the discretion autonomy of the Corporate Bodies concerned to provide information concerning year T-1 at the foot of the relevant tables.
Already in the preparation of the consolidated interim report on operations at 31 March 2015, BPER anticipated the change regarding the various types of loans and provided T-1 data (at 31 December 2014), proposing the sum of watchlist and restructured loans as the equivalent of "unlikely to pay" loans and maintaining the balances of the other categories as they were.

On 30 December 2015, as required by the European prudential supervisory regulations, the Bank of Italy communicated to the banking sector the coefficient for the countercyclical capital reserve.
Art. 136 of Directive EU/2013/36 (Capital Requirements Directive, CRD IV) establishes the obligation for the designated National Authorities to activate an operational framework for the definition of the

coefficient of the countercyclical capital reserve (known officially as the Countercyclical Capital Buffer, or CCyB), with effect from 1 January 2016. The coefficient is subject to review every three months.
The European prudential supervisory regulations were implemented in Italy by the Bank of Italy with Circular no. 285/2013; subsequently, with Legislative Decree no. 72 of 12 May 2015, the Bank of Italy was appointed as the designated authority to adopt the macro-prudential measures for the banking sector, including the CCyB.
The regulations apply to banks and investment companies at individual and consolidated level: exercising the option foreseen in art. 130, paragraph 2 of the CRD IV, the Bank of Italy excluded small and medium-sized Italian investment companies.
The businesses affected by these regulations have to calculate the capital buffer to be observed, based on their risk exposure, by applying the weighted average of the countercyclical coefficients provided for in the various countries where significant credit exposures are located.
Based on an analysis of the reference indicators ("credit to GDP gap"), the Bank of Italy decided to set the countercyclical coefficient of exposures to Italian counterparties at 0% (zero percent) for the first three months of 2016.

CONSOB

On 19 January 2015, following the results of a review of financial disclosures published in 2014 in line with what was being down by the ESMA (publication of document ESMA/2014/1309 of 28 October 2014 "European common enforcement priorities for 2014 financial statements") and other European Supervisory Authorities, CONSOB issued Communication 3907 entitled "Communication on key issues of financial relationships at 31.12.2014".
In this communication, CONSOB draws the attention of those involved in preparing financial statements to a number of points that need special attention on the part of listed companies:

- the application of accounting principles on the preparation and presentation of consolidated financial reports;
- the representation of joint venture agreements in financial statements;
- the recognition and measurement of deferred tax assets;
- impairment tests of non-financial assets, with particular regard to goodwill and intangible assets with indefinite useful life (priority indicated also by ESMA with reference to the 2013 financial statements).
- correct application of the rules envisaged by IAS 1 and IAS 8 with reference to the accounting impacts of the Asset Quality Review carried out by the European Central Bank (ECB). In particular, notes should provide specific information regarding any changes in accounting policies for the measurement of loans, the correction of errors, as well as any other information that is relevant to a fair representation of the Company's economic and financial situation.

European Central Bank: dividend distribution policy

On 28 December 2015, the European Central Bank sent the Parent Company a recommendation regarding its dividend distribution policy for 2016. It applies to both the Parent Company and the various entities in the Group.
The recommendation, which the ECB says should be considered with the utmost care, is in favour of conservative and prudent dividend distribution policies; it also asks banks and investment companies to meet certain requirements at any times, on both an individual and consolidated basis:

a) the minimum capital requirements (or so-called "First Pillar Requirements"), pursuant to Article 92 of (EU) Regulation 575/2013;
b) the capital requirements imposed as a result of the Decision on the Review and Prudential Evaluation Process (RPEP) in application of Article 16, paragraph 2, letter (a) of EU Regulation 1024/2013 and that go beyond the First Pillar Requirements of (the so-called "Second Pillar Requirements");
c) the countercyclical capital reserve and systemic reserves pursuant to Article 128, paragraph 2, 3, 4 and 5 of Directive 2013/36/EU and all of the other reserves adopted by the competent and designated National Authorities;
d) its own "fully loaded" Common Equity Tier 1 Capital Ratio, its own Tier 1 Capital Ratio and its own Total Capital Ratio by the date of full implementation (2019). This refers to full application of the above ratios after application of the transitional provisions, as well as that relating to the countercyclical capital reserve and to the systemic reserves pursuant to Article 128, paragraph 2, 3, 4 and 5 of Directive 2013/36/EU, and all of the other reserves adopted by the National Authorities. The transitional provisions are set out in Title XI of Directive 2013/36/EU and in Part Ten of (EU) Regulation 575/2013.

For the payment of dividends by credit institutions in 2016, based on financial year 2015, the ECB classified them in three specific categories and made recommendations for each of them.

- Category 1: Credit institutions which meet the capital requirements set out in points (a) (b) and (c) above, and which at 31 December 2015 have already achieved their fully loaded ratios pursuant to point (d), have to take a conservative approach if they want to distribute their net profits in the form of dividends, thereby enabling them to continue to comply with all of the requirements, even if the economic and financial conditions deteriorate;
- Category 2: Credit institutions which meet the capital requirements set out in points (a) (b) and (c) above at 31 December 2015, but which did not reach their fully loaded ratios according to previous point (d) by that date, have to take a conservative approach to distributing their net profits as dividends so that they can continue to comply with all of the requirements, even if the economic and financial conditions deteriorate. They must also pay dividends only to the extent that payments are covered, at a minimum, by a linear path to reach the fully loaded capital requirements, in accordance with point (d) above;
- Category 3: In theory, credit institutions which do not meet the above conditions should not distribute any dividends.

BPER will have to formally classify itself, into one of these three categories and give the ECB proof that its dividend distribution policies are in line with the recommendation, making pertinent disclosures if the policies are not in line.

Domestic tax group election

Commencing from 2007, BPER has elected to establish a domestic tax group, which was introduced by Legislative 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 with held from and paid by the above Group companies, which are classified as "*Current tax assets*" following their transfer to the consolidating company.
Since the tax period 2015, the total scope of consolidation of the companies concerned has been as follows:

Consolidated companies	2013	2014	2015	2016	2017
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 individual financial statements are audited, as required by Legislative 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.

A.2 – Main captions in the financial statements

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 realised 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 and finance leases (which are accounted for under the "financial method", in accordance with IAS 17). The amount shown on the assets side of the lessor's balance sheet reflects the value of the loan granted, net of the principal portions of the lease instalments that have fallen due and been paid by the lessee. The income statement includes the interest income and the 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, "unlikely to pay" and past due 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 analytically the position of bad loans for "unlikely to pay" loans with exposures above the thresholds set by internal procedures. For "unlikely to pay" loans with exposures above the thresholds set by in 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 as of that date.

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 2004) 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 *"Due to banks"* and *"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 *"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 Group 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 realised on sale or redemption and unrealised 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

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 (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.

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[2], 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.

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.

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[2] *The relevant section of the Explanatory Notes, Part B, includes a table with the useful life of the main fixed asset categories.*

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 tax assets and liabilities are calculated on temporary differences between the carrying amounts and the corresponding amounts recognised for tax purposes, applying the tax rate in force on the date on which the temporary difference will reverse, determined on the basis of the tax rates that are foreseeable under current rules at the reporting date.

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.
Deferred tax assets not recognised in the financial statements are re-analysed at each balance sheet date and recognised to the extent that it is now probable that there will be sufficient taxable income in the future to recover the deferred tax asset.
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.

For liabilities that are merely potential and not likely, no provision has been made, but information is provided on the more significant situations in the Directors' Report on Operations in the section "Principal risks and uncertainties".

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.
Provisions are made on the basis of the best estimate of the amount that the company would reasonably pay to settle the obligation or to transfer it to third parties at the balance sheet date. When the financial effect of time is significant and the payment dates of obligations can be reliably estimated, the provision is calculated by discounting the expected future cash flows taking into account the risks associated with the obligation; the increase in the provision due to the passage of time is recognised in the income statement.

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 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 no. 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.

The information not specifically detailed here, is provided in the Remuneration Report and in the Remuneration Policies referred to in Part I of these notes.

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.
c) commission income on services is recorded in the period when the services are rendered, based on contractual agreements. Commissions considered in amortised cost for the purpose of determining the effective interest rate are recognised as interest.

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 following repurchase are stated at purchase cost and shown in "Treasury shares" caption with a negative sign. 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.

– Offsetting financial assets and financial liabilities

Financial assets and liabilities have to be offset when the criteria laid down in IAS 32 § 42 are satisfied. IFRS 7 requires specific disclosures about any financial instruments that are governed by "master netting or similar agreements" that do not meet all of the criteria laid down in IAS 32 § 42. Please refer to Part B of these Explanatory Notes, in the section entitled "Other information".

- Negative interest

As regards interest, 2015 was significantly influenced by the presence of negative interest rates, accentuating certain effects that already began to be seen at the end of 2014, with reference in particular to repurchase agreements, being accounted for in the income statement with the opposite sign compared with the balance sheet items to which they refer (interest income on some type of funding or interest expense on some form of lending).
Up until 30 September 2015, in accordance with IAS 18, the Group's accounting treatment was to consider it as commission rather than as net interest income.
Benchmark analyses have shown that since the end of 2014, and even more so in 2015, accounting treatments have become increasingly varied; from a regulatory point of view, there have been various recommendation made during the year, but nothing definitive that could add clarity, giving form to what has been clear evidence of substance.
On 7 January 2015, the EBA sent a letter to the IFRS Interpretations Committee saying that the issue had to be reconsidered; above all, clarification had to be given with regard to a single, correct accounting treatment for these economic components; later on, in the Guidelines issued on 22 May 2015 relating to interest rate risk management, it also asked for "negative interest" to be considered in this context, even if booked to other captions.
At the year end, the Bank of Italy issued a statement on the question of interest resulting from the application of negative rates, even if not specifically with reference to financial statements, reiterating the recommendations made during the year by the EBA with regard to the supervisory regulations for the FINREP (Q&A no. 2015_1940). The matter was treated as of 31 December 2015, as part of the update of the unified technical documentation for banks (Puma2), containing the changes relating to implementation of the 4th update of the Bank of Italy's Circular no. 262/2005.
This documentation envisages that negative returns on financial assets should be represented as "interest expense on other liabilities" and that positive returns on financial liabilities should be represented as "interest income on other assets".
In this context, the BPER Group considered it appropriate to change its accounting approach to bring it into line with these instructions, also adjusting the financial statements to reflect the supervisory

requirements. Interest generated by the application of negative rates has been recorded in net interest income, as mentioned previously, giving appropriate disclosures in the footnotes to the tables in Part C of the notes.

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, BPER 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:

- market approach for identical or comparable assets and liabilities;
- use of matrix pricing;
- present value techniques;
- option pricing models;
- 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 BPER 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".*

BPER 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:

- 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 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 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.

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)	
			31.12.2015	31.12.2015	measured	other	measured	other
Debt securities	Financial assets held for trading	Due from banks	2,430	2,266	295	94	-	264
Debt securities	Financial assets held for trading	Loans to customers	-	-	-	-	-	-
UCITS units	Financial assets held for trading	Financial assets available for sale	2,233	2,233	116	-	116	-

A.3.2 Financial assets reclassified: effect on overall profitability before transfer

No financial assets were reclassified during the year.

A.3.3 Transfer of financial assets held for trading

No financial assets were reclassified during the year.

A.3.4 Effective interest rate and cash flows expected from reclassified assets

No financial assets were reclassified during the year.

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 held by the subsidiary Bper (Europe) International s.a., 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	(609)

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 the 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

	31.12.2015			31.12.2014		
	L1	L2	L3	L1	L2	L3
Financial assets designated at fair value						
1. Financial assets held for trading	378,395	409,979	26,740	443,780	559,416	32,162
2. Financial assets designated at fair value through profit and loss	20,713	12,684	3,502	32,813	20,480	9,463
3. Financial assets available for sale	6,073,371	351,790	320,893	4,802,771	304,677	391,965
4. Hedging derivatives	-	35,715	-	-	33,660	-
5. Property, plan and equipment	-	-	-	-	-	-
6. Intangible assets	-	-	-	-	-	-
Total	**6,472,479**	**810,168**	**351,135**	**5,279,364**	**918,233**	**433,590**
Financial liabilities designated at fair value						
1. Financial liabilities held for trading	22,868	198,065	26,475	41	217,900	29,663
2. Financial liabilities designated at fair value through profit and loss	-	873,558	-	-	1,700,614	-
3. Hedging derivatives	-	20,359	-	-	9,114	-
Total	**22,868**	**1,091,982**	**26,475**	**41**	**1,927,628**	**29,663**

Transfers of assets from Level 1 to Level 2 of the fair value hierarchy during the year amounted to € 10,184 thousand and those from Level 2 to Level 1 amounted to € 38,606 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	**32,162**	**9,463**	**391,965**	**-**	**-**	**-**
2. Increases	**1,191**	**1,593**	**182,839**	**-**	**-**	**-**
2.1 Purchases	1,154	-	44,750	-	-	-
2.2 Profits posted to:	11	1,589	137,989	-	-	-
2.2.1 Income statement	11	1,589	117,498	-	-	-
- of which: gains	6	1,587	-	-	-	-
2.2.2 Shareholders' equity	#	#	20,491	-	-	-
2.3 Transfers from other levels	-	-	3	-	-	-
2.4 Other increase	26	4	97	-	-	-
3. Decreases	**6,613**	**7,554**	**253,911**	**-**	**-**	**-**
3.1 Sales	1,156	4,063	240,971	-	-	-
3.2 Redemptions	-	3,040	2,956	-	-	-
3.3 Losses posted to:	5,432	445	5,504	-	-	-
3.3.1 Income statement	5,432	445	2,567	-	-	-
- of which: losses	5,426	295	-	-	-	-
3.3.2 Shareholders' equity	#	#	2,937	-	-	-
3.4 Transfers to other levels	-	-	-	-	-	-
3.5 Other decreases	25	6	4,480	-	-	-
4. Closing balances	**26,740**	**3,502**	**320,893**	**-**	**-**	**-**

Transfers of assets to Level 3 of the fair value hierarchy during the period amounted to € 3 thousand and related to securities that have been suspended.
There were no transfers of assets from Level 3 of the fair value hierarchy during 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	**29,663**	**-**	**-**
2. Increases	**1,759**	**-**	**-**
2.1 Issues	-	-	-
2.2 Losses posted to:	1,759	-	-
2.2.1 Income statement	1,759	-	-
- of which: losses	-	-	-
2.2.2 Shareholders' equity	#	#	-
2.3 Transfers from other levels	-	-	-
2.4 Other increase	-	-	-
3. Decreases	**4,947**	**-**	**-**
3.1 Redemptions	-	-	-
3.2 Buybacks	-	-	-
3.3 Profits posted to:	4,947	-	-
3.3.1 Income statement	4,947	-	-
- of which: gains	4,946	-	-
3.3.2 Shareholders' equity	#	#	-
3.4 Transfers to other levels	-	-	-
3.5 Other decreases	-	-	-
4. Closing balances	**26,475**	**-**	**-**

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	31.12.2015				31.12.2014			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets held to maturity	2,663,859	2,732,671	125,432	-	2,213,497	2,242,709	154,999	-
2. Due from banks	1,737,029	-	86,936	1,653,895	1,743,446	-	164,612	1,583,116
3. Loans to customers	33,885,273	-	151,436	34,395,507	34,276,875	-	141,894	34,896,260
4. Investment property, plant and equipment	73,514	-	-	78,516	84,262	-	-	90,227
5. Non-current assets and disposal groups held for sale	-	-	-	-	2,817	-	-	-
Total	**38,359,675**	**2,732,671**	**363,804**	**36,127,918**	**38,320,897**	**2,242,709**	**461,505**	**36,569,603**
1. Due to banks	8,655,264	-	-	8,655,264	8,294,902	-	-	8,294,902
2. Due to customers	25,198,115	-	-	25,198,115	24,272,938	-	-	24,272,938
3. Debt securities in issue	8,700,062	2,606,780	3,078,037	3,123,036	8,374,185	1,116,003	4,018,022	3,385,339
4. Liabilities associated with non-current assets held for sale	-	-	-	-	-	-	-	-
Total	**42,553,441**	**2,606,780**	**3,078,037**	**36,976,415**	**40,942,025**	**1,116,003**	**4,018,022**	**35,953,179**

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 2015 between the value of transactions and their corresponding fair values.

Part B – Information on the balance sheet

Assets

Section 1 – Cash and equivalents Caption 10

1.1 Cash and cash equivalents: breakdown

	31.12.2015	31.12.2014
a) Cash	276,777	306,329
b) Demand deposits with Central Banks	-	-
Total	**276,777**	**306,329**

Section 2 – Financial assets held for trading Caption 20

2.1 Financial assets held for trading: breakdown by sector

Description/Amount	31.12.2015			31.12.2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Cash assets						
1. Debt securities	257,763	233,798	14	361,405	339,503	24
1.1 Structured securities	19,236	1,349	-	3,300	1,358	-
1.2 Other debt securities	238,527	232,449	14	358,105	338,145	24
2. Equities	64,589	48	1	36,571	68	1
3. UCITS units	56,034	-	-	45,804	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	**378,386**	**233,846**	**15**	**443,780**	**339,571**	**25**
B. Derivatives						
1. Financial derivatives	9	176,133	26,725	-	219,845	32,137
1.1 Trading	9	150,794	26,725	-	164,483	32,137
1.2 Connected with the fair value option	-	25,339	-	-	55,362	-
1.3 Other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 Trading	-	-	-	-	-	-
2.2 Connected with the fair value option	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
Total B	**9**	**176,133**	**26,725**	**-**	**219,845**	**32,137**
Total (A+B)	**378,395**	**409,979**	**26,740**	**443,780**	**559,416**	**32,162**

The derivatives connected with the fair value option (€ 25,339 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	31.12.2015	31.12.2014
A. Cash assets		
1. Debt securities	**491,575**	**700,932**
a) Governments and Central Banks	338,704	422,681
b) Other public entities	13	17
c) Banks	119,507	246,977
d) Other issuers	33,351	31,257
2. Equity instruments	**64,638**	**36,640**
a) Banks	12,815	8,858
b) Other issuers:	51,823	27,782
- insurance companies	3,635	2,482
- financial companies	545	18
- non-financial companies	47,643	25,282
- other	-	-
3. UCITS units	**56,034**	**45,804**
4. Loans	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other parties	-	-
Total A	**612,247**	**783,376**
B. Derivative instruments		
a) Banks	129,829	148,986
b) Customers	73,038	102,996
Total B	**202,867**	**251,982**
Total (A+B)	**815,114**	**1,035,358**

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	31.12.2015			31.12.2014		
	Level 1	Level 2	Level 3	Level 2	Level 2	Level 3
1. Debt securities	-	12,208	325	1,071	20,015	388
1.1 Structured securities	-	-	-	-	4,000	-
1.2 Other debt securities	-	12,208	325	1,071	16,015	388
2. Equity instruments	3	476	-	3	465	4,151
3. UCITS units	20,710	-	3,177	31,739	-	4,924
4. Loans	-	-	-	-	-	-
4.1 Structured	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total	**20,713**	**12,684**	**3,502**	**32,813**	**20,480**	**9,463**
Cost	**18,324**	**12,887**	**2,210**	**32,054**	**19,711**	**9,542**

3.2 Financial assets designated at fair value through profit and loss: use of the fair value option

Description	31.12.2015	31.12.2014
a) Natural hedges using derivatives	-	-
a) Natural hedges using other financial instruments	-	-
c) Other cases of accounting mismatches	-	-
d) Financial instruments managed and measured at fair value	36,899	58,756
e) Structured products with embedded derivatives	-	4,000
Total	**36,899**	**62,756**

3.2 Financial assets designated at fair value through profit and loss: breakdown by borrower/issuer

Description/Amounts	31.12.2015	31.12.2014
1. Debt securities	**12,533**	**21,474**
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	7,274	10,856
d) Other issuers	5,259	10,618
2. Equity instruments	**479**	**4,619**
a) Banks	-	-
b) Other issuers:	479	4,619
- insurance companies	-	-
- financial companies	-	-
- non-financial companies	479	4,619
- other	-	-
3. UCITS units	**23,887**	**36,663**
4. Loans	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other parties	-	-
Total	**36,899**	**62,756**

Analysis of UCITS units

Description	31.12.2015	31.12.2014
1. Equities	-	998
2. Property - closed end	8,079	7,451
3. Equities - open end	7,855	7,191
4. Balanced - open end	-	-
5. Bonds - open end	2,008	2,002
6. Equities closed end	2,464	3,049
7. Speculative securities	712	1,875
8. Bonds - short term	-	-
9. Bonds - long term	-	12,051
10. Other	2,769	2,046
Total	**23,887**	**36,663**

Section 4 – Financial assets available for sale
Caption 40

4.1 Financial assets available for sale: breakdown by sector

Description/Amounts	31.12.2015			31.12.2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt securities	**6,030,772**	**351,790**	**10,134**	**4,768,866**	**304,677**	**10,177**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	6,030,772	351,790	10,134	4,768,866	304,677	10,177
2. Equity instruments	**4,768**	**-**	**250,161**	**2,702**	**-**	**330,960**
2.1 Valued at fair value	4,768	-	220,477	2,702	-	284,394
2.2 Valued at cost	-	-	29,684	-	-	46,566
3. UCITS units	**37,831**	**-**	**60,598**	**31,203**	**-**	**50,828**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**6,073,371**	**351,790**	**320,893**	**4,802,771**	**304,677**	**391,965**

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	31.12.2015	31.12.2014
1. Debt securities	**6,392,696**	**5,083,720**
a) Government and Central Banks	3,894,543	3,506,002
b) Other public entities	18,364	-
c) Banks	2,036,508	1,375,423
d) Other issuers	443,281	202,295
2.Equity instruments	**254,929**	**333,662**
a) Banks	115,565	176,224
b) Other issuers:	139,364	157,438
- insurance companies	54,462	55,332
- financial companies	48,498	52,443
- non-financial companies	36,340	49,602
- other	64	61
3. UCITS units	**98,429**	**82,031**
4. Loans	**-**	**-**
a) Government and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other parties	-	-
Total	**6,746,054**	**5,499,413**

4.3 Micro-hedged financial assets available for sale

	31.12.2015	31.12.2014
1. Financial assets covered by specific fair value hedges	**893,382**	**-**
a) Interest rate risk	893,382	-
b) Price risk	-	-
c) Foreign exchange risk	-	-
d) Credit risk	-	-
e) Multiple risks	-	-
2. Financial assets covered by specific cash flow hedges	**284,181**	**271,680**
a) Interest rate risk	284,181	271,680
b) Foreign exchange risk	-	-
c) Other	-	-
Total	**1,177,563**	**271,680**

Section 5 – Financial assets held to maturity Caption 50

5.1 Financial assets held to maturity: breakdown by sector

	31.12.2015				31.12.2014			
	BV	FV			BV	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt securities	2,663,859	2,732,671	125,432	-	2,213,497	2,242,709	154,999	-
- structured	-	-	-	-	-	-	-	-
- other	2,663,859	2,732,671	125,432	-	2,213,497	2,242,709	154,999	-
2. Loans	-	-	-	-	-	-	-	-
Total	**2,663,859**	**2,732,671**	**125,432**	**-**	**2,213,497**	**2,242,709**	**154,999**	**-**

The increase of € 450,362 thousands (+20.35%), mainly relating to banks 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	31.12.2015	31.12.2014
1. Debt securities	**2,663,859**	**2,213,497**
a) Governments and Central Banks	1,423,156	1,501,136
b) Other public entities	9,954	9,973
c) Banks	975,305	529,313
d) Other issuers	255,444	173,075
2. Loans	**-**	**-**
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other entities	-	-
Total	**2,663,859**	**2,213,497**
Total fair value	**2,858,103**	**2,397,708**

Section 6 – Due from banks
Caption 60

6.1 Due from banks: breakdown by sector

Type of transaction/Amounts	Total 31.12.2015				Total 31.12.2014			
	BV	FV			BV	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Due from Central Banks	**248,025**	**#**	**#**	**248,025**	**107,947**	**-**	**-**	**107,947**
1. Restricted deposits	-	#	#	#	-	#	#	#
2. Reserve requirement	248,025	#	#	#	107,947	#	#	#
3. Repurchase agreements	-	#	#	#	-	#	#	#
4. Other	-	#	#	#	-	#	#	#
B. Due from banks	**1,489,004**	**-**	**86,936**	**1,405,870**	**1,635,499**	**-**	**164,612**	**1,475,169**
1. Loans	1,405,870	#	#	1,405,870	1,475,169	-	-	1,475,169
1.1. Current accounts and demand deposits	412,274	#	#	#	581,069	#	#	#
1.2. Restricted deposits	256,065	#	#	#	416,453	#	#	#
1.3. Other loans	737,531	#	#	#	477,647	#	#	#
- Repurchase agreements	129,275	#	#	#	184,780	#	#	#
- Finance leases	-	#	#	#	-	#	#	#
- Other	608,256	#	#	#	292,867	#	#	#
2. Debt securities	83,134	#	86,936	#	160,330	-	164,612	-
2.1 Structured securities	-	#	#	#	-	#	#	#
2.2 Other debt securities	83,134	#	#	#	160,330	#	#	#
Total	**1,737,029**	**-**	**86,936**	**1,653,895**	**1,743,446**	**-**	**164,612**	**1,583,116**

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	31.12.2015					
	Book value			Fair value		
	Performing loans	Non-performing loans		L1	L2	L3
		Purchased	Other			
Loans	**29,326,881**	**-**	**4,285,814**	**-**	**-**	**34,259,321**
1. Current accounts	5,349,289	-	707,568	#	#	#
2. Repurchase agreements	-	-	-	#	#	#
3. Mortgage loans	17,628,982	-	2,692,710	#	#	#
4. Credit cards, personal loans and assignments of one-fifth of salary	886,941	-	41,099	#	#	#
5. Finance leases	-	-	-	#	#	#
6. Factoring	-	-	-	#	#	#
7. Other loans	5,461,669	-	844,437	#	#	#
Debt securities	**271,668**	**-**	**910**	**-**	**151,436**	**136,186**
8. Structured securities	-	-	-	#	#	#
9. Other debt securities	271,668	-	910	#	#	#
Total	**29,598,549**	**-**	**4,286,724**	**-**	**151,436**	**34,395,507**

Type of transaction/Values	31.12.2014					
	Book value			Fair value		
	Performing loans	Non-performing 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**

The sub-caption "Other loans" of performing loans includes € 2,422,754 thousand of bullet loans (€ 3,699,415 thousand at the end of 2014), € 2,004,117 thousand of advances on invoices subject to collection (€ 2,351,506 thousand at the end of 2014), € 747,141 thousand of import/export advances (€735,662 thousand at the end of 2014), € 44,172 thousand of credit assignment (€ 73,737 thousand at the end of 2014) and € 243,485 thousand of other miscellaneous entries (€ 179,801 thousand at the end of 2014).

7.2 Loans to customers: breakdown by borrower/issuer

Type of transaction/Amounts	31.12.2015			31.12.2014		
	Performing loans	Non-performingl loans		Performing loans	Non-performing loans	
		Purchased	Other		Purchased	Other
1.Debt securities:	**271,668**	**-**	**910**	**295,924**	**-**	**888**
a) Governments	-	-	-	-	-	-
b) Other public entities	282	-	-	5,457	-	-
c) Other issuers	271,386	-	910	290,467	-	888
- non-financial companies	4,774	-	910	4,710	-	888
- financial companies	163,042	-	-	168,516	-	-
- insurance companies	103,570	-	-	117,241	-	-
- other	-	-	-	-	-	-
2. Loans to:	**29,326,881**	**-**	**4,285,814**	**29,545,742**	**-**	**4,434,321**
a) Governments	1,680,875	-	1	1,558,838	-	-
b) Other public entities	111,268	-	6,102	140,741	-	6,301
c) Other parties	27,534,738	-	4,279,711	27,846,163	-	4,428,020
- non-financial companies	16,434,487	-	3,605,965	16,542,424	-	3,784,543
- financial companies	3,642,105	-	159,017	4,425,622	-	123,183
- Insurance companies	14,186	-	-	9,239	-	-
- other	7,443,960	-	514,729	6,868,878	-	520,294
Total	**29,598,549**	**-**	**4,286,724**	**29,841,666**	**-**	**4,435,209**

7.3 Micro-hedged loans to customers

	31.12.2015	31.12.2014
1. Loans with fair value micro-hedge	**-**	**6,982**
a) Interest rate risk	-	6,982
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**

Section 8 – Hedging derivatives
Caption 80

8.1 Hedging derivatives: breakdown by type and level

	Fair Value 31.12.2015			NV	Fair Value 31.12.2014			NV
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives	-	**35,715**	-	**1,950,563**	-	**33,660**	-	**1,274,155**
1) Fair value	-	35,715	-	1,950,563	-	33,273	-	1,216,655
2) Cash flows	-	-	-	-	-	387	-	57,500
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	-	**35,715**	-	**1,950,563**	-	**33,660**	-	**1,274,155**

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	-	-	-	-	-	#	-	#	#
2. Loans	-	-	-	#	-	#	-	#	#
3. Financial assets held to maturity	#	-	-	#	-	#	-	#	#
4. Portfolio	#	#	#	#	#	-	#	-	#
5. Other operations	-	-	-	-	-	#	-	#	-
Total assets	-	-	-	-	-	-	-	-	-
1. Financial liabilities	35,715	-	-	#	-	#	-	#	#
2. Portfolio	#	#	#	#	#	-	#	-	#
Total liabilities	**35,715**	-	-	-	-	-	-	-	-
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: information on shareholdings

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 Bper (Europe) International s.a.	Luxembourg	Luxembourg	100.000	
3 Banco di Sardegna s.p.a.	Cagliari	Sassari	50.603	51.000
4 BPER Credit Management s.cons.p.a.	Modena	Modena	68.000	
5 BPER Services s.cons.p.a.	Modena	Modena	93.638	
6 BPER Trust Company s.p.a.	Modena	Modena	100.000	
7 Cassa di Risparmio di Bra s.p.a.	Bra	Bra	67.000	
8 EMRO Finance Ireland Limited	Dublin (Ireland)	Dublin (Ireland)	100.000	
9 Emilia Romagna Factor s.p.a.	Bologna	Bologna	94.403	
10 Estense Covered Bond s.r.l.	Conegliano	Conegliano	60.000	
11 Estense CPT Covered Bond s.r.l.	Conegliano	Conegliano	60.000	
12 Italiana Valorizzazioni Immobiliari s.r.l.	Milan	Milan	100.000	
13 Melior Valorizzazioni Immobili s.r.l.	Milan	Milan	100.000	
14 Modena Terminal s.r.l.	Campogalliano	Campogalliano	100.000	
15 Mutina s.r.l.	Modena	Modena	100.000	
16 Nadia s.p.a.	Modena	Modena	100.000	
17 Nettuno Gestione Crediti s.p.a.	Bologna	Bologna	100.000	
18 Optima s.p.a. S.I.M.	Modena	Modena	100.000	
19 Polo Campania s.r.l.	Avellino	Avellino	100.000	
20 Sardaleasing s.p.a.	Sassari	Milan	51.440	
21 SIFA' - Società Italiana Flotte Aziendali s.p.a.	Milan/Reggio Emilia	Milan	35.000	
Indirect:				
22 Banca di Sassari s.p.a.	Sassari	Sassari	18.306	
B. Investments in companies under joint control				
C. Associates (subject to significant influence)				
1 Alba Leasing s.p.a.	Milan	Milan	33.498	
2 Arca SGR s.p.a.	Milan	Milan	32.752	
3 Atriké s.p.a.	Modena	Modena	45.000	
4 Banca della Nuova Terra s.p.a.	Milan	Milan	30.369	
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 Cassa di Risparmio di Savigliano s.p.a.	Savigliano	Savigliano	31.006	
8 CAT Progetto Impresa Modena s.c.r.l.	Modena	Modena	20.000	
9 Co.Ba.Po. Consorzio Banche popolari dell'Emilia Romagna	Bologna	Bologna	23.587	
10 CONFORM Consulenza Formazione e Management s.cons. a r.l.	Avellino	Avellino	46.430	
11 Lanciano Fiera - Polo Fieristico d'Abruzzo Consorzio	Lanciano	Lanciano	20.000	
12 Resiban s.p.a.	Modena	Modena	20.000	
13 Sintesi 2000 s.r.l.	Milan	Milan	33.333	
14 Unione Fiduciaria s.p.a.	Milan	Milan	24.000	

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.

Despite having subscribed for just 35% of SIFA' - Società Italiana Flotte Aziendali s.p.a., BPER has acquired de facto control by virtue of being able to exercise significant influence over the company's strategic financial and operating decisions.

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 less costs to sell and its value in use.
The recoverable value of each investment has been estimated as being equal to the pro rata value in use of the bank under examination. For the estimate of the value in use, assumptions, parameters and methodology, reference should be made to Part B - Assets Section 12 "Intangible assets" relating to the impairment test on goodwill.

Bank	Investment % (1)	Book value	Difference (2)
CR Bra s.p.a.	67.00%	65.5	8.8
Banco di Sardegna s.p.a.	50.58%	614.0	79.1
Banco di Sassari s.p.a. (quota BPER)	18.30%	40.1	18.2

Amounts in millions of Euro

(1) % relating to 30 November 2015.
(2) Equal to the difference between the pro rata value in use of the bank and the value of the investment.

With respect to equity investments at 31 December 2015, 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 associated banks have been 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 with a discount rate of 8.10% and a long-term growth rate of 2%.
A different discount rate has been applied compared with that used for the impairment test of BPER's goodwill and those recorded in the Consolidated financial statements; in this case, the difference is due to the use of a beta calculated with reference to a sample mainly consisting of regional banks and not that of the BPER Group; this choice lies in the different ownership interest, which leaves greater operational and strategic autonomy to associates and, therefore, less subject to the Group's specific risk.
In detail, reference has been made to:

- risk-free rate of 1.66%, i.e. the 3-month average yield on 10-year BTPs;
- market risk premium of 5.50%;
- beta of 1.17 equal to the average based on a sampling of Italian listed banks with mainly regional activities, a small-medium size and focused on Retail customers.

For more details on the methodology and parameters, reference should be made to the section on goodwill impairment testing in Part B -– Assets Section 12 "Intangible assets".

The value in use was estimated by discounting future cash flows relating to an explicit forecast period of five years, from 2016 to 2020. The forecasts were drawn up considering:

- for 2015, the trend registered until 30 June 2015, or a later date, of the quarterly financial situations, where available;
- for 2016-2018, the estimates contained in the plans prepared for CR Savigliano s.p.a. and CR Fossano s.p.a, while for CR Saluzzo s.p.a., in the absence of an updated plan, reference was made to the historical evolution of the bank, the system estimates provided by Prometeia and the indications on implicit growth rates in the projections of the other Casse Cuneesi;
- for the period 2019-2020, financial projections were developed in a context of inertial growth in order to identify sustainable long-term normalised income.

Distributable cash flows have been calculated assuming a regulatory requirement of 8.50% 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%)	Equity investment		
		Book value(1)	Equity investment recoverable amount	Impairment
CR Saluzzo s.p.a.	85.2	25	26.4	NO
CR Savigliano s.p.a.	98.2	29.1	30.5	NO
CR Fossano s.p.a.	173.1	41.4	40	-1.4

Amounts in millions of Euro

(1) The book value is the sum of the portion of the net assets and goodwill recorded in the financial statements.

From the analysis carried out, there has been an impairment of Euro 1.4 million relating to CR Fossano s.p.a.

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 following table shows the loss of the potential 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%	+50 bps	+25 bps	0 bps	-25 bps	-50 bps
CR Saluzzo s.p.a.	-0.5	No	No	No	No	-0.5	No	No	No	No
CR Savigliano s.p.a.	-0.7	No	No	No	No	-0.7	No	No	No	No
CR Fossano s.p.a.	-4.1	-2.8	-1.4	-0.1	No	-4.2	-2.9	-1.4	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.	8.46%	-7.4%
CR Savigliano s.p.a.	8.42%	-6.7%
CR Fossano s.p.a.	7.87%	5.2%

10.5 Equity investments: change in the period

	31.12.2015	31.12.2014
A. Opening balance	**1,379,467**	**2,273,730**
B. Increases	**99,812**	**106,514**
B.1 Purchases	69,639	48,037
B.2 Write-backs	-	-
B.3 Revaluation	-	-
B.4 Other changes	30,173	58,477
C. Decreases	**7,490**	**1,000,777**
C.1 Sales	80	-
C.2 Adjustments	7,410	7,487
C.3 Other changes	-	993,290
D. Closing balance	**1,471,789**	**1,379,467**
E. Total revaluations	-	-
F. Total adjustments	**154,050**	**146,640**

Increases due to purchases (caption B.1) refer to:
Arca SGR s.p.a.:
- Purchase of 6,166,000 shares from Banco Popolare s.c. for € 59,312 thousand;
- Purchase of 210,984 shares from Banca popolare dell'Alto Adige s.p.a. for € 2,029 thousand.
Banca di Sassari s.p.a.:
- Purchase of 131,166 shares for € 380 thousand;
Banco di Sardegna s.p.a.:
- Purchase of 10.265 saving shares for € 83 thousand;
Emilia Romagna Factor s.p.a.:
- Purchase of 134,389 shares from HBC s.p.a. for € 3,012 thousand;
- Purchase of 168,451 shares from Les Copains Holding s.p.a. for € 3,775 thousand;
Sardaleasing s.p.a.:
- Purchase of 654 shares from Camera di Commercio di Cagliari for € 38 thousand.
SIFÀ - Società Italiana Flotte Aziendali s.p.a.
- Subscription to 32,808 shares in connection with an increase in share capital of the company for € 323 thousand.
BPER Credit Management s.c.p.a.
- Subscription to 68,000 shares at the time the company was set up for € 680 thousand.
Estense CPT Covered Bond s.r.l.
- Purchase of 1 quote from Svm Securitisation Vehicles Management s.r.l. for € 7 thousand.

"Other increases" (caption B.4) refer to:
- transfer to 9.999.000 shares of Arca SGR s.p.a. from AFS portfolio to equity investments (€ 26,997 thousand);
- increase in the value of the equity investment in Melior Valorizzazioni Immobili s.r.l. (€ 452 thousand), with its simultaneous write-down to zero as explained below
- Capital contribution in favour of Polo Campania s.p.a. (a subsidiary) to cover carry forward losses and recapitalise the company (€ 2,192 thousand)
- capital contribution in favour of the subsidiary Italiana Valorizzazioni Immobiliari s.p.a. (€ 530 thousand)
- gain on sale of 840 shares in BPERr Services s.c.p.a. to Cassa di Risparmio di Bra s.p.a. (€ 2 thousand).

Sales (caption C.1) relate to:
- sale of 840 shares in BPER Services to Cassa diRisparmio di Bra s.p.a. (€ 80 thousand).

"Adjustments" (caption C.2.) refer to:
- impairment made to the holding in Banca della Nuova Terra s.p.a. (€ 2,894 thousand);
- impairment made to the holding in Cassa di Risparmio di Fossano s.p.a. (€ 1,416 thousand);
- impairment made to the holding in Alba Leasing s.p.a. (€ 410 thousand);
- impairment made to the holding in BPER Trust Company s.p.a. (€ 45 thousand);
- impairment made to the holding in Melior Valorizzazioni Immobili s.r.l. (€ 452 thousand);
- impairment made to the holding in Polo Campania s.r.l. (€ 2,191 thousand);
- impairment made to the holding in CAT Progetto Impresa Modena s.c.r.l. (€ 2 thousand).

The main transaction that affected "Equity investments" was the purchase of additional shares in Arca SGR s.p.a.
On 22 December 2015, having obtained the necessary authorisations from the competent Supervisory Authorities, BPER completed the acquisition of 6,376,984 ordinary shares (12.754% of the share capital) of Arca SGR s.p.a., assigned on completion of the pre-emption process.

As a result, at 31 December 2015 BPER owns 32.752% of Arca SGR s.p.a., including it as one of the significant investments in its portfolio. BPER increased its share from 19.998% to 32.752% through a step acquisition, a situation not regulated in IAS 27, which dictates how investments in associates should be accounted for in the Separate financial statements. Measurement at fair value subsequent to initial recognition went to feed the AFS reserve in equity. Waiting for the standard setters to express themselves also for Separate financial statements on the issue of step acquisitions (currently regulated only in the Consolidated financial statements), the equity reserve that was set up has been reversed with the contra-entry going against the value of the investment. The internal rule that the Bank adopted in 2012 has been eliminated, as reported in Part A.2 of these notes.

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	31.12.2015	31.12.2014
1. Assets owned	**362,268**	**366,872**
a) land	86,481	86,019
b) buildings	232,076	233,820
c) furniture	20,424	22,655
d) electronic systems	8,189	6,996
e) other	15,098	17,382
2. Assets purchased under finance leases	**2,478**	**2,573**
a) land	-	-
b) buildings	2,478	2,573
c) furniture	-	-
d) electronic systems	-	-
e) other	-	-
Total	**364,746**	**369,445**

11.2 Investment property: breakdown of assets valued at cost

Description/Amounts	Total 31.12.2015				Total 31.12.2014			
	Book value	Fair value			Book value	Fair value		
		L1	L2	L3		L1	L2	L3
1. Assets owned	**73,514**	**-**	**-**	**78,516**	**84,262**	**-**	**-**	**90,227**
a) land	26,115	-	-	29,846	26,660	-	-	26,898
b) buildings	47,399	-	-	48,670	57,602	-	-	63,329
2. Assets purchased under finance leases	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
Total	**73,514**	**-**	**-**	**78,516**	**84,262**	**-**	**-**	**90,227**

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	31.12.2015
A. Opening gross amount	**86,019**	**332,236**	**118,139**	**75,673**	**151,364**	**763,431**
A.1 Total net write-downs	-	95,843	95,484	68,677	133,982	393,986
A.2 Opening net amount	**86,019**	**236,393**	**22,655**	**6,996**	**17,382**	**369,445**
B. Increases	**754**	**20,415**	**1,193**	**3,458**	**3,399**	**29,219**
B.1 Purchases	-	3,710	1,193	3,458	3,399	11,760
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	754	13,753	-	-	-	14,507
B.7 Other changes	-	2,952	-	-	-	2,952
C. Decreases	**292**	**22,254**	**3,424**	**2,265**	**5,683**	**33,918**
C.1 Sales	-	4,788	39	-	10	4,837
C.2 Depreciation	-	9,897	3,385	2,265	5,673	21,220
C.3 Impairment charges posted to:	-	4,565	-	-	-	4,565
a) shareholders' equity	-	-	-	-	-	-
b) income statement	-	4,565	-	-	-	4,565
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:	292	3,004	-	-	-	3,296
a) property, plant and equipment held for investment	292	3,004	-	-	-	3,296
b) non-current assets held for sale	-	-	-	-	-	-
C.7 Other changes	-	-	-	-	-	-
D. Closing net balance	**86,481**	**234,554**	**20,424**	**8,189**	**15,098**	**364,746**
D.1 Total net write-downs	-	109,140	98,821	70,189	138,630	416,780
D.2 Closing gross amount	**86,481**	**343,694**	**119,245**	**78,378**	**153,728**	**781,526**

The depreciation accumulated at 31 December 2015 in relation to assets sold during the year amounted to € 1,826 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 2015, 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.
As a result of the updated valuation of the property portfolio at fair value it was found necessary to write down the carrying amount of several properties, recording an impairment loss of € 4,565.3 thousand.

11.6 Investment property: changes in the period

	31.12.2015	
	Land	Buildings
A. Opening gross amount	**26,660**	**72,452**
A.1 Total net write-downs	-	14,850
A.2 Opening net amount	**26,660**	**57,602**
B. Increases	**1,174**	**5,077**
B.1 Purchases	-	139
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	292	3,004
B.7 Other changes	882	1,934
C. Decreases	**1,719**	**15,280**
C.1 Sales	55	117
C.2 Depreciation	-	1,148
C.3 Negative changes in fair value	-	-
C.4 Impairment changes	910	262
C.5 Exchange losses	-	-
C.6 Transfers to other asset portfolios:	754	13,753
a) property used in business	754	13,753
b) non-current assets held for sale	-	-
C.7 Other changes	-	-
D. Closing net balance	**26,115**	**47,399**
D.1 Total net write-downs	-	-
D.2 Closing gross amount	**26,115**	**47,399**
E. Measured at fair value	**29,846**	**48,670**

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 € 1,172.4 thousand.

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

Depreciation is calculated with reference to the estimated useful lives of the assets concerned, commencing from when they enter into service.

Section 12 – Intangible assets
Caption 120

12.1 Intangible assets: breakdown by type

Description/Amounts	31.12.2015		31.12.2014	
	Limited duration	Unlimited duration	Limited duration	Unlimited duration
A.1 Goodwill	**#**	**280,236**	**#**	**280,236**
A.2 Other intangible assets	**18,056**	**-**	**20,004**	**-**
A.2.1 Carried at cost:	18,056	-	20,004	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	18,056	-	20,004	-
A.2.2 Carried at fair value:	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**18,056**	**280,236**	**20,004**	**280,236**

Other intangible assets" include € 14,667 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	31.12.2015	31.12.2014
- Purchase of UniCredit branches	83,650	83,650
- 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	6,876
- Banca Popolare del Mezzogiorno s.p.a.	6,124	6,124
- Banca della Campania s.p.a.	51,346	51,346
Total	**280,236**	**280,236**

The detailed figures represent a purely historical and accounting situation, in any case combined in the only identifiable CGU represented by the Legal Entity BPER.

Goodwill impairment test

IFRS 3 "Business Combinations" requires that new intangible assets should be recorded, including any goodwill that arises as the result of an acquisition, as described in detail in Part A.2 of these notes under paragraph 23 "Business Combinations: allocation of purchase cost".
Goodwill represents the difference between the acquisition cost and the fair value at the acquisition date of assets and liabilities of the acquired company. In accordance with IAS 36, the value of the assets characterised by an indefinite useful life, including goodwill, must be tested annually for impairment to verify their recoverability. In addition, for intangible assets with a finite useful life, the test should be performed whenever there are signs of impairment.
In recent years, BPER has been subject to a series of internal reorganisation transactions, including the merger of a number of subsidiary banks (specifically, Banca Popolare di Lanciano e Sulmona s.p.a., Banca Popolare di Aprilia s.p.a., CARISPAQ – Cassa di Risparmio della Provincia dell'Aquila s.p.a, Banca Popolare di Ravenna s.p.a., Banca della Campania s.p.a and Banca Popolare del Mezzogiorno s.p.a., Meliorbanca s.p.a.) that did not result in changes in the amounts of goodwill, but simply a different allocation of their value to the Cash Generating Units (CGUs).
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.
According to IAS 36, there is a need to correlate the level at which goodwill is tested with the internal reporting level at which management controls movements in this value. In this regard, the definition of this level is closely dependent on the organisational models and the attribution of management responsibilities for the definition of operating activities and subsequent monitoring. Organisational models can be related to the articulation of legal entities through which operations are developed or to the definition of the business's operating sectors that are the basis of segment reporting as envisaged by IFRS 8.
The characteristics of the individual business units merged, which were fully absorbed by BPER's organisation and its structure, in terms of both the commercial network and risk management, led to the identification of the Bank as a whole as the CGU, representing the lowest level at which Management checks the profitability of an investment. In addition, planning processes and reporting systems are managed at the level of the individual Legal Entity.
Goodwill recorded in the Bank's assets for a total of Euro 280.2 million is therefore 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.
According to IAS 36, impairment testing has to be performed by comparing the carrying amount of a CGU with its recoverable value, where the recoverable amount is the higher of its fair value less costs to sell and its value in use.

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 these 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 no longer apply, suggesting that there may be a permanent loss in value (i.e. "impairment"), the tests are repeated every six months.

Measurement methodology

For the purpose of impairment testing, reference was made to the value in use which based on the valuation method proposed by IAS 36, is the one 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, including the terminal value calculated as a perpetuity estimated on the basis of an economically sustainable normalised cash flow and consistent with the long-term growth rate. 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:

$$W = \sum_{i=0}^{n} CF_i(1+k_e)^{-i} + TV(1+k_e)^{-n}$$

Key:
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.

Estimate of cash flows

The value in use was estimated by discounting future cash flows relating to an explicit forecast period of five years, from 2016 to 2020. The forecasts were drawn up following three stages of evaluation:

- for 2015, reference was made to the preliminary results of BPER;
- for 2016, budget figures were used;
- for the period 2017-2020, financial projections were developed in a context of inertial growth in order to identify sustainable long-term normalised income.

The table below shows the average growth rate assumptions for deposits and profitability indicators in respect of the projections used to estimate the value in use.

CGU	CAGR 2015-2020			Profitability indicators at 2020		
	Loans	Direct deposits	Indirect deposits	Net interest and other banking income/VH	Net impairment loans	Operating costs/VH
BPER	2.2%	1.9%	3.0%	1.57%	0.60%	0.88%

Key:
VH = Volumes handled (Loans+Total Deposits)

Briefly, in the explicit forecast period we expect:

- a growth in loans helped by a recovery, albeit weak, in the economy that will affect all components of demand (mortgages, loans, etc.);
- development in direct deposits that reflects a recovery in savings for households, influenced in any case by a situation of limited economic growth;
- a significant increase in indirect deposits in the field of assets under management/insurance;
- a gradual, if limited, recovery in customer spread in the medium-term helped by a faster increase in interest rates on loans rather than on deposits;
- higher net commission income thanks to the increase in volumes rather than an improvement in the percentage margin;
- cost of credit falling gradually from 2016, favoured by an improvement in the economic environment and more selective lending;
- operating costs down slightly in 2016-2017, mainly because of the decline in payroll costs, though they will tend to rise again in the following period.

The forecast figures used in the inertial period are characterised by limited growth and are in line with the evolution expected in the budget; however, it should be noted that the forecasts are sensitive to changes in the macroeconomic scenario which is significantly impacted by the situation of uncertainty on the timing and strength of the Italian economy's recovery. For this reason, sensitivity analyses of the value in use of the CGU to changes in certain significant parameters used for valuation purposes have been carried out.

The Terminal Value, i.e. the value for the period following that covered by the explicit projections, has been estimated by considering a normalised flow generated by income in the last year of the projections, net of physiological capital absorption, and applying a nominal long-term growth rate of 2%, substantially in line with expected long-term inflation.
Distributable cash flows have been calculated assuming a Tier 1 Ratio target of 8.50%, in line with supervisory provisions, and able to maintain a satisfactory level of capitalisation in line with the expected growth in business.

Discount rate

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), using the following formula:

$$k_e = R_f + \beta \times (R_m - R_f)$$

Key:
R_f = Risk free rate;
$(R_m - R_f)$ = Market risk premium;
β = Beta.

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 and the premium for the average risk recognised by the market for the company being valued.
The discount rate was estimated as 9.36%, considering the following parameters:

- the risk free rate 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). In the latter period the yield on Italian government bonds reduced the gap compared with German Bunds, 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;
- the market risk premium, i.e. 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 of 5.50%, as used in valuations by various operators;
- 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. Unlike past years, when a beta calculated on a sample composed of mainly regional banks was used, the BPER Group's beta has been used, given the increasing integration of subsidiary banks and therefore more sharing of the Group's specific risk. We used a 3-year period of observation which eliminates or at least limits any particular fluctuations.

The following table provides a comparison with the discount rate used for impairment tests at the end of the previous year.

Discount rate	2015	2014
Risk free rate	1.66%	2.35%
Equity risk premium	5.50%	5.50%
Beta	1.4	1.14
Cost of capital (Ke)	**9.36%**	**8.63%**

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 2015.
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 the above assumptions, the value in use of the CGU (BPER) exceeds the carrying amount, including goodwill, thus confirming that there has been no impairment of the goodwill amount recorded in the financial statements of Euro 280.2 million.

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 estimates of value in use and therefore on the results of the impairment test, of changes in the key parameters on which the valuation model was based. In particular, we verified the impact on the value in use of a change in the:

- basic discount rate (9.36%) of +25 bps;
- basic long-term growth rate "g" (2%) of -50 bps;
- basic Tier 1 ratio (8.50%) of +50 bps;
- adjustments to loans in the last year of the basic forecast (to 0.60%) of +10 bps.

The following table shows the sensitivity (in percentage terms) of the value in use of the CGU compared with that obtained using the "basic" parameters.

CGU	Change in the basic value in use			
	ke Rate +25 bps	“g” Rate -50 bps	Tier 1 ratio +50 bps	Adjustments +10 bps
BPER	-2.21%	-1.74%	-2.56%	-4.01%

According to what is shown in the above table, changes in the Ke (up), in the "g" rate (down), the Tier 1 ratio or adjustments to loans (the latter two both up) would result in a decrease in the value in use of between 1.74% and 4.01%.
In none of these cases is a value in use recalculated on the basis of changed parameters lower than the book amount of the CGU. The following table shows (in percentage terms) the excess of value in use recalculated on the basis of the sensitivity parameters compared with the book value of the CGU.

CGU	Excess of value in use recalculated on the book value			
	ke Rate +25 bps	"g" Rate -50 bps	Tier 1 ratio +50 bps	Adjustments +10 bps
BPER	19.60%	20.10%	19.10%	17.30%

Again from a Stress Test point of view, alternative variations were considered:

- in the discount rate;
- in the normalised cash flow of the last period of the projections (used to estimate the Terminal Value);
- in the Tier 1 ratio such that BPER's value in use is equal to its book value; in other words, the threshold value of the main inputs, beyond which impairment testing of the CGU would result in a loss.

CGU	Ke limit rate	Limit redaction normalised cash flow	Tier 1 ratio limit
BPER	12.09%	-38.50%	12.10%

The results of these analyses show that there is a wide gap between the amounts used for the impairment test 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		31.12.2015
		Lim.	Unilm.	Lim.	Unilm.	
A. Opening balance	**280,236**	**-**	**-**	**32,375**	**-**	**312,611**
A.1 Total net write-downs	-	-	-	12,371	-	12,371
A.2 Opening net amount	**280,236**	**-**	**-**	**20,004**	**-**	**300,240**
B. Increases	**-**	**-**	**-**	**527**	**-**	**527**
B.1 Purchases	-	-	-	524	-	524
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	-	-	-	3	-	3
C. Decreases	**-**	**-**	**-**	**2,475**	**-**	**2,475**
C.1 Sales	-	-	-	-	-	-
C.2 Adjustments	-	-	-	2,473	-	2,473
- Amortisation	#	-	-	2,473	-	2,473
- 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	-	-	-	2	-	2
D. Closing net balance	**280,236**	**-**	**-**	**18,056**	**-**	**298,292**
D.1 Total net value adjustments	-	-	-	14,844	-	14,844
E. Closing gross amount	**280,236**	**-**	**-**	**32,900**	**-**	**313,136**

All intangible assets are stated at cost.

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	631,711	57,271	688,982
Write-downs of equity investments and securities	10,509	5,518	16,027
Goodwill	143,998	29,166	173,164
Personnel provisions	50,774	3,553	54,327
Endorsement credits, revocatory action during bankruptcy	45,567	3,786	49,353
Depreciation of property, plant and equipment and amortisation of intangible assets	8,641	438	9,079
Other deferred tax assets	7,778	795	8,573
Total	**898,978**	**100,527**	**999,505**

The total includes tax assets under Law 214/2011 for an amount of € 862,146 thousand.

13.2 Deferred tax liabilities: breakdown

	IRES	IRAP	Total
Goodwill	10,442	2,115	12,557
Payroll	1,518	-	1,518
Depreciation of property, plant and equipment and amortisation of intangible assets	1,996	330	2,326
Gains on disposal of lines of business	996	-	996
Gains from the sale of shares and bonds	41,029	10,323	51,352
Equity investments	245	-	245
Other deferred tax liabilities	1,495	303	1,798
Total	**57,721**	**13,071**	**70,792**

13.3 Changes in deferred tax assets (with contra-entry to income statement)

	31.12.2015	31.12.2014
1. Opening balance	**895,606**	**671,409**
2. Increases	**86,557**	**335,407**
2.1 Deferred tax assets arising during the year	86,557	214,532
a) relating to prior years	-	-
b) due to changes in accounting policies	-	-
c) write-backs	-	-
d) other	86,557	214,532
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	120,875
3. Decreases	**21,029**	**111,210**
3.1 Deferred tax assets derecognised during the year	21,029	109,027
a) reversals	21,029	109,027
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
a) transformation of tax credits referred as per L. 214/2011	-	2,183
b) other	-	-
4. Closing balance	**961,134**	**895,606**

The item 2.1.d) "Increases - other" is composed primarily of deferred tax assets recognised on taxed provisions for non-performing loans of € 46,603 thousand; payroll costs, € 8,622 thousand; provisions for redundancy incentives for € 11.552 mila; provisions for legal disputes of € 11,390 thousand, provisions for clawback actions during bankruptcy proceedings of € 1,477 thousand; write-down on property and financial asset of € 2,636 thousand.

13.3.1 Changes in deferred tax assets as per Law 214/2011 (with contra-entry to the income statement)

	31.12.2015	31.12.2014
1. Opening balance	**818,508**	**620,689**
2. Increases	**47,936**	**288,712**
3. Decreases	**4,298**	**90,893**
3.1 Reversals	4,298	88,710
3.2 Transformations into tax credits	-	2,183
a) arising from losses	-	2,183
b) arising from tax losses	-	-
3.3 Other decreases	-	-
4. Closing balance	**862,146**	**818,508**

Decree Law 225/2010, converted with amendments into Law 10/2011, at the 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 possibility to transform into tax credits any DTAs recognised in the financial statements for the part of IRES tax losses arising from deduction of temporary differences relating to adjustments to loans and goodwill.
Subsequently, Law 214/2013 (Stability Law 2014) extended the conversion of IRAP DTAs 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 DTAs 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 assets of Euro 862.1 million of deferred tax assets.
The residual DTAs, of € 137.4 million, represent assets whose recovery is linked to the presence of future taxable income. They have been recognised in the light of various elements:
- option for tax consolidation exercised by BPER: tax consolidation extends the probability of making taxable income for IRES purposes that can absorb the recoveries that gave rise to the deferred tax assets;
- the 2015-2017 Business Plan confirmed the forecast of future taxable income at consolidated level, confirming what happened in previous years.

13.4 Changes in deferred tax liabilities (with contra-entry to income statement)

	31.12.2015	31.12.2014
1. Opening balance	**17,418**	**12,315**
2. Increases	**1,781**	**6,774**
2.1 Deferred tax liabilities arising during the year	1,781	1,708
a) relating to prior years	-	-
b) due to change in accounting policies	-	-
c) other	1,781	1,708
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	5,066
3. Decreases	**1,742**	**1,671**
3.1 Deferred tax liabilities derecognised during the year	1,742	1,671
a) reversals	1,742	1,671
b) due to change in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**17,457**	**17,418**

13.5 Changes in deferred tax assets (with contra-entry to shareholders' equity)

	31.12.2015	31.12.2014
1. Opening balance	**40,513**	**27,051**
2. Increases	**7,225**	**21,434**
2.1 Deferred tax assets recognised during the year	7,225	15,105
a) relating to prior years	-	-
b) due to changes in accounting policies	-	-
c) other	7,225	15,105
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	6,329
3. Decreases	**9,367**	**7,972**
3.1 Deferred tax assets cancelled during the year	9,367	7,972
a) reversals	9,367	7,972
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	**38,371**	**40,513**

13.6 Changes in deferred tax liabilities (with contra-entry to shareholders' equity)

	31.12.2015	31.12.2014
1. Opening balance	**55,475**	**28,052**
2. Increases	**23,273**	**42,402**
2.1 Deferred tax liabilities recognised during the year	23,273	39,344
a) relating to prior years	-	-
b) due to change in accounting policies	-	-
c) other	23,273	39,344
2.2 New taxes or increase in tax rates	-	-
2.3 Other increases	-	3,058
3. Decreases	**25,413**	**14,979**
3.1 Deferred tax liabilities cancelled during the year	25,413	14,979
a) reversals	25,413	14,979
b) due to change in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**53,335**	**55,475**

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.

13.7 Other information

Current tax assets

	31.12.2015	31.12.2014
IRES provisions	118,843	171,729
IRAP provisions	42,488	53,831
Other assets and withholdings	105,361	106,014
Gross current tax assets	**266,692**	**331,574**
Offset current tax liabilities	78,592	170,779
Net current tax assets	**188,100**	**160,795**

Current tax liabilities

	31.12.2015	31.12.2014
Tax debt for IRES	56,729	117,751
Tax debt for IRAP	21,863	42,733
Other liabilities for tax current on the income	-	10,295
Gross current tax liabilities	**78,592**	**170,779**
Offset current tax assets	78,592	170,779
Net current tax liabilities	**-**	**-**

Changes in gross current tax liabilities

	31.12.2015	31.12.2014
Balance at the end of the prior year	**170,779**	**243,616**
Decreases	**170,340**	**250,434**
- uses for payment of income taxes	170,281	217,304
- uses for payment of other taxes	-	2,795
- other decreases	59	30,335
Increases	**78,153**	**177,597**
- provisions:		
- income taxes: Parent Company	55,757	126,315
- income taxes: members of domestic tax group	22,396	35,114
- flat-rate tax: art. 1.150 Law 147/2013	-	-
- flat-rate tax: art. 15.10 Legislative Decree no. 185/2008	-	10,295
- flat-rate tax: art. 1.48 Law 244/2007	-	-
- other increases	-	5,873
Total gross current tax liabilities	**78,592**	**170,779**

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

	31.12.2015	31.12.2014
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	-	-

	31.12.2015	31.12.2014
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.
At 31 december 2014 this caption included a property.

Section 15 – Other assets
Caption 150

15.1 Other assets: breakdown

	31.12.2015	31.12.2014
Taxes withheld on interest, withholdings and tax credits on dividends, advance taxation	107,437	97,365
Sundry amounts to be charged to customers	478,564	441,532
Bank charges to be debited to customers or banks	51,840	49,954
Cheques being processed	944	1,840
Cheques drawn on other banks	114,430	116,083
Items relating to securities transactions	14,698	20,294
Leasehold improvement expenditure	6,851	10,598
Gold, silver and precious metals	234	236
Accrued income and prepaid expenses	11,802	1,853
Receivables from Group companies	1,559	-
Other items for sundry purposes	15,300	18,088
Total	**803,659**	**757,843**

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 € 2.1 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	31.12.2015	31.12.2014
1. Due to Central Banks	**3,003,907**	**3,269,011**
2. Due to banks	**5,651,357**	**5,025,891**
2.1 Current accounts and demand deposits	2,435,687	2,367,547
2.2 Restricted deposits	169,361	224,709
2.3 Loans	3,044,121	2,432,058
2.3.1 Repurchase agreements	2,698,319	2,070,496
2.3.2 Other	345,802	361,562
2.4 Payables for commitments to repurchase own equity instruments	-	-
2.5 Other payables	2,188	1,577
Total	**8,655,264**	**8,294,902**
Fair value - level 1	-	-
Fair value - level 2	-	-
Fair value - level 3	8,655,264	8,294,902
Total fair value	**8,655,264**	**8,294,902**

The net interbank position is negative for € 6,918.2 million. The Directors' Report on Operations provides further details on this.

Sezione 2 – Due to customers
Caption 20

2.1 Due to customers: breakdown by sector

Type of transaction/Amounts	31.12.2015	31.12.2014
1. Current accounts and demand deposits	20,776,490	19,506,241
2. Restricted deposits	2,035,904	2,518,725
3. Loans	1,853,659	1,750,618
3.1 repurchase agreements	24,810	36,565
3.2 other	1,828,849	1,714,053
4. Payables for commitments to repurchase own equity instruments	-	-
5. Other payables	532,062	497,354
Total	**25,198,115**	**24,272,938**
Fair value - level 1	-	-
Fair value - level 2	-	-
Fair value - level 3	25,198,115	24,272,938
Total fair value	**25,198,115**	**24,272,938**

2.5 Finance lease payables

	31.12.2015	31.12.2014
Finance lease payable	998	1,117

Section 3 – Debt securities in issue
Caption 30

3.1 Debt securities in issue: breakdown by sector

Type of security/Amounts	31.12.2015				31.12.2014			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities								
1. Bonds	5,577,026	2,606,780	3,078,037	-	4,988,846	1,116,003	4,018,022	-
1.1 structured	99,992	-	99,431	-	50,510	-	50,902	-
1.2 other	5,477,034	2,606,780	2,978,606	-	4,938,336	1,116,003	3,967,120	-
2. Other securities	3,123,036	-	-	3,123,036	3,385,339	-	-	3,385,339
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	3,123,036	-	-	3,123,036	3,385,339	-	-	3,385,339
Total	**8,700,062**	**2,606,780**	**3,078,037**	**3,123,036**	**8,374,185**	**1,116,003**	**4,018,022**	**3,385,339**

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 € 560,010 thousand, as analysed in table 3.2 below.

3.2 Analysis of caption 30 "Debt securities in issue": subordinated securities

	Book value 31.12.2015	Nominal value 31.12.2015	Book value 31.12.2014	Nominal value 31.12.2014
EMTN B.P.E.R. subordinated non-convertible bond floating rate 3-month Euribor +100 bps, 2006-2016	62,234	62,227	68,161	68,177
EMTN B.P.E.R. subordinated non-convertible bond floating rate 3-month Euribor +95 bps, 2007-2017	159,047	158,893	162,323	162,151
Lower Tier II B.P.E.R. subordinated non-convertible bond 4.75%, 2012-2018	71,041	71,100	319,693	320,000
Lower Tier II B.P.E.R. subordinated non-convertible bond 5.81%, 2013-2020	12,564	11,945	12,565	11,945
Tier II B.P.E.R. subordinated non-convertible bond 4.25%, 2015-2025 callable	224,806	224,383	-	-
Lower Tier II CARISPAQ subordinated non-convertible bond floating rate, 2010-2020	4,272	4,250	4,273	4,250
Total non convertible bonds	**533,964**	**532,798**	**567,015**	**566,523**
Lower Tier II B.P.E.R. subordinated non-convertible bond floating rate 3-month Euribor +130 bps, 2008-2014	-	-	20,069	20,000
Lower Tier II B.P.E.R. subordinated non-convertible bond 4.75%, 2012-2018	26,046	23,786	89,500	80,000
Total expired non-convertible bonds (*)	**26,046**	**23,786**	**109,569**	**100,000**
Total bonds	**560,010**	**556,584**	**676,584**	**666,523**

(*) Tranches of loans maturing 31 December 2015 for which accounting confirmation from ICBPI (Istituto Centrale delle Banche Popolari Italiane s.p.a.) was received on 4 January 2016.

3.3 Analysis on caption 30 "Debt securities in issue": micro-hedged securities

	31.12.2015	31.12.2014
1. Payables with fair value micro-hedge	**1,972,597**	**1,224,496**
a) interest rate risk	1,972,597	1,224,496
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	**1,972,597**	**1,224,496**

Section 4 – Financial liabilities held for trading Caption 40

4.1 Financial liabilities held for trading: breakdown by sector

Type of transaction/Amounts	31.12.2015					31.12.2014				
	NV	FV			FV*	NV	FV			FV*
		L1	L2	L3			L1	L2	L3	
A. Cash liabilities										
1. Due to banks	1,930	2,124	-	-	2,124	-	-	-	-	-
2. Due to customers	20,007	20,068	-	-	20,068	68	41	15	-	56
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	**21,937**	**22,192**	**-**	**-**	**22,192**	**68**	**41**	**15**	**-**	**56**
B. Derivatives										
1. Financial derivatives	-	676	198,065	26,475	-	-	-	217,885	29,663	-
1.1 For trading	#	676	192,398	26,475	#	#	-	213,857	29,663	#
1.2 Connected with the fair value option	#	-	-	-	#	#	-	-	-	#
1.3 Other	#	-	5,667	-	#	#	-	4,028	-	#
2. Credit derivatives	-	-	-	-	-	-	-	-	-	-
2.1 For trading	#	-	-	-	#	#	-	-	-	#
2.2 Connected with the fair value option	#	-	-	-	#	#	-	-	-	#
2.3 Other	#	-	-	-	#	#	-	-	-	#
Total B	**#**	**676**	**198,065**	**26,475**	**#**	**#**	**-**	**217,885**	**29,663**	**#**
Total (A+B)	**#**	**22,868**	**198,065**	**26,475**	**#**	**#**	**41**	**217,900**	**29,663**	**#**

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 creditworthiness 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	31.12.2015					31.12.2014				
	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	**845,157**	**-**	**873,558**	**-**	**874,971**	**1,637,545**	**-**	**1,700,614**	**-**	**1,705,354**
3.1 Structured	-	-	-	-	#	-	-	-	-	#
3.2 Other	845,157	-	873,558	-	#	1,637,545	-	1,700,614	-	#
Total	**845,157**	**-**	**873,558**	**-**	**874,971**	**1,637,545**	**-**	**1,700,614**	**-**	**1,705,354**

The cumulative change in fair value attributable to the change in credit risk amounts to € 22,059 thousand; this change had a positive effect during the year of € 35,123 thousand.

Key:

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
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	31.12.2015		
	Due to banks	Due to customers	Debt securities
Natural hedges using derivatives	-	-	873,558
Natural hedges using other financial instruments	-	-	-
Other accounting mismatches	-	-	-
Financial instruments managed and measured at fair value	-	-	-
Structured products with embedded derivatives	-	-	-
Total	**-**	**-**	**873,558**

5.2 Analysis of caption 50 "Financial liabilities designated at fair value through profit and loss": subordinated securities

	Book value 31.12.2015	Nominal value 31.12.2015	Book value 31.12.2014	Nominal value 31.12.2014
Lower Tier II B.P.E.R. subordinated non-convertible bond5,12%, 2009-2015	-	-	5,273	5,000
Lower Tier II B.P.E.R. subordinated non-convertible bond 4.35%, 2010-2017	7,507	7,200	11,191	10,800
Lower Tier II B.P.E.R. subordinated non-convertible bond 4.94%, 2010-2017	21,297	20,400	31,761	30,600
Lower Tier II B.P.E.R. subordinated non-convertible bond 4.75%, 2011-2017	289,284	277,927	437,248	418,003
Total non-convertible bonds	**318,088**	**305,527**	**485,473**	**464,403**
Lower Tier II B.P.E.R. subordinated non-convertible bond 5.20%, 2008-2014	-	-	70,910	70,000
Lower Tier II B.P.E.R. subordinated non-convertible bond 5.90%, 2008-2014	-	-	20,590	20,000
Lower Tier II B.P.E.R. subordinated non-convertible bond 4.35%, 2010-2017	4,070	3,600	4,226	3,600
Lower Tier II B.P.E.R. subordinated non-convertible bond 4.94%, 2010-2017	11,712	10,200	12,216	10,200
Total expired non convertible bonds (*)	**15,782**	**13,800**	**107,942**	**103,800**
Total bonds	**333,870**	**319,327**	**593,415**	**568,203**

(*) Tranches of loans maturing 31 December 2015 for which accounting confirmation from ICBPI (Istituto Centrale delle Banche Popolari Italiane s.p.a.) was received on 4 January 2016.

Section 6 – Hedging derivatives
Caption 60

6.1 Hedging derivatives: breakdown by type of hedging and by levels

	Fair value 31.12.2015			NV	Fair value 31.12.2014			NV
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives	**-**	**20,359**	**-**	**1,120,000**	**-**	**9,114**	**-**	**171,667**
1) Fair value	-	4,650	-	890,000	-	327	-	6,667
2) Cash flows	-	15,709	-	230,000	-	8,787	-	165,000
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**20,359**	**-**	**1,120,000**	**-**	**9,114**	**-**	**171,667**

The cash flow hedge agreements have the following expiry dates: notional value of € 115 million in 2017 , € 50 million in 2021, € 15 million in 2022 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		
	Specific								
	Interest Rate risk	Exchange risk	Credit risk	Price risk	Multiple risks	General	Specific	General	Foreing Investments
1. Financial assets available for sale	4,650	-	-	-	-	#	15,709	#	#
2. Loans	-	-	-	#	-	#	-	#	#
3. Financial assets held to maturity	#	-	-	#	-	#	-	#	#
4. Portfolio	#	#	#	#	#	-	#	-	#
5. Other operations	-	-	-	-	-	#	-	#	-
Total assets	**4,650**	**-**	**-**	**-**	**-**	**-**	**15,709**	**-**	**-**
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

	31.12.2015	31.12.2014
Amounts due to banks	5,426	6,465
Amounts due to customers	809,420	484,013
Net adjustments on collection of receivables for third parties	271,783	286,864
Staff emoluments and related social contributions	20,545	22,269
Amounts due to third parties for coupons, securities and dividends to be collected	32,566	22,369
Amounts due to the tax authorities on behalf of customers and personnel	92,806	90,362
Bank transfers for clearance	12,288	45,823
Advances for the purchase of securities	44	86
Due to suppliers	56,383	55,007
Third-part payments as surety for loans	99	51
Provisions for guarantees given	56,200	53,261
Accrued expenses and deferred income	11,294	13,042
Payables due to members of the tax group	22,480	10,697
Other liabilities to third parties	43,780	42,360
Total	**1,435,114**	**1,132,669**

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 year

	31.12.2015	31.12.2014
A. Opening balance	**135,589**	**80,620**
B. Increases	**1,224**	**61,133**
B.1 Provisions	1,217	3,356
B.2 Other increases	7	57,777
C. Decreases	**15,941**	**6,164**
C.1 Payments made	9,106	6,164
C.2 Other decreases	6,835	-
D. Closing balance	**120,872**	**135,589**
Total	**120,872**	**135,589**

Note that "Other decreases" (C.2) only include the actuarial gains (at 31 December 2014 there were actuarial losses of € 11,501 thousand included under "Other increases" (B2)).

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 (pursuant to IAS 19 § 64-66); lastly, table 11.2.3 presents the comparative information required by law.

11.2.1 Changes in termination indemnities during the year

Description/Amounts	31.12.2015	31.12.2014
A. Opening balance	**135,589**	**80,620**
B. Increases	**1,224**	**61,133**
1. Pension cost relating to current work	-	-
2. Financial charges	1,217	3,356
3. Contribution to the plan by employees	-	-
4. Actuarial losses	-	11,501
5. Translation differences	-	-
6. Pension cost of prior work	-	-
7. Other changes	7	46,276
C. Decreases	**15,941**	**6,164**
1. Benefits paid	9,106	6,164
2. Pension cost of prior work	-	-
3. Actuarial gains	6,835	-
4. Translation differences	-	-
5. Reductions	-	-
6. Positions closed	-	-
7. Other changes	-	-
D. Closing balance	**120,872**	**135,589**

11.2.2 Description of the principal actuarial assumptions

Principal actuarial assumptions/%	31.12.2015	31.12.2014
Discount rates	1.10%	0.93%
Expected increase in remuneration	n/a	n/a
Turnover	4.40%	2.35%
Inflation rate	1.50%	1.60%
Interest rate adopted for the calculation of interest cost	0.93%	2.71%

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 has been used;
- Turnover: time series analysis (last 3 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 2015", by adopting an IPCA index of 1.1% for 2016, 1.3% for 2017 and 1.5% from 2018 onwards;
- Interest cost: it was calculated at a rate that reflected the duration of the liability.

Demographic assumptions

With reference to the technical demographic bases, the analyses performed on the time series of the Company's staff focused on monitoring the trend in the following reasons for elimination between 2011 and 2014:

- rate of employee mortality: the ISTAT life table of resident population was used, broken down by age and gender, updated to 2013, except for the Pension Fund Section A, for which the RG48 table was used (with age shifting);
- rate of employee disability: the tables used for the INPS model to generate "Initial prospects for 2010" were used;
- frequency and amount of advances on termination indemnities: in order to take into account the effects that these advances have on the timing of severance payments and, consequently on the discounting of the Company's liability, a probability table for the release of part of the accrued volumes was created. The frequency of advance payments and the average percentage of termination indemnities requested as an advance were taken from corporate data;
- probability of retirement, resignation, dismissal: these were taken from corporate data; in particular, a table showing the propensity of departure from the Company was created, based on age and gender.

11.2.3 Comparative information: history of the plan

Description/Amounts	31.12.2015	31.12.2014	31.12.2013	31.12.2012
1. Present value of provisions (+)	120,872	135,589	80,620	65,833
2. Fair value of assets servicing the plan (-)	-	-	-	-
3. Plan (surplus) deficit (+/-)	120,872	135,589	80,620	65,833
4. Adjustments to plan liabilities based on historical experience - actuarial (gains)/losses	(6,835)	11,501	(316)	6,877
5. Adjustments to plan assets based on historical experience	-	-	-	-

The adjustments based on historical experience solely comprise actuarial gains and losses.
The significant increase in actuarial gains is the result of higher interest rates, lower inflation, changes in technical bases and the personnel manoeuvre.

11.2.4 Sensitivity analysis

As required by IAS 19, we carried out a sensitivity analysis on the Provision for termination indemnities with respect to the more significant actuarial assumptions to show how the liability would change in relation to possible fluctuations in each of these assumptions. The following table shows how the provision would change in the event of a 50 basis point increase or decrease in the discount and inflation rates compared with the parameters actually used.

Provision for termination indemnities	31.12.2015		+50 bps		-50 bps	
	DBO	Service Cost	DBO	Service Cost	DBO	Service Cost
discount rates	120,872	-	116,686	-	125,322	-
inflation rate	120,872	-	123,585	-	118,245	-

In compliance with the requirements of IAS 19 Revised with regard to additional disclosures, an estimate of future cash flows was carried out at 31 December 2015, as shown in the following table:

Funds	1° year	2° year	3° year	4° year	over the 4° year
Future cash flow	10,903	10,795	9,938	9,978	94,768

Section 12 - Provisions for risks and charges Caption 120

12.1 Provisions for risks and charges: breakdown

Item/Components	31.12.2015	31.12.2014
1. Pensions and similar commitments	124,021	144,607
2. Other provisions for risk and charges	195,704	141,598
2.1 Legal disputes	102,064	85,409
2.2 Personnel expenses	80,897	50,825
2.3 Other	12,743	5,364
Total	**319,725**	**286,205**

12.2 Provisions for risks and charges: change in the year

	Pension and similar commitments	Other provisions	31.12.2015
A. Opening balance	**144,607**	**141,598**	**286,205**
B. Increases	**1,529**	**112,081**	**113,610**
B.1 Provisions	-	107,816	107,816
B.2 Changes due to the passage of time	1,529	3,628	5,157
B.3 Changes due to variations in the discount rate	-	506	506
B.4 Other changes	-	131	131
C. Decreases	**22,115**	**57,975**	**80,090**
C.1 Utilisations during the year	5,456	39,463	44,919
C.2 Changes due to variations in the discount rate	16,659	1,664	18,323
C.3 Other changes	-	16,848	16,848
D. Closing balance	**124,021**	**195,704**	**319,725**

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.
"Other decreases" (C.3) include € 9,446 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 risk

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.

The attachments to the financial statements include a statement of the staff pension fund, in accordance with the provisions of Bank of Italy's Circular no. 262/2005 and subsequent amendments.

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 year: Fund Section A

Items/Values	Sez. A	
	31.12.2015	31.12.2014
Opening balance	**144,607**	**120,473**
A. Increases	**1,529**	**29,635**
1. Pension cost relating to current work	-	-
2. Financial charges	1,529	3,167
3. Contribution to the plan by employees	-	-
4. Actuarial losses	-	24,516
5. Translation differences	-	-
6. Pension cost of prior work	-	-
7. Other changes	-	1,952
B. Decreases	**22,115**	**5,501**
1. Benefits paid	5,456	5,501
2. Pension cost of prior work	-	-
3. Actuarial gains	16,659	-
4. Translation differences	-	-
5. Reductions	-	-
6. Positions closed	-	-
7. Other changes	-	-
Closing balance	**124,021**	**144,607**

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/%	31.12.2015	31.12.2014
Discount rates	1.81%	1.27%
Expected increase in remuneration	n/a	n/a
Turnover	n/a	n/a
Inflation rate	1.50%	1.60%
Interest rate adopted for the calculation of interest cost (active employees)	1.34%	3.16%
Interest rate adopted for the calculation of interest cost (ceased and retired employees)	0.93%	2.40%

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 2015", by adopting an IPCA index of 1.1% for 2016, 1.3% for 2017 and 1.5% from 2018 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.

Fund	31.12.2015		+50 bps		-50 bps	
	DBO	Service Cost	DBO	Service Cost	DBO	Service Cost
Fund Section A	124,021	-	115,907	-	133,053	-

In compliance with the requirements of IAS 19 Revised with regard to additional disclosures, an estimate of future cash flows was carried out at 31 December 2015, as shown in the following table:

Funds	1° year	2° year	3° year	4° year	over the 4° year
Fund Section A	5,427	5,387	5,300	5,229	147,207

12.3.6 Multi-employer plans

At 31 December 2015 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 2015 there were no plans of this type.

12.3.8 Comparative information

Description/Amounts	Defined-benefit pension plans 2015	Defined-benefit pension plans 2014	Defined-benefit pension plans 2013
1. Present value of provisions (+)	124,021	144,607	120,473
2. Fair value of assets servicing the plan (-)	-	-	-
3. Plan (surplus) deficit (±)	124,021	144,607	120,473
4. Adjustments to plan liabilities based on historical experience - actuarial (gains)/losses	(16,659)	24,516	17,917
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	**85,409**
Charge for the year	37,549
Other increases	4,002
Other decreases	(16,742)
Utilisation during the year	(8,154)
Closing balance	**102,064**

The legal disputes as of 31 December 2015 comprise court cases,€ 81,424 thousand, and bankruptcy clawback actions,€ 20,640 thousand.
There are no contingent liabilities for which it was not possible to record appropriate risk-related provisions in the 2015 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	
	31.12.2015	31.12.2014
Opening balance	**50,825**	**35,943**
A. Increases	**61,680**	**45,207**
1. Pension cost relating to current work	61,547	30,503
2. Financial charges	133	377
3. Contribution to the plan by employees	-	-
4. Actuarial losses	-	1,936
5. Translation differences	-	-
6. Pension cost of prior work	-	-
7. Other changes	-	12,391
B. Decreases	**31,608**	**30,325**
1. Benefits paid	29,952	29,457
2. Pension cost of prior work	-	-
3. Actuarial gains	1,353	439
4. Translation differences	-	-
5. Reductions	-	-
6. Positions closed	-	-
7. Other changes	303	429
Closing balance	**80,897**	**50,825**

The "Actuarial losses" refer to the sum of "Provision for additional cover on death" losses for € 69 tousand, "25th year of service bonus" for € 111 thousand and the "Special termination indemnity for € 1,173 thousand.
The figure for "Pension cost relating to current work" (A.1) includes extraordinary provisions for redundancy incentives and the Solidarity Fund for € 34,321 thousand, following the agreements with the Trade Unions on 14 August 2015, as foreseen in the 2015-2017 Business Plan.

12.4.3 Other provisions

Captions	31.12.2015		31.12.2014	
	Provision for charitable donations	Other provisions	Provision for charitable donations	Other provisions
A. Opening balance of BPER	**1,064**	**4,300**	**970**	**554**
B. Opening balances of the Banks merged in 2014	-	-	590	1,687
C. From allocation of earnings (of the three Banks absorbed)	131	#	570	#
D. Provisions	#	8,719	#	3,185
E. Utilisation during the year	(325)	(1,146)	(1,066)	(1,126)
F. Closing balance	**870**	**11,873**	**1,064**	**4,300**

With respect to the Provision for charitable donations, the amount allocated from net profit at 31 december 2014 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	31.12.2015	31.12.2014
Ordinary shares no. 481,308,435	1,443,925	1,443,925
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	**481,308,435**	**-**
- fully paid	481,308,435	-
- not fully paid	-	-
A.1 Treasury shares (-)	(455,458)	-
A.2 Shares in issue: opening balance	**480,852,977**	**-**
B. Increases	**484**	**-**
B.1 New share issues	-	-
- for payment:	-	-
- on Business Combinations	-	-
- on conversion of bonds	-	-
- exercise of warrants	-	-
- other	-	-
- *bonus* issues:	-	-
- to employees	-	-
- to Directors	-	-
- other	-	-
B.2 Sale of treasury shares	484	-
B.3 Other changes	-	-
C. Decreases	**484**	**-**
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	484	-
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	-	-

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:		**1,430,279**	**1,454,332**	**1,454,332**	**1,454,332**
share premium		930,073	930,073	930,073	930,073
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:		**1,685,250**	**1,685,250**	**1,419,378**	**1,417,687**
ordinary / legal reserve		259,402	259,402	-	-
statutory reserve		443,920	443,920	443,920	443,920
other reserves		981,928	981,928	975,458	973,767
- extraordinary reserve		128,543	128,543	128,543	128,543
- reserve for treasury shares	(5)	132,512	132,512	132,512	132,512
- 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		9,324	9,324	9,324	9,324
- non-distributable reserve - FV and gains to SE	(4)	6,470	6,470	-	-
- reserve for FVO gains on securities - available portion		188,605	188,605	188,605	188,605
- reserve for subordinated bonds issued		-	-	-	-
- equity element of convertible instruments - available portion		6,772	6,772	6,772	6,772
- 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:		**33,640**	**-**	**-**	**-**
- reserve for revaluation surpluses		54	-	-	-
- AFS reserves	(3)	114,930	-	-	-
- cash-flow hedge reserve		2,777	-	-	-
- reserve for actuarial gains (losses)		(84,121)	-	-	-
Equity instruments		**-**	**-**	**-**	**-**
Total shareholders' equity		**4,593,094**	**3,139,582**	**2,873,710**	**2,872,019**

(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 (€ 7,253 thousand).
(6) Relates to the contribution of the Bank's IT resources to BPER Services s.cons.p.a.

14.5 Equity instruments: break down and change in year

There are no amounts in this section

Other information

1. Guarantees given and commitments

Operations	31.12.2015	31.12.2014
1) Financial guarantees	1,003,725	976,970
a) Banks	205,794	255,639
b) Customers	797,931	721,331
2) Commercial guarantees	2,161,588	2,464,425
a) Banks	122,000	85,897
b) Customers	2,039,588	2,378,528
3) Irrevocable commitments to disburse loans	631,896	581,986
a) Banks:	48,033	5,564
i) certain to be called on	47,972	5,392
ii) not certain to be called on	61	172
b) Customers:	583,863	576,422
i) certain to be called on	19,311	81,939
ii) not certain to be called on	564,552	494,483
4) Commitments underlying credit derivatives: protection sale	-	-
5) Assets used to guarantee the commitments of third parties	11,620	14,120
6) Other commitments	291,330	11
Total	**4,100,159**	**4,037,512**

The decline in financial guarantees given to banks is due, above all, to the extinction of the commitment towards the Interbank Deposit Guarantee Fund (€ 51.5 million at 31 December 2014) following the application of the new regulatory provisions.

2. Assets used to guarantee own liabilities and commitments

Portfolios	31.12.2015	31.12.2014
1. Financial assets held for trading	227,848	407,950
2. Financial assets designated at fair value through profit and loss	7,274	7,162
3. Financial assets available for sale	3,912,213	3,192,289
4. Financial assets held to maturity	1,599,885	1,359,002
5. Due from banks	201,967	295,926
6. Loans to customers	7,939,423	6,701,465
7. Property, plant and equipment	-	-

Type of assets used to guarantee own liabilities and commitments

	31.12.2015	31.12.2014
1. Assets sold as part of Covered Bonds	3,025,338	2,022,718
2. Securities and deposits acting as collateral for derivative transactions	200,503	194,535
3. Securities guaranteeing securitisations	39,223	29,833
4. Securities guaranteeing treasury transactions	2,550,662	2,613,042
5. Loans guaranteeing treasury transactions	4,450,424	4,215,904
6. Securities guaranteeing repurchase agreements	2,665,024	2,057,784
7. Loans guaranteeing the related funding	445,116	451,799
8. Securities guaranteeing the funding of subsidised loans	512,320	378,179

4. Administration and trading on behalf of third parties

Type of services	31.12.2015
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	**2,569,288**
a) individual	2,569,288
b) collective	-
3. Custody and administration of securities	**43,637,771**
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	28,952,988
1. securities issued by consolidated companies	5,266,177
2. other securities	23,686,811
c) third-party securities in custody with others	27,030,217
d) own securities in custody with others	14,684,783
4. Other transactions	**9,692,366**

"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 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) 31.12.2015	Net amount (f=c-d-e) 31.12.2014
				Financial instruments (d)	Cash deposits received as collateral (e)		
1. Derivatives	181,909	-	181,909	125,039	37,547	19,323	43,180
2. Repurchase agreements	-	-	-	-	-	-	-
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total 31.12.2015	**181,909**	**-**	**181,909**	**125,039**	**37,547**	**19,323**	**#**
Total 31.12.2014	**367,101**	**-**	**367,101**	**301,315**	**22,606**	**#**	**43,180**

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.
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 € 146,194 thousand of derivatives recorded under caption 20 "Financial assets held for trading" and € 35,715 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".

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 assets 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) 31.12.2015	Net amount (f=c-d-e) 31.12.2014
				Financial instruments (d)	Cash deposits used as collateral (e)		
1. Derivatives	228,791	-	228,791	125,039	102,248	1,504	1,794
2. Repurchase agreements	1,501,981	-	1,501,981	1,495,526	3,821	2,634	-
3. Securities lending	-	-	-	-	-	-	-
4. Other operations	-	-	-	-	-	-	-
Total 31.12.2015	**1,730,772**	**-**	**1,730,772**	**1,620,565**	**106,069**	**4,138**	**#**
Total 31.12.2014	**2,277,181**	**-**	**2,277,181**	**2,184,052**	**91,335**	**#**	**1,794**

With regard to the types of master agreements, the points made in respect of the previous table apply here as well.
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€ 208,432 thousand of derivatives recorded under caption 40 "Financial liabilities held for trading" and € 20,359 housand 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 € 1,501,981 mila; 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	31.12.2015
a) Banks	-	-	-	-	-
b) Public entities	-	-	-	-	-
c) Non-financial businesses	-	-	-	-	-
d) Financial businesses	143,840	-	-	-	143,840
e) Insurance companies	-	-	-	-	-
f) Other	-	-	-	-	-
Total	**143,840**	**-**	**-**	**-**	**143,840**

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	31.12.2015	31.12.2014
1. Financial assets held for trading	12,374	-	19,404	31,778	53,287
2. Financial assets available for sale	85,702	-	-	85,702	97,574
3. Financial assets held to maturity	60,283	-	-	60,283	50,251
4. Due from banks	3,780	4,350	-	8,130	18,531
5. Loans to customers	11,337	1,041,336	-	1,052,673	1,235,175
6. Financial assets designated at fair value through profit and loss	428	-	-	428	541
7. Hedging derivatives	#	#	14,605	14,605	6,782
8. Other assets	#	#	2,642	2,642	-
Total	**173,904**	**1,045,686**	**36,651**	**1,256,241**	**1,462,141**

Interest on loan exposures, classified as impaired, amounts to € 128,079 housand, being the amounts shown in the "Loans" column relating to "Loans to customers", plus € 23 thousand shown in the "Debt securities" column.
"Other transactions" in point 8 include € 2,638 thousand of interest income on financial liabilities as explained in Part A.2 of these notes.
Default interest accrued in the year, but which has been fully written down, amounts to € 38,538 thousand.

1.2. Interest and similar income: differentials on hedging transactions

Items	31.12.2015	31.12.2014
A. Positive differentials on hedging transactions	49,589	41,993
B. Negative differentials on hedging transactions	(34,984)	(35,211)
C. Balance (A-B)	**14,605**	**6,782**

1.3 Interest and similar income: other information

1.3.1 Interest income on foreign currency assets

Captions	31.12.2015	31.12.2014
Interest income on foreign currency assets	20,046	10,370

1.4 Interest and similar expense: breakdown

Caption/Technical forms	Debts	Securities	Other transactions	31.12.2015	31.12.2014
1. Due to Central Banks	3,576	#	-	3,576	6,847
2. Due to banks	19,770	#	-	19,770	29,359
3. Due to customers	124,137	#	-	124,137	199,475
4. Debt securities in issue	#	169,898	-	169,898	208,882
5. Financial liabilities held for trading	303	-	-	303	709
6. Financial liabilities designated at fair value through profit and loss	-	39,611	-	39,611	83,630
7. Other liabilities and provisions	#	#	714	714	-
8. Hedging derivatives	#	#	-	-	-
Total	**147,786**	**209,509**	**714**	**358,009**	**528,902**

"Other transactions" in point 7 include € 714 thousand of interest expense on financial assets as explained in Part A.2 of these notes.

1.6 Interest and similar expense: other information

1.6.1 Interest expense on foreign currency liabilities

Captions	31.12.2015	31.12.2014
Interest expense on foreign currency liabilities	3,536	1,500

1.6.2 Interest expense on finance leases

Captions	31.12.2015	31.12.2014
Interest expense on finance leases	10	14

Section 2 – Commissions Captions 40 and 50

2.1 Commission income: breakdown

Type of services/Values	31.12.2015	31.12.2014
a) guarantees given	30,153	31,798
b) credit derivatives	-	-
c) management, brokerage and consulting services	197,623	154,599
1. trading in financial instruments	938	1,003
2. trading in foreign exchange	4,960	4,735
3. portfolio management	18,276	16,758
3.1. individual	18,276	16,758
3.2. collective	-	-
4. custody and administration of securities	3,640	3,725
5. custodian bank	-	-
6. placement of securities	104,196	69,500
7. order taking	13,401	13,533
8. advisory services	4,501	4,734
8.1 regarding investments	-	-
8.2 regarding financial structuring	4,501	4,734
9. distribution of third-party services	47,711	40,611
9.1 asset management	1,589	1,458
9.1.1. individual	-	-
9.1.2. collective	1,589	1,458
9.2 insurance products	26,438	19,469
9.3 other products	19,684	19,684
d) collection and payment services	90,271	93,460
e) servicing related to securitisation	282	59
f) services for factoring transactions	-	-
g) tax collection services	-	-
h) management of multilateral trading systems	-	-
i) maintenance and management of current accounts	113,352	118,514
j) other services	143,671	156,824
- commission income on other loans to customers	110,210	123,909
- commission income on cash card services	19,110	19,034
- other commission income	14,351	13,881
Total	**575,352**	**555,254**

2.2 Commission income: distribution channels for products and services

Channels/Sectors	31.12.2015	31.12.2014
a) at own branches:	**170,183**	**126,869**
1. asset management	18,276	16,758
2. placement of securities	104,196	69,500
3. distribution of third-party services and products	47,711	40,611
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	31.12.2015	31.12.2014
a) guarantees received	1,673	12,276
b) credit derivatives	-	-
c) management and brokerage services:	9,753	9,702
1. trading in financial instruments	609	609
2. trading in foreign exchange	-	-
3. asset management:	7,289	7,231
3.1 own portfolio	-	-
3.2 third-party portfolio	7,289	7,231
4. custody and administration of securities	1,344	1,608
5. placement of financial instruments	511	254
6. offer of securities, financial products and services through financial promoters	-	-
d) collection and payment services	4,251	4,599
e) other services	14,068	13,751
Total	**29,745**	**40,328**

Section 3 – Dividends and similar income Caption 70

3.1 Dividends and similar income: breakdown

Caption/income	31.12.2015		31.12.2014	
	Dividends	Income from UCITS units	Dividends	Income from UCITS units
A. Financial assets held for trading	1,774	133	695	2
B. Financial assets available for sale	13,645	317	14,370	1,081
C. Financial assets designated at fair value through profit and loss	-	19	34	432
D. Equity investments	17,461	#	30,013	#
Total	**32,880**	**469**	**45,112**	**1,515**

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	**15,382**	**10,643**	**(9,452)**	**(4,110)**	**12,463**
1.1 Debt securities	4,115	3,905	(4,771)	(3,466)	(217)
1.2 Equity instruments	8,317	5,811	(2,005)	(644)	11,479
1.3 UCITS units	2,950	887	(2,676)	-	1,161
1.4 Loans	-	-	-	-	-
1.5 Other	-	40	-	-	40
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**-**
2.1 Debt securities	-	-	-	-	-
2.2 Debts	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Other financial assets and liabilities: exchange differences	**#**	**#**	**#**	**#**	**8,942**
4. Derivatives	**57,964**	**131,408**	**(41,491)**	**(137,504)**	**9,554**
4.1 Financial derivatives:	57,964	131,408	(41,491)	(137,504)	9,554
- On debt securities and interest rates	55,364	127,626	(39,282)	(132,197)	11,511
- On equities and equity indices	2,600	3,766	(2,209)	(2,870)	1,287
- On currency and gold	#	#	#	#	(823)
- Other	-	16	-	(2,437)	(2,421)
4.2 Credit derivatives	-	-	-	-	-
Total	**73,346**	**142,051**	**(50,943)**	**(141,614)**	**30,959**

Section 5 – Net hedging gains (losses) Caption 90

5.1 Net hedging gains (losses): breakdown

Income item/Amounts	31.12.2015	31.12.2014
A. Income relating to:		
A.1. Fair value hedges	1,293	30,133
A.2. Hedged financial assets (fair value)	3,907	-
A.3. Hedged financial liabilities (fair value)	2,423	-
A.4. Cash flow hedges	-	-
A.5. Foreign currency assets and liabilities	-	-
Total income from hedging activity (A)	**7,623**	**30,133**
B. Charges relating to:		
B.1. Fair value hedges	(6,589)	(59)
B.2. Hedged financial assets (fair value)	(80)	(42)
B.3. Hedged financial liabilities (fair value)	(1,643)	(29,137)
B.4. Cash flow hedges	-	-
B.5. Foreign currency assets and liabilities	-	-
Total charges from hedging activity (B)	**(8,312)**	**(29,238)**
C. Net hedging gains (losses) (A-B)	**(689)**	**895**

Section 6 – Gains (Losses) on disposal or repurchase Caption 100

6.1 Gains (Losses) on disposal or repurchase: breakdown

Caption/Income items	31.12.2015			31.12.2014		
	Profits	Losses	Net result	Profits	Losses	Net result
Financial assets						
1. Due from banks	2	-	2	122	(3)	119
2. Loans to customers	5,680	(2,058)	3,622	1,869	(31,850)	(29,981)
3. Financial assets available for sale	219,847	(13,408)	206,439	135,862	(906)	134,956
3.1 Debt securities	39,655	(11,261)	28,394	132,242	(140)	132,102
3.2 Equity instruments	180,179	(2,139)	178,040	3,349	(766)	2,583
3.3 UCITS units	13	(8)	5	271	-	271
3.4 Loans	-	-	-	-	-	-
4. Financial assets held to maturity	222	-	222	-	-	-
Total assets	**225,751**	**(15,466)**	**210,285**	**137,853**	**(32,759)**	**105,094**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Debt securities in issue	567	(1,497)	(930)	1,040	(1,169)	(129)
Total liabilities	**567**	**(1,497)**	**(930)**	**1,040**	**(1,169)**	**(129)**

Gains relating to equity instruments classified as "Financial assets available for sale" include the gain realised on the sale of an interest in the share capital of Istituto Centrale delle Banche Popolari s.p.a. for € 174.3 million

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	**4,552**	**63**	**(1,074)**	**(185)**	**3,356**
1.1 Debt securities	88	19	(303)	(10)	**(206)**
1.2 Equity securities	10	-	-	(151)	**(141)**
1.3 UCITS units	4,454	44	(771)	(24)	**3,703**
1.4 Loans	-	-	-	-	**-**
2. Financial liabilities	**13,386**	**7,728**	**(1,596)**	**-**	**19,518**
2.1 Debt securities	13,386	7,728	(1,596)	-	**19,518**
2.2 Due to banks	-	-	-	-	**-**
2.3 Due to customers	-	-	-	-	**-**
3. Financial assets and liabilities in foreign currency: exchange differences	**#**	**#**	**#**	**#**	**148**
4. Derivatives	**243**	**24**	**(20,517)**	**(2,343)**	**(22,593)**
Total	**18,181**	**7,815**	**(23,187)**	**(2,528)**	**429**

The net result of measurement of financial liabilities and operationally connected derivatives at fair value (under the fair value option for financial liabilities) is negative for € 3,074 thousand.

Section 8 – Net impairment adjustments Caption 130

8.1 Net impairment adjustments to loans and advances: breakdown

Transactions/Income items	Adjustments			Write-backs				31.12.2015	31.12.2014
	Specific			Specific		Portfolio			
	Write-offs	Other	Portfolio	Interest	Other write-backs	Interest	Other write-backs		
A. Due from banks	-	-	-	-	-	-	-	-	-
- Loans	-	-	-	-	-	-	-	-	-
- Debt securities	-	-	-	-	-	-	-	-	-
B. Loans to customers	**(16,320)**	**(857,421)**	**(6,801)**	**86,879**	**233,089**	**-**	**1,730**	**(558,844)**	**(626,531)**
Non-performing loans acquired	-	-		-	-			-	-
- Loans	-	-	#	-	-	#	#	-	-
- Debt securities	-	-	#	-	-	#	#	-	-
Other	(16,320)	(857,421)	(6,801)	86,879	233,089	-	1,730	(558,844)	(626,531)
- Loans	(16,320)	(857,421)	-	86,879	233,089	-	1,730	(552,043)	(618,095)
- Debt securities	-	-	(6,801)	-	-	-	-	(6,801)	(8,436)
C. Total	**(16,320)**	**(857,421)**	**(6,801)**	**86,879**	**233,089**	**-**	**1,730**	**(558,844)**	**(626,531)**

8.2 Net impairment adjustments to financial assets available for sale: breakdown

Transactions/Income items	Adjustments		Write-backs		31.12.2015	31.12.2014
	Specific		Specific			
	Write-offs	Other	Interest	Other write-backs		
A. Debt securities	-	-	-	-	-	-
B. Equity instruments	-	(19,017)	#	#	(19,017)	(39,291)
C. UCITS units	-	(4,352)	#	-	(4,352)	(847)
D. Due from banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	**-**	**(23,369)**	**-**	**-**	**(23,369)**	**(40,138)**

The adjustments to "Equity instruments" mainly consist of writedowns of the interest held in Release s.p.a. for € 16,302 thousand, Mediainvest s.r.l. for € 1,320 thousand, Banca Privata Leasing s.p.a. for € 637 thousand.

8.4 Net impairment adjustments to other financial assets: breakdown

Transactions/Income items	Adjustments			Write-backs				31.12.2015	31.12.2014
	Specific			Specific		Portfolio			
	Write-offs	Other	Portfolio	Interest	Other	Interest	Other		
A. Guarantees given	-	(17,896)	-	-	11,265	-	3,709	(2,922)	(6,908)
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	-	-	-	-	-	-	-
D. Other transactions	-	-	-	-	-	-	-	-	-
E. Total	**-**	**(17,896)**	**-**	**-**	**11,265**	**-**	**3,709**	**(2,922)**	**(6,908)**

Section 9 – Administrative expenses Caption 150

9.1 Payroll: breakdown

Type of expense/Amounts	31.12.2015	31.12.2014
1) Employees	**556,860**	**532,979**
a) wages and salaries	378,799	380,011
b) social security charges	100,600	99,111
c) termination indemnities	22,483	21,350
d) pension expenses	-	-
e) Provision for termination indemnities	1,217	3,356
f) Provision for post-retirement benefits and similar commitments:	689	1,217
- defined contribution	-	-
- defined benefit	689	1,217
g) payments to external supplementary pension funds:	11,043	10,361
- defined contribution	11,043	10,361
- defined benefit	-	-
h) costs deriving from payment agreements based on own capital instruments	25	-
i) other personnel benefits	42,004	17,573
2) Other active employees	**12,224**	**10,639**
3) Directors and auditors	**4,036**	**5,813**
4) Retired personnel	**910**	**2,020**
5) Recovery of cost of employees seconded to other companies	**(56,816)**	**(46,994)**
6) Reimbursement of cost of third-party employees seconded to the Bank	**6,630**	**3,322**
Total	**523,844**	**507,779**

The Provision for termination indemnities required under art. 2120 of the Italian Civil Code amounted to € 1,746 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 and the 2015-2017 Business Plan, for a total of € 34,321 thousand.

9.2 Average number of employees, by level

	31.12.2015	31.12.2014
Employees	**7,026**	**7,184**
a) Managers	155	158
b) Middle managers	2,243	2,247
c) Other employees	4,628	4,779
Other personnel	**224**	**187**

9.2.1 Number of employees, by level

	31.12.2015	31.12.2014
Employees:	**8,021**	**8,127**
a) Managers	186	182
b) Total 3rd and 4th level middle managers	1,074	1,049
c) Total 1st and 2nd level middle managers	1,430	1,444
d) Other employees	5,331	5,452
Other personnel	**225**	**196**

9.3 Post-retirement defined benefit plans: total costs

Captions	31.12.2015	31.12.2014
Post-retirement defined benefit plans: total costs	689	1,217

9.4 Other personnel benefits

Captions	31.12.2015	31.12.2014
Other personnel benefits	42,004	17,573

9.5 Other administrative expenses: breakdown

Captions	31.12.2015	31.12.2014
Taxation	**102,156**	**104,689**
Stamp duty	89,311	92,298
Other indirect taxes with right of recourse	5,359	4,535
Municipal property tax	4,012	4,127
Other	3,474	3,729
Other costs	**415,374**	**353,516**
Post office, telephone and telegraph	10,086	13,212
Maintenance and repairs	14,274	13,958
Rental expense	54,246	53,473
Advertising	11,179	10,434
Data transmission fees and use of databases	20,164	21,577
Energy and fuel	11,729	12,722
Insurance	6,504	7,324
Printing and stationery	5,236	5,111
Cleaning of office premises	5,335	5,133
Transport	8,808	9,199
Use of external data gathering and processing services	71,654	65,586
Information and surveys	9,047	8,988
Lease of IT hardware and software	77	-
Staff training and expense refunds	10,844	11,743
Consulting and other professional services	48,518	44,558
Condominium expenses	1,740	1,907
Security	6,618	7,061
Administrative services	49,462	44,440
Membership fees	5,096	3,500
Contribution to single resolution found and deposit guarantee schemes	52,018	-
Sundry other	12,739	13,590
Total	**517,530**	**458,205**

The amount relating to "Consulting and other professional services" of € 48.5 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 internal control system and the 2015-2017 Business Plan.
Details are as follows:
• services provided by various legal advisors, particularly for various types of litigation, for € 20.7 million (€ 22.8 million in 2014);
• 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) for € 3.4 million (The same value in 2014);
• other sundry professional services (for example, appraisals and other technical support) for € 5.9 milioni (€ 5 million in 2014);
• sundry advice in respect of continuous changes in legislation, improvements to the system of internal control and projects foreseen by the 2015-2017 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 € 18.5 million (€ 13.4 million in 2014).
"Contributions to the Single Resolution Fund and the Deposit Guarantee Fund" include ordinary and extraordinary contributions to the Single Resolution Fund, as established by Directive (EU) 59/2014 (BRRD) in force from 1 January 2015 for an amount of € 34.6 million and caption 11.5 million respectively, and to the Deposit Guarantee Scheme required by Directive (EU) 49/2014 in force from 3 July 2015 for € 6 million.

Section 10 – Net provisions for risks and charges
Caption 160

10.1 Net provisions for risks and charges: breakdown

Type of risks and charges	31.12.2015	31.12.2014
A. Provisions	**(50,271)**	**(35,109)**
1. for legal disputes	(42,404)	(34,059)
2. other	(7,867)	(1,050)
B. Write-backs	**9,567**	**4,198**
1. for legal disputes	9,453	4,198
2. other	114	-
Total	**(40,704)**	**(30,911)**

The caption "Provisions - Other" includes for legal disputes and extraordinary provisions amounting to Euro 3.5 million for the estimated contributions that are expected to be due to the Solidarity Fund established by the Stability Law 2016 enacted at the end of the year and for the voluntary scheme established under the Interbank Deposit Guarantee Fund to finance the new intervention in favour of Banca Tercas, carried out in 2014, then recently identified as state aid, and now totally revised.

Section 11 – Net adjustments to property, plant and equipment
Caption 170

11.1 Net adjustments to property, plant and equipment: 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	(22,273)	(5,737)	-	(28,010)
- For business purposes	(21,125)	(4,565)	-	(25,690)
- For investment purposes	(1,148)	(1,172)	-	(2,320)
A.2 Held under finance leases	(95)	-	-	(95)
- For business purposes	(95)	-	-	(95)
- For investment purposes	-	-	-	-
Total	**(22,368)**	**(5,737)**	**-**	**(28,105)**

As detailed in Part B, Section 11, Assets, tables 11.5 and 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 (a)	Impairment adjustments (b)	Write-backs (c)	Net result (a+b-c)
A. Intangible assets				
A.1 Owned	(2,473)	-	-	(2,473)
- generated internally by the company	-	-	-	-
- other	(2,473)	-	-	(2,473)
A.2 Held under finance leases	-	-	-	-
Total	**(2,473)**	**-**	**-**	**(2,473)**

Section 13 – Other operating charges/income Caption 190

13.1 Other operating charges: breakdown

Description/Amounts	31.12.2015	31.12.2014
Amortisation of leasehold improvement expenditure	(4,380)	(5,131)
Other	(21,528)	(29,186)
Total	**(25,908)**	**(34,317)**

13.2 Other operating revenues: breakdown

Description/Amounts	31.12.2015	31.12.2014
Rental income	3,916	3,740
Recovery of taxes	94,311	96,171
Other income	66,805	68,631
Total	**165,032**	**168,542**

Section 14 – Profit (Loss) from equity investments Caption 210

14.1 Profit (Loss) from equity investments: breakdown

Income item/Amounts	31.12.2015	31.12.2014
A. Income	2,742	-
1. Revaluations	-	-
2. Gain from disposals	2,742	-
3. Write-backs	-	-
4. Other income	-	-
B. Charges	(7,921)	(7,487)
1. Write-downs	-	-
2. Impairment write-downs	(7,410)	(7,487)
3. Loss from disposals	(511)	-
4. Other charges	-	-
Net result	**(5,179)**	**(7,487)**

As already mentioned in Part B, Section 10, Assets, table 10.5, the amount recorded under "Impairment write-downs" 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	31.12.2015	31.12.2014
A. Building		
- Gains on disposal	359	33
- Losses on disposal	-	(2)
B. Other assets		
- Gains on disposal	39	104
- Losses on disposal	(47)	(167)
Net result	**351**	**(32)**

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	31.12.2015	31.12.2014
1. Current taxes (-)	(57,405)	(137,969)
2. Change in prior period income taxes (+/-)	131	19,340
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 (+/-)	65,528	103,266
5. Change in deferred tax liabilities (+/-)	(39)	(37)
6. Income taxes for the year on current operations (-) (-1+/-2+3+3 *bis*+/-4+/-5)	**8,215**	**(13,217)**

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	31.12.2015	
Result of current operations before income taxes		**153,748**
Negative components of the gross result definitively considered not relevant (+)		**49,497**
Non-deductible interest expense	11,624	
Losses on disposal/remeasurement of AFS securities and equity investments	27,043	
Non-deductible taxes (other than on income)	3,267	
Administrative costs of limited deductibility	2,638	
Other non-deductible costs	2,146	
Provisions for tax disputes	853	
Other	1,926	
Positive components of the gross result definitively considered not relevant (-)		**(196,551)**
Non-relevant portion of gains on disposal/remeasurement of AFS securities and equity investments	(167,799)	
Non-relevant portion of dividends	(28,752)	
Other	-	
Definitive increases not linked to elements of the gross result (+)		**-**
Income of controlled foreign companies (CFC)	-	
Definitive decreases not linked to elements of the gross result (-)		**(65,024)**
Recovery of intercompany interest expense deductibility for tax consolidation	(1,521)	
Standard deduction 10% IRAP	(2,183)	
Deduction of payroll cost for IRAP	(3,266)	
A.C.E. (aid for economic growth) deduction	(58,054)	
Other	-	
Basis of calculation of IRES shown in the income statement		**(58,330)**
IRES tax rate	*27.50%*	
Effective IRES		**(16,041)**
Effective IRES tax rate		-10.43%

IRAP		31.12.2015
Result of current operations before income taxes		**153,748**
Negative components of the gross result definitively considered not relevant (+)		**119,152**
Non-deductible interest expense	11,774	
Non-deductible portion of depreciation/amortisation on assets used in business	9,255	
Other non-deductible administrative costs	55,363	
Payroll, net of permitted deductions		
Other net impairment adjustments (caption 130 of the income statement)	4,352	
Net provisions for risks and charges	33,229	
Losses from equity investments	5,179	
Other		
Positive components of the gross result definitively considered not relevant (-)		**(63,841)**
Non-relevant portion of dividends	(16,507)	
Other operating income	(47,334)	
Definitive increases not linked to elements of the gross result (+)		**-**
Other	-	
Definitive decreases not linked to elements of the gross result (-)		**(31,449)**
Recovery of non-relevant charges of prior periods	(30,689)	
Other	(760)	
Basis of calculation of IRAP shown in the income statement		**177,610**
Weighted average nominal rate of IRAP	*5.57%*	
Effective IRAP		9,893
Effective IRAP tax rate		6.43%

Out-of-period IRES and IRAP and other taxes		31.12.2015
Total impact		**(2,067)**
IRES - Changes in current out-of-period IRES	(807)	
IRES - Tax credit on energy savings	(721)	
IRAP - Changes in current out-of-period IRAP	(539)	
flat-rate substitute tax on revaluation of shares in the Bank of Italy		
Effective out-of-period IRES and IRAP and other taxes		-1.34%

Total tax on gross result	31.12.2015
IRES + IRAP + other taxes	**(8,215)**
Overall effective tax rate	-5.34%

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.

	31.12.2015			31.12.2014		
	Attributable earnings	Weighted average ordinary shares	Earnings per share (Euro)	Attributable earnings	Weighted average ordinary shares	Earnings per share (Euro)
Basic EPS	161,962	480,852,977	0.337	15,318	362,085,234	0.042
Diluted EPS	161,962	480,852,977	0.337	15,318	362,085,234	0.042

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)

	31.12.2015	31.12.2014
Weighted average number of outstanding ordinary shares for basic EPS calculation	480,852,977	362,085,234
Weighted dilutive effect of the potential conversion of convertible bonds	-	-
Weighted average number of outstanding ordinary shares for diluted EPS calculation	**480,852,977**	**362,085,234**

21.2 Other information

	31.12.2015	31.12.2014
Net profit for the period	161,962	15,449
Allocations not attributable to the shareholders	-	(131)
Profit for basic EPS calculation	161,962	15,318
Change in income and charges deriving from conversion	-	-
Profit for diluted EPS calculation	**161,962**	**15,318**

Part D – Comprehensive income

Statement of comprehensive income

(in thousands of Euro)

Captions	Gross amount	Income taxes	Net amount
10. Profit (loss) for the period	**153,747**	**8,215**	**161,962**
Other income items, net of income taxes, without release to the income statement			
40. Defined benefit plans	24,665	(6,782)	17,883
Other income items, net of income taxes, with release to the income statement			
90. Cash-flows hedges:	**(2,604)**	**860**	**(1,744)**
a) changes in fair value	(2,604)	860	(1,744)
b) release to the income statement	-	-	-
c) other changes	-	-	-
100. Financial assets available for sale:	**(57,244)**	**8,245**	**(48,999)**
a) changes in fair value	23,883	(9,600)	14,283
b) reclassification through profit or loss	(81,127)	17,866	(63,261)
- impairment write-downs	23,369	(1,336)	22,033
- gains/losses on disposals	(104,496)	19,202	(85,294)
c) other changes	-	(21)	(21)
130. Total other elements of income	**(35,183)**	**2,323**	**(32,860)**
140. Total comprehensive income (captions 10+130)	**118,564**	**10,538**	**129,102**

Part E – Information on risks and related hedging policy

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.

Section 1 - Credit risk

The Group's organisation provides for centralisation of the credit risk control function at the Parent Company; consequently, the qualitative information set out below also reflects the individual position of Banca popolare dell'Emilia Romagna s.c.

Qualitative information

1. General aspects

The second half of 2015 saw the confirmation of the positive trend of the first six months of the year, albeit at a gradually decreasing pace, on the basis of which an average annual growth of the Gross Domestic Product (GDP) of 0.70% is estimated.

The gradual recovery path is largely attributable to the boost provided by domestic demand which also made it possible to recover the decline in terms of exports to non-EU countries; however, downside risks remain latent because of the uncertainty about the world economy, especially in important markets, such as emerging countries, and because of the escalation in geopolitical tensions.

Despite the conflicting forces (expansionary monetary policy, low interest rates, greater purchasing power of households and lower costs for businesses due to falling oil prices on the one hand, and geopolitical tensions, the slowdown in emerging economies and the weakness of financial markets on the other) 2016 is expected to see an acceleration in growth driven by demand for consumer goods and exports.

In this macroeconomic context, the BPER Group has made every effort to optimise its portfolio with a view to the best possible risk-return ratio by defining guidelines for prudent lending policies that are consistent with the operating activity, with the development and knowledge of the territory and in compliance with applicable law.

In this regard, we have prioritised loans to low risk customers (based on internal ratings) and to the Retail segment (especially Individuals), as foreseen in the 2015-2017 Business Plan, and promoted the development of sectors classified as "target", thanks to improved performance expectations or characterised by the entrepreneurial excellence of "made in Italy", such as Food Processing, Chemicals and Mechanical Engineering.

To supplement the guidelines for loans to commercial banks, guidelines were also given to the Group's product companies with regard to leasing, factoring and lending-against-salary operations, taking into account the lower risk profile and the specific characteristics of the products being distributed.

After two years of continuous decline, 2015 showed a stronger trend in loans to both businesses and households.
Also to support this greater confidence, the Group issued special credit lines to target customers, thereby increasing lending volumes.
Additional support to customers was also ensured through participation in various ABI initiatives in favour of SMEs ("Lending agreement 2015 – Firms returning to growth") and Individuals ("Mortgage solidarity fund", "Suspension of household loan repayments", "Guarantee fund for the first home") as well as the suspension of loan repayments, as envisaged by law, for the areas hit by natural disasters.

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 BPER 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, as well as financial information in the case of businesses;
- the models for Corporate SMEs, Long-term Property SMEs, Holding SMEs and Large Corporates add a qualitative element to the purely statistical side. 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: a more complex and sophisticated structure is foreseen for medium-large businesses (Corporate SMEs, Long-term Property SMEs, Holding SMEs and Large Corporates), which are fewer but with larger average exposures, while there is a simpler structure for Retail customers (Retail SMEs, Individuals and Small Businesses), which are more numerous, but with lower exposures.

The estimation of LGD (Loss Given Default: representing the extent of the loss expected to occur on default of the borrower, dependent on type of exposure to the counterparty) 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 2015 as part of the Basel 2 Project included:

- new estimate and calibration of the PD models based on an updated definition of default (management of past due amounts using new materiality thresholds) that is more consistent with the instructions issued by the European Central bank and the European Banking Authority;
- update of the LGD model in line with the new definition of default;
- refinement of the parallel running system (for the calculation of capital requirements using the standardised approach and an Internal Rating Based (IRB) approach);
- the introduction of a rating calculation model for counterparties belonging to the Holding SME risk segment;
- the introduction of a rating calculation model for counterparties acting as guarantors for individuals, aimed at the quantification and measurement of credit risk attributable to private counterparties that provide personal guarantees to BPER Group's customers;
- the definition of an approach for the assignment of ratings also to counterparties without credit lines in the Corporate SME, Long-term Property SME and Large Corporate segments.

In addition to indicating the principles of governance, assumption and management of credit risk, the Group credit risk governance policy - updated in 2015 together with a review of the approval limits - 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, Regional Division, 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 exposure. 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 consortia in favour of their members firms are becoming more significant.

2.4 Impaired financial assets

With reference to impaired financial assets, the Bank classifies its positions according to the rules laid down by the Supervisory Authority. The regulatory classification is accompanied by a management practice that envisages a series of internal classifications based on the quality of the debtors and the risks associated with individual transactions. These various internal classifications act as more specific sub-categories of the regulatory ones.

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, when specific events take place; 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*; this last transfer, which always takes place after subjective and analytical assessments, may result, in the final analysis, in a return to "performing", again within the limits set by the supervisory regulations. 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 adopted 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.

Quantitative information

A. Credit quality

A.1 Non performing 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)

Portfolio/quality		Bad Loans	Unlikely to pay loans	Impaired past due loans	Past due loans not impaired	Other performing exposures	Total
1. Financial assets available for sale		-	-	-	-	6,392,696	6,392,696
2. Financial assets held to maturity		-	-	-	-	2,663,859	2,663,859
3. Due from banks		-	-	-	771	1,736,258	1,737,029
4. Loans to customers		1,884,520	2,226,296	175,908	821,815	28,776,734	33,885,273
5. Financial assets designated at fair value through profit and loss		-	-	-	-	12,533	12,533
6. Financial assets being sold		-	-	-	-	-	-
Total	**31.12.2015**	**1,884,520**	**2,226,296**	**175,908**	**822,586**	**39,582,080**	**44,691,390**
Total	**31.12.2014**	**1,814,821**	**2,494,147**	**126,241**	**1,080,133**	**37,823,670**	**43,339,012**

The following table analyses, portfolio by portfolio, the maturities of loans that are past due but not impaired, as required by IFRS 7, paragraph 37.

Portfolio/Quality	Other assets not overdue	Past due loans that are not considered non-performing			
		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
3. Due from banks	1,736,258	767	4	-	-
4. Loans to customers	28,776,734	644,293	100,521	66,688	10,313
Total	**30,512,992**	**822,586**			

A.1.2 Distribution of credit exposures by portfolio and quality of lending (gross and net values)

Portfolio/quality		Non-performing loans			Performing loans			Total
		Gross exposure	Specific provisions	Net exposure	Gross exposure	General portfolio provisions	Net exposure	(Net exposure)
1. Financial assets available for sale		-	-	-	6,392,696	-	6,392,696	6,392,696
2. Financial assets held to maturity		-	-	-	2,663,859	-	2,663,859	2,663,859
3. Due from banks		-	-	-	1,737,029	-	1,737,029	1,737,029
4. Loans to customers		7,952,978	3,666,254	4,286,724	29,739,739	141,190	29,598,549	33,885,273
5. Financial assets designated at fair value through profit and loss		-	-	-	12,533	#	12,533	12,533
6. Financial assets being sold		-	-	-	-	-	-	-
Total	**31.12.2015**	**7,952,978**	**3,666,254**	**4,286,724**	**40,545,856**	**141,190**	**40,404,666**	**44,691,390**
Total	**31.12.2014**	**7,633,373**	**3,198,164**	**4,435,209**	**39,047,557**	**143,754**	**38,903,803**	**43,339,012**

Derecognised bad loans to customers involved in insolvency proceedings amount to € 841,400 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 bad loans the above mentioned derecognised loans need to be taken into account.

Portfolio/quality		Low credit quality assets		Other activities
		Cumulated losses	Net exposures	Net exposure
1. Financial assets held for trading		1,339	4,838	689,604
2. Hedging derivatives		-	-	35,715
Total	**31.12.2015**	**1,339**	**4,838**	**725,319**
Total	**31.12.2014**	**-**	**4,905**	**981,669**

A.1.3 Banking group - Cash and off-balance sheet exposures to banks: gross and net values and past-due buckets

Type of exposure/Amounts	Gross exposure					Specific provisions	General portfolio provisions	Net exposure
	Non performing loans				Performing loans			
	up to 3 months	from 3 to 6 months	from 6 to 12 months	Over 1 year				
A. Cash exposures								
a) Bad loans	-	-	-	-	#	-	#	-
- of which: forborne exposures	-	-	-	-	#	-	#	-
b) Unlikely to pay loans	-	-	-	-	#	-	#	-
- of which: forborne exposures	-	-	-	-	#	-	#	-
c) Past due loans impaired	-	-	-	-	#	-	#	-
- of which: forborne exposures	-	-	-	-	#	-	#	-
d) Past due loans not impaired	#	#	#	#	771	#	-	771
- of which: forborne exposures	#	#	#	#	-	#	-	-
e) Other performing assets	#	#	#	#	4,897,883	#	-	4,897,883
- of which: forborne exposures	#	#	#	#	-	#	-	-
Total A	**-**	**-**	**-**	**-**	**4,898,654**	**-**	**-**	**4,898,654**
B. Off-balance sheet exposures								
a) Non-performing exposures	-	-	-	-	#	-	#	-
b) Performing exposures	#	#	#	#	626,201	#	-	626,201
Total B	**-**	**-**	**-**	**-**	**626,201**	**-**	**-**	**626,201**
Total (A+B)	**-**	**-**	**-**	**-**	**5,524,855**	**-**	**-**	**5,524,855**

A.1.6 Cash and off-balance sheet credit exposures to customers: gross and net values and past-due buckets

Type of exposure/Amounts	Gross exposure					Specific provisions	General Portfolio provisions	Net exposure
	Non performing loans				Performing loans			
	up to 3 months	from 3 to 6 months	from 6 to 12 months	Over 1 year				
A. Cash exposures								
a) Bad loans	111	6	21	4,813,837	#	2,929,455	#	1,884,520
- of which: forborne exposures	-	-	-	360,621	#	190,358	#	170,263
b) Unlikely to pay loans	1,262,807	152,851	464,428	1,060,579	#	714,369	#	2,226,296
- of which: forborne exposures	894,687	82,245	242,017	386,718	#	339,902	#	1,265,765
c) Impaired past due loans	15,376	50,467	119,156	13,339	#	22,430	#	175,908
- of which: forborne exposures	319	4,757	5,157	480	#	1,077	#	9,636
d) Past due loans not impaired:	#	#	#	#	840,526	#	18,711	821,815
- of which: forborne exposures	#	#	#	#	165,413	#	5,006	160,407
e) Other assets	#	#	#	#	35,298,251	#	122,479	35,175,772
- of which: forborne exposures	#	#	#	#	582,255	#	9,770	572,485
Total A	**1,278,294**	**203,324**	**583,605**	**5,887,755**	**36,138,777**	**3,666,254**	**141,190**	**40,284,311**
B. Off-Balance Sheet exposure								
a) Non-performing exposures	197,876	-	-	-	#	47,806	#	150,070
b) Others	#	#	#	#	3,550,470	#	8,394	3,542,076
Total B	**197,876**	**-**	**-**	**-**	**3,550,470**	**47,806**	**8,394**	**3,692,146**
Total (A+B)	**1,476,170**	**203,324**	**583,605**	**5,887,755**	**39,689,247**	**3,714,060**	**149,584**	**43,976,457**

A.1.7 Cash credit exposures to customers: dynamics of gross impaired loans

Description/categories	Bad loans	Unlikely to pay loans	Impaired past due loans
A. Opening gross exposure	**4,387,776**	**3,106,907**	**138,690**
- of which: sold but not derecognised	-	-	-
B. Increases	**787,275**	**1,371,684**	**240,747**
B.1 transfers from performing loans	159,659	857,661	204,695
B.2 transfers from other categories of impaired exposures	519,579	75,017	2,388
B.3 other increases	108,037	439,006	33,664
C. Decreases	**361,076**	**1,537,926**	**181,099**
C.1 transfers to performing loans	-	147,769	40,774
C.2 write-offs	66,773	9,106	-
C.3 collections	246,432	858,681	46,669
C.4 proceeds from disposals	8,398	7,442	-
C.5 losses from disposals	39,473	11,600	-
C.6 transfers to other categories of impaired exposures	-	503,328	93,656
C.7 other decreases	-	-	-
D. Closing gross exposure	**4,813,975**	**2,940,665**	**198,338**
- of which: assets sold but not derecognised	-	-	-

A.1.7 *bis* On-balance sheet credit exposures to customers: dynamics of gross forborne exposures by credit quality

The information on the dynamics of gross on-balance sheet forborne exposure to customers will be provided from the 2016 financial statements onwards, in line with the Bank of Italy's instructions.

A.1.8 Non performing cash credit exposures to customers: dynamics of total write-downs

Description/categories	Bad loans	Unlikely to pay loans	Impaired past due loans
A. Total opening adjustments	**2,572,955**	**612,760**	**12,449**
- of which: sold but not derecognised	-	-	-
B. Increases	**681,919**	**365,707**	**22,162**
B.1 adjustments	531,395	359,245	21,639
B.2 loss from disposals	1,999	58	-
B.3 transfer from other categories of impaired exposures	140,721	6,404	523
B.4 other increases	7,804	-	-
C. Reductions	**325,419**	**264,098**	**12,181**
C.1 write-backs on valuation	155,837	47,244	3,824
C.2 write-backs due to collections	57,956	56,447	211
C.3 *bis* profit from disposals	5,380	200	-
C.4 write-offs	66,773	9,106	-
C.5 transfer to other categories of impaired exposures	-	139,502	8,146
C.6 other decreases	39,473	11,599	-
D. Total closing adjustments	**2,929,455**	**714,369**	**22,430**
- of which: sold but not derecognised	-	-	-

Detailed disclosure on changes in total adjustments on gross on-balance sheet forborne exposures to banks will be provided from the 2016 financial statements onwards, in line with the Bank of Italy's instructions.
The adjustments take account of default interest accrued in the year of € 38.5 million.
Writebacks also take into account prior year default interest that has been collected for an amount of € 1,551 thousand.

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 classes						Total
	AAA/AA-	A+/A-	BBB+/BBB-	BB+/BB-	B+/B-	Down of B-	
A. Cash exposures	381,287	6,327,863	467,352	722,325	105,573	70,418	8,074,818
B. Derivatives	-	1,905	479	8,162	1,913	-	12,459
B.1 Financial derivatives	-	1,905	479	8,162	1,913	-	12,459
B.2 Credit derivatives	-	-	-	-	-	-	-
C. Guarantees given	-	342,405	149,048	236,227	5,787	1,407	734,874
D. Commitments to make loans	-	17,822	91,409	16,886	661	-	126,778
E. Other	-	-	-	-	-	-	-
Total	**381,287**	**6,689,995**	**708,288**	**983,600**	**113,934**	**71,825**	**8,948,929**

	With external rating	Unrated	Total
A. Cash exposures	8,074,818	35,965,126	44,039,944
B+C+D. Off-balance sheet exposures	874,111	3,537,077	4,411,188
Total	**8,948,929**	**39,502,203**	**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	1,073,920	801,361	765,904	957,567	1,544,411	553,618	458,633
B. Derivatives	14	2	1	75	-	45	37
B.1 Financial derivatives	14	2	1	75	-	45	37
B.2 Credit derivatives	-	-	-	-	-	-	-
C. Guarantees given	4,527	1,813	5,483	6,312	8,835	8,839	3,150
D. Commitments to make loans	3,220	1,766	6,004	5,098	4,769	2,181	2,765
E. Other	-	-	-	-	-	-	-
Total	1,081,681	804,942	777,392	969,052	1,558,015	564,683	464,585

(cont.)

Exposures	Internal rating class						
	8	9	10	11	12	13	Total
A. Cash exposures	351,064	197,630	164,520	118,595	53,884	102,187	7,143,294
B. Derivatives	2	-	6	-	-	-	182
B.1 Financial derivatives	2	-	6	-	-	-	182
B.2 Credit derivatives	-	-	-	-	-	-	-
C. Guarantees given	4,495	3,529	560	157	210	133	48,043
D. Commitments to make loans	1,170	608	68	115	-	80	27,844
E. Other	-	-	-	-	-	-	-
Total	356,731	201,767	165,154	118,867	54,094	102,400	7,219,363

Exposure to businesses:

Exposures	Internal rating class						
	1	2	3	4	5	6	7
A. Cash exposures	1,090,933	1,144,408	1,865,511	1,927,965	1,532,632	1,096,094	666,628
B. Derivatives	1,176	1,436	1,650	6,185	11,318	12,548	947
B.1 Financial derivatives	1,176	1,436	1,650	6,185	11,318	12,548	947
B.2 Credit derivatives	-	-	-	-	-	-	-
C. Guarantees given	182,775	170,032	251,689	157,979	117,797	87,646	36,917
D. Commitments to make loans	10,780	10,358	28,629	35,337	7,637	12,247	3,868
E. Other	-	-	-	-	-	-	-
Total	1,285,664	1,326,234	2,147,479	2,127,466	1,669,384	1,208,535	708,360

(cont.)

Exposures	Internal rating class						
	8	9	10	11	12	13	Total
A. Cash exposures	487,178	316,912	166,526	113,964	66,768	145,227	10,620,746
B. Derivatives	7,568	2,288	8	-	1,856	579	47,559
B.1 Financial derivatives	7,568	2,288	8	-	1,856	579	47,559
B.2 Credit derivatives	-	-	-	-	-	-	-
C. Guarantees given	30,014	13,764	5,926	3,652	1,029	5,406	1,064,626
D. Commitments to make loans	5,303	628	996	226	14	1,337	117,360
E. Other	-	-	-	-	-	-	-
Total	530,063	333,592	173,456	117,842	69,667	152,549	11,850,291

Exposure to large businesses:

Exposures	Internal rating class						
	1	2	3	4	5	6	7
A. Cash exposures	88,594	163,006	390,055	586,732	507,428	304,692	198,082
B. Derivatives	225	292	1,175	1,286	54	105	87
B.1 Financial derivatives	225	292	1,175	1,286	54	105	87
B.2 Credit derivatives	-	-	-	-	-	-	-
C. Guarantees given	59,636	114,996	147,095	149,574	272,427	109,556	46,670
D. Commitments to make loans	3,222	43,878	1,520	3,545	28,472	93,011	840
E. Other	-	-	-	-	-	-	-
Total	**151,677**	**322,172**	**539,845**	**741,137**	**808,381**	**507,364**	**245,679**

(cont.)

Exposures	Internal rating class						
	8	9	10	11	12	13	Total
A. Cash exposures	119,439	54,634	83,250	7,475	13,981	4,708	2,522,076
B. Derivatives	185	-	24	-	-	-	3,433
B.1 Financial derivatives	185	-	24	-	-	-	3,433
B.2 Credit derivatives	-	-	-	-	-	-	-
C. Guarantees given	48,565	4,464	2,751	252	2	-	955,988
D. Commitments to make loans	4,229	106	2,004	-	-	-	180,827
E. Other	-	-	-	-	-	-	-
Total	**172,418**	**59,204**	**88,029**	**7,727**	**13,983**	**4,708**	**3,662,324**

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:	**141,153**	**-**	**-**	**129,140**	**-**
1.1. fully guaranteed	140,277	-	-	129,140	-
- of which: non-performing exposures	-	-	-	-	-
1.2. partially guaranteed	876	-	-	-	-
- of which: non-performing exposures	-	-	-	-	-
2. Guaranteed off-balance sheet credit exposures:	**6,529**	**-**	**-**	**-**	**-**
2.1. fully guaranteed	5,868	-	-	-	-
- of which: non-performing exposures	-	-	-	-	-
2.2. partially guaranteed	661	-	-	-	-
- of which: non-performing exposures	-	-	-	-	-

(cont.)

	Personal guarantees (2)									Total (1)+(2)
	Credit Derivatives					Endorsement credits				
		Other derivatives								
	Creadit 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:	**-**	**-**	**-**	**-**	**-**	**9,624**	**-**	**2,140**	**-**	**140,904**
1.1. fully guaranteed	-	-	-	-	-	9,624	-	1,378	-	140,142
- of which: non-performing exposures	-	-	-	-	-	-	-	-	-	-
1.2. partially guaranteed	-	-	-	-	-	-	-	762	-	762
- of which: non-performing exposures	-	-	-	-	-	-	-	-	-	-
2. Guaranteed off-balance sheet credit exposures:	**-**	**-**	**-**	**-**	**-**	**5,138**	**-**	**730**	**352**	**6,220**
2.1. fully guaranteed	-	-	-	-	-	5,138	-	730	-	5,868
- of which: non-performing exposures	-	-	-	-	-	-	-	-	-	-
2.2. partially guaranteed	-	-	-	-	-	-	-	-	352	352
- of which: non-performing exposures	-	-	-	-	-	-	-	-	-	-

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:	**21,187,091**	**13,983,569**	**-**	**474,998**	**596,908**
1.1. fully guaranteed	19,061,445	13,700,874	-	353,929	535,945
- of which: non-performing exposures	3,064,818	2,423,337	-	20,447	8,855
1.2. partially guaranteed	2,125,646	282,695	-	121,069	60,963
- of which: non-performing exposures	526,978	175,482	-	6,015	15,247
2. Guaranteed off-balance sheet credit exposures:	**1,033,758**	**6,005**	**-**	**77,174**	**47,742**
2.1. fully guaranteed	712,195	1,505	-	49,020	35,357
- of which: non-performing exposures	37,466	602	-	2,220	5,185
2.2. partially guaranteed	321,563	4,500	-	28,154	12,385
- of which: non-performing exposures	16,835	500	-	486	36

(cont.)

	Personal guarantees (2)									Total (1)+(2)
	Credit derivatives					Endorsement credits				
		Other derivatives								
	Credit link notes	Governments and central banks	Other public entities	Banks	Other parties	Governments and central banks	Other pubblic entities	Banks	Other parties	
1. Guaranteed cash exposures:	**-**	**-**	**-**	**-**	**-**	**67,968**	**449,413**	**51,305**	**4,809,327**	**20,433,488**
1.1. fully guaranteed	-	-	-	-	-	11,195	203,174	48,985	4,193,160	19,047,262
- of which: non-performing exposures	-	-	-	-	-	1,202	17,081	29,570	557,498	3,057,990
1.2. partially guaranteed	-	-	-	-	-	56,773	246,239	2,320	616,167	1,386,226
- of which: non-performing exposures	-	-	-	-	-	6,261	7,828	298	175,959	387,090
2. Guaranteed off-balance sheet credit exposures:	**-**	**-**	**-**	**-**	**-**	**1,039**	**818**	**12,991**	**830,513**	**976,282**
2.1. fully guaranteed	-	-	-	-	-	515	-	10,796	615,002	712,195
- of which: non-performing exposures	-	-	-	-	-	-	-	7,227	22,231	37,465
2.2. partially guaranteed	-	-	-	-	-	524	818	2,195	215,511	264,087
- of which: non-performing exposures	-	-	-	-	-	367	-	-	7,484	8,873

B. Distribution and concentration of credit exposures

B.1 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 Bad loans	-	-	#	69	23	#	48,949	162,638	#
- of which: forborne exposures	-	-	#	-	-	#	9,450	27,976	#
A.2 Unlikelyt to pay loans	1	1	#	5,871	654	#	108,344	25,606	#
- of which: forborne exposures	-	-	#	5,649	628	#	62,594	13,428	#
A.3 Impaired past due loans	1	-	#	162	22	#	1,724	321	#
- of which: forborne exposures	-	-	#	-	-	#	1,530	286	#
A.5 Performing exposures	7,314,246	#	-	139,882	#	549	4,364,762	#	5,097
- of which: forborne exposures	-	#	-	7,079	#	61	9,584	#	177
Total A	**7,314,248**	**1**	**-**	**145,984**	**699**	**549**	**4,523,779**	**188,565**	**5,097**
B. Off-Balance Sheet exposures									
B.1Bad loans	-	-	#	-	-	#	-	-	#
B.2 Unlikely to pay loans	-	-	#	-	-	#	9,136	1	#
B.3 Other impaired loans	-	-	#	60	-	#	-	-	#
B.4 Performing exposures	185,008	#	-	14,156	#	160	558,278	#	184
Total B	**185,008**	**-**	**-**	**14,216**	**-**	**160**	**567,414**	**1**	**184**
Total (A+B) 31.12.2015	**7,499,256**	**1**	**-**	**160,200**	**699**	**709**	**5,091,193**	**188,566**	**5,281**
Total (A+B) 31.12.2014	**7,065,323**	**-**	**-**	**170,855**	**677**	**1,531**	**5,657,394**	**158,185**	**6,711**

(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 Bad loans	-	-	#	1,592,600	2,395,470	#	242,902	371,324	#
- of which: forborne exposures	-	-	#	139,390	119,559	#	21,423	42,823	#
A.2 Unlikelyt to pay loans	-	-	#	1,871,244	634,349	#	240,836	53,759	#
- of which: forborne exposures	-	-	#	1,071,882	303,201	#	125,640	22,645	#
A.3 Impaired past due loans	-	-	#	143,030	19,555	#	30,991	2,532	#
- of which: forborne exposures	-	-	#	6,096	681	#	2,010	110	#
A.5 Performing exposures	123,106	#	3	16,611,631	#	121,780	7,443,960	#	13,761
- of which: forborne exposures	-	#	-	565,190	#	13,300	151,039	#	1,238
Total A	**123,106**	**-**	**3**	**20,218,505**	**3,049,374**	**121,780**	**7,958,689**	**427,615**	**13,761**
B. Off-Balance Sheet exposures									
B.1Bad loans	-	-	#	18,336	19,095	#	244	154	#
B.2 Unlikely to pay loans	-	-	#	119,158	28,340	#	427	39	#
B.3 Other impaired loans	-	-	#	2,660	175	#	49	2	#
B.4 Performing exposures	15,429	#	4	2,671,061	#	5,065	97,647	#	2,981
Total B	**15,429**	**-**	**4**	**2,811,215**	**47,610**	**5,065**	**98,367**	**195**	**2,981**
Total (A+B) 31.12.2015	**138,535**	**-**	**7**	**23,029,720**	**3,096,984**	**126,845**	**8,057,056**	**427,810**	**16,742**
Total (A+B) 31.12.2014	**137,656**	**-**	**17**	**23,404,145**	**2,684,506**	**133,330**	**7,497,147**	**395,954**	**14,268**

B.2 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 Bad loans	1,883,063	2,915,706	1,457	13,682	-	34	-	1	-	32
A.2 Unlikely to pay loans	2,167,775	691,822	54,091	20,985	4,430	1,562	-	-	-	-
A.3 Impaired past due loans	175,784	22,409	26	7	98	12	-	1	-	1
A.5 Performing exposures	34,798,255	140,551	651,946	602	537,832	29	1,755	6	7,799	2
Total	**39,024,877**	**3,770,488**	**707,520**	**35,276**	**542,360**	**1,637**	**1,755**	**8**	**7,799**	**35**
B. Off-balance sheet exposures										
B.1 Bad Loans	18,580	19,249	-	-	-	-	-	-	-	-
B.2 Unlikely to pay loans	112,509	24,776	16,212	3,604	-	-	-	-	-	-
B.3 Other impaired loans	2,769	177	-	-	-	-	-	-	-	-
B.4 Performing exposures	3,239,074	8,235	300,149	159	192	-	-	-	2,163	-
Total	**3,372,932**	**52,437**	**316,361**	**3,763**	**192**	**-**	**-**	**-**	**2,163**	**-**
Total 31.12.2015	**42,397,809**	**3,822,925**	**1,023,881**	**39,039**	**542,552**	**1,637**	**1,755**	**8**	**9,962**	**35**
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**

B.2.1 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 Bad loans	200,365	338,539	772,756	1,078,193	210,058	456,687	699,884	1,042,287	1,457	13,749
A.2 Unlikely to pay loans	138,597	58,587	1,091,520	384,594	287,621	86,271	650,037	162,370	58,521	22,547
A.3 Impaired past due loans	26,427	5,667	57,516	6,758	28,204	3,551	63,637	6,433	124	21
A.4 Performing exposures	3,434,048	14,973	14,020,391	63,013	9,344,738	18,669	7,999,078	43,896	1,199,332	639
Total	**3,799,437**	**417,766**	**15,942,183**	**1,532,558**	**9,870,621**	**565,178**	**9,412,636**	**1,254,986**	**1,259,434**	**36,956**
B. Off-balance sheet exposures										
B.1 Bad loans	1,415	1,075	9,518	12,273	5,502	3,199	2,145	2,702	-	-
B.2 Unlikely to pay loans	17,045	2,316	65,413	19,254	10,182	1,642	19,869	1,564	16,212	3,604
B.3 Other impaired loans	288	16	416	23	283	25	1,782	113	-	-
B.4 Performing exposures	579,016	1,001	1,775,241	5,867	406,921	486	477,897	881	302,504	159
Total	**597,764**	**4,408**	**1,850,588**	**37,417**	**422,888**	**5,352**	**501,693**	**5,260**	**318,716**	**3,763**
Total 31.12.2015	**4,397,201**	**422,174**	**17,792,771**	**1,569,975**	**10,293,509**	**570,530**	**9,914,329**	**1,260,246**	**1,578,150**	**40,719**
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**

B.3 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 Bad loans	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay loans	-	-	-	-	-	-	-	-	-	-
A.3 Impaired past due loans	-	-	-	-	-	-	-	-	-	-
A.4 Performing exposures	1,835,017	-	2,293,056	-	188,019	-	48,434	-	534,128	-
Total	**1,835,017**	**-**	**2,293,056**	**-**	**188,019**	**-**	**48,434**	**-**	**534,128**	**-**
B. Off-Balance sheet exposures										
B.1 Bad loans	-	-	-	-	-	-	-	-	-	-
B.2 Unlikely to pay loans	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired loans	-	-	-	-	-	-	-	-	-	-
B.4 Performing exposures	81,796	-	390,075	-	9,800	-	37,323	-	16,583	-
Total	**81,796**	**-**	**390,075**	**-**	**9,800**	**-**	**37,323**	**-**	**16,583**	**-**
Total 31.12.2015	**1,916,813**	**-**	**2,683,131**	**-**	**197,819**	**-**	**85,757**	**-**	**550,711**	**-**
Total 31.12.2014	**2,113,964**	**-**	**1,810,961**	**-**	**66,274**	**-**	**48,452**	**-**	**390,379**	**-**

B.3.1 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 Bad loans	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay loans	-	-	-	-	-	-	-	-	-	-
A.3 Impaired past due loans	-	-	-	-	-	-	-	-	-	-
A.Performing exposures	722,106	-	292,255	-	489,243	-	331,413	-	3,063,637	-
Total A	**722,106**	**-**	**292,255**	**-**	**489,243**	**-**	**331,413**	**-**	**3,063,637**	**-**
B. Off-Balance sheet exposures										
B.1 Bad loans	-	-	-	-	-	-	-	-	-	-
B.2 Unlikely to pay loans	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired loans	-	-	-	-	-	-	-	-	-	-
B.4 Performing exposures	19,766	-	1,616	-	3,867	-	56,547	-	453,781	-
Total B	**19,766**	**-**	**1,616**	**-**	**3,867**	**-**	**56,547**	**-**	**453,781**	**-**
Total 31.12.2015	**741,872**	**-**	**293,871**	**-**	**493,110**	**-**	**387,960**	**-**	**3,517,418**	**-**
Total 31.12.2014	**1,085,952**	**-**	**588,052**	**-**	**314,824**	**-**	**125,136**	**-**	**2,316,066**	**-**

B.4 Large exposures

	31.12.2015	31.12.2014
a) Book value	17,391,278	16,728,732
b) Weighted value	2,260,905	2,875,210
c) Number	6	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 year, there are six "major risks" for an overall amount of € 17,391.3 million, corresponding to € 2,260.9 million of weighted value. Of these, repurchase agreements account for € 1,615.8 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 € 8,058.3 million (46% of the total).
The remainder consists of balances with large Banking groups (for nominal value of € 981.9 million - weighted € 499.5 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.

Risk concentration:

Reference date: 31.12.2015	Amount of the exposure	Amount of the exposure after CRM and exemptions under art. 400 CRR
First 5 exposures	16,911,789	2,209,500
First 10 exposures	18,962,383	3,082,377
First 20 exposures	21,437,917	4,350,691

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

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 still has the Mutina securitisation outstanding at 31 December 2015.

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 and Banca Popolare del Mezzogiorno 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. Until 31 December 2015, the Parent Company BPER was the back-up servicer. The new "Master Servicing Agreement" was signed on 15 December 2015, providing for the appointment of BPER (former back-up servicer) as a new Master Servicer in place of Nettuno Gestione Crediti s.p.a., with effect from 1 January 2016.
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 31.12.2015	Fitch rating	S&P's rating
IT0003444327	Senior	Aug-09	228,000	-	AA-	A+
IT0003444350	Junior	Feb-19	12,069	2,384	n.r.	n.r.
IT0003444376	Junior	Feb-19	12,143	7,653	n.r.	n.r.
IT0003444392	Junior	Feb-19	24,001	13,974	n.r.	n.r.
IT0003444459	Junior	Feb-19	61,830	41,160	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	24,347	n.r.	n.r.
IT0003444566	Junior	Feb-19	19,466	8,431	n.r.	n.r.
Total			**412,509**	**109,832**		

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 held by the Bank is Euro 85,485 thousand, following the mergers in 2013 and 2014. The book value is Euro 26,289 thousand.
The other Euro 24,347 of Junior securities are held by Banca di Sassari.

Quantitative information

C.1 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	**-**	**-**	**-**	**-**	**30,676**	**587**
- non-performing residential mortgages	-	-	-	-	2,733	58
- non-performing no residential mortgages	-	-	-	-	15,368	319
- other non-performing loans	-	-	-	-	12,575	210
B. Derecognised in part	**-**	**-**	**-**	**-**	**-**	**-**
C. Not derecognised	-	-	-	-	-	-

The book values in the Junior securities section represent the securities of the Mutina portfolio.
"Adjustments/writebacks" show the annual flow of writedowns and writebacks as required by the Bank of Italy's Circular no. 262/2005.
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 "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
- performing residential mortgages	10,134		-	-	-	-
- performing no residential mortgages	325	-	-		-	-
- other performing loans	109,897	6,213	-		-	-
- performing securities		-	1		12	-

(cont.)

Type of underlying assets/Exposure	Credit lines					
	Senior		Mezzanine		Junior	
	Book value	Adjustments/write-backs	Book value	Adjustments/write-backs	Book value	Adjustments/ write-backs
- performing residential mortgages	-	-	-	-	-	-
- performing no residential mortgages	-	-	-	-	-	-
- other performing loans	2,100	-	-	-	-	-
- performing securities	-	-	-	-	-	-

The parts of the table relating to guarantees given have not been shown as there is nothing to report.

C.3 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	34,637		3,205	-	-	36,045

The Mutina SPV is wholly-owned by the Parent Company, but it has not been consolidated line-by-line because from 30 June 2015 the Bank standardised the scope of consolidation for accounting purposes with the scope for supervisory purposes.

C.5 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	
	Non-performing loans	Performing loans	Non-performing loans	Performing loans	Non-performing loans	Performing	Non-performing loans	Performing	Non-performing loans	Performing
Mutina s.r.l.	29,387	-	5,351	-	100.00%	-	-	-	44.28%	-

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	**6,521**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	6,521	-	-	-	-	-
2. Equity instruments	-	-	-	-	-	-
3. UCITS units	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
B. Derivatives	**-**	**-**	**-**	**#**	**#**	**#**
Total 31.12.2015	**6,521**	**-**	**-**	**-**	**-**	**-**
- of which: impaired	-	-	-	-	-	-
Total 31.12.2014	**37,046**	**-**	**-**	**-**	**-**	**-**
- 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	**1,726,687**	**-**	**-**	**905,737**	**-**	**-**
1. Debt securities	1,726,687	-	-	905,737	-	-
2. Equity instruments	-	-	-	-	-	-
3. UCITS units	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
B. Derivatives	**-**	**-**	**-**	**#**	**#**	**#**
Total 31.12.2015	**1,726,687**	**-**	**-**	**905,737**	**-**	**-**
- of which: impaired	-	-	-	-	-	-
Total 31.12.2014	**1,009,933**	**-**	**-**	**888,139**	**-**	**-**
- 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)	31.12.2015	31.12.2014
A. Cash assets	**20,086**	**-**	**-**	**-**	**-**	**-**	**2,659,031**	**2,057,784**
1. Debt securities	-	-	-	-	-	-	2,638,945	1,935,118
2. Equity instruments	#	#	#	#	#	#	-	-
3. UCITS units	#	#	#	#	#	#	-	-
4. Loans	20,086	-	-	-	-	-	20,086	122,666
B. Derivatives	**#**	**#**	**#**	**#**	**#**	**#**	**-**	**-**
Total 31.12.2015	**20,086**	**-**	**-**	**-**	**-**	**-**	**2,659,031**	**#**
- of which: impaired	-	-	-	-	-	-	-	#
Total 31.12.2014	**122,666**	**-**	**-**	**-**	**-**	**-**	**#**	**2,057,784**
- 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	**6,129**	**-**	**18,681**	**-**	**-**	**-**	**24,810**
a) for assets recorded in full	6,129	-	18,681	-	-	-	24,810
b) for assets recorded in part	-	-	-	-	-	-	-
2. Due to banks	**380**	**-**	**1,708,130**	**969,723**	**20,086**	**-**	**2,698,319**
a) for assets recorded in full	380	-	1,708,130	969,723	20,086	-	2,698,319
b) for assets recorded in part	-	-	-	-	-	-	-
Total 31.12.2015	**6,509**	**-**	**1,726,811**	**969,723**	**20,086**	**-**	**2,723,129**
Total 31.12.2014	**36,944**	**-**	**988,298**	**959,153**	**122,666**	**-**	**2,107,061**

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

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).

On 8 February 2011, the Board of Directors launched the structuring of a first programme for the issue of guaranteed bank bonds ("GBB1"), based on a collateralised portfolio of residential mortgage loans pursuant to art. 7-*bis* of Law 130 of 30 April 1999 ("Law 130/99"), the Ministry of Economy and Finance's Decree no. 310 of 14 December 2006 (the "MEF Decree") and the 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").

On 3 March 2015 the Board of Directors launched the structuring of a second programme for the issue of guaranteed bank bonds ("GBB2"), based on a collateralised portfolio of residential and commercial mortgage loans, as already mentioned in the Directors' Report on Operations.

The basic structure of a guaranteed bank bonds issue

"Guaranteed Bank Bonds", also known as "Covered Bonds", 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").

Key elements of the BPER's Programmes for the issue of Covered Bonds

The BPER's Covered Bond Programmes (the "Programmes") have been structured as follows:

- the sale without recourse to Estense Covered Bond s.r.l. (the "SPV" or "Estense Covered Bond") for GBB1, and to Estense CPT Covered Bond s.r.l. (the "SPV" or "Estense CPT Covered Bond") for GBB2, initially just by BPER and then, during the Programmes, also by other Group Banks, of assets with a high credit quality, which constitute segregated assets pursuant to Law 130/99;
- the provision to the assignee SPVs, by BPER and other Group Banks that will eventually join the programmes as selling banks, of subordinated loans to provide the assignees with the funding required to purchase the assets sold;
- the issue by the SPVs, up to the amount of the segregated assets, of guarantees in favour of the holders of the Guaranteed Bank Bonds issued by BPER.

Although they are presented as Group programmes, the initial and subsequent transactions only involved BPER as the selling bank, the understanding being that BPER will always take on the role of issuing bank. Only at a later stage, after an expert assessment of the risks and opportunities, is it expected that other Group Banks will join the Programmes as selling banks to sell additional Eligible Assets.

The portfolios of Eligible Assets involved in the initial sales are composed of loans originating from residential mortgage loans for GBB1 and of residential and commercial mortgage loans for GBB2, which meet the requirements of the Regulations. These portfolios were identified based on general and specific criteria indicated in the sale agreements. Additional portfolios of Eligible Assets may include 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 portfolios is 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 portfolios - without recourse and under the combined provisions of articles 1 and 4 of Law 130/99 and art. 58 of the CFA - is communicated to the mortgage holders by publishing a notice of sale by the seller with the above selection criteria in the Official Journal and by filing the same notice of sale with the Registrar of Companies. Further formalities are also carried out for privacy legislation purposes (Legislative Decree no. 196/2003).
The mortgage holders maintain a direct operational relationship with BPER - or, in the case of sale of Eligible Assets by other selling banks that will join the Programmes, with the other Group Banks that the mortgage holders originally obtained the loans from - since the two SPVs have given BPER responsibility for managing and administering the loans sold and the related collection and payment services (servicing activities), with BPER having the power to grant a sub-proxy to the pertinent selling banks to perform servicing activities for the 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 guarantees issued with reference to specific legal parameters and the parameters set by the Programmes' documentation based on indications provided by rating agencies, on which the credit rating assigned to the Guaranteed Bank Bonds depends.
In the case of non-compliance with one or more of the required parameters, it will be necessary to add to the portfolios sold by selling further Eligible Assets. The portfolios can be added to by using the SPVs' liquid funds or by further drawdowns of the subordinated loans granted by BPER (or by the other selling banks) to the two SPVs.
Other initiatives are required in the case of violation of contractual conditions, up to the extreme consequences of enforcement of the guarantees provided by the SPVs 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 Covered Bonds).
Moreover, on predetermined dates, the functions responsible for supervising the Bank's risk management verify the quality and integrity of the assets provided as collateral for Covered Bonds issued.
The structure of the Programmes, as outlined, permits the creation of segregated assets (consisting of the Eligible Assets assigned from time to time to the SPVs), to serve as a preferred guarantee for the Covered Bond holders, for the counterparties to derivative contracts entered into under the Programmes

to hedge the risks inherent in the portfolios of transferred Eligible Assets and for the payment of other transaction costs.
Normally, the charges for payment and redemption of the Covered Bonds remain with the Issuer and, only when there is an Event of Default by the Issuer will automatic protection mechanisms be activated to protect the investors.
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 portfolios 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 Guaranteed Bank Bonds 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 Guaranteed Bank Bonds 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 Guaranteed Bank Bonds.

These contracts can be linked to back-to-back swap agreements between the swap counterparties and BPER, a situation that currently exists in the case of the third, fourth and fifth issue of the GBB1 Programme.
In this respect, it should be noted that the first issue of the GBB1 Programme was redeemed on 22 January 2014, whereas the second issue, redemption of which should have taken place in April 2015, was redeemed early on 12 January 2015. For the third, fourth and fifth 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 Guaranteed Bank Bonds by trading them for the expected return on portfolio of loans sold.
The first issue of the GBB2 Programme also envisages a floating rate and did not therefore need any hedging by derivatives.

The GBB1 Programme

The GBB1 Programme provides for the issue of Covered Bonds up to a maximum of Euro 5 billion, to be carried out in a number of issues over time, by 31 December 2018 at latest (subject to the obligations for annual renewal of the prospectus prepared in compliance with EU regulations).
The first series of Guaranteed Bank Bonds 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 2011 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 Guaranteed Bank Bonds 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 BPER, 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 BPER or from other Group banks merged into the Parent Company. On 12 January 2015 the second series of GBB was all repaid early.

On 15 October 2013, a third issue of Guaranteed Bank Bonds 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 BPER or by other Group banks absorbed by Parent Company in the meantime, were sold on the basis of the same general assumptions.

On 22 January 2015, a fourth issue of Guaranteed Bank Bonds 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.
On 28 April 2015, another Euro 1,074 million of residential mortgage loans, originated exclusively by BPER or by other Group banks absorbed by Parent Company in the meantime, were sold on the basis of the same general assumptions.

On 29 July 2015, a fifth issue of Guaranteed Bank Bonds 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.

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 currently amounts to Euro 5 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 purpose of adding to segregated assets) and with a remuneration that guarantees a return to the transferor of the yield on the segregated mortgage loans, albeit residual with respect to 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 Guaranteed Bank Bonds 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. Subsequently, in October 2015 and again in January 2016, an additional Euro 250 million and Euro 120 million, respectively, were reimbursed, again drawing on the resources of the principal generated by the loan portfolio sold.

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 - are 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 in the GBB1 Programme

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 Third series of bonds issued: RBS, Citibank, Mediobanca, Société Générale, UBS.
Joint Lead Manager of re-opening of the Third series of bonds issued: Citibank, Raiffeisen Bank International.
Joint Lead Manager of the Fourth series of bonds issued: RBS, BNP Paribas, Natixis, Nomura International plc., UniCredit Bank AG.
Joint Lead Manager of the Fifth series of bonds issued: RBS, Banca IMI, Credit Suisse International, Raiffeisen Bank International, Société Générale.
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; for the fifth issue, Credit Suisse International.
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 GBB2 Programme

The GBB2 Programme provides for the issue of Covered Bonds up to a maximum of Euro 5 billion, to take place in a number of issues over time, by 31 December 2025 at latest (subject to the obligations for annual renewal of the prospectus prepared in compliance with EU regulations).
The first series of Guaranteed Bank Bonds with par value of Euro 625 million was issued on 16 December 2015, after the sale on 17 September 2015 by BPER to Estense CPT Covered Bond s.r.l. of a portfolio of

loans that met eligibility requirements under the regulations for a nominal value of Euro 870 million, selected on the basis of the criteria outlined above and having the following main characteristics:

- residential and commercial mortgage loans;
- granted by 31 December 2014;
- final instalment due after 31 December 2015;
- ratio of outstanding debt to the value of secured property, revalued close to the date of sale, up to a maximum of 80% for residential mortgage loans and up to a maximum of 60% for commercial mortgage loans.

The first bond issue of Euro 625 million was fully subscribed by BPER in order to increase the collateral for refinancing operations with the European Central Bank.

The subordinated loan granted by BPER to Estense CPT Covered Bond s.r.l., under the form of a credit facility, to finance the purchase of the assigned portfolios, amounted to Euro 1.5 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 Guaranteed Bank Bonds that, in turn, will allow the release of the loan portfolio or the cash collections generated thereby.

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 by the portfolio of sold Eligible Assets - for which BPER will remain as Servicer - are transferred to current accounts with Citibank N.A., either in Italy or the UK, since this is a third party with an appropriate rating.

The specific financial feature of the GBB2 Programme is a different structural technique which, in the event of the Bank's default and under other circumstances foreseen in the GBB2 Programme, makes it possible to transform the repayment plan of the Covered Bonds according to the loan portfolio amortisation schedule given in guarantee. This eliminates the financial risk associated with a forced and peremptory liquidation of this portfolio, thereby transforming the outstanding Covered Bonds into securities similar to pass-through securities issued as part of securitisation transactions. In this way, the risk profile of a default on the Covered Bonds is clearly attenuated, making it possible to obtain a higher rating.

Counterparties involved in the GBB2 Programme

Issuing Bank, initial Selling Bank, Servicer, Investment Agent, Primary 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: Finanziaria Internazionale Securitisation Group s.p.a.
Initial Dealer of the first series of bonds issued: Banca Finanziaria Internazionale s.p.a.
Guarantor: Estense CPT Covered Bond s.r.l.

Representative of the Bondholders (RoB): Securitisation Services s.p.a.
Subsequent Paying Agent, Cash Manager and Account Bank: Citibank N.A. (both Italian and London branches).
Corporate Servicer: Securitisation Services s.p.a.
Guarantor Calculation Agent: Securitisation Services s.p.a.
Legal advisor to Banca popolare dell'Emilia Romagna s.c.: Allen & Overy Studio Legale Associato.
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.

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%.

These requirements must be satisfied, on a consolidated basis, even by selling banks, where the latter, as provided for by the Programmes' 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 2015, the Own Funds of the BPER Group, calculated under the transitional arrangements (Phased in), amount to Euro 5,011.6 million and the Total Capital Ratio is equal to 12.50%.

Limits on the sale of Eligible Assets

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 2015, the Tier 1 ratio was 11.34% and the Common Equity Tier 1 ratio 11.24% (Phased in).

Organisational structure and procedures

The structuring process for the GBB Issue Programmes meant organising a team to coordinate the activities of all the Departments involved. In this regard, a specific structure was set up, the Structured Finance Management Office, which 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 Programmes, including when it is fully operational, a specific Group Regulation has been prepared followed by a Group Organisational Procedure.

Capital, accounting and tax impact

With the issue of the GBB, 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 transactions, therefore, do not qualify for derecognition: the selling banks must continue to recognise the transferred assets in their entirety in the balance sheet and the considerations received from the sale must be accounted for as opposite entries to the financial liabilities due to the SPVs (IAS 39, § 29).

In turn, these liabilities must be shown net of the subordinated loans granted to the vehicles, due to the principle of substance over form: it is as if the purchase of loans by the SPVs had never taken place.

The subordinated loans are not taken into consideration for the purposes of counterparty risk; these loans 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 both the SPVs are BPER Group's entities, as the Parent Company has a 60% holding; they are therefore subject to consolidation, although limited to their 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 sales of the loans had never taken place.

Again, to ensure that the operation was neutral for tax purposes, it was established, as foreseen in art. 7 *bis*, paragraph 7 of Law 130/99, that the sale price would be equal *"to the latest carrying amount of the loans"*, or as certified by the Independent Auditors of the selling Bank.

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 the sale price specifically certified by the auditors of the selling Bank.

The risks associated with the transaction

The GBB1 and GBB2 Programmes involve 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, by the Manager responsible for preparing the company's financial reports. 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 Covered Bonds 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 "bullet" Covered Bonds 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 Guaranteed Bank Bonds, together with management and internal operating rules, require a precise and formal structuring of activities under the Programmes, 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 Programmes 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 Programmes, which will be formally integrated into the body of the contract and management processes, as and when other Group Banks join the Programmes 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 projects by the Board of Directors, highlighted:

- regarding the impact on results, the transactions would have led to, with reference to available market data, a lower cost of funding compared with equivalent senior transactions and this would have allowed start-up costs to be fully covered, already in the first year, as well as to cover ongoing costs for the period. Under current market conditions, this original estimate may be considered highly conservative;
- regarding the impact on the financial position, having valued the portfolio of eligible residential or commercial mortgage loans, at Group level, there was an assumed plan for 7 and 10 year issues respectively, for the first and second Programme, so as to have appropriate margins for restoration of the cover pool, if necessary, without this having an impact on the Group's financial position or commercial practices.

These findings have allowed the Board to determine that the transactions do 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 them) and the contracts entered into as part of the Programmes, "Reports on the transferee company" have been prepared by external legal consultants, in order to ensure that the contracts entered into as part of the Programmes contain clauses that ensure the regular and efficient performance of functions by the assignees, as required by the Regulations.

Assessment of legal aspects of the Programmes for Issue of Guaranteed Bank Bonds

Studio Legale Linklaters and Studio Legale Allen & Overy, for the GBB1 and GBB2 Programme respectively, also issued reports to assess the legal aspects of the activities involved in the Programmes in accordance with the Rules. The reports contain a thorough assessment of legal structures and contractual arrangements used, with particular attention to the characteristics of the guarantees given by the assignee companies and the overall relationships between and among the participants in the Programmes.

Annual assessment of the Programmes 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 annual reviews of the Programmes' *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, 2013 and 2014 without any significant findings emerging.

Quantitative information relating to loans sold

GBB1 Programme

1. Movements

Description	31.12.2015
Opening balance	**2,299,802**
Increases	**1,156,133**
Purchase of loan portfolio	1,074,216
Other changes:	81,917
- Interest income accrued on loans	80,739
- Default interest	114
- Penalties and various recoveries	78
- Revenue from IAS adjustments	740
- Out-of-period income from non-performing loans	-
- Write-backs of loan provisions	244
- Recovery of expenses on non-performing loans	2
Decreases	**448,941**
Collections from customers	409,865
Other changes:	4,494
- Loan provisions	3,210
- Loan losses	20
- Charges due to IAS adjustments	1,264
Repurchases by the Originator	34,582
Closing balance	**3,006,994**

2. Breakdown by residual life

Residual life of securitised loans	31.12.2015
Up to 3 months	194
Between 3 and 12 months	3,470
From 1 to 5 years	122,948
Over 5 years	2,893,091
Unspecified duration	4,520
Total	**3,024,223**

3. Concentration of risk

Amount by category (Euro)	Number of customers	31.12.2015
0 - 25,000	8,525	60,699
25,000 - 75,000	14,327	714,645
75,000 - 250,000	16,391	1,991,620
over 250,000	752	257,259
Total		**3,024,223**

The loans balance is gross of loan provisions and IAS adjustment.

As of 31 December 2015, debtors sold are for the most part resident in Italy and the loans are denominated in Euro.

GBB2 Programme

1. Movements

Description	31.12.2015
Opening balance	
Increases	**880,826**
Purchase of loan portfolio	869,722
Other changes:	11,104
- Interest income accrued on loans	10,998
- Default interest	19
- Penalties and various recoveries	87
Decreases	**79,896**
Collections from customers	78,937
Other changes:	959
- Loan provisions	76
- Charges due to IAS adjustments	883
Repurchases by the Originator	-
Closing balance	**800,930**

2. Breakdown by residual life

Residual life of securitised loans	31.12.2015
Up to 3 months	133
Between 3 and 12 months	1,897
From 1 to 5 years	95,735
Over 5 years	707,006
Unspecified duration	1,468
Total	**806,239**

3. Concentration of risk

Amount by category (Euro)	Number of customers	31.12.2015
0 - 25.000	584	8,344
25.000 - 75.000	1,792	89,537
75.000 - 250.000	2,522	328,820
over 250.000	472	379,538
Total		**806,239**

The loans balance is gross of loan provisions and IAS adjustment.

As of 31 December 2015, debtors sold are for the most part resident in Italy and the loans are denominated in Euro.

Section 2 – Market risk

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 set out below also reflects the individual position of Banca popolare dell'Emilia Romagna s.c.

Qualitative information

A. General aspects

As a primary activity, the Group trades on own account.
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 governance 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 governance of market risk has been centralised by the Bank on the basis of decisions taken by the ALCO and Finance Committee, which is chaired 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 Financial Risk 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 readings determined over time horizons of ten days and one day are set out below, in relation to the rate risk associated with the trading portfolio reported for supervisory purposes at 31 December 2015.

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	-	-	0.00%	-	0.00%
BTP	36,696	498	1.36%	158	0.43%
CCT	45,648	40	0.09%	13	0.03%
Other government securities	35,037	1,015	2.90%	321	0.92%
Bonds	364,112	4,169	1.14%	1,318	0.36%
Mutual funds and Sicavs	35,225	120	0.34%	38	0.11%
Derivatives/Transactions to be settled	(12,735)	8,562	-67.23%	2,707	-21.26%
Effect of diversification		(7,380)		(2,334)	
Total portfolio 2015	**503,983**	**7,024**	**1.39%**	**2,221**	**0.44%**
Total portfolio 2014	**688,341**	**7,614**	**1.11%**	**2,408**	**0.35%**

The value of the trading portfolio at 31 December 2015 given a parallel shift of +/- 100 basis points (sensitivity analysis) is set out below.

	+100 bps	-100 bps
31 dec 2015	17,933	(20,661)
31 dec 2014	4,837	(6,426)

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 2015.

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	69,584	5,746	8.26%	1,817	2.61%
Mutual funds and Sicavs	35,225	2,135	6.06%	675	1.92%
Derivatives/Transactions to be settled	7,086	-	0.00%	-	0.00%
Effect of diversification	-	(263)		(83)	
Total portfolio 2015	**111,895**	**7,618**	**6.81%**	**2,409**	**2.15%**
Total portfolio 2014	**65,602**	**5,686**	**8.67%**	**1,798**	**2.74%**

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).

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 governance of rate risk and compliance with regulatory requirements;
- segregation between governance processes and the management 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[3] of loans, 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.

[3] *Prepayment can be defined as a total or partial early repayment 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 "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 fair value option, 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 2015) and trend data (minimum, average, maximum) for the year are provided below in relation to the change in the banking book for interest rate risk following a parallel shift of +/-50 basis points.

	+50 bps	-50 bps
31 December 2015	**(3,442)**	**2,498**
maximum change	4,945	3,018
minimum change	(142)	(27)
average change	922	1,930
31 December 2014	**4,014**	**(1,490)**

Year-end (31 December 2015) and trend date (minimum, maximum, average) for the year are provided below in relation to changes in the banking book for interest rate risk following a parallel shift of +/- 100 basis points (sensitivity analysis).

	+100 bps	-100 bps
31 December 2015	**(127,657)**	**(14,845)**
maximum change	(152,838)	(85,055)
minimum change	(82,551)	(2,506)
average change	(118,768)	(27,518)
31 December 2014	**(98,827)**	**(44,013)**

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 2015.

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	263,090	22,330	8.49%	7,061	2.68%
Mutual funds and Sicavs	127,175	8,274	6.51%	2,616	2.06%
Derivatives/Transactions to be settled	-	-		-	
Effect of diversification	-	(384)	-	(121)	-
Total portfolio 2015	**390,265**	**30,220**	**7.74%**	**9,556**	**2.45%**
Total portfolio 2014	**457,090**	**50,988**	**11.15%**	**16,124**	**3.53%**

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 Parent Company's Financial Risk 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	**1,009,572**	**285,995**	**4,383**	**1,604**	**24,465**	**13,648**
A.1 Debt securities	773,124	217,424	-	-	-	6,738
A.2 Equity instruments	13,759	179	-	169	158	-
A.3 Loans to banks	47,091	31,588	2,348	873	12,343	6,889
A.4 Loans to customers	175,598	36,804	2,035	562	11,964	21
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**5,140**	**1,323**	**87**	**380**	**1,258**	**628**
C. Financial liabilities	**827,392**	**215,734**	**2,324**	**6,680**	**5,800**	**9,155**
C.1 Due to banks	551,677	195,805	643	241	1,337	2,809
C.2 Due to customers	275,715	19,929	1,681	6,439	4,463	6,346
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**2,805**	**147**	**893**	**-**	**58**	**4**
E. Financial derivatives						
- Options						
+ long positions	46,821	3,913	7,308	-	-	-
+ short positions	127,388	380	8,002	-	-	621
- Other derivatives						
+ long positions	297,622	8,987	4,907	4,972	4,725	15,071
+ short positions	404,170	86,446	10,045	38	24,642	12,189
Total assets	**1,359,155**	**300,218**	**16,685**	**6,956**	**30,448**	**29,347**
Total liabilities	**1,361,755**	**302,707**	**21,264**	**6,718**	**30,500**	**21,969**
Net balance (+/-)	**(2,600)**	**(2,489)**	**(4,579)**	**238**	**(52)**	**7,378**

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 2015.

	VaR Time horizon: 10 days Confidence interval: 99%	VaR Time horizon: 1 day Confidence interval: 99%
2015 figures	47,095	14,893
2014 figures	7,739	2,447

2.4 Derivatives

A. Financial Derivatives

A.1 Regulatory trading portfolio: notional values at the end of period

Underlying assets/Type of derivative	31.12.2015		31.12.2014	
	Over the counter	Central counterparties	Over the counter	Clearing house
1. Debt securities and interest rates	**5,127,152**	**1,144,474**	**4,766,345**	**452,818**
a) Options	1,284,873	150,926	513,485	-
b) Swaps	3,842,279	-	4,252,860	-
c) Forwards	-	-	-	-
d) Futures	-	993,548	-	452,818
e) Other	-	-	-	-
2. Equities and stock indices	**554**	**6,133**	**35,239**	**4,860**
a) Options	554	4,844	35,239	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	1,289	-	4,860
e) Other	-	-	-	-
3. Currency and gold	**1,116,747**	**11,482**	**951,571**	**-**
a) Options	401,609	11,482	332,244	-
b) Swaps	-	-	-	-
c) Forwards	715,138	-	619,327	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Goods	**-**	**4,913**	**-**	**3,277**
5. Other underlyings	**-**	**-**	**-**	**-**
Total	**6,244,453**	**1,167,002**	**5,753,155**	**460,955**

A.2 Banking portfolio: period-end values

A.2.1 For hedging

Underlying assets/Type of derivative	31.12.2015		31.12.2014	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rates	**3,070,563**	**-**	**1,445,822**	**-**
a) Options	-	-	-	-
b) Swaps	3,070,563	-	1,445,822	-
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	**3,070,563**	**-**	**1,445,822**	**-**

A.2.2 Other derivatives

Underlying assets/Type of derivative	31.12.2015		31.12.2014	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rate	**7,426,158**	**-**	**5,570,574**	**-**
a) Options	5,799	-	6,469	-
b) Swaps	7,420,359	-	5,564,105	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equities and stock indices	**265,412**	**-**	**88,487**	**-**
a) Options	265,412	-	88,487	-
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	**7,691,570**	**-**	**5,659,061**	**-**

A.3 Financial derivatives: positive gross fair value - allocation by product

Portfolio/Types	Positive fair value			
	31.12.2015		31.12.2014	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Trading portfolio for supervisory purposes	**109,392**	**-**	**134,315**	**-**
a) Options	12,202	-	13,237	-
b) Interest rate swaps	85,727	-	106,265	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	11,463	-	14,813	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
B. Banking portfolio - for hedging	**35,715**	**-**	**33,660**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	35,715	-	33,660	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking portfolio - other derivatives	**102,780**	**-**	**120,413**	**-**
a) Options	9,497	-	29	-
b) Interest rate swaps	93,283	-	120,384	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**247,887**	**-**	**288,388**	**-**

A.4 Financial derivatives: negative gross fair value - allocation by product

Portfolio/Types	Negative fair value			
	31.12.2015		31.12.2014	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A.Trading portfolio for supervisory purposes	**154,482**	**676**	**178,581**	**-**
a) Options	19,197	676	10,835	-
b) Interest rate swaps	129,585	-	150,888	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	5,700	-	16,858	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
B. Banking portfolio - for hedging	**20,359**	**-**	**9,114**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	20,359	-	9,114	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking portfolio - other derivatives	**79,361**	**-**	**71,713**	**-**
a) Options	9,332	-	4,223	-
b) Interest rate swaps	70,029	-	67,490	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**254,202**	**676**	**259,408**	**-**

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	-	-	36,240	20,048	-	1,082,534	13,065
- positive fair value	-	-	309	1,706	-	53,339	178
- negative fair value	-	-	1,445	-	-	1,962	-
- future exposure	-	-	190	114	-	5,594	29
2) Equities and stock indices							
- notional value	-	-	1	-	-	553	-
- positive fair value	-	-	-	-	-	36	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	44	-
3) Currency and gold							
- notional value	-	-	5,741	14,165	-	489,958	1,668
- positive fair value	-	-	10	109	-	5,399	25
- negative fair value	-	-	124	114	-	11,235	7
- future exposure	-	-	57	96	-	4,922	17
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	-	-	3,002,696	856,356	-	116,213	-
- positive fair value	-	-	24,203	379	-	9,732	-
- negative fair value	-	-	117,015	19,589	-	1	-
2) Equities and stock indices							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
3) Currency and gold							
- notional value	-	-	554,855	50,360	-	-	-
- positive fair value	-	-	12,360	1,607	-	-	-
- negative fair value	-	-	2,796	194	-	-	-
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	-	-	-	564	-	35,150	104,223
- positive fair value	-	-	-	12	-	-	-
- negative fair value	-	-	-	1	-	-	5,667
- future exposure	-	-	-	24	-	1,605	-
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	-	-	9,677,313	819,408	-	-	-
- positive fair value	-	-	122,348	6,657	-	-	-
- negative fair value	-	-	88,386	2,162	-	-	-
2) Equities and stock indices							
- notional value	-	-	123,225	2,250	-	-	-
- positive fair value	-	-	9,478	-	-	-	-
- negative fair value	-	-	3,215	289	-	-	-
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	**2,738,899**	**1,518,468**	**1,987,086**	**6,244,453**
A.1 Financial derivatives on debt securities and interest rates	1,715,511	1,429,699	1,981,942	5,127,152
A.2 Financial derivatives on equities and stock indices	-	554	-	554
A.3 Financial derivatives on exchange rates and gold	1,023,388	88,215	5,144	1,116,747
A.4 Financial derivatives on other	-	-	-	-
B. Banking book	**724,860**	**5,890,395**	**4,146,878**	**10,762,133**
B.1 Financial derivatives on debt securities and interest rates	724,710	5,657,197	4,114,814	10,496,721
B.2 Financial derivative contracts on equity securities and stock indices	150	233,198	32,064	265,412
B.3 Financial derivatives on exchange rates and gold	-	-	-	-
B.4 Financial derivatives on other instruments	-	-	-	-
Total 31.12.2015	**3,463,759**	**7,408,863**	**6,133,964**	**17,006,586**
Total 31.12.2014	**2,371,780**	**6,045,624**	**4,440,634**	**12,858,038**

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	-	-	44,349	2,789	-	9,731	-
- negative fair value	-	-	87,372	16,380	-	-	-
- future exposure	-	-	84,441	4,721	-	1,182	-
- net counterparty risk	-	-	93,288	4,610	-	10,913	-
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

General aspects, management and measurement of liquidity risk

The Bank has a specific policy for the management of liquidity risk (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 governance of liquidity under normal conditions, formalising:

- the governance model in terms of the parties involved in the governance 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);
- risk appetite and limits designed to contain liquidity and funding 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 governance 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[4].
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);

[4] *Bank of Italy, "New regulations for the prudential supervision of banks", Title IV, Chapter 6, Circ. 285 dated 17 December 2013 and subsequent updates.*

- 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 macrocategories:

- 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.

Hedging policies and risk mitigation

BPER's liquidity risk governance 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 centralised governance of liquidity and the related risk. In particular, BPER:

- is responsible for liquidity policy;
- governs both short-term and medium-long term liquidity;
- defines and governs the funding plan;
- monitors and manages liquidity risk.

The above governance model is based on the following principles:

- segregation between the processes of Liquidity Management and Liquidity Risk Controlling;
- 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 and 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, according to the Liquidity Risk Mismatch Model;
- 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 Policy Mismatch Model is based on the Liquidity Policy and on the metrics aimed at monitoring and managing liquidity risk. these can be split into short-term liquidity and medium-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.

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*

The Contingency Funding Plan 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, which is defined in the Liquidity Policy Handbook, envisages the centralised governance 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 document 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 and its 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	**6,847,650**	**227,245**	**643,279**	**1,845,032**	**2,258,214**	**1,795,241**	**4,762,833**	**13,869,693**	**12,450,363**	**248,025**
A.1 Government securities	86	-	-	17,469	21,671	36,418	523,035	2,310,155	1,990,337	-
A.2 Other debt securities	1,315	-	998	29,051	86,922	32,621	183,508	1,814,160	1,357,421	-
A.3 UCITS units	167,519	-	-	-	-	-	-	-	-	-
A.4 Loans	6,678,730	227,245	642,281	1,798,512	2,149,621	1,726,202	4,056,290	9,745,378	9,102,605	248,025
- Banks	853,428	248	102,935	92,708	199,442	42,526	15,155	142	-	248,025
- Customers	5,825,302	226,997	539,346	1,705,804	1,950,179	1,683,676	4,041,135	9,745,236	9,102,605	-
Cash liabilities	**23,554,380**	**1,201,310**	**571,089**	**1,003,436**	**2,901,300**	**1,858,200**	**1,838,829**	**7,429,959**	**2,335,288**	**-**
B.1 Deposits and current accounts	23,445,537	1,131,069	478,280	789,217	1,913,887	803,059	640,718	2,789,544	1,175,029	-
- Banks	2,415,130	1,058,447	321,349	545,497	1,225,307	29,589	42,208	2,219,476	102,622	-
- Customers	21,030,407	72,622	156,931	243,720	688,580	773,470	598,510	570,068	1,072,407	-
B.2 Debt securities	108,843	70,241	92,809	214,219	987,413	1,055,141	1,198,111	4,640,415	1,160,259	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	41,023	49,438	176,920	100,531	71,331	90,091	34,093	5,033	-
- Short positions	-	25,896	12,405	24,162	60,066	78,754	65,347	16,083	4,613	-
C.2 Financial derivatives without exchange of capital										
- Long positions	88,630	-	-	-	-	-	-	-	-	-
- Short positions	132,757	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- Long positions	-	994,136	-	-	-	-	-	-	-	-
- Short positions	-	994,136	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to make loans										
- Long positions	16,413	41,302	61	275	1,390	7,443	70,837	314,689	153,446	-
- Short positions	44,693	43,027	-	-	274,689	42,025	161,421	40,000	-	-
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 within the BPER Group and outstanding in 2015, 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 residential mortgages granted to developers and residential mortgages granted to home owners, totalling Euro 1,922,631,856, to Estense Finance s.r.l., a 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, which initially had a rating only from Standard & Poor's, have since been rated by a second agency, Fitch Ratings, as required by the subsequent 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-2048	24-aug-2048	24-aug-2048
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 2015 amounted to Euro 586 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 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-2055	27-dec-2055
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%	Residuale
S&P's issue rating	A-	Unrated
Fitch 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 2015 amounts to Euro 606 million.

Avia Pervia self-securitisation

As mentioned previously, the 2015-2017 Business Plan envisages significant steps to increase the efficiency of the bad debt recovery.
A key step in this initiative was the formation of BPER Credit Management s.cons.p.a., a consortium in which to centralise all of the analysis and coordination functions relating to credit disputes.
The new organisational solution absorbed, among others, the function of "highly specialised supervision", previously entrusted to Master Servicer GC and also realised through the Avia Pervia operation.
A natural consequence was the early closure of this operation, which was completed on 15 December 2015, with the repurchase by the respective originators of the residual loans in the portfolio of the SPV (the operation was published in the Official Journal, Second Part, no. 146 of 19 December 2015); at the

same time, outstanding securities and subordinated debt used to finance the structure have been extinguished.
Procedures are currently underway for the voluntary liquidation of Avia Pervia SPV.

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	**57,594**	**53,262**	**6,591**	**41,625**	**110,867**	**40,899**	**22,731**	**881,312**	**688,429**	**-**
A.1 Government securities	-	-	-	-	413	-	-	272,500	50,000	-
A.2 Other debt securities	-	2	514	27	2,313	2,136	6,288	598,231	633,180	-
A.3 UCITS units	10,832	-	-	-	-	-	-	-	-	-
A.4 Loans	46,762	53,260	6,077	41,598	108,141	38,763	16,443	10,581	5,249	-
- Banks	26,863	45,837	-	10,904	4,983	7,673	4,671	-	-	-
- Customers	19,899	7,423	6,077	30,694	103,158	31,090	11,772	10,581	5,249	-
Cash liabilities	**324,593**	**-**	**164,851**	**168,581**	**359,126**	**48,553**	**678**	**6**	**60**	**-**
B.1 Deposits and current accounts	324,593	-	164,851	168,581	359,126	48,553	678	6	60	-
- Banks	14,689	-	163,856	167,843	357,220	48,342	-	-	60	-
- Customers	309,904	-	995	738	1,906	211	678	6	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	72,026	19,111	77,414	61,130	80,810	67,202	17,038	4,241	-
- Short positions	-	89,637	56,099	226,944	103,734	71,951	92,455	33,481	4,263	-
C.2 Financial derivatives without exchange of capital										
- Long positions	1,215	-	-	-	-	-	-	-	-	-
- Short positions	1,719	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received										
- Long positions	195	1,382	-	-	-	-	-	-	-	-
- Short positions	195	1,382	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-

Section 4 - Operational risks

Qualitative information

A. General aspects, governance 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[5]".
Starting from the supervisory reports at 31 December 2013, Banca popolare dell'Emilia Romagna s.c. adopted the Traditional Standardised Approach (TSA) to the calculate the individual capital requirement 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[6].

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 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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[5] *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.*
[6] *See CRR – Part three, Title III, Chapter 3, art. 317.*

Since 2015, the Bank has implemented an analytical framework for IT risk, with the aim of providing a representation of the current situation and the adjustment interventions necessary to avoid exceeding the threshold set for the Group's risk appetite.

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 Bank of the DIPO consortium[7] 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 2015, 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;

7 Database Italiano Perdite Operative (Italian Database of Operational Losses) which the Bank 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 – Breakdown by Frequency

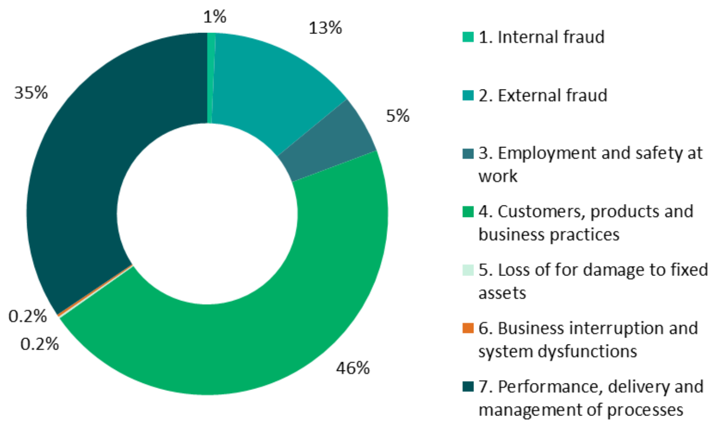
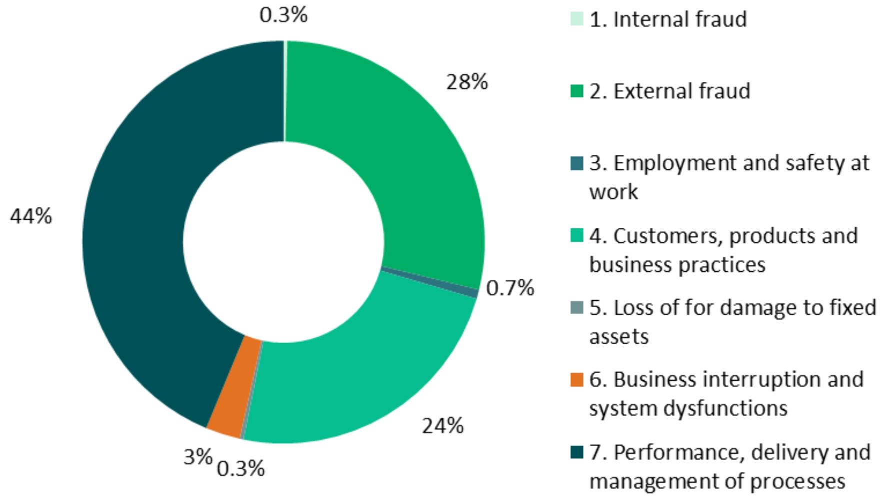


Figure 2 – Breakdown by Gross Actual Loss



An analysis of the graphs shows that the most relevant type of event in terms of frequency is:

- "Performance, delivery and management of processes", with 44% 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 46% of the total gross loss;
- "Performance, delivery and management of processes", with 34% of the total gross loss.

Part F – Information on shareholders' equity

Section 1 – Shareholders’ equity

A. Qualitative information

Group shareholders' equity comprises share capital and all types of reserve, together with the net profit for the period.

A . Quantative information

B.1 Shareholders' equity: breakdown

Captions/Amounts	31.12.2015	31.12.2014
1. Share capital	**1,443,925**	**1,443,925**
2. Share premium	**930,073**	**930,077**
3. Reserves	**2,192,709**	**2,186,914**
- income reserves	1,692,503	1,686,708
a) legal reserve	259,402	258,008
b) statutory reserve	443,920	441,132
c) reserve for treasury shares	139,765	139,765
d) other	849,416	847,803
- other	500,206	500,206
3.*bis* Advance on dividends	**-**	**-**
4. Equity instruments	**-**	**-**
5. (Treasury shares)	**(7,253)**	**(7,257)**
6. Valuation reserves	**33,640**	**66,500**
- Financial assets available for sale	114,930	163,929
- Property, plant and equipment	-	-
- Intangible assets	-	-
- Foreign investments hedges	-	-
- Cash-flow hedges	2,777	4,521
- Exchange differences	-	-
- Non-current assets and disposal groups held for sale	-	-
- Actuarial gains (losses) on defined-benefit pension plans	(84,121)	(102,004)
- Portion of valuation reserves relating to investments carried at equity	-	-
- Special revaluation laws	54	54
- Other	-	-
7. Net profit (loss)	**161,962**	**15,449**
Total	**4,755,056**	**4,635,608**

B.2 Valuation reserves for financial assets available for sale: breakdown

Assets/Amount	31.12.2015		31.12.2014	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	95,718	12,796	92,659	463
2. Equity instruments	36,476	4,346	73,598	2,583
3. UCITS units	1,200	1,322	2,009	1,291
4. Loans	-	-	-	-
Total	**133,394**	**18,464**	**168,266**	**4,337**

B.3 Valuation reserves for financial assets available for sale: change in year

	Debt securities	Equity instruments	UCITS units	Loans
1. Opening balance	**92,196**	**71,015**	**718**	**-**
2. Positive changes	**92,130**	**43,596**	**6,720**	**-**
2.1 Increases in fair value	65,471	19,858	1,155	-
2.2 Release of negative reserves to the income statement:	278	19,037	4,352	-
- from impairment	-	19,017	4,352	-
- from disposal	278	20	-	-
2.3 Other changes	26,381	4,701	1,213	-
3. Negative changes	**101,404**	**82,481**	**7,560**	**-**
3.1 Reductions in fair value	33,677	22,247	6,676	-
3.2 Impairment write-downs	-	-	-	-
3.3 Release of positive reserves to the income statement:				
- from disposal	45,929	58,779	87	-
3.4 Other changes	21,798	1,455	797	-
4. Closing balance	**82,922**	**32,130**	**(122)**	**-**

B.4 Valutation reserves about acturial gains (losses) on defined-benefit pension plans

Captions/Amounts	31.12.2015	31.12.2014
1. Opening balance	**(102,004)**	**(64,535)**
2. Positive changes	**24,715**	**182**
2.1 Actuarial gains	24,665	182
2.2 Other changes	50	-
3. Negative changes	**6,832**	**37,651**
3.1 Actuarial losses	-	26,236
3.2 Other changes	6,832	11,415
4. Closing balance	**(84,121)**	**(102,004)**

Section 2 - Own Funds and capital adequacy ratios

2.1 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 Tier 1 Capital, which added to Tier 2 Capital 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 terms 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, the equity instruments listed above have to meet clearly defined requirements (art. 52 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 2015, 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, 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 2015 the T2 instruments included the Group's subordinated loans covered by the grandfathering rules, since they were issued prior to the deadline of 31 December 2011 identified by the regulations, together with the "Banca popolare dell'Emilia Romagna Subordinated Tier II 4.25% 15/06/2015-15/06/2025 Callable" bond deriving from the voluntary public exchange offer that expired on 5 June 2015.

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. Their applicability to the capital requirements and grandfathering rules develops over a period of about 4 years (2014-2017), during which partial inclusion is replaced by the gradual exclusion of equity instruments that do not meet all the requirements of the CRR.

Specific 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 for 2015:

- CET1 ratio of 4.5%;
- Tier 1 ratio of 6%;
- 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%; the requirement for 2015 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 Ratio of 5.125%;
- Tier 1 Ratio of 6.625%;
- 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.

At the end of November 2015, the Parent Company received notification from the European Central Bank (ECB) of its decision on additional Own Funds, in accordance with art. 16 of Regulation (EU) 1024/2013.

With this decision as part of the 2015 Supervisory Review and Evaluation Process (SREP), in addition to the specific information relating to the minimum Common Equity Tier 1 (CET1) ratio required on a consolidated basis, the ECB decided that BPER, as well as the other subsidiaries of the Group, must continuously meet the requirements relating to Own Funds and liquidity on the basis of Regulation (EU) 575/2013 (CRR), of the national legislation as amended by Directive 2013/36/EU.

As can be seen from the figures below, BPER amply complies with all of the regulatory limits.

Conditions for the inclusion of interim or period-end earnings

With reference to 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 its 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.

On 28 December 2015, the European Central Bank sent a recommendation to the Parent Company on the dividend distribution policy for 2016, as disclosed in Part A of these notes.

The value of CET1 and Own Funds was calculated at 31 December 2015 taking into account only the profit earned in the first half of the year, the portion that can be retained, as authorised at the time by the ECB. The profit for the second half which can be allocated to equity for Euro 61.4 million (corresponding to about 20 bps of CET1 Ratio) has not been included and will only be included in 2016 after the approval of the 2015 financial statements by the Shareholders' Meeting.

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	11,560
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	5,044
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	14,292
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	117,906
Lower Tier II CARISPAQ subordinated non convertible bond floating rate, 2010-2020	floating rate	NO	30-09-2020	Eur	25,000,000	2,825
Total bonds included in the scope of grandfathering					**1,194,000,000**	**151,627**
Tier II B.P.E.R. subordinated non-convertible bond 4.25%, 2015-2025 callable	4.25%	NO	15-06-2025	Eur	224,855,200	224,383
Total bonds not included in the scope of grandfathering					**224,855,200**	**224,383**
Total bonds					**1,418,855,200**	**376,010**

B. Quantitative inormation

	31.12.2015	31.12.2014
A. Common Equity Tier 1 capital (Common Equity Tier 1 - CET) before the application of prudential filters	**4,652,736**	**4,627,416**
of which CET1 instruments subject to transitional provisions		
B. Prudential filters for CET1 (+/-)	(24,457)	(13,020)
C. CET1 gross of items to be deducted and of transitional arrangements (A+/-B)	**4,628,279**	**4,614,396**
D. Items to be deducted from CET1	(371,161)	(372,764)
E. Transitional arrangements - Impact on CET1 (+/-)	**(89,406)**	**(160,615)**
F. Total Common Equity Tier 1 (CET1) (C-D+/-E)	**4,167,712**	**4,081,017**
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	(4,125)	(5,500)
I. Transitional arrangements - Impact on AT1 (+/-)	**4,125**	**5,500**
L. Total Additional Tier 1 (AT1) (G-H+/-I)	**-**	**-**
M. Tier 2 capital (T2) gross of items to be deducted and of transitional arrangements	376,010	339,366
of which T2 instruments subject to transitional provisions	*151,627*	*339,366*
N. Items to be deducted from T2	**-**	**-**
O. Transitional arrangements - Impact on T2 (+/-)	**10,934**	**38,071**
P. Total Tier 2 (T2) (M-N+/-O)	**386,944**	**377,437**
Q. Total Own Funds (F+L+P)	**4,554,656**	**4,458,454**

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 € 45.6 million, net of tax, on total Own Funds.

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 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 Group to cover the various risks accepted.

B. Quantitative information

The absolute amounts of risk-weighted assets have increased slightly compared with 31 December 2014 due to the increase in lending.
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).

Description/Amounts	Unweighted amounts		Weighted amounts/Requirements	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
A. Assets at risk				
A.1 Credit and counterparty risk	**51,143,888**	**49,580,618**	**27,799,455**	**27,649,495**
1. Standardised methodology	50,994,643	49,412,457	27,563,152	27,385,653
2. Methodology based on internal ratings	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisations	149,245	168,161	236,303	263,842
B. Capital adequacy requirements				
B.1 Credit and counterparty risk			2,223,956	2,211,960
B.2 Credit down-rating risk			23,272	14,975
B.3 Settlement risk			-	-
B.4 Market risk			47,499	56,758
1. Standard methodology			47,499	56,758
2. Internal models			-	-
3. Concentration risk			-	-
B.5 Operational risk			209,401	212,921
1. Basic method			-	-
2. Standardised method			209,401	212,921
3. Advanced method			-	-
B.6 Other elements for the calculation			-	-
B.7 Total precautionary requirements			2,504,128	2,496,614
C. Risk assets and capital ratios				
C.1 Risk-weighted assets			31,301,600	31,207,675
C.2 Common Equity Tier 1 capital/Risk-weighted assets (CET1 capital ratio)			13.31%	13.08%
C.3 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)			13.31%	13.08%
C.4 Total Own Funds/Risk-weighted assets (Total Capital Ratio)			14.55%	14.29%

The capital ratios shown are all well above the regulatory limits established under the transitional ("Phased in") arrangements for 2015.

The Bank's capital ratios relating to CET1 and T1 at 31 December 2014, calculated for supervisory purposes, have increased compared with 31 december2014 by 23 bps.
The Total Capital Ratio is slightly up by 26 bps.
At 31 December 2015, the CET1 ratio on a "Fully Phased" basis is estimated to be approximately 13.59%.

Part G – Business Combinations

Section 1 – Transactions carried out at 31 December 2015

1.1 Business Combinations

In September, BPER, as part of the second issue of Covered Bonds, acquired a 60% holding in the SPV Estense CPT Covered Bond s.r.l.
For details, reference should made to Part E, Section E.4, "Banking group - Covered Bond transactions".

Section 2 – Transactions subsequent to the year end

No Business Combinations have been carried out after 31 December 2015.

Part H – Related-party transactions

1. Information on the remuneration of Managers with strategic responsibilities

	Description	31.12.2015	31.12.2014
	Directors		
	- short-term benefits	2,903	3,148
	- other long-term benefits	177	31
	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	4,831	3,934
	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.		
	- other short-term benefits - contributions for social security taxes	1,342	1,021
2	- post-employment benefits	489	413
	includes payments to supplementary pension funds and provisions for termination indemnities.		
3	- other long-term benefits	271	-
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". In particular, as regards the amounts relating to Directors (€ 2,973 thousand and € 177 thousand), details are disclosed at the foot of the table included in the notes to the Consolidated 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 Senior Managers) belong to the types of costs detailed above. They are disclosed in the Report on Remuneration (art. 123-ter of Legislative Decree no. 58/1998) in accordance with CONSOB requirements.
The amounts at 31 December 2014 referred to a total of no.19 Senior Managers.
Other long-term benefits relating to other managers with strategic responsibilities relate entirely to the valuation of the Phantom Stocks assigned:
- € 111 thousand for Chief Executive Officer
- € 271 thousand for others Managers with strategic responsibility

2. Related party disclosures

Related party transactions

	Assets	Liabilities	Guarantees given	Revenues	Costs
Subsidiaries	2,787,571	4,069,042	368,285	112,461	169,854
Associates	593,806	18,726	83,072	8,128	1,800
Directors, Statutory Auditors and Managers	1,392	3,265	-	84	62
Other related parties	9,902	14,665	196	317	342
Total 31.12.2015	**3,392,671**	**4,105,698**	**451,553**	**120,990**	**172,058**
Subsidiaries	2,736,576	2,804,457	727,097	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**	**809,969**	**117,416**	**167,595**

"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 non-performing loans and provisions were not needed in 2015 for non-performing loans relating to parties which, on 31 December 2015, qualified as related parties.

	Assets	Liabilities	Guarantees given	Revenues	Costs
Total reference amounts - 2015	50,396,325	45,641,268	3,176,932	1,996,626	1,455,036
Total reference amounts - 2014	49,162,321	44,526,713	3,455,515	2,185,937	1,569,531

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	5.53%	8.92%	11.59%	5.63%	11.68%
Associates	1.18%	0.04%	2.61%	0.41%	0.12%
Directors, Statutory Auditors and Managers	0.00%	0.01%	0.00%	0.00%	0.00%
Other related parties	0.02%	0.03%	0.01%	0.02%	0.02%
Total 31.12.2015	**6.73%**	**9.00%**	**14.21%**	**6.06%**	**11.82%**
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%**

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 non-performing loans relating to parties which, on 31 December 2015 qualified as related parties have been made in 2015.

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.	306,886	2,988,465	8,441	10,902	27,315
Banca di Sassari s.p.a.	30,622	374,389	24	15,075	5,817
Cassa di Risparmio di Bra s.p.a.	159,473	9,337	42,336	2,624	1,559
Bper (Europe) International s.a.	268,608	594,314	204,593	1,465	2,398
Emilia Romagna Factor s.p.a.	456,644	1,261	59,877	3,662	61
EMRO Finance Ireland Ltd	21,058	73,401	16,529	1,837	227
Modena Terminal s.r.l.	758	590	-	71	143
Mutina s.r.l.	-	-	-	-	-
Nadia s.p.a.	12,485	228	70	530	4,826
Nettuno Gestione Crediti s.p.a.	67	2,666	-	711	-
Numera s.p.a.	4	53	-	11	250
Tholos s.p.a.	1	-	-	12	337
Optima s.p.a. SIM	169	11,030	-	1,808	7,294
BPER Services s.cons.p.a.	67,169	10	-	55,208	118,922
Estense Covered Bond s.r.l.	1,398,525	7,646	-	22	-
Sardaleasing s.p.a.	14,134	-	36,415	16,465	297
Melior Valorizzazioni Immobili s.r.l.	12	-	-	326	-
BPERr Trust Company s.p.a.	-	296	-	76	94
Estense CPT Civered Bond s.r.l.	-	-	-	-	-
Galilei Immobiliare s.r.l.	512	-	-	12	-
Polo Campania s.r.l.	29,764	1,118	-	834	-
Italiana Valorizzazioni Immobiliari s.r.l.	361	2,523	-	775	170
Adras s.p.a.	19,006	1,262	-	-	-
Sifà s.p.a.	1,313	453	-	35	144
Total subsidiaries	**2,787,571**	**4,069,042**	**368,285**	**112,461**	**169,854**
Co.Ba.Po. Consorzio Banche popolari dell'Emilia Romagna	-	92	4	1	17
Sofipo s.a.	-	-	-	-	-
CONFORM Consulenza Formazione e Management s.cons. a r.l	203	1,296	1,182	108	545
Sintesi 2000 s.r.l.	-	35	-	-	195
Cassa di Risparmio di Fossano s.p.a.	-	22	-	665	-
CAT Progetto Impresa Modena s.c.r.l.	55	18	83	7	-
Cassa di Risparmio di Saluzzo s.p.a.	211	368	-	465	-
Cassa di Risparmio di Savigliano s.p.a.	-	44	-	416	-
Resiban s.p.a.	-	45	-	16	2
Unione Fiduciaria s.p.a.	-	-	-	332	35
Sarda Factoring s.p.a.	2,910	-	-	29	-
Alba Leasing s.p.a.	561,457	14,277	81,803	4,523	335
Banca della Nuova Terra s.p.a.	-	2,322	-	342	1
Atrikè s.p.a.	1,400	98	-	-	-
Emil-Ro Service s.r.l.	-	64	-	-	-
Lanciano Fiera - Polo Fieristico d'Abruzzo Consorzio	73	-	-	-	66
Brozzu e Cannas s.r.l. in liquidazione	-	-	-	-	-
Compagnia Finanziaria Olbia Produce s.r.l. in liquidazione	-	-	-	-	-
Arca sgr spa	27,497	45	-	1,224	604
Total associates	**593,806**	**18,726**	**83,072**	**8,128**	**1,800**
Total 31.12.2015	**3,381,377**	**4,087,768**	**451,357**	**120,589**	**171,654**
Total 31.12.2014	**3,324,849**	**2,824,289**	**806,607**	**116,705**	**165,966**

Part I – Equity-based payments

A. Qualitative information

1. Description of equity-based payments

On 10 March 2015 the Bank's Board of Directors approved:

- the Remuneration Report pursuant to art. 123-*ter* of Legislative Decree no. 58 dated 24 February 1998, relating to the remuneration policies for 2015 of Banca popolare dell'Emilia Romagna s.c. Group.;
- the remuneration plan pursuant to art. 114-*bis* of Legislative Decree no. 58 dated 24 February 1998, implementing the remuneration policies for 2015 of the BPER Group. The Plan covers those employees of the BPER Group identified as "key personnel" in accordance with the 7th update of 18 November 2014 of Circular no. 285 "supervisory provisions for banks", Title IV, Chapter 2 "Remuneration and incentive policies and practices" and in Delegated EU Regulation 604 of 4 March 2014.

Both documents were approved by BPER's Shareholders' Meeting held on 18 April 2015 at second calling.

The remuneration of key personnel is composed of a fixed element and a variable element, even if it is lower than the theoretical maximum of 60% of the fixed component, and it is governed by particularly stringent rules (Bank of Italy's Circular no. 285, 7th update of 18 November 2014, Section III, paragraphs 1.2, 2.1 points 3 and 4, 2.2.1 and 2.2.2). 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 payment of bonuses is in fact dependent on achieving basic economic and financial objectives (the so-called "entry gates") that have to be achieved at the same time.

The entry gates that have been identified are based on the following parameters:

- Common Equity Tier 1 ratio on a consolidated basis (CET 1 Ratio);
- Liquidity Coverage Ratio (LCR);
- 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 entry gates have been exceeded, the actual allocation and the related amount, within the maximum limits[8] of the variable remuneration are defined through a process of individual performance evaluation that includes an analysis of various indicators.

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[8] *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"[9]. 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[10] 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.

There are also clawback clauses on the bonuses paid, applicable in cases of fraudulent behaviour or gross negligence on the part of the staff, without which the results would not have been achieved, behaviour that caused a significant loss to the Bank or Company, breach of the obligations under art. 26 of the Consolidated Banking Act or, when the subject is an interested party, art. 53, paragraphs 4 et seq. of the Consolidated Banking Act or of the obligations relating to incentives and remuneration.

Compensation plans for 2011, 2013 and 2014 are still outstanding, with the same characteristics as the 2015 plan described above.

B. Quantitative information

2. Other information

With reference to the Compensation plan for 2015, considering the financial results achieved by the Group, allocations were approved for 75,730 Phantom Stocks with a consideration of Euro 395.3 thousand.

Please also note that the same results affect the 2014 Plan allowing the vesting of 770 Phantom Stocks, for a consideration of Euro 4 thousand and the 2013 Plan allowing the vesting of 510 Phantom Stocks for a consideration of Euro 2.7 thousand.

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[9] *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 2015, at the payment date.*

[10] *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 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:

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".

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.

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;
- Financial companies.

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.

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	349,102	6,213	375,200	33,647	132,740	1,330	898,232
Net commission income	355,041	48,180	127,132	15,254	-	-	545,607
Net interest and other banking income	701,507	54,188	503,866	49,341	389,550	18,790	1,717,242
Net profit from financial activities 31.12.2015	**554,322**	**53,894**	**104,782**	**34,138**	**366,181**	**18,790**	**1,132,107**
Net profit from financial activities 31.12.2014	**486,877**	**39,587**	**101,091**	**48,682**	**294,926**	**(44,815)**	**926,348**
Operating costs	(479,113)	(19,202)	(130,316)	(38,710)	(3,036)	(303,155)	(973,532)
Profit (loss) from current operations before tax 31.12.2015	**75,208**	**34,692**	**(25,534)**	**(4,571)**	**363,145**	**(289,193)**	**153,747**
Profit (loss) from current operations before tax 31.12.2014	**8,568**	**23,183**	**(27,641)**	**(333)**	**291,840**	**(266,951)**	**28,666**

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	-	-	-	-	10,261,926	-	10,261,926
Due from banks	-	-	-	-	1,737,029	-	1,737,029
Loans to customers	13,359,078	149,972	15,990,336	4,385,887	-	-	33,885,273
Other assets	424,404	11,545	86,434	35,260	36,024	3,918,430	4,512,097
Total assets 31.12.2015	**13,783,482**	**161,517**	**16,076,770**	**4,421,147**	**12,034,979**	**3,918,430**	**50,396,325**
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**
Due to banks	-	-	-	-	8,655,264	-	8,655,264
Due to customers	18,646,605	1,259,906	4,283,679	1,007,925	-	-	25,198,115
Debt securities in issue	7,502,574	618,281	150,775	82,346	346,086	-	8,700,062
Financial liabilities designated at fair value through profit and loss	784,529	64,652	15,766	8,611	-	-	873,558
Other liabilities and equity	222,193	18,311	4,465	2,439	20,359	6,701,559	6,969,326
Total liabilities and shareholders' equity 31.12.2015	**27,155,901**	**1,961,150**	**4,454,685**	**1,101,321**	**9,021,709**	**6,701,559**	**50,396,325**
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**

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

The following documents, which are not attached to the financial statements as at 31 December 2015, could be consulted in the Italian version:

- Cash flow statements and balance sheets of the staff pension fund
- Schedule of properties revaluation

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, including 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)	905
Certification services	PricewaterhouseCoopers s.p.a.	BPER	(2)	215
Tax advisory services	TLS-Associazione Professionale di Avvocati e Commercialisti	BPER	(3)	15
Other services	PricewaterhouseCoopers Advisory s.p.a.	BPER	(4a)	350
	PricewaterhouseCoopers Societè Cooperative Luxembourg	BPER	(4b)	1
Total				**1,486**

(1) Audit:
- activity performed for BPER s.c., € 905 thousand: Separate financial statements (€ 591 thousand), Consolidated financial statements (€ 84 thousand) and condensed consolidated half-year report (€ 230 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 2014 and of the condensed consolidated half-year report for the period ended 30 June 2015 for € 30 thousand;
- activities performed for the issue of comfort letters for the update and implementation of the Covered Bond issue programme for € 83 thousand;
- activities performed for the issue of comfort letters as part of the "Euro Medium Term Notes" issue Programme for € 20 thousand;
- activities involved in signing off the consolidated national and international tax return for the year 2014 for the purpose of offsetting a tax credit worth € 7 thousand;
- activities involved in issuing the report on the accuracy of the reported data with regard to Targeted Long Term Refinancing Operations for € 75 thousand;
(3) Tax advisory services rendered by TLS-Associazione Professionale di Avvocati e Commercialisti belonging to the PricewaterhouseCoopers s.p.a. network for the first module of the Patent Box project for € 15 thousand;
(4a) Other services rendered by PricewaterhouseCoopers Advisory s.p.a., a company that belongs to the network of PricewaterhouseCoopers s.p.a.:
- 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 € 54 thousand;
- technical and methodological support as part of the project to assess and analyse the organisational model with a view to ensuring consistency in the Group's compliance policies, for € 140 thousand;
- technical and methodological support as part of the project for implementation of the model for handling outsourcing arrangements, for € 51 thousand;
- technical and methodological support in the redefinition of Knowledge Management methodologies, for € 105 thousand;
(4b) Other services rendered by PricewaterhouseCoopers societé coopérative (Luxembourg), a company that belongs to the network of PricewaterhouseCoopers s.p.a.:
- activities for the publication of notices on behalf of BPER International SICAV.

Certifications and other reports
Banca popolare dell'Emilia Romagna

Certification of the individual financial statements for 2015 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 2015, 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 2015 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 2015:
  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, 1 March 2016

Chief Executive Officer

Alessandro Vandelli

Manager responsible for preparing the company's financial report

Emilio Annovi

INDEPENDENT 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.

Report on the financial statements

We have audited the accompanying financial statements of Banca popolare dell'Emilia Romagna S.C., which comprise the balance sheet as of 31 December 2015, the income statement, statement of comprehensive income, statement of changes in shareholders' equity, cash flow statement for the year then ended and the related explanatory notes.

Directors' responsibility for the financial statements

The directors of Banca popolare dell'Emilia Romagna S.C. are responsible for the preparation of financial statements that give a true and fair view 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11, paragraph 3, of Legislative Decree no. 39 of 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **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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Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Banca popolare dell'Emilia Romagna S.C. as of 31 December 2015 and of the result of its operations and cash flows for the year then ended 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.

Report on compliance with other laws and regulations

Opinion on the consistency with the financial statements of the report on operations and of certain information set out in the report on corporate governance and ownership structure

We have performed the procedures required under auditing standard (SA Italia) no. 720B in order to express an opinion, as required by law, on the consistency of the report on operations and of the information set out in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree no. 58/98, which are the responsibility of the directors of Banca popolare dell'Emilia Romagna S.C., with the financial statements of Banca popolare dell'Emilia Romagna S.C. as of 31 December 2015. In our opinion, the report on operations and the information in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Banca popolare dell'Emilia Romagna S.C. as of 31 December 2015.

Milan, 24 March 2016

PricewaterhouseCoopers SpA

Signed by

Lia Lucilla Turri
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers.

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING PURSUANT TO ART. 153 OF LEGISLATIVE DECREE no. 58/1998

Shareholders,

Pursuant to art. 153 of Legislative Decree no. 58/1998 ("CFA") we, the Board of Statutory Auditors, are required to report to the Shareholders' Meeting, called to approve the financial statements at 31 December 2015, on the supervisory activities that we have carried out and on any omissions and reprehensible situations that we have found. We can also make observations and proposals on the financial statements, their approval and other matters within our sphere of competence.

To start with, we would remind you that we were appointed by the Shareholders' Meeting on 18 April 2015 and four of our five members were not on the board during its previous three-year term of office. The Chairman of the Board of Statutory Auditors was appointed from the minority list of shareholders, while the other four members were all taken from the majority list.

At the beginning of our mandate, we organised various induction activities for the new members, which included several meetings with the Control Functions and the main Corporate Functions. During the year, we carried out our institutional duties in accordance with the Italian Civil Code, Legislative Decrees no. 385/1993 ("**CBA**") and 58/1998 ("**CFA**") and the Articles of Association, in compliance with the standards of conduct recommended by the Italian Accounting Profession (represented by the *Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili*), as well as the special laws on the subject, and pursuant to the provisions adopted by the Public Authorities involved in supervisory and control activities in Italy (including the Bank of Italy and CONSOB) and in Europe (the European Central Bank).

In fact, following the entry into force in November 2014 of the Single Supervisory Mechanism, the Bank and the Group are now classified respectively as a "significant supervised entity" and a "significant supervised group" and therefore subject to direct Supervision by the European Central Bank (ECB), which has taken on the tasks assigned by (EU) Regulation 1024 of 15 October 2013, which are also performed with assistance from the Bank of Italy in the manner envisaged in (EU) Regulation 468/2016 of 6 April 2014.

In accordance with art. 2545 of the Italian Civil Code, we can confirm that the management criteria followed by Banca Popolare dell'Emilia Romagna (also "**Bank**" or "**BPER**" or "**Company**" or "**Parent Company**") are characterised by the cooperative principle and are an expression of those peculiarities of cooperative banks, as explained in art. 2 of the Articles of Association. In compliance with the provisions of Law 33 of 24 March 2015, we can also confirm that, with resolution dated 6 October 2015, the Board of Directors approved the plan for the Bank's transformation into a joint-stock company, after having heard our opinion. The description of the process followed for the precise application of the legislation and the timing of this transformation to comply with the law are detailed in the Directors' Reports to the Shareholders' Meeting and later on in this report.

The Board of Statutory Auditors operates on the basis of an annual plan, which involves holding regular meetings, with additional meetings if there are specific needs, with Control Functions and other Corporate and Group Functions.

Our activities were also supported by a detailed Operating Manual and, from 2016, by new Regulations on how the Board of Statutory Auditors is to function.

During the year, we acquired the information needed to perform the general supervisory duties assigned to us through the detailed system of information flows provided for within the Group as well as by taking part in meetings of the Board of Directors and Executive Committee.

According to plan, we had meetings with members of the various Board Committees (Control and Risk Committee, Remuneration Committee, Independent Directors Committee), the Chief Executive Officer, the General Manager, the Supervisory Body established pursuant to Legislative Decree no. 231/01 and with the Supervisory Body of the Pension Fund for employees of Banca popolare dell'Emilia Romagna, with the Independent Auditors and with top management of the Company and the Group; we also held meetings with the Supervisory bodies of Italian banks and of the main non-banking companies of the Group. We also intensified our already frequent meetings with the Manager responsible for preparing the company's financial reports, the Head of the Group Internal Audit Department and the Heads of other Corporate Control Functions.

We analysed the information flows acquired from the various corporate structures, including through specific control activities carried out during the course of our meetings, through direct audits on specific issues, as well as making use of hearings, investigations and information collected from management.

Recommendations and suggestions made by us are communicated to the internal Departments concerned through the secretarial structure or communicated directly to the Body with management or strategic supervision functions and to the related committees, monitoring the follow-up.

Given the above, the following information is provided relating to CONSOB Communication 1025664 of 6 April 2001 and subsequent amendments and additions, noting that the financial statements for the year ended 31 December 2015 are prepared in accordance with International Financial Reporting Standards adopted by the European Union, and with the measures implementing art. 9 of Legislative Decree no. 38/2005.

I - INFORMATION ON THE PRINCIPAL ECONOMIC, FINANCIAL AND CAPITAL TRANSACTIONS CARRIED OUT BY THE BANK

On the basis of the information made available and obtained during the meetings with the Board of Directors, the Executive Committee and the Managing Director pursuant to article 150 of the CFA, and as a result of the analyses carried out in 2015, we think that it is reasonable to maintain that the principal economic, financial and capital transactions carried out by the Bank, also through subsidiaries, have been conducted with respect for the principles of proper administration, in compliance with the law and the Articles of Association, without being manifestly imprudent, risky or in contrast with the resolutions passed by the Shareholders' Meeting or otherwise prejudicial to the integrity of the Company's assets.

Full information is provided in the Directors' Report on Operations ("**Report on operations**") and in the Directors' Report on Group Operations ("**Report on Group Operations**", para. 3), to which reference should be made, while we would like to highlight the definition of the BPER Group 2015/2017 Business Plan, the strategic initiatives, including the sale of the investment in ICBPI S.p.A. and the purchase of the interest in Arca SGR S.p.A., with the related capital gains, and the presence of extraordinary charges relating to the personnel manoeuvre which will be discussed later, the extraordinary contributions to the Single Resolution Fund and the Deposit Guarantee Scheme (DGS), as well as the contributions to the Interbank Deposit Guarantee Fund (established for the voluntary scheme and for the Solidarity Fund, set up by the 2016 Stability Law).

Even excluding the effects of these operations, the Bank and the Group still showed an improvement in profitability.

In relation to the 2015/2017 Business Plan, which was approved by the Board of Directors on 10 February 2015, the main initiatives that have been programmed include:

- a further strengthening of the internal control and risk management and control system, also with a view to increasing its effectiveness;

- the "migration" of Cassa di Risparmio di Bra S.p.A. to the Parent Company's IT system, which was completed on 26 October 2015; this operation fulfilled the aim of aligning all banks in the BPER Group from an IT point of view, contributing to the complete integration of models, processes and tools;

- the NPL project, due to which the management of the bad loans portfolio was entrusted to a newco set up specifically for this purpose. This is BPER Credit Management soc. cons. p.a., owned pro-rata by all of the Group's banking companies and product companies (involved in the provision of loans), which was set up on 22 December 2015, registered as part of the Banking group on 24 December 2015 and made operational from 1 January 2016. We established an immediate contact with the Management Body of this newly-formed entity to check its internal control system and completion of the Consortium's process of activation;

- the so-called "Dinamo" project, designed to rationalise the distribution network of the Sardinian subsidiaries, while at the same time focusing Banca di Sassari on Consumer Finance at the service of the BPER Group; the project should be completed in the first half of 2016;

- the agreement with the Trade Unions of 14 August 2015, to simplify processes and optimise the workforce in terms of cost excellence, the technical details of which are mentioned in the Report on Operations. In terms of impact on the financial statements, under the agreement, we took note that there are Provisions for risks and charges for a total of Euro 58.6 million.

As regards the Business Plan, during the year we saw that the Chief Executive Officer launched a specific progress report for the Board of Directors on its implementation and a special structure for the management and monitoring of the various projects involved was set up. We acquired information on the progress of the main projects, both during board meetings and at the quarterly meetings with the Chief Executive Officer pursuant to art. 150 of the CFA, as well as with the heads of the main Group Departments.

During these meetings, we acquired elements on the process of definition and declination of the related key performance indicators.

With reference to the transfer of activities from EMRO Finance Irlanda to BPER Europe International s.a., both belonging to the BPER Group, completed on 25 November 2015 and preparatory to the subsequent absorption of the Irish subsidiary by BPER (a cross-border merger), it should be noted that the latter was approved by the Irish subsidiary's Board of Directors on 26 February 2016 and by the Parent Company's Board of Directors on 1 March 2016 and will be completed once the required authorisation pursuant to art. 57 of the CBA has been obtained.

II, III - INFORMATION ON THE EXISTENCE AND ASSESSMENT OF THE ADEQUACY OF INFORMATION MADE AVAILABLE BY THE DIRECTORS ON ATYPICAL OR UNUSUAL TRANSACTIONS, INCLUDING INTERCOMPANY TRANSACTIONS OR TRANSACTIONS WITH RELATED PARTIES.

The Report on Operations and the information produced during meetings of the Board of Directors and Executive Committee and those received from the Chief Executive Officer, the General Manager, the Supervisory Board as per Legislative Decree no. 231/2001, as well as from the Boards of Statutory Auditors of the other Banks and Companies controlled by Banca popolare dell'Emilia Romagna - and in any case those collected as part of our supervisory activity - did not reveal the existence of any atypical or unusual transactions carried out with third parties, Banks and Companies of the Banking group or with related parties.

In this regard, it should be recalled that the management of conflicts of interest and risk activities with associated persons is governed by the "Group policy on controls over risk activities and conflicts of interest with associated persons", adopted in compliance with the Bank of Italy's Circular no. 263/2006, whose update, with our prior, analytical and positive opinion, as well as of the Independent Directors Committee, with which we discussed the issue, was approved by the Board of Directors on 11 November 2015. A report on this document is available pursuant to art. 125-ter of the CFA. With reference to all of the regulations on related parties and associated persons, reference should also be made to the internal document entitled "Group regulations on the management of transactions with related parties and associated persons" approved by the Board of Directors on 12 November 2013, in accordance with the additional prescribed formalities.

Further information on transactions with associated persons and related parties is provided in the Group report on operations and in the report on operations, as well as in Section H of the notes to the Consolidated financial statements and the draft Separate financial statements.

We regularly receive periodic information flows on transactions with related parties and associated persons and on the monitoring of exposures involving associated persons; where necessary, we requested additional information.

In this context, we can confirm that there has been a reduction in transactions with Directors and other Corporate officers and a general stabilisation of transactions with associated companies, while there has been a significant increase in the volumes of intercompany payables related to centralisation of Group cash management at the Parent Company.

We also met with the Independent Directors Committee, without prejudice to the tasks and duties established generally by statutory and banking regulations for its specific supervisory purposes on the subject of conflict of interest, ensuring an adequate exchange of information.

With regard to more significant intercompany transactions or transactions with related parties, we can confirm that the Board of Directors has provided an exhaustive explanation of such transactions in the report on operations and in the notes to the financial statements, explaining the methods for determining the amount of their fees. To the knowledge of the Board of Statutory Auditors, these transactions were concluded in the interest of the Bank and did not lead to any comments on their appropriateness, being considered part of the Bank's day-to-day operations.

We also acknowledge that we have been given appropriate information on transactions with related parties or associated persons in accordance with the provisions introduced by CONSOB with Resolution no. 17221 of 12

March 2010 and in compliance with the requirements on associated persons as per Circular no. 263 of the Bank of Italy - 9th update of 12 December 2011. This information was received through the prescribed quarterly information flows and at a joint meeting held with the Independent Directors Committee.

We can certify that the transactions as per art. 136 of the CBA were unanimously approved by the Board of Directors and with the favourable opinion of all members of the Board of Statutory Auditors, in compliance with the special provisions of law.

Lastly, as regards the supervisory reports required for transactions carried out by relevant parties and by persons closely associated with them pursuant to art. 114, paragraph 7, of the CFA and arts. 152 *sexies, septies* and *octies* of CONSOB's Issuers Regulation (instructions on Internal Dealing), we have ascertained that the Bank adopted appropriate internal rules and procedures for making such reports through the adoption of an "Internal Dealing Regulation".

IV - OBSERVATIONS AND PROPOSALS ON THE FINDINGS AND HIGHLIGHTS CONTAINED IN THE INDEPENDENT AUDITORS' REPORT

The Board of Statutory Auditors is identified by Legislative Decree no. 39/2010 as the "Internal Control and Audit Committee" and supervises the financial reporting process, the effectiveness of the internal control system, internal audit and risk management, the audit of the annual and consolidated accounts and the independence of the auditors.

In this regard, we would point out that the audit engagement as per art. 2409 *bis* of the Italian Civil Code and the audit of the financial statements pursuant to art. 156 of the CFA, granted by the Shareholders' Meeting of 10 May 2008 for the nine years from 2008 to 2016, was assigned to PricewaterhouseCoopers S.p.A. ("**PwC**"), together with the opinion on the consistency of the report on operations and of the information referred to in paragraph 1 letters c), d), f), l), m) and paragraph 2, letter b) of article 123 *bis* of the CFA presented in the Report on Corporate Governance and Ownership Structure.

During 2015, there was a change in the engagement partner for the audit work on the BPER Group, as a result of the relevant legislation (art.17, paragraph 4, of Legislative Decree no. 39/2010).

On 24 March 2016 the Independent Auditors issued the reports pursuant to arts. 14 and 16 of Legislative Decree no. 39 of 27 January 2010, which included their certification that the separate and Consolidated financial statements comply with IAS/IFRS issued by the International Accounting Standards Board and adopted by the European Union, in force since 31 December 2013, as well as with the measures implementing art. 9 of Legislative Decree no. 38/2005.

In particular, these reports show that the separate and Consolidated financial statements have been drawn up clearly and in accordance with the law and general accepted accounting standards and that they represent a true and fair view of the financial position, results of operations and cash flows for the year ended 31 December 2015.

In addition, the report of the Independent Auditors does not include any findings or highlights regarding the nature, quality and accuracy of the information, including the consistency of the Report on Operations, nor on the reliability of the bookkeeping/accounting system, which appears to be adequate and in line with the operational needs of the Company.

The Board received from PwC the report pursuant to art. 19, paragraph 3 of Legislative Decree no. 39/2010, dated 24 March 2016, on key matters that arose from the statutory audit and on any significant weaknesses found in the internal control system in relation to the financial reporting process. In this regard, the Board did not receive any evidence of significant weaknesses.

V - INFORMATION ON ANY COMPLAINTS UNDER ART. 2408 OF THE ITALIAN CIVIL CODE AND ACTION TAKEN

Without prejudice to what we said in our report pursuant to art. 153 of the CFA presented to the Shareholders' Meeting of 18 April 2015, no complaints pursuant to art. 2408 of the Italian Civil Code were received during the year and up to the date of this report.

VI - INFORMATION ON ANY PRESENTATION OF COMPLAINTS AND ACTION TAKEN

No complaints were filed during 2015 and up to the date of this report.

In this regard it should be noted that, in relation to the provisions of art. 52 *bis* of the CBA and the related Implementing Instructions of the Bank of Italy (Circular no. 285/2013, Title IV, Chapter 3, Sec. VIII), the Bank, with the resolutions of the Board of Directors of 2 and 15 December 2015, and in compliance with the deadline set by the Supervisory Authorities (31 December 2015), implemented its own whistle-blowing policy, centralised at the Parent Company.

This is structured in such a way as to ensure the transmission, receipt, review and assessment of reports of infringements of legislation governing banking activities as per art. 10 of Legislative Decree no. 385/93 (acceptance of deposits from the public, lending, failure to observe rules governing financial activities and fraud to the detriment to one or more companies) via specific, autonomous and independent channels that differ from normal reporting lines and confidentiality and protection of the personal data pertaining to the reporting party and to the party exposed.

In this context, the Head of the Group Internal Audit Department acts as Head of the Internal Reporting System and the Board of Statutory Auditors of the Parent Company (or of Group companies and the banks involved in the reporting) acts as the Control Body.

VII - INFORMATION ON ANY ADDITIONAL ASSIGNMENTS TO THE INDEPENDENT AUDITORS AND RELATED COSTS

Please note that the compensation paid to PwC for the legal audit was approved by the Shareholders' Meeting on 10 May 2008 for the nine years from 2008 to 2016, subsequently updated according to the contractual mechanisms already foreseen.

In this regard, in accordance with specific regulations, we acknowledge that the fees paid by the Bank to PwC for the legal audit for the year 2015, which totalled Euro 904.9 thousand, are broken down as follows:

- Euro 229.8 thousand for the limited audit of the condensed half-year financial statements included in the consolidated half-year report;

- Euro 591.5 thousand for the audit of the financial statements of the Bank, including periodic activities under article 14 of Legislative Decree no. 39/2010;

- Euro 83.6 thousand for the audit of the Consolidated financial statements.

The following additional fees were also awarded to the Independent Auditors for other assignments:

a) Euro 30.1 thousand for the 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 2014 and of the condensed consolidated half-year report for the period ended 30 June 2015;

b) Euro 83 thousand for the issue of comfort letters for the update and implementation of the Covered Bond issue programme;

c) Euro 20 thousand for the issue of comfort letters for the update of the "Euro Medium Term Notes" programme;

d) Euro 75 thousand for activities involved in issuing the report on the accuracy of the reported data with regard to Targeted Long Term Refinancing Operations (TLTRO);

e) Euro 7 thousand for activities involved in signing off the consolidated national and international tax return for the year 2014 for the purpose of offsetting a tax credit.

VIII - INFORMATION ON ANY ADDITIONAL ASSIGNMENTS TO PARTIES WITH ONGOING RELATIONSHIPS WITH THE INDEPENDENT AUDITORS AND RELATED COSTS

During 2015, collaboration continued with other companies with ongoing relationships with the Independent Auditors in the face of the assignments received. These are:

TLS – Associazione Professionale di Avvocati e Commercialisti:

a) Tax advisory services for the first module of the Patent Box project for Euro 15 thousand;

PricewaterhouseCoopers Advisory S.p.A.:

a) 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 Euro 54 Euro thousand;

b) Technical and methodological support as part of the project to assess and analyse the organisational model with a view to ensuring consistency in the Group's compliance policies, for Euro 140 thousand;

c) Technical and methodological support as part of the project for implementation of the model for handling outsourcing arrangements, for Euro 51 thousand;

d) Technical and methodological support in the redefinition of Knowledge Management methodologies, for Euro 105 thousand;

e) Activities for the publication of notices on behalf of BPER International SICAV for Euro 1 thousand.

As reported in the specific attachment "Fees for audit and non-audit services" to the Consolidated financial statements, BPER subsidiaries paid fees for auditing activities of Euro 687 thousand to PwC and Euro 114 thousand to the PwC network (for the foreign companies EMRO Finance Ireland and BPER (Europe) International, Luxembourg), plus Euro 21 thousand for certification work, Euro 29 thousand for consultancy services to foreign subsidiaries and Euro 342 thousand for other services.

Having obtained the report on the independence of the Independent Auditors pursuant to arts. 10 and 17 of Legislative Decree no. 39/2010, we do not believe that there are critical aspects regarding independence or causes of incompatibility pursuant to arts. 10 and 17 of the Independent Audit Code and the related implementing provisions.

IX - OPINIONS ISSUED BY THE BOARD OF STATUTORY AUDITORS PURSUANT TO THE LAW DURING 2015

During 2015 and up to the date of this report, we issued any obligatory opinions required by the law, the Articles of Association and Supervisory Regulations.

The opinions expressed and key observations include:

- opinions on the remuneration of Directors with special duties in accordance with art. 2389 of the Italian Civil Code;

- assessments relating to the ICAAP process and the 2015 ICAAP Report (in accordance with the Bank of Italy's Circular no. 285/2013, Part I, Title III, Chapter 1 and the Bank of Italy's Circular no. 263 of 27 December 2006, Title V, Chapter 7); on this occasion, we said that there was room for improvement in the field of non-quantifiable risks; we also took note of the spin-off, from 2015, of the component relating to the liquidity management process (ILAAP 2015) from the ICAAP Report, with the consequent need for some fine tuning, including the future planned extension of the internal audit activities to the entire ILAAP component;

- observations pursuant to the Bank of Italy's Circular no. 263/2006, Title V, Chapter 7, on the "Report of the BPER Group's Internal Audit Department - Internal Controls carried out on significant outsourced operational functions, weaknesses identified and corrective actions taken - 2014". This was the first report of the Internal Audit Function under the new regulations;

- opinions, in accordance with the Bank of Italy's Circular no. 285/2013, Part I, Chapter 1, Sec. III, on amendments to the "Guidelines on the Internal Control System" and the "Regulation of the Group Risk Management Department";

- opinion on the second Covered Bond issue, according to the Bank of Italy's Circular no. 285/2013, Part Three, Chapter 3, Sec. II, para. 5;

- opinion on the Recovery Plan adopted by the BPER Group in compliance with the provisions of Directive 2014/59/EU (BRRD); as mentioned in the Report on Operations, the above plan was sent to the European Supervisory Authorities and, at the date of this report, we are still awaiting the Supervisory Authority's comments on it;

- observations on the Reports prepared by the relevant Functions in accordance with CONSOB Resolution 17297 of 28 April 2010;

- opinion on the assessment carried out by the Group Internal Audit Department on the transfer of assets from EMRO Finance to BPER (Europe) International s.a., required by the Supervisory Authority, after which we provided guidance on certain aspects relating to internal procedures, reporting our assessments to the Board of Directors;

- opinion on the "Group policy on controls over risk activities and conflicts of interest with associated persons" as part of the three-year review, which has been already been discussed;

- opinion on the "transformation plan" to change the legal form of the Bank into a joint-stock company, which will be explained in detail below.

X - INFORMATION ON THE FREQUENCY AND NUMBER OF MEETINGS OF THE BOARD OF DIRECTORS, THE EXECUTIVE COMMITTEE AND THE BOARD OF STATUTORY AUDITORS

The Board of Directors normally meets once every month, in accordance with the current Articles of Association; however, 25 meetings were held during 2015.

The Executive Committee normally meets in compliance with the terms of frequency required in the "Regulations for the Functioning" document, as last amended on 14 July 2015 by the Board of Directors of the Bank; 13 meetings took place in 2015.

In 2015, the Board of Statutory Auditors met 51 times, 36 of which related to the Board currently in office, in many cases holding meetings on the same day with several other bodies and/or corporate functions, in addition to 5 direct audits which will be discussed later; the minutes explain the control and supervisory activities that were carried out.

During 2015, the Control and Risk Committee held 25 meetings, 23 of which saw the participation by the Chairman of the Board of Statutory Auditors or another Statutory Auditor.

We can report that, during our mandate and through a special annual self-assessment, we have verified the adequacy of the Board of Statutory Auditors in terms of its powers, operations and composition, in accordance with current legislation, introduced by the 1st update of 6 May 2014 of Circular no. 285/2003 of the Bank of Italy. In compliance with our "Internal regulations of the self-assessment process", on 22 December 2015 we carried out this assessment, which ended with a positive outcome.

We also note that in March 2016 the Board of Directors gave a positive opinion on its own quantitative and qualitative composition and functions, as well as those of the Executive Committee.

XI, XII, XIII - COMMENTS ON COMPLIANCE WITH THE PRINCIPLES OF CORRECT ADMINISTRATION, ADEQUACY OF THE ORGANISATIONAL STRUCTURE AND OF THE INTERNAL CONTROL SYSTEM

Correct administration

We have monitored compliance with the law, the Articles of Association and the requirements of Public Supervisory and Control Authorities; we acquired knowledge about and monitored, within the scope of our sphere of competence, compliance with the principles of correct administration and the adequacy of the organisational and accounting structures, as well as the overall functionality of BPER's Internal Control System.

This also through continued participation at meetings of the Board of Directors and the Executive Committee, as provided by current regulations, through meetings with Board Committees, the Supervisory Body as per Legislative Decree no. 231/2001, the Chief Executive Officer and the General Manager, as well as through the other supervisory activities mentioned previously.

We were able to make sure that the activities of these Committees and Bodies were based on respect for the principles of correct administration and protection of the Bank's assets. During the meetings we attended and the checks we carried out, we did not become aware of any transactions which were manifestly imprudent, risky or in potential conflict of interest, nor of actions contrary to the decisions of the Shareholders' Meeting or that might compromise the integrity of the Company's assets. In addition, there were no transactions involving Directors that did not have the required information.

The Board also verified that the main transactions to be approved were backed by adequate and thorough analysis and evaluation of all relevant aspects, making use, where appropriate, of independent expert appraisals.

In our opinion, the Bank is managed competently and in compliance with the law and the Articles of Association. The structure of powers and proxies, as currently allocated, appears appropriate to the size and operations of the Bank, as stated in the Directors' Report on Operations, in particular in the "Report on Corporate Governance and Ownership Structure", introduced by art. 123 *bis* of the CFA. The administrative activity did not give rise to any findings nor to particular or significant observations as indicated elsewhere on our part, nor by any other Corporate Body vested with specific control functions.

In this regard, it should be noted that, with a resolution dated 15 May 2015, the Board of Directors redefined the system of internal proxies, approving the document entitled "Functions of the Corporate Bodies - System for delegation of powers" in the hands of the Executive Committee, the Chief Executive Officer, the General Manager and Deputy General Managers.

This to enable the Board to focus as much as possible on strategic and high level issues: interventions in this area will continue in 2016.

The Group has also introduced an electronic management system for the decision-making process in order to further enhance the traceability of all resolutions.

With regard to the decision-making processes of the Board of Directors, we monitored, also through direct participation at board meetings, its compliance with the law and the Articles of Association and verified that the resolutions of the Board of Directors were supported by adequate processes of information, analysis and verification.

We took note of the declarations made pursuant to art. 2391 of the Italian Civil Code.

Board meetings were regularly attended, by right or by invitation, by the General Manager, the Deputy General Managers and the Secretary to the Board of Directors, for the explanation and analysis of the measures to be decided. These meetings were also attended by other Managers, depending on the specific topics on the agenda.

Organisational structure

The Company's organisational structure changed during the year in order to meet the operational requirements that arose also with regard to the initiatives undertaken for the development of the Company's activities as a whole and for the 2015-2017 Business Plan, as noted by us.

As regards the Bank's organisational structure, worth noting among the other measures is the fact that the Organisation Chart was changed during 2015 with the approval of the Bank's Board of Directors.

The amendments carried out include:

- changes in the Group Risk Management Department and operational restructuring of the Credit Control and Rating Attribution Unit, reporting to the Group Risk Management Department (Board resolution of 28 April 2015);

- evolution of the organisational structure of the Group Internal Audit Department (Board resolution of 9 June 2015);

- new organisational structure of the Group's Credit and Loans Area, reporting to the Chief Lending Officer - CLO (Board resolution of 6 August 2015).

In particular, in this context, the Board monitored the review and restructuring of the credit management system, which saw the appointment of a new CLO and a review of the Group's Credit and Loans Area. This consists of two main structures, namely credit management and management of problem loans, which are sustained by various support facilities, including the one responsible for defining and monitoring the implementation of credit policies.

We also paid particular attention - as we will in the future - to the review of the second level credit check processes, set up in 2015 and operational from the beginning of 2016.

In our opinion, there are no critical issues of particular relevance to be reported nor significant comments to be made regarding the Bank's organisational structure. No particular weaknesses were found nor situations to be reported here regarding the effective functioning of Bodies, corporate functions, systems and procedures. We took note of the delicate and progressive actions undertaken in order to modulate the organisation and corporate structure in compliance with the objectives outlined in the Business Plan currently in progress (including the review and streamlining of the number and role of internal management committees and the simplification of governance), as well as of the constant steps being taken in the consolidation and refinement of procedures and corporate regulations that became more necessary in order to adjust and align the models, procedures, and consequently the structure and organisation to the new needs and to the new provisions and indications issued by the Supervisory Authorities.

The organisation and services, both those structured within the Company and the Group, and those that have been outsourced, are appropriate and performed on a timely basis for the required obligations, both in terms of regulations and for the purposes of a fair, effective and efficient corporate management.

The remuneration system of the Bank and the Group, subject among other things to the provisions of the 7th update of Bank of Italy's Circular no. 285/2013, is outlined in the Remuneration Report (prepared in accordance with art. 123 *ter* and art. 84 quater of the CFA) and the "Prospectus for phantom stock compensation plan" (prepared under article 114 *bis* of the CFA) submitted to the Shareholders' Meeting; further information is provided in the report on operations and in the Group report on operations, as well as in Part I of the notes to the draft separate and Consolidated financial statements and in the Third Pillar disclosure to the market.

During 2015, the remuneration system experienced some changes (link with the RAF/RAS, widening of the scope of the figures falling within "key personnel"), consolidated in the remuneration policies for 2016, as described in the Remuneration Report mentioned previously; the fixed/variable ratio provides a very prudent limitation on the variable component (which does not exceed 60% of the fixed one), in line with the Group's conservative approach. The process of refining and evolution (e.g. towards more incentive-based profiles) will continue in 2016, also in view of the Bank's transformation into a joint-stock company.

Internal Control System

With reference to the Internal Control System, in referring to what is reported in the report on operations, in the Group report on operations, in the Explanatory Notes, in the Report on Corporate Governance and Ownership Structure and in the Third Pillar disclosure to the market, this system is primarily characterised by the Group Guidelines, as last revised by the Board of Directors in July 2015, which is divided into three layers (Group internal controls, Corporate internal controls and internal controls of the Group). The Guidelines show and explain the roles of the Bodies and control functions involved, the procedures for coordination and collaboration and the information flows exchanged between functions and between them and the Corporate Bodies of the Parent Company and of Group companies.

The Parent Company's corporate control functions also perform controls at the main Banks and Companies of the Banking group under an outsourcing regime (in particular, the internal audit activity for CR Bra S.p.A. was centralised with effect from 1 January 2016); as regards the other entities of the Banking group, control is in any case carried out as part of the management supervision and coordination activity.

In light of the increasing importance of the internal control system for the challenges that the Bank and the Group intend to address and for the increasing complexity of the regulatory and operating environment, the Board gives great importance to the effectiveness, efficiency and completeness of the system. It therefore seems appropriate that there are plans for it to be further strengthened, as mentioned previously. In this regard, our task was to monitor correct implementation of the system, as well as monitoring its effectiveness, also through frequent and regular meetings with corporate control functions, with which we set up a constant and proactive dialogue, first of all, with the Group Internal Audit Department, which includes the third-level control activities (internal audit and inspectorate), and with the second-level corporate control functions: the Group Risk Management Department, whose responsibility is assigned to the Chief Risk Officer (CRO), the Group Compliance Unit, the Group Anti-Money Laundering Unit and the Validation Function. We receive a constant flow of information from all of them, while there is also an ongoing relationship with the Manager responsible for preparing the company's financial reports and the Group's Financial Reporting Monitoring and Control Office.

In this context, we receive and analyse the reports on the checks performed by the Corporate Control Functions and take steps to ask Senior Management or the strategic Supervisory Body for feedback, follow up or interventions; worth mentioning in this context is the constant connection that we have with the Control and Risk Committee through our participation in its committee meetings, above all to coordinate the work of the two bodies to avoid overlaps.

During 2015, we addressed several issues regarding the internal control system, including the size and planned strengthening of the functions; we also fostered coordination between the various Corporate Control Functions, provided suggestions and input about the planning processes, monitored the progress of activities and stimulated the development of the planning and reporting system towards ever higher standards. These activities and processes are continuing in 2016.

We also carried out, by means of one or more Statutory Auditors, 5 direct checks on specific issues (transparency, anti-money laundering, audit checks on the credit process, disputes regarding bad loans and compliance checks), the results of which were analysed and shared during our meetings.

We monitor the transposition of directives and Group regulations, requiring, where necessary, the intervention of the local Bodies with control functions.

Based on the actions and facts examined during the course of our monitoring activity, we did not find any situations that might indicate that the internal control system as a whole was inadequate; in fact, the internal control system did not reveal any significant problems, pending the activity of the Control and Risk Committee and the continued work on the part of the competent functions of constant methodological and organisational review and refining, which have led to better results compared with last year, in terms of effectiveness and efficiency. Significant work was also carried out to keep the Bank in line the European legislation as it evolved.

In this context, during our mandate and up to the date of this report, we carried out the following activities:

- we examined the annual final report (for 2015) of the Group Internal Audit Department;
- we examined the Audit Plan of the Group Internal Audit Department for the years 2016-2018; in this regard, it should be noted that this three-year Audit Plan was the subject of a careful and proactive examination by us;
- as mentioned previously, we reviewed the work carried out by the Group Internal Audit Department to verify the ICAAP;
- we examined the final report for 2015 of the Group Risk Management Department and its planning document for 2016;
- we read the half-year reports and the Annual Report of the Group Anti-Money Laundering Department, as well as its planning document for 2016;
- we examined the report on the activities carried out during 2015 by the Group Compliance Unit and the Group Compliance Plan for 2016; moreover, between the end of the year and the beginning of 2016, we also took note of the new model of graduated Compliance, defined as a result of the note of clarification published by the Supervisory Authorities in July 2015;
- we reviewed the Inspectorate's checks on the Bank's branches.

Considering our overall knowledge and taking into account the outcome of the evaluation of the internal control system carried out by the Corporate Control Functions, we believe that the Internal Control System is substantially adequate overall, also in relation to the dimensional and operational characteristics of the Bank and the Group.

Risk management and control system

The risk management and control system is an integral part of the Group's Internal Control System and is expressed through Group policies, regulations and procedures.

From a risk governance point of view, the most significant developments that occurred in 2015 relate to:

- the first implementation of the risk appetite framework, with the declination of the indicators and related levels (RAS). The process will be subject to developments in 2016, to ensure a closer link with the ICAAP/ILAAP processes and the Recovery Plan, also with a view to developing non-quantitative methodologies and indicators (e.g. reputational risk, compliance risk, etc.), which we hope for as well;
- preparation of the first ILAAP (Internal Liquidity Adequacy Assessment Process), which since 2015 supports the ICAAP process with specific reference to liquidity, which will also be refined and developed;
- preparation of the first Recovery Plan, submitted to the Supervisory Authority, in view of the entry into force of the Implementing Provisions of Directive 59/2014.

With reference to the individual risk categories, as part of credit risk, the Group uses the Standardised Approach for calculating capital requirements. However, it has for some time developed an advanced internal model, for which activities to request formal recognition under Reg. 575/2013 commenced in 2015; the use of internal models, even if only for management purposes, has significant benefits in terms of quality of the control process and has a positive impact also for the purposes of accounting valuations. In this regard, we followed the evolution of the internal models during the year and continue to monitor the expected developments as part of the control over residual and concentration risk.

Market risks are monitored using VAR-based models and a system of limits that is subject to constant maintenance, depending on the complexity of the portfolios; expected developments involve concentration by issuer and liquidity risk.

As regards operational risks, it should be noted that the projects in the new Business Plan include the introduction of a new framework, which involves the Group Risk Management Department. The Bank and the Group have planned major investments in ICT, also in relation to the security of new channels. Considering the development of increasingly innovative methods and rising threats, and at the same time taking into account the growing interest of regulators on these issues, we are involved in following the evolution and monitoring the effective implementation of the implementation projects, also in response to the findings of Corporate Internal Control Functions. We also monitor full implementation at operational level of the framework provided in Circular no. 263/2006, 15th update (now Circular no. 285).

Supervisory checks

In relation to the issues mentioned above, we would like to give an update on the inspections in progress and/or completed.

As regards the evidence presented by CONSOB in 2014, we can confirm that in 2015 the Bank completed the planned activities for the implementation of structures relating to the customer protection model, as part of the provision of investment services.

In relation to what was said by us in our report pursuant to art. 153 of the CFA to the Shareholders' Meeting of 18 April 2015, we would like to recall that, the ECB carried out their Asset Quality Review(AQR) in 2014, as part of its Comprehensive Assessment, the economic and financial effects of which were reflected in the 2014 financial statements; in 2015, we monitored progress on the plan of organisational and procedural actions proposed by the Bank.

Following what we said in the same report, we would also like to mention that the inspection of the Bank of Italy started in February 2015 at BPER was completed in May 2015; the purpose of the inspection was to evaluate "Compliance with the rules on the transparency of transactions, fairness in dealings with customers and the combating of money laundering".
In September 2015, the Bank sent its comments to the Supervisory Authority. The inspection, which ended without the application of sanctions, highlighted certain areas that needed improvement, in relation to which we began constantly monitoring the situation to ensure, also through special meetings with the competent Corporate Functions, that the activities to resolve these situations had been started and completed in due time. During 2016, we will continue to follow progress on the action plan.

In June 2015, the ECB commenced an inspection of BPER, completed in September 2015, focusing on governance, risk management, the remuneration system and the Group's internal control system. On 16 March 2016 the ECB Supervisory Authority communicated the outcome of the inspection and of the review on risk governance and risk appetite by means of a final follow-up letter, which contains a number of recommendations on the matters that were checked; the Bank will soon provide its own comments on the recommendations and we will follow implementation of the measures in the plan of action, some of which are already under way. The inspection did not result in the application of sanctions by the Supervisory Authority.

It should also be noted that on 26 January 2016 the ECB commenced an inspection of BPER that addressed the system of management and control of credit and counterparty risk.
This inspection is still in progress at the date of this Report.

Lastly, it should be noted that since the end of January 2016, also the BPER Group, like other national banking intermediaries, is involved in the assessments being carried out by the ECB in the areas of strategy, governance, processes and methodology adopted by the Group for bad loans. This assessment is also in progress at the date of this Report.

XIV - COMMENTS ON THE ADEQUACY OF THE ADMINISTRATIVE AND ACCOUNTING SYSTEM AND ON ITS RELIABILITY TO REPRESENT OPERATING EVENTS CORRECTLY

We have assessed and monitored the adequacy of the administrative and accounting system, its reliability in correctly representing operating events, by obtaining information from the heads of the various Corporate Functions, examining the most significant corporate documents, analysing the work performed by the Independent Auditors PwC, by the Manager responsible for preparing the company's financial reports, and by the Group Internal Audit Department.

As part of the Internal Control System, in relation to financial reporting, a primary role is played by the Manager responsible for preparing the company's financial reports, who has defined a specific Control Model for Financial Reporting approved by the Board of Directors, using the support of the Group's Financial Reporting, Monitoring and Control Office for the tasks foreseen in Law 262/2005 and art. 154 *bis* of the CFA.

In this regard, we took note of the positive content of the report of the Manager responsible for preparing the company's financial reports for the purposes of art. 154 *bis*, paragraphs 3 and 4, of the CFA that describes the Control Model for Financial Information, the checks carried out, the overall evaluation of the system and any points of attention, and the planning for 2016.

Given the task attributed to us as part of the financial reporting process, we maintained close coordination with the Group Financial Statements and Administration Department, the head of which is also the Manager responsible for preparing the company's financial reports.

During the year we reviewed the checks performed by the Group's Financial Reporting Monitoring and Control Office and the results of these checks; at the beginning of 2016 we took note of the actual activity and planning carried out. In this context, the points of attention are monitored by us, and with our usual constructive relationship, we provide suggestions and recommendations where necessary.

As for the financial reporting process, we took note of the strengthening which occurred in 2015, connected, among other things, to the completion of the IT project of the internal control system on financial reporting, to the "migration" of CR Bra S.p.A. on the Parent Company's administrative and accounting procedures, so that today all of the Italian banks in the Group adopt the same procedures, centrally managed by the BPER Services consortium. For the main non-banking companies (Sardaleasing S.p.A. and EmilRo Factor S.p.A.), IT mirroring procedures have been implemented, allowing total transparency in the administrative and accounting process for the Parent Company and the related Corporate Control Functions, significantly increasing the quality of control. Further benefits are expected from the construction of the Group's internal datawarehouse, currently being implemented, also for auditing purposes.

Lastly, the Board has monitored, and continues to monitor, implementation of the suggestions made by the Independent Auditors, which in any case did not highlight any issues needing particular attention.

In relation to accounting information contained in the separate and Consolidated financial statements at 31 December 2015, the Chief Executive Officer and the Manager responsible for preparing the company's financial reports issued the required certification pursuant to art. 81 *ter* of CONSOB Regulation 11971, without any comments.

It is worth recalling that the BPER Group does not include any companies incorporated under the laws of non-EU countries.

In light of the above, the administrative and accounting structure is adequately defined and suitable to meet the business needs that arose during the year.

The internal control system on financial reporting, constantly subject to updates and maintenance, is organised, structured and equipped with appropriate resources and tools.

The Independent Auditors checked the administrative and accounting procedures without highlighting any matters regarding their reliability. They also checked the accuracy of the recognition of operating events in the accounting records, as well as the completeness of the information and accounting policies for the preparation of the separate and Consolidated financial statements, without making any comments or observations.

Even though the statutory audit of the accounts as per art. 2409 *bis* of the Italian Civil Code is not part of the duties of the Board of Statutory Auditors, being delegated to the Independent Auditors, based on the information received from the latter and from the Manager responsible for preparing the company's financial reports and the checks provided for in arts. 2403 et seq. of the Italian Civil Code, we are of the opinion that the administrative and accounting system, as a whole, is adequate and reliable and that operating events are recognised correctly and punctually.

In connection with the imminent introduction of IFRS 9, which implies a number of changes to the valuation of loans, as reported in the Group report on operations, the BPER Group has launched a special project of adaptation, also at our request. At present, the effects of applying this standard are not yet available, though the Directors believe that they will be widespread and significant.

Lastly, it should be noted that the Bank and the Group do not have any situations that could be considered significant for disclosure purposes under IFRS 12.

XV - COMMENTS ON THE ADEQUACY OF THE INSTRUCTIONS GIVEN TO SUBSIDIARIES UNDER ART. 114 OF THE CFA

We have monitored the adequacy of the instructions given by the Bank to its subsidiaries, pursuant to art. 114 of the CFA, deeming them appropriate for the latter to comply with the legal disclosure requirements.

In relation to the close functional and operational links, as well as the presence of contact persons at the subsidiaries, a proper and adequate flow of information was guaranteed during 2015, supported by appropriate accounting documents and calculations relating to the management of legal entities under the Bank's control.

We have no comments to make on the adequacy of the instructions given to the banks or subsidiaries to acquire the information flows needed to ensure the timely fulfilment of the legal disclosure requirements.

On the more general issue of the relationship between the Parent Company and Italian banks of the Group - taking into account the meetings that were held throughout the year with their Control Bodies and the periodic conferences organised with a view to sharing information more and more with all of the Control Bodies of the Italian banks and other Group companies, and in the light of the directives issued by the Parent Company - we can confirm that no critical issues arose that need reporting.

In particular, we would like to mention the Group Convention held in May 2015, organised by Cassa di Risparmio di Bra S.p.A., which was attended by all the Chairmen of the Control Bodies of the BPER Group's Italian banks. Subsequently, in November 2015, another Convention was held at the Bank's head office, attended by all the Chairmen of the Control Bodies of the Italian banks and a number of non-banking companies of the BPER Group. During these Conventions, which took place over a total of three days, the Corporate Control Functions, the Manager responsible for preparing the company's financial reports and the CLO presented their reports on topics relating to new regulations, new processes for the Group and analyses of issues of common interest.

Lastly, we can confirm that we have remained in constant contact with the corresponding bodies of the main Group banks and companies; in this context, it should be noted that in October 2015 individual meetings were held with the Chairmen of the Boards of Statutory Auditors of the main Group entities for an exchange of information on key issues pertaining to the individual companies (evaluation of the internal control system, audit supervision, organisation, IT, human resources; performance of the company; management and assessment of non-performing loans; significant disputes/litigation; anti-money laundering; overall compliance; adoption of strategic and coordination instructions).

XVI - OBSERVATIONS ON SIGNIFICANT ISSUES THAT AROSE DURING THE COURSE OF MEETINGS HELD WITH THE INDEPENDENT AUDITORS PURSUANT TO ART. 150 PARAGRAPH 3 OF LEGISLATIVE DECREE no. 58/1998

Through checks and information obtained from the Independent Auditors PwC and from the Bank's Senior Management, we have been able to ensure compliance with the rules and laws on the preparation and format of the separate and Consolidated financial statements and of the report on operations.

We have met with the Independent Auditors in charge of both accounting control as per art. 2409 *bis* of the Italian Civil Code and the statutory audit of the separate and Consolidated financial statements, activating in such cases, a fruitful exchange of information, as required by art. 150 of the CFA.

In particular, together with the Independent Auditors, we examined the application of accounting standards, the best treatment and presentation of key elements in the financial statements from an economic, financial and capital point of view. There are no acts or facts considered reprehensible and/or that need to be reported in accordance with art. 155, paragraph 2 of the CFA.

During regular meetings with the Independent Auditors, the main issues and process and organisational changes with an impact on accounting systems and financial reporting were also discussed (e.g. changes in the credit supply chain, system of second-level checks on loans). The Board also met with the Independent Auditors in July and November to discuss the audit plan for the 2015 financial statements.

The Board also discussed with the Independent Auditors, as well as with the Manager responsible for preparing the Company's financial reports and other Corporate functions involved, issues relating to the measurement of receivables and financial assets and the impairment testing of equity investments and goodwill.

No anomalies, issues or omissions detected by the Independent Auditors arose during these meetings. During these meetings, we informed the Independent Auditors on our activities and reported any relevant and significant facts about the Bank that we were aware of.

There have been no significant changes in the Group's scope of consolidation compared with 2014. As regards the scope of consolidation, please refer to the Group report on operations and to Part A of the notes for information on the unification of the line-by-line scope of consolidation for accounting purposes with the scope of consolidation for supervisory purposes for reasons of rationalisation, simplification and control of process for producing the consolidated figures for supervisory and financial reporting purposes, without appreciable effects in terms of equity, economic results or financial performance of the Group.

XVII - CODE OF CONDUCT OF THE COMMITTEE FOR CORPORATE GOVERNANCE

The Bank has not adopted the Code of Conduct promoted by Borsa Italiana S.p.A., even if the Bank's own system of Corporate governance is based on it, as the Bank does not consider it appropriate to comply fully with the Code, also because of its special nature as a cooperative bank. However, the Bank believes that the system of Corporate governance that it has adopted, also by virtue of the amendments made to the Articles of Association in recent years, appears broadly in line with the principles contained in this Code, and with the recommendations made in the field of Supervision and national best practice. In 2015, the Bank has again prepared a "Report on Corporate Governance and Ownership Structure" under art. 123 *bis* of the CFA. In this regard, we verified its approval by the Bank's Board of Directors on 1 March 2016. The Report is published on the Bank's website.

XVIII - FINAL ASSESSMENT OF THE SUPERVISORY ACTIVITIES PERFORMED AND OF ANY OMISSIONS, MISCONDUCT OR IRREGULARITIES FOUND

Shareholders,

In concluding this report, we would like to confirm that we carried out our supervisory activities with the full cooperation of the Corporate Bodies, of the managers in charge of administrative and management activities, of the Independent Auditors, of the Group Internal Audit Department and other Corporate Control Functions and that there are no omissions, misconduct, transactions at risk or irregularities that ought to be reported.

Our supervision and control activity did not reveal any facts that would require reporting to the Supervisory and Control Authorities or mentioning in this report.

As regards regulatory Supervision issues, please note that in response to the Supervisory Review and Evaluation Process (SREP), on 27 November 2015 the European Central Bank announced its decision on specific capital requirements for the BPER Group, establishing, on a consolidated basis, a capital ratio in terms of Common Equity Tier 1 of 9.25%.

The consolidated capital ratios at 31 December 2015, calculated on the basis of the standardised approach for credit and market risk, were therefore well above the required minimum levels.

As regards the principal risks and uncertainties to which the Bank and the Group are exposed, business continuity as a going concern and the situation of disputed items, as well as the business outlook, reference should be made to the report of operations and to the Group report on operations.

We would recall that from 1 January 2016 the European Directive 2014/59/EU on the management of banking crises (Bank Recovery and Resolution Directive - BRRD) came into force in Italy; this Directive provides, among other things, for the possibility that the National Resolution Authority can initiate a special resolution procedure, in the context of which it is possible to use different tools, including the so-called "internal rescue" (also known as "Bail-In"). In this regard, we acknowledges that the Bank has set up a special information campaign for customers.

In referring to what is reported in the report on operations, we can attest that we have monitored events that took place after 31 December 2015, including the draft amendments to the Articles of Association described in detail below, the sale of Euro 1.1 billion of residential mortgages to the securitisation vehicle under the GBB1 programme, and the investigations and inspections mentioned previously.

In relation to our report issued pursuant to art. 153 CFA presented to the Shareholders' Meeting of 18 April 2015 concerning the search and seizure order under arts. 247 et seq. and 253 of the Italian Criminal Code issued by the Public Prosecutor at the Court of Cagliari against Banco di Sardegna S.p.A., a subsidiary bank, all we can say is that proceedings are still under way.

It is worth pointing out that very recently, as reported in the press release dated 22 March 2016, BPER and Banco di Sardegna S.p.A. approved the transfer of 59.2% of the shares in Banca di Sassari S.p.A. from Banco di Sardegna S.p.A. to BPER, which will in this way acquire direct control of Banca di Sassari S.p.A. with 77.5% of the share capital.

XIX - PROPOSALS TO THE SHAREHOLDERS' MEETING

Completing our supervision and control activity, we do not believe that there is any reason to exercise our right to make proposals to the Shareholders' Meeting in accordance with art. 153, paragraph 2, of the CFA.

XX - CONCLUSIONS

Shareholders,

We would like to recall, as mentioned previously, that following the issue of Decree Law 3/2015 and the related instructions of the Bank of Italy on 9 June 2015 (9th update of Bank of Italy's Circular no. 285/2013), the Board of Directors initiated the procedures for the transformation of the Bank into a joint-stock company, which will have to be implemented by 27 December 2016, i.e. within 18 months from the entry into force of the instructions.

In this context, the Board of Directors:

- verified on 9 July 2015 that, based on its total assets, the obligation to transform into a joint-stock company applies to the Bank;
- approved on 14 July 2015 certain amendments to the Articles of Association that were merely to adapt them to the new regulations introduced by Decree Law 3/2015, with a favourable opinion on our part;
- on 6 October 2015, after hearing our opinion, it approved the plan for the Bank's transformation into a joint-stock company, by defining an appropriate "Transformation Plan", which envisages holding an Extraordinary General Meeting to resolve on the transformation in the last four months of 2016, subject to the right to bring forward the meeting if there is any reason to do so.

The proposed amendment of certain articles of the Articles of Association, submitted to you for approval at the extraordinary session of the Shareholders' Meeting, is one step in the above Transformation Plan, providing for the elimination of the current system for electing directors whose mandates expire on different dates (the so-called "staggered board" system), with the consequent adoption of a system to elect the entire Board at the one time and the adoption of a transitional system whereby the mandates granted to Directors at the next two elections will only last for one year (AGMs to be held in 2016 and 2017 for partial renewal of the Board) in order to gradually implement the elimination of the staggered board. These rules also provide for the introduction of the *simul stabunt simul cadent* principle for the Board of Directors (i.e. they all stand or fall simultaneously). In brief, the transitional provisions mean that following the Shareholders' Meeting called to approve the 2016 financial statements, the 15 members of the Board will all complete their term of office at the time of the Shareholders' Meeting called to approve the 2017 financial statements, thereby achieving the objective of electing the entire administrative body at the same time as the three-year renewal of the Board of Statutory Auditors.

As regards the proposals for amendments to the Articles of Association, we would refer you to the issues discussed in detail and justified by the Directors in the related report pursuant to art. 72 of the Issuers' Regulation (CONSOB Resolution 11971/1999 and subsequent amendments); in this regard, it should be remembered that these changes are subject to the procedure for the issue of the appraisal required by arts. 56 and 61 of Legislative Decree no. 385 of 1 September 1993 (CBA), initiated by the Bank of Italy on 14 January 2016; at the date of this report, the procedure has not yet been completed.

We would like to inform you in this specific regard that you are asked to approve the proposed amendments to articles 1, 2, 27, 30, 31, 33, 37 and 57 of the Articles of Association, together with the related and consequent resolutions.

We would also point out that the amendments to the Articles of Association do not give the Shareholders a right of withdrawal.

In conclusion, considering the content of the reports prepared by the Independent Auditors and having taken note of the declarations issued jointly by the Chief Executive Officer and the Manager responsible for preparing the Company's financial reports, we the Board of Statutory Auditors, within our sphere of competence, do not have any objections about the proposals made by the Board of Directors, both for the items on the agenda of the extraordinary session and for those of the ordinary session of the Shareholders' Meeting, including the proposed allocation of net profit, as we consider the information provided as complete and comprehensive.

We would also remind you that with the approval of the financial statements for the year ended 31 December 2015, the term of office of six Directors comes to an end and that, according to art. 57 of the current Articles of Association, you will be asked to elect five directors who, if the proposals to amend the current art. 57 of the article of association is be approved, will remain in office for one year.

At the end of the first year of our mandate, we would like to express our gratitude for the trust and confidence that you have shown in us with our appointment, as well as to express our thanks to the Directors, to management and to the entire staff of the Bank for their assistance in the performance of the functions and duties assigned to us.

Modena, 24 March 2016

<u>The Board of Statutory Auditors</u>

Antonio Mele (Chairman)

Carlo Baldi (Serving Auditor)

Diana Rizzo (Serving Auditor)

Francesca Sandrolini (Serving Auditor)

Vincenzo Tardini (Serving Auditor)

Other attachments

Geographical organisation of the Group

Group commercial banks

Details	BPER	BSSS	BSAR	CRBRA	31.12.2015	31.12.2014
Emilia - Romagna	**297**		**1**		**298**	**316**
Bologna	55				55	56
Ferrara	14				14	15
Forlì – Cesena	33				33	33
Modena	77				77	83
Parma	27		1		28	28
Piacenza	5				5	5
Ravenna	31				31	39
Reggio Emilia	38				38	40
Rimini	17				17	17
Abruzzo	**96**				**96**	**98**
Chieti	36				36	36
L’Aquila	41				41	43
Pescara	11				11	11
Teramo	8				8	8
Basilicata	**34**				**34**	**35**
Matera	19				19	20
Potenza	15				15	15
Calabria	**43**				**43**	**43**
Catanzaro	10				10	10
Cosenza	14				14	14
Crotone	9				9	9
Reggio Calabria	6				6	6
Vibo Valentia	4				4	4
Campania	**96**				**96**	**104**
Avellino	27				27	29
Benevento	4				4	5
Caserta	5				5	7
Naples	24				24	24
Salerno	36				36	39
Lazio	**58**	**1**	**6**		**65**	**73**
Frosinone	3				3	3
Latina	9				9	10
Rieti	2				2	2
Rome	43	1	6		50	56
Viterbo	1				1	2
Liguria			**4**		**4**	**5**
Genoa			2		2	3
La Spezia			1		1	1
Savona			1		1	1
Lombardy	**40**		**2**		**42**	**46**
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	15		2		17	21
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	31.12.2015	31.12.2014
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	**35**				**35**	**37**
Bari	11				11	11
Barletta Andria Trani	5				5	5
Foggia	16				16	18
Taranto	3				3	3
Sardinia		**54**	**336**		**390**	**400**
Cagliari		15	82		97	99
Carbonia-Iglesias		3	20		23	24
Medio Campidano		4	21		25	26
Nuoro		6	44		50	51
Ogliastra		1	20		21	22
Olbia-Tempio		7	32		39	40
Oristano		2	50		52	55
Sassari		16	67		83	83
Sicily	**17**				**17**	**20**
Agrigento	4				4	4
Catania	3				3	3
Messina	5				5	7
Palermo	2				2	3
Siracusa	3				3	3
Tuscany	**6**		**4**		**10**	**10**
Florence	2				2	2
Livorno			1		1	1
Lucca	2		1		3	3
Massa Carrara			1		1	1
Pisa			1		1	1
Pistoia	1				1	1
Prato	1				1	1
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 31.12.2015	**780**	**55**	**353**	**28**	**1,216**	**1,273**
Total 31.12.2014	**830**	**57**	**392**	**28**	**1,273**	**(57)**

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, 2113/2015, 2406/2015
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, 28/2015, 2113/2015, 2231/2015
IAS 17	Leases	Reg. 1126/2008	Reg. 243/2010, 1255/2012, 2113/2015
IAS 18	Revenues	Reg. 1126/2008	Reg. 69/2009, 1254/2012, 1255/2012
IAS 19	Employee Benefits	Reg. 475/2012	Reg. 1255/2012, 29/2015, 2343/2015
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, 2113/2015
IAS 24	Related Party Disclosures	Reg. 632/2010	Reg. 475/2012, 1254/2012, 1174/2013, 28/2015
IAS 26	Accounting and Reporting by Retirement Benefit Plans	Reg. 1126/2008	
IAS 27	Separate financial statements	Reg. 1254/2012	Reg. 1174/2013, 2441/2015
IAS 28	Investments in Associates and Joint Ventures	Reg. 1254/2012	Reg. 1255/2012, 2441/2015
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, 2343/2015, 2406/2015
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, 2113/2015
IAS 37	Provisions, Contingent Liabilities and Contingent Assets	Reg. 1126/2008	Reg. 1274/2008, 495/2009, 28/2015
IAS 38	Intangible assets	Reg. 1126/2008	Reg. 1260/2008, 1274/2008, 70/2009, 495/2009, 243/2010, 1254/2012, 1255/2012, 28/2015, 2231/2015
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, 28/2015
IAS 40	Investment Property	Reg. 1126/2008	Reg. 1274/2008, 70/2009, 1255/2012, 1361/2014, 2113/2015
IAS 41	Agriculture	Reg. 1126/2008	Reg. 1274/2008, 70/2009, 1255/2012, 2113/2015
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, 2343/2015, 2441/2015
IFRS 2	Share-Based Payment	Reg. 1126/2008	Reg. 1261/2008, 495/2009, 243/2010, 244/2010, 1254/2012, 1255/2012, 28/2015
IFRS 3	Business Combinations	Reg. 495/2009	Reg. 149/2011, 1254/2012, 1255/2012, 1174/2013, 1361/2014, 28/2015
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, 2343/2015

IAS/IFRS	Accounting Standards	Endorsement (a)	Amendments
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, 2343/2015, 2406/2015
IFRS 8	Operating segments	Reg. 1126/2008	Reg. 1274/2008, 243/2010, 632/2010, 475/2012, 28/2015
IFRS 10	Consolidated Financial Statements	Reg. 1254/2012	Reg. 313/2013, 1174/2013
IFRS 11	Joint Agreements	Reg. 1254/2012	Reg. 313/2013, 2173/2015
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

IAS/IFRS	Accounting Standards	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

(a) The Regulation listed is that of the first publication of the Standard or the replacement of the same

IAS/IFRS	Accounting Standards	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 16 April 2016

Board of Directors

Chairman:		Ettore Caselli
Deputy chairmen:	*	Alberto Marri
	*	Giosuè Boldrini
	*	Luigi Odorici
Chief Executive Officer:	*	Alessandro Vandelli
Directors:		Mara Bernardini
		Giulio Cicognani
		Cristina Crotti
	*	Pietro Ferrari
		Elisabetta Gualandri
		Costanzo Jannotti Pecci
		Giovampaolo Lucifero
		Giuseppe Lusignani
		Roberto Marotta
		Valeriana Maria Masperi
		Margherita Perretti
		Valeria Venturelli

Members of the Executive Committee

Board of statutory auditors

Chairman:	Antonio Mele
Acting Auditors:	Carlo Baldi
	Diana Rizzo
	Francesca Sandrolini
	Vincenzo Tardini
Substitute Auditors:	Giorgia Butturi
	Gianluca Spinelli

Board of Arbiters

Members:	dott. Roberto Bernardi rag. Cesare Busi dott. Paolo Casarini dott.ssa Miranda Corradi rag. Marcello Minutolo
Supplent:	avv. Pier Luigi Cerutti avv. Federico Ferrari Amorotti avv. Massimo Turchi

General Management

General Manager:	rag. Fabrizio Togni
Deputy General Manager:	dott. Eugenio Garavini dott. Pierpio Cerfogli dott. Gian Enrico Venturini dott. Claudio Battistella

Manager responsible for prearing the Company's financial reports:

Manager responsible for preparing the Company's financial reports:	rag. Emilio Annovi

Indipendent Auditors

PricewaterhouseCoopers s.p.a.