2015 Reports and Financial Statements

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Corporate offices as
of 22 March 2016

BOARD OF DIRECTORS

Chairman:	Giovanni De Censi	
Deputy Chairman:	Franco Bernabè	
Managing Director:	Giuseppe Capponcelli	
Directors:	Luca Bassi	James Gerald Arthur Brocklebank
	Riccardo Bruno	Francesco Casiraghi
	Michaela Castelli	Simone Cucchetti
	Stuart James Ashley Gent	Larry Allan Klane
	Robin Marshall	Jeffrey David Paduch
	Ottavio Rigodanza	

BOARD OF STATUTORY AUDITORS

Chairman:	Alessandro Grange	
Standing auditors:	Lorenzo Banfi	Paolo Francesco Maria Lazzati
Alternate auditors:	Alberto Balestreri	Marco Giuseppe Zanobio

GENERAL MANAGEMENT

General Manager:	Giuseppe Capponcelli
Deputy General Manager:	Pier Paolo Cellerino

Calling of the shareholders' meeting

The Shareholders are convened within the ordinary Shareholders' Meeting in Milan, Corso Sempione no. 55, **on 27 April 2016 (at 2.30 pm) in first call** and, if required, on 28 April 2016 in second call, same place and time,in order to discuss the following

AGENDA

1. Financial statements as of 31 December 2015; Report on Operations of the Board of Directors; reports of the Board of Statutory Auditors and the Auditing Company; related resolutions.
2. Remuneration policies of the ICBPI Group; related resolutions.

2015 Reports and Consolidated Financial Statements

At 31 December 2015 the structure of the Banking Group was as follows:

BANKING GROUP STRUCTURE

Istituto Centrale delle Banche Popolari Italiane S.p.a.	The Parent Company, recorded in the National Register of Banks.
CartaSi S.p.a.	A financial company recorded in the Register of Payment Institutions pursuant to Art. 114-septies of the Consolidated Banking Act, in which the Parent Company has a 96.743% stake.
Help Line S.p.a.	A service company in which the Parent Company has a 70% stake.
Oasi Diagram Outsourcing Applicativo e Servizi Innovativi S.p.a.	A service company, 100% owned by the Parent Company.

The scope of consolidation of the ICBPI Group as at 31 December 2015 includes, besides the Group companies, the following:

SCOPE OF CONSOLIDATION

Equens SE	in which the Parent Company has a 20% stake.
Hi-Mtf SIM S.p.A.	in which the Parent Company has a 25% stake.
Unione Fiduciaria S.p.A	in which the Parent Company has a 24% stake.

PRUDENTIAL SCOPE OF CONSOLIDATION

The prudential scope of consolidation includes, as of 18 December 2015, Mercury Italy S.r.l. and Mercury UK HoldCo Ltd, headed by Mercury UK HoldCo Ltd.

Board of Directors' Report on Banking Group Operations

Dear Shareholders,

GLOBAL ECONOMY

in 2015, the recovery of the economy overall improved in developed countries but the growth rate of global GDP slowed to 2.6% (from 2.8% in 2014) due to the slowdown of emerging countries. In particular, GDP grew by 2.4% in the United States (as in the previous year), 0.6% in Japan (from -0.1%) and 1.5% in the Eurozone (from 0.9%). The increased growth resulted in a decrease in unemployment, respectively 5.0% in the USA (from 5.6%), 3.3% in Japan (3.4%) and 10.5% in the Eurozone (11.4%).

Inflation fell from 2.6% to 2.1% on a global level, remaining at relatively high levels in emerging countries, but falling in developed countries due to a strong decrease in the prices of raw materials. More specifically, the change in consumer prices fell to 0.1% in the United States (from 1.6% in 2014), 0.7% in Japan (2.7%) and 0.0% in the Eurozone (0.4%)

Central Banks have collectively maintained an expansionary monetary policy. The ECB - in the light of the decrease in inflation and continuing double-digit unemployment - has launched a plan for injection of liquidity into the economy, primarily through the purchase of government bonds and with the objective of increasing inflation to about 2% as well as encourage bank lending to companies and households. In Japan, the Central Bank has continued its program of purchases of financial assets while maintaining stable the total amount at 80 trillion Yen. In the US, on the other hand, the Federal Reserve raised interest rates on federal funds in December by 0.25% - in a range between 0.25% and 0.50% - after having maintained them close to zero even for seven years.

THE ITALIAN ECONOMY

For the Italian economy, 2015 was a positive year given that it finally emerged from a long recession. In fact, after three years of decreases, GDP has begun growing again - although only by 0.7% - driven by exports (4.0%) and supported by consumption (0.8%) as well as gross fixed investments (0.7%) and public spending (0.3%). The economic recovery has resulted in a reversal of the labor market with the unemployment rate falling by more than one percentage point to 11.3% (from 12.4%). The renewed business confidence and the record levels achieved by household confidence - ever so optimistic due to reduced mortgage costs, the absence of inflation and the increase in employment – has created the conditions for a strengthening of the recovery in 2016.

Inflation remained flat, reaching 0.1% (from 0.2%), and depressed due to the drop in raw material prices and the persistence of large margins of unused productive capacity.

Public finances have improved slightly, with the net debt which fell by about 3 billion to 42 billion Euro, in line with the decision of the Government to pursue a gradual budget adjustment that focuses on supporting economic recovery rather than rigorous fiscal policy. In relation to GDP, the budget deficit fell to 2.6% (from 3.0% the previous three years), due to the decline in interest expenditure and a slight increase in the primary surplus (which increased to 1.7 %, from 1.6% in 2014). On the other hand, public debt continued to increase and reached 132.8% of GDP (from 132.3%); its reversal is expected to start this year.

ITALIAN BANKING ENVIRONMENT

Italian credit activity in 2015 showed some initial, timid signs of recovery.

Loans to households and businesses have reported a positive increase trend of 0.5% in late December. Total loans to the economy (including the government) grew by 0.1% on an annual basis. The general stability of stocks is in contrast with more substantial growth in the flows of newly issued loans: new loans to businesses - made from a sample of banks which contains 80% of the market - rose by 13% on an annual basis (figures for the end of November). Subrogations accounted for 32.4% of new loans.

The new issues of loans for the purchase of real estate properties reported an annual increase of 97.4% (again at the end of November). The trend of stocks, however, reported a stagnating trend (+ 0.5% on an annual basis) even within this sector of loans after a minimum value was reached in late June (-1.24% on an annual basis).

Customer deposits reported opposite trends for short and medium / long-term components. Deposits grew by 3.7% year on an annual basis (+47.3 billion from the end of 2014). The bonds were down by 13% compared to the end of 2014 (-57.5 billion Euro). Overall the aggregate figure reported a decrease of 0.6% on an annual basis.

The persistence of highly expansionary monetary policies by the ECB has maintained negative interbank rates while putting pressure on the interest margin of banks. Even medium / long term market yields remained at low levels (peaking between the end of June and early July, at 2.38%), reflecting the low effective growth rate of the economy as well as low inflation and influenced by the depressed trend in raw material prices, particularly oil: the ten-year benchmark for 10-year Italian government bonds was on average equal to 1.69% in 2015 (1.59% at end of December).

The spread between the average lending rate and the average rate on deposits from households and non-financial companies was, on average, equal to 212 basis points in 2015; this was in line with the average for 2014 (210 basis points) and the value at the end of December 2015 (207 basis points).

The risk level of the loan portfolio of Italian banks remained very high even in 2015 due to the long cyclical downturn of the real Italian economy and its effects on credit quality. In late November, national gross NPL's reached 201 billion Euro, an increase of 1% compared to the end of October. The ratio with respect to total loans was equal to 4.9% for net non-performing loans and 10.4% for those gross of specific value adjustments. The aggregate gross amount accounted for 17.3% of loans to small businesses.

The issue of highly significant levels of NPL's accumulated within the assets of Italian banks in the post financial crisis phase and the need to find a systemic solution to lighten their incidence on total loans and on regulatory capital has led to lengthy negotiations between the Ministry of the Economy and the EU Commission. The negotiations lasted almost twelve months and did not result in the creation of an actual "bad bank" (whose launch was hindered by new European regulations which prevent aid by governments in order to avoid distortions of competition). Individual banks may transfer impaired loans to a vehicle through securitization. And the government can provide a guarantee (Gacs - Warranty on the securitization of NPL's) on senior tranches of securities issued to finance the purchase of such loan portfolios.

The Economic Bulletin published in January by the Bank of Italy has reported a recovery in profitability of the five largest banking groups of the country, while highlighting the fact that current returns on capital remain low, both in absolute terms as well as in relation to the cost of equity. With reference to this sample and the first nine months of the year, the return on capital and reserves, expressed on an annual basis, totaled 5.5 percent (from 2.5 percent for the same period of the last year).

The improvement was due mainly to the growth in revenues from commissions (+7.5 percent) driven by the component generated from asset management as well as the decrease in value adjustments to loans (-24.0 percent). The earnings margin increased slightly (+1.8 percent) while operating expenses remained essentially stable; the cost/income ratio (ratio of operating costs to earnings margin) was reduced accordingly (from 63.0 to 62.2 percent). Operating profit grew by 4.1 percent.

The capital strengthening of Italian banks continued. In late September, the best quality capital (Common Equity Tier 1, CET1) and the total capital of the Italian banking system averaged, respectively, 12.3 and 15.1 percent of the risk-weighted assets, a slight increase from the end of June.

COOPERATIVE BANKS

The year 2015 was a very important year for the cooperative banking sector as well.

In the month of March, in fact, the legislative process for reform of regulations pertaining to cooperative banks was completed.

One of the primary novelties introduced by the reform – contained in Law Decree no. 3 of 24 January 2015, converted by law no. 33 of 24 March 2015, which modified certain provisions of the Consolidated Banking Act – was the possibility of applying the cooperative banking model only for banking intermediaries whose assets do not exceed 8 billion Euro. Ten banking groups interested in becoming corporations were identified: Banco Popolare, Unione di Banche Italiane, Banca Popolare dell'Emilia Romagna, Banca Popolare di Milano, Banca Popolare di Vicenza, Veneto Banca, Banca Popolare di Sondrio, Credito Valtellinese, Banca Popolare di Bari and Banca Popolare dell'Etruria e del Lazio.

This reform will result in significant changes in the governance of the primary cooperative institutions (abandonment of the pro-capita vote) despite a temporary statutory limit to the exercising of voting rights (5% of the share capital for 24 months). The transformation must be implemented within 18 months from the date of the implementational provisions of the Bank of Italy issued on 18 June 2015. The cooperative banks affected by the reform have already provided indicative periods during which they expect to submit the transformation into corporations to their General shareholders meetings.

BAIL-OUT OF FOUR BANKS

On 22 November 2015, the government and the Bank of Italy have reached a solution for the crisis of the four banks of small to medium size (Banca Marche, Banca Popolare dell'Etruria e del Lazio, Cassa di Risparmio di Ferrara, CariChieti) under extraordinary administration, and whose overall share of the domestic market was 1 per cent in terms of deposits. The adopted measures have ensured business continuity and a recovery of the four banks as well as the maintenance of labor relations in the interest of the economy of the territories in which these institutions operate, thereby protecting the savings of households and businesses held in the form of deposits and ordinary bonds. The losses accumulated over time by these banks have been initially absorbed by the shares and subordinated bonds, as required by European norms as a precondition for the orderly resolution of banking crises; these norms were incorporated into Italian law by Legislative Decree no. 180 of 16 November 2015.

In order to promote a solution which is compatible with European norms pertaining to "government aid", the methodology was structured into a series of steps:

- separation of the "good" part of each bank from the "bad"; the latter was merged into a single "bad bank";
- the "good" part ("bridge bank") was conferred all assets other than non-performing loans, against which there were deposits, bank accounts and ordinary bonds. The capital was reconstituted at a value of about 9 per cent of the risk weighted assets through contributions made by the "Resolution Fund" that utilized the contributions from all system banking institutions.
- The bad bank collected all the loans of the rescued banks – written down to 1.5 billion euro - compared with an original value of 8.5 billion Euro and pending their sale to specialist companies. The bad bank capital endowment was always provided by the Resolution Fund.
- The financial commitment of the Fund amounted to circa 3.6 billion euro, of which 1.7 billion to cover the losses of the original banks, 1.8 billion for the recapitalization of the good banks and 140 million for equipping the bad bank with a minimum amount of capital to begin operating.
- The liquidity required for the Resolution Fund to immediately start operating was advanced by Intesa Sanpaolo, UniCredit and UBI Banca at market rates, with a maximum expiration of 18 months.
- No expense has been charged to the government.

BAIL-IN REGULATIONS

As of 1 January 2016, the European regulations on banking resolutions entered into force following the incorporation of the Bank Recovery and Resolution Directive ("BRRD") into the Italian legislative system (with the previously cited Legislative Decree no. 180 of 16/11/2015).

The resolution consists of a restructuring process managed by independent authorities – the "resolution authorities" – which, by means of the use of techniques and powers that are authorized by the BRRD, aims to prevent interruptions in the supply of the essential services offered by the bank (e.g., deposits and payment services) in addition to restoring conditions of economic sustainability for the healthy portion of the bank and liquidating the remaining parts. The alternative to the resolution is liquidation.

The relevant authorities can subject a bank to a resolution if the following conditions are applicable:

a) the bank is in distress or at risk of distress (for example, when - due to losses - the intermediary has zeroed or significantly reduced its capital; the legislation has moreover not defined specific thresholds - for example, a level of capital ratios - below which the bank can be considered in the distress phase);

b) it is not deemed likely that alternative measures of private nature (such as share capital increases) or supervisory actions can ensure the avoidance of the state of distress of the intermediary within a reasonable time period;

c) applying an ordinary liquidation to the bank would not allow for the protection of systemic stability nor protect depositors and customers and ensure the continuity of essential financial services; as a result, the resolution in necessary for the public interest.

The tools which are available to the resolution authorities are as follows:

- sell a part of the assets to a private buyer;
- temporarily transfer the assets and liabilities to a bridge bank that is created and managed by the authorities in order to continue the most important functions in light of a subsequent sale on the market;
- transfer the impaired assets to a bad bank which manages the liquidation in a reasonable time period.
- apply a bail-in, i.e. write-down the shares and receivables in addition to converting them into shares in order to absorb losses and recapitalize the bank in distress or a new entity which continues its essential functions.

Public intervention is not excluded but only applied in extraordinary circumstances in order to prevent that the crisis of an intermediary has serious repercussions on the functioning of the overall financial system. A public intervention, such as a temporary nationalization, however, requires that the costs of the crisis are subdivided amongst the shareholders and creditors through the application of a bail-in that is at least equal to 8% of total liabilities.

The following liability instruments may not be written down or converted into capital: deposits protected by the deposits guarantee system, that’s to say those with amounts up to € 100,000; guaranteed liabilities, including covered bonds; liabilities relative to the holding of assets by clientele (such as safety deposit boxes and stock purchase accounts); interbank liabilities (excluding intercompany transactions) with an original maturity of less than seven days; liabilities deriving from participation in payment systems with a duration of less than seven days; payables to employees as well as trade payables and tax payables (if granted preference by bankruptcy laws).

REFERENCE MARKETS

Some information about the markets in which the ICBPI Group operates is given below.

MONETICS

Cash still plays a dominant role in the Italian Monetics market. In 2014, 80 transactions pro capita were performed using non-cash instruments, compared to 202.3 in the Euro Area.

The payment card sector is growing, but is oriented towards debit and prepaid products and not credit ones.

During 2014 (source: Bank of Italy) the POS enabled debit card market grew: in terms of both number of cards (+6.4%) and use (volumes +12.2%, transactions +13.4%). Prepaid products continued expanding strongly as in recent years (cards +13.9%, volumes +14.8%, transactions +19.4%), while credit cards dropped in number (-3.0%) and increased in use (volumes +6.0%, transactions +9.6%).

CartaSi market estimates for 2015 see overall volumes (VISA + Mastercard) growing +9.6%, with a significant contribution from prepaid and international debit cards (volumes POS: +17.1% against credit +9.1%). Amongst credit cards, company card POS volumes are up +8.9% against 2014. Amongst Consumer cards, Classic ones are growing +6.7%, Premium +1.2%).

The revolving segment records (source: Assofin) a +13.7% in volumes financed by cards in the first eleven months 2015.

PAYMENT SYSTEMS

The European context Payments System is evolving with different guidelines which can be summed up in:

- new Authority regulations, like approval of Directive (EU) 2015/2366 by the European Parliament and Council of 25 November 2015 related to internal market payment services (so-called PSD 2). This new Directive, operational by the end of 2017, could lead to discontinuity in the pan-European payments sector, with the possibility of third, non-banking parties (TPP - Third Part Payment) arriving on the market, qualified to perform services accessing payment accounts (XS2A Access-to-Account) of bank customers.
- actions of the ERPB (Euro Retails Payment Board) and the EPC to implement new infrastructures at a competitive, co-operative pan-European level

to manage retail payments in the "instant" mode exploiting existing SEPA schemes as much as possible. Those new systems must guarantee full reachability and interoperability between operators / PSPs, and by using the new infrastructures can enable new "mobile" payment methods in models P2P, P2B, P2G, etc. Besides ERPB and EPC, other European bodies and Authorities like the Committee on Payments and Market Infrastructures of Bank for International Settlements are also focussed on these issues.

- Competitive ICBPI actions to implement, collaborating with other European ACHs belonging to EACHA, a central, clearing co-operation system at European level (CENT). The new system will overcome the current ACH connectivity model based on bilateral 'Interlinks' moving towards a centralised model.

In the domestic context, developmental efforts within the interbank Payments System are concentrated on the cheque digitalisation and dematerialisation project (Check Image Truncation) of which ICBPI is one of the most interested, proactive stakeholders. Other development areas concern creation of new VAS compared to products that have already migrated from the domestic to the SEPA sphere.

MANAGED SAVINGS

At the end of 2015, total assets being managed (AuM) in the Italian Managed Savings sector reached 2,117 billion euro.

Development scenarios for the next few years foresee continuing growth possibly reaching 2,600 billion euro of AuM by 2018, with an average annual growth of 7%.

The main driver behind the Asset Management growth hypothesis in Italy comes from the expected growth in wealth investment levels in savings products managed so as to align Italy with the European average. In 2013, the Italian sector AuM value was 54% of GDP, against a European average of 114%. The percentage of Italian family financial wealth invested in managed savings was 26% in 2014, up considerably compared to 17% in 2008, but still decidedly below the European level of 40%.

Italian indicators getting progressively closer to the averages of other European countries will lead to industrial growth, despite cyclical factors such as the stock exchange indicator trend.

Amongst savings products, Asset Management and Pension Funds will get a considerable boost. They are expected to grow no less than 8% per annum, more than the market average. Asset Management has a favourable regulatory situation, thus safeguarding distributors against any direct or indirect restrictions of inducements caused by MiFID II. Open Pension Funds will be boosted by both the specific tax regime and uncertainties related to public pension schemes.

Mutual investment funds are progressively increasing the market share of Foreign Registered and Roundtrip Funds. In 2018, these products could represent 71% of the Italian funds market, against 66% in 2015. Growth drivers definitely include the ETFs, currently only present on the market as foreign registered funds.

Dear Shareholders,

2015 ended with a consolidated net profit of Euro 90.5 million, compared to a net profit of Euro 96.4 million in 2014. Net profit suffers from the impact of the bank crisis resolution Fund and devaluation of the subordinate bonds of 2 banks bailed-out. Shareholders' equity reached Euro 1,144.6 million, compared to Euro 927.8 million as at 31 December 2014.

These are positive economic results, both overall as well as with respect to the previous year, and were attained in a macroeconomic scenario of recovery that was very slow.

Operating revenue amounts to € 677.5 million, up € 7.9 million (+1.2%) despite the € 13.8 million drop in the overall interest margin.

Consolidated EBITDA is equal to Euro 200.2 million, up 2.4% against € 195.5 million in 2014.

DEVELOPMENT OF THE GROUP

Following the acquisition of total control of Unicard SpA - towards the end of 2014 through its subsidiary CartaSi – the process for corporate and industrial integration of the company within the ICBPI Group was initiated, in accordance with the relative organizational model which led to the merger of Unicard into CartaSi. The operation was completed with effectiveness on 31 July 2015 (accounting effectiveness as of 1 January 2015).

DEVELOPMENTS IN THE SHAREHOLDING STRUCTURE OF THE PARENT COMPANY

On 18 December 2015, Mercury Italy Srl (a special purpose vehicle indirectly owned by the funds Advent International, Bain Capital and Clessidra SGR) acquired control of Istituto Centrale delle Banche Popolari Italiane S.p.A., with a share of 88.95% of the share capital.

The operation was completed in execution of the agreement stipulated in June 2015 by Mercury Italy with the main shareholders of ICBPI (Credito Valtellinese S.c., Banco Popolare S.c., Banca Popolare di Vicenza S.c.p.a., Veneto Banca S.c.p.a., Banca popolare dell'Emilia Romagna S.c., 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.a.r.l., Banca Sella Holding S.p.A. and Banca Carige S.p.A., overall owners – as of the date of the Agreement - of 93.7% of the share capital of ICBPI) concerning the transfer of 85.3% of the share capital of ICBPI.

The undersigning of the agreement followed the completion of a structured process of selection that was initiated at the start of 2015, conducted by the selling shareholders and affecting multiple entities of primary standing within the private equity sector.

This process heavily involved all the corporate departments of ICBPI as well as all the companies of the Group which were called upon – due to strict time schedules – to provide support for due diligence activities (through the preparation of the data room and participation in meetings with potential buyers) as well as for the activities pertaining to the preparation of legal documentation.

Following the undersigning of the agreement, the companies of the ICBPI Group also collaborated with the buyer for the structuring and placement of the high yield financing of the purchasing operation.

The completion of the purchase and sale occurred after the authorizations of the competent authorities (European Commission, ECB, Bank of Italy and De Nederlandsche Bank).

In execution of the agreement, the following things were implemented in addition to the transfer of 85.3% of the share capital:

- modification of the Articles of Association of ICBPI in order to adjust the latter to the change in shareholding structure;
- the undersigning of a shareholders' agreement between Mercury Italy S.r.l. and Credito Valtellinese S.c., Banco Popolare S.c., Banca popolare dell'Emilia Romagna S.c., Banca Popolare di Cividale S.c.p.a., UBI Banca S.c.p.a., Banca Popolare di Milano S.C.a.r.l., Iccrea Holding S.p.A. and Banca Sella Holding S.p.A. (which jointly retain an overall shareholding amounting to 8.4% of the share capital of ICBPI) containing the rules of governance regulating the circulation of ICBPI shares;
- the exiting - from the shareholding structure of ICBPI - of Banca Popolare di Vicenza S.c.p.a., Veneto Banca S.c.p.a., Banca Carige S.p.A;
- the renewal of the corporate bodies (Board of Directors and Board of Statutory Auditors) of ICBPI and its subsidiaries CartaSi and Oasi.
- The remaining 3.6% was purchased by Mercury Italy based on share purchasing agreements signed with a further 23 minority shareholders of ICBPI between October and November 2015.

The change in control led to the change in the prudential consolidation perimeter, including the companies Mercury Italy S.r.l. and Mercury UK HoldCo Ltd, with Mercury UK HoldCo Ltd at the top.

VISA TRANSACTION

In a press release issued on 2 November last, Visa Incorporated (USA) announced that it had reached an agreement for the acquisition of Visa Europe Limited, a transaction potentially worth 21.22 billion euro.

The transaction will be completed in the third quarter of the 2015/16 fiscal year and will be in two steps foreseeing an initial payment of 16.5 billion, partly in cash (11.5b) and partly in shares (5b), accompanied by an additional payment (earn out) of up to 4.7 billion euro after the fourth year from when the transaction is closed.

AUDIT BY THE BANK OF ITALY

It should be noted that the audits of the Bank of Italy on the ICBPI Group – which aim to analyse the systems for governance, management and control of the Group's operational risks, conducted from February to May 2015 - were concluded with a "partially favorable" assessment and without initiation of penalty procedures.

In the light of the result of the inspections mentioned and considering results of audits performed as part of the prudential auditing and assessment process (SREP), in September Bank of Italy removed, as of the notifications of 30 September 2015, the additional asset requirement (add-on) equalling to 100% of the requirement for operating risks, at single and consolidated level.

INTERNAL AUDIT SYSTEM OF THE GROUP

In 2015, the projects aimed at the development of the Group's Internal Audit System continued, in line with the changes in the applicable regulations.

The Auditing Department of the Group realized additional interventions for evolution pertaining to reporting to regulators as well as methodological refinement of the evaluation of the Internal Audit System. In this area, a new methodological approach was developed which requires an evaluation that is more integrated with other players in the system and which complies more with the new analysis methods utilized by the supervisory authorities for assessing intermediaries. The new model was made operational as of the evaluation of the Audit System for the current year.

The Compliance Department – which oversees norms pertaining to all company activities on the basis of a risk-based approach – expanded its area of competence over the year, particularly with reference to regulations pertaining to the IT system.

With regard to Audits, it should also be noted that, in compliance with the Memorandum of the Bank of Italy 285/2013, an internal system was adopted to allow reporting – on the part of the personnel of the ICBPI Group – of actions/

events that could constitute a violation of norms that have an impact (for e.g. in terms of penalties, financial and image effects) on the companies of the Group. For this purpose, specific internal regulations of the Group were issued, “Reporting of norm violations (whistleblowing).”

RISK GOVERNANCE

The activities for refinement of the Risk Appetite Framework (RAF) – aiming to identify and monitor the level and type of risk that the Group is willing to support in order to pursue its strategic objectives – continued; in addition to the updating of existing parameters, new parameters relative to liquidity risk and IT risk were introduced. In addition, a new model for the evaluation and control of reputational risk was defined, in compliance with the provisions of the Memorandum of the Bank of Italy no. 285/2103. The process concerning Highly Significant Operations (HSO) was finalized (time schedules and affected units, in accordance with applicable organisational changes).

ORGANISATIONAL STRUCTURE OF THE ICBPI GROUP

In 2015, the process of adjusting to regulatory requirements as well as the rationalization and simplification activities continued. It should be noted, in particular, that the organizational structure of the Business Continuity Management Team was defined in greater detail. This team is composed of individuals from each of the departments affected by vital or critical processes, both in relation to the business of the company and its role in the financial system; the team’s responsibility is to assist the Business Continuity Manager in the management of actions and activities identified in the case of an anomalous and invasive event.

Within CartaSi, the primary interventions were those realized within the “Payment Cards Administration” as well as the “Fraud and Credit Management”, “Operations” and “Dispute Management” departments for the purpose of continuing the process of operational integration of different business models (licensing, associates and services) as well as strengthening risk oversight, particularly by improving the focus on activities relating to the analysis and evaluation of fraud and credit risks.

On 29 October 2015, the CEO, Ms Laura Cioli, handed in her notice coming into effect immediately. On the following 4 November, the Board of Directors appointed Mr Giuseppe Capponcelli as CEO pro tempore of CartaSi.

The top level structure of the subsidiary OASI was simplified and now only includes a General Deputy Director in addition to the CEO. In general, the company was subject to an organizational restructuring which aimed for greater operational efficiency and increased focus on activities implemented in the areas of anti-money laundering, security, internal controls, and software development services as well as the management of complex projects.

GROUP INFORMATION SYSTEM

During the year, the planned measures in support of the Group business and government functions continued. Said projects were aimed at developing products and services, optimizing the operating model, improving relations with customers, as well as complying with the requirements that arose as a result of changes in the reference regulations.

ICT Services and Solutions for Payment Systems

In the sector of payment systems, and in relation to SEPA procedures, several project initiatives were initiated to streamline technological infrastructure as well as improve the daily monitoring of applications used to deliver services to customers of ICBPI in addition to developing new functionalities to offer to all client banks (e.g. night cycles). Three major banks became customers of ICBPI by using the service "Domestic Application Centre" as well as ACH ICBPI SEPA for SEPA Credit Transfer, SEPA Direct Debit and SEDA.

In terms of the development of new services, the "P2P" service (Person to Person payment) was issued to three major banking groups that were already ICBPI customers.

The feasibility study for the realization of ACH Real Time – utilized to manage Instant Payments – was initiated.

ICT Services and Solutions for the Securities Services

With regard to Fund Administration services, activities pertaining to the mergers of certain funds also continued in the second half of the year. In the mutual funds Transfer Agent sector, the migrations forecasted for the end of 2015 for dealers with respect to ISO 20022 standards were completed. With regard to the project for unification of the environments of an important customer of ICBPI, the preparatory testing for the go-live, expected in January 2016, were completed.

The activities pertaining to the adjustment of the ICBPI systems to the new European Target 2 Securities platform – which allowed ICBPI to successfully apply the new modalities for settlement management (go live date wave of 1 to 31 August 2015) – were completed. The project activities pertaining to waves 2 and 3 – set by the ECB for 29 March and 12 September 2016, respectively – are underway.

With regard to "Info Providers", the first phase of a project for optimization of costs relative to the sector of database information for stocks was completed (during the course of 2016, the bond sector will be examined).

ICT Services and Solutions for e-Money

The following operations of regulatory, technological, developmental and innovative nature were implemented with respect to the IT systems of CartasSi:

Regulatory Environment:

- completion of implementations for EBA regulations in the sector for online purchases.

Technological sector:

- initiation of the process of technological adjustment of the primary CartaSi portal (Owners Portal) according to the new architectural paradigm which must be extended to most of the managed application solutions. The new paradigm provides for the shift of business operations from the front end (portal) to the SOA and the realization of a Multicompany and Multiprocessor database;
- activities for the technological adjustments of the core databases of CartaSi with respect to the most recent market versions are underway;
- initiation of activities for adjustment to circuit regulations (i.e. PCI).

Progress Environment:

- completion of the unification of procedures for mergers of the companies C-card and Unicard into CartaSi and of the products they manage;
- ongoing developments for the realization of the products CartaSi direct license debit and CartaSi Prepaid Business;

Innovation Environment:

- developments are underway for the realization of a new service for managing usable virtual cards through smartphones (HCE);
- developments are underway for the management of PagoBancomat cards on the web (online purchases).

Infrastructures

As of 1 January 2015, the outsourced service for managing the Data Centers of the ICBPI Group was initiated. The systems in the Data Centers of ICBPI in Milan-Sempione and Rome-Chianesi were transferred to the target Data Centers of Equens in Pero and Settimo Milanese with the consequent supply of the service by Equens. From June to September 2015, the structural changes of a part of the former Data Center areas in Corso Sempione were initiated for the preparation of the infrastructure needed to supply the new ACS and HCE services required by the Visa circuit.

The project for digitalization of the work stations of the Group has continued - after having completed, in 2014, both Help Line and CartaSi – with the completion of the migration for ICBPI and through initiation of the part falling under the competence of OASI. The project provides a technical solution that guarantees the standardization of the infrastructure by improving availability and operational continuity.

IT security

It should be noted that, in this area, activities have continued for the further improvement of security methods acting against cybercrime and to prevent potential security incidents; the Cybersecurity Framework issued by NIST (National Institute of Standards and Technology) was used as a reference.

HUMAN RESOURCES

Group staff at 31 December 2015 totalled 1913 employees, compared to 1933 at 31 December 2014, with the following distribution over the single companies:

	ICBPI				CartaSi				Oasi			
	dic-14		dic-15		dic-14		dic-15		dic-14		dic-15	
	HC	FTE	HC	FTE	HC	FTE	HC	FTE	HC	FTE	HC	FTE
Managers	37	37.0	34	34.0	15	15.0	15	15.0	7	7.0	7	7.0
Middle Management	373	366.9	381	374.3	193	191.2	192	190.1	31	31.0	37	37.0
Permanent Staff	456	435.5	452	431.3	324	300.8	327	303.8	57	56.3	51	50.3
Temporary Staff	16	15.3	16	15.3	---	---			1	1.0	1	1.0
Totale	**882**	**854.7**	**883**	**854.9**	**532**	**507.0**	**534**	**508.9**	**96**	**95.3**	**96**	**95.3**

	HELP LINE				UNICARD				Group			
	dic-14		dic-15		dic-14		dic-15		dic-14		dic-15	
	HC	FTE	HC	FTE	HC	FTE	HC	FTE	HC	FTE	HC	FTE
Managers	2	2.0	2	2.0					61	61.0	58	58.0
Middle Management	15	14.8	17	16.8	1	1.0			613	604.9	627	618.1
Permanent Staff	331	276.7	333	278.9	7	7.0			1.175	1.076.3	1.163	1.064.4
Temporary Staff	67	57.9	48	45.1					84	74.2	65	61.4
Totale	**415**	**351.3**	**400**	**342.9**	**8**	**8.0**	**---**	**---**	**1.933**	**1.816.4**	**1.913**	**1.802.0**

INFORMATION ON STAFF AND THE ENVIRONMENT

In the Health and Safety sector, the RAD (Risk Assessment Documents) were updated and the organization of activities for prevention within the companies of the Group was completed with the identification of the names of assigned personnel.

As part of training, the Training Plan of the Group "Developing and enhancing roles and competencies within the ICBPI Group" was designed in 2015. Much of the plan was presented for funding and approved by the Banking and Insurance Fund.

The Training Plan in 2015 capitalized and provided continuity to the training supplied in previous years and its guidelines, objectives and content continued to be rooted in the business development of the ICBPI Group.

The objective was to develop and valorize the distinctive competencies of the ICBPI Group by consolidating the existing knowledge base as well as by preparing for professional activities after the release from/change in activities, developing competencies for future skills and preparing for new roles and responsibilities.

In this respect, the Programme has been aimed to:

- ensure development of human resources, giving the opportunity to obtain the necessary skills required for improving operational, decision-making and relationship efficiency;
- develop training methods which aim to provide individuals with the tools that are needed to manage work complexities, in particular stress management;
- support the role of middle management through dedicated training efforts;
- respond to requests on demand with “dedicated projects” in order to attain business objectives;
- comply with the provisions of the law that are applicable to banks and intermediaries.

In 2015, training activities involved a total of 1,845 employees with 77,332 hours of training, of which 34% for compulsory training, 45% for specialist training and 21% for manager training, with an average of about 5.5 man-days on total employees.

COMMUNICATION, INSTITUTIONAL EVENTS AND MEDIA RELATIONS

Communication events include the following:

- the organization of the Payments Conference “Banking Revolution”, held in Milan on 22 April 2015, and which involved the participation of top-level representatives of the Bank of Italy, the Ministry of Economic Development, the banks and the Italian Banking Association;
- attendance at events promoted by other Institutions (ABI, Swift, EBA Clearing, Confindustria) dedicated to providing an in-depth analysis and dialogue on the regulatory, technological and framework developments seen in the core business areas (Payments, Securities Services and e-Money);
- Media Relations which aimed to promote the main institutional and business initiatives of the Parent Company and its subsidiaries;

- publishing initiatives (print and online periodicals) intended for the public, both internal (House Organ - Open) and external (Magazine - Mind The Gap and Mind The Step).

PERFORMANCE OF THE PARENT COMPANY AND THE GROUP COMPANIES

The results of the Financial Statements and the initiatives of the Parent Company and the Subsidiary companies (CartaSi, Help Line, Oasi, subject to management and coordination by ICBPI) and of the main investee companies (Hi-Mtf Sim, Equens SE and Unione Fiduciaria, included within the scope of consolidation) follow below.

ICBPI S.P.A.

ICBPI recorded a net profit for the year of Euro 62.246 million, lower than the Euro 77.904 million of 2014. Net profit suffers from the impact of the bank crisis resolution Fund and devaluation of the subordinate bonds of 2 banks bailed out. EBITDA is Euro 105.077 million, compared to Euro 107.912 million in the previous year. Shareholders' equity totalled Euro 810.0 million compared to Euro 772.0 million in 2014 (+4.9%), as detailed below.

CARTASI S.P.A.

The Company, of which ICBPI holds 96.7% of the share capital as of 31 December 2015 closed the year with an EBITDA of 127.1 million Euro (+7% against 2014) and a net profit of Euro 71.3 million; last year the Net Profit was Euro 57.1 million

The marked increase in net profit (+24.6%) is also due to the fact that 2014 income taxes included amounts referred to previous periods for € 7.8 million following agreements with the Financial Administration.

As part of the external line growth activities, on 31 July 2015 the merger through incorporation of Unicard into CartaSi was finalised effective as of 1st January 2015.

The 2015 business performance involved the management of approximately 15.6 million cards and over 2.4 billion transactions.

Business performances are summarised below in relation to the three main business lines of the Company:

- issuing and acquiring activities licensed directly and on behalf of Banks;
- servicing activities;
- management of POSs and ATMs.

Issuing and acquiring activities licensed directly and on behalf of Banks

- The company's card business increased by +7.0% compared to 2014, closing the year with almost 9.4 million cards, thanks to the issue of new cards (about 1.8 million) and to the volumes from the acquisition of Unicard which more than offset the ongoing outflows towards products owned by those Banking Groups that were previously company shareholders;
- the composition of the new emissions of the year by product (1.8 million cards) reported an increase in prepaid cards that was primarily derived from the issue of co-branded cards;
- total cardholder expenditure amounted to approximately Euro 28.0 billion, an increase of 7.7% compared to 2014;
- average use of directly-licensed credit cards remains among the highest in the reference market and increased despite the adverse economic framework, also due to the promotional and spending stimulation initiatives implemented during 2015;
- the volumes of acquiring transactions were equal to circa 50.3 billion Euro, an increase (+3.5%) with respect to 2014;
- On the whole the number of managed issuing and acquiring transactions showed an increase of 7.6%.

Servicing activities

- The stock of cards managed on behalf of third-party licensees totalled approximately 6.2 million cards, a 6.7%;
- the number of functionalities linked to national debit cards (30.6 million) is growing compared to 2014 (+4.1%);
- the overall number of managed transactions (1,528 million) rose with respect to the previous year (+10.0%).

Management of POSs and ATMs

- the number of e-commerce (over 13 thousand units) and physical (approximately 551 thousand units) POS grew, this also being due to the Italian Decree-Law no. 150 dated 30 December 2013, which established the obligation to accept payment cards for the purchase of goods, services and professional services for amounts higher than Euro 30, from 30 June 2014;
- specifically, the number of virtual POSs continued to grow at a good rate (+7.3%) compared to 2014, as a result of the expansion of the sector and the commercial initiatives that were carried out;

- managed ATMs reached 9.4 thousand units, a decrease compared to the figure of the previous year (-2.7%) due to the rationalisation of the branch network by certain client Banking Groups.

The main economic indicators of 2015, compared to those of 2014, highlight the following:

- the profit and loss account as of 31 December 2015 presents a result for the period of 71.3 million Euro, 24.8% higher than the previous year,
- commissions and revenues from net services amount to 443.2 million Euro, up 2.7%,
- the interest margin is -5.4 million Euro with a 23.0% improvement,
- personnel expenses amount to 38.5 million Euro (+3.7% against 2014),
- other administrative expenses (260.4 million Euro) have grown compared to the previous year (+2.2%),
- income taxes, 32.3 million Euro, are lower than those entered in the previous period, which included taxes referred to previous periods for 7.8 million following an agreement with the Financial Administration, besides the benefit of IRAP deductibility for personnel expenses for 2015.

Compared to 2014, the Balance Sheet reflects the merger through incorporation of Unicard performed in the period.

In particular, please note that:

- Receivables (2,369.0 million Euro) are lower than 2014, related to the drop in Direct Licence expenses (net of Licence for Banks volumes),
- Shareholdings were zeroed with the merger through incorporation of Unicard performed in the period,
- Tangible Assets increased because of the POS base,
- Non current assets and asset groups being disposed of (186.2 million Euro) are due to the revaluation of the share in Visa Europe,
- Payables (1,906.0 million Euro) mainly include the funding for card management activities mirroring the Receivables trend,
- Provisions for risks and charges (15.8 million Euro) have dropped as a whole following releases for alignment with relative residual risks.

In collaboration with Partner Banks, commercial activities to increase the diffusion and use of monetics products, both issuing and acquiring, were implemented during the year. In particular, new commercial bonus plans for Banks were implemented, to increase the card base, sustain issuing greater value added products, growth of trading and acquisition/retention of large customers.

CartaSi also relaunched its commercial proposal for the issuing and acquiring activities of third party licensees, extending the contents of offer for the licence model and innovative products (HCE, international debt, fraud prevention) to customers in servicing and POS and ATM management

Territorial meetings with Banks (roadshows) were organised to proactively acknowledge the needs of the Banks themselves and were accompanied by Network training sessions to share the value of the monetics offer.

CartaSi, in collaboration with Partner Banks, implemented all the activities to enact Ministerial Decree 51/2014 MEF of 14 February 2014 (Regulations on commissions applied to transactions made using payment cards).

In 2015, the Company continued along the innovation and digitalisation path started in previous years:

- progressive diffusion of the MySi wallet, integrated in the new MySi App release and the certification and publication of the wallet itself amongst the e-wallets adherent to the MasterPass service offered by MasterCard,
- industrialisation of the payment solution via Smartphone based on HCE (Host Card Emulation) technology in the mobile MySi wallet, to cover the entire card base managed,
- implementation of the “Cashless city ” project in Bergamo, promoted by CartaSi – involving local institutions, public administration, Banks payment circuits (Consorzio Bancomat, MasterCard, Visa), private companies and technological enablers to valorise electronic payment services at the service of citizens,
- revitalisation of the Club IoSi, completely renewed and digitalised, also thanks to the new virtual catalogue.

2015 saw operating structures involved in the usual implementation and control of ordinary activities.

The continual monitoring and observation of the main indicators, and of the most significant drivers, enabled actions to minimise the impacts from the increase in volumes and start of new service areas.

Maximum attention paid to service quality and achieving process effectiveness and efficiency improvement targets, ensuring transversal use of the solutions introduced.

During 2015, communication activities to increase the knowledge and diffusion of CartaSi services continued and to develop customer relations by creating and implementing activities (online and offline) to sustain the new projects and generate greater product awareness.

Social channel and social care management activities continued, for CartaSi.it and related websites (updating content, content optimisation activities for search motor positioning purposes) and the monthly, multi-channel communication plan aimed at Holders, Shops, Banks through the different communication channels (Website, Social Networks, Direct E-mail and Bank Statement).

The Company sponsored several conventions and events including territorial meetings with Banks (so-called Roadshows) and the "Bergamo - cashless city" format organising communication.

During 2015, the "Osservatorio Acquisti CartaSi" (CartaSi Spending Monitor) has maintained its position as a reliable source of information on the purchasing behaviour of Italian consumer, thanks also to its continuous presence on Italian media.

HELP LINE S.P.A.

The subsidiary Help Line S.p.A., of which ICBPI holds 70% of share capital, recorded an EBITDA of Euro 2.6 million compared to Euro 2.2 million as at 31 December 2014.

Income taxes totalled Euro 1.2 million and net profit thus totalled Euro 2.4 million.

The Company conducts business primarily for CartaSi, but also works for certain primary Italian banks, supporting their customers 24 hours a day and 365 days a year.

In 2015, the innovation of technological systems to allow improved operational efficiency continued.

OASI S.P.A.

The subsidiary Oasi S.p.A., of which ICBPI holds 100% of the share capital, recorded an EBITDA totalling Euro 7.9 million, against Euro 7.2 million in the previous year.

Operating income totalled Euro 29.2 million, up 9.5% on the previous year; while operating costs amounted to Euro 21.3 million.

Current and prepaid taxes of Euro 1.4 million lead to a net profit of Euro 3.0 million, higher than in 2014 (+32 %).

The Company has updated its traditional products and services in line with the new regulatory changes and has launched important new initiatives. In particular:

- for the purposes of supervisory reporting, the project for the new service Data Point Model EBA - dedicated to highly significant banks – has been initiated in order to prepare for the requests of the ECB in relation to AQR, stress testing and data collection; the project activities of the Common Reporting Standard – for the purposes of the Know Your Customer CRS effective as of 1 January 2016 – were completed;
- within the anti-money laundering sector, the AML outsourcing service for a banking group was activated; the first version of GIANOS® 3D – designed for a foreign bank - was installed in Luxemburg and the version for controls on payment cards was completed (GIANOS®MONETICA);
- with regard to ICT security, the first issue of the IT Risk Manager was prepared; a specialized consulting service was organized to oversee cybersecurity and whistleblowing in relation to ECB recommendations pertaining to online payment security and the regulations issued by the Bank of Italy.

OTHER COMPANIES INCLUDED WITHIN THE SCOPE OF CONSOLIDATION

Financial Statement highlights for the other investee companies included within the scope of consolidation follow below.

EQUENS SE

In 2016 the company is expected to show results consistent with the forecast, despite the extraordinary costs related to the so-called “Tulipe Project”, i.e. the operation for integration between Worldline (a company which is part of the Atos Group) and Equens itself.

In early November, the shareholders of Equens and Worldline signed an Exclusive Memorandum of Understanding (MoU) for the operation. In addition, the following documents have been undersigned:

a. Business Combination Agreement: the legal framework for the implementation of the transaction which includes the conferral of the payments company branch of Worldline to Equens;
b. Shareholders Agreement: the agreement regulating the governance of the Equens Worldline Company (the entity resulting from the operation) and the relationships amongst shareholders;
c. Port SPA: the agreement governing the sale of 100% of the shares of Paysquare from Equens to West.

Following the completion of the operation (in June 2016) Equens will therefore exit from the scope of consolidation of the ICBPI Group.

HI-MTF SIM

The operating result, gross of taxes (EBIT), amounts to € 136 thousand down compared to € 607.7 thousand in 2014 and the net period result is € 87.5 thousand, against € 369.7 thousand in the previous year. Total assets amount to € 6,665.5 million

Those results were obtained in a general context of bond markets dropping decidedly in volumes exchanged (-16% compared to 2014); however, in which the company continued its process to increase the number of market participants and there was an increase in market makers and direct members.

UNIONE FIDUCIARIA

In 2016 the company is expected to show revenues amounting to €34.9 million up 15% compared to 30.3 million in 2015.

The following table shows the main financial statements indicators for 2015:

ICBPI - HIGHLIGHTS AND MAIN INDICATORS	31/12/2015	31/12/2014	% Change
Statement of financial position highlights (€'000)			
Loans and receivables with customers	3,536,898	3,854,967	- 8.3%
Loans and receivables with banks	827,652	610,682	35.5%
Financial assets	2,627,798	2,554,849	2.9%
Tangible/Intangible assets	437,844	449,732	- 2.6%
Total assets	8,174,675	8,035,944	1.7%
Direct funding from customers	4,547,227	3,099,540	46.7%
Indirect funding from customes (assets under administration)	48,605,651	44,239,562	9.9%
Equity	1,144,559	927,757	23.4%
Income statement highlights (€'000) (*)			
Net interest income	55,053	69,907	- 21.2%
Net fee and commission income and revenue from services	619,655	594,275	4.3%
Operating income	679,931	669,602	1.5%
Personnel expense	136,160	134,412	1.3%
Operating costs	479,698	474,151	1.2%
EBITDA	200,233	195,451	2.4%
Profit for the year	90,489	96,350	- 6.1%
Structural ratios (%)			
Loans and receivables with customers / Total assets	43.3%	48.0%	
Loans and receivables with banks / Total assets	10.1%	7.6%	
Financial assets / Total assets	32.1%	31.8%	
Direct funding from customers / Total assets	56.6%	38.6%	
Indirect funding from customers / Total funding from customers	91.4%	93.5%	
Profitability ratios (%)			
Profit / (equity - profit) (ROE)	10.2%	11.6%	
Net interest income / Operating income	8.1%	10.4%	
Fee and commission income and revenue from services / Operating income	91.1%	88.8%	
Operating costs / Operating income (Cost income ratio)	70.6%	70.8%	
Credit risk ratios (%)			
Net impaired loans and receivables with customers / Net loans and receivabls with customers	-	-	
Iimpairment losses on loans and receivables with customers/ Gross impaired loans and receivables with customers	93.9%	95.6%	
Total net impaired assets / Equity	0.0%	0.1%	
Productivity indices (€'000)			
Average number of employees (FTE)	1,810	1,803	0.4%
Operating income / Average number of employees	376	372	1.1%
EBITDA / Average number of employees	111	93	19.1%
Personnel expense / Average number of employees	75	74	1.0%
Capital ratios (%) (**)			
Own funds	676,435	683,095	- 1.0%
Risk-weighted assets	3,238,889	4,655,637	- 30.4%
CET 1 capital / Risk-weighted assets (CET1 capital ratio)	20.3%	14.3%	
Tier 1 capital / Risk-weighted assets (Tier 1 capital ratio)	20.3%	14.3%	
Total own funds / Risk-weighted assets (Total capital ratio)	20.9%	14.7%	

(*) The economic data are noticed in the reclassified income statement included in the management report.
(**) Capital ratios refer to the scope at consolidation of ICBPI banking group. As explained in the notes of the financial statements Part 'F' Section 2, Icbpi must comply with the provisions of EU Regulation based on the accounting situation referring to the scope of consolidation with the company Mercury UK HoldCo Ltd as the parent.

Dear Shareholders,

FINANCIAL STATEMENT HIGHLIGHTS

a summary of the consolidated results recorded in the accounts at 31 December 2015 is provided below.

The group's financial position and performance are illustrated by the key figures of its statement of financial position and income statement set out below.

Statement of financial position

ASSETS (€'000)	31/12/2015	31/12/2014
Financial assets held for trading	18.7	19.6
Available-for-sale financial assets	2,609.1	2,535.3
Held-to-maturity investments	31.8	46.0
Loans and receivables with banks	827.7	610.7
Loans and receivables with customers	3,536.9	3,855.0
Equity investments	106.4	106.7
Non-current assets	331.4	343.0
Non-current assets held for sale and discontinued operations	186.2	-
Other assets	526.5	519.7
Total assets	**8,174.7**	**8,035.9**

LIABILITIES (€'000)	31/12/2015	31/12/2014
Due to banks	1,631.8	2,502.5
Due to customers	4,547.2	3,099.5
Other liabilities	764.7	1,410.0
Post-employment benefits	21.7	22.9
Provisions	39.1	43.5
Equity	1,054.1	831.4
Equity attributable to non-controlling interests	25.6	29.8
Profit for the year	90.5	96.4
Total liabilities	**8,174.7**	**8,035.9**

At 31 December 2015, the group has total assets of €8,174.7 million compared to €8,035.9 million at the end of the previous year.

A glance at the various asset captions shows that:

- **Financial assets held for trading** amount to €18.7 million against €19.6 million at 31 December 2014;
- **Available-for-sale financial assets** come to € 2,609.1 million compared to €2,535.3 million at the end of 2014, mainly consisting of government bonds. The increase is a result of the fair value measurement of the Visa Europe shares;
- **Held-to-maturity investments** amount to €31.8 million and comprise bank bonds (31 December 2014: €46.0 million). The reduction is mainly a result of redemption of certain bonds that reached maturity and the impairment of two securities held by the group;
- **Loans and receivables with banks** amount to €827.7 million compared to €610.7 million at the previous reporting date. The increase is principally due to the larger deposits and joint accounts with banks and reverse repos in place at year end;
- **Loans and receivables with customers** decreased from €3,885.0 million at 31 December 2014 to €3,536.9 million at the reporting date. The reduction is mainly attributable to the smaller number of reverse repos in place at year end compared to 31 December 2014 and a decrease in other financing, mostly consisting of guarantee deposits provided to carry out business activities;
- **Equity investments** come to €106.4 million compared to €106.7 million at the end of 2014;
- **Non-current assets** amount to €331.4 million against €343.0 million at 31 December 2014. The reduction is mostly a result of amortisation and depreciation recognised during the year;
- **Non-current assets held for sale and discontinued operations** amount to € 186.2 million related to the fair value of the investment in Visa Europe;
- **Other assets** of €526.5 million (31 December 2014: €519.7 million) include cash and cash equivalents of €22.4 million, tax assets of €63.5 million, including deferred tax assets of €53.1 million and other assets of €440.6 million. The increase mainly refers to the greater liquidity deposited with central banks.

With respect to liabilities:

- **Due to banks** amounts to €1,631.8 million compared to €2,502.5 million at 31 December 2014. The decrease is principally attributable to the smaller deposits and a smaller number of repos in place at the reporting date;

- D**ue to customers** comes to €4,547.2 million against €3,099.5 million at the previous year end. The increase is mostly due to the higher volume of funding from customers compared to 31 December 2014 and the repos in place at the reporting date;
- **Other liabilities** amount to €764.7 million compared to €1,410.0 million at 31 December 2014 and include financial liabilities held for trading of €4.9 million, deferred tax liabilities of €52.2 million and other liabilities of €707.6 million. The decrease is a result of the smaller balances in suspense accounts on the reporting date related to the execution of payment orders that took place in the following few days;
- **Post-employment benefits** total €21.7 million compared to €22.9 million at the end of 2014;
- **Provisions** amount to €39.1 million against €43.5 million at 31 December 2014;
- **Equity attributable to the owners of the parent** comes to €1,054.1 million compared to €831.4 million at the previous reporting date. The increase is a result of the allocation of the profit for 2014 and the larger fair value reserve;
- **Equity attributable to non-controlling interests** decreased from €29.8 million at 31 December 2014 to €25.6 million, due to the acquisition of another 1.64% of CartaSi by the parent.

INCOME STATEMENT

The 2015 figures are compared to the previous year in the following table.

YTD Dec, 31 (€/000)	**2015 Year**	**2014 Year (*)**	**% change**
Net fee and commission income	619,655	594,275	4.3%
Net interest income	55,053	69,907	- 21.2%
Net trading/hedging income	4,738	5,004	- 5.3%
Dividends from equity investments and AFS	485	416	16.5%
Operating revenue	**679,931**	**669,602**	**1.5%**
Payroll and related costs	- 136,160	- 134,412	1.3%
Production costs	- 97,940	- 102,064	- 4.0%
ICT costs	- 191,836	- 178,167	7.7%
General expenses	- 46,551	- 49,464	- 5.9%
Administrative expenses	**- 472,486**	**- 464,106**	**1.8%**
Other net operating expenses/income	6,153	5,257	17.0%
Net accruals for risk and charge	- 13,365	- 15,302	- 12.7%
Operating costs	**- 479,698**	**- 474,151**	**1.2%**
EBITDA	**200,233**	**195,451**	**2.4%**
Depreciation and amortization	- 32,322	- 27,890	**15.9%**
Operating profit	**167,911**	**167,561**	**0.2%**
Depr.&Amort. (customer contract)	- 10,523	- 8,627	22.0%
Share of gains/losses of investees	- 4,974	221	- 2.346.5%
Non recurring/extraordinary items	- 10,801	- 1,933	458.7%
Pre-tax profit for the year	**141,613**	**157,222**	**- 9.9%**
Income taxes	- 46,407	- 57,615	- 19.5%
Profit to non-controlling interests	- 4,717	- 3,257	44.8%
Net profit	**90,489**	**96,350**	**- 6.1%**

(*) Due to the allocation of non deductible VAT costs to expenditure items the figures at December 31, 2014 have been reclassified according to figures at December 31, 2015

The consolidated profit & loss account at 31 December 2015 shows an EBITDA of € 200.233 million compared to € 195.451 million at December 2014 (+2.4%) and shows a net profit of € 90.489 million, compared to € 96.350 million at December 2014 (-6.1%).

With respect to the **operating revenue**:

- **Net fee and commission income and revenue from services** amount to €619.655 million, up on the previous year figure of €594.275 million (+4.3%);
- **Net interest income** decreased from €69.907 million for 2014 to €55.053 million for the reporting period (-21.2%);

- **Gains on securities and exchange rate gains** amounts to €4.738 million compared to €5.004 million for the previous year (-5.3%);
- **Dividends and other income** increased to €0.485 million from €0.416 million for 2014 (+16.5%).

The result of these captions is an operating profit of €679.931 million compared to €669.602 million for 2014 (+1.5%).

Moreover:

- **Administrative expenses** amount to €472.486 million compared to €464.106 million for 2014 (+1.8%).

  In detail:

  - **Payroll and related** costs amounts to €136.160 million compared to €134.412 million for 2014 (+1.3%);
  - **Production costs** come to €97.940 million against €102.064 million for 2014 (-4.0%);
  - **ICT costs** increased to €191.836 million from €178.167 million for the previous year (+7.7%);
  - **General expenses** amount to €46.551 million compared to €49.464 million for 2014 (-5.9%);
- **Other net operating expenses/income** increased to €6.153 million from €5.257 million for 2014 (+17.0%);
- **Net accruals for risk and charge** amount to €13.365 million compared to €15.302 million for 2014 (-12.7%).

These captions gave rise to **operating costs** of €479.698 million against €474.151 million for 2014 (+1.2%).

EBTIDA thus come to €200.233 million compared to €196.451 million for the previous year (+2.4%).

Depreciation and amortization increased from €32.322 million for 2014 to €27.890 million (+32.7%).

Operating profit thus come to €167.911 million compared to €167.561 million for the previous year (+0.2%).

The following captions are summed to the operating profit:

- **Depreciation and amortisation of the customer contract** of €10.523 million;
- **Share of losses of investees** of €4.974 million, comprising:
  - impairment losses of €4.478 million recognised on non-current securities

of Banca delle Marche and Banca dell'Etruria and of €0.227 million on two funds classified in the AFS portfolio;
    - the associates' contribution to the group's results (Equens SE: -€0.800 million, Hi-mtf and Unione Fiduciaria: +€0.531 million);
- **Non recurring/extraordinary items** of €10.801 million, including:
    - cost for National Resolution Fund €5.639 million,
    - cost for closing of Project Bolt €1.569 million;
    - cost for the Group's transformation/evolution €6.541 million;
    - reimbursement of the INPS contribution €1.296 million;
    - release of provisions €1.700 million;
    - costs to settle labour disputes €0.620 million;
    - other positive items € 0.572 million.

These components led to a **pre-tax profit** of €141.613 million compared to €157.222 million for 2014.

After income tax expense of €46.407 million and the profit attributable to non-controlling interests of €4.717 million, **net profit** mounts to €90,489 million compared to €96.350 million for the previous year (-6.1%).

FORECAST DEVELOPMENT OF MANAGEMENT

During the course of 2016, the Group should benefit from the macroeconomic recovery expectations.

Priority will be given to maintaining the sustainability of the results to be achieved and to strengthen the market position. Profitability targets will continue to be pursued along with great attention to the risk profile and the rationalization of costs.

IMPAIRMENT OF ASSETS

It should be noted that the Explanatory Notes report the information requested by the joint document of the Bank of Italy/Consob/Isvap no. 2 of 6 February 2009 and no. 4 of 3 March 2010 in relation to the process of evaluation of the assets subject to a potential impairment (impairment test) and relative to base assumptions, methodologies and utilized parameters.

In addition, and in relation to disclosure, the Explanatory Notes again report fundamental information on the following elements:

- definition of cash generating units (CGU);
- allocation of goodwill to each CGU;

- illustration of the criterion used to estimate the recoverable value when the latter is based on value in use;
- illustration of the criterion used to estimate the recoverable value when the latter is based on the fair value;
- description of the sensitivity analysis of the impairment test results with respect to changes in the underlying assumptions;
- commentary on the potential presence of external indicators of impairment and in the absence of write-downs of assets following the impairment procedure.

INFORMATION ON FINANCIAL RISKS

Information on the nature and extent of financial risks to which the Group is exposed is provided below.

CREDIT RISK

For more information of the exposure of the parent company ICBPI to this risk as a “second level bank”, refer to the relative section of the individual financial statements.

CartaSI, on the other hand, is exclusively exposed to credit risk in relation to the issue of cards with the “Direct Issuing” modality and in connection to which there is an actual lending process and continual oversight over credit risk. The other types of credit originate from operational anomalies in the following activities:

- Bank issuing where there may be debits on blocked cards and for which the bank, following the reporting of the blockage, is no longer exposed to the relative credit risk;
- Acquiring, e.g. re-debiting to merchants following disputes or the failure to pay commissions on the part of the merchants themselves.

MARKET RISK

Given that this risk is exclusively applicable to the parent company, the exposure to this risk is illustrated in the relative section of the individual financial statements.

LIQUIDITY RISK

Liquidity is managed in a centralized manner by ICBPI for all companies of the Group; as a result, exposure to liquidity risk is illustrated in the relative section of the individual financial statements.

INTEREST RATE RISK

Interest rate risk is managed in a centralized manner by ICBPI for the entire banking group; as a result, exposure to this risk is illustrated in the relative section of the individual financial statements.

GOING CONCERN

Given the following indicators pertaining to the parent company and the companies of the Group:

Financial indicators

- there was no situation involving a capital deficit or net negative working capital;
- there were no loans with fixed or upcoming expiration dates without positive prospects of renewal or reimbursement; there is not an excessive dependency on short-term loans to finance long-term activities;
- there are no indications of cessation of financial support from financing entities and other creditors;
- there are no past or pro-forma financial statements reporting negative cash flows;
- the primary economic-financial indices are not negative;
- there were no significant operational losses or significant impairments of assets generating cash flows;
- there was no lack or discontinuity in the distribution of dividends;
- the capacity to pay debts on expiration dates exists;
- the capacity to comply with the contractual clauses of loans exists;

Managerial indicators

- there was no situation involving a capital deficit or net negative working capital;
- there were no loans with fixed or upcoming expiration dates without positive prospects of renewal or reimbursement; there is not an excessive dependency on short-term loans to finance long-term activities;

Other indicators

- there were no share capital decreases below legal limits or which were not in compliance with other legal norms;
- there were no legal and fiscal disputes which, in the case of a loss, could result in obligations of reimbursement that the companies of the Group are not capable of respecting;

- there were no legislative changes or government policies which could result in unfavorable effects to the companies of the Group.

The Directors confirm the reasonable expectation that the Group will continue its operations in the near future and that, as a result, the financial statements for the year 2015 have been drafted from the perspective of a going concern. As a result, they have not noticed symptoms within the assets and financial structure of the group and in operational trends which could constitute cause for uncertainty in terms of the assumption of a going concern.

RATING

On 10 December 2015, the rating Agency Moody's, assigned a Ba2 CFR "Corporate Family Rating" with stable outlook to ICBPI and a B3 rating to Mercury. That assessment reflects: the increase in the lever calculated on the debt issued by Mercury and the EBITDA generated by ICBPI; the structural subordination of the acquisition debt; and the relatively high client concentration due to the wholesale nature of most of the services offered by ICBPI.

On 22 December 2015 the rating agency Standard & Poor's, in view of the completion of the acquisition of the Institute by the Private Equity Funds Bain Capital, Advent International, and Clessidra, lowered the rating of ICBPI and CartaSi from BB + to BB- while at the same time removing the negative "CreditWatch" condition and assigning a stable outlook.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

In early 2016, the Board of the Parent Company approved the launching of the merger operation of Mercury Italy Srl into ICBPI; its completion is expected by the end of the year. The transaction was recommended by the Supervisory Authority in order to shorten the chain of shareholdings within the banking group.

During the period, additional company acquisition operations were also initiated in order to realize industrial projects which aim to improve and complete the offer of products to clientele.

In early 2016, the Parent Company has launched new initiatives for the development of the business and to streamline activities within the Group. The 2016 Transformation Plan was approved with the aim of strengthening the management team as well as accelerate growth, increase operational efficiency and create the foundations for further development of the Group.

In February, the Group's Chief Information Officer (CIO) was appointed.

Milan, 22 March 2016

THE BOARD OF DIRECTORS

Statement of Financial position
at 31 december 2015

STATEMENT OF FINANCIAL POSITION

	ASSETS	31/12/2015		31/12/2014	
10.	Cash and cash equivalents		**22,389**		**536**
20.	Financial assets held for trading		**18,739**		**19,582**
40.	Available-for-sale financial assets		**2,609,059**		**2,535,267**
50.	Held-to-maturity investments		**31,784**		**46,013**
60.	Loans and receivables with banks		**827,652**		**610,682**
70.	Loans and receivables with customers		**3,536,898**		**3,854,967**
100.	Equity investments		**106,417**		**106,686**
120.	Property, equipment and investment property		**170,444**		**173,120**
130.	Intangible assets		**160,983**		**169,926**
	including goodwill	*77,727*		*77,727*	
140.	Tax assets		**63,502**		**54,233**
	a) current	10,386		1,793	
	b) deferred	53,116		52,440	
	including convertible into tax assets (Law no. 214/2011)	40,560		39,161	
150.	Non-current assets held for sale and discontinued operations		**186,206**		**-**
160.	Other assets		**440,602**		**464,932**
	Total assets		**8,174,675**		**8,035,944**

(€'000)

	LIABILITIES	31/12/2015		31/12/2014	
10.	Due to banks		**1,631,798**		**2,502,500**
20.	Due to customers		**4,547,227**		**3,099,540**
40.	Financial liabilities held for trading		**4,907**		**6,163**
80.	Tax liabilities		**52,160**		**41,065**
	a) current	-		75	
	b) deferred	52,160		40,990	
100.	Other liabilities		**707,589**		**1,362,733**
110.	Post-employment benefits		**21,677**		**22,897**
120.	Provisions for risks and charges		**39,125**		**43,529**
	a) pension and similar obligations	978		967	
	b) other provisions	38,147		42,562	
140.	Valuation reserves		**232,373**		**75,484**
170.	Reserves		**630,930**		**565,156**
180.	Share premium		**148,242**		**148,242**
190.	Share capital		**42,557**		**42,557**
200.	Treasury shares (-)		**-32**		**-32**
210.	Equity attributable to non-controlling interests (+/-)		**25,633**		**29,760**
220.	Profit for the year (+/-)		**90,489**		**96,350**
	Total liabilities and equity		**8,174,675**		**8,035,944**

(€'000)

INCOME STATEMENT

	INCOME STATEMENT	2015	2014
10.	Interest and similar income	**74,510**	**93,265**
20.	Interest and similar expense	**-23,262**	**-24,416**
30.	Net interest income	**51,248**	**68,849**
40.	Fee and commission income	**1,054,145**	**1,033,772**
50.	Fee and commission expense	**-669,701**	**-673,307**
60.	Net fee and commission income	**384,444**	**360,465**
70.	Dividends and similar income	**237**	**265**
80.	Net trading income	**4,726**	**4,999**
100.	Net profit on sale or repurchase of:	**-**	**3,540**
	b) available-for-sale financial assets	-	3,540
120.	Total income	**440,655**	**438,118**
130.	Net impairment losses on:	**-7,304**	**-5,973**
	a) loans and receivables	-2,599	-3,966
	b) available-for-sale financial assets	-227	-67
	c) held-to-maturity investments	-4,478	-1,940
140.	Net financial income	**433,351**	**432,145**
180.	Administrative expenses:	**-531,550**	**-524,313**
	a) personnel expense	-139,368	-140,148
	b) other administrative expenses	-392,182	-384,165
190.	Net accruals to provisions for risks and charges	**-13**	**-1,372**
200.	Depreciation and net impairment losses on property, equipment and investment property	**-21,711**	**-20,055**
210.	Amortisation and net impairment losses on intangible assets	**-21,134**	**-16,463**
220.	Other operating income, net	**282,674**	**288,647**
230.	Operating costs	**-291,734**	**-273,556**
240.	Share of losses of investees	**-10**	**-1,156**
270.	Net gains (losses) on sales of investments	**6**	**-**
280.	Pre-tax profit from continuing operations	**141,613**	**157,433**
290.	Income taxes	**-46,407**	**-57,826**
300.	Post-tax profit from continuing operations	**95,206**	**99,607**
320.	Profit for the year	**95,206**	**99,607**
330.	Profit for the year attributable to non-controlling interests	**-4,717**	**-3,257**
340.	Profit for the year attributable to the owners of the parent	**90,489**	**96,350**

(€'000)

Statement of comprehensive income

		2015	2014
10.	Profit for the year	95,206	99,607
Items, net of tax, that will not be reclassified subsequently to profit or loss			
40.	Defined benefit plans	623	-3,638
Items, net of tax, that will be reclassified subsequently to profit or loss			
100.	Available-for-sale financial assets	166,083	1,265
130.	Other comprehensive income (expense), net of tax	166,706	-2,373
140.	Comprehensive income (captions 10 + 130)	261,912	97,234
150.	Comprehensive income attributable to non-controlling interests	14,543	3,155
160.	Comprehensive income attributable to the owners of the parent	247,369	94,079

(€'000)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

	Balance at 31.12.2013	Change to opening balances	Balance at 1.1.2014	Allocation of prior year profit		Changes for the year									Equity attributable to the owners of the parent at 31.12.2014	Equity attributable to non-controlling interests at 31.12.2014
				Reserves	Dividends and other allocations	Changes in reserves	Equity transactions: Issue of new shares	Repurchase of treasury shares	Extraordinary dividend distribution	Change in equity instruments	Derivatives on treasury shares	Stock options	Variation in ownership interests	2014 comprehensive income		
Share capital:																
a) ordinary shares	46,103	-	46,103	-	-	-	-	-	-	-	-	-	284	-	42,557	3,830
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium	148,399	-	148,399	-	-	-	-	-	-	-	-	-	11	-	148,242	168
Reserves:																
a) income-related	516,791	-	516,791	56,830	-	1,194	-	-	-	-	-	-	2,103	-	554,308	22,610
b) other	10,848	-	10,848	-	-	-	-	-	-	-	-	-	-	-	10,848	-
Valuation reserves	77,749	-	77,749	-	-	-7	-	-	-	-	-	-	7	-2,373	75,484	-108
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interim dividend	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-32	-	-32	-	-	-	-	-	-	-	-	-	-	-	-32	-
Profit for the year	76,090	-	76,090	-56,830	-19,260	-	-	-	-	-	-	-	-	99,607	96,350	3,257
Equity attributable to the owners of the parent	849,514	-	849,514	-	-17,023	1,187	-	-	-	-	-	-		94,079	927,757	-
Equity attributable to non-controlling interests	26,433	-	26,433	-	-2,237	-	-	-	-	-	-	-	2,405	3,155	-	29,757

(€'000)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

	Balance at 31.12.2014	Change to opening balances	Balance at 1.1.2015	Allocation of prior year profit: Reserves	Allocation of prior year profit: Dividends and other allocations	Changes for the year: Changes in reserves	Changes for the year: Equity transactions: Issue of new shares	Changes for the year: Equity transactions: Repurchase of treasury shares	Changes for the year: Equity transactions: Extraordinary dividend distribution	Changes for the year: Equity transactions: Change in equity instruments	Changes for the year: Equity transactions: Derivatives on treasury shares	Changes for the year: Equity transactions: Stock options	Changes for the year: Equity transactions: Variation in ownership interests	Changes for the year: 2015 comprehensive income	Equity attributable to the owners of the parent at 31.12.2015	Equity attributable to non-controlling interests at 31.12.2015
Share capital:																
a) ordinary shares	46,387	-	46,387	-	-	-1,342	-	-	-	-	-	-	-	-	42,557	2,488
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium	148,410	-	148,410	-	-	-54	-	-	-	-	-	-	-	-	148,242	114
Reserves:																
a) income-related	576,918	-	576,918	80,189	-	-24,256	-	-	-	-	-	-	-	-	620,082	12,768
b) other	10,848	-	10,848	-	-	-	-	-	-	-	-	-	-	-	10,848	-
Valuation reserves	75,376	-	75,376	-	-	-4,164	-	-	-	-	-	-	-	166,706	232,372	5,546
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interim dividend	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-32	-	-32	-	-	-	-	-	-	-	-	-	-	-	-32	-
Profit for the year	99,607	-	99,607	-80,189	-19,419	-	-	-	-	-	-	-	-	95,206	90,489	4,717
Equity attributable to the owners of the parent	927,757	-	927,757	-	-17,023	-13,545	-	-	-	-	-	-	-	247,369	1,144,559	-
Equity attributable to non-controlling interests	29,757	-	29,757	-	-2,396	-16,271	-	-	-	-	-	-	-	14,543	-	25,633

(€'000)

STATEMENT OF CASH FLOWS: INDIRECT METHOD

A. OPERATING ACTIVITIES	2015	2014
1. Operations	**191,591**	**198,985**
- profit for the year	90,489	96,350
- net gains on financial assets held for trading and financial assets/liabilities at fair value through profit or loss	55	73
- net impairment losses	7,077	5,906
- net impairment losses on property, equipment and investment property and intangible assets	42,845	36,518
- net accruals to provisions for risks and charges and other costs/revenue	13	1,372
- unpaid taxes and duties	46,407	57,826
- other adjustments	4,705	940
2. Cash flows generated by financial assets	**40,330**	**497,607**
- financial assets held for trading	788	-8,995
- financial assets at fair value through profit or loss		
- available-for-sale financial assets	-74,019	86,909
- loans and receivables with banks: on demand	-216,970	697,113
- loans and receivables with banks: other		
- loans and receivables with customers	315,470	-325,578
- other assets	15,061	48,157
3. Cash flows used by financial liabilities	**-139,865**	**-846,905**
- due to banks: on demand	-870,702	-79,297
- due to banks: other		
- due to customers	1,447,687	-909,054
- securities issued	-	-10,025
- financial liabilities held for trading	-1,256	-975
- financial liabilities at fair value through profit or loss		
- other liabilities	-715,594	152,446
Net cash flows generated by (used in) operating activities A	**92,056**	**-150,313**
B. INVESTING ACTIVITIES		
1. Cash flows generated by		
- sales of equity investments		3,593
- dividends from equity investments	259	155
- sales/repayments of HTM investments	10,000	43,908
- sales of property, equipment and investment property		
- sales of subsidiaries and business units		
2. Cash flows used to acquire		
- equity investments	-	-
- HTM investments		
- property, equipment and investment property	-19,035	-21,993
- intangible assets	-12,191	-20,889
- subsidiaries and business units	-29,819	-21,178
Net cash flows used in investing activities B	**-50,786**	**-16,404**
C. FINANCING ACTIVITIES		
- issue/repurchase of treasury shares		
- issue/purchase of equity instruments		
- dividend and other distributions	-19,418	-19,260
Net cash flows used in financing activities C	**-19,418**	**-19,260**
NET CASH FLOWS FOR THE YEAR D=A+/-B+/-C	**21,853**	**-185,977**
RECONCILIATION		
Financial statements captions		
Opening cash and cash equivalents	536	186,512
Net cash flows for the year	21,853	-185,976
Closing cash and cash equivalents G=E+/-D+/-F	**22,389**	**536**

(€'000) *key (+) generated (-) used*

Notes to the Consolidated financial statements

Part A – Accounting policies

Part B – Notes of the statement of financial position

Part C – Notes to the income statement

Part D – Breakdown of comprehensive income

Part E – Risks and related hedging policies

Part F – Equity

Part G – Business combinations

Part H – Related partytransactions

Part I – Share-based payments

Part L – Segment reporting

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Part A - Accounting policies

A.1 - GENERAL PART

Section 1 – Statement of compliance

Pursuant to Regulation (EC) no. 1606 of 19 July 2002, the Istituto Centrale delle Banche Popolari Italiane Group (ICBPI group) has prepared these consolidated financial statements as at and for the year ended 31 December 2015 in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission. They were introduced into Italian law with Legislative decree no. 38/2005.

The group applied the IFRS enacted at 31 December 2015 and Bank of Italy's instructions about financial statements issued in its Measure of 22 December 2005, the related Circular no. 262 and subsequent amendments.

It did not make any departures from the IFRS.

Section 2 – Basis of presentation

The consolidated financial statements at 31 December 2015 comprise a statement of financial position, an income statement, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and these notes. They are accompanied by a directors' report which comments on the group's performance, its results of operations and financial position.

The group's presentation currency is the Euro and the amounts shown in the consolidated financial statements and these notes are in thousands of Euros.

The group has applied the recognition and measurement criteria established by the IFRS endorsed by the European Commission and the general assumptions in the Framework for the preparation and presentation of financial statements issued by the IASB.

Application of the measures set out in Regulations (EU) 634/2014 and 1361/2014 became mandatory on 1 January 2015 enacting:

- IFRIC 21, which provides guidance on when to recognise a liability for a levy imposed by a government other than income taxes (covered by IAS 12). Specifically, it identifies the obligating event for the recognition of a liability;
- the Annual improvements to IFRSs 2011-2013 cycle, which introduced certain immaterial amendments to IFRS 3, IFRS 13 and IAS 40, designed to clarify certain inconsistencies and/or provide guidance about methods.

Their application did not significantly affect the group's consolidated financial statements.

The following table shows the new standards or amendments with the related endorsement regulations. Their application is mandatory from 1 January 2016 (for entities whose reporting period is the calendar year) or subsequently.

Endorsement regulation	Name	Standard/Interpretation	Year of application
28/2015	Annual improvements to IFRSs (2010-2012 cycle)	Amendments to the following standards: - IFRS 2 - Share-based payment: changes to the vesting conditions - IFRS 3 - Business combinations: classification and measurement of contingent consideration - IFRS 8 - Operating segments: reconciliation of the total of the reportable segments' assets to the entity's assets - IFRS 13 - Fair value measurement: short-term receivables and payables - IAS 16 - Property, plant and equipment and IAS 38 - Intangible assets: clarification about how to apply the revaluation method - IAS 24 - Related party disclosures: definition of a related party	2016
2343/2015	Annual improvements to IFRSs (2012-2014 cycle)	Amendments to the following standards: - IFRS 5 - Non-current assets held for sale and discontinued operations: changes in methods of disposal - IFRS 7 - Financial instruments: disclosure: "Continuing involvement" in the case of a servicing contract - IAS 19 - Employee benefits: clarifications about the discount rate - IAS 34 - Interim financial reporting: disclosure	2016
2406/2015	Disclosure initiative	Amendments to IAS 1 - Presentation of financial statements	2016
29/2015	Defined benefit plans: employee contributions (amendments to IAS 19)	Amendments to IAS 19 - Employee benefits	2016
2231/2015	Clarification of acceptable methods of depreciation and amortisation	Amendments to IAS 16 and IAS 38	2016
2173/2015	Accounting for acquisitions of interests in joint operations	Amendments to IFRS 11	2016
2441/2015	Equity method in separate financial statements	Amendments to IAS 27 - Separate financial statements	2016

In 2014, the IASB issued IFRS 15 - Revenue from contracts with customers as well as making amendments to existing standards. The documents amending certain standards which are yet to be endorsed include IFRS 9 - Financial instruments, issued in July 2014, finalising the new standard for financial instruments, except for macro hedging. This new standard will be applicable from 1 January 2018 after its endorsement by the European Commission.

The next table shows the standards for which amendments were issued, specifying the scope of or reason for such amendments.

Standard	Name	Publication date
IFRS 9	Financial instruments	24/07/14
IFRS 14	Regulatory deferral accounts	30/01/14
IFRS 15	Revenue from contracts with customers (including the amendment published on 11 September 2015 about the date of application of IFRS 15)	28/05/14
IFRS 16	Leases	13/01/16
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment entities - Applying the consolidation exception	18/12/14
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	11/09/14

As none of them have been endorsed by the European Commission, they did not affect the group's 2015 consolidated financial statements.

The group applies the measurement criteria assuming that it will continue as a going concern and in accordance with the principles of accruals, materiality and significance of the financial data and the principle of substance over form.

The consolidated financial statements and the notes present corresponding prior year figures.

The directors' report and these notes include all the information required by the IFRS, the law and Bank of Italy, as well as additional disclosures which are not mandatory but are deemed useful to give a true and fair view of the group's financial position and results of operations.

Basis of presentation of the consolidated financial statements

Statement of financial position, income statement and statement of comprehensive income

They comprise captions, subcaptions and additional information. Revenue is shown without a plus sign while costs are shown with a minus sign in the income statement.

Statement of changes in equity

This statement shows changes in equity during the year split between share capital, equity-related reserves, income-related reserves, valuation reserves and the profit (loss) for the year. Treasury shares are offset against equity. The parent has not issued equity instruments other than ordinary shares.

Statement of cash flows

The statement of cash flows for the year and the previous year has been prepared using the indirect method, whereby cash flows from operations are the profit for the period adjusted by the effects of non-monetary transactions.

Cash flows are split between those from operating, investing and financing activities.

Cash flows generated during the reporting period are indicated without a plus sign while those used during the reporting period are shown with a minus sign.

Basis of presentation of the notes

These notes include the information required by Bank of Italy's Circular no. 262/2005 and the additional information required by the IFRS.

The accounting policies described below have been adopted to disclose all the information in the consolidated financial statements.

Section 3 – Basis of consolidation

The group has established the consolidation scope in accordance with IFRS 10 - Consolidated financial statements. Accordingly, the concept of control is fundamental to consolidation of all types of entities. It exists when the investor concurrently:

- has power over the investee
- is exposed, or has rights, to variable returns from its involvement with the investee;
- has the ability to affect those returns through its power over the investee.

Therefore, the group consolidates all types of entities when all three control elements exist.

When an entity is directed mainly through exercise of voting rights, control exists when the investor holds more than half the voting rights.

In other cases, the assessment of control is more complex and requires the greater use of judgement as it is necessary to consider all the factors and circumstances that give control over the investee (de facto control).

In the case of the ICBPI Group, all the consolidated entities are directed mainly through voting rights. Accordingly, the group did not have to exercise special judgements or make significant assumptions in order to establish the existence of control over subsidiaries and significant influence over associates.

The financial statements at 31 December 2015 of the parent and consolidated companies were used for consolidation purposes, after being reclassified and adjusted to comply with the consolidation requirements and the IFRS.

Investments in subsidiaries are consolidated by combining the captions of the statement of financial position and income statement on a line-by-line basis, making the following adjustments:

(a) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary are eliminated;

(b) the equity and profit or loss attributable to non-controlling interests are recognised separately.

Positive differences arising from the above adjustments are recognised as goodwill in caption "130 Intangible assets" at the date of first consolidation after allocation to the subsidiary's assets and liabilities. Any negative differences are recognised in profit or loss.

Intragroup assets and liabilities, off-statement of financial position transactions, income and expense and profits and losses among the consolidated companies are eliminated.

The income and expenses of a subsidiary are included in the consolidated financial statements from the acquisition date. The income and expense of a subsidiary that is sold are included in the income statement up to the sales date, i.e., until the date when the parent ceases to control the subsidiary.

Pursuant to IAS 28, the consolidated financial statements also include the results of associates, i.e., entities over which the group has significant influence and the power to participate in directing its financial and operating policies without having control or joint control. These investments are measured using the equity method which entails the initial recognition of the investment at cost and its subsequent measurement using the equity method. The group's share of the associate's profit or loss is recognised separately in the income statement.

The difference between the investment's carrying amount and the group's share of its equity is included in the investment's carrying amount.

If there is indication of impairment, the group estimates the investment's recoverable amount, considering the discounted future cash flows that the investee may generate, including the investment's costs to sell. When the recoverable amount is less than the investment's carrying amount, the difference is recognised in profit or loss.

At present, the group is not a party to joint arrangements as defined by IFRS 11 in the form of joint ventures (the venturers have rights to the arrangement's net assets).

1. Investments in fully controlled subsidiaries

	Operating office	Registered office	Type of relationship (1)	Investment		Voting rights % (2)
				Investor	Investment %	
1. Oasi-Diagram SpA	Milan	Milan	1	Istituto Centrale delle Banche Popolari Italiane	100.00	100.00
2. CartaSi SpA	Milan	Milan	1	Istituto Centrale delle Banche Popolari Italiane	96.74	96.74
3. Help Line SpA	Cividale del Friuli / Milan	Cividale del Friuli	1	Istituto Centrale delle Banche Popolari Italiane	70.00	70.00

Key
(1) Type of relationship:
1 = majority of voting rights at ordinary shareholders' meetings
2 = dominant influence at ordinary shareholders' meetings
3 = shareholder agreements
4 = other forms of control
5 = single management as per art. 26.1 of Legislative decree no. 87/92
6 = single management as per art. 26.2 of Legislative decree no. 87/92
(2) Voting rights at ordinary shareholders' meetings, differentiating between effective and potential voting rights

The ICBPI banking group includes the following companies:

- Oasi Diagram - Outsourcing Applicativo e Servizi Innovativi S.p.A., operating company;
- Help Line S.p.A., operating company;
- CartaSi S.p.A., financial company included in the register of payment institutes as per article 114-septies of the Consolidated Banking Act;

As well as the above consolidated banking group companies, the group includes the following equity-accounted associates at 31 December 2015:

- HI-mtf S.p.A., in which the parent has a 25% interest, equity-accounted;
- Equens SE, in which the parent has a 20% interest, equity-accounted;
- Unione Fiduciaria S.p.A., in which the parent has a 24% interest, equity-accounted.

2. Significant judgements and assumptions applied to define the consolidation scope

As stated above and given the group's current structure, where control is principally based on voting rights held, there were no situations that would have made it necessary to make specific judgements or make significant assumptions to define the consolidation scope.

This is also true for the associates, where significant influence is basically attributable to the voting rights held by the group.

3. Investments in consolidated companies with significant non-controlling interests

3.1 Non-controlling interests, their voting rights and dividends distributed to them

	Investment %	Voting rights % (1)	Dividends
1. Help Line SpA	30%	30%	-

(1) availability of votes at ordinary shareholders' meetings

3.2 Investments with significant non-controlling interests: financial information

	Total assets	Cash and cash equivalents	Financial assets	Property, equipment and investment property and intangible assets	Financial liabilities	Equity	Net interest expense	Total expense	Operating costs	Pre-tax profit from continuing operations	Post-tax profit from continuing operations	Profit for the year (1)	Other comprehensive income, net of income taxes (2)	Comprehensive income (3) = (1) + (2)"
1. Help Line SpA	23,882,740	822	-	6,736,239	-	10,724,464	-165,874	-165,874	3,731,552	3,565,678	2,391,202	2,391,202	68,085	2,459,287

4. Significant restrictions

There are no significant restrictions to the exercise of voting rights for the investments in subsidiaries and associates.

5. Other information

Given the group's structure, there is no other information that needs to be disclosed.

Section 4 – Events after the reporting period

No events took place after the reporting date that would have had a significant effect on the group's financial position, results of operations or cash flows or that would have required adjustments to the financial statements captions.

Section 5 – Other aspects

There is no other information that needs to be disclosed, including with respect to the Bank of Italy / Consob / IVASS document no. 6 of 8 March 2013.

The Board of Directors of 22 march 2016 authorized the publication of Financial Statements that will be available after the approval of Shareholders Meeting of 27 april 2016.

A.2 - KEY FINANCIAL STATEMENTS CAPTIONS AT 31 DECEMBER 2015

Accounting policies

1 - Financial assets held for trading

Classification
A financial asset is classified as held for trading if it is:

- acquired principally for the purpose of selling it in the near term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- a derivative (except for a derivative that is an effective hedging instrument).

Derivatives are recognised under assets when they have a positive fair value and under liabilities when they have a negative fair value.

Recognition
Debt and equity instruments are recognised at their settlement date while derivatives are recognised at their trading date.

Financial assets held for trading are initially recognised at fair value, which is usually the transaction price, net of any directly attributable transaction costs.

Measurement

After initial recognition, financial assets held for trading are measured at fair value. Any resulting fair value gains or losses are recognised in caption 80 "Trading income (expense)" of the income statement. Interest accrued on these assets is recognised in caption 10 of the income statement "Interest and similar income", although interest and / or other income and expense on trading derivatives are recognised in caption 80 "Trading income (expense)" of the income statement.

Section 17 - Other information provides information on the calculation of fair value of listed financial instruments. Equity instruments and derivatives hedging equity instruments are maintained at cost when it is not possible to calculate their fair value reliably.

Derecognition
Financial assets or parts of financial assets are decognised when the contractual rights to cash flows expire or are transferred, transferring substantially all the related risks and rewards.

2 - Available-for-sale financial assets

Classification
This category includes non-derivative financial assets that are not classified as loans and receivables, financial assets held for trading, held-to-maturity investments or financial assets at fair value through profit or loss.

Recognition
They are initially recognised at the settlement date and measured at fair value, which includes the directly related transaction costs.

Measurement
AFS financial assets are subsequently measured at fair value with recognition of amortised cost in profit or loss and the fair value gains or losses in a specific equity reserve until the asset is derecognised or an impairment loss is recognised. Gains or losses recognised in equity are reclassified to profit or loss when the asset is sold.

Realised gains or losses are recognised in caption 100 "Net profit (loss) on sale or repurchase" of the income statement.

Fair value is calculated using the same criteria applied to financial assets held for trading.

Equity instruments included in this category and derivatives hedging equity instruments are maintained at cost when it is not possible to calculate their fair value reliably.

The group tests its assets for impairment at each reporting date. When there is a significant or prolonged decline in fair value, the group recognises it in profit or loss as the difference between the asset's carrying amount (acquisition cost net of impairment losses already recognised in profit or loss) and fair value. Fair value losses are significant when they exceed 20% of the cost and prolonged if they have existed for over nine months.

If the fair value of a debt instrument increases in a subsequent period and this increase is objectively due to an event that took place in a period after that in which the impairment loss was recognised in profit or loss, the impairment loss is reversed and the related amount is recognised in the same income statement caption. The reversal may not generate a carrying amount higher than that which would have been obtained by measuring that asset at amortised cost had the loss not been recognised. Impairment losses on shares, recognised in profit or loss, cannot be reversed through profit or loss but only directly through equity.

Derecognition
Financial assets or parts of financial assets are decognised when the contractual rights to cash flows expire or are transferred, transferring substantially all the related risks and rewards.

3 - Held-to-maturity investments

Classification
This category includes debt instruments with fixed or determinable payments and fixed maturities that the group has the ability and intention to hold to maturity. If it is no longer appropriate to maintain an asset as classified as held to maturity following a change in the group's intentions or ability, it is reclassified to "AFS financial assets".

Recognition
HTM investments are initially recognised at cost, being the fair value of the amount traded, including any directly related costs and income.

Measurement
After initial recognition, HTM investments are measured at amortised cost using the effective interest method. Fair value gains or losses are recognised in profit or loss when the investments are derecognised.

At each reporting date, the group tests the HTM investments for impairment. The impairment loss, if any, is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate.

Impairment losses are recognised in profit or loss. When the reasons for impairment are no longer valid as a result of an event that took place subsequent to recognition of the impairment loss, it is reversed through profit or loss.

Derecognition
Financial assets or parts of financial assets are decognised when the contractual rights to cash flows expire or are transferred, transferring substantially all the related risks and rewards.

4 - Loans and receivables

Classification
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Recognition
Loans and receivables are initially recognised at the agreement signing date, which is usually the disbursement date, based on the financial instrument's fair value, which usually equals the amount disbursed including transaction costs or revenue attributable to the individual loan or receivable and determinable from the transaction start date, even when they are disbursed subsequently. The initially recognised amount does not include costs that, despite having the above characteristics, are to be reimbursed by the counterparty or that are administrative costs.

Measurement
After initial recognition, loans and receivables are measured at amortised cost using the effective interest method.

Interest is recognised in caption 10 "Interest and similar income" of the income statement.

Loans and receivables are tested for impairment at each reporting date to determine whether there is objective evidence of impairment due to events subsequent to initial recognition. Indication of impairment is based on one or more events that took place after initial recognition that have an impact on the estimate of future cash flows of a financial asset or a group of financial assets that can be measured reliably.

Loans and receivables tested individually for impairment include positions classified as non-performing, doubtful or restructured as per the Bank of Italy regulations. Assets not tested individually or for which impairment has not been identified are tested collectively.

The individual impairment test measures the difference between the carrying amount and present value of estimated future cash flows discounted at the position's original effective interest rate.

Estimated cash flows include guarantees securing the debtor's exposure and their probable enforcement. When enforcement of the guarantees is unlikely, the group uses their present value, while if it is probable that they will be enforced, the group considers their realisable value net of the costs to be incurred for enforcement.

Impairment losses are recognised in caption 130 "Net impairment losses" in the income statement.

Loans and receivables are reinstated to their original value in subsequent periods when the reasons for impairment are no longer valid, as long as this assessment is objectively linked to an event that took place after recognition of the impairment loss. Reversals of impairment losses are recognised in the income statement and may not exceed the position's amortised cost had the impairment loss not been recognised.

Loans and receivables that are not tested individually for impairment are tested collectively. They are grouped into categories based on their risk and the related impairment loss percentages are estimated considering historical data, based on elements observable at their measurement date, so as to estimate each category's unrealised loss. The impairment test considers the counterparty's country risk. Collective impairment losses are recognised in profit or loss.

Derecognition
Financial assets or parts of financial assets are decognised when the contractual rights to cash flows expire or are transferred, transferring substantially all the related risks and rewards.

7 - Equity investments

This caption includes equity-accounted investees as described in section 3 – Basis of consolidation. Investments in entities other than subsidiaries and associates are classified as AFS financial assets and treated accordingly (see point 2).

8 - Property, equipment and investment property

Classification
This caption includes land, owner-occupied property, investment property, furniture and fittings and all equipment. It also comprises assets under finance lease.

Recognition
Assets acquired on the market are recognised as assets when the main risks and rewards of title are transferred. Initial recognition is at cost, which includes all directly related charges.

Land is recognised separately, including when it is purchased together with the building, using the component approach. It is separated from the building based on third party appraisals.

The cost of extraordinary maintenance that increases the item's future economic benefits is capitalised while other ordinary maintenance costs are expensed.

Measurement
Property, equipment and investment property are subsequently measured at cost adjusted by accumulated depreciation and any impairment losses/reversals of impairment losses.

The depreciable value of property and equipment equals their cost as the residual value after depreciation is not deemed significant. Depreciation is charged systematically on a straight-line basis over the assets' estimated useful life to reflect their technical-economic life and residual use.

The useful life of the main categories of property, equipment and investment property is as follows:

- furniture and fittings: 8 years;
- owner-occupied buildings: 33 years;

- investment property: 33 years;
- POS and ATM, classified as electronic equipment, are depreciated over three and seven years, respectively, as these periods are held to reflect their useful lives.

Land is not depreciated as it has an indefinite life nor are works of art as their useful lives cannot be estimated and their value usually increases over time.

The group tests the assets for impairment at every reporting date. If there is indication of impairment, it compares the asset's carrying amount to its recoverable amount being the higher of fair value and value in use.

Derecognition
Property, equipment and investment property are derecognised when sold or when no future economic benefits are expected from their continued use or sale.

9 - Intangible assets

Classification
An intangible asset is an identifiable non-monetary asset without physical substance able to generate future economic benefits controllable by the entity.

Recognition
Intangible assets are recognised at cost when the principal risks and rewards are transferred, only when it is probable that the related future economic benefits will materialise and cost can be measured reliably. Otherwise, cost is expensed in the period in which it is incurred.

Measurement
All intangible assets other than goodwill are considered to have finite useful lives and are amortised in line with their cost and related useful lives.

The useful life of the group's intangible assets is three years, except for those assets related to the depositary services, which have an estimated useful life of ten years depending on the contractual terms.

Their residual value is taken to be nil.

The group tests the assets for impairment at every reporting date. If there is indication of impairment, it compares the asset's carrying amount to its recoverable amount being the higher of fair value and value in use.

Derecognition
The group derecognises intangible assets when they are sold or when it does not expect to receive future economic benefits from their continued use or sale.

Goodwill

Goodwill arising on business combinations is the difference between the consideration paid, including related costs, and fair value of the assets acquired and the liabilities assumed at the transaction date. If the difference is positive, it is recognised as an asset (goodwill), being a payment by the acquiree for future economic benefits to be generated by assets that cannot be identified individually or recognised separately. If the difference is negative, it is recognised directly in profit or loss (excess cost).

Goodwill is recognised at cost, net of accumulated impairment losses. It is not amortised.

It is tested annually for impairment even if there are no indicators of impairment.

Impairment losses on goodwill are recognised in caption 260 "Impairment losses on goodwill" of the income statement. They are not reversed in subsequent periods.

10 - Non-current assets held for sale and discontinued operations

Non- current assets included in this category are represented by investment instruments for which a divestment process was defined . For more information, see Part B section 14.

11 - Current and deferred taxes

The group estimates current and deferred taxes.

Current taxes not yet paid in whole or in part at the reporting date are recognised as tax liabilities in the statement of financial position. If payments on account in the current or previous reporting period exceed the related tax expense, the difference is recognised as a tax asset.

Current and deferred taxes are recognised in caption 290 "Income taxes" of the income statement unless they relate to gains or losses on AFS financial assets and actuarial gains and losses, which are recognised directly in the valuation reserves, net of tax.

Deferred tax assets and liabilities are recognised in the statement of financial position without offsetting as "Tax assets" and "Tax liabilities", respectively.

The income tax expense is calculated on the basis of an estimate of the current and deferred tax expense and income. Specifically, deferred tax assets and liabilities are calculated on the temporary differences between the carrying amounts of assets and liabilities and their tax bases. The group recognises deferred tax assets (in caption 140.b) for deductible temporary differences and carryfoward tax losses that will reverse in subsequent periods when it is probable that it will make a taxable profit in the same period, according to its business plans, against which it can offset the deferred tax asset.

Deferred tax liabilities are calculated on all taxable temporary differences, excluding only reserves taxed upon distribution as, given the amount of the taxed available reserves, the group does not expect to undertake transactions that would require their taxation.

Deferred tax assets and liabilities are calculated using the tax rates expected to be enacted in the period in which the deferred tax asset will be recovered or the deferred tax liability extinguished, based on the ruling tax laws.

They are remeasured regularly to reflect any changes in the tax laws or rates or any subjective situations in which the group may find itself.

12 - Provisions for risks and charges

Pension and similar provisions
Internal pension plans are considered to be defined benefit plans. The group calculates the related liabilities and current service cost using actuarial assumptions and the projected unit credit method. This method projects future payments using historical figures and the demographic curve and discounts these flows using a market interest rate. The discount rate is the average market rate at the measurement date. The present value of the group's liability at the reporting date is also adjusted by the fair value of any plan assets.

Other provisions
The group recognises provisions for risks and charges when:

- it has a present legal or constructive obligation as a result of a past event;
- it is probable that an outflow of resources will be necessary to settle the obligation;

and

- the liability can be reliably estimated.

When the effect of the time value of money is material, the provision is discounted using the current market rates at the closing date. Accruals and increases due to the time factor are recognised in profit or loss. Where discounting is used, the increase in the provision due to the passage of time is recognised as interest expense.

Provisions and contingent liabilities are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

13 - Liabilities and Securities issued

Classification
An issued financial instrument is classified as a liability when, based on the substance of the contractual agreement, the group has a contractual obligation to deliver cash or another financial asset to another party.

Due to banks and customers include funding obtained on the interbank market and from customers, including through repurchase agreements and the placing of bonds and certificates of deposit.

They also include finance lease liabilities.

Recognition
Amounts due to banks are recognised at the contract agreement date, which is usually when the bank receives the funds and issues the debt instruments.
Financial liabilities are initially recognised at fair value, which is normally the amount received or the issue price, plus the directly related costs/income. Internal administrative costs are excluded.

Measurement
After initial recognition, financial liabilities are measured at amortised cost using the effective interest method.

Interest is recognised in caption 20 "Interest and similar expense" of the income statement.

Derecognition
Financial liabilities, or parts thereof, are derecognised when they are extinguished, i.e., when the obligation is complied with, cancelled or has expired.

They are also derecognised when previously issued securities are repurchased. The difference between their carrying amount and the amount paid to repurchase them is recognised in profit or loss.

If the repurchased security is subsequently placed on the market again, this is treated as a new issue and is recognised at the new placement price.

14 - Financial liabilities held for trading

This caption includes derivatives held for trading with negative fair values.

All financial liabilities held for trading are measured at fair value and the fair value gains or losses are recognised in profit or loss.

The measurement and recognition criteria are identical to those used for financial assets held for trading.

16 - Foreign currency transactions

Initial recognition
Upon initial recognition, a foreign currency transaction is translated into the functional currency using the spot exchange rate ruling at the transaction date.

Subsequent measurement
Foreign currency assets and liabilities are retranslated into Euros at each subsequent reporting date using the following criteria:

- monetary items are retranslated using the closing rates;
- non-monetary items measured at historical cost are retranslated using the transaction-date exchange rates;
- non-monetary items measured at fair value are retranslated using the closing rates.

Exchange rate differences arising from the settlement of monetary items are recognised in profit or loss in the period in which they arise; exchange rate differences on non-monetary items are recognised in equity or in profit or loss in line with the method used to recognise the gains or losses that include this component.

Foreign currency costs and revenue are translated at the exchange rate ruling on their recognition date or, if they have not been realised, at the closing spot rate.

18 - Other information

Post-employment benefits

The Italian post-employment benefits (TFR) are a form of deferred remuneration paid to employees when they leave the group. They accrue over the employment term and are recognised under personnel expense.

Following the Italian supplementary pension reform introduced with Legislative decree no. 252 of 5 December 2005, benefits accruing from 1 January 2007 are calculated without using an actuarial approach as the group's liability is limited to its contribution defined by the Italian Civil Code (defined contribution plan as per IAS 19).

Post-employment benefits vested up to 31 December 2006 continue to be considered defined benefit plans under IAS 19. Accordingly, the related obligation is subject to actuarial valuation using the projected unit credit method. This method projects future payments using historical statistics and the demographic curve and discounts these flows using a market interest rate.

The rate used to discount the post-employment benefit obligation (both funded and unfunded) varies from country to country. It is determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The term of the corporate bonds is consistent with the estimated term of the post-employment benefit obligations.

Specifically, the amount recognised as a liability in caption 120.a) equals the net balance of the obligation's present value at the reporting date, the sum of any actuarial gains or losses, less any pension costs for past service not yet recognised and the current value of plan assets, if any, at the reporting date that will be used to directly extinguish the obligation.

Starting from the 2013 consolidated financial statements, the group has recognised actuarial gains and losses in the statement of comprehensive income as required by the revised IAS 19.

Before that, they had been recognised immediately in profit or loss.

Interest accrued on the net liability continues to be recognised.

Treasury shares

Repurchased treasury shares are directly offset against equity. No gain or loss on the repurchase, sale, issue or extinguishment of these shares can be recognised in profit or loss. Any amounts paid or received for these shares are recognised directly in equity.

The group has set up the specific reserve as per article 2357-ter of the Italian Civil Code.

Measurement of the fair value of financial instruments

The fair value of financial instruments is measured using the financial market prices in the case of instruments listed on active markets or by using internal measurement models for other financial instruments.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The closing date bid price and ask price are used for financial assets and financial liabilities respectively.

The fair value of financial instruments not quoted on active markets is determined using prices of recent market transactions of instruments with similar characteristics or by using valuation techniques based mainly on discounting cash flows. These techniques include all the factors that the market considers to set the price. Accordingly, the models consider the time value of money measured using the risk-free interest rate, default risks, the prepayment risk and the volatility of the financial instrument price, as well as, if applicable, foreign currency exchange rates.

The valuation model adopted for a financial instrument is the same over time, adjusted only in the case of significant changes in market conditions or subjective changes affecting the issuer.

Valuation models based on market parameters are used for bonds and derivatives. The calculation method also considers the need to include the credit risk of both counterparties.

Specifically, bonds are measured by discounting the expected future cash flows of the contractual plan, adjusted for the issuer credit risk.

This method is also used for derivatives, being interest rate swaps (IRS), overnight interest rate swaps (OIS) and options.

A fair value hierarchy has been developed for shares and an application order for the measurement methods which considers any significant transactions involving the share in a sufficiently short time period compared to the measurement period, comparable transactions carried out by companies operating in the same sector and the application of financial, income and equity analytical valuation methods.

The fair value of financial assets and liabilities carried at cost or amortised cost is disclosed in the notes and is determined as follows:

- for non-current financial assets and liabilities, the discounted cash flow method is mainly used;
- for on demand assets and liabilities, with a short term or undetermined maturity, the carrying

amount net of a collective / individual impairment loss is deemed to reasonably reflect fair value as it reflects changes in interest rates and the issuer credit risk;

- for floating-rate and current fixed-rate securities issued, the carrying amount is deemed to adequately reflect fair value, for the reasons set out above;
- for non-current fixed-rate liabilities, the discounted cash flow method, without considering changes in its credit spread, given its immateriality, is used.

Measurement of fair value of non-financial assets
The fair value of investment property is only calculated for disclosure in the notes. The group uses third party appraisals considering transactions at current prices in an active market for similar real estate assets in the same location and condition and that have the same lease and other contractual terms.

Determination of impairment losses on goodwill
Impairment losses on goodwill are determined using the discounted cash flow method.

Guarantees issued
Guarantees issued, credit derivatives and similar instruments as per IAS 39 and subsequent impairment losses are recognised in caption 100 "Other liabilities".

Income statement

<u>Interest income and expense</u>
Interest income and expense and related income and expense relate to cash and cash equivalents, non-derivative financial assets and liabilities held for trading, AFS financial assets, HTM investments, loans and receivables, liabilities and securities issued.

Interest income and expense are recognised in profit or loss on all instruments measured at amortised cost, using the effective interest method.

<u>Fee and commission income and expense</u>
They are recognised on an accruals basis.

Specifically, trading commissions on securities are recognised when the service is rendered.

Fees and commissions included in amortised cost to calculate the effective interest rate are excluded as they are recognised under interest.

<u>Dividends</u>
Dividends are recognised in profit or loss when their distribution is approved.

<u>Other income and costs</u>
They are recognised on an accruals basis.

Business combinations
Assets and liabilities deriving from business combinations are recognised at their acquisition-date fair value. After allocating the acquisition price to the assets acquired, liabilities assumed and contingent liabilities to obtain their fair value, any positive difference is recognised as goodwill. After initial recognition, goodwill is tested for impairment.

If the allocation of the acquisition cost to the assets acquired, liabilities assumed (and contingent liabilities) gives rise to a negative difference, this is taken to profit or loss.

Utilisation of estimates and assumptions in the preparation of the consolidated financial statements

The consolidated financial statements captions are measured using the policies set out above.

Application of these policies sometimes involves the adoption of estimates and assumptions that may have a significant effect on the carrying amount of assets and liabilities, income and expenses.

The use of reasonable estimates is an essential part of the preparation of financial statements but must not affect their reliability. The financial statements captions affected to a greater extent by the use of estimates and assumptions are:

- measurement of financial assets not listed on active markets;
- measurement of intangible assets and equity investments;
- quantification of accruals to provisions for risks and charges;
- quantification of deferred liabilities.

A change in an accounting estimate may occur due to changes in the circumstances on which the estimate was based or as a result of new information or more experience. The effect of a change in an accounting estimate is recognised prospectively by including it in profit or loss of the period of the change and, if the change affects future periods, also in future periods.

No significant changes to the accounting estimates were made in 2015.

A.3. Transfers between portfolios of financial assets

A.3.1 Reclassified financial assets: carrying amount, fair value and effects on comprehensive income

<table>
<tr><th rowspan="3">Type of financial instrument</th><th rowspan="3">Original portfolio</th><th rowspan="3">Portfolio to which transfer is made</th><th rowspan="3">Carrying amount at 31/12/2015</th><th rowspan="3">Fair value at 31/12/2015</th><th colspan="2">Income or expense if transfer had not taken place</th><th colspan="2">Income or expense for the year</th></tr>
<tr><th colspan="2">(before taxes)</th><th colspan="2">(before taxes)</th></tr>
<tr><th>Fair value gain/loss</th><th>Other</th><th>Fair value gain/loss</th><th>Other</th></tr>
<tr><th>(1)</th><th>(2)</th><th>(3)</th><th>(4)</th><th>(5)</th><th>(6)</th><th>(7)</th><th>(8)</th><th>(9)</th></tr>
<tr><td>1. Debt instruments</td><td>Financial assets held for trading</td><td>Available-for-sale financial assets</td><td>263,882</td><td>263,882</td><td>2,623</td><td></td><td>2,005</td><td></td></tr>
</table>

A.3.2. Reclassified financial assets: effects on comprehensive income before transfer

No transfers among portfolios took place during the year.

A.3.3. Reclassified financial assets: effects on comprehensive income before transfer

In 2011, as the rare circumstances provided for by IAS 38 arose, the group reclassified Italian treasury credit certificates from the HFT portfolio to the AFS portfolio.
These rare circumstances related to the international sovereign debt crisis of June 2011 and the continuously widening spread of the German bund.

A.4 Fair value disclosure

The IFRS require that financial products classified in the HFT or AFS portfolios be measured at fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e., not a forced liquidation or distress sale) on the principal market at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. An entity shall measure the fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

IFRS 13 establishes a hierarchy for measuring fair value of financial instruments depending on the entity's use of discretion, prioritising the use of relevant observable inputs that reflect the assumptions that market participants would use to price assets/liabilities.

The fair value hierarchy has three input levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices);
- Level 3: unobservable inputs for the asset or liability.

The decision about which level to use is not optional as they are to be applied in hierarchical order. Highest priority is given to official prices available on active markets for the assets or liabilities to be measured (level 1) or assets and liabilities measured using techniques based on parameters observable on the market other than prices (level 2) and the lowest priority is given to assets and liabilities whose fair value is calculated using techniques that are based on unobservable inputs and which are, therefore, more discretional (level 3).

The group uses the reporting date market price for instruments listed on active markets (level 1).

The fair value of financial instruments not listed on active markets is measured using techniques mainly based on discounting cash flows. These techniques consider all the factors that the market uses to set the price which are mainly inputs observable on the market (level 2). Specifically:

- bonds are measured by discounting the expected future cash flows of the contractual plan, adjusted for the issuer credit risk.
- derivatives, including IRSs and OISs, and options are measured using the market models that mainly use market rates as their input, adjusted to reflect counterparty risk. This risk includes changes in the counterparty's credit standing and in the issuer's credit standing (own credit risk), if material;
- a fair value hierarchy has been developed for shares and an application order for the measurement methods which considers any significant transactions involving the share in a sufficiently short time period compared to the measurement period, comparable transactions carried out by companies operating in the same sector and the application of financial, income and equity analytical valuation methods.

The valuation model adopted for a financial instrument is the same over time, adjusted only in the case of significant changes in market conditions or subjective changes affecting the issuer.

Qualitative disclosure

A.4.1 Levels 2 and 3: valuation techniques and inputs used

It measured level 2 financial instruments (mainly IRSs, OISs and interest rate and currency options) using market interest rates and volatility. Given the group's limited operations in the unlisted derivatives segment, its transactions with Italian institutional counterparties and its guarantees mitigating risk, the adjustments made to the level 2 instruments to reflect counterparty risk were immaterial.

A.4.2 Measurement processes and sensitivity

At 31 December 2015 the Group holds Level 3 financial instruments, for which the disposal process has been already defined. For more information, see 'Section 14', 'Part B'.

A.4.3 Fair value hierarchy

Transfers between the fair value levels are made to reflect changes in the instruments or its market.

Transfers from level 1 to level 2 are made when there is an inadequate number of

contributors or a limited number of investors that hold the outstanding float.

Conversely, instruments that are illiquid when issued and have a small number of trades classified in level 2 are transferred to level 1 when an active market exists.

A.4.4 Other disclosures

The group did not avail of the exception under IFRS 13.48 to measure the net positions of groups of assets and liabilities managed on a net basis.

The group does not hold assets, the current use of which differs from their highest and best use.

Quantitative disclosure

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 level

	31/12/2015			31/12/2014		
	L1	L2	L3	L1	L2	L3
1. Financial assets held for trading	13,127	5,613	-	14,272	5,309	1
2. Financial assets at fair value through profit or loss						
3. Available-for-sale financial assets	2,570,122	38,937	-	2,499,446	35,821	-
4. Hedging derivatives						
5. Property, equipment and investment property						
6. Intangible assets						
Total	**2,583,249**	**44,550**	**-**	**2,513,718**	**41,129**	**1**
1. Financial liabilities held for trading	858	4,049	-	1,488	4,674	-
2. Financial liabilities at fair value through profit or loss						
3. Hedging derivatives						
Total	**858**	**4,049**	**-**	**1,488**	**4,674**	**-**

Key
L1 = level 1
L2 = level 2
L3 = level 3

The group did not transfer assets and liabilities between level 1 and level 2 during the period. Given the group's limited operations in the unlisted derivative segment, the fact that it solely works with Italian institutional counterparties and the existence of guarantees that mitigate counterparty risk, the above fair value is not significantly influenced by adjustment factors for counterparty risk (credit value adjustments and / or debit value adjustments).

A.4.5.2 Changes in assets measured at fair value on a recurring basis (level 3)

	Financial assets held for trading	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Hedging derivatives	Property, equipment and investment property	Intangible assets
1. Opening balance	**1**	-	-	-	-	-
2. Increases						
2.1. Purchases						
2.2. Gains recognised in:						
2.2.1. Profit or loss						
- including gains on sales						
2.2.2. Equity	X	X				
2.3. Transfers from other levels						
2.4. Other increases						
3. Decreases						
3.1. Sales						
3.2. Repayments						
3.3. Losses recognised in:						
3.3.1. Profit or loss						
- including losses on sales						
3.3.2. Equity	X	X				
3.4. Transfers to other levels						
3.5 Other decreases						
D. Closing balance	**1**	**-**	**-**	-	-	-

A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: breakdown by fair value level

	31/12/2015				31/12/2014			
	CA	**L1**	**L2**	**L3**	**CA**	**L1**	**L2**	**L3**
1. Held-to-maturity investments	31,784	31,444	-	-	46,013	43,212	2,440	-
2. Loans and receivables with banks	827,652	-	827,652	-	610,682	-	610,682	-
3. Loans and receivables with customers	3,536,897	-	3,536,506	391	3,854,967	-	3,854,576	391
4. Investment property	66,179	-	99,496	-	67,210	-	99,496	-
5. Non-current assets held for sale and disposal groups	186,206	-	-	186,206	-	-	-	-
Total	**4,648,718**	**31,444**	**4,463,654**	**186,597**	**4,578,871**	**43,212**	**4,567,194**	**391**
1. Due to banks	1,631,798	-	1,631,798	-	2,502,500	-	2,502,500	-
2. Due to customers	4,547,227	-	4,547,227	-	3,099,540	-	3,099,540	-
3. Securities issued	-	-	-		-	-	-	-
4. Liabilities associated with assets held for sale	-	-	-		-	-	-	-
Total	**6,179,025**	**-**	**6,179,025**		**5,602,039**	**-**	**5,602,039**	

Key:
CA = carrying amount
L1 = level 1
L2 = level 2
L3 = level 3

A.5 Information on "day one profit or loss"

Pursuant to IFRS 7.28 and IAS 39.AG.76, a financial instrument shall be initially recognised at an amount that is equal to its fair value, which is generally considered to be the price paid/collected from its trading. In practice, there could be a difference between the two values. In these cases, the standard stipulates that a financial instrument can be recognised at a fair value different from the amount paid/collected only if it is measured:

- using prices from observable current market transactions in the same instrument;
- using valuation techniques exclusively based on observable market date as the variable factors.

In other words, IAS 39 states that the presumption that the fair value is equal to the price paid/collected can be rebutted only if it is determined using objective evidence that the price paid/collected does not represent the real market value of the financial instrument being traded.

The objective evidence shall be obtained using the most objective method available, i.e., reducing valuation discretion to the minimum.

The difference between fair value and the negotiated price, when the above conditions are met, is called the "day one profit or loss" and is immediately taken to profit or loss.

The group did not recognise transactions of this kind in the period.

Part B – NOTES TO THE STATEMENT OF FINANCIAL POSITION

ASSETS

Section 1 - Cash and cash equivalents - Caption 10

1.1 Cash and cash equivalents: breakdown

	31/12/2015	31/12/2014
a) Cash	599	536
b) Demand deposits with central banks	21,790	
Total	**22,389**	**536**

Section 2 - Financial assets held for trading - Caption 20

2.1 Financial assets held for trading: breakdown by product

	31/12/2015			31/12/2014		
	L1	L2	L3	L1	L2	L3
A. Assets						
1. Debt instruments	13,084	-	-	14,202	658	-
1.1 Structured instruments	482	-	-	121	-	-
1.2 Other instruments	12,602	-	-	14,081	658	-
2. Equity instruments	21	4	-	49	-	1
3. OEIC units	22	-	-	22	-	-
4. Financing	-	-	-	-	-	-
4.1. Reverse repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	**13,127**	**4**	**-**	**14,273**	**658**	**1**
B. Derivatives						
1. Financial derivatives:	-	5,608	-	-	4,650	-
1.1 Trading	-	5,608	-	-	4,650	-
1.2 Associated with fair value option	-	-	-	-	-	-
1.3 Other	-	-	-	-	-	-
2. Credit derivatives:	-	-	-	-	-	-
2.1 Trading	-	-	-	-	-	-
2.2 Associated with fair value option	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
Total B	**-**	**5,608**	**-**	**-**	**4,650**	**-**
Total (A + B)	**13,127**	**5,612**	**-**	**14,273**	**5,308**	**1**

2.2 Financial assets held for trading: breakdown by debtor/issuer

	31/12/2015	31/12/2014
A. Assets		
1. Debt instruments		
a) Governments and central banks	382	322
b) Other government agencies	13	267
c) Banks	11,327	8,839
d) Other issuers	1,362	5,432
2. Equity instruments		
a) Banks	7	13
b) Other issuers:	17	36
- insurance companies	-	-
- financial companies	-	-
- non-financial companies	16	36
- other	1	-
3. OEIC units	22	22
4. Financing		
a) Governments and central banks	-	-
b) Other government agencies	-	-
c) Banks	-	-
d) Other	-	-
Total A	**13,131**	**14,932**
B. Derivatives		
a) Banks	4,528	1,787
- fair value	4,528	1,787
b) Customers	1,080	2,863
- fair value	1,080	2,863
Total B	**5,608**	**4,650**
Total (A + B)	**18,739**	**19,582**

Derivatives mainly relate to matched interest rate swaps held for trading.

Section 4 - Available-for-sale financial assets - Caption 40

4.1 Available-for-sale financial assets: breakdown by product

	31/12/2015			31/12/2014		
	L1	L2	L3	L1	L2	L3
1. Debt instruments	2,569,429	-	-	2,498,753	-	-
1.1 Structured instruments	-	-	-	-	-	-
1.2 Other instruments	2,569,429	-	-	2,498,753	-	-
2. Equity instruments	693	5,366	-	693	4,122	-
2.1 FVTPL	693	5,366	-	693	4,122	-
2.2 Cost	-		-	-	-	-
3. OEIC units	-	33,571	-	-	31,699	-
4. Financing	-	-	-	-	-	-
Total	**2,570,122**	**38,936**	**-**	**2,499,446**	**35,821**	**-**

4.2 Available-for-sale financial assets: breakdown by debtor/issuer

	31/12/2015	31/12/2014
1. Debt instruments		
a) Governments and central banks	2,569,429	2,498,753
b) Other government agencies	-	-
c) Banks	-	-
d) Other issuers	-	-
2. Equity instruments	-	
a) Banks	846	845
b) Other issuers:	5,212	3,970
-insurance companies	-	-
-financial companies	4,510	3,577
-non-financial companies	455	352
-other instruments	248	40
3. OEIC units	33,571	31,699
4. Financing	-	-
a) Governments and central banks	-	-
b) Other government agencies	-	-
c) Banks	-	-
d) Other	-	-
Total	**2,609,058**	**2,535,267**

Section 5 - Held-to-maturity investments - Caption 50

5.1 Held-to-maturity investments: breakdown by product

	31/12/2015				31/12/2014			
	CA	FV			CA	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt instruments	-	-	-	-	-	-	-	-
- structured instruments	4,942	4,942	-	-	4,939	4,939	-	-
- other instruments	26,842	26,502	-	-	41,074	38,272	2,440	-
2. Financing	-	-	-	-	-	-	-	-
Total	**31,784**	**31,444**	**-**	**-**	**46,013**	**43,212**	**2,440**	**-**

Key
FV = fair value
CA = carrying amount

The decrease is due to the repayment of matured securities.

5.2 Held-to-maturity investments: breakdown by debtor/issuer

	31/12/2015	31/12/2014
1. Debt instruments		
a) Governments and central banks	-	-
b) Other government agencies	-	-
c) Banks	29,796	44,053
d) Other issuers	1,988	1,960
2. Financing	-	-
a) Governments and central banks	-	-
b) Other government agencies	-	-
c) Banks	-	-
d) Other	-	-
Total	**31,784**	**46,013**
Total fair value	**31,784**	**46,013**

Section 6 - Loans and receivables with banks - Caption 60

6.1 Loans and receivables with banks: breakdown by product

	Total 31/12/2015				Total 31/12/2014			
	CA	FV			CA	FV		
		L1	L2	L3		L1	L2	L3
A. Loans and receivables with central banks	**149,479**		**149,479**		**122,975**		**122,975**	
1. Term deposits	-	X	X	X	-	X	X	X
2. Minimum reserve	149,479	X	X	X	122,975	X	X	X
3. Reverse repurchase agreements	-	X	X	X	-	X	X	X
4. Other	-	X	X	X	-	X	X	X
B. Loans and receivables with banks	**678,173**		**678,173**		**487,707**		**487,707**	
1. Financing								
1.1 Current accounts and demand deposits	295,799	X	X	X	307,444	X	X	X
1.2 Term deposits	33,783	X	X	X	3,803	X	X	X
1.3 Other financing:	344,700	X	X	X	172,726	X	X	X
- Reverse repurchase agreements	189,653	X	X	X	-	X	X	X
- Finance leases	-	X	X	X	-	X	X	X
- Other	155,047	X	X	X	172,726	X	X	X
2. Debt instruments	3,890	X	X	X	3,734	X	X	X
2.1 Structured instruments	-	X	X	X	-	X	X	X
2.2 Other instruments	3,890	X	X	X	3,734	X	X	X
Total (carrying amount)	**827,652**	**-**	**827,652**	**-**	**610,682**	**-**	**610,682**	**-**

Key
FV = fair value
CA = carrying amount

Section 7 - Loans and receivables with customers - Caption 70

7.1 Loans and receivables with customers: breakdown by product

	31/12/2015						31/12/2014					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Performing	Non-performing		L1	L2	L3	Performing	Non-performing		L1	L2	L3
		Purchased	Other					Purchased	Other			
Financing	**3,536,507**	**-**	**391**		**3,536,507**	**391**	**3,854,576**	**-**	**391**		**3,854,576**	**391**
1. Current accounts	186,385	-	391	X	X	X	181,419	-	391	X	X	X
2. Reverse repurchase agreements	806,784	-	-	X	X	X	887,548	-	-	X	X	X
3. Loans	-	-	-	X	X	X	-	-	-	X	X	X
4. Credit cards, personal loans and salary backed loans	2,202,371	-	-	X	X	X	2,302,122	-	-	X	X	X
5. Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
7. Other financing	340,967	-	-	X	X	X	483,488	-	-	X	X	X
Debt instruments	-	-	-				-	-	-			
8. Structured instruments	-	-	-	X	X	X	-	-	-	X	X	X
9. Other instruments	-	-	-	X	X	X	-	-	-	X	X	X
Total (carrying amount)	**3,536,507**		**391**	**-**	**3,536,507**	**391**	**3,854,576**		**391**	**-**	**3,854,576**	**391**

"Other financing" mainly relates to guarantee deposits.

7.2 Loans and receivables with customers: breakdown by debtor/issuer

	31/12/2015			31/12/2014		
	Performing	Non-performing		Performing	Non-performing	
		Purchased	Other		Purchased	Other
1. Debt instruments	-		-	-		-
a) Governments	-			-		
b) Other government agencies	-			-		
c) Other	-		-	-		-
- non-financial companies	-			-		
- financial companies	-			-		
- insurance companies	-			-		
- other issuers	-			-		
2. Financing to:	**3,536,507**		**-**	**3,854,576**		**-**
a) Governments	-	-	-	-	-	-
b) Other government agencies	-	-	-	75	-	-
c) Other	3,536,507	-	-	3,854,501	-	-
- non-financial companies	30,408	-	-	8,381	-	-
- financial companies	1,153,031	-	391	1,396,808	-	391
- insurance companies	-	-	-	-	-	-
- other	2,353,068	-	-	2,449,313	-	-
Total	**3,536,507**		**391**	**3,854,576**		**391**

Section 10 - Equity investments - caption 100

10.1 Investments in equity-accounted jointly-controlled entities and associates

	Registered office	Operating office	Type of relationship	Investment		Voting rights %
				Investor	Investment %	
B. Associates						
1. Hi-Mtf Sim Spa	Milan	Milan	1	ICBPI	25	25
2. Equens SE	Utrecht	Utrecht	1	ICBPI	20	20
3. Unione Fiduciaria	Milan	Milan	1	ICBPI	24	24

10.2 Significant equity investments: carrying amount, fair value and dividends received

	Carrying amount	Fair value	Dividends received
A. Jointly-controlled entities			
B. Associates			
1. Hi-Mtf Sim Spa	1,526	X	-
2. Equens SE	96,603	X	-
3. Unione Fiduciaria	8,288	X	259
Total	**106,417**	**-**	**259**

10.5 Equity investments: changes

	31/12/2015	31/12/2014
A. Opening balance	106,686	109,190
B. Increases		
B.1 Purchases		
B.2 Reversals of impairment losses		
B.3 Fair value gains	790	193
B.4 Other increases		
C. Decreases		
C.1 Sales		
C.2 Impairment losses	800	-
C.3 Other decreases	259	2,697
D. Closing balance	106,417	106,686
E. Total fair value gains		
F. Total impairment losses		

Caption C3 Other decreases shows the effect of accounting for investments using the equity method and includes the profit or loss for the year and the group's share of changes in the associates' valuation reserves.

10.6 Significant assumptions used for the assessment of the existence of joint control or significant influence

The ICBPI Group's consolidated and equity-accounted investments are all direct mainly by holding voting rights. The group holds more than half of the subsidiaries' voting rights and more than 20% of the associates'.

The group did not have to perform special judgements or make significant assumptions in order to establish the existence of control over subsidiaries and significant influence over associates.

10.7 Commitments for interests in jointly controlled entities

None.

10.8 Commitments for investments in associates

None.

10.9 Significant restrictions

None.

10.10 Other information

None.

Section 12 - Property, equipment and investment property - Caption 120

12.1 Property and equipment: breakdown of assets measured at cost

	31/12/2015	31/12/2014
1. Owned		
a) land	17,089	17,089
b) buildings	45,829	48,479
c) furniture	2,107	2,136
d) electronic systems	37,660	35,708
e) other	1,580	2,020
2. Under finance lease		
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic systems	-	-
e) other	-	-
Total	**104,265**	**105,432**

12.2 Investment property: breakdown of assets measured at cost

	31/12/2015				31/12/2014			
	Carrying amount	Fair Value			Carrying amount	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Owned								
a) land	38,940				38,940			
b) buildings	27,239				28,749			
2. Under finance lease								
a) land	-				-			
b) buildings	-				-			
Total	**66,179**		**96,640**		**67,689**		**99,496**	

12.5 Property and equipment: changes

	Land	Buildings	Furniture	Electronic systems	Other	Total
A. Gross opening balance	**21,242**	**88,431**	**8,417**	**159,889**	**41,781**	**319,760**
A.1 Total net impairment losses	4,153	39,952	6,282	124,268	39,674	214,328
A.2 Net opening balance	17,089	48,479	2,135	35,621	2,107	105,432
B. Increases	**-**	**-**	**167**	**20,475**	**10,085**	**30,727**
B.1 Purchases	-	-	167	20,475	154	20,796
B.2 Capitalised improvement costs	-	-	-	-	-	-
B.3 Reversals of impairment losses	-	-	-	-	-	-
B.4 Fair value gains recognised in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
B.5 Exchange rate gains	-	-	-	-	-	-
B.6 Transfers from investment property	-	-	-	-	-	-
B.7 Other increases	-	-	-		9,931	9,931
C. Decreases	**-**	**2,650**	**196**	**18,435**	**10,613**	**31,896**
C.1 Sales	-	-	-	1,578	10,116	11,694
C.2 Depreciation	-	2,650	196	16,859	497	20,202
C.3 Impairment losses recognised in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
C.4 Fair value gains recognised in:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) profit or loss	-	-	-	-	-	-
C.5 Exchange rate losses	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) investment property		-	-	-	-	-
b) disposal groups	-	-	-	-	-	-
C.7 Other decreases	-	-	-		-	-
D. Net closing balance	**17,089**	**45,829**	**2,107**	**37,659**	**1,579**	**104,265**
D.1 Total net impairment losses	4,153	42,602	6,477	141,127	40,171	234,531
D.2 Gross closing balance	**21,242**	**88,432**	**8,584**	**178,786**	**41,750**	**338,795**
E. Cost						-

12.6 Investment property: changes

	Total	
	Land	Buildings
A. Opening balance	**38,940**	**28,749**
B. Increases		
B.1 Purchases		
B.2 Capitalised improvement costs		
B.3 Fair value gains		
B.4 Reversals of impairment losses		
B.5 Exchange rate gains		
B.6 Transfers from property and equipment		
B.7 Other increases		
C. Decreases”		
C.1 Sales		
C.2 Depreciation		1,509
C.4 Fair value losses		
C4. Impairment losses		
C.5 Exchange rate losses		
C.6 Transfers to other portfolios		
a) property and equipment		
b) non-current assets held for sale		
C.7 Other decreases		
D. Closing balance”	**38,940**	**27,240**
E. Fair value	**96,640**	

Investment property is covered by IAS 40 and includes property held (either owned or under finance lease) to earn rental and / or obtain appreciation of invested capital.

Investment property is measured at cost, net of depreciation.

The group’s investment properties are held by ICBPI and are listed below:

- building in via Verziere 11, Milan,
- building in via Cavallotti 14, Milan,
- building in via Zurigo 3, Milan,
- building in via Broletto 37, Milan,

- building in Corso Europa 18, Milan,
- building in Assago,
- building in via Nazionale 3, San Giovanni al Natisone.

At the reporting date, there are no:

- restrictions to the sale of investment property or the collection of lease payments;
- obligations/contractual commitments to purchase, build, develop, repair or maintain owner-occupied property.

Section 13 - Intangible assets - Caption 130

13.1 Intangible assets: breakdown by asset

	31/12/2015		31/12/2014	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill		**77,727**		**77,727**
A.1.1 attributable to the owners of the parent		77,727		77,727
A.1.2 attributable to non-controlling interests				
A.2 Other intangible assets				
A.2.1 Assets measured at cost:				
a) Internally generated assets				
b) Other	83,256		92,199	
A.2.2 Assets measured at fair value:				
a) Internally generated assets				
b) Other				
Total	**83,256**	**77,727**	**92,199**	**77,727**

13.2 Intangible assets: changes

	Goodwill	Other intangible assets: internally generated assets		Other intangible assets: other		Total
		FIN.	IND.	FIN.	IND.	
A. Opening balance	77,727			164,286		242,013
A.1 Total net impairment losses				72,088		72,088
A.2 Net opening balance	77,727			92,198		169,925
B. Increases						
B.1 Purchases	-	-	-	12,192	-	12,192
B.2 Increase in internally generated assets	-	-	-	-	-	-
B.3 Reversals of impairment losses	-	-	-	-	-	-
B.4 Fair value gains recognised in:	-	-	-	-	-	-
- equity	-	-	-	-	-	-
- profit or loss	-	-	-	-	-	-
B.5 Exchange rate gains	-	-	-	-	-	-
B.6 Other increases	-	-	-		-	-
- including business combinations						-
C. Decreases						
C.1 Sales	-	-	-	-	-	-
C.2 Impairment losses	-	-	-	-	-	-
- Amortisation	-	-	-	21,134	-	21,134
- Fair value losses	-	-	-	-	-	-
+ equity	-	-	-	-	-	-
+ profit or loss	-	-	-	-	-	-
C.4 Fair value losses recognised in:	-	-	-	-	-	-
- equity	-	-	-	-	-	-
- profit or loss	-	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	-	-	-
C.5 Exchange rate losses	-	-	-	-	-	-
C.6 Other decreases						-
D. Net closing balance	77,727	-	-	83,256	-	160,983
D.1 Total net impairment losses				93,222		93,222
E. Gross closing balance	77,727			176,478		254,205
F. Cost						-

Key

FIN: finite life

IND. = indefinite life

Impairment test

The group tested its intangible assets with indefinite lives for impairment.

It also assessed whether there were trigger events affecting its assets with finite lives.

Goodwill relating to the payments, e-banking and euros business units and CartaSi was also tested for impairment.

The summarised figures, parameters and results of the impairment tests are set out below:

	Carrying amount	Approach	Plan	Business segment	Cost of equity (Ke)	Tasso di crescita	Limit Ke difference (*)	Limit NR difference (*)
Payments business goodwill	12,320	Value in use	2016 budget	Payments	7.94%	1.00%	234.50%	-78.23%
E- banking business goodwill	1,418	Value in use	2016 budget	Payments	7.44%	1.00%	348.00%	-86.73%
Euros business goodwill	1,582	Value in use	2016 budget	Application outsourcing	7.44%	1.00%	239.70%	-78.24%
CartaSi goodwill	62,011	Fair Value	NA	E-money	na	na	na	na
Unicard goodwill	396	Fair Value	NA	E-money	na	na	na	na
Total consolidated	**77,727**							

(*) Cost of equity (Ke)/normalised return (NR) percentage change, which matches the recoverable amount to the carrying amount in that approach.

On 31th July 2015 there was the merger of Unicard in CartaSi and the goodwill related to Unicard has been allocated to the e-money cash-generating unit.

After having identified the recoverable amount of each asset being tested for impairment, the group compared it to their carrying amount and, for the cash-generating units, to the assets allocated thereto (calculated with an approach consistent with that used for the identification of the recoverable amount).

The test showed that the recoverable amount exceeds the related carrying amount for all goodwill (payments, e-banking and Euros business units and CartaSi) recognised in the consolidated financial statements.

The group estimated the recoverable amount by:

- estimating the fair value of the e-money cash-generating unit to which the CartaSi goodwill, and Unicard goodwill are allocated;
- estimating the value in use of the cash-generating units to which the goodwill of the payments, e-banking and Euros business units is allocated.

Value in use was estimated using the income method, whereby the economic capital value is expressed in proportion to the future cash flows that the CGU will be able to generate. Considering the group's banking nature, the method was adjusted using a levered approach. When the specific business being tested may be associated with the need to comply with regulatory obligations involving minimum capital requirements, the group applied the dividend discount model (DDM) based on a target requirement (regulatory capital/risk weighted assets) of 11.5%, in line with the relevant target parameter provided by Bank of Italy on 24th December 2015.

The group used the two-step formula when applying the income method, which is as follows:

$$W = \sum NR * (1 + Ke)\text{-}n + TV\ (1 + Ke)\text{-}n$$

where:

- $\sum$ NR * (1 + Ke)-n is the sum of the discounted cash flows for each of the "n" years covered by the plan (in the DDM, Rn is the maximum distributable dividend given the plan cash flows, therefore considering the excess capital or the use of capital in each year);
- TV (1 + Ke)-n is the discounted terminal value (TV), which was calculated by discounting to infinity the NR estimated at the end of the plan period, considering the expected perpetual growth rate of the normal revenue flow equal to "g".

The group applied the following formula to calculate the TV (using the DDM approach):

$$TV = (NR * (1 + g) – RWA * 10\% * g)/(Ke – g)$$

For the purposes of estimating the discount rate, which is the share price in the levered model, the group adopted the capital asset pricing model (CAPM) with the formula $Ke = r_f + \beta\ (r_m - r_f)$, where Ke is the share price, r_f is the risk-free return on investments, β shows the systematic risk and the differential $(r_m - r_f)$ measures the market risk premium (Rm).

The group used market inputs and/or inputs used by the professional practice:

- the risk free rate (r_f) is based on the 10-year Italian treasury bonds (BTP). The use of a rate that has a specific risk component for the Italy country risk is in line with the businesses being tested (all based and operating in Italy). Considering the trend of the rate and its reporting date amount, the group prudently took the 2015 average into account (in line with the reference period used in 2014). Based on information provided by Bloomberg, the parameter was set at 1.697%;
- the market risk premium (R_m) is 5%, based on the general practice for the Italian market;
- beta (β) is equal to the average of the companies included in the reference segment(s) (as identi-

fied through Bloomberg on 29th January 2016), identified on a case by case basis in relation to the nature of the business being tested.

Moreover, where deemed applicable in relation to the nature of the businesses being tested, as additional elements for the calculation of the cost of equity (Ke), the group considered other specific risks (Rs).

The group calculated the cash flows:

- analytically on the basis of the figures included in 2016 budget of ICBPI Group and of its subsidiaries approved by the board of directors of ICBPI and where applicable by the board of directors of ICBPI subsidiaries;
- systematically, in relation to the terminal value calculated in perpetuity.

At the end of each valuation, the group carried out a sensitivity analysis in order to show:

- that the CGU's recoverable amount exceeded its carrying amount;
- the value assigned to the underlying assumptions;
- the percentage difference between the rate used to discount cash flows, which makes the CGU's recoverable amount equal to the carrying amount of goodwill, and the rate used to calculate value in use.

The "Limit Ke difference" and "Limit NR difference" columns of the table set out earlier show the results of the sensitivity analysis carried out to check the relationship between the change in the CGU's value in use and in the discount rate (Ke) and normalised return (NR) that were used as a basis to calculate the terminal value.

The recoverable amount of the e-money CGU, operating through CartaSi and Help Line, was calculated as follows:

- the fair value of the CartaSi component was measured by reference to the price of a recent transaction between knowledgeable parties in an arm's length transaction;
- considering its relevance for the CGU's organisation and the lack of recent transactions from which its fair value might be inferred, the Help Line component was prudently considered at the amount of its reported equity.

The resulting amount was reduced to account for the expected disposal costs, calculated on a lump-sum and prudent basis compared to the group's experience.

Section 14 - Tax assets and liabilities - Caption 140 of assets and Caption 80 of liabilities

14.1 Deferred tax assets: breakdown

	31/12/2015	31/12/2014
IRAP		
Net impairment losses on loans and receivables	355	
Provisions	211	
Substitute tax on goodwill	3,580	3,617
Amortisation/depreciation	905	680
Fair value reserve	5	
Other		
IRES		
Net impairment losses on loans and receivables	12,804	12,853
Provisions	7,901	7,838
Substitute tax on goodwill	17,674	17,858
Impairment losses on intangible assets, P&E and investment property	8,436	7,305
Fair value reserve	25	
Other	1,220	2,289

14.2 Deferred tax liabilities: breakdown

	31/12/2015	31/12/2014
IRAP		
Building revaluations	2,680	2,765
Other	2,780	1,894
Fair value reserve	12,454	2,687
IRES		
Building revaluations	14,728	15,155
Other	5,917	5,223
Fair value reserve	13,601	13,266

14.3 Changes in deferred tax assets (recognised in profit or loss)

	31/12/2015	31/12/2014
1. Opening balance”	**51,457**	**50,413**
2. Increases		
2.1 Deferred tax assets recognised in the year		
a) related to previous years		
b) due to changes in accounting policies		
c) reversals of impairment losses		
d) other	5,698	5,728
2.2 New taxes or increases in tax rates		
2.3 Other increases		663
3. Decreases		
3.1 Deferred tax assets derecognised in the year		
a) reversals	5,013	5,346
b) impairment due to non-recoverability		
c) change in accounting policies		
d) other		
3.2 Decrease in tax rates	34	
3.3 Other decreases		
a) conversion into tax credits as per Law no. 214/2011”		
b) other		
4. Closing balance	**52,108**	**51,457**

The increases are due to temporary difference which arose during the year.

14.3.1 Change in deferred tax assets as per Law no. 214/2011 (recognised in profit or loss)

	31/12/2015	31/12/2014
1. Opening balance	**39,161**	38,796
2. Increases	1,861	903
3. Decreases		
3.1 Reversals	462	538
3.2 Conversions into tax assets		
a) arising from the loss for the year		
b) arising from tax losses		
3.3 Other information		
4. Closing balance	**40,560**	**39,161**

14.4 Changes in deferred tax liabilities (recognised in profit or loss)

	31/12/2015	31/12/2014
1. Opening balance	**25,022**	**24,638**
2. Increases		
2.1 Deferred tax liabilities recognised in the year		
a) related to previous years		
b) due to changes in accounting policies		
c) other	3,297	3,870
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases		
3.1 Deferred tax liabilities derecognised in the year		
a) reversals	2,191	3,486
b) due to changes in accounting policies		
c) other		
3.2 Decrease in tax rates		
3.2 Other decreases		
4. Closing balance	**26,128**	**25,022**

14.5 Changes in deferred tax assets (recognised in equity)

	31/12/2015	31/12/2014
1. Opening balance	**983**	**48**
2. Increases		
2.1 Deferred tax assets recognised in the year		
a) related to previous years		
b) due to changes in accounting policies		
c) other	73	981
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases		
3.1 Deferred tax assets derecognised in the year		
a) reversals	44	46
b) impairment due to non-recoverability		
c) due to changes in accounting policies		
d) other		
3.2 Decrease in tax rates	4	
3.3 Other decreases		
4. Closing balance	**1,008**	**983**

14.6 Changes in deferred tax liabilities (recognised in equity)

	31/12/2015	31/12/2014
1. Opening balance	**15,968**	**15,620**
2. Increases		
2.1 Deferred tax liabilities recognised in the year		
a) related to previous years		
b) due to changes in accounting policies		
c) other	13,773	348
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases		
3.1 Deferred tax liabilities derecognised in the year		
a) reversals		
b) due to changes in accounting policies		
c) other	3,710	
3.2 Decrease in tax rates		
3.3 Other decreases		
4. Closing balance"	**26,031**	**15,968**

Section 15 - non-current assets held for sale and discontinued operations and related liabilities - Caption 150 of assets and caption 90 of liabilities

15.1 Non-current assets held for sale and discontinued operations: breakdown by type of asset

	31/12/2015	31/12/2014
A. Non-current assets held for sale		
A.1 Financial assets	186,206	
A.2 Investments in associates and companies subject to joint control		
A.3 Property and equipment		
A.4 Intangible assets		
A.5 Other		
Total A	**186,206**	-
of which cost		
of which Fair value Level 1		
of which Fair value Level 2		
of which Fair value Level 3	186,206	
B. 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 Investments held to maturity		
B.5 Due from banks		
B.6 Loans to customers		
B.7 Investments in associates and companies subject to joint control		
B.8 Property and equipment		
B.9 Intangible assets		
B.10 Other		
Total B	-	-
of which cost		
of which Fair value Level 1		
of which Fair value Level 2		
of which Fair value Level 3		
C. Liabilities associated with non-current assets held for sale		
C.1 Debts		
C.2 Securities		
C.3 Other		
Total C	-	-
of which cost		
of which Fair value Level 1		
of which Fair value Level 2		
of which Fair value Level 3		
D. Liabilities associated with discontinued operations		
D.1 Due to banks		
D.2 Due to customers		
D.3 Securities issued		
D.4 Financial liabilities held for trading		
D.5 Financial liabilities designated at fair value through profit and loss		
D.6 Allowances		
D.7 Other		
Total D	-	-
of which cost		
of which Fair value Level 1		
of which Fair value Level 2		
of which Fair value Level 3		

The Icbpi Group has classified in the statement of financial position at 31 December 2015, the membership in Visa Europe Ltd, before issued in available for sale financial assets.

In particular:

- the asset is identified by not listed equity in Visa Europe Ltd assigned to CartaSi as a principal member
- in consequence of the acquisition of Visa Europe by Visa Inc the membership has been reclassified in the Non current assets held for sale and discontinued operations; Visa Inc has concluded the agreement for the acquisition of Visa Ltd; this merger has been approved by the board of Directors
- for the definition of the economic value of the merger, the due diligence phase started. This phase should close the transaction within 30 June 2016.
- according to Ifrs 5 the membership in Visa Europe Ltd has been valued at fair value. The partecipation and the valuation reserves have been reclassified in Non-current assets held for sale and discontinued operations.
- the participation is unlisted and it has been valued at level 3 fair value, considering all the informations available at 31 December 2015.

Section 16 - Other assets - Caption 160

16.1 Other assets: breakdown

	31/12/2015	31/12/2014
Withholding taxes paid on interest charged to customers and other tax assets	91,614	96,691
Negotiated cheques to be cleared	9,198	7,392
Matured securities and accrued interest to be collected	605	4,466
Commissions and other income to be charged	163,963	152,504
BIREL, transfers, SETIF, received messages to be charged, e-money	125,297	159,727
Sundry and residual items	49,925	44,153
Total	**440,602**	**464,932**

LIABILITIES

Section 1 - Due to banks - Caption 10

1.1 Due to banks: breakdown by product

	31/12/2015	31/12/2014
1. Due to central banks	1,886	73,583
2. Due to banks	1,629,912	2,428,917
2.1 Current accounts and demand deposits	818,935	1,437,396
2.2 Term deposits	120,504	107,138
2.3 Financing	357,492	398,014
2.3.1 repurchase agreements	-	165,551
2.3.2 other	357,492	232,463
2.4 Commitments to repurchase own equity instruments	-	-
2.5 Other liabilities	332,981	486,369
Total	**1,631,798**	**2,502,500**
Fair value - level 1		
Fair value - level 2	**1,631,798**	**2,502,500**
Fair value - level 3		
Total fair value	**1,631,798**	**2,502,500**

Section 2 - Due to customers - Caption 20

2.1 Due to customers: breakdown by product

	31/12/2015	31/12/2014
1. Current accounts and demand deposits	3,933,377	2,637,056
2. Term deposits	59	509
3. Financing	100,025	-
3.1 repurchase agreements	100,025	-
3.2 other instruments	-	-
4. Commitments to repurchase own equity instruments	-	-
5. Other liabilities	513,766	461,975
Total	**4,547,227**	**3,099,540**
Fair value - level 1		
Fair value - level 2	**4,547,227**	**3,099,540**
Fair value - level 3		
Total fair value	**4,547,227**	**3,099,540**

Section 4 - Financial liabilities held for trading - Caption 40

4.1 Financial liabilities held for trading: breakdown by product

	31/12/2015					31/12/2014				
	NA	FV			FV*	NA	FV			FV*
		L1	L2	L3			L1	L2	L3	
A. Financial liabilities										
1. Due to banks	520	578	-	-	-	467	516	-	-	-
2. Due to customers	263	280	-	-	-	898	973	-	-	-
3. Debt instruments	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-		-	-	-	-	
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total A	**783**	**858**	**-**	**-**		**1,364**	**1,488**	**-**	**-**	
B. Derivatives										
1. Financial derivatives										
1.1 Trading	X	-	4,049	-	X	X	-	4,674	-	X
1.2 Associated with fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives		-	-	-			-	-	-	
2.1 Trading	X	-	-	-	X	X	-	-	-	X
2.2 Associated with fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
TOTAL B	**X**	**-**	**4,049**	**-**	**X**	**X**	**-**	**4,674**	**-**	**X**
Total (A + B)	**783**	**858**	**4,069**	**-**	**X**	**1,364**	**1,488**	**4,674**	**-**	**X**

Key:
FV = fair value
VN = nominal or notional amount
FV = fair value calculated by excluding changes in value due to changes in the issuer's credit standing compared to the issue date.*
L1 = level 1
L2 = level 2
L3 = level 3

Section 8 - Tax liabilities - Caption 80

See section 14 of Assets.

Section 10 - Other liabilities - Caption 100

10.1 Other liabilities: breakdown

	31/12/2015	31/12/2014
Tax liabilities, withholding taxes and other amounts to be paid	21,003	18,942
Cheques, cheque truncation flows to be credited	11,302	19,163
Securities, currency and premium transactions paid for options to be credited	2,162	3,287
Due to employees	24,501	30,292
Other liabilities for expenses, commissions and interest to be paid	132,724	168,898
Prepaid debit cards	54,481	50,570
Currency differences on portfolio transactions	1,546	1,578
BIREL, transfers, payment flows to be credited	395,154	1,005,927
Sundry and residual items	64,716	64,076
Total	**707,589**	**1,362,733**

Section 11 - Post-employment benefits - Caption 110

11.1 Post-employment benefits: changes

	31/12/2015	31/12/2014
A. Opening balance	**22,897**	**19,471**
B. Increases		
B.1 Accruals	275	531
B.2 Other increases		3,636
Including business combinations		261
C. Decreases		
C.1 Payments	630	741
C.2 Other decreases	865	
D. Closing balance	21,677	22,897
Total	**21,677**	**22,897**

11.2 Other information

Main demographic and actuarial assumptions used to measure post-employment benefits at 31 December 2015	
Mortality among aged pensioners	Rates relating to Italians broken down by age and gender, published by ISTAT in 2000 and reduced by 25%
Mortality among total and permanent disability pensioners	Rates inferred from the invalidity tables currently used by the reinsurance practice, broken down by age and gender.
Termination of employment for resignation or dismissal	Rates inferred by estimating the annual occurrences, based on group and market figures, over the 2012-2015 observation period
Retirement	Rate based on the satisfaction of the first requirement for the mandatory general insurance
Inflation	2%
Annual discount rate	1.37% inferred from the breakdown of interest rate by maturity bootstrapped from the swap rate curve at the reporting date at 31.12.2015 (Source: Il Sole 24 ore) and established with reference to the individual group companies' liabilities due after an average period of 14 years.

Sensitivity analysis

As required by IAS 19, the group carried out a sensitivity analysis of the liability for post-employment benefits with reference to the most significant actuarial assumptions. It aimed at showing how much the carrying amount of the liability would be affected by reasonably possible variations in each of the assumptions. Specifically, the following table sets out the change in the liability for post-employment benefits assuming that the main assumptions used increase or decrease.

€'000	Change in post-employment benefits	Change in post-employment benefits
Change in actuarial assumptions:		
- Discount rate:		
-0.50%	1,411	6.51%
0.50%	(1,297)	-5.98%
- Employee turnover		
-0.25%	105	0.49%
0.25%	(99)	-0.46%

Section 12 - Provisions for risks and charges - Caption 120

12.1 Provisions for risks and charges: breakdown

	31/12/2015	31/12/2014
1. Internal pension plans	978	967
2. Other provisions for risks and charges	38,147	42,563
Total	**39,125**	**43,529**

12.2 Provisions for risks and charges: changes

	Total	
	Pension plans	Other provisions
A. Opening balance	**967**	**42,563**
B. Increases		
B.1 Accruals	-	5,537
B.2 Discounting	-	-
B.3 Changes due to variations in discount rate	-	-
B.4 Other increases	80	-
C. Decreases		
C.1 Utilisations	69	9,953
C.2 Changes due to variations in discount rate	-	-
C.3 Other decreases	-	-
D. Closing balance	**978**	**38,147**

12.3 Defined benefit internal pension plans

1. Description and related risks

The liability for defined benefit internal pension plans includes the accruals made for the group's obligation to its former employees. The estimated liability amounts to €978 thousand at the reporting date.

2. Changes in the plans

The present value of the defined benefit liability at 31 December 2015 leave for manager amounts to €967 thousand. The group paid benefits totalling €69 thousand during the year. The increase is a result of the discounting.

5. Cash flow amount, timing and uncertainty

The plan is based on the latest remuneration.

Section 15 - Equity - Captions 140, 160, 170, 180, 190, 200 and 220

15.1 "Share capital" and "Treasury shares": breakdown

	31/12/2015	31/12/2014
1. Share capital	42,557	42,557
2. Share premium	148,242	148,242
3. Reserves	630,930	565,156
4. (Treasury shares)		
a) parent	(32)	(32)
b) subsidiaries		
5. Valuation reserves	232,373	75,484
6. Profit for the year	90,489	96,350
Total	**1,144,559**	**927,757**

15.2 Share capital - number of shares: changes

	Ordinary	Other
A. Opening balance		
- fully paid-in	14,185,790	
- not fully paid-in		
A.1 Treasury shares (-)	75,191	
A.2 Outstanding shares: opening balance	**14,110,599**	
B. Increases	**-**	
B.1 New issues	-	
- against consideration:	-	
- business combinations	-	
- bond conversions	-	
- exercise of warrants	-	
- other	-	
- bonus issues:	-	
- to employees	-	
- to directors	-	
- other	-	
B.2 Sale of treasury shares	-	
B.3 Other increases	-	
C. Decreases	**-**	
C.1 Cancellations	-	
C.2 Repurchases of treasury shares	-	
C3 Disposals of equity investments	-	
C.4 Other decreases	-	
D. Outstanding shares: closing balance	**14,110,599**	
D.1 Treasury shares (+)	75,191	
D.2 Closing balance	14,185,790	
- fully paid-in	14,185,790	
- not fully paid-in		

The outstanding and fully paid-in shares number 14,185,790, while treasury shares in portfolio amount to 75,191.

Section 16 - Equity attributable to non-controlling interests - Caption 210

16.1 Caption 210 "Equity attributable to non-controlling interests"

	31/12/2015	31/12/2014
Investments in consolidated companies with significant non-controlling interests:		
Help Line	3,218	2,480
CartaSi	22,415	27,280
Total	**25,633**	**29,760**

16.2 Equity instruments: breakdown and changes

	31/12/2015	31/12/2014
1. Share capital	2,488	3,830
2. Share premium	114	168
3. Reserves	12,769	22,614
4. (Treasury shares)	-	-
5. Valuation reserves	5,545	-108
6. Equity instruments	-	-
7. Profit for the year attributable to non-controlling interests	4,717	3,257
Total	**25,633**	**29,760**

Other disclosures

1. Guarantees and commitments

	31/12/2015	31/12/2014
1) Financial guarantees issued	1,385	1,385
a) Banks	1,385	1,385
b) Customers	-	-
2) Commercial guarantees issued	1,075	1,075
a) Banks	83	83
b) Customers	992	992
3) Irrevocable commitments to disburse funds	252,231	158,287
a) Banks	9,608	107,637
i) certain use	9,608	107,637
ii) uncertain use	-	-
b) Customers	242,623	50,650
i) certain use	125,220	10,650
ii) uncertain use	117,403	40,000
4) Commitments underlying credit derivatives: protection sales	-	-
5) Assets pledged as collateral for third party commitments	-	-
6) Other commitments	-	-
Total	**254,692**	**160,747**

2. Assets pledged as guarantee for liabilities and commitments

	31/12/2015	31/12/2014
1. Financial assets held for trading	-	-
2. Financial assets at fair value through profit or loss	-	-
3. Available-for-sale financial assets	180,834	70,193
4. Held-to-maturity investments	-	-
5. Loans and receivables with banks	-	-
6. Loans and receivables with customers	-	-
7. Property, equipment and investment property	-	-

5. Management and trading on behalf of third parties: banking group

	31/12/2015	31/12/2014
1. Execution of customer orders		
a) Purchases		
1. settled	22,616,234	28,044,701
2. unsettled	-	-
b) sales	-	-
1. settled	22,878,984	29,693,122
2. unsettled	-	-
2. Asset management		
a) individual	-	-
b) collective	-	-
3. Securities custody and administration		
a) third party securities held as part of depository bank services (excluding asset management)	45,353,130	41,675,870
1. securities issued by the consolidated entities	-	-
2. other securities	45,353,130	41,675,870
b) third party securities on deposit (excluding asset management)	79,421,757	80,246,446
1. securities issued by the consolidated entities	39,648	15,916
2. other securities	79,382,109	80,230,530
c) third party securities deposited with third parties	108,106,682	110,109,350
d) securities owned by the group deposited with third parties	2,617,499	2,546,480
4. Order collection and transmission		
a) Purchases		
1. settled	1,680,054	868,903
2. unsettled	-	-
b) Sales	-	-
1. settled	1,666,266	1,049,324
2. unsettled	-	-
5. Placement of secured and unsecured securities	**-**	**-**
a) Placement of unsecured securities	627,060	1,463,843
b) Placement of secured securities	28,029	10,840

Part C - NOTES TO THE INCOME STATEMENT

Section 1 - Interest - Captions 10 and 20

1.1 Interest and similar income: breakdown

	Debt instruments	Financing	Other	31/12/2015	31/12/2014
1. Financial assets held for trading	445	-	-	445	342
2. Financial assets at fair value through profit or loss	-	-	-	-	-
3. Available-for-sale financial assets	44,175	-	-	44,175	57,951
4. Held-to-maturity investments	608	-	-	608	919
5. Loans and receivables with banks	180	1,610	51	1,841	2,483
6. Loans and receivables with customers	-	1,790	25,191	26,981	31,198
7. Hedging derivatives	-	-	-	-	-
8. Other assets	-	-	460	460	373
Total	**45,408**	**3,400**	**25,702**	**74,510**	**93,265**

1.4 Interest and similar expense: breakdown

	Liabilities	Securities	Other	31/12/2015	31/12/2014
1. Due to central banks	104	-	-	104	1
2. Due to banks	21,554	-	72	21,625	21,580
3. Due to customers	1,238	-	-	1,238	2,563
4. Securities issued	-	-	-	-	81
5. Financial liabilities held for trading	41	-	-	41	56
6. Financial liabilities at fair value through profit or loss	-	-	-	-	-
7. Other liabilities and provisions	-	-	254	254	135
8. Hedging derivatives	-	-	-	-	-
Total	**22,937**	**-**	**326**	**23,262**	**24,416**

Section 2 - Fees and commissions - Captions 40 and 50

2.1 Fee and commission income: breakdown

	31/12/2015	31/12/2014
a) guarantees issued	21	37
b) credit derivatives	-	-
c) management, brokerage and consultancy services:	11,612	11,789
1. trading in financial instruments	11,612	11,789
2. foreign currency transactions	-	-
3. asset management	-	-
3.1. individual	-	-
3.2. collective	-	-
4. securities custody and administration	4,214	3,340
5. depository services	48,968	38,692
6. securities placement	3,051	4,917
7. order collection and transmission	2,304	1,371
8. consultancy services	144	105
8.1 concerning investments	-	-
8.2 concerning financial structure	144	105
9. distribution of third party services	-	-
9.1. asset management	-	-
9.1.1. individual	-	-
9.1.2. collective	-	-
9.2. insurance products	-	-
9.3. other products	-	-
d) collection and payment services	893,541	895,822
e) servicing services for securitisations	-	-
f) services for factoring transactions	-	-
g) tax collection services	-	-
h) management of multilateral trading systems	-	-
i) keeping and management of current accounts	-	-
j) other services	90,290	77,698
Total	**1,054,145**	**1,033,772**

2.2 Fee and commission expense: breakdown

	31/12/2015	31/12/2014
a) guarantees received	46	37
b) credit derivatives	-	-
c) management and brokerage services:	-	
1. trading in financial instruments	400	436
2. foreign currency transactions	64	1
3. asset management:	-	-
3.1 own portfolio	-	-
3.2 third party portfolios	-	-
4. securities custody and administration	5,649	4,854
5. placement of financial instruments	2,673	4,542
6. securities settlement	2,250	2,003
7. off-premises distribution of financial instruments, products and services	-	-
d) collection and payment services	655,378	658,781
e) other services	3,241	2,654
Total	**669,701**	**673,307**

Section 3 - Dividends and similar income - Item 70

3.1 Dividends and similar income: breakdown

	31/12/2015		31/12/2014	
	Dividends	Income from OEIC units	Dividends	Income from OEIC units
A. Financial assets held for trading	12	-	4	
B. Available-for-sale financial assets	225	-	261	
C. Financial assets at fair value through profit or loss	-	-	-	
D. Equity investments	-	-	-	
Total	**237**	**-**	**265**	

Section 4 - Net trading income - Caption 80

4.1 Net trading income: breakdown

	Gains (A)	Trading income (B)	Losses (C)	Trading losses (D)	Net trading income [(A+B) - (C+D)]
1. Financial assets held for trading					
1.1 Debt instruments	37	4,548	73	807	3,705
1.2 Equity instruments	-	256	24	411	-179
1.3 OEIC units	3	1	-	2	2
1.4 Financing	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading					
2.1. Debt instruments	1	-	1	-	-
2.2 Liabilities	-	-	-	-	-
2.3 Other	-	-	1	-	-1
3. Other financial assets and liabilities: net exchange rate gains	X	X	X	X	543
4. Derivatives					
4.1. Financial derivatives:					
- On debt instruments and interest rates	-	-	-	-	-
- On equity instruments and equity indexes	114	11,239	10,603	95	656
- On currencies and gold	-	-	-	-	-
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
Total	**155**	**16,044**	**10,702**	**1,314**	**4,726**

Section 6 - Gain (loss) from sales/repurchases - Caption 100

6.1 Net gain (loss) from sales or repurchases: breakdown

	31/12/2015			31/12/2014		
	Gain	Loss	Net gain (loss)	Gain	Loss	Net gain (loss)
Financial assets						
1. Loans and receivables with banks	-	-	-	-	-	-
2. Loans and receivables with customers	-	-	-	-	-	-
3. Available-for-sale financial assets	-	-	-	-	-	-
3.1 Debt instruments	-	-	-	-	-	-
3.2 Equity instruments	-	-	-	3,540	-	3,540
3.3 OEIC units	-	-	-	-	-	-
3.4 Financing	-	-	-	-	-	-
4. Held-to-maturity investments	-	-	-	-	-	-
Total assets	**-**	**-**	**-**	**3,540**	**-**	**3,540**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	-	-	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**

Section 8 - Net impairment losses - Caption 130

8.1 Net impairment losses on loans and receivables: breakdown

	Impairment losses (1)			Reversals of impairment losses (2)				31/12/2015 (3)=(1)–(2)	31/12/2014 (3)=(1)–(2)
	Individual		Collective	Individual		Collective			
	Derecognition	Other		A	B	A	B		
A. Loans and receivables with central banks									
- Financing	-	-						-	74
- Debt instruments	-	-						-	-
2. Loans and receivables with customers	-	-						-	-
Impaired loans acquired	-	-						-	-
- Financing	-	-				X	X	-	X
- Debt instruments	-	-				X	X	X	X
Other	-	-						-	-
- Financing	-	-	2,599					2,599	3,892
- Debt instruments	-	-						-	-
C. Total	**-**	**-**	**2,599**	**-**	**-**	**-**	**-**	**2,599**	**3,966**

Key
A = from interest
B = other reversals

Portfolio value adjustments are mainly related to credit card debt and revolvingloans.

8.2 Net impairment losses on AFS financial assets: breakdown

	Impairment losses (1)		Reversals of impairment losses (2)		31/12/2015 (3)=(1)–(2)	31/12/2014 (3)=(1)–(2)
	Individual		Individual			
	Derecognition	Other	A	B		
A. Debt instruments						
B. Equity instruments		227			227	67
C. OEIC units						
D. Financing to banks						
E. Financing to customers						
F. Total	**-**	**227**	**-**	**-**	**227**	**67**

Key
A = from interest
B = other reversals

8.3 Net impairment losses on held-to-maturity investments: breakdown

	Impairment losses (1)			Reversals of impairment losses (2)				31/12/2015	31/12/2014
	Individual		Collective	Individual		Collective			
	Derecognition	Other		A	B	A	B		
A. Debt instruments		4,478						**4,478**	**1,940**
B. Financing to banks									
C. Financing to customers									
D. Total	**-**	**4,478**	**-**	**-**	**-**	**-**	**-**	**4,478**	**1,940**

Key
A = from interest
B = other reversals

Section 11 - Administrative expenses - Caption 180

11.1 Personnel expense: breakdown

	31/12/2015	31/12/2014
1) Employees		
a) wages and salaries	95,767	96,232
b) social security charges	24,977	25,053
c) post-employment benefits	678	796
d) pension costs	289	241
e) accrual for post-employment benefits	289	533
f) accrual for pension and similar provisions:	-	-
- defined contribution plans	-	-
- defined benefit plans	-	-
g) payments to external supplementary pension funds:	-	
- defined contribution plans	7,818	7,316
- defined benefit plans	-	-
h) costs of share-based payment plans	-	-
i) other employee benefits	5,150	5,084
2) Other personnel	840	942
3) Directors and statutory auditors	3,560	3,952
4) Retired personnel	-	-
Total	**139,368**	**140,148**

11.2 Average number of employees per category

	31/12/2015	31/12/2014
a) managers	59	61
b) junior managers	597	583
c) other employees	1,063	1,071

11.5 Other administrative expenses: breakdown

	31/12/2015	31/12/2014
- data processing	98,916	90,650
- post office, valuables transportation and couriers	24,749	26,304
- external services	20,060	19,721
- interbank network traffic	12,543	14,822
- IT connections and automation costs	3,920	2,847
- access to markets	2,214	2,322
- professional services	14,718	8,693
- agents' commissions	1,757	1,418
- bank draft books	170	311
- maintenance and lease	35,312	37,227
- building running costs, leases, heating and lighting	6,083	6,257
- stationery and printed matter	519	1,081
- insurance	2,162	2,329
- telegraph, telephone and telex	5,274	5,055
- card processing	37,044	37,662
- membership fees	1,333	1,306
- surveillance and cleaning	965	928
- other	66,137	63,964
- taxes and duties	58,306	61,269
Total	**392,182**	**384,165**

The fees paid in 2014 to the independent auditors engaged for the legally required audit pursuant to Legislative decree no. 39 of 27 January 2010 are detailed below:

	Service provider	€'000
Audit of the parent's financial statements	KPMG S.p.A.	510
Audit of the subsidiaries' financial statements	KPMG S.p.A.	278
Total		**788**

In addition to the audit of the separate and consolidated financial statements and the procedures required of the independent auditors by tax legislation.

Section 12 - Net accruals to provisions for risks and charges - Caption 190

12.1 Net accruals to provisions for risks and charges: breakdown

	31/12/2015	31/12/2014
Accruals to provisions	13	1,372
Total	**13**	**1,372**

Section 13 - Depreciation and net impairment losses on property, equipment and investment property - Caption 200

13.1 Depreciation and net impairment losses on property, equipment and investment property: breakdown

13.1.1 attributable to the banking group

	Depreciation (a)	Impairment losses (b)	Reversals of impairment losses (c)	Carrying amount (a + b – c)
A. Property, equipment and investment property				
A.1 Owned				
- Property and equipment	20,052			**20,052**
- Investment property	1,659			**1,659**
A.2 Under finance lease				**-**
- Property and equipment	-			**-**
- Investment property	-			**-**
Total	**21,711**	**-**	**-**	**21,711**

Section 14 - Amortisation and net impairment losses on intangible assets - Caption 210

14.1 Amortisation and net impairment losses on intangible assets: breakdown

	Amortisation (a)	Impairment losses (b)	Reversals of impairment losses (c)	Carrying amount (a + b – c)
A. Intangible assets				-
A.1 Owned				-
- Generated internally				-
- Other	21,134	-	-	**21,134**
A.2 Under finance lease				-
Total	**21,134**	**-**	**-**	**21,134**

Section 15 - Other operating expense and income - Caption 220

15.1 Other operating expense: breakdown

	31/12/2015	31/12/2014
Transfer of revenue from services	22,881	21,524
Other costs	12,291	22,038
Total	**35,172**	**43,562**

15.2 Other operating income: breakdown

	31/12/2015	31/12/2014
Lease income	911	1,471
Services	240,552	233,050
Recoveries of stamp duties from customers and post office expenses	71,780	74,699
Other income	4,603	22,990
Total	**317,846**	**332,210**

Section 16 - Share of profits (losses) of investees - Caption 240

16.1 Share of losses of investees: breakdown

	31/12/2015	31/12/2014
1) Jointly-controlled entities		
A. Income		
1. Fair value gains		
2. Gains on sales		
3. Reversals of impairment losses		
4. Other income		
B. Costs		
1. Fair value losses		
2. Impairment losses		
3. Losses on sales		
4. Other costs		
Net profits (losses)	-	-
2) Associates		
A. Income		
1. Fair value gains		
2. Gains on sales		
3. Reversals of impairment losses		
4. Other income	790	348
B. Costs		
1. Fair value losses		
2. Impairment losses		
3. Losses on sales		
4. Other costs	800	1,504
Net losses	**-10**	**- 1,156**
Total	**-10**	**- 1,156**

Section 19 - Gains (losses) on sales of investments - Caption 270

19.1 Net gains on sales of investments: breakdown

	31/12/2015	31/12/2014
A. Property		
- Gains on sales		
- Losses on sales		
B. Other assets		
- Gains on sales	8	
- Losses on sales	2	
Net gains	**6**	**-**

Section 20 - Income taxes - Caption 290

20.1 Income taxes: breakdown

		31/12/2015	31/12/2014
1.	Current taxes	- 47,291	- 58,861
2.	Change in current taxes from previous years (+/-)	1,301	1,037
3.	Decrease in current taxes for the year (+)	38	
3. bis	Decrease in current taxes for the year due to tax assets as per Law no. 214/2011 (+)		
4.	Change in deferred tax assets (+/-)	656	381
5.	Change in deferred tax liabilities (+/-)	- 1,106	- 383
6.	Tax expense for the year (-)	- 46,407	- 57,826

20.2 Reconciliation between the theoretical and effective tax expense

	31/12/2015	31/12/2014
Reconciliation between the theoretical and effective tax rate		
Theoretical tax rate	33.1%	33.1%
Tax exempt income and other decreases	-7.4%	-9.1%
Non-deductible costs	7.1%	12.8%
Effective tax rate	32.8%	36.7%

Section 22 - Profit for the year attributable to non-controlling interests - Caption 330

2.1 Caption 330 "Profit for the year attributable to non-controlling interests"

	31/12/2015	31/12/2014
Consolidated investments with significant non-controlling interests		
Help Line	718	247
CartaSi	4,000	3,010
Total	**4,718**	**3,257**

PART D – COMPREHENSIVE INCOME

Breakdown of comprehensive income

		Gross amount	Income tax	Net amount
10	Profit for the year	X	X	95,206
Items that will not be reclassified subsequently to profit or loss:				
20	Property, equipment and investment property			
30	Intangible assets			
40	Defined benefit plans	867	-244	623
50	Non-current assets held for sale			
60	Share of valuation reserves of equity-accounted investees			
Items that will be reclassified subsequently to profit or loss:				
70	Hedges of investments in foreign operations:			
	a) fair value gains (losses)			
	b) reclassification to profit or loss			
	c) other changes			
80	Exchange rate gains (losses):			
	a) unrealised gains (losses)			
	b) reclassification to profit or loss			
	c) other changes			
90	Cash flow hedges:			
	a) fair value gains (losses)			
	b) reclassification to profit or loss			
	c) other changes			
100	Available-for-sale financial assets:			
	a) fair value gains (losses)	176,155	-10,072	166,083
	b) reclassification to profit or loss:			
	- impairment losses			
	- gains/losses on sales			
	c) other changes			
110	Non-current assets held for sale:			
	a) fair value gains (losses)			
	b) reclassification to profit or loss			
	c) other changes			
120	Share of valuation reserves of equity-accounted investees:			
	a) fair value gains (losses)			
	b) reclassification to profit or loss			
	- impairment losses			
	- gains/losses on sales			
	c) other changes			
130	**Total other comprehensive income**	**177,022**	**-10,316**	**166,706**
140	**Comprehensive income (captions 10 + 130)**	**177,022**	**-10,316**	**261,912**
150	Comprehensive income attributable to non-controlling interests	X	X	14,543
160	**Comprehensive income attributable to the owners of the parent**	**X**	**X**	**247,369**

(€'000)

Part E - Risks and related hedging policies

Introduction

This section includes information related to the ICBPI banking group, which includes:

- **ICBPI S.p.A.** ("ICBPI" or the "bank"), parent (also the "parent"), included in the banks register: as well as management, coordination and control activities, ICBPI provides the group companies with centralised financial, lending and administrative assistance services and the market with payment and securities services;
- **CartaSi S.p.A.**, financial company included in the register of payment institutes as per article 114-septies of the Consolidated Banking Act: it provides payment services in accordance with article 1.1.b.3/4/5 of Legislative decree no. 11 of 27 January 2010 and related services;
- **Oasi Diagram** - Outsourcing Applicativo e Servizi Innovativi S.p.A. ("Oasi"), operating company: it performs, inter alia, data security and supervisory reporting activities on an outsourcing basis;
- **Help Line S.p.A.** ("Help Line"), operating company: a contact centre business;

Risk management

The group monitors and manages the risks to which it is exposed using well-defined methods and processes, applicable throughout the economic cycle.

The parent's risk management unit monitors and controls the group's risks, working closely with the boards of statutory auditors and general managers of the parent and its subsidiaries, as well as with the risk management unit manager appointed by CartaSi's board of directors and the operating heads of the risk management units of the other group companies. It reports to the group companies' boards of statutory auditors and the parent's risk committee and managing director.

The risk management unit's activities mainly consist of measuring, monitoring and reporting risks related to the business activities of all the group companies. It also checks the suitability of the parent's and group's own funds to cover the various types of risks. It performs the following activities:

- proposal of quantitative and qualitative parameters to define the RAF (Risk Appetite Framework) used to establish how to calculate and monitor optimal risk levels, warning thresholds and maximum risk levels that the group intends to comply with in line with the strategic objectives set out in its business plan;
- ongoing checks of the suitability of the risk management process and operating limits;
- preparation of a concise mapping of risks that affect the parent and group companies and annual check that the group's risks are updated;
- compliance with the regulator's requirements about risk management. Specifically:

  - it coordinates the entire ICAAP process;
  - it is responsible for the development, testing and maintenance of risk measurement and control systems, ensuring that they undergo periodic backtesting, an appropriate number of scenarios are analysed and prudent assumptions about dependencies and correlations are used;
- it coordinates the presentation of information to the market and the annual presentation of the "Disclosures to the market" document in accordance with Circular no. 285/2013;
- it proposes the utilisation of specific risk identification tools and/or methods to the relevant units to control risks. In particular;
  - it defines standard operational risk measurement parameters in line with the RAF;
  - it defines reputational risk measurement and control methods;
  - it assists the internal bodies to measure strategic risks and monitor significant variables;
- it measures and monitors all types of (quantifiable and non-quantifiable) risks and proposes IT, management and operating countermeasures designed to mitigate the risks and adoption of suitable risk indicators;
- it ensures the risk measurement and control systems are consistent with the processes and methods used to evaluate the company's business;
- it develops and introduces indicators able to identify irregular situations and inefficiencies in the risk measurement and control systems;
- it provides opinions on the consistency of the key transactions with the RAF, together with the other units involved, examining the risk profile of the new services/products in advance and/or significant variations in the internal processes that may generate changes in the risk profile;
- it monitors risks regularly and their compliance with the risk objectives and operating limits assigned to the operating units in line with the various risks taken on;
- it checks that the individual credit exposures are monitored correctly;
- it checks the adequacy and effectiveness of the measures adopted to resolve weaknesses identified in the risk management process;
- it prepares reports for the internal bodies (the parent's board of directors, board of statutory auditors, risk committee, 231 supervisory body and the general manager) on risks as well as specific reports on the results of the monitoring of the more significant risks;
- it keeps the managing directors of the parent and the group companies up to date on risk exposure (via the identified reference people) and also regularly informs the risk and risk management committees;
- it checks the appropriateness of the methods and policies used to enhance financial instruments over time, as part of its checks of the depository services and performs random checks of the correct use of pricing models, the classification of illiquid/unlisted securities and their correct

measurement on an ex post basis compared to the definitive measurement of the NAV;

- it acts as the group reference unit, via the information security manager who is part of the unit, assisted by the information security officer, for issues about the design, monitoring and supervision of the information security management system. Specifically, the information security manager:
  - defines the policies and guidelines for the information security management system together with the IT systems service;
  - checks that the measures provided for by the system are in place (including the business continuity plan and the disaster recovery plan) by analysing the related documentation and interviewing the personnel in charge of implementing and checking such measures;
- performs specific checks, if so requested, on behalf of the board of directors, the risk committee, the related party committee, the board of statutory auditors or senior management.

The unit is specialised in the related regulations and provides assistance with the methods set out in the policy to manage non-compliance risk approved by the board of directors.

SECTION 1 - BANKING GROUP RISKS

1.1 Credit risk

QUALITATIVE DISCLOSURE

General issues

Credit risk is the risk that an unexpected variation in a counterparty's credit standing may lead to its default, generating unexpected losses on cash exposures or endorsement credits, or that generates a related unexpected variation in the asset's market value.

Lending is not the ICBPI Group's core business but it is an important part of its operations and mainly affects the treasury and finance unit, the securities services department and some business units of the parent, ICBPI, and the subsidiary CartaSi.

In fact, the group's core business is not to grant financing but it does grant credit facilities, mainly to third parties that, due to the products/services provided to them and the operating/financial rules thereof, require credit facilities in the form of cash (credit facilities) or commitments (endorsement credits).

With respect to the first level controls, the head of the treasury and finance unit and the head of the securities services department check and monitor that the lending transactions performed by the treasury and finance unit comply with the maximum operating limits and/or caps. As part of the second level controls, the risk management unit checks compliance with the operating limits and large exposures. It also calculates the exposure with related parties every day.

The risk management unit also assesses the following elements about the adequacy of the lending process:

- the correct monitoring of the individual credit exposures;
- the consistency of classifications;
- the adequacy of accruals;
- the adequacy and tracing of the recovery process;
- the correct classification of non-recoverability of impaired positions;
- the existence of updated appraisals of the guarantees;
- the recording of all the information needed to assess the loans in the automated procedures;
- an estimate of the time needed to recover the impaired positions and the discount rates used.

CartaSi has a specific credit risk profile in respect of the direct issue of credit cards, which entails its exposure to its customers.

The issue of credit cards only takes place after suitable investigations of the customers and CartaSi's fraud and credit management unit continuously monitors credit risk over the period of the credit card's validity (first level controls).

In order to strengthen controls over credit risk, relevant information about the credit exposure (amount of credit facilities, use of credit facilities, overruns, any non-performing positions) is collected in a structured and organic manner by the various IT procedures.

ICBPI does not operate in innovative financial products such as credit derivatives.

Also because of the limited number of exposures normally taken on by the group, its credit risk measurement methods and the related controls over credit risk trends are simple and lean; it does not use scoring systems or external and/or internal ratings.

Credit risk management policies

Organisational aspects

The group's organisational structure ensures the proper monitoring and management of risks. With specific respect to credit risk, the board of directors has the sole powers to make policies that affect the group's operations. It approves the strategies and risk management policies and the group's organisational structure for internal controls. The proxy system provided for by an internal policy approved by the board of directors attributes specific powers to some bodies and units for decisions about credit. As required by the internal regulations, credit risk is managed and monitored by the:

- board of directors
- managing director/general manager
- credit committee
- credit and branches unit.

Management, measurement and control systems

Credit management

The parent is a "second level" bank, whose core business is the providing of products and services mainly in the sector of payment systems and administrative services for the custody, administration and settlement of securities.

Its lending policies are regulated by a specific regulation and it provides credit to:

- banks;
- stock brokerage companies;
- financial companies included in the lists covered by the Consolidated Banking Act;
- large corporate customers;

- OEICs;
- fund management companies.

ICBPI only provides credit facilities to retail customers who are group employees and employees of the former ICBPI (Equens) Group in the form of current account overdrafts and personal loans. It does not provide loans.

The credit facilities offered by ICBPI, diversified by type of customer, include:

- operating treasury facilities;
- intermediation caps in the Target 2 and E-Mid settlement system;
- syndicate loans;
- endorsement credits and other commitments for guarantees issued (sureties, letters of patronage);
- cash credit facilities;
- personal loans.

The lending approval procedure starts after receipt of a formal application from the customer by the relevant unit which is sent to the credit office. This stage includes the correct identification of the risk and an assessment of the customer's reliability, i.e., its ability to meet its financial commitments arising from the receipt and subsequent use of the financing.

During this preliminary investigation stage, the group analyses the following aspects:

- formal (e.g., deeds of incorporation and by-laws, powers of the directors and managers, inclusion in the company register, etc.);
- qualitative (e.g., reports and information from the credit information centre, analysis of existing relationships with ICBPI and other group companies, communications to the interbank alarm centre, etc.);
- substantial (e.g., company appraisals, analyses and reclassifications of financial statements, including by the use of specialist services, such as, for example, Bureau Van Dijk, Cerved, etc.);
- merit (e.g., compliance with large exposure limits and limits to activities at risk performed with related parties and parties related to them).

Customers do not have to make specific applications for operating limits and/or intermediation caps. The preliminary investigation is initiated by the treasury and finance unit or the competent internal unit.

In order to monitor counterparties that operate in the retail intermediation services sector, the group has introduced specific operating limits to monitor and check these parties' operations. In certain cases, it asks for guarantees to mitigate any risks it takes on.

The group grants banks that provide issuing and acquiring services for the ICBPI payment cards with appropriate overdrafts on the accounts held for these activities in order to monitor its exposure to them.

All the applications for credit and allocations of operating limits are reviewed by the credit office, together with the service manager and then approved by the credit committee. If no obstacles are identified, the credit committee expresses its assessment of the application, including about the guarantee acquired or to be acquired for the board of directors to take its decision.

A proxies structure, approved by the board of directors, allows the authorised parties to take decisions within set limits. Guarantees requested by ICBPI may include:

- collateral, including pledged securities (government bonds, Euro bonds, ECB eligible bonds) and/or current account deposits;
- contractual guarantees (e.g., financial guarantee contracts);
- endorsement guarantees (sureties, letters of patronage, stand-by letters).

After the credit facility is provided, risks are checked and monitored as follows:

- periodic assessments of the customers and reviews of their positions;
- checks of overruns;
- checks of information from Bank of Italy's credit information centre;
- identification of indications that the risk is more serious;
- periodic checks of the adequacy of the credit facilities used within the bank and the banking sector compared to equity for the mutual fund sector (to check the legal limit imposed by Bank of Italy's regulation).

The credit office and the securities services department regularly check at least once a year the quantitative and qualitative adequacy of the guarantees given by customers. In the case of ascertained total or partial default, they request the customers integrate the guarantees on a timely basis. If this does not take place, they immediately revise the position to comply with the identified risks.

Management of overruns

The credit office checks and analyses any overruns every day and informs the relevant units of all positions with overruns (current accounts in Euro and foreign currency with and without credit facilities). The units firstly check the accounting entries and, if necessary, make the relevant adjustments. They analyse the reasons for the overruns and invite the customers to immediately rectify their positions if this is appropriate. They also inform the credit office and the risk management unit of their actions.

Positions with particular difficulties, not covered by the existing ad personam proxies, are communicated to general management so that it can authorise adoption of measures to suspend the facility and/or contract or to commence the procedure to reclassify the position by implementing the process to allow the relevant bodies that granted the credit to take a decision.

All overruns of more than €1,000 are communicated to the board of directors. Positions that are past due or overdue (by more than 90/180) days are communicated to the credit information centre as per the Bank of Italy regulation.

Operating limits

The treasury and finance unit manager supervises and checks that all the financial transactions carried out by their unit comply with the operating limits and/or approved caps. The risk management unit monitors compliance with the operating limits granted to the banks on a daily basis as a second level control. These limits are granted on the basis of standard parameters and vary depending on the nature of the instrument and its implicit volatility as well as the duration or residual life of the transaction.

The group has an application which performs the centralised check of the existing operating limits each day and issues general alerts when the threshold is exceeded.

Two counterparties exceeded their operating limits in 2015, the first due to the increase in value of existing OTC options and the second due to transactions involving Euro deposits and spot exchange rates.

Risk concentration limits

The risk management unit monitors compliance with the risk concentration limits (large exposures) on a daily basis, assisted by the level 1 controls already performed by the relevant units.

This monitoring activity covers all the group companies' exposures and identified one overrun of the limits following a mid overnight transaction.

Limits to exposures with related parties

Regulations covering the limits to risky transactions with related parties and parties related to them introduced exposure limits for ICBPI and the group (considering separate and group regulatory capital) vis-à-vis "Company personnel", "Investors exercising control or significant influence", "Other investors" and "Parties subject to control or significant influence".

Controls over the risky transactions take place daily together with the controls over large exposures, including positions with all the group companies. Any excesses of the regulatory limits generate alerts for the various units involved.

In addition to the controls over exposures to the individual related parties, the group also calculates the overall exposure to all the related parties and the parties related to them each day (this procedure was introduced in 2013) as a percentage of the consolidated regulatory capital. This is part of the RAF.

Four counterparties exceeded the limits for exposures with related parties: one due to the increase in the amount of an existing foreign currency deposit, two as a result of Euro deposits and one due to its inability to cover securities settlement transactions.

CartaSi credit management

With respect to CartaSi, which operates in the e-money sector, its credit risk is tied to its operating methods on the market:

1. issuing through banks: the risk of cardholder default is borne by the banks for the period from the transaction date until the transaction's debit date to the cardholder's account.
2. direct issuing: the credit risk is borne directly by CartaSi and relates to non-payment on the contractually-agreed dates.
3. acquiring: CartaSi credits the amount due to the merchant's bank usually on the day after the transaction. The company receives the funds from the circuits (Visa/MasterCard) for transactions carried out by the holders of credit cards issued by other banks usually two to three business days after the transaction date. Therefore, it is exposed to credit risk vis-à-vis the payment circuits in this period of time.

The other receivables are generated by operating irregularities in the activities of:

- issuing through banks, when amounts can be debited to blocked cards for which the bank is relieved from the related credit risk five days after the block has been communicated;
- acquiring, such as:
  - recharges to merchants after complaints by cardholders or banks for any reason through the charge-back cycle;
  - non-payment of commissions by the merchants.

These types of risks generated by operating irregularities are operational risks.

Activities provided as part of the Issuing and Acquiring of payment cards services to banks with Visa and MasterCard licences do not generate credit risks, nor do the Issuing and Acquiring activities for national debit cards (Bancomat and Pagobancomat) or services to manage the ATM or POS network.

Settlement with the banks takes place through the parent by offsetting value dates.

The direct issue of credit cards only takes place after suitable investigations of the customers and CartaSi's fraud and credit management unit continuously monitors credit risk over the period of the credit card's validity. This unit is part of the payment card department (first level controls).

Credit risk is monitored constantly, checking that the exposures are within the set budget limits at the beginning of each year. CartaSi also carefully rates each new merchant or cardholder in the case of directly issued cards before agreeing new contracts.

The risk management unit monitors credit risk trends and their effect on the risk policy and set range. It prepares monthly and quarterly reports on compliance with the specific limits approved by the board of directors and implements suitable escalation measures when these limits are exceeded. These measures are described in the "CartaSi S.p.A. risk quantification limits" document, prepared annually with the first level units and the risk management unit.

The document sets out the reference values and ranges for each first and second level indicator assigned to monitor CartaSi's credit risks, calculated on the basis of analysis of historical series, projections about the company's future performance and that of the market and indications present in the group's risk policy.

These values, calculated to contain risk, are approved by the parent's risk committee and CartaSi's board of directors.

The risk management unit reports on compliance with these values to the risk committee and identifies any irregularities or critical issues arising from controls of the first and second level limits and CartaSi's board of directors.

The group has specific maximum gross and net insolvency limits and limits to the related cost to check and measure risk. It monitors these limits constantly as well as expected losses compared to actual losses and losses incurred for business reasons.

This credit risk control consists of preliminary checks by the first level units, starting with the analysis of the credit application. It includes:

- internal controls;
- consistency controls;
- positive and negative information from the credit bureau;
- credit scoring algorithms.

Another process relevant for credit risk is the monitoring and recovery of receivables from cardholders and merchants, in order to contain the impact of risk events. The following controls are performed:

- daily monitoring of negative events (unpaid direct debits) using a flag to limit the card's spending limit and possible revoke of the banking counterparties;
- daily checks of the use of cash advances in excess of the maximum contractual limits.

Specific processes exist to recover the different types of receivable:

- out-of-court collection, including phone collection and/or home visits;
- legal proceedings for certain amounts and/or specific reasons.

The credit risk analysis model for directly issued cards uses the historical trends of recorded losses and estimated losses (non-performing positions adjusted by the recovery percentage) normalised by the total exposure for the current month. Its result is VaR.

The analysis considers the historical trends starting from May 2010. The operating management methods for prior year receivables are not consistent with the currently used one and, therefore, they cannot be used as a comparison.

The results of the historical trends analysis are then used to calculate the annual expected and unexpected loss.

The expected and unexpected losses, calculated using an annual confidence interval of 99%, are subjected to second level controls described in the Quantitative risk limits document.

With respect to its servicing activities, CartaSi does not have risks related to receivables due directly from retail customers as it provides issuing servicing and acquiring servicing activities. Therefore, the related credit risk falls on the banks that have the issuing and/or acquiring licences.

In the case of servicing, credit risk refers to the customer banks, which are subject to supervision, and the risk disappears within 30 days (the time period between issue of one account statement and the next) with an average exposure of 15 days. This exposure is borne by ICBPI.

Credit risk mitigation techniques

In order to mitigate credit risk, the relevant bodies may decide to tie the granting of credit facilities to the receipt of suitable guarantees, based on the results of the related credit facility application investigation. These guarantees may be collateral, such as securities and/or cash deposits, contractual guarantees or endorsement guarantees.

The credit office and the securities services department regularly check at least once a year the quantitative and qualitative adequacy of the guarantees given by customers. In the case of ascertained total or partial default, they request the customers integrate the guarantees on a timely basis. If this does not take place, they immediately revise the position to comply with the identified risks.

The acquired guarantees do not have specific limits that could affect their legal validity.

There were no significant changes in the management of guarantees compared to the previous year.

Impaired financial assets

The credit committee regularly reviews all potentially irregular positions and decides on the recovery activities to be taken as well as changes in the position's status, based on the relevant parameters. These decisions are reviewed by the board of directors.

Classification of assets by debtor quality complies with the categories established by Bank of Italy.

With respect to impaired positions, impairment losses are recognised after the individual measurement of each position.

With respect to CartaSi, impairment losses are made collectively. Assets are tested for impairment by category and the loss percentages are estimated considering historical figures that allow an estimate of possible losses.

Country risk

Country risk is the risk of losses caused by events that take place in countries other than Italy. This concept is wider than that for sovereign risk as it covers all exposures regardless of the type of counterparty involved, be they natural persons, businesses, banks or public administrations.

The group includes country risk as part of credit risk and it is not a significant risk given that:

- most of ICBPI's exposures are with parties that offer settlement and custody services, such as Clearstream and Euroclear, or international banks (e.g., Barclays, BNP Paribas), that can reasonably be assumed to be very independent economically of the country where their head office is;
- CartaSi's exposures are solely with international circuits (Mastercard and Visa, both of which have their registered office in the US) as part of the process to settle card transactions. Once again, it is reasonable to assume that they are very independent of the countries where their head office is in economical terms;
- the exposures are mostly with parties based in countries with high ratings;
- the capital requirement for credit risk is calculated without using the counterparty rating parameter but solely the rating of the counterparty's country of residence. Therefore, the capital requirement includes the country risk component.

Both for country and issuer risks, the risk management unit checks that the securities in portfolio have the characteristics indicated in the financial regulation once a month and prepares a quarterly report for the manager of the relevant department and the managing director.

QUANTITATIVE DISCLOSURE

A. CREDIT QUALITY

A.1 IMPAIRMED AND UNIMPAIRED LOANS: CARRYING AMOUNT, IMPAIRMENT LOSSES, PERFORMANCE, BUSINESS AND GEOGRAPHICAL DISTRIBUTION

A.1.1 Breakdown of financial assets by portfolio and credit quality (carrying amount)

	BANKING GROUP					Total
	Non-performing loans	Probable defaults	Impaired past due loans	Other impaired exposures	Unpaired past due loans	
1. Available-for-sale financial assets	-	-	-	-	2,569,429	**2,569,429**
2. Held-to-maturity investments	-	-	-	-	31,784	**31,784**
3. Loans and receivables with banks	-	-	-	-	827,652	**827,652**
4. Loans and receivables with customers	391	1,650	-	-	3,534,857	**3,536,898**
5. Financial assets at fair value through profit or loss	-	-	-	-	-	**-**
6. Financial assets held for sale	-	-	-	-	186,206	**186,206**
Total at 31/12/2015	**391**	**1,650**	**-**	**-**	**7,149,928**	**7,151,969**
Total at 31/12/2014	**391**	**-**	**-**	**-**	**7,010,024**	**7,010,414**

A.1.2 Breakdown of financial assets by portfolio and credit quality (gross amount and carrying amount)

	Impaired assets			Unimpaired assets			Total (carrying amount)
	Gross amount	Individual impairment	Carrying amount	Gross amount	Collective impairment	Carrying amount	
1. Available-for-sale financial assets	-	-	-	2,569,429	-	2,569,429	2,569,429
2. Held-to-maturity investments	-	-	-	31,784	-	31,784	31,784
3. Loans and receivables with banks	-	-	-	827,652	-	827,652	827,652
4. Loans and receivables with customers	6,374	5,983	391	3,544,154	7,646	3,536,507	3,536,898
5. Financial assets at fair value through profit or loss	-	-	-	-	-	-	-
6. Financial assets held for sale	-	-	-	186,206	-	186,206	186,206
Total at 31/12/2015	**6,374**	**5,983**	**391**	**7,159,225**	**7,646**	**7,151,579**	**7,151,969**
Total at 31/12/2014	**8,926**	**8,535**	**391**	**7,018,712**	**8,689**	**7,010,024**	**7,010,414**

	Assets with poor credit quality		Other assets
	Cumulated impairment losses	Carrying amount	Carrying amount
1. Financial assets held for trading			18,693
2. Hedging derivatives			-
Total at 31/12/2015			**18,693**
Total at 31/12/2014			19,511

A.1.3 Banking group - Loans and receivables with banks on and off-statement of financial position: gross amounts, carrying amounts and due dates

	Gross amount					Individual impairment	Collective impairment	Carrying amount
	Impaired assets				Unimpaired assets			
	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	After 1 year				
A. ON-STATEMENT OF FINANCIAL POSITION								
a) Non-performing loans	-	-	-	-	-	-	-	-
- including: negotiated exposures								
b) Probable defaults	-	-	-	-	-	-	-	-
- including: negotiated exposures								
c) Impaired past due loans	-	-	-	-	-	-	-	-
- including: negotiated exposures								
d) Unimpaired past due loans	-	-	-	-	-	-	-	-
- including: negotiated exposures								
e) Other unimpaired exposures	-	-	-	-	868,778	-	-	868,778
- including: negotiated exposures								
TOTAL A	**-**	**-**	**-**	**-**	**868,778**	**-**	**-**	**868,778**
B. OFF-STATEMENT OF FINANCIAL POSITION								
a) Impaired	-	-	-	-	-	-	-	-
b) Unimpaired	-	-	-	-	7,371	-	-	7,371
TOTAL B	**-**	**-**	**-**	**-**	**7,371**	**-**	**-**	**7,371**
TOTAL A + B	**-**	**-**	**-**	**-**	**876,149**	**-**	**-**	**876,149**

A.1.6 Banking group - Loans and receivables with customers on and off-statement of financial position: gross amounts, carrying amounts and past due brackets

	Gross amount					Individual impairment	Collective impairment	Carrying amount
	Impaired assets				Unimpaired assets			
	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	After 1 year				
A. ON-STATEMENT OF FINANCIAL POSITION								
a) Non-performing loans	-	-	-	2,139	-	1,748	-	391
- including: negotiated exposures								
b) Probable defaults	-	-	-	-	-	-	-	-
- including: negotiated exposures								
c) Impaired past due loans	-	-	-	-	-	-	-	-
- including: negotiated exposures								
d) Unimpaired past due loans	-	-	-	-	-	-	-	-
- including: negotiated exposures								
e) Other unimpaired exposures	-	-	-	-	6,117,327	-	7,646	6,109,680
- including: negotiated exposures								
TOTAL A	**-**	**-**	**-**	**2,139**	**6,117,327**	**1,748**	**7,646**	**6,110,071**
B. OFF-STATEMENT OF FINANCIAL POSITION								
a) Impaired	-	-	-	-	-	-	-	-
b) Unimpaired	-	-	-	-	252,924	-	-	252,924
TOTAL B	**-**	**-**	**-**	**-**	**252,924**	**-**	**-**	**252,924**
TOTAL A + B	**-**	**-**	**-**	**2,139**	**6,370,251**	**1,748**	**7,646**	**6,362,995**

The non-performing exposures mainly related to CartaSi and its cardholders.

A.1.7 Banking group - On-statement of financial position loans and receivables with customers: gross impaired positions

	Non-performing loans	Probable defaults	Impaired past due loans
A. Gross opening balance	**8,925**		
- including: positions transferred but not derecognised			
B. Increases			
B.1 transfers from performing loans	2,734	**7,077**	
B.2 transfers from other impaired loan categories			
B.3 Other increases	150		
C. Decreases			
C.1 transfers to performing loans			
C.2 derecognitions	4,379		
C.3 collections	854		
C.4 losses on sales			
C.5 transfers to other impaired loan categories			
C.6 other decreases	202		
D. Gross closing balance	**6,373**	**7,077**	
- including: positions transferred but not derecognised			

A.1.8 Banking group - On-statement of financial position loans and receivables with customers: changes in impaired positions

	Non-performing loans		Probable defaults		Impaired past due loans	
	Total	Including: negotiated exposures	Total	Including: negotiated exposures	Total	Including: negotiated exposures
A. Opening balance	**8,535**					
- including: positions transferred but not derecognised						
B. Increases						
B.1 Impairment losses	1,811		**5,427**			
B.1.bis losses on sales						
B.2 transfers from other impaired loan categories						
B.3 other increases						
C. Decreases						
C.1 fair value gains						
C.2 reversals of impairment losses due to collection						
C.2.bis gains on sales						
C.3 derecognitions	4,363					
C.4 transfers to other impaired loan categories						
C.5 other decreases						
D. Closing balance	**5,983**		**5,427**			
- including: positions transferred but not derecognised						

A.2 Classification of exposures using external and internal ratings

A.2.1 Banking group - Breakdown of credit exposure on and off-statement of financial position by external rating classes

	External rating class						Unrated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. On-statement of financial position	-	-	-	-	-	-	6,978,848	6,978,848
B. Derivatives	-	-	-	-	-	-	-	-
B.1 Financial derivatives	-	-	-	-	-	-	5,608	5,608
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees issued	-	-	-	-	-	-	2,460	2,460
D. Commitments to disburse funds	-	-	-	-	-	-	134,829	134,829
E. Other	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**7,121,746**	**7,121,746**

A.2.2 Banking group - Breakdown of credit exposure on and off-statement of financial position by internal rating classes

	Internal rating class						Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	
A. On-statement of financial position						6,978,848	6,978,848
B. Derivatives						-	-
B.1 Financial derivatives						5,608	5,608
B.2 Credit derivatives						-	-
C. Guarantees issued						2,460	2,460
D. Commitments to disburse funds						134,829	134,829
E. Other						-	-
Total						**7,121,746**	**7,121,746**

A.3 BREAKDOWN OF GUARANTEED EXPOSURE BY TYPE OF GUARANTEE

A.3.1 Guaranteed loans and receivables with banks

	Net amount	Collateral (1)				Personal guarantees (2)									Total (1+2)
						Credit derivatives					Endorsement credits				
							Other derivatives								
		Mortgaged property	Property under finance lease	Securities	Other collateral	CLN	Government and central banks	Other government agencies	Banks	Other	Government and central banks	Other government agencies	Banks	Other	
1. Guaranteed loans:															
1.1. fully guaranteed	189,653	-	-	-	189,653	-	-	-	-	-	-	-	-	-	**189,653**
- including: impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2. partly guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- including: impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Off-statement of financial position guaranteed loans:															
2.1. fully guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- including: impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. partly guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- including: impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A.3.2 Banking group - Guaranteed loans and receivables with customers

	Net amount	Collateral (1)				Personal guarantees (2)									Total (1+2)
						Credit derivatives					Endorsement credits				
							Other derivatives								
		Mortgaged property	Property under finance lease	Securities	Other collateral	CLN	Government and central banks	Other government agencies	Banks	Other	Government and central banks	Other government agencies	Banks	Other	
1. Guaranteed loans:															
1.1. fully guaranteed	806,784	-	-	-	806,784	-	-	-	-	-	-	-	-	-	**806,784**
- including: impaired															
1.2. partly guaranteed															
- including: impaired															
2. Off-statement of financial position guaranteed loans:															
2.1. fully guaranteed															
- including: impaired															
2.2. partly guaranteed															
- including: impaired															

B. BREAKDOWN AND CONCENTRATION OF CREDIT EXPOSURE

B.1 Banking group - Breakdown of loans and receivables with customers on and off-statement of financial position by business segment (carrying amount)

	Governments			Other government agencies			Financial companies		
	Carrying amount	Individual impairment	Collective impairment	Carrying amount	Individual impairment	Collective impairment	Carrying amount	Individual impairment	Collective impairment
A. On-statement of financial position									
A.1 Non-performing loans	-	-	-	-	-	-	391	1,491	-
- including: negotiated exposures									
A.2 Probable defaults	-	-	-	-	-	-	-	-	-
- including: negotiated exposures									
A.3 Impaired past due loans	-	-	-	-	-	-	-	-	-
- including: negotiated exposures									
B.4 Unimpaired exposures	2,569,811	-	-	1,230	-	-	2,537,530	-	-
- including: negotiated exposures									
TOTAL A	**2,569,811**	**-**	**-**	**1,230**	**-**	**-**	**2,537,921**	**1,491**	**-**
B. Off-statement of financial position									
B.1 Non-performing loans	-	-	-	-	-	-	-	-	-
B.2 Probable defaults	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-
B.4 Unimpaired exposures	24,026	-	-	168	-	-	118,683	-	-
TOTAL B	**24,026**	**-**	**-**	**168**	**-**	**-**	**118,683**	**-**	**-**
TOTAL (A + B) at 31/12/2015	**2,593,837**	**-**	**-**	**1,397**	**-**	**-**	**2,656,604**	**1,491**	**-**
TOTAL (A + B) AT 31/12/2014	**2,582,116**	**-**	**-**	**510**	**-**	**-**	**3,045,337**	**1,491**	**-**

	Insurance companies			Non-financial companies			Other		
	Carrying amount	Individual impairment	Collective impairment	Carrying amount	Individual impairment	Collective impairment	Carrying amount	Individual impairment	Collective impairment
A. On-statement of financial position									
A.1 Non-performing loans	-	-	-	-	257	-	-	4,235	-
- including: negotiated exposures									
A.2 Probable defaults	-	-	-	-	-	-	1,650	-	5,427
- including: negotiated exposures									
A.3 Impaired past due loans	-	-	-	-	-	-	-	-	-
- including: negotiated exposures									
B.4 Unimpaired exposures	38	-	-	31,467	-	-	967,956	-	2,220
- including: negotiated exposures									
TOTAL A	**38**	**-**	**-**	**31,467**	**257**	**-**	**969,606**	**4,235**	**7,647**
B. Off-statement of financial position									
B.1 Non-performing loans	-	-	-	-	-	-	-	-	-
B.2 Probable defaults	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-
B.4 Unimpaired exposures	109,327	-	-	720	-	-	-	-	-
TOTAL B	**109,327**	**-**	**-**	**720**	**-**	**-**	**-**	**-**	**-**
TOTAL (A + B) at 31/12/2015	**109,365**	**-**	**-**	**32,187**	**257**	**-**	**969,606**	**4,235**	**7,647**
TOTAL (A + B) AT 31/12/2014	**305**	**-**	**-**	**12,603**	**257**	**-**	**909,024**	**-**	**15,476**

B.2 Banking group - Breakdown of loans and receivables with customers on and off-statement of financial position by geographical segment (carrying amount)

	ITALY		OTHER EUROPEAN COUNTRIES		AMERICAS		ASIA		REST OF THE WORLD	
	Carrying amount	Total impairment	Carrying amount	Total impairment	Carrying amount	Total impairment	Carrying amount	Total impairment	Carrying amount	Total impairment
A. On-statement of financial position										
A.1 Non-performing loans	391	5,983	-	-	-	-	-	-	-	-
A.2 Probable defaults	1,650	5,427	-	-	-	-	-	-	-	-
A.3 Impaired past due loans	-	-	-	-	-	-	-	-	-	-
B.4 Unimpaired exposures	5,984,257	2,220	67,811	-	55,715	-	249	-	-	-
TOTAL	**5,986,298**	**13,630**	**67,811**	**-**	**55,715**	**-**	**249**	**-**	**-**	**-**
B. Off-statement of financial position										
B.1 Non-performing loans	-	-	-	-	-	-	-	-	-	-
B.2 Probable defaults	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Unimpaired exposures	252,921	-	-	-	-	-	-	-	3	-
TOTAL	**252,921**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3**	**-**
Total at 31/12/2015	**6,239,219**	**13,630**	**67,811**	**-**	**55,715**	**-**	**249**	**-**	**3**	**-**
Total at 31/12/2014	**6,392,744**	**17,224**	**101,195**	**-**	**55,995**	**-**	**-**	**-**	**21**	**-**

B.3 Banking group - Breakdown of loans and receivables with customers on and off-statement of financial position by geographical segment (carrying amount)

	ITALY		OTHER EUROPEAN COUNTRIES		AMERICAS		ASIA		REST OF THE WORLD	
	Carrying amount	Total impairment	Carrying amount	Total impairment	Carrying amount	Total impairment	Carrying amount	Total impairment	Carrying amount	Total impairment
A. On-statement of financial position										
A.1 Non-performing loans	-	-	-	-	-	-	-	-	-	-
A.2 Probable defaults	-	-	-	-	-	-	-	-	-	-
A.3 Impaired past due loans	-	-	-	-	-	-	-	-	-	-
B.4 Unimpaired exposures	787,042	-	64,632	-	8,118	-	6,055	-	2,931	-
TOTAL	**787,042**	**-**	**64,632**	**-**	**8,118**	**-**	**6,055**	**-**	**2,931**	**-**
B. Off-statement of financial position										
B.1 Non-performing loans	-	-	-	-	-	-	-	-	-	-
B.2 Probable defaults	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Unimpaired exposures	3,450	-	3,922	-	-	-	-	-	-	-
TOTAL	**3,450**	**-**	**3,922**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total at 31/12/2015	**790,492**	**-**	**68,554**	**-**	**8,118**	**-**	**6,055**	**-**	**2,931**	**-**
Total at 31/12/2014	**583,241**	**-**	**106,677**	**-**	**5,945**	**-**	**2,322**	**-**	**3,641**	**-**

B.4 Large exposures

	31/12/2015	31/12/2014
a) Carrying amount	4,495,369	4,249,869
b) Weighted amount	331,389	285,905
c) Number	8	11

C. SECURITISATIONS AND TRANSFERS OF ASSETS

The group has not undertaken these types of transaction.

D. DISCLOSURE ON STRUCTURED ENTITIES (OTHER THAN SECURITISATION VEHICLES)

D.1 Consolidated structured entities

Nothing to report.

D.2 Structured entities not consolidated for accounting purposes

D.2.1 Structured entities consolidated for supervisory purposes

Nothing to report.

D.2.2 Other structured entities

	Recognised assets	Total assets (A)	Recognised liabilities	Total liabilities (B)	Carrying amount (C = B-A)	Maximum exposure at risk to loss (D)	Difference between exposure at risk to loss and carrying amount (E = D-C)
2. OEIC units	Available-for-sale financial assets	33,571	-	-	33,571	130,000	96,429

E. TRANSFERS

The group has not performed any transfers.

F. BANKING GROUP - CREDIT RISK MEASUREMENT MODELS

The group does not have state-of-the-art tools to measure credit risk given its profile.

1.2 BANKING GROUP - MARKET RISKS

QUALITATIVE DISCLOSURE

Market risk

Market risk is the risk of incurring losses generated by operating on the market for financial instruments (regulatory trading book), currencies and commodities, due to fluctuations in market factors or the issuer's situation. This risk is applicable to ICBPI as it manages financial instruments on the group's behalf. Activities that generate market risk are performed by the treasury and finance unit and the securities services department. Specifically, the treasury and finance unit performs investment and treasury transactions on EU and non-EU markets, it manages the AFT banking book and also manages day-to-day liquidity. The securities services department acts as a market marker and trades in the financial instruments requested by customers.

The finance regulation governs these activities and defines the operating limits for the subcomponents of market risk, such as currency risk, interest rate risk on the trading book, issuer risk and counterparty risk. In addition, the regulation sets operating limits for the various activities for the amounts involved, VaR, the stop loss as well as the criteria and methods to monitor positions.

The governance model in place to manage and monitor risks is based on the segregation between the management processes and the risk control processes on the one hand and, on the other, development of processes to manage and monitor risks in line with the group's hierarchical structure and by assigning proxies.

The treasury and finance unit and the securities services department report to the liquidity and finance committee, which analyses the group's positions and defines financial policies.

The first level controls are carried out by the treasury and finance unit and the securities services department for the activities related to them, while the second level controls are performed by the risk management unit. This unit monitors market risk on a daily basis using the VaR of the positions in securities and foreign currency. It also performs second level controls on compliance with assigned limits.

The risk management unit also checks and processes ex post the data related to the group's total risk positions each day and prepares the reports necessary to check the limits set by the finance regulation. It also performs specific tests (back testing and stress testing) to check the level of existing risk scenarios or future scenarios for the current portfolio. If the VaR limits are exceeded, the risk management unit manager promptly informs the relevant unit, its manager and the managing director. The risk management unit also informs the treasury and finance service unit and/or the securities services unit manager of situations that are close to exceeding their limits. The unit ensures that sufficient information about transactions involving derivatives is provided in its reports.

It monitors positions in securities and foreign currency using VaR with a confidence interval of 99% and a time horizon of 10 days, calculated using a parametric model. This test is performed on the entire portfolio, separating the HFT portfolio from the HTM portfolio and the AFS portfolio, which are monitored directly by the board of directors.

The VaR, defined to obtain a reasonable estimate of potential losses in normal market conditions, is not designed to, nor does it, include an analysis of extreme events. Stress tests are used to check the impact of extreme conditions on the portfolio and violations of the assumptions underlying the model used by identifying the remaining risk and providing information complementary to VaR.

Daily stress tests are performed on the VaR of securities and currencies as well as the daily calculation of VaR.

Basis risk

The basis risk is defined as the risk of losses caused by unmatched variations in the spot and future price that are similar but not identical. This risk is especially pertinent to banks that calculate their capital requirements using standard methods by offsetting positions in one or more equities included in an equity index with one or more future positions/other derivatives linked to this index or that offset opposing positions in futures on equity indexes that do not have the same expiry date, composition or both.

The group is not exposed to this risk as it does not use futures/derivatives to hedge positions exposed to market risk and, therefore, these instruments are not included in the calculation of the capital requirement for market risk using the standard method. The group's operations in banking book derivatives is limited to trading in OTC options which, as per its internal regulations, does not generate positions. The risk positions for other financial instruments are hedged by specular hedges.

1.2.1 INTEREST RATE AND PRICE RISK - REGULATORY TRADING BOOK

QUALITATIVE DISCLOSURE

General aspects about interest rate risk

This risk is inherent in the group's core banking business as it is part of the process of change over time, space and form of financial resources and in the financial assets trading business.

The objectives and strategies underlying trading activities in place to manage the securities portfolio are designed to maximise profitability and exploit investment opportunities as part of an approach to contain risks. This leads the group to have a bonds portfolio with a short duration.

Like in previous years, the interest rate risk is non-negligible given the temporary mismatching of the assets and liabilities arising from ICBPI's operations.

The trading book includes financial instruments subject to regulatory capital requirements for market risk, as defined in the supervisory communication regulations.

Interest rate risk management processes and measurement methods

The parent's risk management unit performs stress tests on the interest rate risk, assuming parallel movements in the interest rate curve and analysing the related effects.

General aspects about price risk

Price risk is the risk of fluctuations in the prices of financial instruments due to variations in market variables or specific factors of the issuers or counterparties. It can be general, due to a change in the price of an equity instrument caused by fluctuations in the reference market, or specific, caused by a change in the price of a specific equity instrument compared to its reference market following changes in expectations about the financial soundness or future profitability of the issuer.

Management and measurement of price risk

Like for the other risks, the group's strategy adopted to manage price risk is prudent.

This risk is monitored through specific reports and by calculating the VaR (which is performed daily by the risk management unit).

QUANTITATIVE DISCLOSURE

1. Regulatory trading book: breakdown by residual maturity (repricing date) of on-statement of financial position financial assets and liabilities and derivatives

Currency: Euro

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets								
1.1 Debt instruments								
- with early repayment option	-	-	-	-	53	50	-	-
- other	627	3,515	1,533	782	5,132	883	44	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Liabilities								
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	110	-	-	10	575	107	-	-
3. Financial derivatives								
3.1 With underlying security	-	-	-	-	-	-		-
- Options								
+ long positions	-	2	-	-	-	-	-	-
+ short positions	-	2	-	-	-	-	-	-
- Other derivatives								
+ long positions	9	16,060	9,467	158	516	891	-	-
+ short positions	135	12,608	270	148	5,525	8,378	-	-
3.2 Without underlying security								
- Options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ long positions	-	302,778	1,554	-	-	-	-	-
+ short positions	-	606,710	1,147	-	-	-	-	-

Currency: other

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets								
1.1 Debt instruments								
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	307	41	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Liabilities								
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	25	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	656,860	5,502	-	-	-	-	-
+ short positions	-	351,320	5,806	-	-	-	-	-

1.2.2 INTEREST RATE AND PRICE RISKS - BANKING BOOK

QUALITATIVE DISCLOSURE

A. General aspects, management and measurement of interest rate risk

The banking book's interest rate risk is the risk of losses in its value due to potential changes in interest rates.

The main source of this type of risk is the repricing risk, i.e., the risk arising from the mismatch of maturity dates and repricing of assets and liabilities, the main aspects of which are:

- yield curve risk, the risk arising from the group's exposure to changes in the slope and shape of the return curve;
- basis risk, the risk arising from the mismatching of changes in interest rates paid and received on different instruments that may have similar repricing characteristics.

This risk relates solely to the parent for its banking book.

The group's funding and lending have historically mainly being obtained or granted through current accounts or with short-term maturities (nearly all within three months). As most of the liquidity in current accounts is that in the giro accounts, which are used for operating purposes and not for funding and/or lending transactions, the group's actual exposure to this risk is rather limited.

The risk management unit monitors this risk daily to assess its impact using a method based on the guidance set out in Annex C of Title III, Chapter 1 of Bank of Italy Circular no. 285, which assesses the absorption in terms of internal capital of a variation of 200 bp on the return curve on the banking book, weighing the various exposures depending on their residual life and adopting an internal method to classify current accounts, as required by the above-mentioned supervisory regulations.

With respect to CartaSi and its business, positions are concentrated in the "within one month" category with minimum exposure. Moreover, the mismatching due to the issuing and acquiring activities solely relates to the settlement date and not to the value date, which is the same for credit and debit movements.

General aspects, management and measurement of price risk

The banking book's price risk mainly refers to the equity investments held for the long term and financial instruments, mostly Italian government bonds, which are not included in the trading book as they are also held for investment purposes.

The board of directors is the sole body responsible for the related internal controls for the latter instruments.

B1. Fair value hedges

Not applicable.

C. Cash flow hedges

The group's hedging strategies are generic and may also refer to the interest rate risk applicable to the on-demand items.

QUANTITATIVE DISCLOSURE

1. Banking book: breakdown by residual maturity (by repricing date) of financial assets and liabilities

Currency: Euro

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets								
1.1 Debt instruments								
- with early repayment option	-	-	-	-	-	-	-	-
- other	441,312	965,806	894,468	38,225	265,294	-	-	-
1.2 Financing to banks	214,070	490,781	-	140	-	-	-	-
1.3 Financing to customers								
- current accounts	1,452,812	-	-	-	391	-	-	-
- other financing								
- with early repayment option	-	-	-	-	-	-	-	-
- other	1,037,714	875,179	57,448	73,434	37,869	1,323	19	-
2. Liabilities								
2.1 Due to customers								
- current accounts	3,590,168	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	40,484	124,182	-	-	-	-	-	-
2.2 Due to banks								
- current accounts	1,112,021	-	-	-	-	-	-	-
- other payables	200,341	252,805	-	-	-	-	-	-
2.3 Debt instruments								
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities								
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	12,584	10	-	4,934	8,298	-	-
+ short positions	48	15,543	9,443	-	-	826	-	-
3.2 Without underlying security								
- Options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-statement of financial position transactions								
+ long positions	-	-	-	40,000	-	-	-	-
+ short positions	40,000	-	-	-	-	-	-	-

Currency: other

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets								
1.1 Debt instruments								
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Financing to banks	84,988	33,721	62	-	-	-	-	-
1.3 Financing to customers	-	-	-	-	-	-	-	-
- current accounts	708	-	-	-	-	-	-	-
- other financing								
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. Liabilities								
2.1 Due to customers								
- current accounts	347,386	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	345	-	-	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-	-	-	-
- current accounts	66,292	-	-	-	-	-	-	-
- other payables	-	340	-	-	-	-	-	-
2.3 Debt instruments	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-statement of financial position transactions								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

1.2.3 CURRENCY RISK

QUALITATIVE DISCLOSURE

General aspects, management and measurement of currency risk

ICurrency risk arises on the mismatch between foreign currency assets and liabilities (cash and forward) for each currency, originating from positions taken on by the centres specialised in market risk, within the assigned limits and proxies.

Currency risk nearly entirely arises on foreign currency trading activities carried out through trading in market instruments. The risk management unit monitors this risk constantly by calculating the VaR.

The group's exposure to currency risk, calculated using the net foreign currency positions and a method in line with the supervisory regulations, is negligible because every foreign currency transaction with institutional counterparties that generates a currency risk is usually hedged on the market with an offsetting transaction.

It only maintains positions exposed to currency risk within very limited ceilings (which are always fully respected) set for the total maximum exposure, for each currency and VaR.

B. Currency hedges

The trading book is completely hedged with spot forex positions.

The risk management unit checks that the VaR on existing positions is always within the limits set by the finance regulation every day.

Transfer risk

The transfer risk is defined as the risk that a bank, exposed to a party that finances itself in a currency different to that in which it earns most of its income, makes losses due to the debtor's difficulties in converting its currency into the currency of its exposure.

The group is potentially exposed to this risk due to its credit exposures in foreign currencies and Euro credit exposures of parties based in countries with a legal tender that is not the Euro.

In both cases, these exposures mostly relate to the parent, as the other group companies' exposures are only in Euros and the counterparties (cardholders and merchants) for CartaSi are parties with tax residence in Italy, for which it is presumed that they have liquidity in Euros.

A detailed analysis of these exposures shows that most of them are with operators, such as Euroclear, Clearstream and BNP Paribs that operate as multi-currency settlement houses. Therefore, it can be assumed that they are able to convert currencies except in extreme conditions of their illiquidity.

Therefore, the group's transfer risk is very modest, especially if compared to the entire credit risk (of which it can be considered to be an additional component). The amount and composition of exposures potentially exposed to transfer risk are monitored every six months to identify any changes.

QUANTITATIVE DISCLOSURE

1. Breakdown of assets, liabilities and derivatives by currency

	Currency					
	US dollar	**Yen**	**Pound sterling**	**Swiss franc**	**Canadian dollar**	**Other currencies**
A. Financial assets						
A.1 Debt instruments	351	-	-	-	-	-
A.2 Equity instruments	-	-	-	-	-	168
A.3 Financing to banks	39,485	8,276	11,080	2,856	32,004	25,071
A.4 Financing to customers	151	504	41	-	-	12
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	11	22	-	51	21	16
C. Financial liabilities						
C.1 Due to banks	46,674	4,920	943	1,530	6,732	5,847
C.2 Due to customers	179,166	56,914	48,485	12,736	14,474	36,831
C.3 Debt instruments	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	-	-	-	-	-	-
E. Financial derivatives						
- Options	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-
+ long positions	365,014	166,207	56,726	13,569	21,971	38,876
+ short positions	169,617	113,677	18,510	2,259	32,221	20,843
Total assets	**405,012**	**175,009**	**67,847**	**16,476**	**53,996**	**64,143**
Total liabilities	**395,457**	**175,511**	**67,938**	**16,525**	**53,427**	**63,521**
Difference	**9,555**	**-502**	**-91**	**-49**	**569**	**622**

1.2.4 DERIVATIVES

The group's operations in derivatives and foreign currency mainly relate to matching trades performed on behalf of its customers.
ICBPI does not have innovative or complex financial instruments. It only uses overnight interest rate swaps to hedge interest rate risk on medium to long-term bank deposits.

A. FINANCIAL DERIVATIVES

A.1 Regulatory trading book: notional amounts at the reporting date

	31/12/2015		31/12/2014	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt instruments and interest rates				
a) Options	-	-	-	
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equity instruments and share indexes	-	-	-	-
a) Options	457	-	6,225	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currencies and gold	-	-	-	-
a) Options	-	-	-	-
b) Swaps	68,837	-	62,150	-
c) Forwards	698,759	-	136,354	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	-	-	-	-
5. Other underlying assets	-	-	-	-
Total	**768,053**	**-**	**204,729**	**-**

A.3 Financial derivatives: gross positive fair value - breakdown by product

	Positive fair value			
	31/12/2015		31/12/2014	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book				
a) Options	229	-	3,112	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	5,204	-	586	-
f) Futures	-	-	-	-
g) Other	176	-	952	-
B. Banking book - hedging	-	-	-	
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking book - other derivatives	-	-	-	
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**5,609**	**-**	**4,650**	**-**

A.4 Financial derivatives: gross negative fair value - breakdown by product

	Negative fair value			
	31/12/2015		31/12/2014	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book				
a) Options	229	-	3,112	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	2,724	-	1,376	-
f) Futures	-	-	-	-
g) Other	1,096	-	186	-
B. Banking book - hedging	-	-	-	
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking book - other derivatives	-	-	-	
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**4,049**	**-**	**4,674**	**-**

A.5 OTC financial derivatives - regulatory trading book: notional amounts, gross positive and negative fair value by counterparty - contracts not included in netting agreements

	Governments and central banks	Other government agencies	Banks	Financial companies	Insurance companies	Non-financial companies	Other
1) Debt instruments and interest rates							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
2) Equity instruments and share indexes							
- notional amount	-	-	229	229	-	-	-
- positive fair value	-	-	-	229	-	-	-
- negative fair value	-	-	229	-	-	-	-
- future exposure	-	-	-	104	-	-	-
3) Currencies and gold							
- notional amount	-	-	588,295	179,301	-	-	-
- positive fair value	-	-	4,528	852	-	-	-
- negative fair value	-	-	2,361	1,459	-	-	-
- future exposure	-	-	3,349	1,793	-	-	-
4) Other assets							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
Total	**-**	**-**	**598,991**	**183,967**	**-**	**-**	**-**

A.9 Residual maturity of OTC financial derivatives: notional amounts

	Up to 1 year	From 1 to 5 years	After 5 years	Total
A. Regulatory trading book				
A.1 Financial derivatives on debt instruments and interest rates	-	-	-	-
A.2 Financial derivatives on equity instruments and share indexes	457	-	-	457
A.3 Financial derivatives on currencies and gold	767,596	-	-	767,596
A.4 Financial derivatives on other assets	-	-	-	-
B. Banking book	-	-	-	-
B.1 Financial derivatives on debt instruments and interest rates	-	-	-	-
B.2 Financial derivatives on equity instruments and share indexes	-	-	-	-
B.3 Financial derivatives on currencies and gold	-	-	-	-
B.4 Financial derivatives on other assets	-	-	-	-
Total at 31/12/2015	**768,053**	**-**	**-**	**768,053**
Total at 31/12/2014	**204,729**	**-**	**-**	**204,729**

1.3 Banking group – LIQUIDITY RISK

QUALITATIVE DISCLOSURE

A. General aspects, management and measurement of liquidity risk

Liquidity risk is the risk that the group is unable to meet its payment commitments due to its inability to raise funds on the market (funding liquidity risk) and/or to disinvest its assets (market liquidity risk). This risk includes the risk of meeting its commitments at non-market costs, i.e., incurring high costs to obtain funding or (and sometimes simultaneously) incurring losses when disinvesting assets.

This risk is borne by the parent that manages, as a bank, its liquidity and the liquidity requirements of various group companies. With specific regard to CartaSi's requirements, it provides it with suitable credit facilities for the funds necessary to cover the time gap between payment to the merchants and collection from the cardholders and settlement with the circuits, also for the issuing and acquiring servicing activities. At present, CartaSi has some credit facilities from customer banks, which are used when it requires significant funds (e.g., to cover transactions performed in December).

The group's general liquidity risk management policy is characterised by modest risk appetite and prudently privileges a balance between assets and liabilities as part of its strategy to increase profitability. Deadlines and amounts of its cash flows allow it to limit liquidity risk with the balanced return of funds, notwithstanding the fact that the group is very capable of financing itself in very short periods (one to three days).

The treasury and finance unit manages liquidity to ensure financial balance between deadlines and between assets and liabilities in order to avoid overusing current and potential sources of funds.

The parent, ICBPI, has regular and ongoing access to credit when the market is stable and liquidity flow are normal, as it has banking counterparties that have approved operating credit facilities which it can use.

Therefore, the group is not significantly exposed to liquidity risk. Its liabilities mainly consist of current accounts with banks or customers set up to be used as part of its core business rather than for funding purposes. An analysis of its due dates does not show any critical issues, given the nature of the underlying transactions. Moreover, with respect to its positions other than current accounts, there are no critical issues relating to acceleration clauses or clauses requiring additional guarantees if the group companies are downgraded.

The related liquidity policy and contingency funding plan, approved by the parent's board of directors, sets the guidelines for liquidity management (liquidity policy) and the rules to be adopted in a liquidity crisis (contingency funding plan). It incorporates the most recent regulatory updates (Bank of Italy Circular no. 285/2013) and the principles of the group's risk policy, thus integrating and completing the rules defined in the finance regulation.

The liquidity policy defines the actions to be performed daily to ensure a balance between cash inflows and outflows by monitoring existing and future financial positions. It also includes a vast range of indicators to facilitate the monitoring of the bank's liquidity profile and to promptly identify any deterioration caused by internal factors or systemic factors.

The contingency funding plan (CFP) assesses the actions to be taken if there is a drastic reduction in liquidity and the group has certain lending commitments (e-money service and lending transactions that cannot easily be converted into liquidity) caused by either sector-wide liquidity crises or specific liquidity crises. It specifically describes what happens when a normal operating situation deteriorates into an operating stress or crisis situation, based on trends in quantitative and/or qualitative indicators (internal or sector) that are monitored daily. The plan also presents how to manage stress or crisis situations and specifies how the relevant units are to react and their responsibilities.

Liquidity risk is assessed by monitoring the accumulated balance of the daily situation each day, which is the most critical on the day before the debit of CartaSi transactions (made on the 15th of each month or if the 15th is a holiday, the next business day), considering the group's typical modus operandi. This process was introduced in May 2012 to allow the timely intervention when a cardholder's liquidity position worsens. The results of this process are included in the weekly preparation of the relevant indicator. Once a day, the risk management unit performs a simulation based on the same stress situations applied to the weekly monitoring. It calculates the run-off ratios for the different on demand items related to the "critical" category using the compound interest method and recalculates the accumulated balance in a stress situation, being the sum of the balance in a non-stress situation and outflows required in a stress situation.

Once a week, the risk management unit checks the net accumulated balance of the positions falling due (using the closing positions every Tuesday evening), including the group companies' expected cash flows, applying the method indicated by Bank of Italy. The net accumulated balance of the positions falling due is calculated considering the inflows and outflows expected during the different "due" categories (11 in total, which go from one day to four months). The schedule also includes data about forecast unrecorded flows or future flows the exact amount of which are not known, such as those related to CartaSi's issuing and acquiring activities. The risk management unit then sends Bank of Italy a liquidity report once a week.

The treasury and finance unit monitors and checks cash flows and estimates their trends during a business day. The intraday liquidity risk relates to the time mismatch between incoming and outgoing payment flows (the latter have different daily cut-offs). In order to mitigate these risks, the regulators require that banks have an appropriate intraday reserve (consisting of eligible, readily convertible into cash securities) to cover their obligations (specific risk) or the sudden illiquidity of markets or bankruptcy of a counterparty in the settlement system (sector risk). Accordingly, the parent has securities (CCT Italian treasury credit certificates and eligible bank bonds) as its intraday reserve for an amount deemed suitable to cover its specific operating needs based on an estimate of the intraday cash outflows.

The treasury and finance unit also closely monitors the group's liquidity held in an account with the Italian central bank so as to cover its commitments arising from target movements.

The TIT system

The liquidity risk governance and management tools used by the group include the TIT system (internal transfer of funds system), introduced to comply with the provisions of Bank of Italy Circular no. 263 (title V, chapter 2, section IV). As the group's only bank, ICBPI S.p.A. has used this system since 2012 and revises it annually.

LCR/NSFR

In 2010, the group introduced the assessment and analysis procedures to make its monitoring of liquidity consistent with the requirements of the Basel Committee specified in the "International framework for liquidity risk measurement, standards and monitoring" as well as the additional guidance and regulations issued by the control bodies and authorities (e.g., the CRR Regulation and the CRD IV Directive issued by the European Commission to implement the Basel Committee's indications at EU level).

These requirements introduced, inter alia, two ratios to measure liquidity, the LCR (liquidity coverage ratio) and the NSFR (net stable funding ratio). They are used to monitor short-term liquidity (one month) and structural liquidity (one year), respectively. Starting from 31 December 2011 and as part of the QIS (quantitative impact study) on the impact of Basel 3 regulations, the group has sent Bank of Italy half yearly reports showing the results of its calculation of the LCR using its financial reporting data.

The group's liquidity position remained within the risk limits set by its current liquidity policy in 2015 and, indeed, the regulatory ratio established by Basel 3 (LCR) was complied with, being better than the established values.

Liquidity and risk appetite framework

Liquidity is one of the factors included in the risk appetite framework (RAF) and is considered to be one of the most important for the group. Its inclusion is justified by the importance in managing liquidity in the current market situation and given the specific nature of the cash inflows and outflows generated by the group's business.

The RAF defines the following two liquidity parameters:

- **Liquidity Coverage Ratio – LCR**, i.e., the ratio of liquid assets (HQLA - high quality liquid assets) to net cash flows in the 30 days of a very acute stress scenario;
- **the ratio of the minimum cumulated net balance of the "critical bracket"** (minimum daily amount for the quarter) to total assets (most recent figure).

The framework defines parameters for each category that are the maximum risk limit the group intends to assume, the best risk limit (risk target) and an early warning level (risk trigger), which when breached, triggers contingency plans and/or mitigation actions to avoid reaching the risk limit.

The liquidity risk tolerance threshold[1], defined as the maximum risk exposure possible in a normal business situation (going concern) integrated by a stress scenario, is the risk limit.

The risk limits associated with the two ratios are:

- **Liquidity Coverage Ratio – LCR:** 80%.

This ratio has already been calculated assuming a severe stress scenario (combined idiosyncratic and market shock scenario simulation) with a risk limit above the legal minimum effective since October 2015[2], of 60%.

The group monitors the indicator using the monthly supervisory report, which requires the risk management unit and the financial risk unit to perform the related checks (consistency and performance) before the reporting unit sends it to Bank of Italy.

- **Ratio of the cumulated net minimum balance of the "critical bracket" and total assets:** 1%.

The cumulated net minimum balance of the "critical bracket" is the minimum daily amount recorded each quarter of the smaller liquidity situation compared to a normal business scenario.

[1] *See Bank of Italy Circular no. 285 and subsequent amendments.*

[2] *The LCR indicator became applicable in October 2015 with a minimum threshold of 60%, which increases to 70% from January 2016, 80% from January 2017 and 100% from January 2018.*

QUANTITATIVE DISCLOSURE

1. Breakdown of financial assets and liabilities by residual contractual maturity

Currency: Euro

	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	After 5 years	Open term
Assets										
A.1 Government bonds	-	1	250,000	250,000	250,000	100,001	301,500	1,331,010	14	-
A.2 Other debt instruments	1	-	13	196	8,849	8,764	3,136	28,722	6,142	-
A.3 OEIC units	33,593	-	-	-	-	-	-	-	-	-
A.4 Financing										
banks	467,451	42,242	208,005	30,795	30,492	-	-	-	-	149,476
customers	2,518,435	772,583	15,743	31,795	55,085	57,456	73,446	38,260	1,342	-
Liabilities										
B.1 Deposits and current accounts										
banks	760,223	-	-	102,406	252,805	-	-	17,765	-	-
customers	3,816,243	-	-	-	-	-	-	59	-	-
B.2 Debt instruments	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	564,415	100,033	-	-	-	-	10	575	217	-
Off-statement of financial position transactions										
C.1 Financial derivatives with exchange of principal										
long positions	-	82,568	221	178,570	50,879	10,854	210	5,551	9,727	-
short positions	-	383,697	27	179,748	18,208	10,623	150	5,776	11,069	-
C.2 Financial derivatives without exchange of principal										
long positions	-	-	-	-	-	-	-	-	-	-
short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and financing to be received										
long positions	-	-	-	-	-	-	-	-	-	-
short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds										
long positions	-	109,319	-	-	-	-	40,000	-	-	-
short positions	40,000	109,319	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of principal										
long positions	-	-	-	-	-	-	-	-	-	-
short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of principal										
long positions	-	-	-	-	-	-	-	-	-	-
short positions	-	-	-	-	-	-	-	-	-	-

Currency: other

	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	After 5 years	Open term
Assets										
A.1 Government bonds	-	-	-	-	-	-	-	-	339	-
A.2 Other debt instruments	-	-	-	-	-	-	-	-	-	-
A.3 OEIC units	-	-	-	-	-	-	-	-	-	-
A.4 Financing	-	-	-	-	-	-	-	-	-	-
banks	84,988	31,808	-	1,722	191	62	-	-	-	-
customers	708	-	-	-	-	-	-	-	-	-
Liabilities										
B.1 Deposits and current accounts	413,678	-	-	156	184	-	-	-	-	-
banks	66,292	-	-	156	184	-	-	-	-	-
customers	347,386	-	-	-	-	-	-	-	-	-
B.2 Debt instruments	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	1,194	-	-	-	-	-	-	-	27	-
Off-statement of financial position transactions										
C.1 Financial derivatives with exchange of principal	-	473,115	16,426	365,730	84,074	11,308	-	-	-	-
long positions	-	388,930	8,151	183,371	26,173	5,502	-	-	-	-
short positions	-	84,185	8,275	182,359	57,901	5,806	-	-	-	-
C.2 Financial derivatives without exchange of principal										
long positions	176	-	-	-	-	-	-	-	-	-
short positions	1,096	-	-	-	-	-	-	-	-	-
C.3 Deposits and financing to be received										
long positions	-	-	-	-	-	-	-	-	-	-
short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds										
long positions	-	-	-	-	-	-	-	-	-	-
short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
long positions	-	-	-	-	-	-	-	-	-	-
short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
long positions	-	-	-	-	-	-	-	-	-	-
short positions	-	-	-	-	-	-	-	-	-	-

1.4 Banking group - OPERATIONAL RISKS

QUALITATIVE DISCLOSURE

A. General aspects, management and measurement of liquidity risk

Operational risk is the risk of losses arising from errors or shortfalls in internal procedures, human resources or systems and external factors, including judicial risk. This risk also comprises legal risk, model risk and the risk related to financial transactions including those related to market risk.

Operational risk is characterised by cause-effect relationships whereby if one or more trigger events occur, this leads to a detrimental event which is directly linked to an economic loss. Therefore, an operating loss is the result of negative economic effects created by operating events, recorded by the bank and that affect its profit or loss.

The main characteristic of operational risks is that they are inherent to the group's business and are, therefore, unavoidable and omnipresent. This implies that they are inherent in the decision to perform a certain activity and, in general, the bank's operations rather than, in the case of the other risks, the group intentionally takes credit or financial positions based on its risk appetite to achieve its target risk/return profile. In order to measure the bank's exposure to operational risks and the effects of any mitigating actions, it has to combine the qualitative and quantitative information.

The group manages its operational risks through specific insurance policies and through:

- a suitable internal organisation with defined duties and responsibilities, ensuring the segregation of duties between the control and operating units;
- adoption of first level controls for each process to:
  - monitor their correct performance;
  - promptly identify any irregularities and, if necessary, introduction of timely remedial actions;
  - identify technical-organisational defects and ensure their timely analysis and correction;
- introduction of a code of ethics for employees;
- internal regulations;
- a risk control self-assessment (RCSA);
- a loss data collection (LDC) process;
- specific monitoring tools for CartaSi's e-money business operational risks;
- specific computer risk controls.

The main procedures for ensuring that the operational risk is managed correctly by the risk management unit are listed below:

- definition and updating of the operational risk management methods;

- second level controls over operational risk management;
- collection and analysis of operating loss data by type of event and business segment;
- definition of specific risk indicators and escalation proposals; performance and coordination of the RCSA;
- assistance with identification of operational risks inherent in new services/products during the design stage;
- appointment of an internal reference person to design and monitor the information safety management system;
- preparation of periodic reports or reports on specific events to general management, the control bodies and the internal audit and compliance units;
- annual valuation of the assessment framework for operational risks related to retail payment systems, carried out with the payment unit as per the Italian central bank's instructions in the relevant regulations.

The group has adopted an operational risk framework, which includes an operational risk policy and the RCSA and loss data collection methods as specified by Bank of Italy with respect to prudent supervisory requirements.

The operational risk policy has the following objectives:

- set out the general operational risk governance principles, the aims, methods and tools adopted;
- present the roles and responsibilities of the units involved;
- describe the operational risk governance framework processes and reference models.

All the group units are required to contribute to the operational risk management (ORM) process to the extent of their duties and to encourage the circulation of a risk management culture at all levels.

The operational risk framework is structured to adopt identification and assessment methods in line with market best practices. Its structure is also in line with the regulations for adoption of the TSA (traditional standardised approach).

As part of this ORM framework, the risk control self-assessment (RCSA) process is used for scenario analysis with the direct involvement of the internal units. It is a useful management tool, especially for the correct understanding of the business processes' riskiness by the units. As well as the ex-ante identification of operational risks, the assessment is fundamental to disseminate a control culture. The RCSA method also includes the model used to assess the effect of operating events on the group's reputation.

The RCSA process was formalised in the group's publication of its regulation, which specify the activities, roles and methods used:

- identification of the processes to be assessed;

- identification of adverse events and related causes that could have an economic fallout, within the process, and possibly also damage the group's reputation;
- measurement of the identified risks and the effectiveness of the related mitigation controls;
- calculation of the total exposure to operational risk and identification of any additional mitigation requirements to contain the risks.

Planning and development of the controls are subjected to follow-up processes through their inclusion in a dashboard and are monitored by the control units (risk management, compliance and internal audit), which check all the actions taken to improve the internal controls. The findings of the monitoring process are assembled once a quarter and communicated regularly to the internal bodies to provide a complete picture of the main critical issues the group is exposed to and the status of the remedial actions taken or to be implemented.

The group is fully conscious that, as well as affecting its results, loss-generating events may significantly damage its reputation and standing. Therefore, it has a management system in place to minimise the effects which relies on a method to identify, measure and mitigate them in qualitative and quantitative terms. This system identifies the risk of both actual losses and potential risk.

The loss data collection process is a key part of the operational risks management system because it both guarantees an understanding of the most significant loss factors over time and provides statistics useful to better analyse identified risks. Moreover, the identification and measurement of potentially risky activities allows the bank to monitor and identify over time the most risky factors and to intervene to remove the reasons and/or strengthen its controls.

The LDC process is based on the LDC method approved as part of the operational risk policy and its objective is to estimate the value of an economic effect generated by an operating event, caused by one or more risk factors. The information is the result of a relationship between different factors: the event, the risk factor and the effect. An analysis of this relationship is essential to correctly forecast the losses generated by operational risks and to measure the risks.

Losses used for the loss data collection are those that directly affect the group's profit or loss and are not due to commercial policies or the offsetting of costs and revenues. The general principles underlying the LDC are:

- the range of loss events to be assessed (in terms of processes, business lines and companies);
- the accuracy of the information;
- the timeliness and continuity of the data collection.

Adverse events are identified by the reference unit manager promptly when they take place. Accordingly and in order to allow a complete analysis of the operational risks, the loss data collection also includes negative events that took place but did not lead to actual losses ("near losses").

The operating details and methods to collect loss data are set out in the Loss data collection - management methods and processes for the ICBPI group, which is an integral part of the Operational risk management policy.

A fundamental operational risk mitigation tool is the business continuity and disaster recovery plan, which is revised annually as required by the supervisory instructions about internal controls. Bank of Italy extended the concept of business continuity to all critical "business processes", not just the technological component but all the factors (human resources, logistics, essential services, etc.) that assist the mitigation of operational risks in new crisis situations.

Business continuity includes all those measures designed to reduce to an acceptable level the damage caused by accidents or catastrophes that could directly or indirectly affect the bank while the disaster recovery plan sets out the technical and organisational methods to resolve events that cause the unavailability of data processing centres. It is designed to ensure that the important IT procedures can continue to be performed at alternative sites.

Part F - EQUITY

B. QUANTITATIVE DISCLOSURE

B.1 Equity: breakdown by type of entity

	Banking group	Insurance companies	Other companies	Eliminations and consolidation adjustments	Total
Share capital	45,045				45,045
Share premium	148,356				148,356
Reserves					
- income-related	632,850				632,850
a) legal					-
b) statutory					-
c) treasury shares					-
d) other	10,848				10,848
- other					-
Equity instruments					-
(Treasury shares)	-32				-32
Valuation reserves					-
- Available-for-sale financial assets	195,956				195,956
- Property, equipment and investment property					-
- Intangible assets					-
- Hedges of investments in foreign operations					-
- Cash flow hedges					-
- Exchange rate gains (losses)					-
- Non-current assets held for sale					-
- Net actuarial losses on defined benefit pension plans	-4,259				-4,259
- Share of valuation reserves of equity-accounted investees					-
- Special revaluation laws	46,222				46,222
Profit for the year	95,206				95,206
Equity	**1,170,192**	**-**	**-**	**-**	**1,170,192**

B.2 Fair value reserves (AFS financial assets): breakdown

	Banking group		Insurance companies		Other companies		Eliminations and consolidation adjustments		Total	
	Fair value gains	Fair value losses	Fair value gains	Fair value losses	Fair value gains	Fair value losses	Fair value gains	Fair value losses	Fair value gains	Fair value losses
1. Debt instruments	24,488								24,488	-
2. Equity instruments	171,468								171,468	-
3. OEIC units									-	-
4. Financing									-	-
31/12/2015	**195,956**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**195,956**	**-**
31/12/2014	**34,016**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**34,016**	**-**

B.3 Fair value reserves (AFS financial assets): changes

	Debt instruments	Equity instruments	OEIC units	Financing
1. Opening balance	**31,979**	**2,037**	**-**	**-**
2. Increases				
2.1 Fair value gains	-	169,431	-	
2.2 Reclassification of fair value losses to profit or loss:	-	-	-	
due to impairment	-	-	-	
on sale	-	-	-	
2.3 Other increases	-	-	-	
3. Decreases				
3.1 Fair value losses		-		
3.2 Impairment losses	-	-	-	
3.3 Reclassification of fair value gains to profit or loss: on sale	-	-	-	
3.4 Other decreases	7,491	-	-	
4. Closing balance	**24,488**	**171,468**	**-**	**-**

B.4 Actuarial reserves: changes

The actuarial reserve solely refers to the Italian post-employment benefits vested before 1 January 2006. As there are no plan assets, the reserve only includes the actuarial gains or losses on the liability, which changed as follows:

	Gross actuarial losses	Income taxes	Actuarial reserve	
			Total	including attributable to the owners of the parent
Opening balance	**-6,640**	**1,778**	**-4,863**	**-4,636**
Actual gains	-	-	-	
Actuarial losses	2,137	-1,534	603	556
Closing balance	**-4,503**	**244**	**-4,260**	**-4,080**

SECTION 2 - OWN FUNDS AND RATIOS

2.2 - Bank own funds

A. QUALITATIVE DISCLOSURE

With the acquisition of a controlling interest in Istituto Centrale delle Banche Popolari Italiane S.p.A. by a consortium of private equity funds led by Advent International Corporation, Bain Capital Investors LLC, and Clessidra SGR Spa, since 18 December 2015 the vehicles Mercury Italy S.r.l. and Mercury UK HoldCo Ltd were required to be included the prudential scope of consolidation.
Therefore, Icbpi must comply with the provisions of EU Regulation based on the accounting situation referring to the scope of consolidation with the company Mercury UK HoldCo Ltd as the parent.

Part G - BUSINESS COMBINATIONS

The group has not performed any business combinations.

Part H - RELATED PARTY TRANSACTIONS

1. Fees of key management personnel

The fees paid by the ICBPI Group to its directors and key management personnel as defined in part 2, are set out below.

	31/12/2015
Directors	1,752
Other key management personnel and members of supervisory committees	7,081
Total	**8,834**

2. Related party transactions

The aim of IAS 24 (Related party transactions) is to ensure that an entity's financial statements include the additional disclosures necessary to understand whether its financial position and performance may be altered by related party transactions and balances.

Based on this standard, applied to its organisational and governance structure, the ICBPI Group identified the following related parties:

- associates, i.e. those companies over which the parent directly or indirectly exercises significant influence, as defined by IAS 28;
- key management personnel and members of supervisory bodies, as well as their close family members and companies over which they exercise control or significant influence;
- pension funds for the group employees and their related parties;
- companies that exercise significant influence over ICBPI.

The effects of transactions carried out with the related parties identified above are summarised in the following table.

The effects and balances of transactions with subsidiaries are not included as they are eliminated upon consolidation. The other related party transactions are part of the ordinary banking activities and are usually carried out on an arm's length basis.

RELATED PARTY TRANSACTIONS			
(€'000)	TOTAL	Other related parties	Directors, managers and members of supervisory bodies
130. Intangible assets	160,983	1,716	
160. Other assets	440,602	1,120	
20. Due to customers	4,547,227	-	1,079
100. Other liabilities	707,589	6,920	122
180. Administrative expenses	531,550	81,847	8,834
220. Other net operating income	282,674	655	

The transactions are governed by specific agreements that, while aiming at optimising synergies and economies of scale and purpose, make reference to objective parameters that are constant over time, characterised by transparency and substantial fairness. Transfer pricing is defined and formalised based on parameters that account for the actual use of the service by each end user.

Part I - SHARE-BASED PAYMENTS

None.

Part L - Segment reporting

Segment reporting complies with IFRS 8, which did not lead to substantial changes in the identification of the operating segments and reporting to management when introduced, compared to the previous requirements of IAS 14.

Segment reporting is consistent with the group's organisational and industrial structure in 2015, in line with its business plan and as required by its regulation.

Reporting by geographical segments is not included as the group operates only in Italy and the breakdown of assets, liabilities, revenue and costs by geographical segment was meaningless.

Reporting by business segment includes, in order of importance, the segments that may be identified within the group's organisation and specifically:

E-money

It comprises CartaSi and Help Line and its integrated activities are as follows:

- financial and operating services relating to the issue and acceptance of payment cards and related management services;
- payment card terminal management (POS and ATM).

Payments

It comprises an operating division of the parent, which carries out the following integrated activities:

- banking payment services and related back-office services for banks, companies and bodies;
- interbank payment systems for companies and bodies and related management services and e-banking;
- IT and computer-based services relating to payment systems.

Securities services

It comprises an operating division of the parent, which carries out the following integrated activities:

- securities custody and administration services;
- fund services;
- investment and investment-related services for qualified parties and professional customers.

Application outsourcing and innovative services

It comprises Oasi, which carries out the following integrated activities:

- IT systems for supervisory reporting and management systems;
- anti-money laundering, safety and internal control systems;
- development and provision of training courses.

Other group activities

This segment manages the activities that are not carried out by the parent's business units. Specifically:

- credit and financial activities for the relevant business segments;
- property management;
- equity investment management;
- group management and coordination;
- other activities of the consolidated companies.

A.1 Breakdown by business segment: income statement

The results of operations for 2015 of each of the above business segments are set out below.

2015 CONSOLIDATED FINANCIAL STATEMENTS: SEGMENT REPORTING							
YTD Dec, 31 2015 (€/000)	E-money	Payment	Securities Services	Application outsourcing	Other Group activities	Consolidat. adjustment	ICBPI Group
Net fee and commission income	447,650	86,822	59,639	29,233	- 75	- 3,614	619,655
Net interest income	- 6,534	1,234	4,005	- 6	56,106	249	55,053
Net trading/hedging income	38	-	4,461	-	239	-	4,738
Dividends from equity investments and AFS	16	-	-	-	469	-	485
Operating revenue	**441,170**	**88,056**	**68,105**	**29,227**	**56,739**	**- 3,365**	**679,931**
Payroll and related costs	- 56,062	- 16,765	- 18,782	- 8,214	- 36,342	6	- 136,160
Production costs	- 77,803	- 11,504	- 5,023	- 3,805	- 217	411	- 97,940
ICT costs	- 135,661	- 30,114	- 21,638	- 6,900	- 7,824	10,301	- 191,836
General expenses	- 31,783	- 3,448	- 1,103	- 2,545	- 21,630	13,958	- 46,551
Administrative expenses	**- 301,309**	**- 61,830**	**- 46,545**	**- 21,463**	**- 66,014**	**24,675**	**- 472,486**
Other net operating expenses/income	2,037	- 5,728	- 9,402	195	40,500	- 21,449	6,153
Net accruals for risk and charge	- 12,582	- 336	-	- 28	- 419	-	- 13,365
Operating costs	**- 311,854**	**- 67,894**	**- 55,947**	**- 21,296**	**- 25,933**	**3,226**	**- 479,698**
EBITDA	**129,315**	**20,162**	**12,158**	**7,930**	**30,806**	**- 139**	**200,233**
Depreciation and amortization	- 22,272	- 2,172	- 1,999	- 3,370	- 2,472	- 37	- 32,322
Operating profit	**107,043**	**17,990**	**10,159**	**4,560**	**28,335**	**- 176**	**167,911**
Depr.&Amort. (customer contract)							- 10,523
Share of gains/losses of investees							- 4,974
Non recurring/extraordinary items							- 10,801
Income taxes							- 46,407
Profit to non-controlling interests							- 4,717
Group Net profit							**90,489**

Net interest income (expense) is the business segments' contribution to the group's net interest income resulting from the sum of realised interest income and expense recognised in the accounting system and unrealised interest calculated as part of the planning and control system, using the cash-pooling method based on internal transfer rates.

A breakdown of operating revenue arising from transactions with third party customers and other business segments of the same entity by operating segment is set out below for better disclosure purposes.

2015 CONSOLIDATED FINANCIAL STATEMENTS: OPERATING REVENUE						
YTD Dec, 31 2015 (€/000)	E-money	Payment	Securities Services	Application outsourcing	Other Group activities	Group total
E-money		4,642	-	745	14,300	19,688
Payment	- 4,439		-	157	-	- 4,283
Securities Services	-	-		421	-	421
Application outsourcing	40	51	-		4	95
Other Group activities	- 14,290	-	-	1,733		- 12,557
Operating revenue - other	**- 18,689**	**4,693**	**-**	**3,057**	**14,305**	**3,365**
Third party customers	459,859	83,363	68,105	26,170	42,435	679,931
Total operating revenue	**441,170**	**88,056**	**68,105**	**29,227**	**56,739**	**683,296**

Reconciliation between the management accounts and the consolidated financial statements

Segment reporting is consistent with the group planning and control system's principles and operating procedures defined by the central planning and control (P&C) department and approved by group management, whose aim is to ensure consistent management reporting among the various group operations and structures.

This system is based on the general criteria of tracing management data and reports to the general accounting records. Considering the characteristics of the parent, which is required to prepare consolidated financial statements, the group's management account income statement is presented with the general classification used in the financial statements of banking groups.

In order to improve management reporting of the group's operations and performance, as an exception to the above-mentioned general criteria of tracing management figures to those of the separate and consolidated financial statements, the P&C system sets out certain grouping rules for data that are dissimilar from those of the general accounts. The main differences in data grouping relate to the following:

- income classified in Other operating income/expense (caption 220 of the consolidated financial statements), relating to the provision of services (non-banking/financial) that are part of the operating segments' core business, is presented under Net fee and commission income and revenue from services in the management accounts;
- expense classified in Other operating income/expense (caption 220 of the consolidated financial statements), relating to royalties and/or selling costs, is presented under Net fee and commission income and revenue from services in the management accounts;
- income classified in Other operating income/expense (caption 220 of the consolidated financial statements), relating to the recovery of expenses, is presented in the caption to which the expense refers in the management accounts;
- income classified in Fee and commission income (caption 40 of the consolidated financial statements), relating to items subject to IFRIC 13, which establishes the accounting treatment to be applied by entities that grant awards under customer loyalty programmes relating to the purchase of goods or services and requires that the consideration for the obligation arising from granting the award be separated from sales revenue and deferred up to when the obligation with the customers is settled, is presented under Production costs in the management accounts;
- gains and losses relating to impairment losses/reversals of impairment losses on the equity portion of the AFS and HTM portfolios and classified in Net impairment losses (captions 130b and 130c of the consolidated financial statements) are presented under Gains (losses) on equity investments and AFS financial assets in the management accounts;
- profits relating to the bond portion of the AFS portfolio and classified in Profit (loss) on sale or repurchase of AFS financial assets (caption 100b of the consolidated financial statements) are presented under Profit on securities and exchange rate gains in the management accounts;
- income and expense relating to prior year items, classified in the caption that generated them in the financial statements of banks and financial companies, are presented under Other operating income (expense) in the management accounts;
- dividends collected on equity instruments included in the trading portfolio, classified in Dividends and similar income (caption 70 of the consolidated financial statements), are presented under Profits on securities and exchange rate gains in the management accounts;
- fees paid to directors and statutory auditors, classified in Personnel expense (caption 180a of the consolidated financial statements), are presented under General expenses in the management accounts;

- gains and losses relating to interest rate hedging derivatives are presented under Net interest income (expense) in the management accounts even when they do not formally meet the requirements for recognition as such and are, therefore, classified in Net trading income (expense) in the consolidated financial statements (caption 80);
- accruals relating to the remuneration of employees, classified in Net accruals to provisions for risks and charges (caption 190 of the Consolidated financial statements), are presented under Personnel expense in the management accounts;
- consolidation entries relating to dividends distributed by non-group companies that are accounted for using the equity method, classified in Dividends and similar income (caption 70 of the consolidated financial statements), are presented under Gains (losses) on equity investments and AFS financial assets in the management accounts;
- income and expense that, based on supporting evidence, relate to extraordinary and/or non-recurring events for the ICBPI Group are presented under Other items in the management accounts, even if they are classified in other captions in the general accounting system;
- other administrative expenses (caption 180b of the consolidated financial statements) are classified as expenses relating to the production of offered services, ITC service costs or general expenses and presented in the related caption of the management accounts, in order that the group companies present operating costs consistently.

The group’s income statement included in the management accounts is set out below, with a reconciliation of its captions to those of the consolidated financial statements:

ICBPI Group - 2015 Financial Statements				
Management account captions	**Management accounts**	**Management accounts**	**Interim consolidated**	**Cons. financial statements caption**
Net fee and commission income	619,655	- 235,212	384,443	60
Net interest income	55,053	- 3,806	51,247	30
Net trading/hedging income	4,738	- 12	4,726	80-90
Dividends from equity investments and AFS	485	- 247	237	70
Operating revenue	**679,931**	**- 239,277**	**440,654**	**sum**
Payroll and related costs	- 136,160	- 3,208	- 139,368	180a
Other administrative expenses	- 336,326	- 55,855	- 392,182	180b
Administrative expenses	**- 472,486**	**- 59,063**	**- 531,549**	**sum**
Other net operating expenses/income	6,153	276,522	282,674	220
Net accruals for risk and charge	- 13,365	6,048	- 7,317	130-190
Operating costs	**- 479,698**	**223,507**	**- 256,192**	**sum**
EBITDA	**200,233**	**- 15,771**	**184,462**	**sum**
Depreciation and amortization	- 32,322	- 10,523	- 42,845	200-210
Operating profit	**167,911**	**- 26,294**	**141,617**	**sum**
Share of gains/losses of investees	- 4,974	4,964	- 10	100-240
Non recurring/extraordinary items	- 21,324	21,330	6	altre voci
Pre-tax profit	**141,613**	**-**	**141,613**	**sum**
Income taxes	- 46,407	-	- 46,407	290
Profit to non-controlling interests	- 4,717	-	- 4,717	330
Net profit	**90,489**	**-**	**90,489**	**sum**

(€’000)

A.2 Breakdown by business segment: statement of financial position

(€'000)	E-money		Payments		Application outsourcing		Securities services		Other group activities		Consolidation adjustments		Consolidated financial statements	
ASSETS	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Loans and receivables with banks	23,996	29,672	-	-	2,416	1,902	-	20,776	805,418	564,866	- 4,177	- 6,534	827,652	610,682
Loans and receivables with customers	2,350,791	2,447,155	15,170	27,189	-	-	340,988	384,084	2,097,295	2,433,968	- 1,267,347	- 1,437,430	3,536,898	3,854,967
Financial assets	189,968	2,622	-	-	-	-	13,401	17,673	2,642,419	2,580,567	-	-	2,845,789	2,600,862
Equity investments	-	3,500	-	-	-	-	1,250	1,250	519,405	489,586	- 414,238	- 387,650	106,417	106,686

(€'000)	E-money		Payments		Application outsourcing		Securities services		Other group activities		Consolidation adjustments		Consolidated financial statements	
LIABILITIES	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Due to banks	1,877,644	1,951,168	-	-	-	-	80,176	205,094	941,324	1,783,668	- 1,267,347	- 1,437,430	1,631,799	2,502,501
Due to customers	28,333	25,381	804,192	707,682	-	-	3,552,373	2,333,268	166,507	39,743	- 4,177	- 6,534	4,547,227	3,099,540

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(Translation from the Italian original which remains the definitive version)

Independent auditors' report pursuant to articles 14 and 16 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
Istituto Centrale delle Banche Popolari Italiane S.p.A.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of the Istituto Centrale delle Banche Popolari Italiane Group (the "group"), which comprise the statement of financial position as at 31 December 2015, the income statement and statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The parent's directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Independent 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 the International Standards on Auditing (ISA Italia) promulgated pursuant to article 11.3 of Legislative decree no. 39/10. 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 procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our 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, we consider 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the consolidated financial statements.

KPMG

Istituto Centrale delle Banche Popolari Italiane Group
Independent auditors' report
31 December 2015

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 group's financial position as at 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Report on other legal and regulatory requirements

Opinion on the consistency of the directors' report with the consolidated financial statements

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion, as required by the law, on the consistency of the directors' report, which is the responsibility of the parent's directors, with the consolidated financial statements. In our opinion, the directors' report is consistent with the consolidated financial statements the Istituto Centrale delle Banche Popolari Italiane Group as at and for the year ended 31 December 2015.

Milan, 11 April 2016

KPMG S.p.A.

(signed on the original)

Roberto Fabbri
Director of Audit

2

Reports and financial statements of the Parent Company

Board of Directors' Report on Operations

Dear Shareholders,

Period 2015 closes with a net profit of Euro 62.2 million against profit in 2014 of Euro 77.9 million. That result is mainly due to the negative impact, for an overall € 12 million, of the bank crisis resolution Fund. Equity amounts to Euro 810.0 million against Euro 772.0 million in December 2014.

Operating revenue amounts to a total of € 254.8 million, down by € 12 million (0.5%) compared to 2104 for the combined effect of the drop in interest margin from € 78.2 million to € 61.3 million (-21.6%) and the increase in commission and revenue from services from € 132.8 million to € 146.4 million (+10.2%). EBITDA is € 105 million down 2.6% against the € 107.9 million in 2014

GOVERNANCE STRUCTURES

During the course of the year, operations were completed for adjusting the Articles of Association with supervisory provisions pertaining to corporate governance as well as policies and practices of remuneration and incentives.

On 11 December 2015, the extraordinary shareholders' meeting approved certain proposals for modification of the Articles of Association in order to render its structure functional to changes in the shareholding structure of the Institute, as illustrated in the relative section of the consolidated financial statements. These changes primarily concerned the following:

- the removal of the 22.5% threshold as a maximum limit for share ownership of a shareholder as well as of the specific requirements for becoming a shareholder;
- raising of the threshold for the submission of lists (and for the appointment of the Board of Statutory Auditors) from 4 to 7%;
- regulation of share transfers;

On 18 December 2015, the ordinary shareholders' meeting deliberated in favor of the renewal – for the years 2015/2017 – of the company bodies whose composition reflects a degree of diversification - in terms of competencies, experience, age, gender and national/international background – which is adequate for the operational requirements of the bank and the Group.

Giovanni De Censi and Giuseppe Capponcelli were confirmed at the head of the institute as the Chairman and Chief Executive Officer, respectively (in addition to general manager and CEO of the subsidiary CartaSi). Franco Bernabè was appointed as Deputy Chairman as well as Chairman of the subsidiary CartaSi. This is a profoundly renewed structure – although still marked with continuity – which guarantees the continuation and strengthening of the profitable path which has led the Group to consolidate its leadership in the markets of reference.

In compliance with the best practices of the sector as well as supervisory provisions – and in order to favor an efficient system of reporting and consultation which allows the Board of the Parent Company to more effectively evaluate certain topics falling under its competence – the following four committees were created between the end of 2015 and the first months of 2016 with consulting and advisory functions, diversified by sectors of competence: Risk Committee, Committee for Operations with Related Parties, Remuneration Committee, Strategic Committee. The latter is structured into two subcommittees (Industrial Steering Group and Financial steering Group).

REGULATORY COMPLIANCE

ICBPI strengthened its commitment to the program for compliance with the specifications of the Bank of Italy (memorandum no. 285 of the Bank of Italy, 11th update of 21 July 2015) in relation to the "Data management system" by creating specific interfunctional workgroup dedicated to continuing the program for definition and implementation of the Data Governance system. The conceptual model for company information was therefore defined and the relative Business Glossary was prepared; the collected information was classified and the plan of operations for 2016 was defined.

The updating of the Organizational Model pursuant to Leg. Decree 231/01 was completed for the purposes of incorporating the provisions pertaining to: environmental crimes (so-called "Eco-crimes Law", Law 68/2015); crimes against the public administration, mafia-related crimes and false financial reporting (so-called "Anti-corruption Law", Law 69/2015); self money laundering crime (inserted within Leg. Decree 231/01 by Law 186/2014). This was designed to integrate principles of behavior and strengthen current oversight methods.

The activities pertaining to compliance with the FATCA legislation (Foreign Account Tax Compliance Act) for non-US financial intermediaries (Foreign Financial Institutions – FFIs) were completed.

Finally, and both for ICBPI as well as CartaSi, the project for complying with the requirement of electronic invoicing to the public administration, in accordance with Law no. 29 of 23 June 2014, was concluded during the first half of 2015.

HUMAN RESOURCES

The workforce of the Parent Company at 31 December 2015 totalled 883 units.

	ICBPI			
	dic-14		dic-15	
	HC	FTE	HC	FTE
Managers	37	37.0	34	34.0
Middle Management	373	366.9	381	374.3
Permanent Staff	456	435.5	452	431.3
Temporary Staff	16	15.3	16	15.3
Total	**882**	**854.7**	**883**	**854.9**

INFORMATION ON STAFF AND THE ENVIRONMENT

Reference is made to the corresponding section of the Report on Group's operations.

BUSINESS OUTLOOK

2015 results benefited from the contribution of the 2 business Departments and the individual services as set out below.

PAYMENT SERVICES DEPARTMENT

During the financial period, the Payment Services Division consolidated all its operational processes pertaining to the management of SEPA inflows and payments in addition to rendering the AOS SEDA fully operational for the purposes of alignment of the new collection orders. These activities affected different operational sectors within ICBPI: the system infrastructure, the agent bank and the ICBPI bank. The extensive commitment of the entire organization – supported by the organizational revision that was implemented and which integrates marketing-sales activities with those of operations – has allowed for the definitive stabilization of the services provided to clientele and the resolution of all critical elements at the time of the migration to SEPA.

As European and domestic payment system infrastructure, the interoperability links with other infrastructures (ACH and CSM) were made fully operational in close collaboration with the outsourcer Equens, the Bank of Italy and EBA Clearing. As part of the collaboration with the Bank of Italy on CSM ICBPI-BI-Comp, the night cycle has been rendered operational (Cycle 0 of BI-Comp) for the settlement of SCT orders; in addition, a Web Station for real-time tracking and monitoring of all SEPA and SEDA operations has also been issued to PSP customers. It should be noted that such interventions have allowed for a rapid increase in the quality of service provided to customers. In parallel with these initiatives, the main phase of the review and simplification of the architectures associated with the processes of supplying payment services to the PSP customers of ICBPI was completed.

For the purposes of significantly improving the assistance and support service, a cross-facility structure of Customer Care dedicated to all ICBPI customers and for all supplied services was activated; along with the adoption of an IT and customer service portal named "All4You", it allows customers to utilize an integrated, effective and efficient interface to interact with ICBPI operations in a structured manner. This new operational dashboard of the ICBPI services – in the payments sector – allows customers to obtain real-time notifications, synthetic specifications on the operational status of processes/services as well as integrating support reporting.

In addition, it should be noted that the ACH ICBPI payments infrastructure – which guarantees full access in the SEPA area due to inter-operational agreements in the EACHA sector and with EBA Step2 – has been fully managed by ICBPI since 2015, with the latter retaining full intellectual property rights. As of today's date, 270 PSP members (direct and indirect) participate in ACH ICBPI for connection and clearing services with other ACHs/CSMs; these services allow circa 4,140 banks in Europe to be reached. With regard to analogous activities pertaining only to domestic products, the banks participating in the ICBPI Application Center are 172.

Activities in support of the CENT European project for the creation of a centralized technological hub have continued in order to facilitate the exchange of cross-border SEPA messaging, in accordance with a federated model which thereby avoids the limits derived from current point to point connections between ACHs adhering to the EACHA model.

Of the significant projects initiated in the period, the one relative to oversight of adoption of instant payment systems within the Italian market should be noted, in accordance with the specifications that are under discussion by the European authorities and which should favor the development of a system of infrastructures in support of all payment typologies that are IBAN-based: Domestic, SEPA and Real Time. The latter includes the possibility of activating multi-channel services for a variety of uses such P2P, P2B, B2B and other subsequent ones.

During the course of 2015, the PCP product named ZAC was initiated for six customer banks on the basis of a transfer of money between two entities owning a bank account or an account card (IBAN-based) within a Bank adhering to the service. This product, as all analogous ones present within the market, must, in any case, be subject to regulatory compliance adjustments according to specifications supplied by the authorities.

As part of the initiative of the Bancomat Consortium for the launch of the Online Pagobancomat, ICBPI presents itself as a technical facilitator with respect to Issuing and Acquiring companies, providing solutions and services which aim to simply managerial and technological activities in order to participate in the new e-commerce product with the Bancomat card. The offer of the ICBPI Group for Banks also includes the CartaSi components such as the updating of the virtual POS Xpay which is opportunely adjusted in order to allow for an interaction with the Directory Services of Online Pagobancomat.

In 2015, the sector of corporate services reported a positive increase for all segments of the offer: E-Banking workstations, CBI Node Services, CBI network management, electronic invoicing and paperless services, payments for the PA on the AGID node (Agency for Digital Italy).

The adoption of the measures described above - in addition to the expansion of the customer portfolio in all segments of payment services and, in some cases, the simultaneous presence of regulatory requirements – have promoted an overall increase in operating revenues within the segment compared to 2014 of approximately 3.7%, rising from approximately 83.7 million / Euro in 2014 to about 86.8 million / Euro in 2015 The interest margin linked to payment services dropped 62.2% going from €3.3 million in 2014 to €1.2 million in 2015.

PAYMENT SERVICES

From a managerial perspective, the consolidation of SEPA traffic as well as the close of the domestic interbank procedure for BON wire transfers and the massive migration of the RID (direct debit) product have resulted in a complete re-modulation of the volumes managed by ICBPI within the Clearing segment.

Overall, the ACH and ICBPI Application Center have managed circa 750 million during the period compared to the circa 800 million of the same period of the previous year; the decrease in revenues was, however, contained and mitigated with the new VASs. It should be noted that a significant quota of the pre-SEPA volume quotas concerned the Interbank Charges domestic procedure which, due to the effect of the transfer to SEPA, significantly decreased at the

System level since it was no longer required for the SCT and SDD products. It should be noted that- following the awarding of the BancoPosta tender – the relative migration to the clearing systems managed by ICBPI was successfully completed; the migrations of two other significant PSP customers was completed on the same systems, thereby resulting in a significant increase in clearing volumes for future years.

The standardized and competitive SEPA collection and payment agent services grew in the period by circa 3.5% in terms of volumes and, at the same time, in terms of revenues. The managed operations of PSP transferred by ICBPI were circa 335.7 million compared to the 324.4 million of 2014. The top performances were reported in the interbank collections segment (SEPA and domestic) as well as in the "competitive" and foreign collections and payments segments.

The operational volumes of collection and payment services that were executed with material means (checks, bills, etc.) were equal to circa 94 million, a 19% increase compared to 2014 when circa 80 million parts were handled; this was a strong countertrend compared to the systemic decrease (7%) of these payment methods. The amount of managed Banking Checks was approximately 80 million compared to 65 million in 2014 (+ 22%) due to the participation of two important customers banks.

The activation of two important operators within the Bills segment generated a significant increase in volumes (+ 7.9%), rising from 10.2 million items handled in 2014 to about 11.1 million in 2015.

The volume of managed bankers' drafts (Issued and Paid) was about 3.1 million, a decrease of approximately 10% compared to 2014.

The volumes of the INPS pension payments increased by about 2%, substantially in line with those of 2014. The volume of "INPS Vouchers" grew by 63% in the wake of the government's provisions in this sector.

The volumes of payments managed by AGEA and ARCEA decreased by about 15% due to the adoption – on the part of the authorities - of new ways of fund disbursement. The profitability of the service reported, on the other hand, a positive increase due to actions taken to lower the costs incurred by ICBPI and the undersigning of the new agreement with AGEA.

SDD collections that were managed on behalf of ICBPI corporate customers increased by approximately 30% compared to 2014. This increase was due to the full activation of the inflows generated by CartaSi.

The collection and payments service within the AGiD node has begun to grow, even though it still does not report significant volumes.

BANK-BUSINESS SERVICES

The E-banking workstations managed during the year increased by 22.4% compared to 2014, rising from about 203,000 to more than 248,000. The increase is mainly due to the gradual activation, as of May 2014, of the new Corporate Banking platform called "Innovation Banking", on which more than 100,000 customer bank work stations have been made operational. The path of functional enhancement of the new Corporate Banking platform has continued with high value-added services for banks and their customers (Invoice Advances and Cash Management).

The CBI Node activities reported an increase in handled provisions (executive and informational) of circa 11% compared to 2014, rising from 1,745 million to circa 1,937 million. The increase in volumes is partly ascribable to the operational start-up of the new services proposed by the CBI Consortium: C-Bills and Credit Certification.

During the course of 2015, services were further developed for the management of "paperless" processes (undersigning of contracts for Unione Fiduciaria) and new solutions were created within the sector for electronic invoicing (agreements with MyFoglio and Edoc), thereby allowing us to further increase the amount of digital documents that are managed.

It should be noted that, in 2015, the three-year renewal of the supply of It services for the new infrastructure of the CBI network was undersigned with CBI (Customer to Business Interaction Consortium). This will allow ICBPI to continue – with the oversight provided by technology architectures – the relative activities for SW development, thereby providing a significant impulse to the innovation of peripheral services.

Revenue from the Digital Corporate Banking services increased 3.4% in 2015 against 2014 going from 23.4 m/Euro to 24.2 m/Euro.

SECURITIES SERVICES DEPARTMENT (D2S)

During the year, the Securities Services Department services (custody, administration and settlement of securities, Depositary Bank, Fund Services, Brokerage & Primary Market, Market Making) provided to Banks, investment firms (SIM), asset management companies (SGR) and Funds continued the positive growth trend of the last years recording an increase in the size of portfolios under management and in traded securities. The businesses based on the number of transactions on financial markets (Investment Services, Settlement) benefited from the slight recovery in the European economy, offsetting the decrease in the interest income due to still low rates.

Revenues, net of the interest margin and income from securities, have increased from a total of Euro 49.1 million in 2014 to Euro 59.6 million, a significant increase of 21.4%.

During the year, the activities of the Securities Services Department focused on strengthening the customer base and implementing the primary business development initiatives that are needed to consolidate the Group as the Italian player of reference in the domestic market. In particular, it proceeded with:

- successfully completing, following the go-live in Italy, Greece, Malta, Romania and Switzerland, the first wave of migration to the European settlement platform Target 2 Securities where ICBPI was the direct participant (DCP), in accordance with the objective of becoming a hub even for banks of the territory for services of custody and settlement;
- initiating activities for the supply of the new supervisory reports and Covip statistics to retirement funds;
- implementing the specialist function for branded securities, both subordinated and senior, within the HI-MTF market, in line with the specifications of the new regulations;
- developing a new service model in support of “securities lending” activities for retirement funds, in partnership with a primary international institution and for the purposes of valorizing the important assets held in custody whose economic impact is expected to occur next year.

GLOBAL CUSTODY

Global Custody services – disbursed to more than 150 Institutional Customers – recorded marginal growth in 2015 in terms of managed portfolio levels and more significant growth in terms of settlement services; they benefited from the first signs of recovery of the primary advanced economies.

At the year end, the portfolio of securities under custody and administration amounted to Euro 127.6 billion, 37% being foreign securities, an increase of 1.7% compared to the 2014 values. Commercial agreements with a big banking group allowed ICBPI to raise the assets under management abroad, further consolidating the supply model having an integrated structure (trading, settlement e custody).

Settlement activities reported, in 2015, a sharp increase in both operations in foreign markets (+ 7.8%) as well as in the number of operations with Italian securities settled in Express II (+ 8.0%). Overall, the transaction volumes in this segment amounted to 3.26 million settlements (+ 7.9%) in 2015.

OPERATIONS SERVICES AND DEPOSITARY BANK & CONTROLS

The Depositary Bank & Controls sector continued to grow also in 2015, recording an increase in assets under management amounting to about Euro 56.7 billion (+4.9% compared to 2014), thanks to the acquisition of new customers and the positive trend of deposits in the asset management market.

A total of 46 customer pension funds made use of the Service in 2015 (+1 compared to 2014), with assets under management totalling about Euro 21.5 billion (+7.5%), confirming ICBPI as a market leader in this segment.

There was also an increase in assets for open-ended mutual funds, now approximately Euro 31.7 billion (+3.5%), and for closed-end mutual funds, with assets under management now totalling about Euro 3.6 billion (+2.2%).

The overall portfolio of funds under management now comprises 135 mutual funds, 19 private equity funds and 42 real estate funds.

The positive trend in customer deposits has also benefited Fund Administration activities, now implemented with a portfolio of more than 42 billion euros (+ 7%), as well as Transfer Agent activities which currently manage more than 2.4 million subscribers (+ 5.5%)

BROKERAGE & PRIMARY MARKET

The Brokerage & Primary Market segment has increased its trading activities on behalf of third parties in 2015.

The overall value of securities traded, equal to Euro 46.89 billion, increased by 2.3% compared to 2014. In particular, growth was significant in the domestic stocks segment (+ 21.4%) as well as foreign stocks (+ 61.4%), compared with a decrease in traded volumes in the fixed income segment (-17.2%).

The number of executed transactions exceeded overall 1.75 million orders while the volume of the lots relative to the trading activities on derivatives exceeded 350 thousand units.

The market share in the segments managed by Borsa Italiana (Mta, Mot EftPlus) remained essentially unchanged.

MARKET MAKING

Market Making activities reported revenues of circa 4 million Euro in the year.

During the course of the year, specialist activities were implemented on branded bond securities for a banking group, thereby positively contributing to commission revenues; carry trading activities were strengthened, leading to benefits to generated interest margin.

The competitiveness demonstrated with respect to other Market Makers operating within the HI-MTF market remained at positive levels, thereby allowing the service to maintain its leadership even this year and with a market share that was consolidated at circa 40% despite the entry of a new Market Maker.

TREASURY AND FINANCIAL SERVICES

The management of liquidity and of the securities portfolio of the parent company ICBPI, as well foreign exchange activities, were constantly centered upon the objective of minimizing operational, credit and market risks, thereby confirming the usual activities of support to different entities and Companies operating within the Group.

The presence of overnight rates that were often less than 0% resulted in a decrease in exchanged market volumes as well as reported increases in the average deposits within the accounts of clientele of ICBPI, thereby generating a lower use of the market for collection purposes.

The excess liquidity - both in Euro and in other currencies - was managed through investment transactions over a short-term time period. During the year, deposits have been opened in the e-MID and New-MIC market for up to six months or through the use of MMF repurchase agreements in the market.

Within the Available for Sales portfolio of securities - following the investment policy adopted in recent years – there has been a partial renewal of maturities through the purchase of domestic government issues with a residual maturity of 3 and 5 years. Following the decisions of the ECB in December, and with a further decline in yields expressed by the curve of Italian government issues, it was deemed opportune to temporarily relocate liquidity through very short-term investments (BOT securities with a residual maturity of less than 3 months).

Within the realm of the Held to Maturity portfolio - with reference to Leg. Decree 183 of 22/11/2015 and following the provision of the Crisis Resolution Authority created within the Bank of Italy – two positions of subordinated securities issued by Italian Banks already under extraordinary administration were completely written down.

CREDIT

Exposure to Credit Risk is characterised by the particular nature of the Parent Company as a so-called “second level Bank”, i.e. a bank whose core business is to offer services to the banking and financial system and to major corporate customers, basically in the area of payment systems and services for the custody, management and settlement of securities. Consequently, credit supply is closely related to the provision of those types of services and is not a business objective as such.

The methods for measuring credit risk undertaken and the relative control process have a streamlined and simple character because of the limited amount of credit exposure.

The guidelines for credit management are in any case based on the general prudent basis, correct and proper management and compliance with legislative and regulatory provisions currently in force.

Derivative transactions were not used for hedging credit risk.

Positions with credit lines have the following counterparties: 50% supervised institutions, 31% subsidiaries or companies controlled by ICBPI, 17% CIUs and property brokerage companies and only 2% relative to the companies belonging to the Corporate segment (these are almost exclusively instrumental lines of credit related to the execution of collection orders).

The following table shows the main financial statements indicators for 2015:

ICBPI - Highlights and main indicators	31/12/2015	31/12/2014	% change
Statement of financial position highlights (€'000)			
Loans and receivables with customers	2,453,453	2,845,242	- 13.8%
Loans and receivables with banks	805,418	585,642	37.5%
Financial assets	2,624,036	2,552,227	2.8%
Total assets	6,880,317	6,943,408	- 0.9%
Direct funding from customers	4,523,072	3,080,692	46.8%
Indirect funding from customes (assets under administration)	48,602,651	44,239,562	9.9%
Equity	810,046	772,044	4.9%
Income statement highlights (€'000) (*)			
Net interest income	61,344	78,223	- 21.6%
Net fee and commission income and revenue from services	146,386	132,829	10.2%
Operating income	254,850	256,080	- 0.5%
Personnel expense	71,889	70,588	1.8%
Operating costs	149,774	148,167	1.1%
EBITDA	105,077	107,912	- 2.6%
Profit for the year	62,246	77,904	- 20.1%
Structural ratios (%)			
Loans and receivables with customers / Total assets	35.7%	41.0%	
Loans and receivables with banks / Total assets	11.7%	8.4%	
Financial assets / Total assets	38.1%	36.8%	
Direct funding from customers / Total assets	65.7%	44.4%	
Indirect funding from customers / Total funding from customers	91.5%	93.5%	
Profitability ratios (%)			
Profit / (equity - profit) (ROE)			
Net interest income / Operating income	8.3%	11.2%	
Fee and commission income and revenue from services / Operating	24.1%	30.5%	
income	57.4%	51.9%	
Operating costs / Operating income (Cost income ratio)	58.8%	57.9%	
Credit risk ratios (%)			
Net impaired loans and receivables with customers / Net loans and receivabls with customers	-	-	
Iimpairment losses on loans and receivables with customers / Gross impaired loans and receivables with customers	81.7%	81.7%	
Total net impaired assets / Equity	-	0.1%	
Productivity indices (€'000)			
Average number of employees (FTE)	853	842	1.2%
Operating income / Average number of employees	299	304	- 1.7%
EBITDA / Average number of employees	123	128	- 3.8%
Personnel expense / Average number of employees	84	84	0.6%
Capital ratios (%)	587,718	608,860	- 3.5%
Own funds	1,869,700	2,423,492	- 22.9%
Risk-weighted assets			
CET 1 capital / Risk-weighted assets (CET1 capital ratio)	31.4%	25.1%	
Tier 1 capital / Risk-weighted assets (Tier 1 capital ratio)	31.4%	25.1%	
Total own funds / Risk-weighted assets (Total capital ratio)	31.4%	25.1%	

(*) The economic data are noticed in the reclassified income statement included in the management report

Dear Shareholders,

FINANCIAL STATEMENT HIGHLIGHTS

The corporate events described above are reflected in the Balance Sheet and Profit & Loss Account figures highlighted below.

Statement of financial position

ASSETS (€M)	31/12/2015	31/12/2014
Financial assets held for trading	18,7	19,6
Available-for-sale financial assets	2.605,3	2.532,6
Held-to-maturity investments	31,8	46,0
Loans and receivables with banks	805,4	585,6
Loans and receivables with customers	2.453,5	2.845,2
Equity investments	520,7	490,8
Non-current assets	160,8	171,7
Other assets	284,2	251,7
Total assets	**6.880,3**	**6.943,4**

LIABILITIES (€M)	31/12/2015	31/12/2014
Due to banks	1.021,5	1.988,8
Due to customers	4.523,1	3.080,7
Other liabilities	490,6	1.065,3
Post-employment benefits	12,1	12,8
Provisions	22,9	23,8
Equity	747,8	694,1
Profit for the year	62,2	77,9
Total liabilities	**6.880,3**	**6.943,4**

At 31 December 2015, the bank has total assets of €6,880.3 million compared to €6,943.4 million at the end of the previous year.

A glance at the various asset captions shows that:

- **Financial assets held for trading** amount to €18.7 million against €19.6 million at 31 December 2014;
- **Available-for-sale financial assets** come to €2,605.3 million compared to €2,532.6 million at the end of 2014, mainly consisting of government bonds;
- **Held-to-maturity investments** amount to €31.8 million and comprise bank

bonds (31 December 2014: €46.0 million). The reduction is mainly a result of redemption of certain bonds that reached maturity and the impairment of two securities held by the bank;

- **Loans and receivables with banks** amount to €805.4 million compared to €585.6 million at the previous reporting date. The increase is principally due to the larger deposits and joint accounts with banks and reverse repos in place at year end;
- **Loans and receivables with customers** decreased from €2,845.2 million at 31 December 2014 to €2,453.5 million at the reporting date. The variation is mainly attributable to the smaller number of reverse repos in place at year end compared to 31 December 2014 and a reduction in other financing, mostly consisting of guarantee deposits provided to carry out business activities;
- **Equity investments** come to €520.7 million compared to €490.8 million at the previous year end. The increase is due to the acquisition of 2.2 million CartaSi shares;
- **Non-current assets** amount to €160.8 million against €171.7 million at 31 December 2014. The reduction is mostly a result of amortisation and depreciation recognised during the year;
- **Other assets** of €284.2 million (31 December 2014: €251.7 million) include cash and cash equivalents of €22.4 million, tax assets of €39.9 million, including deferred tax assets of €31.3 million and other assets of €221.9 million. The increase mainly refers to the greater liquidity deposited with central banks.

With respect to liabilities:

- **Due to banks** amounts to €1,021.5 million compared to €1,988.8 million at 31 December 2014. The decrease is principally attributable to the smaller deposits and a smaller number of repos in place at the reporting date;
- **Due to customers** comes to €4,523.1 million against €3,080.7 million at the previous year end. The increase is mostly due to the higher volume of funding from customers compared to 31 December 2014 and the repos in place at the reporting date;
- **Other liabilities** amount to €490.6 million compared to €1,065.3 million at 31 December 2014 and include financial liabilities held for trading of €4.9 million, deferred tax liabilities of €29.8 million and other liabilities of €455.9 million. The decrease is attributable to the smaller amounts in suspense accounts on 31 December, relating to the execution of payment orders that took place in the following few days;

- **Post-employment benefits** total €12.1 million compared to €12.8 million at the end of 2014;
- **Provisions** amount to €22.9 million against €23.8 million at 31 December 2014;
- **Equity** totals €747.8 million compared to €694.1 million at the previous year end. The variation is the result of the €60.9 million increase in reserves due to allocation of the 2014 profit, the €7.5 million decrease in the fair value reserve and the €0.3 million increase in the actuarial reserve.

Income statement

The 2015 figures are compared to the previous year in the following table.

ICBPI reported an operating profit of €98.434 million for the year compared to €102.906 million for 2014 (-4.3%) and a profit of €62.246 million (2014: €77.904 million).

ICBPI S.p.A. - Income statement			
YTD Dec, 31 (€/000)	**2015 Year**	**2014 Year (*)**	**% change**
Net fee and commission income	146,386	132,829	10.2%
Net interest income	61,344	78,223	- 21.6%
Net trading/hedging income	4,700	5,446	- 13.7%
Dividends from equity investments and AFS	42,419	39,581	7.2%
Operating revenue	**254,850**	**256,080**	**- 0.5%**
Payroll and related costs	- 71,889	- 70,588	1.8%
Production costs	- 16,743	- 16,902	- 0.9%
ICT costs	- 59,575	- 58,391	2.0%
General expenses	- 26,181	- 26,943	- 2.8%
Administrative expenses	**- 174,389**	**- 172,824**	**0.9%**
Other net operating expenses/income	25,370	27,018	- 6.1%
Net accruals for risk and charge	- 755	- 2,362	- 68.0%
Operating costs	**- 149,774**	**- 148,167**	**1.1%**
EBITDA	**105,077**	**107,912**	**- 2.6%**
Depreciation and amortization	- 6,643	- 5,006	32.7%
Operating profit	**98,434**	**102,906**	**-4.3%**
Depr.&Amort. (customer contract)	- 9,684	- 8,064	20.1%
Share of gains/losses of investees	- 4,705	3,185	- 247.7%
Non recurring/extraordinary items	- 11,643	1,964	- 692.7%
Pre-tax profit	**72,402**	**99,991**	**-27.6%**
Income taxes	- 10,156	- 22,087	- 54.0%
Net profit	**62,246**	**77,904**	**- 20.1%**

(*) Due to the allocation of non deductible VAT costs to expenditure items the figures at December 31, 2014 have been reclassified according to figures at December 31, 2015

With respect to the **operating revenue**:

- **Net fee and commission income and revenue from services** amount to €146.386 million, up on the previous year figure of €132.829 million (+10.2%);

- **Net interest income** decreased from €78.223 million for 2014 to €61.344 million for the reporting period (-21.6%);
- **Gains on securities and net exchange rate gains** amounts to €4.700 million compared to €5.446 million for the previous year (-13.7%);
- **Dividends and other income** increased to €42.419 million from €39.581 million for 2014 (+7.2%).

With respect to the Operating costs:

- **Payroll and related costs** amounts to € 71.889 million compared to €70.588 million for 2014 (+1.8%);
- **Production costs** come to €16.743 million against €16.902 million for 2014 (-0.9%);
- **ICT costs** increased to €59.575 million from €58.391 million for the previous year (+2.0%);
- **General expenses** amount to €26.181 million compared to €26.943 million for 2014 (-2.8%);
- **Other operating income, net** decreased to €25.370 million from €27.018 million for 2014 (-6.1%);
- **Operating provisions** of €0.775 million mainly include costs incurred during the year for the bank's intermediation service as well as other net operating provisions.

Operating costs thus come to €149.774 million compared to €148.167 million for the previous year (+1.1%).

EBTIDA thus come to €105.077 million compared to €107.912 million for the previous year (-2.6%).

Depreciation and amortization increased from €6.643 million for 2014 to €5.006 million (+32.7%).

Operating profit thus come to €98.434 million compared to €102.906 million for the previous year (-4.3%).

The following captions are summer to the operating profit:

- **Depreciation and amortisation of the customer contract** of €9.984 million;
- **Share of losses of investees** of €4.705 million, comprising:
    - Impairment losses of €4.478 million recognised on non-current securities of Banca delle Marche and Banca dell'Etruria of €0.227 million on two funds classified in the AFS portfolio;

- **Non recurring/extraordinary items** of €11.643 million, including:
  - cost for National Resolution Fund €5.639,
  - cost for the Group's transformation / evolution € 4.515 million,
  - costs of €0.620 million to settle labour disputes;
  - costs of €0.970 million to close Project Bolt;
  - other income of €0.101 million.

These components led to a pre-tax profit of €72.402 million, which led to a profit of €62.246 million for the year after taxes of €10.156 million.

JOINT DOCUMENT OF BANK OF ITALY / ISVAP NO. 4 OF 3 MARCH 2010 – EN. 2 OF 6 FEBRUARY 2009

Information is provided below on the status of going concern of the Parent Company as well as on financial risks, impairment tests of assets and uncertainties in the use of estimates.

GOING CONCERN

Given the following indicators pertaining to the Parent Company:

Financial indicators

- there was no situation involving a capital deficit or net negative working capital;
- there were no loans with fixed or upcoming expiration dates without positive prospects of renewal or reimbursement; there is not an excessive dependency on short-term loans to finance long-term activities;
- there are no indications of cessation of financial support from financing entities and other creditors;
- there are no past or pro-forma financial statements reporting negative cash flows;
- the primary economic-financial indices are not negative;
- there were no significant operational losses or significant impairments of assets generating cash flows;
- there was no lack or discontinuity in the distribution of dividends;
- the capacity to pay debts on expiration dates exists;
- the capacity to comply with the contractual clauses of loans exists;

Managerial indicators

- there was no situation involving a capital deficit or net negative working capital;
- there were no loans with fixed or upcoming expiration dates without positive prospects of renewal or reimbursement;
- there is not an excessive dependency on short-term loans to finance long-term activities;

Other indicators

- there were no share capital decreases below legal limits or which were not in compliance with other legal norms;
- there were no legal and fiscal disputes which, in the case of a loss, could result in obligations of reimbursement that the companies of the Group are not capable of respecting;
- there were no legislative changes or government policies which could result in unfavorable effects to the companies of the Group

The Directors confirm the reasonable expectations that the Group will continue its operations in the near future and that, as a result, the financial statements for the year 2015 have been drafted from the perspective of a going concern. As a result, they have not noticed symptoms within the assets and financial structure and in the operational situation trends which could constitute cause for uncertainty in terms of the assumption of a going concern.

IMPAIRMENT OF ASSETS

It should be noted that the Explanatory Notes report the information requested by the joint document in relation to the process of evaluation of the assets subject to a potential impairment (impairment test) and relative to base assumptions, methodologies and utilized parameters.

In addition, and in relation to disclosure, the Explanatory Notes again report fundamental information on the following elements:

- definition of cash generating units (CGU);
- allocation of goodwill to each CGU;
- illustration of the criterion used to estimate the recoverable value when the latter is based on value in use;
- illustration of the criterion used to estimate the recoverable value when the latter is based on the fair value;

- description of the sensitivity analysis of the impairment test results with respect to changes in the underlying assumptions;
- commentary on the potential presence of external indicators of impairment and in the absence of write-downs of assets following the impairment procedure

INFORMATION ON FINANCIAL RISKS

Information on the nature and extent of financial risks to which the institution is exposed is provided below.

CREDIT RISK

ICBPI is a so-called "second level" bank; the issue of credit is not the primary business objective but is instrumental and closely connected to the supply of products/services and specific treasury activities (managed through the granting of operational limits) as well as those of the Securities Services department (mostly managed through the granting of overdraft credit lines within bank accounts).

The methods for measuring credit risk undertaken and the relative control process have a streamlined and simple character because of the limited amount of credit exposure. Specific organizational norms for assigning loans and periodical reviews of the latter have been adopted: these positions are examined by the Credit Committee and authorized by the Board of Directors.

MARKET RISK

The market risk to which ICBPI is exposed is extremely low given that the securities portfolio is almost entirely related to the "banking book" (AFS and HTM portfolios), and thereby does not generate market risk. The HFT portfolio relative to the "trading book" only contains the securities relative to Market Making services (for which the countervalue limit and VaR remain very low) and Financial Brokerage (for which the end of day position is closed, without prejudice to positions of the error account).

Even exposure to exchange rate risk is very low given that every operation in foreign currency which generates a position exposed to exchange rate risk is typically "hedged" by executing an offsetting operation on the market; the maintenance of positions subject to exchange rate risk is permitted only within certain limits (always extensively complied with) of maximum total exposure for each currency and VaR.

LIQUIDITY RISK AND CASH FLOW FLUCTUATION RISKS

The core activities of ICBPI typically contribute towards generating liquidity on demand. During the course of the year, the liquidity is primarily used to finance the requirements of the Companies of the Group which issue e-money services (CartaSi first of all).

Liquidity needs are satisfied by recourse to the interbank deposits market of repurchase agreements and through the use of part of the securities present within the portfolio by using operations with a duration of less than a month.

The Securities Portfolio is characterized by the presence of government securities and (to a residual extent) bank bonds that are primarily utilized as guarantees to hold in order to operate on clearing systems and to proceed with the market collection of repurchase agreements.

Any potential liquidity is utilized within interbank deposits or repurchase agreements with a duration of not more than three months. The structure of the cash flows used with different maturities and amounts allows for the limitation of liquidity risk with a balanced return of current positions.

Supervisory reports of the liquidity indicator - Basel 3 LCR, provided on a monthly basis – highlighted a constant compliance with the regulatory limit proposed for normal operations (> 100%).

INTEREST RATE RISK

Interest rate risk, managed in a centralized manner by ICBPI for the entire banking Group, is not negligible due to the temporal mismatch between assets and liabilities. In particular, risk-weighted assets – of which the relevant ones include securities present in the banking book (AFS and HTM portfolio), mostly with fixed rates although with rather close maturities (almost all within five years) – are more prevalent than weighted liabilities amongst which the greatest incidence pertains to balances of negative bank accounts. During the course of the year, risk monitoring reported a slight increase, primarily due to the increase in the duration of the securities portfolio as a result of the replacement of expiring securities with fixed rate securities with a duration between three and five years, and despite constant compliance with thresholds established by internal and regulatory norms.

2016 is expected to show economic and financial trends in line with 2015.

SIGNIFICANT EVENTS AFTER THE END OF THE YEAR

Significant events after 2015 year-end have been reported in the relevant section of the Report on Group’s operations.

OTHER INFORMATION

It is noted that ICBPI is not subject to management and coordination by another company or body, in accordance with the provisions of articles 2497-sexties and 2497-septies of the Italian Civil Code.

It is noted that ICBPI did not undertake any research and development activities in 2015.

In the respective sections of its website (www.icbpi.it), the Institute has published, with the 2015 Financial Statements, "State by state information to the public", and "Information for the public from entities in compliance with (EU) Regulation 575/2013", as set forth in Circular 285, and subsequent amendments, published by Bank of Italy on 17 December 2013.

TREASURY SHARES

It is noted that there was no treasury share trading activity during the period.

Consequently, the ICBPI portfolio currently has 75,191 treasury shares with a par value of Euro 3.00 each, with a non-distributable reserve of Euro 32,196.

Dear Shareholders,

ALLOCATION OF NET PROFIT

The financial statements which we submit for your review and approval show a net profit of Euro 62,246,319.

We propose the allocation to shareholders of an amount up to that of the consolidated net profit as at 31 December 2015 equal to Euro 90.489 million.

We therefore propose the allocation to shareholders of a dividend per share of Euro 6.37 for all shares, totalling 14,185,790, broken down among net profit and available reserve as follows:

- Available reserve	€ 28,117,163
- profit for the year	€ 62,246,319
Total	**€ 90,363,482**

Milan, 22 March 2016

THE BOARD OF DIRECTORS

Financial Statements
at 31 december 2015

STATEMENT OF FINANCIAL POSITION

	ASSETS	31/12/2015		31/12/2014	
10.	Cash and cash equivalents		**22,366,248**		**517,909**
20.	Financial assets held for trading		**18,739,435**		**19,581,755**
40.	Available-for-sale financial assets		**2,605,296,550**		**2,532,644,886**
50.	Held-to-maturity investments		**31,784,286**		**46,013,150**
60.	Loans and receivables with banks		**805,417,983**		**585,641,535**
70.	Loans and receivables with customers		**2,453,453,152**		**2,845,241,505**
100.	Equity investments		**520,655,048**		**490,836,188**
110.	Property, equipment and investment property		**77,511,583**		**79,776,224**
120.	Intangible assets		**83,295,478**		**91,954,438**
	goodwill	14,941,150		14,941,150	
130.	Tax assets		**39,924,140**		**32,414,610**
	a) current	8,657,817		1,556,403	
	b) deferred	31,266,323		30,858,207	
	including convertible into tax assets (Law no. 214/2011)	27,183,763		26,111,469	
150.	Other assets		**221,872,643**		**218,785,841**
	Total assets		**6,880,316,546**		**6,943,408,041**

(Euro)

	LIABILITIES	31/12/2015		31/12/2014	
10.	Due to banks		**1,021,500,220**		**1,988,762,013**
20.	Due to customers		**4,523,072,275**		**3,080,692,274**
40.	Financial liabilities held for trading		**4,906,529**		**6,163,383**
80.	Tax liabilities		**29,749,326**		**33,434,737**
	a) current	-		-	
	b) deferred	29,749,326		33,434,737	
100.	Other liabilities		**455,983,796**		**1,025,660,934**
110.	Post-employment benefits		**12,148,762**		**12,823,569**
120.	Provisions for risks and charges		**22,909,107**		**23,827,445**
	a) pension and similar obligations	978,074		966,973	
	b) other provisions	21,931,033		22,860,472	
130.	Valuation reserves		**69,019,893**		**76,240,419**
160.	Reserves		**488,012,973**		**427,131,581**
170.	Share premium		**148,242,172**		**148,242,172**
180.	Share capital		**42,557,370**		**42,557,370**
190.	Treasury shares (-)		**-32,196**		**-32,196**
200.	Profit for the year (+/-)		**62,246,319**		**77,904,340**
	Total liabilities and equity		**6,880,316,546**		**6,943,408,041**

(Euro)

INCOME STATEMENT

	INCOME STATEMENT	2015	2014
10.	Interest and similar income	**64,817,739**	**84,548,271**
20.	Interest and similar expense	**-3,400,263**	**-6,023,544**
30.	Net interest income	**61,417,476**	**78,524,727**
40.	Fee and commission income	**132,817,563**	**118,668,670**
50.	Fee and commission expense	**-34,688,687**	**-32,125,959**
60.	Net fee and commission income	**98,128,876**	**86,542,711**
70.	Dividends and similar income	**42,431,013**	**39,584,985**
80.	Net trading income	**4,688,652**	**5,441,839**
100.	Net profit on sale or repurchase of:	**-**	**3,539,588**
	b) available-for-sale financial assets	-	3,539,588
120.	Total income	**206,666,017**	**213,633,850**
130.	Net impairment losses on:	**-4,704,650**	**-1,939,892**
	b) available-for-sale financial assets	-226,744	**-**
	c) held-to-maturity investments	-4,477,906	-1,939,892
140.	Net financial income	**201,961,367**	**211,693,958**
150.	Administrative expenses:	**-182,567,119**	**-174,598,063**
	a) personnel expense	-73,904,908	-74,054,642
	b) other administrative expenses	-108,662,211	-100,543,421
160.	Net accruals to provisions for risks and charges	**-1,074,098**	**-397,524**
170.	Depreciation and net impairment losses on property, equipment and investment property	**-2,239,990**	**-2,290,617**
180.	Amortisation and net impairment losses on intangible assets	**-14,087,122**	**-10,779,244**
190.	Other operating income, net	**70,403,370**	**74,989,355**
200.	Operating costs	**-129,564,959**	**-113,076,093**
210.	Share of profits (losses) of investees	**-**	**1,585,096**
240.	Net gains (losses) on sales of investments	**5,880**	**-**
250.	Pre-tax profit from continuing operations	**72,402,288**	**100,202,961**
260.	Income taxes	**-10,155,969**	**-22,298,621**
270.	Post-tax profit from continuing operations	**62,246,319**	**77,904,340**
290.	Profit for the year	**62,246,319**	**77,904,340**

(Euro)

INCOME STATEMENT

		2015	2014
10.	Profit for the year	62,246,319	77,904,340
Items, net of tax, that will not be reclassified subsequently to profit or loss			
40.	Defined benefit plans	270,430	(1,252,087)
Items, net of tax, that will be reclassified subsequently to profit or loss			
100.	Available-for-sale financial assets	(7,490,957)	668,575
130.	**Other comprehensive expense**	(7,220,527)	(583,512)
140.	**Comprehensive income (captions 10 + 130)**	55,025,792	77,320,828

(Euro)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

	Balance at 31 December 2013	Change to opening balances	Balance at 1.01.2014	Allocation of prior year profit		Changes for the year								Equity at 31.12.2014
							Equity transactions							
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Repurchase of treasury shares	Extraordinary dividend distribution	Change in equity instruments	Derivatives on treasury shares	*Stock options*	2014 comprehensive income	
Share capital:														
a) ordinary shares	42,557		42,557											42,557
b) other shares														
Share premium	148,242		148,242											148,242
Reserves:														
a) income-related	365,122		365,122	51,162										416,284
b) other	10,848		10,848											10,848
Valuation reserves	76,824		76,824										-584	76,240
Equity instruments														
Treasury shares	-32		-32											-32
Profit for the year	68,185		68,185	-51,162	-17,023								77,904	77,904
Equity	711,746		711,746		-17,023								77,321	772,043

(€'000)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

				Allocation of prior year profit		Changes for the year								
							Equity transactions							
	Balance at 31.12.2014	Change to opening balances	Balance at 1.01.2015	Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Repurchase of treasury shares	Extraordinary dividend distribution	Change in equity instruments	Derivatives on treasury shares	*Stock options*	2015 comprehensive income	Equity at 31.12.2015
Share capital:														
a) ordinary shares	42,557		42,557											42,557
b) other shares														-
Share premium	148,242		148,242											148,242
Reserves:														
a) income-related	416,284		416,284	60,881										477,165
b) other	10,848		10,848											10,848
Valuation reserves	76,240		76,240										-7,220	69,020
Equity instruments														-
Treasury shares	-32		-32											-32
Profit for the year	77,904		77,904	-60,881	-17,023								62,246	62,246
Equity	772,043		772,043		-17,023								55,026	810,046

(€'000)

STATEMENT OF CASH FLOWS: INDIRECT METHOD

A, OPERATING ACTIVITIES	2015	2014
1, Operations	**41,034**	**48,295**
- profit for the year (+/-)	62,246	77,904
- net gains (losses) on financial assets held for trading and financial assets/liabilities at fair value through profit or loss (-/+)	55	73
- hedging gains/losses (-/+)	-	-
- net impairment losses (+/-)	4,705	1,940
- net impairment losses on property, equipment and investment property and intangible assets (+/-)	16,327	13,070
- net accruals to provisions for risks and charges and other costs/revenue (+/-)	1,074	398
- unpaid taxes and duties (+)	-692	-380
- net impairment losses on disposal groups, net of the tax effect (+/-)	-	-
- other adjustments (+/-)	-42,681	-44,710
2, Cash flows generated by financial assets	**90,017**	**255,809**
- financial assets held for trading	787	-8,995
- available-for-sale financial assets	-72,652	86,910
- loans and receivables with banks: on demand	-219,776	665,199
- loans and receivables with banks: other		
- loans and receivables with customers	391,788	-564,386
- other assets	-10,130	77,081
3, Cash flows used by financial liabilities	**-109,389**	**-538,277**
- due to banks: on demand	-967,262	211,133
- due to banks: other		
- due to customers	1,442,380	-987,444
- securities issued	-	-10,025
- financial liabilities held for trading	-1,257	-974
- financial liabilities at fair value through profit or loss		
- other liabilities	-583,250	249,034
Net cash flows generated by (used in) operating activities	**21,662**	**-234,172**
B, INVESTING ACTIVITIES		
1, Cash flows generated by	**-**	**-**
- sales of equity investments	**-**	9,662
- dividends from equity investments	42,431	39,585
- sales/repayments of HTM investments	10,000	43,908
- sales of property, equipment and investment property	25	-
- sales of intangible assets	-	-
- sales of business units		
2, Cash flows used to		
- equity investments	-29,819	**-**
- HTM investments		
- property, equipment and investment property	-	-148
- intangible assets	-5,428	-6,202
- business units	-	-21,178
Net cash flows generated by investing activities	**17,209**	**65,628**
C, FINANCING ACTIVITIES	**-**	**-**
- issue/repurchase of treasury shares	-	-
- issue/purchase of equity instruments	-	-
- dividend and other distributions	-17,023	-17,023
Net cash flows used in financing activities	**-17,023**	**-17,023**
NET CASH FLOWS FOR THE YEAR	**21,848**	**-185,567**
RECONCILIATION		
Financial statements captions		
Opening cash and cash equivalents	518	186,085
Net cash flows for the year	21,848	-185,567
Cash and cash equivalents: effect of changes in exchange rates		
Closing cash and cash equivalents	**22,366**	**518**

(€'000) *KEY: (+) generated (-) used*

Notes of the financial statements

Part A – Accounting policies

Part B – Notes of the statement of financial position

Part C – Notes to the income statement

Part D – Breakdown of comprehensive income

Part E – Risks and related hedging policies

Part F – Equity

Part G – Business combinations

Part H – Related partytransactions

Part I – Share-based payments

Part L – Segment reporting

Part A - ACCOUNTING POLICIES

A.1 - GENERAL PART

Section 1 – Statement of compliance

Pursuant to Regulation (EC) no. 1606 of 19 July 2002, Istituto Centrale delle Banche Popolari Italiane (the bank or ICBPI) has prepared these separate financial statements as at and for the year ended 31 December 2015 in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission. They were introduced into Italian law with Legislative decree no. 38/2005.

The bank applied the IFRS enacted at 31 December 2015 and Bank of Italy's instructions about financial statements issued in its Measure of 22 December 2005, the related Circular no. 262 and subsequent amendments.

It did not make any departures from the IFRS.

Section 2 – Basis of presentation

The separate financial statements at 31 December 2015 comprise a statement of financial position, an income statement, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and these notes. They are accompanied by a directors' report which comments on the bank's performance, its results of operations and financial position.

The bank's presentation currency is the Euro and the amounts shown in the separate financial statements and these notes are in thousands of Euros.

The bank has applied the recognition and measurement criteria established by the IFRS endorsed by the European Commission and the general assumptions in the Framework for the preparation and presentation of financial statements issued by the IASB.

Application of the measures set out in Regulations (EU) 634/2014 and 1361/2014 became mandatory on 1 January 2015 enacting:

- IFRIC 21, which provides guidance on when to recognise a liability for a levy imposed by a government other than income taxes (covered by IAS 12). Specifically, it identifies the obligating event for the recognition of a liability;
- the Annual improvements to IFRSs 2011-2013 cycle, which introduced some immaterial amendments to IFRS 3, IFRS 13 and IAS 40, designed to clarify certain inconsistencies and/or provide guidance about methods.

Their application did not significantly affect ICBPI's separate financial statements.

The following table shows the new standards or amendments with the related endorsement regulations. Their application is mandatory from 1 January 2016 (for entities whose reporting period is the calendar year) or subsequently.

Endorsement regulation	Name	Standard/Interpretation	Year of application
28/2015	Annual improvements to IFRS (2010-2012 cycle)	Amendments to the following standards: - IFRS 2 - Share-based payment: changes to the vesting conditions - IFRS 3 - Business combinations: classification and measurement of contingent consideration - IFRS 8 - Operating segments: reconciilation of the total of the reportable segments' assets to the entity's assets - IFRS 13 - Fair value measurement: short-term receivables and payables - IAS 16 - Property, plant and equipment and IAS 38 - Intangible assets: clarification about how to apply the revaluation method - IAS 24 - Related party disclosures: definition of a related party	2016
2343/2015	Annual improvements to IFRS (2012-2014 cycle)	Amendments to the following standards: - IFRS 5 - Non-current assets held for sale and discontinued operations: changes to methods of disposal - IFRS 7 - Financial instruments: disclosure: "Continuing involvement" in the case of a servicing contract - IAS 19 - Employee benefits: clarifications about the discount rate - IAS 34 - Interim financial reporting: disclosure	2016
2406/2015	Disclosure initiative	Amendments to IAS 1 - Presentation of financial statements	2016
29/2015	Defined benefit plans: employee contributions (amendments to IAS 19)	Amendments to IAS 19 - Employee benefits	2016
2231/2015	Clarification of acceptable methods of depreciation and amortisation	Amendments to IAS 16 and IAS 38	2016
2173/2015	Accounting for acquisitions of interests in joint operations	Amendments to IFRS 11	2016
2441/2015	Equity method in separate financial statements	Amendments to IAS 27 - Separate financial statements	2016

In 2014, the IASB issued IFRS 15 - Revenue from contracts with customers as well as making amendments to existing standards. The documents amending certain standards which are yet to be endorsed include IFRS 9 - Financial instruments, issued in July 2014, finalising the new standard for financial instruments, except for macro hedging. This new standard will be applicable from 1 January 2018 after its endorsement by the European Commission.

The next table shows the standards for which amendments were issued, specifying the scope of or object for such amendments.

Standard	Name	Publication date
IFRS 9	Financial instruments	24/07/14
IFRS 14	Regulatory deferral accounts	30/01/14
IFRS 15	Revenue from contracts with customers (including the amendment published on 11 September 2015 about the date of application of IFRS 15)	28/05/14
IFRS 16	Leases	13/01/16
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment entities - Applying the consolidation exception	18/12/14
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	11/09/14

As none of them have been endorsed by the European Commission, they did not affect the bank's 2015 separate financial statements.

The bank applies the measurement criteria assuming that it will continue as a going concern and in accordance with the principles of accruals, materiality and significance of the financial data and the principle of substance over form.

The separate financial statements and the notes present corresponding prior year figures.

The directors' report and these notes include all the information required by the IFRS, the law and Bank of Italy, as well as additional disclosures which are not mandatory but are deemed useful to give a true and fair view of the bank's separate financial statements.

Basis of presentation of the separate financial statements

Statement of financial position, income statement and statement of comprehensive income

They comprise captions, subcaptions and additional information. Revenue is shown without a plus sign while costs are shown with a minus sign in the income statement.

Statement of changes in equity

This statement shows changes in equity during the year split between share capital, equity-related reserves, income-related reserves, valuation reserves and the profit (loss) for the year. Treasury shares are offset against equity. The bank has not issued equity instruments other than ordinary shares.

Statement of cash flows

The statement of cash flows for the year and the previous year has been prepared using the indirect method, whereby cash flows from operations are the profit for the year adjusted by the effects of non-monetary transactions.

Cash flows are split between those from operating, investing and financing activities.

Cash flows generated during the reporting period are indicated without a plus sign while those used during the reporting period are shown with a minus sign.

Basis of presentation of the notes
These notes include the information required by Bank of Italy's Circular no. 262/2005 and the additional information required by the IFRS.

The accounting policies described below have been adopted to disclose all the information in the separate financial statements.

Section 3 - Events after the reporting period

No events took place after the reporting date that would have had a significant effect on the bank's financial position, results of operations or cash flows or that would have required adjustments to the financial statements captions.

Section 4 - Other aspects

There is no other information that needs to be disclosed, including with respect to the Bank of Italy/Consob/IVASS document no. 6 of 8 March 2013.

A.2 - KEY FINANCIAL STATEMENTS CAPTIONS AT 31 DECEMBER 2015

1 - Financial assets held for trading

Classification:
A financial asset is classified as held for trading if it is:

- acquired principally for the purpose of selling it in the near term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- a derivative (except for a derivative that is an effective hedging instrument).

Derivatives are recognised under assets when they have a positive fair value and under liabilities when they have a negative fair value.

Recognition
Debt and equity instruments are recognised at their settlement date while derivatives are recognised at their trading date.

Financial assets held for trading are initially recognised at fair value, which is usually the transaction price, net of any directly attributable transaction costs.

Measurement
After initial recognition, financial assets held for trading are measured at fair value. Any resulting fair value gains or losses are recognised in caption 80 "Trading income (expense)" of the income statement. Interest accrued on these assets is recognised in caption 10 of the income statement "Interest and similar income", although interest and/or other income and expense on trading derivatives are recognised in caption 80 "Trading income (expense)" of the income statement.

Section 17 - Other information provides information on the calculation of fair value of listed financial instruments. Equity instruments and derivatives hedging equity instruments are maintained at cost when it is not possible to calculate their fair value reliably.

Derecognition
Financial assets or parts of financial assets are decognised when the contractual rights to cash flows expire or are transferred, transferring substantially all the related risks and rewards.

2 - Available-for-sale financial assets

Classification
This category includes non-derivative financial assets that are not classified as loans and receivables, financial assets held for trading, held-to-maturity investments or financial assets at fair value through profit or loss.

Recognition
They are initially recognised at the settlement date and measured at fair value, which includes the directly related transaction costs.

Measurement
AFS financial assets are subsequently measured at fair value with recognition of amortised cost in profit or loss and the fair value gains or losses in a specific equity reserve until the asset is derecognised or an impairment loss is recognised. Gains or losses recognised in equity are reclassified to profit or loss when the asset is sold.

Realised gains or losses are recognised in caption 100 "Net profit (loss) on sale or repurchase" of the income statement.

Fair value is calculated using the same criteria applied to financial assets held for trading.

Equity instruments included in this category and derivatives hedging equity instruments are maintained at cost when it is not possible to calculate their fair value reliably.

The bank tests its assets for impairment at each reporting date. When there is a significant or prolonged decline in fair value, ICBPI recognises it in profit or loss as the difference between the asset's carrying amount (acquisition cost net of impairment losses already recognised in profit or loss) and fair value. Fair value losses are significant when they exceed 20% of the cost and prolonged if they have existed for over nine months.

If the fair value of a debt instrument increases in a subsequent period and this increase is objectively due to an event that took place in a period after that in which the impairment loss was recognised in profit or loss, the impairment loss is reversed and the related amount is recognised in the same income statement caption. The reversal may not generate a carrying amount higher than that which would have been obtained by measuring that asset at amortised cost had the loss not been recognised. Impairment losses on shares, recognised in profit or loss, cannot be reversed through profit or loss but only directly through equity.

Derecognition
Financial assets or parts of financial assets are decognised when the contractual rights to cash flows expire or are transferred, transferring substantially all the related risks and rewards.

3. Held-to-maturity investments

Classification
This category includes debt instruments with fixed or determinable payments and fixed maturities that the bank has the ability and intention to hold to maturity. If it is no longer appropriate to maintain an asset as classified as held to maturity following a change in the bank's intentions or ability, it is reclassified to "AFS financial assets".

Recognition
HTM investments are initially recognised at cost, being the fair value of the amount traded, including any directly related costs and income.

Measurement
After initial recognition, HTM investments are measured at amortised cost using the effective interest method. Fair value gains or losses are recognised in profit or loss when the investments are derecognised.

At each reporting date, the bank tests the HTM investments for impairment. The impairment loss, if any, is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate.

Impairment losses are recognised in profit or loss. When the reasons for impairment are no longer valid as a result of an event that took place subsequent to recognition of the impairment loss, it is reversed through profit or loss.

Derecognition
Financial assets or parts of financial assets are decognised when the contractual rights to cash flows expire or are transferred, transferring substantially all the related risks and rewards.

4 - Loans and receivables

Classification
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

This category includes trade receivables and reverse repurchase agreements.

Recognition
Loans and receivables are initially recognised at the agreement signing date, which is usually the disbursement date, based on the financial instrument's fair value, which usually equals the amount disbursed including transaction costs or revenue attributable to the individual loan or receivable and determinable from the transaction start date, even when they are disbursed subsequently. The initially recognised amount does not include costs that, despite having the above characteristics, are to be reimbursed by the counterparty or that are administrative costs.

Measurement
After initial recognition, loans and receivables are measured at amortised cost using the effective interest method.

Interest is recognised in caption 10 "Interest and similar income" of the income statement.

Loans and receivables are tested for impairment at each reporting date to determine whether there is objective evidence of impairment due to events subsequent to initial recognition. Indication of impairment is based on one or more events that took place after initial recognition that have an impact on the estimate of future cash flows of a financial asset or a group of financial assets that can be measured reliably.

Loans and receivables tested individually for impairment include positions classified as non-performing, doubtful or restructured as per the Bank of Italy regulations. Assets not tested individually or for which impairment has not been identified are tested collectively.

The individual impairment test measures the difference between the carrying amount and present value of estimated future cash flows discounted at the position's original effective interest rate.

Estimated cash flows include guarantees securing the debtor's exposure and their probable enforcement. When enforcement of the guarantees is unlikely, the bank uses their present value, while if it is probable that they will be enforced, the bank considers their realisable value net of the costs to be incurred for enforcement.

Impairment losses are recognised in caption 130 "Net impairment losses" in the income statement.

Loans and receivables are reinstated to their original value in subsequent periods when the reasons for impairment are no longer valid, as long as this assessment is objectively linked to an event that took place after recognition of the impairment loss. Reversals of impairment losses are recognised in the income statement and may not exceed the position's amortised cost had the impairment loss not been recognised.

Loans and receivables that are not tested individually for impairment are tested collectively. They are grouped into categories based on their risk and the related impairment loss percentages are estimated considering historical data, based on elements observable at their measurement date, so as to estimate each category's unrealised loss. The impairment test considers the counterparty's country risk. Collective impairment losses are recognised in profit or loss.

Derecognition
Financial assets or parts of financial assets are decognised when the contractual rights to cash flows expire or are transferred, transferring substantially all the related risks and rewards.

7 - Equity investments

Investments in subsidiaries and associates are recognised and measured at cost, which equals the fair value of the consideration paid, less any subsequent impairment losses.

Investments in entities other than subsidiaries, associates and joint ventures are classified as AFS financial assets and treated accordingly.

The bank did not have to perform special judgements or make significant assumptions in order to establish the existence of control over subsidiaries and significant influence over associates.

8 - Property, equipment and investment property

Classification
This caption includes land, owner-occupied property, investment property, furniture and fittings and all equipment. It also comprises assets under finance lease.

Recognition
Assets acquired on the market are recognised as assets when the main risks and rewards of title are transferred. Initial recognition is at cost, which includes all directly related charges.

Land is recognised separately, including when it is purchased together with the building, using the component approach. It is separated from the building based on third party appraisals.

The cost of extraordinary maintenance that increases the item's future economic benefits is capitalised while other ordinary maintenance costs are expensed.

Measurement
Property, equipment and investment property are subsequently measured at cost adjusted by accumulated depreciation and any impairment losses/reversals of impairment losses.

The depreciable value of property and equipment equals their cost as the residual value after depreciation is not deemed significant. Depreciation is charged systematically on a straight-line basis over the assets' estimated useful life to reflect their technical-economic life and residual use.

The useful life of the main categories of property, equipment and investment property is as follows:

- furniture and fittings: 8 years;
- owner-occupied buildings: 33 years;
- investment property: 33 years.

Land is not depreciated as it has an indefinite life nor are works of art as their useful lives cannot be estimated and their value usually increases over time.

The bank tests the assets for impairment at every reporting date. If there is indication of impairment, it compares the asset's carrying amount to its recoverable amount being the higher of fair value and value in use.

Derecognition
Property, equipment and investment property are derecognised when sold or when no future economic benefits are expected from their continued use or sale.

9 - Intangible assets

Classification
An intangible asset is an identifiable non-monetary asset without physical substance able to generate future economic benefits controllable by the entity.

Recognition
Intangible assets are recognised at cost when the principal risks and rewards are transferred, only when it is probable that the related future economic benefits will materialise and cost can be measured reliably. Otherwise, cost is expensed in the period in which it is incurred.

Measurement
All intangible assets other than goodwill are considered to have finite useful lives and are amortised in line with their cost and related useful lives.

The useful life of the bank's intangible assets is three years, except for those assets related to the depositary services, which have an estimated useful life of ten years depending on the contractual terms.

Their residual value is taken to be nil.
The bank tests the assets for impairment at every reporting date. If there is indication of impairment, it compares the asset's carrying amount to its recoverable amount being the higher of fair value and value in use.

Derecognition
The bank derecognises intangible assets when they are sold or when it does not expect to receive future economic benefits from their continued use or sale.

Goodwill
Goodwill arising on business combinations is the difference between the consideration paid, including related costs, and fair value of the assets acquired and the liabilities assumed at the transaction date. If the difference is positive, it is recognised as an asset (goodwill), being a payment by the acquiree for future economic benefits to be generated by assets that cannot be identified individually or recognised separately. If the difference is negative, it is recognised directly in profit or loss (excess cost).

Goodwill is recognised at cost, net of accumulated impairment losses. It is not amortised.

It is tested annually for impairment even if there are no indicators of impairment.

Impairment losses on goodwill are recognised in caption 230 "Impairment losses on goodwill" of the income statement. They are not reversed in subsequent periods.

11 - Current and deferred taxes

The bank estimates current and deferred taxes, considering the domestic tax consolidation scheme.

Current taxes, calculated considering the domestic tax consolidation scheme, not yet paid in whole or in part at the reporting date are recognised as tax liabilities in the statement of financial position. If payments on account in the current or previous reporting period exceed the related tax expense, the difference is recognised as a tax asset in caption 130 "Tax assets - a) current".

Current and deferred taxes are recognised in caption 260 "Income taxes" of the income statement unless they relate to gains or losses on AFS financial assets and actuarial gains and losses, which are recognised directly in the valuation reserves, net of tax.

Deferred tax assets and liabilities are recognised in the statement of financial position without offsetting as "Tax assets" and "Tax liabilities", respectively.

The income tax expense is calculated on the basis of an estimate of the current and deferred tax expense and income. Specifically, deferred tax assets and liabilities are calculated on the temporary differences between the carrying amounts of assets and liabilities and their tax bases. The bank recognises deferred tax assets (in caption 130.b) for deductible temporary differences and carryfoward tax losses that will reverse in subsequent periods when it is probable that it will make a taxable profit in the same period, according to its business plans, against which it can offset the deferred tax asset.

Deferred tax liabilities are calculated on all taxable temporary differences, excluding only reserves taxed upon distribution as, given the amount of the taxed available reserves, the bank does not expect to undertake transactions that would require their taxation.

Deferred tax assets and liabilities are calculated using the tax rates expected to be enacted in the period in which the deferred tax asset will be recovered or the deferred tax liability extinguished, based on the ruling tax laws.

They are remeasured regularly to reflect any changes in the tax laws or rates or any subjective situations in which the bank may find itself.

12 - Provisions for risks and charges

Pension and similar provisions

Internal pension plans are considered to be defined benefit plans. The bank calculates the related liabilities and current service cost using actuarial assumptions and the projected unit credit method. This method projects future payments using historical figures and the demographic curve and discounts these flows using a market interest rate. The discount rate is the average market rate at the measurement date. The present value of the bank's liability at the reporting date is also adjusted by the fair value of any plan assets.

Other provisions

The bank recognises provisions for risks and charges when:

- it has a present legal or constructive obligation as a result of a past event;
- it is probable that an outflow of resources will be necessary to settle the obligation;

and

- the liability can be reliably estimated.

When the effect of the time value of money is material, the provision is discounted using the current market rates at the closing date. Accruals and increases due to the time factor are recognised in profit or loss. Where discounting is used, the increase in the provision due to the passage of time is recognised as interest expense.

Provisions and contingent liabilities are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

13 - Liabilities and Securities issued

Classification

An issued financial instrument is classified as a liability when, based on the substance of the contractual agreement, the bank has a contractual obligation to deliver cash or another financial asset to another party.

Due to banks and customers include funding obtained on the interbank market and from customers, including through repurchase agreements and the placing of bonds and certificates of deposit.

They also include finance lease liabilities.

Recognition

Amounts due to banks are recognised at the contract agreement date, which is usually when the bank receives the funds and issues the debt instruments.

Financial liabilities are initially recognised at fair value, which is normally the amount received or the issue price, plus the directly related costs/income. Internal administrative costs are excluded.

Measurement

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method.

Interest is recognised in caption 20 “Interest and similar expense” of the income statement.

Derecognition

Financial liabilities, or parts thereof, are derecognised when they are extinguished, i.e., when the obligation is complied with, cancelled or has expired.

14 - Financial liabilities held for trading

This caption includes derivatives held for trading with negative fair values.

All financial liabilities held for trading are measured at fair value and the fair value gains or losses are recognised in profit or loss.

The measurement and recognition criteria are identical to those used for financial assets held for trading.

16 - Foreign currency transactions

Initial recognition

Upon initial recognition, a foreign currency transaction is translated into the functional currency using the spot exchange rate ruling at the transaction date.

Subsequent measurement
Foreign currency assets and liabilities are retranslated into Euros at each subsequent reporting date using the following criteria:

- monetary items are retranslated using the closing rates;
- non-monetary items measured at historical cost are retranslated using the transaction-date exchange rates;
- non-monetary items measured at fair value are retranslated using the closing rates.

Exchange rate differences arising from the settlement of monetary items are recognised in profit or loss in the period in which they arise; exchange rate differences on non-monetary items are recognised in equity or in profit or loss in line with the method used to recognise the gains or losses that include this component.

Foreign currency costs and revenue are translated at the exchange rate ruling on their recognition date or, if they have not been realised, at the closing spot rate.

17 - Other information

Post-employment benefits
The Italian post-employment benefits (TFR) are a form of deferred remuneration paid to employees when they leave the bank. They accrue over the employment term and are recognised under personnel expense.

Following the Italian supplementary pension reform introduced with Legislative decree no. 252 of 5 December 2005, benefits accruing from 1 January 2007 are calculated without using an actuarial approach as the bank's liability is limited to its contribution defined by the Italian Civil Code (defined contribution plan as per IAS 19).

Post-employment benefits vested up to 31 December 2006 continue to be considered defined benefit plans under IAS 19. Accordingly, the related obligation is subject to actuarial valuation using the projected unit credit method. This method projects future payments using historical statistics and the demographic curve and discounts these flows using a market interest rate.

The rate used to discount the post-employment benefit obligation (both funded and unfunded) varies from country to country. It is determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The term of the corporate bonds is consistent with the estimated term of the post-employment benefit obligations.

Specifically, the amount recognised as a liability in caption 120.a) equals the net balance of the obligation's present value at the reporting date, the sum of any actuarial gains or losses, less any pension costs for past service not yet recognised and the current value of plan assets, if any, at the reporting date that will be used to directly extinguish the obligation.

Starting from the 2013 separate financial statements, the bank has recognised actuarial gains and losses in the statement of comprehensive income as required by the revised IAS 19.

Before that, they had been recognised immediately in profit or loss.

Interest accrued on the net liability continues to be recognised.

Treasury shares
Repurchased treasury shares are directly offset against equity. No gain or loss on the repurchase, sale, issue or extinguishment of these shares can be recognised in profit or loss. Any amounts paid or received for these shares are recognised directly in equity.

The bank has set up the specific reserve as per article 2357-ter of the Italian Civil Code.

Measurement of the fair value of financial instruments
The fair value of financial instruments is measured using the financial market prices in the case of instruments listed on active markets or by using internal measurement models for other financial instruments.

More information is available in section A.4 Fair value disclosure.

The fair value of financial assets and liabilities carried at cost or amortised cost is disclosed in the notes and is determined as follows:

- for non-current financial assets and liabilities, the discounted cash flow method is mainly used;
- for on demand assets and liabilities, with a short term or undetermined maturity, the carrying amount net of a collective/individual impairment loss is deemed to reasonably reflect fair value as it reflects changes in interest rates and the issuer credit risk;
- for floating-rate and current fixed-rate securities issued, the carrying amount is deemed to adequately reflect fair value, for the reasons set out above;
- for non-current fixed-rate liabilities, the discounted cash flow method, without considering changes in its credit spread, given its immateriality, is used.

Measurement of fair value of non-financial assets
The fair value of investment property is only calculated for disclosure in the notes. The bank uses third party appraisals that are usually based on criteria similar to the direct synthetic estimate method, considering transactions at current prices in an active market for similar real estate assets in the same location and condition and that have the same lease and other contractual terms.

Determination of impairment losses on goodwill
Impairment losses on goodwill are determined using the discounted cash flow method.

Guarantees issued
Guarantees issued, credit derivatives and similar instruments as per IAS 39 and subsequent impairment losses are recognised in caption 100 “Other liabilities”.

Income statement

Interest income and expense

Interest income and expense and related income and expense relate to cash and cash equivalents, non-derivative financial assets and liabilities held for trading, AFS financial assets, HTM investments, loans and receivables, liabilities and securities issued.

Interest income and expense are recognised in profit or loss on all instruments measured at amortised cost, using the effective interest method.

Fee and commission income and expense

They are recognised on an accruals basis.

Specifically, trading commissions on securities are recognised when the service is rendered.

Fees and commissions included in amortised cost to calculate the effective interest rate are excluded as they are recognised under interest.

Dividends

Dividends are recognised in profit or loss when their distribution is approved.

Other income and costs

They are recognised on an accruals basis.

Utilisation of estimates and assumptions in the preparation of the separate financial statements

The separate financial statements captions are measured using the policies set out above.

Application of these policies sometimes involves the adoption of estimates and assumptions that may have a significant effect on the carrying amount of assets and liabilities, income and expenses.

The use of reasonable estimates is an essential part of the preparation of financial statements but must not affect their reliability. The financial statements captions affected to a greater extent by the use of estimates and assumptions are:

- measurement of financial assets not listed on active markets;
- measurement of intangible assets and equity investments;
- quantification of accruals to provisions for risks and charges;
- quantification of deferred liabilities.

A change in an accounting estimate may occur due to changes in the circumstances on which the estimate was based or as a result of new information or more experience. The effect of a change in an accounting estimate is recognised prospectively by including it in profit or loss of the period of the change and, if the change affects future periods, also in future periods.

No significant changes to the accounting estimates were made in 2015.

A.3. Transfers between portfolios of financial assets

A.3.1 Reclassified financial assets: carrying amount, fair value and effects on comprehensive income

Type of financial instrument (1)	Original portfolio (2)	Portfolio to which transfer is made (3)	Carrying amount at 31/12/2015 (4)	Fair value at 31/12/2015 (5)	Income or expense if transfer had not taken place (before taxes)		Income or expense for the year (before taxes)	
					Fair value gain/loss (6)	Other (7)	Fair value gain/loss (8)	Other (9)
1. Debt instruments	Financial assets held for trading	Available-for-sale financial assets	168,340	168,340	1,799		2,589	

A.3.2. Reclassified financial assets: effects on comprehensive income before transfer

No transfers among portfolios took place during the year.

A.3.3. Transfers of financial assets held for trading

In 2011, as the rare circumstances provided for by IAS 39 arose, the bank reclassified Italian treasury credit certificates from the HFT portfolio to the AFS portfolio.

These rare circumstances related to the international sovereign debt crisis of June 2011 and the continuously widening spread of the German bund.

A.4 Fair value disclosure

The IFRS require that financial products classified in the HFT or AFS portfolios be measured at fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the principal market (i.e., not a forced liquidation or distress sale) at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. An entity shall measure the fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

IFRS 13 establishes a hierarchy for measuring fair value of financial instruments depending on the entity's use of discretion, prioritising the use of relevant observable inputs that reflect the assumptions that market participants would use to price assets/liabilities.

The fair value hierarchy has three input levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices);
- Level 3: unobservable inputs for the asset or liability.

The decision about which level to use is not optional as they are to be applied in hierarchical order. Highest priority is given to official prices available on active markets for the assets or liabilities to be measured (level 1) or assets and liabilities measured using techniques based on parameters observable on the market other than prices (level 2) and the lowest priority is given to assets and liabilities whose fair value is calculated using techniques that are based on unobservable inputs and which are, therefore, more discretional (level 3).

The bank uses the reporting date market price for instruments listed on active markets (level 1).

The fair value of financial instruments not listed on active markets is measured using techniques mainly based on discounting cash flows. These techniques consider all the factors that the market uses to set the price which are mainly inputs observable on the market (level 2). Specifically:

- bonds are measured by discounting the expected future cash flows of the contractual plan, adjusted for the issuer credit risk.
- derivatives, consisting of OISs, and options are measured using the market models that mainly use market rates as their input, adjusted to reflect counterparty risk. This risk includes changes in the counterparty's credit standing and in the issuer's credit standing (own credit risk), if material;
- a fair value hierarchy has been developed for shares and an application order for the measurement methods which considers any significant transactions involving the share in a sufficiently short time period compared to the measurement period, comparable transactions carried out by companies operating in the same sector and the application of financial, income and equity analytical valuation methods.

The valuation model adopted for a financial instrument is the same over time, adjusted only in the case of significant changes in market conditions or subjective changes affecting the issuer.

The bank did not have at the reporting date, nor did it trade in during the year, level 3 financial instruments, except for immaterial amounts.

Qualitative disclosure

A.4.1 Levels 2 and 3: valuation techniques and inputs used

As noted above, the bank does not have nor did it trade in level 3 financial instruments, except for immaterial amounts.

It measured level 2 financial instruments (mainly IRSs, OISs and interest rate and currency options) using market interest rates and volatility. Given the bank's limited operations in the unlisted derivatives segment, its transactions with Italian institutional counterparties and its guarantees mitigating risk, the adjustments made to the level 2 instruments to reflect counterparty risk were immaterial.

A.4.2 Measurement processes and sensitivity

As noted above, the bank does not have level 3 financial instruments, except for immaterial amounts.

A.4.3 Fair value hierarchy

Transfers between the fair value levels are made to reflect changes in the instruments or its market.

Transfers from level 1 to level 2 are made when there is an inadequate number of contributors or a limited number of investors that hold the outstanding float.

Conversely, instruments that are illiquid when issued and have a small number of trades classified in level 2 are transferred to level 1 when an active market exists.

A.4.4 Other disclosures

The bank did not avail of the exception under IFRS 13.48 to measure the net positions of groups of assets and liabilities managed on a net basis.

The bank does not hold assets, the current use of which differs from their highest and best use.

Quantitative disclosure

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 level

	31/12/2015			31/12/2014		
	L1	L2	L3	L1	L2	L3
1. Financial assets held for trading	13,127	5,613	-	14,272	5,309	1
2. Financial assets at fair value through profit or loss						
3. Available-for-sale financial assets	2,570,122	35,174	-	2,499,446	33,199	-
4. Hedging derivatives						
5. Property, equipment and investment property						
6. Intangible assets						
Total	**2,583,249**	**40,788**	**-**	**2,513,718**	**38,509**	**1**
1. Financial liabilities held for trading	838	4,049	-	1,489	4,674	-
2. Financial liabilities at fair value through profit or loss						
3. Hedging derivatives						
Total	**838**	**4,049**	**-**	**1,489**	**4,674**	**-**

Key
L1 = level 1
L2 = level 2
L3 = level 3

The bank did not transfer assets and liabilities between level 1 and level 2 during the year.
Given the bank's limited operations in the unlisted derivative segment, the fact that it solely works with Italian institutional counterparties and the existence of guarantees that mitigate counterparty risk, the above fair value is not significantly influenced by adjustment factors for counterparty risk (credit value adjustments and / or debit value adjustments).

A.4.5.2 Changes in assets measured at fair value on a recurring basis (level 3)

	Financial assets held for trading	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Hedging derivatives	Property, equipment and investment property	Intangible assets
1. Opening balance	**1**	-	-	-	-	-
2. Increases						
2.1. Purchases						
2.2. Gains recognised in:						
2.2.1. Profit or loss						
- including gains on sales						
2.2.2. Equity						
2.3. Transfers from other levels	-					
2.4. Other increases						
3. Decreases						
3.1. Sales	1					
3.2. Repayments						
3.3. Losses recognised in:						
3.3.1. Profit or loss						
- including losses on sales						
3.3.2. Equity						
3.4. Transfers to other levels						
3.5. Other decreases						
4. Closing balance	**-**	**-**	**-**	-	-	-

A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: breakdown by fair value level

	31/12/2015				31/12/2014			
	CA	L1	L2	L3	CA	L1	L2	L3
1. Held-to-maturity investments	31,784	26,502	-	-	46,013	38,272	2,440	
2. Loans and receivables with banks	805,418		805,418		585,642		585,642	
3. Loans and receivables with customers	2,453,453		2,453,453		2,845,242		2,845,242	
4. Investment property	63,766		96,106		65,155		96,106	
5. Non-current assets held for sale and disposal groups	-							
Total	**3,354,421**	**26,502**	**3,354,977**		**3,542,051**	**38,272**	**3,529,430**	
1. Due to banks	1,021,500		1,021,500		1,988,762		1,988,762	
2. Due to customers	4,523,072		4,523,072		3,080,692		3,080,692	
3. Securities issued	-			-	-			
4. Liabilities associated with assets held for sale	-				-			
Total	**5,544,572**	**-**	**5,544,572**	**-**	**5,069,454**	**-**	**5,069,454**	**-**

Key:
CA = carrying amount
L1 = level 1
L2 = level 2
L3 = level 3

A.5 Information on "day one profit or loss"

Pursuant to IFRS 7.28 and IAS 39.AG.76, a financial instrument shall be initially recognised at an amount that is equal to its fair value, which is generally considered to be the price paid/collected from its trading. In practice, there could be a difference between the two values. In these cases, the standard stipulates that a financial instrument can be recognised at a fair value different from the amount paid/collected only if it is measured:

- using prices from observable current market transactions in the same instrument;
- using valuation techniques exclusively based on observable market date as the variable factors.

In other words, IAS 39 states that the presumption that the fair value is equal to the price paid/collected can be rebutted only if it is determined using objective evidence that the price paid/collected does not represent the real market value of the financial instrument being traded.

The objective evidence shall be obtained using the most objective method available, i.e., reducing valuation discretion to the minimum.

The difference between fair value and the negotiated price, when the above conditions are met, is called the "day one profit or loss" and is immediately taken to profit or loss.

The bank did not recognise transactions of this kind in the year.

Part B – NOTES TO THE STATEMENT OF FINANCIAL POSITION

ASSETS

Section 1 - Cash and cash equivalents - Caption 10

1.1 Cash and cash equivalents: breakdown

	31/12/2015	31/12/2014
a) Cash	576	518
b) Demand deposits with central banks	21,790	-
Total	**22,366**	**518**

Section 2 - Financial assets held for trading - Caption 20

2.1 Financial assets held for trading: breakdown by product

	31/12/2015			31/12/2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
A. Assets						
1. Debt instruments	13,084	-	-	14,202	658	-
1.1 Structured instruments	482	-	-	121	-	-
1.2 Other instruments	12,602	-	-	14,081	658	-
2. Equity instruments	21	4	-	49	-	1
3. OEIC units	22	-	-	22	-	-
4. Financing	-	-	-	-	-	-
4.1 Reverse repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	**13,127**	**4**	**-**	**14,273**	**658**	**1**
B. Derivatives						
1. Financial derivatives:	-	5,608	-	-	4,650	-
1.1 Trading	-	5,608	-	-	4,650	-
1.2 Associated with fair value option	-	-	-	-	-	-
1.3 Other	-	-	-	-	-	-
2. Credit derivatives:	-	-	-	-	-	-
2.1 Trading	-	-	-	-	-	-
2.2 Associated with fair value option	-	-	-	-	-	-
2.3 Other	-	-	-	-	-	-
Total B	**-**	**5,608**	**-**	**-**	**4,650**	**-**
Total (A + B)	**13,127**	**5,612**	**-**	**14,273**	**5,308**	**1**

2.2 Financial assets held for trading: breakdown by debtor/issuer

	31/12/2015	31/12/2014
A. Assets		
1. Debt instruments		
a) Governments and central banks	382	322
b) Other government agencies	13	267
c) Banks	11,327	8,839
d) Other issuers	1,362	5,433
2. Equity instruments		
a) Banks	7	13
b) Other issuers:	18	36
- insurance companies	-	-
- financial companies	-	-
- non-financial companies	17	36
- other	1	-
3. OEIC units	22	22
4. Financing		
a) Governments and central banks	-	-
b) Other government agencies	-	-
c) Banks	-	-
d) Other	-	-
Total A	**13,131**	**14,932**
B. Derivatives		
a) Banks	4,528	1,787
b) Customers	1,080	2,863
Total B	**5,608**	**4,650**
Total (A + B)	**18,739**	**19,582**

Section 4 - Available-for-sale financial assets - Caption 40

4.1 Available-for-sale financial assets: breakdown by product

	31/12/2015			31/12/2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Debt instruments						
1.1 Structured instruments	-	-	-			
1.2 Other instruments	2,569,429	-	-	2,498,753	-	-
2. Equity instruments			-			
2.1 FVTPL	693	1,603	-	693	1,500	-
2.2 Cost	-	-	-	-	-	-
3. OEIC units	-	33,571	-	-	31,699	-
4. Financing	-	-	-	-	-	-
Total	**2,570,122**	**35,174**	**-**	**2,499,446**	**33,199**	**-**

4.2 Available-for-sale financial assets: breakdown by debtor/issuer

	31/12/2015	31/12/2014
1. Debt instruments		
a) Governments and central banks	2,569,429	2,498,753
b) Other government agencies	-	-
c) Banks	-	-
d) Other issuers	-	-
2. Equity instruments		
a) Banks	846	846
b) Other issuers:	1,450	
-insurance companies	-	-
-financial companies	995	995
-non-financial companies	455	352
-other	-	-
3. OEIC units	33,571	31,699
4. Financing	-	-
a) Governments and central banks	-	-
b) Other government agencies	-	-
c) Banks	-	-
d) Other	-	-
Total	**2,605,296**	**2,532,645**

Section 5 - Held-to-maturity investments - Caption 50

5.1 Held-to-maturity investments: breakdown by product

	31/12/2015				31/12/2014			
	CA	FV			CA	FV		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
1. Debt instruments								
- structured instruments	4,942	4,942	-	-	4,939	4,939	-	-
- other instruments	26,842	26,502	-	-	41,074	38,272	2,440	-
2. Financing	-	-	-	-	-	-	-	-
Total	**31,784**	**31,444**	**-**	**-**	**46,013**	**43,212**	**2,440**	**-**

Key
FV = fair value
CA = carrying amount

5.2 Held-to-maturity investments: breakdown by debtor/issuer

	31/12/2015	31/12/2014
1. Debt instruments		
a) Governments and central banks		
b) Other government agencies		
c) Banks	29,796	44,053
d) Other issuers	1,988	1,960
2. Financing		
a) Governments and central banks		
b) Other government agencies		
c) Banks		
d) Other		
Total	**31,784**	**46,013**

Section 6 - Loans and receivables with banks - Caption 60

6.1 Loans and receivables with banks: breakdown by product

	31/12/2015				31/12/2014			
	CA	FV			CA	FV		
		L1	L2	L3		L1	L2	L3
A. Loans and receivables with central banks			**149,479**				**122,975**	
1. Term deposits	-	X	X	X	-	X	X	X
2. Minimum reserve	149,479	X	X	X	122,975	X	X	X
3. Reverse repurchase agreements	-	X	X	X	-	X	X	X
4. Other	-	X	X	X	-	X	X	X
B. Loans and receivables with banks			**655,939**				**462,667**	
1. Financing								
1.1 Current accounts and demand deposits	273,704	X	X	X	282,566	X	X	X
1.2 Term deposits	33,783	X	X	X	3,803	X	X	X
1.3 Other financing:		X	X	X		X	X	X
- Reverse repurchase agreements	189,653	X	X	X	-	X	X	X
- Finance leases	-	X	X	X	-	X	X	X
- Other	154,908	X	X	X	172,562	X	X	X
2. Debt instruments								
2.1 Structured instruments	-	X	X	X	-	X	X	X
2.2 Other instruments	3,891	X	X	X	3,736	X	X	X
Total	**805,418**	**-**	**805,418**	**-**	**585,642**	**-**	**585,642**	**-**

Key
FV = fair value
CA = carrying amount

Section 7 - Loans and receivables with customers - Caption 70

7.1 Loans and receivables with customers: breakdown by product

	31/12/2015						31/12/2014					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Unimpaired	Non-performing		L1	L2	L3	Unimpaired	Non-performing		L1	L2	L3
		Purchased	Other					Purchased	Other			
Financing	**2,453,062**	**-**	**391**		**2,453,062**		**2,844,851**	**-**	**391**		**2,844,851**	
1. Current accounts	1,453,520	-	391	X	X	X	1,618,672		391	X	X	X
2. Reverse repurchase agreements	806,784	-	-	X	X	X	887,548	-	-	X	X	X
3. Loans	-	-	-	X	X	X	-	-	-	X	X	X
4. Credit cards, personal loans and salary backed loans	2,087	-	-	X	X	X	1,925	-	-	X	X	X
5. Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
7. Other financing	190,671	-	-	X	X	X	336,706	-	-	X	X	X
Debt instruments												
8. Structured instruments	-	-	-	X	X	X	-	-	-	X	X	X
9. Other instruments	-	-	-	X	X	X	-	-	-	X	X	X
Total	**2,453,062**	**-**	**391**		**2,453,062**		**2,844,851**	**-**	**391**		**2,844,851**	

7.2 Loans and receivables with customers: breakdown by debtor/issuer

	31/12/2015			31/12/2014		
	Unimpaired	Non-performing		Unimpaired	Non-performing	
		Purchased	Other		Purchased	Other
1. Debt instruments						
a) Governments	-	-	-	-	-	-
b) Other government agencies	-	-	-	-	-	-
c) Other issuers				-		
- non-financial companies	-	-	-	-	-	-
- financial companies	-	-	-	-	-	-
- insurance companies	-	-	-	-	-	-
- other	-	-	-	-	-	-
2. Financing to:						
a) Governments	-	-	-	-	-	-
b) Other government agencies	-	-	-	75	-	-
c) Other issuers						
- non-financial companies	30,408	-	-	8,381	-	-
- financial companies	2,420,377	-	391	2,834,237	-	391
- insurance companies	-	-	-	-	-	-
- other	2,277	-	-	2,158	-	-
Total	**2,453,062**	**-**	**391**	**2,844,851**	**-**	**391**

Section 10 - Equity investments - caption 100

10.1 Equity investments

	Registered office	Operating office	Investment %	Voting rights %
A. Wholly-controlled subsidiaries				
1. Oasi-Diagram S.p.A.	Milan	Milan/Rome	100.00	100.00
3. CartaSi S.p.A.	Milan	Milan/Rome	96.74	96.74
5. Help Line S.p.A.	Cividale del Friuli	Cividale del Friuli/Milan	70.00	70.00
C. Associates				
1. Hi.Mtf Sim S.p.A.	Milan	Milan	25	25
2. Equens SE	Utrecht	Utrecht	20	20
3. Unione Fiduciaria	Milan	Milan	24	24

10.5 Equity investments: changes

	31/12/2015	31/12/2014
A. Opening balance	490,836	498,913
B. Increases		
B.1 Purchases	29,819	
B.2 Reversals of impairment losses		
B.3 Fair value gains		
B.4 Other increases	-	1,585
C. Decreases		
C.1 Sales	-	3,593
C.2 Impairment losses		
C.3 Other decreases	-	6,069
D. Closing balance	520,655	490,836
E. Total fair value gains		
F. Total impairment losses		

"Purchases" include the acquisition of additional CartaSi shares, increasing the bank's investment therein from 94.38% to 96.74%.

Section 11 - Property, equipment and investment property - Caption 110

11.1 Property and equipment: breakdown of assets measured at cost

	31/12/2015	31/12/2014
1. Owned		
a) land	3,136	3,136
b) buildings	9,078	9,484
c) furniture	601	724
d) electronic systems	-	
e) other	931	1,278
2. Under finance lease		
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) electronic systems	-	-
e) other	-	-
Total	**13,746**	**14,622**

11.2 Investment property: breakdown of assets measured at cost

	31/12/2015				31/12/2014			
	Carrying amount	Fair Value			Carrying amount	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Owned								
a) land	38,781				38,781			
b) buildings	24,985				26,374			
2. Under finance lease								
a) land	-				-			
b) buildings	-				-			
Total	**63,766**		**92,376**		**65,155**		**96,106**	

11.5 Property and equipment: changes

	Land	Buildings	Furniture	Electronic systems	Other	Total
A. Gross opening balance	**3,136**	**13,534**	**4,024**	**-**	**40,208**	**60,902**
A.1 Total net impairment losses	-	4,050	3,300	-	38,930	46,280
A.2 Net opening balance	**3,136**	**9,484**	**724**	**-**	**1,278**	**14,622**
B. Increases						
B.1 Purchases	-	-	24	-	136	159
B.2 Capitalised improvement costs						
B.3 Reversals of impairment losses						
B.4 Fair value gains recognised in:						
a) equity						
b) profit or loss						
B.5 Exchange rate gains						
B.6 Transfers from investment property						
B.7 Other increases	-	-	-	-	9,931	9,931
C. Decreases						
C.1 Sales	-	-	-	-	10,116	10,115
C.2 Depreciation	-	406	147	-	298	851
C.3 Impairment losses recognised in:						
a) equity						
b) profit or loss						
B.4 Fair value gains recognised in:						
a) equity						
b) profit or loss						
C.5 Exchange rate losses						
C.6 Transfers to:						
a) investment property						
b) disposal groups						
C.7 Other decreases						
D. Net closing balance	**3,136**	**9,078**	**601**	**-**	**931**	**13,746**
D.1 Total net impairment losses	-	4,456	3,447	-	29,297	37,200
D.2 Gross closing balance	**3,136**	**13,534**	**4,048**	**-**	**30,228**	**50,946**
E. Cost						

All items of property and equipment are measured at cost as disclosed in part A to these notes.

11.6 Investment property: changes

	Total	
	land	buildings
A. Opening balance	**38,781**	**26,374**
B. Increases		
B.1 Purchases		
B.2 Capitalised improvement costs		
B.3 Fair value gains		
B.4 Reversals of impairment losses		
B.5 Exchange rate gains		
B.6 Transfers from property and equipment		
B.7 Other increases		
C. Decreases		
C.1 Sales		
C.2 Depreciation	-	1,389
C.4 Fair value losses		
C.4 Impairment losses		
C.5 Exchange rate losses		
C.6 Transfers to other portfolios		
a) property and equipment		
b) non-current assets held for sale		
C.7 Other decreases		
D. Closing balance"	**38,781**	**24,985**
E. Fair value	**92,376**	

Investment property is covered by IAS 40 and includes property held to earn rental and/or obtain appreciation of invested capital.

Investment property is measured at cost, net of depreciation.

The bank's investment properties granted under operating leases are listed below:

- building in via Verziere 11, Milan,
- building in via Cavallotti 14, Milan,
- building in via Zurigo 3, Milan,

- building in via Broletto 37, Milan,
- building in Corso Europa 18, Milan,

At the reporting date, there are no:

- restrictions to the sale of investment property or the collection of lease payments;
- obligations/contractual commitments to purchase, build, develop, repair or maintain owner-occupied property.

11.7 Commitments to purchase property and equipment (IAS 16/74.c)

The bank does not have any commitments to purchase property and equipment at the reporting date.

Section 12 - Intangible assets - Caption 120

12.1 Intangible assets: breakdown by asset

	31/12/15		31/12/14	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill		**14.941**		**14.941**
A.2 Other intangible assets				
A.2.1 Assets measured at cost:				
a) Internally generated assets				
b) Other	68,354		77,013	
A.2.2 Assets measured at fair value:				
a) Internally generated assets				
b) Other				
Total	**68,354**	**14,941**	**77,013**	**14,941**

The bank does not have any commitments to purchase intangible assets.

12.2 Intangible assets: changes

	Goodwill	Other intangible assets: internally generated assets		Other intangible assets: other		Total
		FIN.	IND.	FIN.	IND.	
A. Opening balance	14,941			124,481		139,422
A.1 Total net impairment losses				47,468		47,468
A.2 Net opening balance	14,941			77,013		91,954
B. Increases						
B.1 Purchases	-			5,428		5,428
B.2 Increase in internally generated assets						-
B.3 Reversals of impairment losses						-
B.4 Fair value gains recognised in:						-
- equity						-
- profit or loss						-
B.5 Exchange rate gains						-
B.6 Other increases						-
- business combinations						-
C. Decreases						-
C.1 Sales						-
C.2 Impairment losses						-
- Amortisation	-			14,087		14,087
- Fair value losses						
+ equity						-
+ profit or loss						-
C.3 Fair value losses recognised in:						-
- equity						-
- profit or loss						-
C.4 Transfers to non-current assets held for sale						-
C.5 Exchange rate losses						-
C.6 Other decreases						-
D. Net closing balance	**14,941**	**-**	**-**	**68,354**	**-**	**83,295**
D.1 Total net impairment losses				61,555		61,555
E. Gross closing balance	**14,941**			**129,909**		**144,850**
F. Cost						

Key
FIN: finite life
IND. = indefinite life

Impairment test

The bank tested its intangible assets with indefinite lives for impairment.

It also assessed whether there were trigger events affecting its assets with finite lives.

As a result, it tested goodwill relating to the payments and e-banking business units for impairment.

The summarised figures, parameters and results of the impairment tests are set out below:

	Carrying amount	**Approach**	**Plan**	**Business segment**	**Cost of equity (Ke)**	**Growth rate**	**Limit Ke difference (*)**	**Limit NR difference (*)**
Payments business unit goodwill	12,320	Value in use	2016 budget	Payments	7.94%	1.00%	246.8%	-79.30%
E-banking business unit goodwill	2,621	Value in use	2016 budget	Payments	7.44%	1.00%	348.0%	-86.73%
Total	**14,941**							

Total
(*) Cost of equity (Ke)/normalised return (NR) percentage change, which matches the recoverable amount to the carrying amount in that approach.

After having identified the recoverable amount of each asset being tested for impairment, the bank compared it to their carrying amount and, for the cash-generating units, to the assets allocated thereto (calculated with an approach consistent with that used for the identification of the recoverable amount).

The test showed that the recoverable amount exceeds the related carrying amount for all goodwill (payments and e-banking business units) recognised in the separate financial statements.

Value in use was estimated using the income method, whereby the economic capital value is expressed in proportion to the future cash flows that the CGU will be able to generate. Considering the ICBPI group's banking nature, the method was adjusted using a levered approach. When the specific business being tested may be associated with the need to comply with regulatory obligations involving minimum capital requirements, the group applied the dividend discount model (DDM) based on a target requirement (regulatory capital/risk weighted assets) of 11.5%, in line with the relevant target parameter provided by Bank of Italy on 24th December 2015.

The bank used the two-step formula when applying the income method, which is as follows:

$$W = \sum NR * (1 + Ke)\text{-}n + TV (1 + Ke)\text{-}n$$

where:

- $\sum$ NR * (1 + Ke)-n is the sum of the discounted cash flows for each of the "n" years covered by the plan (in the DDM, Rn is the maximum distributable dividend given the plan cash flows, in line with the supervisory regulatory requirements, therefore considering the excess capital or the use of capital in each year);
- TV (1 + Ke)-n is the discounted terminal value (TV), which was calculated by discounting to infinity the NR estimated at the end of the plan period, considering the expected perpetual growth rate of the normal revenue flow equal to "g".

The bank applied the following formula to calculate the TV (using the DDM approach):

$$TV = (NR * (1 + g) – RWA * 10\% * g)/(Ke – g)$$

For the purposes of estimating the discount rate, which is the share price in the levered model, the bank adopted the capital asset pricing model (CAPM) with the formula $Ke = r_f + \beta (r_m - r_f)$, where Ke is the share price, rf is the risk-free return on investments, β shows the systematic risk and the differential $(r_m - r_f)$ measures the market risk premium (R_m).

The bank used market inputs and/or inputs used by the professional practice:

- the risk free rate (r_f) is based on the 10-year Italian treasury bonds (BTP). The use of a rate that has a specific risk component for the Italy country risk is in line with the businesses being tested (all based and operating in Italy). Considering the trend of the rate and its reporting date amount, the bank prudently took the 2015 average into account (in line with the reference period used in 2014). Based on information provided by Bloomberg, the parameter was set at 1.697%;
- the market risk premium (R_m) is 5%, based on the general practice for the Italian market;
- beta (β) is equal to the average of the companies included in the reference segment(s), (as identify through by Bloomberg on 29th January 2016) identified on a case by case basis in relation to the nature of the business being tested.

Moreover, where deemed applicable in relation to the nature of the businesses being tested, as additional elements for the calculation of the cost of equity (Ke), the bank considered other specific risks (R_s).

The bank calculated the cash flows:

- analytically on the basis of the figures included in the 2016 budget approved by the board of directors;

- systematically, in relation to the terminal value calculated in perpetuity.

At the end of each valuation, the bank carried out a sensitivity analysis in order to show:

- that the CGU's recoverable amount exceeded its carrying amount;
- the value assigned to the underlying assumptions;
- the percentage difference between the rate used to discount cash flows, which makes the CGU's recoverable amount equal to the carrying amount of goodwill, and the rate used to calculate value in use.

The "Limit Ke difference" and "Limit NR difference" columns of the table set out earlier show the results of the sensitivity analysis carried out to check the relationship between the change in the CGU's value in use and in the discount rate (Ke) and normalised return (NR) that were used as a basis to calculate the terminal value.

Section 13 - Tax assets and liabilities - Caption 130 of assets and Caption 80 of liabilities

13.1 Deferred tax assets: breakdown

	31/12/2015	31/12/2014
IRAP		
Substitute tax on goodwill	3,580	3,617
Amortisation/depreciation	824	629
Other	5	-
IRES		
Substitute tax on goodwill	17,674	17,858
Provisions	3,532	3,579
Amortisation/depreciation	5,027	4,024
Other	625	1,152

13.2 Deferred tax liabilities: breakdown

	31/12/2015	31/12/2014
IRAP		
Fair value reserves	4,377	5,037
Goodwill	469	430
Other		-
IRES		
Fair value reserves	21,519	24,677
Goodwill	2,313	2,122
Other	1,071	1,169

13.3 Changes in deferred tax assets (recognised in profit or loss)

	31/12/2015	31/12/2014
1. Opening balance	**30,361**	**29,996**
2. Increases		
2.1 Deferred tax assets recognised in the year		
a) related to previous years		
b) due to changes in accounting policies		
c) reversals of impairment losses		
d) other	1,557	1,983
2.2 New taxes or increases in tax rates		-
2.3 Other increases		
3. Decreases		
3.1 Deferred tax assets derecognised in the year		
a) reversals	1,179	1,618
b) impairment due to non-recoverability		
c) change in accounting policies		
d) other		
3.2 Decrease in tax rates		
3.3 Other decreases		
a) conversion into tax assets as per Law no. 214/2011		
b) other		
4. Closing balance	**30,739**	**30,361**

The bank recognises deferred tax assets when it is reasonably certain they will be recovered through future taxable profits of amounts not less than the relevant temporary differences. It estimated an average rate of 27.5% for the IRES tax and a rate of 5.57% for the IRAP tax. Decreases mainly relate to utilisation of the deferred tax liabilities.

13.3.1 Change in deferred tax assets as per Law no. 214/2011 (recognised in profit or loss)

	31/12/2015	31/12/2014
1. Opening balance	**26,111**	**25,429**
2. Increases	**1,417**	**903**
3. Decreases		
3.1 Reversals	344	221
3.2 Conversion into tax assets		
a) arising from the loss for the year		
b) arising from tax losses		
3.3 Other decreases		
4. Closing balance	**27,184**	**26,111**

13.4 Changes in deferred tax liabilities (recognised in profit or loss)

	31/12/2015	31/12/2014
1. Opening balance	17,634	**17,296**
2. Increases		
2.1 Deferred tax liabilities recognised in the year		
a) related to previous years		
b) due to changes in accounting policies		
c) other	230	582
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases		
3.1 Deferred tax liabilities derecognised in the year		
a) reversals	244	244
b) due to changes in accounting policies		
c) other		
3.2 Decrease in tax rates		
3.3 Other decreases		
4. Closing balance	**17,620**	**17,634**

13.5 Changes in deferred tax assets (recognised in equity)

	31/12/2015	31/12/2014
1. Opening balance	**497**	**48**
2. Increases		
2.1 Deferred tax assets recognised in the year		
a) related to previous years		
b) due to changes in accounting policies		
c) other	30	475
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases		
3.1 Deferred tax assets derecognised in the year		
a) reversals		26
b) impairment due to non-recoverability		
c) due to changes in accounting policies		
3.2 Decrease in tax rates		
3.3 Other decreases		
4. Closing balance	**527**	**497**

Increases mainly refer to the deferred tax assets on the actuarial reserve.

13.6 Changes in deferred tax liabilities (recognised in equity)

	31/12/2015	31/12/2014
1. Opening balance	**15,801**	**15,497**
2. Increases		
2.1 Deferred tax liabilities recognised in the year		
a) related to previous years		
b) due to changes in accounting policies		
c) other		304
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases		
3.1 Deferred tax liabilities derecognised in the year		
a) reversals	3,671	-
b) due to changes in accounting policies		
c) other		
3.2 Decrease in tax rates		
3.3 Other decreases		
4. Closing balance	**12,130**	**15,801**

The decrease is principally due to the fair value reserve relating to available-for-sale government bonds.

Section 15 - Other assets - Caption 150

15.1 Other assets: breakdown

	31/12/2015	31/12/2014
Withholding taxes paid on interest charged to customers and other tax assets	33,743	33,976
Negotiated cheques to be cleared	9,198	7,393
Matured securities and accrued interest to be collected	605	4,466
Commissions and other income to be charged	74,234	72,181
BIREL, transfers, SETIF, received messages to be charged, e-money	70,949	82,436
Sundry and residual items	33,144	18,333
Total	**221,873**	**218,786**

LIABILITIES

Section 1 - Due to banks - Caption 10

1.1 Due to banks: breakdown by product

	31/12/2015	31/12/2014
1. Due to central banks	1,886	73,583
2. Due to banks		
2.1 Current accounts and demand deposits	818,934	1,437,396
2.2 Term deposits	120,504	107,138
2.3 Financing		
2.3.1 repurchase agreements	-	165,551
2.3.2 other	-	-
2.4 Commitments to repurchase own equity instruments	-	-
2.5 Other liabilities	80,176	205,094
Total	**1,021,500**	**1,988,762**
Fair value - level 1		
Fair value - level 2	**1,021,500**	**1,988,762**
Fair value - level 3		
Total fair value	**1,021,500**	**1,988,762**

Section 2 - Financial assets held for trading - Caption 20

2.1 Due to customers: breakdown by product

	31/12/2015	31/12/2014
1. Current accounts and demand deposits	3,937,554	2,643,590
2. Term deposits	59	509
3. Financing		
3.1 repurchase agreements	100,026	-
3.2 other	-	-
4. Commitments to repurchase own equity instruments	-	-
5. Other liabilities	485,433	436,593
Total	**4,523,072**	**3,080,692**
Fair value - level 1		
Fair value - level 2	**4,523,072**	**3,080,692**
Fair value - level 3		
Total fair value	**4,523,072**	**3,080,692**

Section 4 - Financial liabilities held for trading - Caption 40

4.1 Financial liabilities held for trading: breakdown by product

	31/12/2015					31/12/2014				
	NA	FV			FV*	NA	FV			FV*
		L1	L2	L3			L1	L2	L3	
A. Financial liabilities										
1. Due to banks	520	578	-	-		467	516	-	-	
2. Due to customers	263	280	-	-		898	973	-	-	
3. Debt instruments	-	-	-	-		-	-	-	-	
3.1 Bonds	-	-	-	-		-	-	-	-	
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-		-	-	-	-	
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total A	**783**	**858**	**-**	**-**		**1,364**	**1,489**	**-**	**-**	
B. Derivatives										
1. Financial derivatives										
1.1 Trading	X		4,049		X	X		4,674		X
1.2 Associated with fair value option	X				X	X				X
1.3 Other										
2. Credit derivatives										
2.1 Trading	X				X	X				X
2.2 Associated with fair value option	X				X	X				X
2.3 Other	X				X	X				X
Total B	**X**		**4,049**	**-**	**X**	**X**		**4,674**	**-**	**X**
Total (A + B)	**X**	**858**	**4,049**	**-**	**X**	**X**	**1,489**	**4,674**	**-**	**X**

Key
FV = fair value
FV = fair value calculated by excluding changes in value due to changes in the issuer's credit standing compared to the issue date.*
NA = nominal or notional amount
L1 = level 1
L2 = level 2
L3 = level 3

Section 8 - Tax liabilities - Caption 80

Reference should be made to note 13 of assets for information on deferred tax liabilities.

Section 10 - Other liabilities - Caption 100

10.1 Other liabilities: breakdown

	31/12/2015	31/12/2014
Tax liabilities, withholding taxes and other amounts to be paid	18,035	15,861
Cheques, cheque truncation flows to be credited	11,302	19,163
Securities, currency and premium transactions paid for options to be credited	2,162	3,287
Due to employees	15,060	18,374
Other liabilities for expenses, commissions and interest to be paid	33,678	36,200
Prepaid debit cards	54,481	50,570
Currency differences on portfolio transactions	1,546	1,578
BIREL, transfers, payment flows to be credited, e-money	314,953	873,887
Sundry and residual items	4,767	6,741
Total	**455,984**	**1,025,661**

The decrease is attributable to the smaller amounts in suspense accounts on 31 December, relating to the execution of payment orders that took place in the following few days.

Section 11 - Post-employment benefits - Caption 110

11.1 Post-employment benefits: changes

	31/12/2015	31/12/2014
A. Opening balance	**12,824**	**11,185**
B. Increases		
B.1 Accruals	150	301
B.2 Other increases	8	1,730
C. Decreases		
C.1 Payments	431	392
C.2 Other decreases	402	
D. Closing balance	12,149	12,824
Total	12,149	12,824

Caption B.1 includes interest expense of €150 thousand (31 December 2014: €301 thousand).

Caption C.2 comprises the variation in the actuarial gains and losses recognised in the related actuarial reserve.

11.2 - Other information

Main demographic and actuarial assumptions used to measure post-employment benefits at 31 December 2015	
Mortality among aged pensioners	Rates relating to Italians broken down by age and gender, published by ISTAT in 2000 and reduced by 25%
Mortality among total and permanent disability pensioners	Rates inferred from the invalidity tables currently used by the reinsurance practice, broken down by age and gender
Termination of employment for resignation or dismissal	Rates inferred by estimating the annual occurrences, based on group and market figures, over the 2012-2015 observation period
Retirement	Rate based on the satisfaction of the first requirement for the mandatory general insurance
Inflation	2%
Annual discount rate	1.37%, inferred from the breakdown of interest rate by maturity bootstrapped from the swap rate curve at the reporting date (Source: Il Sole 24 ore) and established with reference to the bank's liabilities due after an average period of 14 years.

Sensitivity analysis

As required by IAS 19, the bank carried out a sensitivity analysis of the liability for post-employment benefits with reference to the most significant actuarial assumptions. It aimed at showing how much the carrying amount of the liability would be affected by reasonably possible variations in each of the assumptions. Specifically, the following table sets out the change in the liability for post-employment benefits assuming that the main assumptions used increase or decrease.

€'000		Change in post-employment benefits (amount)	Change in post-employment benefits (percentage)
Change in actuarial assumptions:			
- Discount rate:			
	-0.50%	724	5.96%
	0.50%	669	-5.51%
- Employee turnover			
	-0.50%	55	0.45%
	0.50%	52	-0.43%

Section 12 - Provisions for risks and charges - Caption 120

12.1 Provisions for risks and charges: breakdown

	31/12/2015	31/12/2014
1. Internal pension funds	978	967
2. Other provisions for risks and charges	21,931	22,860
2.1 legal disputes	2,006	2,006
2.2 employee benefits	987	1,095
2.3 other	18,938	19,759
Total	**22,909**	**23,827**

12.2 Provisions for risks and charges: changes

	Pension plans	Other provisions	Total
A. Opening balance	**967**	**22,860**	**23,827**
B. Increases			-
B.1 Accruals	-	1,721	1,721
B.2 Discounting	-		-
B.3 Changes due to variations in discount rate			-
B.4 Other increases	80	-	80
C. Decreases			-
C.1 Utilisations	69	2,650	2,719
C.2 Changes due to variations in discount rate			-
C.3 Other decreases			-
D. Closing balance	**978**	**21,931**	**22,909**

12.3 Defined benefit internal pension plans

1. Description and related risks

The liability for defined benefit internal pension plans includes the accruals made for the bank's obligation to its former employees. The estimated liability amounts to €978 thousand at the reporting date.

2. Changes in defined benefit plan liabilities (assets) and related repayment rights

The present value of the defined benefit liability at 31 December 2015 amounts to €978 thousand. The bank paid benefits totalling €69 thousand during the year. The other changes relate to discounting costs.

4. Cash flow amount, timing and uncertainty

The plan is based on the latest remuneration.

12.4 - Provisions for risks and charges - Other provisions

The other provisions mainly relate to claims/litigation with respect to which an outlay of resources by the bank is deemed probable. They also include accruals for donations.
The decrease is a result of the elimination of existing risks, partly due to settlement of the related costs and partly to the release of previously set-up provisions.

Section 14 - Equity - Captions 130, 150, 160, 170, 180, 190 and 200

14.1 "Share capital" and "Treasury shares": breakdown

	31/12/2015	31/12/2014
1. Share capital	42,557	42,557
2. Share premium	148,242	148,242
3. Reserves	488,013	427,132
4. Treasury shares (-)	(32)	(32)
5. Valuation reserves	69,020	76,240
6. Profit for the year	62,246	77,904
Total	**810,046**	**772,043**

14.2 Share capital - number of shares: changes

	Ordinary	Other
A. Opening balance		
- fully paid-in	14,185,790	
- not fully paid-in		
A.1 Treasury shares (-)	75,191	
A.2 Outstanding shares: opening balance	**14,110,599**	
B. Increases		
B.1 New issues		
- against consideration:		
- business combinations		
- bond conversions		
- exercise of warrants		
- other		
- bonus issues:		
- to employees		
- to directors		
- other		
B.2 Sale of treasury shares		
B.3 Other increases		
C. Decreases		
C.1 Cancellations		
C.2 Repurchases of treasury shares		
C3 Disposals of equity investments		
C.4 Other decreases		
D. Outstanding shares: closing balance	**14,110,599**	
D.1 Treasury shares (+)	75,191	
D.2 Closing balance	14,185,790	
- fully paid-in	14,185,790	
- not fully paid-in		

The outstanding and fully paid-in shares number 14,185,790, while treasury shares in portfolio amount to 75,191.

14.4 Income-related reserves: other information

	31/12/2015	31/12/2014
Legal reserve	20,000	20,000
Statutory reserves		
Other reserves	468,013	407,132
Total	**488,013**	**427,132**

Possible utilisation of reserves

	31/12/2015	31/12/2014	Utilisation
Legal	20,000	20,000	a
Share premium reserve	148,242	148,242	a,b,c
Valuation reserves	46,219	46,219	a,b,c
Fair value reserve	24,488	31,979	d
Actuarial reserve	-1,687	-1,958	
Reserve for treasury shares in portfolio	32	32	e
Unrestricted reserve for treasury shares	746	746	a,b,c
Income-related reserves as per Law no. 289/2002	10,848	10,848	a,b,c
Goodwill arising on merger	41,200	41,200	a,b,c
Other income-related reserves	415,187	354,306	a.b.c
Total reserves	**705,275**	**651,614**	

a = to cover losses
b = dividends
c = capital increases
d = undistributable until realised
e = unusuable until sale of treasury shares in portfolio

14.6 Other information

	31/12/2015	31/12/2014
1) Financial guarantees issued	108,553	99,550
a) Banks	1,385	1,385
b) Customers	107,168	98,165
2) Commercial guarantees issued	4,101	4,125
a) Banks	83	83
b) Customers	4,018	4,042
3) Irrevocable commitments to disburse funds	252,231	158,287
a) Banks	9,608	107,637
i) certain use	9,608	107,637
ii) uncertain use	-	-
b) Customers	242,623	50,650
i) certain use	125,220	10,650
ii) uncertain use	117,403	40,000
4) Commitments underlying credit derivatives: protection sales	-	-
5) Assets pledged as collateral for third party commitments	-	-
6) Other commitments	-	-
Total	**364,885**	**261,962**

2. Assets pledged as guarantee for liabilities and commithments

	31/12/2015	31/12/2014
1. Financial assets held for trading	-	-
2. Financial assets at fair value through profit or loss	-	-
3. Available-for-sale financial assets	180,834	235,567
4. Held-to-maturity investments	-	-
5. Loans and receivables with banks	-	-
6. Loans and receivables with customers	-	-
7. Property, equipment and investment property	-	-

Assets pledged as guarantee are mainly government bonds securing the bank's operations in the relevant markets.

4. Management and trading on behalf of third parties

	31/12/2015	31/12/2014
1. Execution of customer orders		
a) Purchases	22,616,234	28,044,701
1. settled		
2. unsettled		
b) Sales		
1. settled	22,878,984	29,693,122
2. unsettled		
2. Asset management		
a) individual		
b) collective		
3. Securities custody and administration		
a) third party securities held as part of depository bank services (excluding asset management)	45,353,130	41,675,870
1. securities issued by the reporting entity	-	-
2. other securities	45,353,130	41,675,870
b) third party securities on deposit (excluding asset management): other	79,421,757	80,246,446
1. securities issued by the reporting entity	39,648	15,916
2. other securities	79,382,109	80,230,530
c) third party securities deposited with third parties	108,106,682	110,109,350
d) securities owned by the bank deposited with third parties	2,617,499	2,546,480
4. Order collection and transmission		
a) Purchases		
1. settled	1,680,054	868,903
2. unsettled		
b) Sales		
1. settled	1,666,266	1,049,324
2. unsettled		
5. Placement of secured and unsecured securities		
a) Placement of unsecured securities	627,060	1,463,843
b) Placement of secured securities	28,029	10,840

Part C - NOTES TO THE INCOME STATEMENT

Section 1 - Interest - Captions 10 and 20

1.1 Interest and similar income: breakdown

	Debt instruments	Financing	Other assets	31/12/2015	31/12/2014
1. Financial assets held for trading	445			445	342
2. Available-for-sale financial assets	44,175	-	-	44,175	57,951
3. Held-to-maturity investments	608	-	-	608	919
4. Loans and receivables with banks	180	1,667	50	1,896	2,460
5. Loans and receivables with customers	-	17,355	5	17,360	22,567
6. Financial assets at fair value through profit or loss	-	-	-	-	-
7. Hedging derivatives	-	-	-	-	-
8. Other assets	-	-	333	334	310
Total	**45,408**	**19,022**	**388**	**64,818**	**84,548**

1.4 Interest and similar expense: breakdown

	Liabilities	Securities	Other	31/12/2015	31/12/2014
1. Due to central banks	104	-	-	104	1
2. Due to banks	1,923	-	-	1,923	3,154
3. Due to customers	1,240	-	-	1,240	2,616
4. Securities issued	-	-	-	-	81
5. Financial liabilities held for trading	41	-	-	41	56
6. Financial liabilities at fair value through profit or loss	-	-	-	-	-
7. Other liabilities and provisions	-	-	92	92	116
8. Hedging derivatives	-	-	-	-	-
Total	**3,308**	**-**	**92**	**3,400**	**6,024**

Section 2 - Fees and commissions - Captions 40 and 50

2.1 Fee and commission income: breakdown

	31/12/2015	31/12/2014
a) guarantees issued	133	146
b) credit derivatives	-	-
c) management, brokerage and consultancy services:	-	-
1. trading in financial instruments	11,612	11,790
2. foreign currency transactions	-	-
3. asset management	-	-
3.1. individual	-	-
3.2. collective	-	-
4. securities custody and administration	4,214	9,930
5. depository services	48,968	32,102
6. securities placement	3,051	4,917
7. order collection	2,304	1,371
8. consultancy services	144	105
8.1. concerning investments		
8.2. concerning financial structure	144	105
9. distribution of third party services	-	-
9.1. asset management	-	-
9.1.1. individual	-	-
9.1.2. collective	-	-
9.2. insurance products	-	-
9.3. other products	-	-
d) collection and payment services	59,183	54,617
e) servicing services for securitisations	-	-
f) services for factoring transactions	-	-
g) tax collection services	-	-
h) management of multilateral trading systems	-	-
i) keeping and management of current accounts	-	-
j) other services	3,209	3,691
Total	**132,818**	**118,669**

2.2 Fee and commission income: distribution channels of products and services

	31/12/2015	31/12/2014
a) bank branches:		
1. asset management		
2. securities placement		
3. third party services and products		
b) off premises:		
1. asset management		
2. securities placement		
3. third party services and products		
c) other distribution channels:		
1. asset management		
2. securities placement	3,051	4,917
3. third party services and products		

2.3 Fee and commission expense: breakdown

	31/12/2015	31/12/2014
a) guarantees received	46	37
b) credit derivatives	-	-
c) management and brokerage services:		
1. trading in financial instruments	400	436
2. foreign currency transactions	64	1
3. asset management:	-	-
3.1 own portfolio	-	-
3.2 third party portfolios	-	-
4. securities custody and administration	5,649	4,854
5. placement of financial instruments	2,673	4,542
6. securities settlement	2,250	2,003
7. off-premises distribution of financial instruments, products and services	-	-
d) collection and payment services	20,393	18,345
e) other services	3,214	1,908
Total	**34,689**	**32,126**

Section 3 - Dividends and similar income - Item 70

3.1 Dividends and similar income: breakdown

	31/12/2015		31/12/2014	
	Dividends	Income from OEIC units	Dividendi	Proventi da quote di O.I.C.R.
A. Financial assets held for trading	12		4	
B. Available-for-sale financial assets	210		250	
C. Financial assets at fair value through profit or loss	-		-	
D. Equity investments	42,209		39,332	
Total	**42,431**	**-**	**39,585**	**-**

Section 4 - Net trading income - Caption 80

4.1 Net trading income: breakdown

	Gains (A)	Trading income (B)	Losses (C)	Trading losses (D)	Net trading income [(A+B) - (C+D)]
1. Financial assets held for trading					
1.1 Debt instruments	37	4,548	73	807	**3,705**
1.2 Equity instruments	-	256	24	411	**- 179**
1.3 OEIC units	3	1		2	**2**
1.4 Financing					**-**
1.5 Other					**-**
2. Financial liabilities held for trading					**-**
2.1 Debt instruments	1		1		**-**
2.2 Liabilities					**-**
2.3 Other			1		**- 1**
3. Other financial assets and liabilities: net exchange rate gains					**506**
4. Derivatives					
4.1 Financial derivatives:					
- On debt instruments and interest rates					**-**
- On equity instruments and equity indexes	114	11,239	10,603	95	**656**
- On currencies and gold					**-**
- Other					**-**
4.2 Credit derivatives					**-**
Total	**155**	**16,044**	**10,702**	**1,314**	**4,689**

Section 6 - Gain (loss) from sales/repurchases - Caption 100

6.1 Net gain from sales or repurchases: breakdown

	31/12/2015			31/12/2014		
	Gain	**Loss**	**Net gain**	**Gain**	**Loss**	**Net gain**
Financial assets			-			-
1. Loans and receivables with banks			-			-
2. Loans and receivables with customers			-			-
3. Available-for-sale financial assets			-			-
3.1 Debt instruments		-	-			-
3.2 Equity instruments	-	-	-	3,540		-
3.3 OEIC units		-	-			-
3.4 Financing		-	-			-
4. Held-to-maturity investments	-	-	-	-		-
Total assets	**-**	**-**	**-**	**3,540**	**-**	**-**
Financial liabilities			-			-
1. Due to banks			-			-
2. Due to customers			-			-
3. Securities issued			-			-
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**

Section 8 - Net impairment losses - Caption 130

8.2 Net impairment losses on AFS financial assets: breakdown

	Impairment losses (1)		Reversals of impairment losses (2)		31/12/2015 (3)=(1)-(2)	31/12/2014 (3)=(1)-(2)
	Individual		Individual			
	Derecognition	Other	A	B		
A. Debt instruments						
B. Equity instruments						
C. OEIC units		227			227	-
D. Financing to banks						
E. Financing to customers						
F. Total	**-**	**227**	**-**	**-**	**227**	**-**

Key
A = from interest
B = other reversals

8.3 Net impairment losses on held-to-maturity investments: breakdown

	Impairment losses (1)			Reversals of impairment losses (2)				31/12/2015	31/12/2014
	Individual		Collective	Individual		Collective			
	Derecognition	Other		A	B	A	B		
A. Debt instruments		4,478						4,478	1,940
B. Financing to banks									
C. Financing to customers									
D. Total	**-**	**4,478**	**-**	**-**	**-**	**-**	**-**	**4,478**	**1,940**

Key
A = interest
B = other reversals

Section 9 - Administrative expenses - Caption 150

9.1 Personnel expense: breakdown

	31/12/2015	31/12/2014
1) Employees	72,321	72,121
a) wages and salaries	51,542	52,359
b) social security charges	13,656	12,757
c) post-employment benefits	359	344
d) pension costs	251	209
e) accrual for post-employment benefits	150	301
f) accrual for pension and similar provisions:	-	-
- defined contribution plans	-	-
- defined benefit plans	-	-
g) payments to external supplementary pension funds:		
- defined contribution plans	4,005	3,836
- defined benefit plans	-	-
h) costs of share-based payment plans	-	-
i) other employee benefits	2,358	2,315
2) Other personnel	781	932
3) Directors and statutory auditors	1,529	1,740
4) Retired personnel	-	-
5) Cost recoveries for employees seconded to other companies	-764	-738
6) Cost reimbursements for third party employees seconded to the bank		
7) Other personnel expense	38	-
Total	**73,905**	**74,055**

9.2 Average number of employees per category

	31/12/2015	31/12/2014
a) managers	35	36
b) junior managers	360	371
c) other employees	430	471

9.3 Defined benefit internal pension plans: costs and revenue

The defined benefit internal pension plan currently only covers former employees as the present fund is a defined contribution benefit plan.

Costs recognised in profit or loss for the defined benefit plan (mainly interest expense) amount to €79.6 thousand.

There are no plan assets.

9.5 Other administrative expenses: breakdown

	31/12/2015	31/12/2014
- data processing	40,635	38,028
- post office, valuables transportation and couriers	981	1,843
- external services	9,555	8,046
- interbank network traffic	8,464	11,524
- IT connections and automation costs	3,920	2,847
- access to markets	2,214	2,322
- professional services	10,446	6,488
- agents' commissions	1,757	1,418
- bank draft books	170	311
- maintenance and lease	9,608	9,336
- building running costs, leases, heating and lighting	5,231	5,342
- stationery and printed matter	237	316
- insurance	590	694
- telegraph, telephone and telex	599	650
- membership fees	1,307	1,266
- surveillance and cleaning	861	816
- other	9,308	5,273
- taxes and duties	2,779	4,023
Total	**108,662**	**100,543**

Section 10 - Net accruals to provisions for risks and charges - Caption 160

10.1 Net accruals to provisions for risks and charges: breakdown

	31/12/2015	31/12/2014
Accruals to provisions	1,074	398
Total	**1,074**	**398**

Section 11 - Depreciation and net impairment losses on property, equipment and investment property - Caption 170

11.1 Depreciation and net impairment losses on property, equipment and investment property: breakdown

	Depreciation (a)	Impairment losses (b)	Reversals of impairment losses (c)	Carrying amount (a + b – c)
A. Property, equipment and investment property				
A.1 Owned				
- Property and equipment	851			**851**
- Investment property	1,389			**1,389**
A.2 Under finance lease				
- Property and equipment	-			**-**
- Investment property	-			**-**
Total	**2,240**	**-**	**-**	**2,240**

Section 12 - Amortisation and net impairment losses on intangible assets - Caption 180

12.1 Amortisation and net impairment losses on intangible assets: breakdown

	Amortisation (a)	Impairment losses (b)	Reversals of impairment losses (c)	Carrying amount (a + b – c)
A. Intangible assets				-
A.1 Owned				-
- Generated internally				-
- Other	14,087	-		**14,087**
A.2 Under finance lease				-
Total	**14,087**	**-**	**-**	**14,087**

Section 13 - Other operating expense and income - Caption 190

13.1 Other operating expense: breakdown

	31/12/2015	31/12/2014
Other costs	1,780	7,855
Transfer of revenue from services	3,490	3,571
Total	**5,270**	**11,427**

13.2 Other operating income: breakdown

	31/12/2015	31/12/2014
Lease income	1,556	2,116
Services	71,833	72,206
Recoveries of stamp duties from customers and post office expenses	300	431
Other income	1,984	11,663
Total	**75,673**	**86,416**

Section 14 - Share of profits of investees - Caption 210

14.1 Share of profits of investees: breakdown

	31/12/2015	31/12/2014
A. Income		
1. Fair value gains		
2. Gains on sales	-	1,585
3. Reversals of impairment losses		
4. Other income		
B. Costs		
1. Fair value losses		-
2. Impairment losses		
3. Losses on sales		
4. Other costs		
Net profits	**-**	**1,585**

Section 17 - Gains (losses) on sales of investments - Caption 240

17.1 Net gains on sales of investments: breakdown

	31/12/2015	31/12/2014
A. Property		
- Gains on sales	-	-
- Losses on sales	-	-
B. Other assets		
- Gains on sales	8	-
- Losses on sales	2	-
Net gains	**6**	**-**

Section 18 - Income taxes - Caption 260

18.1 Income taxes: breakdown

		31/12/2015	31/12/2014
1.	Current taxes	-11,250	-22,201
2.	Change in current taxes from previous years (+/-)"	664	-125
3.	Decrease in current taxes for the year (+)"	38	
3. bis	Decrease in current taxes for the year due to tax assets as per Law no. 214/2011 (+)"		
4.	Change in deferred tax assets (+/-) "	378	365
5.	Change in deferred tax liabilities (+/-) "	14	-338
6.	Tax expense for the year (-)"	-10,156	-22,297

18.2 Reconciliation between the theoretical and effective IRES tax expense

IRES	31/12/2015	31/12/2014
Reconciliation between the theoretical and effective tax rate		
Theoretical tax rate	27.5%	27.5%
Tax exempt income and other decreases	-20.8%	-16.0%
Non-deductible costs	2.4%	2.0%
Effective tax rate	9.1%	13.5%

Tax-exempt income items mainly relate to permanent differences for tax-exempt dividends.
Non-deductible costs mostly consist of expense and the non-deductible portion of interest expense.

18.3 Reconciliation between the theoretical and effective IRAP tax expense

IRAP	31/12/2015	31/12/2014
Reconciliation between the theoretical and effective tax rate:		
Theoretical tax rate	5.6%	5.6%
Tax exempt income and other decreases	-2.8%	-2.9%
Non-deductible costs	2.2%	6.0%
Effective tax rate	4.9%	8.8%

Tax-exempt income items mainly relate to permanent differences for tax-exempt dividends.
Non-deductible costs mostly consist of personnel expense and other expense and the non-deductible portion of interest expense.

Part D – Comprehensive income

Breakdown of comprehensive income

		Gross amount	Income tax	Net amount
10.	Profit for the year	X	X	62.246.319
Items that will not be reclassified subsequently to profit or loss				
20	Property, equipment and investment property			
30	Intangible assets			
40	Defined benefit plans	373,007	-102,577	270,430
50	Non-current assets held for sale			
60	Share of valuation reserves of equity-accounted investees			
Items that will be reclassified subsequently to profit or loss				
70	Hedges of investments in foreign operations:			
	a) fair value gains (losses)			
	b) reclassification to profit or loss			
	c) other changes			
80	Exchange rate gains (losses):			
	a) unrealised gains (losses)			
	b) reclassification to profit or loss			
	c) other changes			
90	Cash flow hedges:			
	a) fair value gains (losses)			
	b) reclassification to profit or loss			
	c) other changes			
100	Available-for-sale financial assets:			
	a) fair value gains (losses)	-11,192,226	3,701,269	-7,490,957
	b) reclassification to profit or loss:			
	- impairment losses			
	- gains/losses on sales			
	c) other changes			
110	Non-current assets held for sale:			
	a) fair value gains (losses)			
	b) reclassification to profit or loss			
	c) other changes			
120	Share of valuation reserves of equity-accounted investees:			
	a) fair value gains (losses)			
	b) reclassification to profit or loss:			
	- impairment losses			
	- gains/losses on sales			
	c) other changes			
130	**Other comprehensive expense**	**-10,819,219**	**3,598,692**	**-7,220,527**
140	**Comprehensive income (expense) (captions 10 + 130)**	**-10,819,219**	**3,598,692**	**55,025,792**

Part E - Risks and related hedging policies

Introduction

The bank's internal controls form a system designed to provide reasonable security about attainment of the efficiency and effectiveness objectives for its operations, the reliability of financial statements disclosures and compliance with the ruling laws and regulations. They include organisational, regulatory and methodological controls designed to efficiently and economically ensure management and strategic control, operating and technical-operational activities.

The internal controls are organised on different levels:

- line controls, aimed at ensuring correct operating practices; these are hierarchical type controls performed by the same production unit which are usually part of the same procedures or performed as back office activities;
- risk management controls, designed to define risk measurement methods, check compliance with their assigned limits by the various operating units (second level controls) and check consistency of each production unit's operations with their risk/return objectives;
- compliance controls, to monitor risks of non-compliance with external and internal regulations;
- internal audit procedures, designed to identify irregularities, violations of procedures, internal and external regulations and to assess the overall working of the internal controls.

Non-operational, independent units carry out the risk management, compliance and internal audit activities.

Responsibility for the internal controls lies with the board of directors that establishes the risk appetite and, accordingly, provides for the definition and approval of the risk strategies and management policies. The board of directors is also responsible for ensuring the internal controls are consistent with the risk management policy.

As part of the internal controls, the bank has a risk policy, approved by its board of directors, which sets out the principles, aims and methods to manage (methodology and tools) the main risks to which it is exposed. It also has a risk appetite framework (RAF), which reconciles its strategic planning and risk management as it defines the level and type of risk acceptable to the bank when pursuing its strategic objectives.

In 2015, the bank fine-tuned and developed its risk appetite framework as follows:

- introduction/updating of the parameters for the risks already included in the risk appetite framework;
- inclusion of new risk categories, such as IT risk.

The framework defines parameters for each category that are the maximum risk limit the Group intends to assume, the best risk limit (risk target) and an early warning level (risk trigger), which when breached, triggers contingency plans and/or mitigation actions to avoid reaching the risk limit.

Given the importance of risk management to strategic planning, the bank also defined the operating methods in a specific regulatory folder, which also sets out the roles and responsibilities of the internal units involved in identifying, assessing and monitoring the most important transactions. Risk assessment based on the most important transactions consists of an assessment of the consistency of the most important transactions' risk profile with the bank's risk appetite (the RAF). The risk profile of these transactions considers the risk appetite policies approved by the board of directors as well as the rules and regulations issued by the regulators for supervised intermediaries. During 2015, the RM service held another workshop (following that held in 2014) with all the reference people of the internal units involved in identifying the most significant transactions. The aim was to present the identification process and the related excel tool as well as to collect feedback from the attendees to facilitate operations.

The bank also analysed the activities performed, which are mainly related to the providing of products and services to banks and major corporate customers, and identified operational risk as the main risk faced by it. In order to handle this risk and comply with the capital requirement, the bank activated an operational risk framework, which is a specific process that identifies risk factors, assesses the level of exposure to risks and the effectiveness of the actions taken to control and monitor these risks.

Section 1 - Credit Risk

QUALITATIVE DISCLOSURE

1. General issues

Credit risk is the risk that an unexpected variation in a counterparty's credit standing may lead to its default, generating unexpected losses on cash exposures or endorsement credits, or that generates a related unexpected variation in the asset's market value.

Lending is not ICBPI's core business but it is an important part of its operations and mainly affects the treasury and finance unit, the securities services department and some business units.

In fact, the bank's core business is not to grant financing but it does grant credit facilities, mainly to third parties that, due to the products/services provided to them and the operating/financial rules thereof, require credit facilities in the form of cash (credit facilities) or commitments (endorsement credits).

With respect to the first level controls, the head of the treasury and finance unit and the head of the securities services department check and monitor that the lending transactions performed by the treasury and finance unit comply with the maximum operating limits and/or caps. As part of the second level controls, the risk management unit checks compliance with the operating limits and large exposures. It also calculates the exposure with related parties every day.

In addition, the risk management unit checks that credit exposures are monitored correctly, especially impaired exposures, and that they are classified consistently, the allowance for impairment is suitable and the recovery process appropriate.

In order to strengthen controls over credit risk, relevant information about the credit exposure (amount of credit facilities, use of credit facilities, overruns, any non-performing positions) is collected in a structured and organic manner by the various IT procedures.

ICBPI does not operate in innovative financial products such as credit derivatives.

Also because of the limited number of exposures normally taken on by the bank, its credit risk measurement methods and the related controls over credit risk trends are simple and lean; it does not use scoring systems or external and/or internal ratings.

Pursuant to the prudent regulations (Bank of Italy circular no. 285), the bank's assessment of credit risk includes counterparty risk, that is the risk that a counterparty to a transaction may default before the transaction's cash flows have been finalised. This latter risk is negligible considering the bank's total weighted assets as it has always been below 1% of the total credit and counterparty risk.

2. Credit risk management policies

2.1 Organisational aspects

The bank's organisational structure ensures the proper monitoring and management of risks. With specific respect to credit risk, the board of directors has the sole powers to make policies that affect ICBPI's operations. It approves the strategies and risk management policies and the bank's organisational structure for internal controls. The proxy system provided for by an internal policy approved by the board of directors attributes specific powers to some bodies and units for decisions about credit. As required by the internal regulations, credit risk is managed and monitored by the:

- board of directors
- general manager
- credit committee
- credit and branches unit.

2.2 Management, measurement and control systems

2.2.1 CREDIT MANAGEMENT

ICBPI is a "second level" bank, whose core business is the providing of products and services mainly in the sector of payment systems and administrative services for the custody, administration and settlement of securities.

Its lending policies are regulated by a specific regulation and it provides credit to:

- banks;
- stock brokerage companies;
- financial companies included in the lists covered by the Consolidated Banking Act;
- large corporate customers;
- OEICs;
- fund management companies.

ICBPI only provides credit facilities to retail customers who are group employees and employees of the former ICBPI (Equens) Group in the form of current account overdrafts and personal loans. It does not provide loans.

All the applications for credit and allocations of operating limits are reviewed by the credit office, together with the service manager and then approved by the credit committee. If no obstacles are identified, the credit committee expresses its assessment of the application, including about the guarantee acquired or to be acquired for the board of directors to take its decision.

After the credit facility is provided, risks are checked and monitored as follows:

- periodic assessments of the customers and reviews of their positions;
- checks of overruns;
- checks of information from Bank of Italy's credit information centre;
- identification of indications that the risk is more serious;
- periodic checks of the adequacy of the credit facilities used within the bank and the banking sector compared to equity for the mutual fund sector (to check the legal limit imposed by Bank of Italy's regulation).

The credit office and the securities services department regularly check at least once a year the quantitative and qualitative adequacy of the guarantees given by customers. In the case of ascertained total or partial default, they request the customers integrate the guarantees on a timely basis. If this does not take place, they immediately revise the position to comply with the identified risks.

2.2.2 MANAGEMENT OF OVERRUNS

The credit office checks and analyses any overruns every day and informs the relevant units of all positions with overruns (current accounts in Euro and foreign currency with and without credit facilities). The units firstly check the accounting entries and, if necessary, make the relevant adjustments. They analyse the reasons for the overruns and invite the customers to immediately rectify their positions if this is appropriate. They also inform the credit office and the risk management unit of their actions.

All overruns of more than €1,000 are communicated to the board of directors. Positions that are past due or overdue (by more than 90/180) days are communicated to the credit information centre as per the Bank of Italy regulation.

2.2.3 OPERATING LIMITS

The risk management unit monitors compliance with the operating limits granted to the banks on a daily basis as a second level control. These limits are granted on the basis of standard parameters and vary depending on the nature of the instrument and its implicit volatility as well as the duration or residual life of the transaction.

The group has an application which performs the centralised check of the existing operating limits each day and issues general alerts when the threshold is exceeded.

2.2.4 RISK CONCENTRATION LIMITS

The risk management unit monitors compliance with the risk concentration limits (large exposures) on a daily basis, assisted by the level 1 controls already performed by the relevant units.

2.2.5 LIMITS TO EXPOSURES WITH RELATED PARTIES

Regulations covering the limits to risky transactions with related parties and parties related to them introduced exposure limits for ICBPI (considering separate regulatory capital) vis-à-vis “Company personnel”, “Investors exercising control or significant influence”, “Other investors” and “Parties subject to control or significant influence”.

Controls over the risky transactions take place daily together with the controls over large exposures, including exposures to the individual related party and the overall exposure to all the related parties and parties related to them.

2.2.6 RESULTS OF THE LIMITS MONITORING

The daily monitoring of the limits showed compliance with the operating ceilings in 2015 within the risk concentration and related party exposure limits.

Most of the rare cases when the limits were exceeded are due to an increase in the amount of the existing transactions.

2.3 Credit risk mitigation techniques

In order to mitigate credit risk, the relevant bodies may decide to tie the granting of credit facilities to the receipt of suitable guarantees, based on the results of the related credit facility application investigation. These guarantees may be collateral, such as securities and/or cash deposits, contractual guarantees or endorsement guarantees.

The credit office and the securities services department regularly check at least once a year the quantitative and qualitative adequacy of the guarantees given by customers. In the case of ascertained total or partial default, they request the customers integrate the guarantees on a timely basis. If this does not take place, they immediately revise the position to comply with the identified risks.

The acquired guarantees do not have specific limits that could affect their legal validity.

There were no significant changes in the management of guarantees compared to the previous year.

2.4 Impaired financial assets

The credit committee regularly reviews all potentially irregular positions and decides on the recovery activities to be taken as well as changes in the position's status, based on the relevant parameters. These decisions are reviewed by the board of directors.

Classification of assets by debtor quality complies with the categories established by Bank of Italy.

With respect to impaired positions, impairment losses are recognised after the individual measurement of each position.

Country risk

Country risk is the risk of losses caused by events that take place in countries other than Italy. This concept is wider than that for sovereign risk as it covers all exposures regardless of the type of counterparty involved, be they natural persons, businesses, banks or public administrations.

The bank includes country risk as part of credit risk and it is not a significant risk given that:

- most of ICBPI's exposures are with parties that offer settlement and custody services, such as Clearstream and Euroclear, or international banks (e.g., Barclays, BNP Paribas), that can reasonably be assumed to be very independent economically of the country where their head office is;
- the exposures are mostly with parties based in countries with high ratings;
- the capital requirement for credit risk is calculated without using the counterparty rating parameter but solely the rating of the counterparty's country of residence. Therefore, the capital requirement includes the country risk component.

Both for country and issuer risks, the risk management unit checks that the securities in portfolio have the characteristics indicated in the financial regulation once a month and prepares a quarterly report for the manager of the relevant department and the managing director.

QUANTITATIVE DISCLOSURE

A. CREDIT QUALITY

A.1 IMPAIRMED AND PERFORMING LOANS: CARRYING AMOUNT, IMPAIRMENT LOSSES, PERFORMANCE, BUSINESS AND GEOGRAPHICAL DISTRIBUTION

A.1.1 Breakdown of financial assets by portfolio and credit quality (carrying amount)

	Non-performing loans	Probable default	Impaired past due loans	Unpaired past due loans	Other unimpaired exposures	Total
1. Available-for-sale financial assets	-	-	-	-	2,569,429	**2,569,429**
2. Held-to-maturity investments	-	-	-	-	31,784	**31,784**
3. Loans and receivables with banks	-	-	-	-	805,418	**805,418**
4. Loans and receivables with customers	391	-	-	-	2,453,062	**2,453,453**
5. Financial assets at fair value through profit or loss	-	-	-	-	-	**-**
6. Financial assets held for sale	-	-	-	-	-	**-**
Total at 31/12/2015	**391**	**-**	**-**	**-**	**5,859,693**	**5,860,084**
Total at 31/12/2014	**391**	**-**	**-**	**-**	**5,975,257**	**5,975,648**

A.1.2 Breakdown of financial assets by portfolio and credit quality (gross amount and carrying amount)

Portafogli/qualità	Impaired assets			Unimpaired assets			Total (carrying amount)
	Gross amount	Individual impairment	Carrying amount	Gross amount	Collective impairment	Carrying amount	
1. Available-for-sale financial assets	-	-	-	2,569,429	-	2,569,429	**2,569,429**
2. Held-to-maturity investments	-	-	-	31,784	-	31,784	**31,784**
3. Loans and receivables with banks	-	-	-	805,418	-	805,418	**805,418**
4. Loans and receivables with customers	2,139	1,748	391	2,453,062	-	2,453,062	**2,453,452**
5. Financial assets at fair value through profit or loss	-	-	-	-	-	-	**-**
6. Financial assets held for sale	-	-	-	-	-	-	**-**
Total at 31/12/2015	**2,139**	**1,748**	**391**	**5,859,693**	**-**	**5,859,693**	**5,860,084**
Total at 31/12/2014	**2,139**	**1,748**	**391**	**5,975,257**	**-**	**5,975,257**	**5,975,648**

	Assets with poor credit quality		Other assets
	Cumulated impairment losses	Carrying amount	Carrying amount
1. Financial assets held for trading			18,693
2. Hedging derivatives			-
Total at 31/12/2015			**18,693**
Total at 31/12/2014			19,511

A.1.3 Loans and receivables with banks on and off-statement of financial position: gross amounts, carrying amounts and past due brackets

	Gross amount					Individual impairment	Collective impairment	Carrying amount
	Impaired assets				Unimpaired assets			
	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	After 1 year				
A. ON-STATEMENT OF FINANCIAL POSITION								
a) Non-performing loans	-	-	-	-	-	-	-	-
- including: negotiated exposures	-	-	-	-	-	-	-	-
b) Probable defaults	-	-	-	-	-	-	-	-
- including: negotiated exposures	-	-	-	-	-	-	-	-
c) Impaired past due loans	-	-	-	-	-	-	-	-
- including: negotiated exposures	-	-	-	-	-	-	-	-
d) Unimpaired past due loans	-	-	-	-	-	-	-	-
- including: negotiated exposures	-	-	-	-	-	-	-	-
e) Other unimpaired exposures	-	-	-	-	846,543	-	-	846,543
- including: negotiated exposures	-	-	-	-	-	-	-	-
TOTAL A	**-**	**-**	**-**	**-**	**846,543**	**-**	**-**	**846,543**
B. OFF-STATEMENT OF FINANCIAL POSITION								
a) Impaired	-	-	-	-	-	-	-	-
b) Unimpaired	-	-	-	-	7,371	-	-	7,371
TOTAL B	**-**	**-**	**-**	**-**	**7,371**	**-**	**-**	**7,371**
TOTAL A + B	**-**	**-**	**-**	**-**	**853,914**	**-**	**-**	**853,914**

A.1.6 Loans and receivables with customers on and off-statement of financial position: gross amounts, carrying amounts and past due brackets

	Gross amount					Individual impairment	Collective impairment	Carrying amount
	Impaired assets				Unimpaired assets			
	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	After 1 year				
A. ON-STATEMENT OF FINANCIAL POSITION								
a) Non-performing loans	-	-	-	2,139	-	1,748	-	391
- including: negotiated exposures	-	-	-	-	-	-	-	-
b) Probable defaults	-	-	-	-	-	-	-	-
- including: negotiated exposures	-	-	-	-	-	-	-	-
c) Impaired past due loans	-	-	-	-	-	-	-	-
- including: negotiated exposures	-	-	-	-	-	-	-	-
d) Unimpaired past due loans	-	-	-	-	-	-	-	-
- including: negotiated exposures	-	-	-	-	-	-	-	-
e) Other unimpaired exposures	-	-	-	-	5,026,236	-	-	5,026,236
- including: negotiated exposures	-	-	-	-	-	-	-	-
TOTAL A	**-**	**-**	**-**	**2,139**	**5,026,236**	**1,748**	**-**	**5,026,627**
B. OFF-STATEMENT OF FINANCIAL POSITION								
a) Impaired	-	-	-	-	-	-	-	-
b) Unimpaired	-	-	-	-	363,118	-	-	363,118
TOTAL B	**-**	**-**	**-**	**-**	**363,118**	**-**	**-**	**363,118**
TOTAL A + B	**-**	**-**	**-**	**2,139**	**5,389,354**	**1,748**	**-**	**5,389,745**

A.1.7 On-statement of financial position loans and receivables with customers: gross impaired positions

	Non-performing loans	Probable defaults	Impaired past due loans
A. Gross opening balance	**2,139**	**-**	**-**
- including: positions transferred but not derecognised			
B. Increases			
B.1 transfers from performing loans	-	-	-
B.2 transfers from other impaired loan categories	-	-	-
B.3 Other increases	-	-	-
C. Decreases			
C.1 transfers to performing loans	-	-	-
C.2 derecognitions	-	-	-
C.3 collections	-	-	-
C.4 losses on sales	-	-	-
C.4 bis losses on sales	-	-	-
C.5 transfers to other impaired loan categories			
C.6 other decreases	-	-	-
D. Gross closing balance	**2,139**	**-**	**-**
- including: positions transferred but not derecognised			

A.1.8 On-statement of financial position loans and receivables with customers: changes in impaired positions

	Non-performing loans		Probable defaults		Impaired past due loans	
	Total	Including: negotiated exposures	Total	Di cui : esposizioni oggetto di concessioni	Total	Including: negotiated exposures
A. Opening balance	**1,748**					
- including: positions transferred but not derecognised						
B. Increases						
B.1 impairment losses	-					
B.1 bis losses on sales						
B.2 transfers from other impaired exposure categories						
B.3 other increases						
C. Decreases						
C.1 fair value gains						
C.2 reversals of impairment losses due to collection						
C.2 bis gains on sales						
C.3 derecognitions	-					
C.4 transfers to other impaired exposure categories						
C.5. other decreases						
D. Closing balance	**1,748**					
- including: positions transferred but not derecognised						

A.2 CLASSIFICATION OF EXPOSURES USING EXTERNAL AND INTERNAL RATINGS

A.2.1 Breakdown of credit exposure on and off-statement of financial position by external rating classes

	External rating class						Unrated	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. On-statement of financial position	-	-	-	-	-	-	5,873,171	5,873,171
B. Derivatives	-	-	-	-	-	-	-	-
B.1 Financial derivatives	-	-	-	-	-	-	5,608	5,608
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees issued	-	-	-	-	-	-	112,654	112,654
D. Commitments to disburse funds	-	-	-	-	-	-	134,829	134,829
E. Other	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**6,126,262**	**6,126,262**

A.2.2 Breakdown of credit exposure on and off-statement of financial position by internal rating classes

	Internal rating class						Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	
A. On-statement of financial position						5,873,171	5,873,171
B. Derivatives							
B.1 Financial derivatives						5,608	5,608
B.2 Credit derivatives						-	-
C. Guarantees issued						112,654	112,654
D. Commitments to disburse funds						134,829	134,829
E. Other						-	-
Total						**6,126,262**	**6,126,262**

A.3 BREAKDOWN OF GUARANTEED EXPOSURE BY TYPE OF GUARANTEE

A.3.1 Guaranteed loans and receivables with banks

	Net amount	Collateral (1)				Personal guarantees (2)									Total (1+2)
						Credit derivatives					Endorsement credits				
							Other derivatives								
		Mortgaged property	Property under finance lease	Securities	Other collateral	CLN	Government and central banks	Other gov. agencies	Banks	Other	Government and central banks	Other gov. agencies	Banks	Other	
1. On-statement of financial position guaranteed loans:															
1.1. fully guaranteed	189,653	-	-	189,653	-	-	-	-	-	-	-	-	-	-	189,653
- including: impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2. partly guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- including: impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Off-statement of financial position guaranteed loans:															
2.1. fully guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- including: impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. partly guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- including: impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

A.3.2 Guaranteed loans and receivables with customers

	Net amount	Collateral (1)				Personal guarantees (2)									Total (1+2)
		Mortgaged property	Property under finance lease	Securities	Other collateral	Credit derivatives					Endorsement credits				
						CLN	Other derivatives				Government and central banks	Other gov. agencies	Banks	Other	
							Government and central banks	Other gov. agencies	Banks	Other					
1. On-statement of financial position guaranteed loans:															
1.1. fully guaranteed	806,784	-	-	-	806,784	-	-	-	-	-	-	-	-	-	806,784
- including: impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2. partly guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- including: impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Off-statement of financial position guaranteed loans:															
2.1. fully guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- including: impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. partly guaranteed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- including: impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

B. BREAKDOWN AND CONCENTRATION OF CREDIT EXPOSURE

B.1 Breakdown of loans and receivables with customers on and off-statement of financial position by business segment (carrying amount)

	Governments and central banks			Other government agencies			Financial companies		
	Carrying amount	Individual impairment	Collective impairment	Carrying amount	Individual impairment	Collective impairment	Carrying amount	Individual impairment	Collective impairment
A. On-statement of financial position									
A.1 Non-performing loans	-	-	-	-	-	-	391	1,491	-
- including: negotiated exposures	-	-	-	-	-	-	-	-	-
A.2 Probable defaults	-	-	-	-	-	-	-	-	-
- including: negotiated exposures	-	-	-	-	-	-	-	-	-
A.3 Impaired past due loans	-	-	-	-	-	-	-	-	-
- including: negotiated exposures	-	-	-	-	-	-	-	-	-
A.4 Unimpaired exposures	2,569,811	-	-	13	-	-	2,422,630	-	-
- including: negotiated exposures	-	-	-	-	-	-	-	-	-
TOTAL A	**2,569,811**	**-**	**-**	**13**	**-**	**-**	**2,423,021**	**1,491**	**-**
B. Off-statement of financial position									
B.1 Non-performing loans	-	-	-	-	-	-	-	-	-
B.2 Probable defaults	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-
B.4 Unimpaired exposures	24,026	-	-	168	-	-	228,877	-	-
TOTAL B	**24,026**	**-**	**-**	**168**	**-**	**-**	**228,877**	**-**	**-**
TOTAL (A + B) at 31/12/2015	**2,593,837**	**-**	**-**	**181**	**-**	**-**	**2,651,898**	**1,491**	**-**
TOTAL (A + B) at 31/12/2014	**2,582,073**	**-**	**-**	**511**	**-**	**-**	**2,942,560**	**1,491**	**-**

	Insurance companies			Non-financial companies			Other		
	Carrying amount	Individual impairment	Collective impairment	Carrying amount	Individual impairment	Collective impairment	Carrying amount	Individual impairment	Collective impairment
A. On-statement of financial position									
A.1 Non-performing loans	-	-	-	-	257	-	-	-	-
- including: negotiated exposures	-	-	-	-	-	-	-	-	-
A.2 Probable defaults	-	-	-	-	-	-	-	-	-
- including: negotiated exposures	-	-	-	-	-	-	-	-	-
A.3 Impaired past due loans	-	-	-	-	-	-	-	-	-
- including: negotiated exposures	-	-	-	-	-	-	-	-	-
A.4 Unimpaired exposures	38	-	-	31,467	-	-	2,277	-	-
- including: negotiated exposures	-	-	-	-	-	-	-	-	-
TOTAL A	**38**	**-**	**-**	**31,467**	**257**	**-**	**2,277**	**-**	**-**
B. Off-statement of financial position									
B.1 Non-performing loans	-	-	-	-	-	-	-	-	-
B.2 Probable defaults	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-
B.4 Unimpaired exposures	109,327	-	-	720	-	-	-	-	-
TOTAL B	**109,327**	**-**	**-**	**720**	**-**	**-**	**-**	**-**	**-**
TOTAL (A + B) at 31/12/2015	**109,365**	**-**	**-**	**32,187**	**257**	**-**	**2,277**	**-**	**-**
TOTAL (A + B) at 31/12/2014	**305**	**-**	**-**	**12,603**	**257**	**-**	**2,158**	**-**	**-**

B.2 Breakdown of loans and receivables with customers on and off-statement of financial position by geographical segment (carrying amount)

	ITALY		OTHER EUROPEAN COUNTRIES		AMERICAS		ASIA		REST OF THE WORLD	
	Carrying amount	Total impairment	Carrying amount	Total impairment	Carrying amount	Total impairment	Carrying amount	Total impairment	Carrying amount	Total impairment
A. On-statement of financial position										
A.1 Non-performing loans	391	1,748	-	-	-	-	-	-	-	-
A.2 Probable defaults	-	-	-	-	-	-	-	-	-	-
A.3 Impaired past due loans	-	-	-	-	-	-	-	-	-	-
A.4 Unimpaired exposures	5,017,361	-	6,820	-	2,055	-	-	-	-	-
TOTAL A	**5,017,752**	**1,748**	**6,820**	**-**	**2,055**	**-**	**-**	**-**	**-**	**-**
B. Off-statement of financial position										
B.1 Non-performing loans	-	-	-	-	-	-	-	-	-	-
B.2 Probable defaults	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Unimpaired exposures	363,115	-	-	-	-	-	-	-	3	-
TOTAL B	**363,115**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3**	**-**
TOTAL A + B at 31/12/2015	**5,380,867**	**1,748**	**6,820**	**-**	**2,055**	**-**	**-**	**-**	**3**	**-**
TOTAL A + B at 31/12/2014	**5,485,192**	**1,748**	**52,319**	**-**	**2,698**	**-**	**-**	**-**	**-**	**-**

B.3 Breakdown of loans and receivables with banks on and off-statement of financial position by geographical segment (carrying amount)

	ITALY		OTHER EUROPEAN COUNTRIES		AMERICAS		ASIA		REST OF THE WORLD	
	Net amount	Total impairment	Net amount	Total impairment	Net amount	Total impairment	Net amount	Total impairment	Net amount	Total impairment
A. On-statement of financial position										
A.1 Non-performing loans	-	-	-	-	-	-	-	-	-	-
A.2 Probable defaults	-	-	-	-	-	-	-	-	-	-
A.3 Impaired past due loans	-	-	-	-	-	-	-	-	-	-
A.4 Unimpaired exposures	764,807	-	64,632	-	8,118	-	6,055	-	2,931	-
TOTAL A	**764,807**	**-**	**64,632**	**-**	**8,118**	**-**	**6,055**	**-**	**2,931**	**-**
B. Off-statement of financial position										
B.1 Non-performing loans	-	-	-	-	-	-	-	-	-	-
B.2 Probable defaults	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Unimpaired exposures	3,450	-	3,922	-	-	-	-	-	-	-
TOTAL B	**3,450**	**-**	**3,922**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL A + B at 31/12/2015	**768,257**	**-**	**68,554**	**-**	**8,118**	**-**	**6,055**	**-**	**2,931**	**-**
TOTAL A + B at 31/12/2014	**558,200**	**-**	**106,677**	**-**	**5,945**	**-**	**2,322**	**-**	**3,641**	**-**

C. SECURITISATIONS AND TRANSFERS OF ASSETS

ICBPI has not undertaken these types of transaction.

F. CREDIT RISK MEASUREMENT MODELS

The bank does not have internal models to measure credit risk given its profile.

SECTION 2 – MARKET RISKS

QUALITATIVE DISCLOSURE

Market risk is the risk of incurring losses generated by operating on the market for financial instruments (regulatory trading book), currencies and commodities, due to fluctuations in market factors or the issuer's situation. This risk is applicable to ICBPI as it manages financial instruments on the group's behalf. Activities that generate market risk are performed by the treasury and finance unit and the securities services department.

The finance regulation governs these activities and defines the operating limits for the subcomponents of market risk, such as for example currency risk and interest rate risk on the trading book. In addition, the regulation sets operating limits for the various activities for the amounts involved, VaR, the stop loss as well as the criteria and methods to monitor positions.

The governance model in place to manage and monitor risks is based on the segregation between the management processes and the risk control processes on the one hand and, on the other, development of processes to manage and monitor risks in line with the bank's hierarchical structure and by assigning proxies.

The treasury and finance unit and the securities services department report to the liquidity and finance committee, which analyses the bank's positions and defines financial policies.

The first level controls are carried out by the treasury and finance unit and the securities services department for the activities related to them, while the second level controls are performed by the risk management unit. This unit monitors market risk on a daily basis using the VaR of the positions in securities and foreign currency. It also performs second level controls on compliance with assigned limits.

The risk management unit also checks and processes ex post the data related to the bank's total risk positions each day and prepares the reports necessary to check the limits set by the finance regulation. It also performs specific tests (back testing and stress testing) to check the level of existing risk scenarios or future scenarios for the current portfolio.

The treasury and finance unit monitors positions in securities and foreign currency using VaR with a confidence interval of 99% and a time horizon of 10 days, calculated using a parametric model.

The VaR, defined to obtain a reasonable estimate of potential losses in normal market conditions, is not designed to, nor does it, include an analysis of extreme events. Stress tests are used to check the impact of extreme conditions on the portfolio and violations of the assumptions underlying the model used by identifying the remaining risk and providing information complementary to VaR.

Basis risk

The basis risk is defined as the risk of losses caused by unmatched variations in the spot and future price that are similar but not identical. This risk is especially pertinent to banks that calculate their capital requirements using standard methods by offsetting positions in one or more equities included in an equity index with one or more future positions/other derivatives linked to this index or that offset opposing positions in futures on equity indexes that do not have the same expiry date, composition or both.

ICBPI is not exposed to this risk as it does not use futures/derivatives to hedge positions exposed to market risk and, therefore, these instruments are not included in the calculation of the capital requirement for market risk using the standard method. The bank's operations in banking book derivatives is limited to trading in OTC options which, as per its internal regulations, does not generate positions. The risk positions for other financial instruments are hedged by specular hedges.

B.4 Large exposures

	31/12/2015	31/12/2014
a) Carrying amount	7,464,060	7,370,085
b) Weighted amount	256,117	314,453
c) Number	9	12

2.1 INTEREST RATE AND PRICE RISK - REGULATORY TRADING BOOK

A1. General aspects about interest rate risk

This risk is inherent in the bank's core banking business as it is part of the process of change over time, space and form of financial resources and in the financial assets trading business.

The objectives and strategies underlying trading activities in place to manage the securities portfolio are designed to maximise profitability and exploit investment opportunities as part of an approach to contain risks. This leads the bank to have a bonds portfolio with a short duration.

Like in previous years, interest rate risk is non-negligible given the temporary mismatching of the assets and liabilities arising from ICBPI's operations.

The trading book includes financial instruments subject to regulatory capital requirements for market risk, as defined in the supervisory communication regulations.

B1. Interest rate risk management processes and measurement methods

The bank's risk management unit performs stress tests on the interest rate risk, assuming various types of parallel movements in the interest rate curve and analysing the related effects.

A2. General aspects about price risk

Price risk is the risk of fluctuations in the prices of financial instruments due to variations in market variables or specific factors of the issuers or counterparties. It can be general, due to a change in the price of an equity instrument caused by fluctuations in the reference market, or specific, caused by a change in the price of a specific equity instrument compared to its reference market following changes in expectations about the financial soundness or future profitability of the issuer.

B2. Management and measurement of price risk

Like for the other risks, the bank's strategy adopted to manage price risk is prudent.

This risk is monitored through specific reports and by calculating the VaR (which is performed daily by the risk management unit).

QUANTITATIVE DISCLOSURE

1. Regulatory trading book: breakdown by residual maturity (repricing date) of on-statement of financial position financial assets and liabilities and derivatives

Currency: Euro

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets								
1.1 Debt instruments								
- with early repayment option	-	-	-	-	53	50	-	-
- other	627	3,515	1,533	782	5,132	883	44	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Liabilities								
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	110	-	-	10	575	107	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ long positions	-	2	-	-	-	-	-	-
+ short positions	-	2	-	-	-	-	-	-
- Other derivatives								
+ long positions	9	16,060	9,467	158	516	891	-	-
+ short positions	135	12,608	270	148	5,525	8,378	-	-
3.2 Without underlying security								
- Options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ long positions	-	302,778	1,554	-	-	-	-	-
+ short positions	-	606,710	1,147	-	-	-	-	-

Currency: other

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets								
1.1 Debt instruments								
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	307	41	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Liabilities								
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	25	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ long positions	-	656,860	5,502	-	-	-	-	-
+ short positions	-	351,320	5,806	-	-	-	-	-

2.2 INTEREST RATE AND PRICE RISKS - BANKING BOOK

A1. General aspects, management and measurement of interest rate risk

The banking book's interest rate risk is the risk of losses in its value due to potential changes in interest rates.

ICBPI's funding and lending have historically mainly being obtained or granted through current accounts or with short-term maturities (nearly all within three months). As most of the liquidity in current accounts is that in the giro accounts, which are used for operating purposes and not for funding and/or lending transactions, the bank's actual exposure to this risk is rather limited.

The risk management unit monitors this risk daily to assess its impact using a method based on the guidance set out in Annex C of Title III, Chapter 1 of Bank of Italy Circular no. 285, which assesses the absorption in terms of internal capital of a variation of 200 bp on the return curve on the banking book, weighing the various exposures depending on their residual life and adopting an internal method to classify current accounts, as required by the above-mentioned supervisory regulations.

A2. General aspects, management and measurement of price risk

The banking book's price risk mainly refers to the equity investments held for the long term and financial instruments, mostly Italian government bonds, which are not included in the trading book as they are also held for investment purposes.

B1. Fair value hedges

Not applicable.

B2. Cash flow hedges

The bank's hedging strategies are generic and may also refer to the interest rate risk applicable to the on-demand items.

C. Hedges of investments in foreign operations

Not applicable.

QUANTITATIVE DISCLOSURE

1. Banking book: breakdown by residual maturity (by repricing date) of financial assets and liabilities

Currency: Euro

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets								
1.1 Debt instruments								
- with early repayment option	-	-	-	-	-	-	-	-
- other	441,312	965,806	894,468	38,225	265,294	-	-	-
1.2 Financing to banks	191,975	490,781	-	-	-	-	-	-
1.3 Financing to customers								
- current accounts	1,452,812	-	-	-	-	-	-	-
- other financing								
- with early repayment option	-	-	-	-	-	-	-	-
- other	190,672	806,948	161	312	1,450	-	-	-
2. Liabilities								
2.1 Due to customers								
- current accounts	3,590,168	-	-	-	-	-	-	-
- other payables								
- with early repayment option	-	-	-	-	-	-	-	-
- other	40,484	100,026	-	-	-	-	-	-
2.2 Due to banks								
- current accounts	754,528	-	-	-	-	-	-	-
- other payables	200,341	-	-	-	-	-	-	-
2.3 Debt instruments								
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities								
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ long positions	-	12,584	10	-	4,934	8,298	-	-
+ short positions	48	15,543	9,443	-	-	826	-	-
3.2 Without underlying security								
- Options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-statement of financial position transactions								
+ long positions	-	-	-	40,000	-	-	-	-
+ short positions	40,000	-	-	-	-	-	-	-

Currency: other

	On demand	Up to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Open term
1. Assets								
1.1 Debt instruments								
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Financing to banks	84,988	33,721	62	-	-	-	-	-
1.3 Financing to customers								
- current accounts	708	-	-	-	-	-	-	-
- other financing								
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. Liabilities								
2.1 Due to customers								
- current accounts	347,386	-	-	-	-	-	-	-
- other payables								
- with early repayment option	-	-	-	-	-	-	-	-
- other	345	-	-	-	-	-	-	-
2.2 Due to banks								
- current accounts	66,292	-	-	-	-	-	-	-
- other payables	-	340	-	-	-	-	-	-
2.3 Debt instruments								
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities								
- with early repayment option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other derivatives								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-statement of financial position transactions								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

2.3 CURRENCY RISK

A. General aspects, management and measurement of currency risk

Currency risk arises on the mismatch between foreign currency assets and liabilities (cash and forward) for each currency, originating from positions taken on by the centres specialised in market risk, within the assigned limits and proxies.

Currency risk nearly entirely arises on foreign currency trading activities carried out through trading in market instruments. The risk management unit monitors this risk constantly by calculating the VaR while the treasury unit performs the relevant first level controls.

The bank's exposure to currency risk, calculated using the net foreign currency positions and a method in line with the supervisory regulations, is negligible because every foreign currency transaction with institutional counterparties that generates a currency risk is usually hedged on the market with an offsetting transaction.

B. Currency hedges

The trading book is completely hedged with spot forex positions.

The risk management unit checks that the VaR on existing positions is always within the limits set by the finance regulation every day.

C. Transfer risk

The transfer risk is defined as the risk that a bank, exposed to a party that finances itself in a currency different to that in which it earns most of its income, makes losses due to the debtor's difficulties in converting its currency into the currency of its exposure.

The bank is potentially exposed to this risk due to its credit exposures in foreign currencies and Euro credit exposures of parties based in countries with a legal tender that is not the Euro.

A detailed analysis of these exposures shows that most of them are with operators, such as Euroclear, Clearstream and BNP Paribas that operate as multi-currency settlement houses. Therefore, it can be assumed that they are able to convert currencies except in extreme conditions of their illiquidity.

Therefore, the bank's transfer risk is very modest, especially if compared to the entire credit risk (of which it can be considered to be an additional component). The amount and composition of exposures potentially exposed to transfer risk are monitored every six months to identify any changes.

QUANTITATIVE DISCLOSURE

1. Breakdown of assets, liabilities and derivatives by currency

	Currency					
	US dollar	Yen	Pound sterling	Swiss franc	Canadian dollar	Other currencies
A. Financial assets						
A.1 Debt instruments	351	-	-	-	-	-
A.2 Equity instruments	-	-	-	-	-	168
A.3 Financing to banks	39,485	8,276	11,080	2,856	32,004	25,071
A.4 Financing to customers	151	504	41	-	-	12
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**11**	**22**	**-**	**51**	**21**	**16**
C. Financial liabilities	-	-	-	-	-	-
C.1 Due to banks	46,674	4,920	943	1,530	6,732	5,847
C.2 Due to customers	179,166	56,914	48,485	12,736	14,474	36,831
C.3 Debt instruments	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	-	-	-	-	-	-
E. Financial derivatives	-	-	-	-	-	-
- Options	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-
+ long positions	365,014	166,207	56,726	13,569	21,971	38,876
+ short positions	169,617	113,677	18,510	2,259	32,221	20,843
Total assets	**405,012**	**175,009**	**67,847**	**16,476**	**53,995**	**64,142**
Total liabilities	**395,457**	**175,511**	**67,938**	**16,524**	**53,427**	**63,521**
Difference	**9,555**	**-502**	**-91**	**-48**	**569**	**621**

2.4 DERIVATIVES

ICBPI's operations in derivatives and foreign currency mainly relate to matching trades performed on behalf of its customers.

It does not have innovative or complex financial instruments. It only uses overnight interest rate swaps to hedge interest rate risk on medium to long-term bank deposits.

A. FINANCIAL DERIVATIVES

A.1 Regulatory trading book: notional amounts at the reporting date

	31/12/2015		31/12/2014	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt instruments and interest rates				
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equity instruments and share indexes			-	-
a) Options	457	-	6,225	-
b) Swaps	-	-	-	-
c) Forwards	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currencies and gold			-	-
a) Options	-	-	-	-
b) Swaps	68,837	-	62,150	-
c) Forwards	698,759	-	136,354	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	-	-	-	-
5. Other underlying assets	-	-	-	-
Total	**768,053**	**-**	**204,728**	**-**

A.3 Financial derivatives: gross positive fair value - breakdown by product

	Positive fair value			
	31/12/2015		31/12/2014	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book				
a) Options	229	-	3,112	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	5,203	-	586	-
f) Futures	-	-	-	-
g) Other	176	-	952	-
B. Banking book - hedging				
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking book - other derivatives				
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**5,608**	**-**	**4,650**	**-**

A.4 Financial derivatives: gross negative fair value - breakdown by product

	Negative fair value			
	31/12/2015		31/12/2014	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book				
a) Options	229	-	3,112	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	2,724	-	1,376	-
f) Futures	-	-	-	-
g) Other	1,096	-	186	-
B. Banking book - hedging				
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking book - other derivatives				
a) Options	-	-	-	-
b) Interest rate swaps	-	-	-	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forwards	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**4,049**	**-**	**4,674**	**-**

A.5 OTC financial derivatives - regulatory trading book: notional amounts, gross positive and negative fair value by counterparty - contracts not included in netting agreements

	Governments and central banks	Other government agencies	Banks	Financial companies	Insurance companies	Non-financial companies	Other
1) Debt instruments and interest rates							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
2) Equity instruments and share indexes							
- notional amount	-	-	229	229	-	-	-
- positive fair value	-	-	-	229	-	-	-
- negative fair value	-	-	229	-	-	-	-
- future exposure	-	-	-	104	-	-	-
3) Currencies and gold							
- notional amount	-	-	588,294	179,300	-	-	-
- positive fair value	-	-	4,528	852	-	-	-
- negative fair value	-	-	2,361	1,459	-	-	-
- future exposure	-	-	3,349	1,793	-	-	-
4) Other assets							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
Total	**-**	**-**	**598,990**	**183,966**	**-**	**-**	**-**

A.9 Residual maturity of OTC financial derivatives: notional amounts

	Up to 1 year	From 1 to 5 years	After 5 years	Total
A. Regulatory trading book				
A.1 Financial derivatives on debt instruments and interest rates	-	-	-	-
A.2 Financial derivatives on equity instruments and share indexes	457	-	-	457
A.3 Financial derivatives on currencies and gold	767,596	-	-	767,596
A.4 Financial derivatives on other assets	-	-	-	-
B. Banking book	-	-	-	-
A.1 Financial derivatives on debt instruments and interest rates	-	-	-	-
B.2 Financial derivatives on equity instruments and share indexes	-	-	-	-
B.3 Financial derivatives on currencies and gold	-	-	-	-
B.4 Financial derivatives on other assets	-	-	-	-
TOTAL A + B at 31/12/2015	**768,053**	**-**	**-**	**768,053**
TOTAL A + B at 31/12/2014	**204,729**	**-**	**-**	**204,729**

B. CREDIT DERIVATIVES

ICBPI does not have credit derivatives at the reporting date.

C. FINANCIAL DERIVATIVES

ICBPI does not have financial derivatives at the reporting date.

SECTION 3 - LIQUIDITY RISK

A. General aspects, management and measurement of liquidity risk

Liquidity risk is the risk that the bank is unable to meet its payment commitments due to its inability to raise funds on the market (funding liquidity risk) and/or to disinvest its assets (market liquidity risk). This risk includes the risk of meeting its commitments at non-market costs, i.e., incurring high costs to obtain funding or (and sometimes simultaneously) incurring losses when disinvesting assets.

The bank's general liquidity risk management policy is characterised by modest risk appetite and prudently privileges a balance between assets and liabilities as part of its strategy to increase profitability. Deadlines and amounts of its cash flows allow it to limit liquidity risk with the balanced return of funds, notwithstanding the fact that ICBPI is very capable of financing itself in very short periods (one to three days).

Therefore, the bank is not significantly exposed to liquidity risk. Its liabilities mainly consist of current accounts with banks or customers set up to be used as part of its core business rather than for funding purposes. An analysis of its due dates does not show any critical issues, given the nature of the underlying transactions. Moreover, with respect to its positions other than current accounts, there are no critical issues relating to acceleration clauses or clauses requiring additional guarantees if the group companies are downgraded.

The related liquidity policy and contingency funding plan, approved by the bank's board of directors, sets the guidelines for liquidity management (liquidity policy) and the rules to be adopted in a liquidity crisis (contingency funding plan). It incorporates the most recent regulatory updates (Bank of Italy Circular no. 285/2013) and the principles of the risk policy, thus integrating and completing the rules defined in the finance regulation.

The liquidity policy defines the actions to be performed daily to ensure a balance between cash inflows and outflows by monitoring existing and future financial positions. It also includes a vast range of indicators to facilitate the monitoring of the bank's liquidity profile and to promptly identify any deterioration caused by internal factors or systemic factors.

The contingency funding plan (CFP) assesses the actions to be taken if there is a drastic reduction in liquidity and the bank has certain lending commitments (e-money service and lending transactions that cannot easily be converted into liquidity) caused by either sector-wide liquidity crises or specific liquidity crises. It specifically describes what happens when a normal operating situation deteriorates into an operating stress or crisis situation, based on trends in quantitative and/or qualitative indicators (internal or sector) that are monitored daily. The plan also presents how to manage stress or crisis situations and specifies how the relevant units are to react and their responsibilities.

Liquidity risk is assessed by monitoring the accumulated balance of the daily situation each day, which is the most critical considering the bank's typical modus operandi. The results of this process are included in the weekly preparation of the relevant indicator. Once a day, the risk management unit performs a simulation based on the same stress situations applied to the weekly monitoring. It calculates the run-off ratios for the different on demand items related to the "critical" category using the compound interest method and recalculates the accumulated balance in a stress situation, being the sum of the balance in a non-stress situation and outflows required in a stress situation.

Once a week, the risk management unit checks the net accumulated balance of the positions falling due (using the closing positions every Tuesday evening). The net accumulated balance of the positions falling due is calculated considering the inflows and outflows expected during the different "due" categories (11 in total, which go from one day to four months). The schedule also includes data about forecast unrecorded flows or future flows the exact amount of which are not known. The risk management unit then sends Bank of Italy a liquidity report once a week.

The treasury and finance unit monitors and checks cash flows and estimates their trends during a business day. The intraday liquidity risk relates to the time mismatch between incoming and outgoing payment flows (the latter have different daily cut-offs). In order to mitigate these risks, the regulators require that banks have an appropriate intraday reserve (consisting of eligible, readily convertible into cash securities) to cover their obligations (specific risk) or the sudden illiquidity of markets or bankruptcy of a counterparty in the settlement system (sector risk). Accordingly, the bank has securities (CCT Italian treasury credit certificates and eligible bank bonds) as its intraday reserve for an amount deemed suitable to cover its specific operating needs based on an estimate of the intraday cash outflows.

The treasury and finance unit also closely monitors the bank's liquidity held in an account with the Italian central bank so as to cover its commitments arising from target movements.

A1. The TIT system

The liquidity risk governance and management tools include the TIT system (internal transfer of funds system), introduced to comply with the provisions of Bank of Italy Circular no. 263 (and now also Circular no. 285, part I, title IV, chapter 6, section IV) in 2012.

A2. LCR/NSFR

In 2010, the bank introduced the assessment and analysis procedures to make its monitoring of liquidity consistent with the requirements of the Basel Committee as well as, obviously, the additional guidance and regulations issued by the control bodies and authorities (e.g., the CRR Regulation and the CRD IV Directive issued by the European Commission to implement the Basel Committee's indications at EU level).

These requirements introduced, inter alia, two ratios to measure liquidity, the LCR (liquidity coverage ratio) and the NSFR (net stable funding ratio). They are used to monitor short-term liquidity (one month) and structural liquidity (one year), respectively. Starting from 31 December 2011 and as part of the QIS (quantitative impact study) on the impact of the Basel 3 regulations, the bank sends Bank of Italy half yearly reports showing the results of its calculation of the liquidity ratios using its financial reporting data.

The bank's liquidity position remained within the risk limits set by its current liquidity policy in 2015 and, indeed, the regulatory ratio established by Basel 3 (LCR) was complied with, being better than the established values.

A3. Liquidity and risk appetite framework

Liquidity is one of the factors included in the risk appetite framework (RAF) and is considered to be one of the most important for ICBPI. Its inclusion is justified by the importance in managing liquidity in the current market situation and given the specific nature of the cash inflows and outflows generated by the bank's business.

The RAF defines the following two liquidity parameters:

- Liquidity Coverage Ratio – LCR, i.e., the ratio of liquid assets (HQLA - high quality liquid assets) to net cash flows in the 30 days of a very acute stress scenario;
- the ratio of the minimum cumulated net balance of the "critical bracket" (minimum daily amount for the quarter) to total assets (most recent figure).

QUANTITATIVE DISCLOSURE

1. Breakdown of financial assets and liabilities by residual contractual maturity

Currency: Euro

	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	After 5 years	Open term
Assets										
a.1 Government bonds	-	1	250,000	250,000	250,000	100,001	301,500	1,331,010	14	-
a.2 Other debt instruments	1	-	13	196	8,849	8,764	3,136	28,722	6,142	-
a.3 OEIC units	33,593	-	-	-	-	-	-	-	-	-
a.4 Financing										
banks	445,217	42,242	208,005	30,795	30,492	-	-	-	-	149,476
customers	1,671,393	772,583	15,743	7,265	11,385	168	324	1,450	-	-
Liabilities										
b.1 Deposits and current accounts										
banks	402,730	-	-	102,406	-	-	-	17,765	-	-
customers	3,792,088	-	-	-	-	-	-	59	-	-
b.2 Debt instruments	-	-	-	-	-	-	-	-	-	-
b.3 Other liabilities	564,415	100,033	-	-	-	-	10	575	217	-
Off-statement of financial position transactions										
c.1 Financial derivatives with exchange of principal										
long positions	-	82,568	221	178,570	50,879	10,854	210	5,551	9,727	-
short positions	-	383,697	27	179,748	18,208	10,623	150	5,776	11,069	-
c.2 Financial derivatives without exchange of principal										
long positions	-	-	-	-	-	-	-	-	-	-
short positions	-	-	-	-	-	-	-	-	-	-
c.3 Deposits and financing to be received										
long positions	-	-	-	-	-	-	-	-	-	-
short positions	-	-	-	-	-	-	-	-	-	-
c.4 Irrevocable commitments to disburse funds										
long positions	-	109,319	-	-	-	-	40,000	-	-	-
short positions	40,000	109,319	-	-	-	-	-	-	-	-
c.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
c.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
c.7 Credit derivatives with exchange of principal										
long positions	-	-	-	-	-	-	-	-	-	-
short positions	-	-	-	-	-	-	-	-	-	-
c.8 Credit derivatives without exchange of principal										
long positions	-	-	-	-	-	-	-	-	-	-
short positions	-	-	-	-	-	-	-	-	-	-

Currency: other

	On demand	From 1 to 7 days	From 7 to 15 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 5 years	After 5 years	Open term
Assets										
a.1 Government bonds	-	-	-	-	-	-	-	-	339	-
a.2 Other debt instruments	-	-	-	-	-	-	-	-	-	-
a.3 OEIC units	-	-	-	-	-	-	-	-	-	-
a.4 Financing										
banks	84,988	31,808	-	1,722	191	62	-	-	-	-
customers	708	-	-	-	-	-	-	-	-	-
Liabilities										
b.1 Deposits and current accounts	413,678	-	-	156	184	-	-	-	-	-
banks	66,292	-	-	156	184	-	-	-	-	-
customers	347,386	-	-	-	-	-	-	-	-	-
b.2 Debt instruments	-	-	-	-	-	-	-	-	-	-
b.3 Other liabilities	1,194	-	-	-	-	-	-	-	27	-
Off-statement of financial position transactions										
c.1 Financial derivatives with exchange of principal	-	473,115	16,426	365,730	84,074	11,308	-	-	-	-
long positions	-	388,930	8,151	183,371	26,173	5,502	-	-	-	-
short positions	-	84,185	8,275	182,359	57,901	5,806	-	-	-	-
c.2 Financial derivatives without exchange of principal										
long positions	176	-	-	-	-	-	-	-	-	-
short positions	1,096	-	-	-	-	-	-	-	-	-
c.3 Deposits and financing to be received										
long positions	-	-	-	-	-	-	-	-	-	-
short positions	-	-	-	-	-	-	-	-	-	-
c.4 Irrevocable commitments to disburse funds										
long positions	-	-	-	-	-	-	-	-	-	-
short positions	-	-	-	-	-	-	-	-	-	-
c.5 Financial guarantees issued	-	-	-	-	-	-	-	-	-	-
c.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
c.7 Credit derivatives with exchange of principal										
long positions	-	-	-	-	-	-	-	-	-	-
short positions	-	-	-	-	-	-	-	-	-	-
c.8 Credit derivatives without exchange of principal										
long positions	-	-	-	-	-	-	-	-	-	-
short positions	-	-	-	-	-	-	-	-	-	-

SECTION 4 – OPERATIONAL RISKS

A. General aspects, management and measurement of operational risk

Operational risk is the risk of losses arising from errors or shortfalls in internal procedures, human resources or systems and external factors, including judicial risk. This risk also comprises legal risk, model risk and the risk related to financial transactions including those related to market risk.

Operational risk is characterised by cause-effect relationships whereby if one or more trigger events occur, this leads to a detrimental event which is directly linked to an economic loss. Therefore, an operating loss is the result of negative economic effects created by operating events, recorded by the bank and that affect its profit or loss.

The main characteristic of operational risks is that they are inherent to the bank's business and are, therefore, unavoidable and omnipresent. This implies that they are inherent in the decision to perform a certain activity and, in general, the bank's operations rather than, in the case of the other risks, the bank intentionally takes credit or financial positions based on its risk appetite to achieve its target risk/return profile. In order to measure the bank's exposure to operational risks and the effects of any mitigating actions, it has to combine the qualitative and quantitative information.

The bank manages its operational risks through specific insurance policies and through:

- a suitable internal organisation with defined duties and responsibilities, ensuring the segregation of duties between the control and operating units;
- adoption of first level controls for each process to:
  - monitor their correct performance;
  - promptly identify any irregularities and, if necessary, introduction of timely remedial actions;
  - identify technical-organisational defects and ensure their timely analysis and correction;
- introduction of a code of ethics for employees;
- internal regulations;
- a risk control self-assessment (RCSA);
- a loss data collection (LDC) process;
- specific computer risk controls.

The main procedures for ensuring that the operational risk is managed correctly by the risk management unit are listed below:

- definition and updating of the operational risk management methods;
- second level controls over operational risk management;
- collection and analysis of operating loss data by type of event and business segment;

- definition of specific risk indicators and escalation proposals, performance and coordination of the RCSA;
- assistance with identification of operational risks inherent in new services/products during the design stage;
- appointment of an internal reference person to design and monitor the information safety management system;
- preparation of periodic reports or reports on specific events to general management, the control bodies and the internal audit and compliance units;
- annual valuation of the assessment framework for operational risks related to retail payment systems, carried out with the payment unit as per the Italian central bank's instructions in the relevant regulations.

The bank has adopted an operational risk framework, which includes an operational risk policy and the RCSA and loss data collection methods as specified by Bank of Italy with respect to prudent supervisory requirements.

The operational risk policy has the following objectives:

- set out the general operational risk governance principles, the aims, methods and tools adopted;
- present the roles and responsibilities of the units involved;
- describe the operational risk governance framework processes and reference models.

As part of this operational risk management (ORM) framework, the risk control self-assessment (RCSA) process is used for a scenario analysis with the direct involvement of the internal units. It is a useful management tool, especially for the correct understanding of the business processes' riskiness by the units. As well as the ex ante identification of operational risks, the assessment is fundamental to disseminate a control culture. The RCSA method also includes the model used to assess the effect of operating events on the bank's reputation.

The RCSA is part of the ongoing monitoring of operational risks. It is designed to ensure ongoing awareness of risks managed or to be managed and is performed not only annually but also when there are significant variations in the bank's organisation or business. The model to assess the effects of operating events on the bank's reputation is made of the RCSA method.
The loss data collection process is a key part of the operational risks management system because it both guarantees an understanding of the most significant loss factors over time and provides statistics useful to better analyse identified risks. Moreover, the identification and measurement of potentially risky activities allows the bank to monitor and identify over time the most risky factors and to intervene to remove the reasons and/or strengthen its controls.
The LDC process is based on the LDC method approved as part of the operational risk policy and its objective is to estimate the value of an economic effect generated by an operating event, caused by one or more risk factors. The information is the result of a relationship between different factors: the

event, the risk factor and the effect. An analysis of this relationship is essential to correctly forecast the losses generated by operational risks and to measure the risks.
A fundamental operational risk mitigation tool is the business continuity and disaster recovery plan, which is revised annually as required by the supervisory instructions about internal controls. Bank of Italy extended the concept of business continuity to all critical "business processes", not just the technological component but all the factors (human resources, logistics, essential services, etc.) that assist the mitigation of operational risks in new crisis situations.
Business continuity includes all those measures designed to reduce to an acceptable level the damage caused by accidents or catastrophes that could directly or indirectly affect the bank while the disaster recovery plan sets out the technical and organisational methods to resolve events that cause the unavailability of data processing centres. It is designed to ensure that the important IT procedures can continue to be performed at alternative sites.

Operational risks			
Relevant indicator	**31/12/2015**	Relevant indicator	**31/12/2014**
2013	299,291	2012	302,650
2014	300,050	2013	299,291
2015	282,339	2014	300,050
Average	**293,893**		**300,664**
Operational risk	**44,084**		**45,100**

Part F - EQUITY

Section 1 - Equity

A. QUALITATIVE DISCLOSURE

ICBPI's equity policy is based on full compliance with the supervisory regulation requirements, which identify equity as the main tool against unexpected losses arising from the various risks (credit, market and operational) taken on by banks. Therefore, equity availability is an indispensable tool supporting the bank's development plans.

In accordance with internal procedures, the relevant departments regularly monitor the bank's use of capital and its compliance with capital requirements. These figures are reported with different frequencies to senior management and the board of directors, which are the bodies responsible for deciding, in line with their delegated powers, the methods that the bank should use to pursue its capital management objectives. Similarly, when new activities with potential impacts on the use of capital are carried out, ICBPI forecasts the related effects on equity and their suitability.

Lastly, the bank's dividend distribution policies are also aimed at ensuring a suitable capitalisation level, in line with its development objectives

B. QUANTITATIVE DISCLOSURE

B.1 Equity: breakdown

	31/12/2015	31/12/2014
1. Share capital	42,557	42,557
2. Share premium	148,242	148,242
3. Reserves		
- income-related		
a) legal	20,000	20,000
b) statutory		
c) treasury shares	777	777
d) other	456,388	395,506
- other	10,848	10,848
4. Equity instruments		
5. (Treasury shares)	-32	-32
6. Valuation reserves		
- Available-for-sale financial assets	24,488	31,979
- Property, equipment and investment property		
- Intangible assets		
- Hedges of investments in foreign operations		
- Cash flow hedges		
- Exchange rate gains (losses)		
- Non-current assets held for sale		
- Net actuarial losses on defined benefit pension plans	-1,687	-1,958
- Share of valuation reserves of equity-accounted investees		
- Special revaluation laws	46,219	46,219
7. Profit for the year	62,246	77,904
Total	**810,046**	**772,043**

B.2 Fair value reserves (AFS financial assets): breakdown

	31/12/2015		31/12/2014	
	Fair value gains	Fair value losses	Fair value gains	Fair value losses
1. Debt instruments	24,548	-61	31,979	-
2. Equity instruments	-	-	-	-
3. OEIC units	-	-	-	-
4. Financing				
Total	**24,548**	**-61**	**31,979**	**-**

B.3 Fair value reserves (AFS financial assets): changes

	Debt instruments	Equity instruments	OEIC units	Financing
1. Opening balance	**31,979**		**-**	
2. Increases				
2.1 Fair value gains				
2.2 Reclassification of fair value losses to profit or loss:				
due to impairment				
on sale				
2.3 Other increases				
3. Decreases				
3.1 Fair value losses				
3.2 Impairment losses				
3.3 Reclassification of fair value gains to profit or loss: on sale				
3.4 Other decreases	7,430		61	
4. Closing balance	**24,549**		**-61**	

B.4 Actuarial reserve: changes

The actuarial reserve solely refers to the Italian post-employment benefits vested before 1 January 2006. As there are no plan assets, the reserve only includes the actuarial gains or losses on the liability, which changed as follows:

	Gross actuarial losses	Income taxes	Reserve
Opening balance	**-2,620**	**663**	**-1,957**
Actuarial gains	373	-103	270
Actuarial losses			-
Closing balance	**-2,247**	**560**	**-1,687**

SECTION 2 - OWN FUNDS AND RATIOS

2.1 - OWN FUNDS

A. QUALITATIVE DISCLOSURE

As of 1 January 2014, banks and banking groups are required to comply with the new minimum capital requirements in relation to risk-weighted assets. The requirements will be progressively increased up to the levels established for 2019, when the transitional regime will end. A capital conservation buffer will be gradually phased in from 1 January 2016 to the end of 2018 in order to reach the target level of 2.5% in 2019.

The banks' total regulatory capital is the sum of the following:

- Tier 1 capital, comprising common equity Tier 1 and additional Tier 1.
- Tier 2 capital

B. QUANTITATIVE DISCLOSURE

	31/12/2015	31/12/2014
A. Common Equity Tier 1 (CET1) before application of prudential filters	719,558	755,021
including CET 1 instruments covered by the transitional measures	-	-
B. CET1 prudential filters (+/-)	-	-
C. CET1 including the elements to be deducted and the effects of the transitional regime (A+/-B)	719,558	755,021
D. Elements to be deducted from CET1	-131,656	-131,737
E. Transitional regime - Impact on CET1 (+/-)	-183	-14,424
F. Total Common Equity Tier 1 (Common Equity Tier 1 - CET1) (C-D +/- E)	587,718	608,860
G. Additional Tier 1 (AT1) gross of elements to be deducted and the effects of the transitional regime	-	-
including AT1 instruments covered by the transitional measures	-	-
H. Elements to be deducted from AT1	-	-
I. Transitional regime - Impact on AT1 (+/-)	-	-
L. Total Additional Tier 1 (AT1) (G-H +/- I)	-	-
M. Tier 2 (T2) including the elements to be deducted and the effects of the transitional regime	-	-
including T2 instruments covered by the transitional measures	-	-
N. Elements to be deducted from T2	-	-
O. Transitional regime - Impact on T2 (+/-)	-	-
P. Total Tier 2 (T2) (M-N+/-O)	-	-
Q. Total own funds (F + L + P)	587,718	608,860

2.2 CAPITAL ADEQUACY

A. QUALITATIVE DISCLOSURE

ICBPI's own funds exceed those provided for by the regulatory requirements.

B. QUANTITATIVE DISCLOSURE

	Unweighted amounts		Weighted amounts/ requirements	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
A. EXPOSURES				
A.1 Credit and counterparty risk				
1. Standardised method	9,633,353	9,534,658	1,302,558	1,280,054
2. IRB approach				
2.1 Basic				
2.2 Advanced				
3. Securitisations				
B. CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			104,205	102,404
B.2 Credit valuation adjustment risk			156	101
B.3 Regulation risk			-	-
B.4 Market risk			-	-
1. Standard method			1,131	1,175
2. Internal models			-	-
3. Concentration risk			-	-
B.5 Operational risk			-	-
1. Basic method			44,084	45,100
2. Standardised method			-	-
3. Advanced method			-	-
B.6 Other calculation elements			-	45,100
B.7 Total prudential requirements			149,576	193,879
C. EXPOSURES AND CAPITAL RATIOS				
C.1 Risk-weighted assets			1,869,700	2,423,492
C.2 CET 1 capital / Risk-weighted assets (CET1 capital ratio)			31.43%	25.12%
C.3 Tier 1 capital / Risk-weighted assets (Tier 1 capital ratio)			31.43%	25.12%
C.4 Total own funds / Risk-weighted assets (Total capital ratio)			31.43%	25.12%

Part G – BUSINESS COMBINATIONS

SECTION 1 - TRANSACTIONS CARRIED OUT DURING THE YEAR

No business combinations took place during the year.

SECTION 2 - TRANSACTIONS CARRIED OUT AFTER THE REPORTING DATE

The bank did not carry out any business combinations in the first few months of 2016.

Part H - RELATED PARTY TRANSACTIONS

1. Fees of key management personnel

The fees paid by the bank to its directors and key management personnel are set out below.

	31/12/2015
Directors	1,262
Other key management personnel and members of supervisory committees	4,560
Total	**5,822**

2. Related party transactions

The aim of IAS 24 (Related party transactions) is to ensure that an entity's financial statements include the additional disclosures necessary to understand whether its financial position and performance may be altered by related party transactions and balances.

Based on this standard, applied to its organisational and governance structure, ICBPI identified the following related parties:

- subsidiaries, i.e., those companies over which the bank has direct or indirect control, as defined by IFRS 10;
- associates, i.e., those entities over which the bank directly or indirectly exercises significant influence, as defined by IAS 28;
- jointly controlled entities, over which the bank has direct or indirect joint control, as defined by IFRS 11;
- entities that exercise significant influence over ICBPI and their subsidiaries;
- key management personnel and members of supervisory bodies, as well as their close family members and entities over which they exercise control or significant influence;

- pension plans for the group employees and their related parties.

The effects of transactions carried out with the related parties identified above are summarised in the following table.

(€'000)	Total	Subsidiaries	Other related parties	Directors, managers and members of supervisory bodies
70. Loans and receivables with customers	2,453,453	1,267,347		
120. Intangible assets	83,295		970	
150. Other assets	221,873	24,828	1,115	
10. Due to banks	1,021,500			
20. Due to customers	4,523,072	4,177		249
100. Other liabilities	455,984	3,613		-
10. Interest and similar income	64,818	15,622		
20. Interest and similar expense	3,400	6		-
40. Fee and commission income	132,818	4,769		
150. Administrative expenses	182,567	2,831	25,859	5,822
190. Other net operating income	70,403	21,111	647	

Centralised transactions with ICBPI group companies are usually governed by specific agreements that, while aiming at optimising synergies and economies of scale and purpose, make reference to objective parameters that are constant over time, characterised by transparency and substantial fairness. Transfer pricing is defined and formalised based on parameters that account for the actual use of the service by each end user.

Other transactions with group companies and other related parties are part of the bank's normal business operations and usually take part at market conditions.

Part I - SHARE-BASED PAYMENTS

None.

Report by the Board of Auditors to the Shareholders' meeting

ISTITUTO CENTRALE DELLE BANCHE POPOLARI ITALIANE S.p.A.

* * *

REPORT BY THE BOARD OF AUDITORS TO THE SHAREHOLDERS' MEETING

(pursuant to Article 2429, paragraph 2, Italian Civil Code)

* * *

Dear Shareholders,

Firstly, it is appropriate to specify that on 18 December 2015 the majority shareholding (88.95%) of the Parent Company of the ICBPI Group, Istituto Centrale delle Banche Popolari Italiane S.p.A., was acquired by Mercury Italy S.r.l., company indirectly owned by the equity firms Advent International, Bain Capital and Clessidra Sgr. On the same date, the Shareholders' Meeting of ICBPI S.p.A., following the resignations handed in by the members of the Board of Directors and Board of Auditors, appointed the new corporate bodies. The Board of Auditors, in its present form, carried out its supervisory duties within the terms envisaged by the legislation in force, for the rest of the 2015 financial year, also in regulatory terms. The information provided and the evaluations expressed here, which refer to the period before the appointment of the new members, have been acquired mainly by referring to the reports of the previous control body.

The balance of the financial year ending on 31 December 2015 and the consolidated financial statement, complete with the Notes, and accompanied by the Directors' Report on the Company's operations were approved on 22 March 2016 by the Board of Directors and made available to the Board of Auditors as legally required.

When controlling the Company's accounts, the Board of Auditors abided by the standards dictated by Italian Legislative Decree no. 39/2010, the Supervisory Instructions issued by the Bank of Italy in the Circular dated 21 April 1999 as amended (Title IV, chapter 11), the Communication of the Bank of Italy no. 264010 of 4/3/2008 as amended, the Joint Document of the Bank of Italy, Consob, Isvap no. 2 of 6/2/2009 and no. 4 of 3/3/2010, the contents of Article 2429, paragraph 2 of the Italian Civil Code and the principles of conduct recommended by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (National Association of Chartered Accountants) (2015 edition).

In order to carry out the above-mentioned supervisory duties, the Board of Auditors acquired the necessary information both by frequently meeting with the managers of the responsible corporate departments and, in particular, those appointed to carry out controls, and by regularly participating in the meetings of the Board of Directors, the Risks Committee (established on 8 May 2015 to replace the Internal Control Committee from whom it inherited most of its functions) and of the Internal Control Committee when previously in force.

Please note that the duties of the Supervisory Body ex Italian Legislative Decree no. 231/2001 were assigned to the Board of Auditors in office as of the date on which this report is drawn up, by the resolution passed by the Shareholders' Assembly on 18 December 2015, having immediate effect.

During the 2015 financial year, the Board of Auditors attended all the meetings of the Board of Directors. During those meetings, it received adequate information from the Directors regarding the activities carried out and the transactions of the most economic, financial and equity-related significance performed by ICBPI and/or its subsidiaries.
The Board of Auditors also acknowledges that it has verified the compliance of the above-mentioned parties with the law, the Articles of Association and the principles of correct administration.
By participating in the above-mentioned meetings, it fulfilled the requirement for the corporate bodies to provide it with information on a monthly basis, as envisaged by Article 23 of the Articles of Association.

Below, the Board of Auditors will provide the information relative to the control activities it has performed.

Both the individual balance sheet and the consolidated financial statement were drawn up in compliance with the criteria of evaluation and detection established by the IAS and by the IFRS, in full respect of Circular no. 262 issued by the Bank of Italy on 22 December 2005 as amended.
The balance as of 31/12/2015 is comparable to that as of 31/12/2014, as they were both drawn up by applying the international accounting standards (please see here below, at point no. 4, the reference to the external auditor's reports).
Now, therefore, some specific information is provided below.

1. During 2015, the Board of Auditors acquired adequate information about the most significant transactions concluded by the Group.
In particular, in summary form, these included:

– The evolution of the shareholding structure of ICBPI, following the acquisition on 18 December 2015 of a quota equal to 88.95% of the company's share capital by Mercury Italy S.r.l. (company indirectly owned by equity firms Advent International, Bain Capital and Clessidra Sgr). This operation was performed for the purposes of implementing the agreement reached in June 2015 by Mercury Italy with the main shareholders of ICBPI (Credito Valtellinese S.c., Banco Popolare S.c., Banca Popolare di Vicenza S.c.p.a., Veneto Banca S.c.p.a., Banca popolare dell'Emilia Romagna S.c., 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.a.r.l., Banca Sella Holding S.p.A. and Banca Carige S.p.A., collectively the owners of 93.7% of ICBPI's share capital as of the date of the agreement) with the objective of transferring 85.3% of the share capital of ICBPI. The change of ownership led to a variation in the scope of its risk consolidation, including the companies Mercury Italy S.r.l. and Mercury UK HoldCo Ltd, headed by the company Mercury UK HoldCo Ltd. Instead. The remaining 3.6% was purchased by Mercury Italy based on purchasing agreements for shares subscribed with a further 23 minor shareholders of ICBPI between October and November 2015;

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- in the e-money segment, following the acquisition of full control over Unicard S.p.A., at the end of 2014 via the subsidiary CartaSi, the launching of the process to integrate the company within the ICBPI Group, on a corporate level and industrially, in coherence with the relative organisational model, which led to the merger by incorporation of Unicard in CartaSi. The transaction was successfully completed on 31 July 2015 (and became effective on the accounting level from 1 January 2015);
- the approval by the Extraordinary Shareholders' Meeting of the Institute of some proposed amendments to the Articles of Association, designed to bring their structure into line following the amendment of the company's shareholding structure;
- the continuation of the process initiated to adjust the organisational structures of the Group to the legal requisites, as well as rationalising and simplifying the same. In particular, the more detailed definition of the organisational structure of the Business Continuity Management Team is noteworthy. Regarding the Group's information system, in the period in question, the activities which formed part of the project designed to support the business and governance departments continued, based on the development of products and services, the optimisation of the operational model, the improvement of customer relations, as well as fulfilling the obligations called for as a result of the development of the reference legislation.

The Board also received adequate information about the planned and/or implemented organisational activities, also following the inspections carried out by the Bank of Italy from February to May 2015, designed to analyse the systems for governing, managing and controlling the Group's operational risks, the results of which were included in the Report by the Board of Directors on the management of the Banking Group. In light of the outcome of the above-mentioned inspections, and in consideration of the results of the analysis carried out during the supervisory review and evaluation process (SREP), in September the Bank of Italy removed the add-ons equal to 100% of the requisite for operational risks, both in the individual balance and the consolidated financial report, with effect from the reports dated 30 September 2015.

Specifically, in 2015 the project activities designed to develop the Group's Internal Controls System in coherence with the evolution of the reference legislation continued.
The Group's Audit Service carried out further activities in the fields of final accounting and reporting back to the regulators, and to define the procedures for evaluating the Internal Controls System. In this context, a new methodological approach was developed, envisaging an evaluation that is more effectively integrated with the other parties in the system and that responds better to the new analysis plans used by the Supervisory Body to evaluate intermediaries. The new model was rendered operational with effect from the evaluation of the Controls System for the current year.

In 2015, the Compliance Service, which supervises the regulations in force regarding all the company's activity according to a "risk-based" approach, extended the scope of its responsibilities, with particular reference to the legislation regarding the information system.
Concerning the Controls, it must also be specified that, in compliance with Circular no. 285/2013 issued by the Bank of Italy, an internal system was implemented, aimed at allowing the staff of the ICBPI Group to report actions/events that might constitute a breach of the regulations in force with impacts (for example fines, reduction of equity, damage to reputation) on the companies in the Group. To this end a specific internal regulation entitled "Whistleblowing" was issued.

The activities initiated to define the Risk Appetite Framework (RAF) also continued, these being designed to identify and monitor the level and type of risk that the Group is prepared to withstand in order to pursue its strategic objectives.

Based on the information acquired, it was found that the transactions/activities mentioned above conform to the provisions of Italian law and of the Articles of Association.

For a full analysis of the most significant transactions, please refer to the Management Report issued by the Board of Directors.

2. There were no findings of transactions that could be defined as unusual or uncharacteristic carried out by the Bank with third parties, companies in the Group or related parties.

3. In the management reports and the specific illustrative notes, accompanying both the individual balance and the consolidated financial statement, the Board of Directors adequately highlighted, illustrated and described the main characteristics of the main intra-group transactions performed, and the operations carried out with related parties, whose compliance with the law and with the internal regulations in force from time to time the Board of Auditors had verified. Concerning the transactions with the related parties, including the subsidiaries, please refer to the relative table in the Notes to the individual balance sheet.

Specifically, the Board of Auditors stresses that no funds were loaned or granted by the Parent Company for the use of the Directors, Managers with strategic responsibilities, Auditors or the private individuals and companies related to the same, except for two loans of insignificant amounts, one granted to one of the Vice Directors General of CartaSi and the other to a former director of Unicard (company incorporated in CartaSi).

4. The external auditing company appointed to audit the accounts, KPMG S.p.A., issued its reports "with no amendments", with reference to both the individual balance sheet and the consolidated financial statement, also issuing the compliance rating envisaged by Article 14, paragraph 2, letter e) of Italian Legislative Decree no. 39/2010.

5. No reports were made pursuant to Article 2408 of the Italian Civil Code.

6. During the 2015 financial year, no claims were raised to the Board of Auditors.

7. In addition to the appointments regarding the auditing of the annual and six-monthly accounts (individual balance sheets and consolidated financial statements), conferred both by the Parent Company and by the subsidiaries to the External Auditing Company KPMG S.p.A. (for a total invoiced amount of 788,000 Euro, 510,000 Euro of which was for the Parent Company ICBPI) other appointments were also made, for which invoices totalling the following amounts were received:

KPMG ENTITY	DESCRIPTION OF SERVICE	COMPANY	AMOUNTS INVOICED IN 2015 (INCLUDING EXPENSES)
KPMG S.p.A.	LIMITED CHECKING PROCEDURES ON THE REGULATORY CAPITAL AS OF 30.06.2015	IST. CENTR. DELLE BANCHE POPOLARI ITALIANE S.p.A.	8,750
			8,750

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8. The Parent Company and the subsidiaries also conferred appointments to other parties belonging to the "network" of the external auditing company indicated above at point 7, for which invoices totalling the following amounts were received during the 2015 financial year:

List of services not regarding auditing provided to Istituto Centrale delle Banche Popolari Italiane and to the Group between 01.01.2015 and 31.12.2015

ISTITUTO CENTRALE DELLE BANCHE POPOLARI ITALIANE S.p.A.

KPMG ENTITY	DESCRIPTION OF SERVICE	AMOUNTS INVOICED IN 2015 (INCLUDING EXPENSES)
KPMG Advisory S.p.A.	SUPPORT FOR IT COMPLIANCE 263, PRIVACY, EBA	40,000
KPMG Advisory S.p.A.	SUPPORT FOR ETL SPECIFICATIONS	29,500
KPMG Advisory S.p.A.	SUPPORT FOR EXTENSION OF IAG SYSTEM TO CONSULTANTS	27,500
KPMG Advisory S.p.A.	SUPPORT FOR USER CERTIFICATION	22,000
KPMG Advisory S.p.A.	ASSESSMENT OF PRICING TO CUSTOMERS	7,000
KPMG Advisory S.p.A.	EMIR SUPPORT	29,400
KPMG Advisory S.p.A.	PROCEDURAL SUPPORT FOR THE INDUSTRIAL PLAN AND ICT SHARED SERVICES	40,000
Nolan, Norton Italia S.r.l.	DATA CENTRE SUPPORT	-54,000[1]
Associated Offices – Legal and Tax Consultancy	ANALYSIS OF THE NEW REGULATORY LEGISLATION REGARDING INCENTIVE AND REMUNERATION PLANS	10,000
		151,400

[1] Credit note relative to an invoice registered in 2014

CARTASI S.p.A.

KPMG ENTITY	DESCRIPTION OF SERVICE	AMOUNTS INVOICED IN 2015 (INCLUDING EXPENSES)
Nolan, Norton Italia S.r.l.	Data Centre Support	72,000
Associated Offices – Legal and Tax Consultancy	Supervisory Body	9,534
KPMG Advisory S.p.A.	Assistance for "Usury Project"	164,994
		246,528

OASI DIAGRAM – OUTSOURCING APPLICATIVO E SERVIZI INNOVATIVI S.p.A.

KPMG ENTITY	DESCRIPTION OF SERVICE	AMOUNTS INVOICED IN 2015 (INCLUDING EXPENSES)
KPMG Advisory S.p.A.	SUPPORT FOR BPM SECURITY ASSESSMENT	10,000
KPMG Advisory S.p.A.	SUPPORT FOR BCM AND PMO IWBANK	16,675
KPMG Advisory S.p.A.	BCM PROCEDURAL SUPPORT	16,500
		43,175

The independence of the external auditing firm was confirmed ex Article 19 of Italian Legislative Decree no. 39/2010 based on a specific self-certification.

9. During the 2015 financial year, the Board of Auditors issued the reports envisaged by the law, by the Supervisory standard and by the Articles of Association. Some of the most significant reports are specified below:

- report on the updating of the Group's Company Governance Plan;

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- report on the approval of the "Service Contracts" and the "Service Annexes" (so-called "intercompany agreements"), relative to the services supplied by the Parent Company to the subsidiaries;
- report on the payment to some staff of a one-off lump sum bonus in relation to the sale of ICBPI;
- report on ICBPI's comments regarding the findings of, and comments submitted during, the inspection report by the Bank of Italy, and the attached operational plan;
- report on the amendments to the Group regulations regarding Transactions with Related Parties;
- report on the cooptation of a director;
- report on the calculation of the payments due to the directors appointed to perform particular duties, pursuant to Article 2389, paragraph 3 of the Italian Civil Code.

10. During the 2015 financial year, the Board of Auditors participated in all 13 meetings of the Board of Directors. The Board of Auditors held 21 meetings and took part in 2 extraordinary and 3 ordinary shareholders' meetings.
It is also noted that the Board of Auditors participated in all the meetings of the Risks Committee and the Internal Control Committee and those of the Supervisory Body ex Italian Legislative Decree no. 231/2001 (whose duties it assumed with effect from 18 December 2015).
Please note, in particular, that, in its report on the activity performed in 2015, the 231 Supervisory Body rated the controls implemented by the company as being substantially adequate, without prejudice to the operations required to update the same, as highlighted therein.

11. The Board of Auditors has no comments to make regarding the company's compliance with the principles of correct administration.

12. During 2015, the Board of Auditors acquired knowledge about, and monitored, within its own field of responsibility, the adequacy of the bank's organisational structure.
In particular, the Institute continued with commitment and determination in its attempts to develop the Group's Internal Controls System in coherence with the evolution of the reference legislation, and in defining the Risk Appetite Framework (RAF), designed to identify and monitor the level and type of risks that the Group is willing to withstand for the purposes of fulfilling its strategic objectives.

On an organisational level, the activities performed to bring the Articles of Association into line with the Supervisory provisions regarding corporate governance and payment and incentive policies and practices were completed. ICBPI also reinforced its commitment in the programme for bringing the company into line with the indications issued by the Bank of Italy (Circular no. 285, 11th update of 21 July 2015) regarding the "Data management system".

The activities performed to update the Organisational Model ex Italian Legislative Decree no. 231/01 were completed, as were those designed to ensure compliance with the FATCA law (Foreign Account Tax Compliance Act) for financial intermediaries not from the USA (Foreign Financial Institution – FFI).

During the first six months of 2015, the plan for adjusting company practices to comply with the obligation to invoice the Public Administration online, in compliance with Italian Law no. 29 of 23 June 2014, was also concluded, both for ICBPI and CartaSi.

13. With reference to the internal controls system, the Board of Auditors, also based on the news and information acquired from the Auditing, Compliance and Risk Management Services, having acknowledged the results of the activities performed by the Risks Committee, the Internal Control Committee and the 231 Supervisory Body, and having considered the continuation of the plans for developing the internal controls system and for defining the system for regulating the risks, believes that it can express a sufficiently positive overall evaluation on the internal controls system.

14. The Board of Auditors, also in light of the specific information received from the manager of the responsible Department, and the statements issued by the external auditing company, considers the accounting management system to be substantially adequate and reliable, for correctly representing the events managed.
The external auditing company issued a report "on the fundamental issues" ex Article 19 paragraph 3 of Italian Legislative Decree no. 39/2010 which does not highlight any significant shortcomings in the internal controls system.
Finally, the external auditing system published the report on transparency ex Article 18 of Italian Legislative Decree no. 39/2010 on its own website.

15. The Board of Auditors has no comments to make on the adequacy of the instructions issued to the subsidiaries with the purpose of acquiring the information flows needed to ensure the prompt fulfilment of the duties of communication envisaged by the law.
The relations with the corresponding control bodies of the subsidiaries and the results presented by the control functions of the Parent Company, in particular by the Audit Service and the Compliance Service, failed to present any issues worth reporting.

16. During the financial year, and up until the date on which this report was drawn up, the Board of Auditors has regularly met the heads of the External Auditing Company with whom it had exchanged information, in particular with regard to the activities of external auditing, the activities performed in order to prepare the balance sheet for the financial year, the consolidated financial statement and the six-monthly report. During said meetings, the Board of Auditors also examined the auditing plan prepared by KPMG S.p.A., drawn up to take into account the typical risks of the Group and developed in coherence with the accounting principles for auditing. Said plan is designed to express the professional evaluation that KPMG S.p.A. has issued on the Group's balance sheet and consolidated financial statement.

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New, significant events which occurred after the closure of the financial year.

For a description of the significant events which occurred after the closure of the financial year, up to the data on which the Board of Directors approved the financial statement, please refer to the Report by the Board of Directors on the management of the Banking Group.

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Article 19 of Italian Legislative Decree no. 39/2010 governs the supervisory functions that the Board of Auditors is responsible for fulfilling. These can be grouped into four areas: financial information; the internal control, internal auditing and risk management systems; the external auditing of the accounts and the independence of the auditor.
Although this report already partially provides the indications required by the above-mentioned Article 19 above, specifically, it should be noted that the activities performed to monitor the financial information process, the internal control and risk management systems, the external auditing operations and the independence of the auditor gave no rise to any further discussion of any points.

In relation to the contents of this report as specified above, the Board of Auditors, having reviewed the reports dated 11 April 2016, issued by the External Auditing Company KPMG S.p.A. without any comments and without any requests for further information with reference to the external auditing of the accounts in the individual balance sheet and consolidated financial statement, hereby considers that there are no grounds for refusing to approve the financial statement as of 31 December 2015, or for opposing the assignment of the result of the financial statement, as proposed by the Board of Directors.

Milan, 11 April 2016

THE BOARD OF AUDITORS

Alessandro Grange

Lorenzo Banfi

Paolo Lazzati

Report of the Auditing Company

KPMG S.p.A.
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(Translation from the Italian original which remains the definitive version)

Independent auditors' report pursuant to articles 14 and 16 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
Istituto Centrale delle Banche Popolari Italiane S.p.A.

Report on the separate financial statements

We have audited the accompanying separate financial statements of Istituto Centrale delle Banche Popolari Italiane S.p.A. (the "company"), which comprise the statement of financial position as at 31 December 2015, the income statement and statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the separate financial statements

The company's directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Independent auditors' responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing (ISA Italia) promulgated pursuant to article 11.3 of Legislative decree no. 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of separate 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the separate financial statements.

KPMG

Istituto Centrale delle Banche Popolari Italiane S.p.A.
Independent auditors' report
31 December 2015

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 separate financial statements give a true and fair view of the company's financial position as at 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Report on other legal and regulatory requirements

Opinion on the consistency of the directors' report with the separate financial statements

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion, as required by the law, on the consistency of the directors' report, which is the responsibility of the company's directors, with the separate financial statements. In our opinion, the directors' report is consistent with the separate financial statements Istituto Centrale delle Banche Popolari Italiane S.p.A. as at and for the year ended 31 December 2015.

Milan, 11 April 2016

KPMG S.p.A.

(signed on the original)

Roberto Fabbri
Director of Audit

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Financial statements of the group companies

CARTASI S.P.A.

	ASSETS (€)	31/12/2015	31/12/2014
10	Cash and cash equivalents	22,015	15,796
40	Available-for-sale financial assets	3,762,517	2,621,863
60	Loans and receivables	2,368,975,621	2,466,781,771
90	Equity investments	-	3,500,000
100	Property, equipment and investment property	81,673,157	80,614,597
110	Intangible assets	9,969,718	9,624,501
120	Tax assets		
	a) current	975,584	-
	b) deferred	21,399,065	19,816,703
	including convertible into tax assets (Law no. 214/2011)	13,323,345	13,049,915
130	Non-current assets held for sale and discontinued operations	186,205,855	-
140	Other assets	228,100,902	250,887,474
	Total assets	**2,901,084,434**	**2,833,862,705**
	LIABILITIES (€)		
10	Loans and borrowings	1,905,977,079	1,972,766,984
70	Tax liabilities		
	a) current	-	55,786
	b) deferred	17,480,850	3,892,916
90	Other liabilities	268,785,036	348,996,467
100	Post-employment benefits	6,769,799	6,929,046
110	Provisions for risks and charges		
	b) other provisions	15,803,053	17,207,573
120	Share capital	56,888,798	56,888,798
150	Share premium	2,273,684	2,273,684
160	Reserves	379,885,319	365,569,706
170	Valuation reserves	175,931,884	2,170,624
180	Profit for the year (+/-)	71,288,932	57,111,121
	Total liabilities and equity	**2,901,084,434**	**2,833,862,705**

CARTASI S.P.A.

	INCOME STATEMENT (€)	2015	2014
10.	Interest and similar income	25,315,151	27,061,404
20.	Interest and similar expense	-35,569,143	-36,793,766
	Net interest income	**-10,253,992**	**-9,732,362**
30.	Fee and commission income	926,095,033	917,932,656
40.	Fee and commission expense	-639,529,447	-643,962,722
	Net fee and commission income	**286,565,586**	**273,969,934**
50.	Dividends and similar income	15,780	11,075
60.	Net trading income	37,827	-442,348
90.	Net profit on sale or repurchase of:		
	a) financial activities	109	-
	Total income	276,365,310	263,806,299
100.	**Net impairment losses on:**		
	a) financial activities	-2,599,251	-4,032,877
110.	Administrative expenses:		
	a) personnel expense	-38,940,606	-39,427,013
	b) other administrative expenses	-311,425,194	-311,759,229
120.	Depreciation and net impairment losses on property, equipment and investment property	-18,754,364	-16,746,677
130.	Amortisation and net impairment losses on intangible assets	-3,747,282	-1,862,931
150.	Net accruals to provisions for risks and charges	-739,956	-272,208
160.	Other operating income, net	203,451,442	208,233,946
	Operating income	103,610,099	97,939,310
	Pre-tax profit from continuing operations	**103,610,099**	**97,939,310**
190.	**Income taxes**	**-32,321,167**	**-40,828,189**
	Post-tax profit from continuing operations	71,288,932	57,111,121
	Profit for the year	**71,288,932**	**57,111,121**

OASI DIAGRAM S.P.A.

ASSETS (€)	31/12/2015	31/12/2014
Non -current assets		
Intangible assets	6,705,636	6,816,296
Property, plant and equipment	194,303	1,031,299
Deferred tax assets	68,873	108,559
Total Non -current assets	**6,968,812**	**7,956,154**
Current assets		
Trade and other receivables:		
Trade receivables due from banks	12,645,174	14,989,510
Trade receivables due from parent	1,550,704	1,403,689
Tax credits	417,913	351,926
Other current receivables	2,313,817	2,480,562
Cash and cash equivalents	2,416,052	1,902,575
Total Current assets	**19,343,660**	**21,128,262**
Total assets	**26,312,472**	**29,084,416**
LIABILITIES (€)		
Net assets		
Share capital	3,000,000	3,000,000
Share premium	2,578,492	2,578,492
Valuation reserves	(102,681)	(149,787)
Legal reserve	621,208	621,208
Other reserves	966,850	966,850
Retained earnings	6,050,211	5,472,396
Profit for the year (+/-)	3,002,699	2,257,815
Total equity	**16,116,779**	**14,746,975**
Non-current liabilities		
Deferred tax liabilities	298,815	346,010
Provisions for risks and charges	80,255	90,500
Post-employment benefits	414,679	428,131
Total Non-current liabilities	**793,749**	**864,641**
Current liabilities		
Loans and borrowings		
Trade payables	4,595,169	8,865,571
Due to parent	2,091,226	1,543,877
Tax payables	412,028	223,828
Payables to pension and social security institutions	285,584	252,250
Other current liabilities	2,017,937	2,587,274
Total Current liabilities	**9,401,944**	**13,472,800**
Total liabilities	**26,312,472**	**29,084,416**

OASI DIAGRAM S.P.A.

INCOME STATEMENT (€)	2015	2014
Rendering of services	29,186,812	26,720,027
Other operating income	197,399	64,456
Production expenses	(3,162,327)	(3,408,809)
Service costs	(9,854,344)	(8,029,877)
Other administrative expenses	(922,338)	(912,637)
Personnel expense	(7,404,056)	(6,964,912)
Depreciation and amortisation expenses	(3,370,183)	(3,330,805)
Net accruals to provisions for risks and charges	(95,758)	(100,902)
Other operating expenses	(142,681)	(197,278)
Finance income / costs	(2,040)	(5,293)
Pre-tax profit from continuing operations	**4,430,484**	**3,833,970**
Income taxes	(1,427,785)	(1,576,155)
a) current	(1,401,075)	(1,571,636)
b) deferred tax assets	(35,460)	23,310
c) deferred tax expense	8,750	(27,829)
Profit for the year	**3,002,699**	**2,257,815**

HELP LINE S.P.A.

ASSETS (€)		31/12/2015	31/12/2014
10.	Cash and cash equivalents	**822**	**1,040**
60.	Loans and receivables	**5,811,316**	**8,491,226**
100.	Property, equipment and investment property	**6,736,239**	**7,198,737**
110.	Intangible assets	**397,707**	**184,897**
120.	Tax assets	**897,373**	**1,225,023**
	a) current	568,641	193,997
	b) deferred	328,732	1,031,026
140.	Other assets	**10,039,283**	**10,964,488**
	TOTAL ASSETS	**23,882,740**	**28,065,411**
LIABILITIES (€)			
10.	Loans and borrowings	**-**	**3,782,236**
70.	Tax liabilities	**88,682**	**92,595**
	a) current	-	-
	b) deferred	88,682	92,595
90.	Other liabilities	**10,393,166**	**11,080,376**
100.	Post-employment benefits	**2,343,905**	**2,441,401**
110.	Provisions for risks and charges	**332,523**	**2,403,626**
	b) other provisions	332,523	2,403,626
120.	Share capital	**2,116,000**	**2,116,000**
150.	Share premium	**135,789**	**135,789**
160.	Reserves	**6,590,563**	**5,767,196**
170.	Valuation reserves	**-509,090**	**-577,175**
180.	Profit for the year (+/-)	**2,391,202**	**823,367**
	TOTAL LIABILITIES AND EQUITY	**23,882,740**	**28,065,411**

HELP LINE S.P.A.

	INCOME STATEMENT (€)	2015	2014
10.	Interest and similar income	**940**	**9,195**
20.	Interest and similar expense	**-166,814**	**-167,867**
	Net interest income	**-165,874**	**-158,672**
	Total income	**-165,874**	**-158,672**
110.	Administrative expenses:	**-34,321,379**	**-34,997,265**
	a) personnel expense	-18,152,786	-17,834,132
	b) other administrative expenses	-16,168,593	-17,163,133
120.	Depreciation and net impairment losses on property, equipment and investment property	**-501,749**	**-358,091**
130.	Amortisation and net impairment losses on intangible assets	**-107,495**	**-105,663**
150.	Net accruals to provisions for risks and charges	**1,897,033**	**-601,373**
160.	Other operating income, net	**36,765,142**	**37,946,898**
	Operating income	**3,565,678**	**1,725,834**
	Pre-tax profit from continuing operations	**3,565,678**	**1,725,834**
190.	Income taxes	**-1,174,476**	**-902,467**
	Profit for the year	**2,391,202**	**823,367**

Shareholders’ Meeting resolutions

of April 27, 2016

Below is a summary of the resolutions adopted by the Ordinary Shareholders’ Meeting held on first call on 27 April 2016.

1. Financial statements as of 31 December 2015; Report on Operations of the Board of Directors; reports of the Board of Statutory Auditors and the Auditing Company; related resolutions.
   The Meeting approved the financial statements at December 31, 2015 as presented by the Board of Directors and its operating profit.

2. Remuneration policies of the ICBPI Group; related resolutions.
   The Meeting approved the remuneration policies of ICBPI Group as proposed by the Board of Directors.

Company Boards

at 27 April 2016

BOARD OF DIRECTORS

Chairman:	Giovanni De Censi	
Deputy Chairman:	Franco Bernabè	
Managing Director:	Giuseppe Capponcelli	
Directors:	Luca Bassi Riccardo Bruno Michaela Castelli Stuart James Ashley Gent Robin Marshall Ottavio Rigodanza	James Gerald Arthur Brocklebank Francesco Casiraghi Simone Cucchetti Larry Allan Klane Jeffrey David Paduch

BOARD OF STATUTORY AUDITORS

Chairman:	Alessandro Grange	
Standing auditors:	Lorenzo Banfi	Paolo Francesco Maria Lazzati
Alternate auditors:	Alberto Balestreri	Marco Giuseppe Zanobio

GENERAL MANAGEMENT

General Manager:	Giuseppe Capponcelli
Deputy Vice General Manager:	Pier Paolo Cellerino

Shareholders' list

Unione di Banche Italiane - UBI Banca	Bergamo
Banca Sella Holding	Biella
Banca Popolare di Cividale	Cividale del Friuli
Nuova Cassa di Risparmio di Ferrara	Ferrara
Banca Popolare del Frusinate	Frosinone
Banca Popolare di Milano	Milano
ICBPI	Milano
Mercury Italia S.r.l.	Milano
Banca Popolare dell'Emilia Romagna	Modena
ICCREA Holding	Roma
Banca Popolare Vesuviana	San Giuseppe Vesuviano
Credito Valtellinese	Sondrio
Banca Popolare di Sondrio	Sondrio
Banco Popolare	Verona