2014
ANNUAL REPORT

Banca Popolare di Vicenza main branch in Lecce, Piazza Libertini

Banca Popolare di Vicenza

Banca Popolare di Vicenza

Società Cooperativa per azioni - Member of the Italian bankers association an Italian interbank deposit protection fund - Parent of the Banca Popolare di Vicenza Banking Group - Registered office: I-Vicenza - Via Btg. Framarin, 18 - Tax Code 00204010243 - Vicenza Business Register n. 1858 - Bank listing n. 1515 – Albo Società Cooperative n. A159632 - Capital stock fully paid - Banking Group 5728.1

ANNUAL REPORT
2014

Translation from the italian original which remains the definitive version

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CORPORATE OFFICERS

BOARD OF DIRECTORS

Chairman	* Giovanni Zonin
Deputy Chairman	* Marino Breganze * Andrea Monorchio
Director and Secretary	* Giorgio Tibaldo
Directors	Paolo Angius Alessandro Bianchi * Giorgio Colutta Vittorio Domenichelli Giovanna Dossena * Giovanni Fantoni Maria Carla Macola Matteo Marzotto Franco Miranda ** Alvise Rossi di Schio * Maurizio Stella * Nicola Tognana Giuseppe Zigliotto * Roberto Zuccato

BOARD OF STATUTORY AUDITORS

Chairman	Giovanni Battista Carlo Zamberlan
Acting Auditors	Laura Piussi Paolo Zanconato
Alternate Auditors	Giuseppe Mannella Marco Poggi

BOARD OF ARBITRATORS

Chairman	Sergio Porena
Acting Arbitrators	Gian Paolo Boschetti Altegrado Zilio Cambiagio
Alternate Arbitrators	Lelio Barbieri Sergio Brunetti

General Manager	*** Samuele Sorato
Deputy General Managers	Emanuele Giustini Adriano Cauduro Paolo Marin Andrea Piazzetta

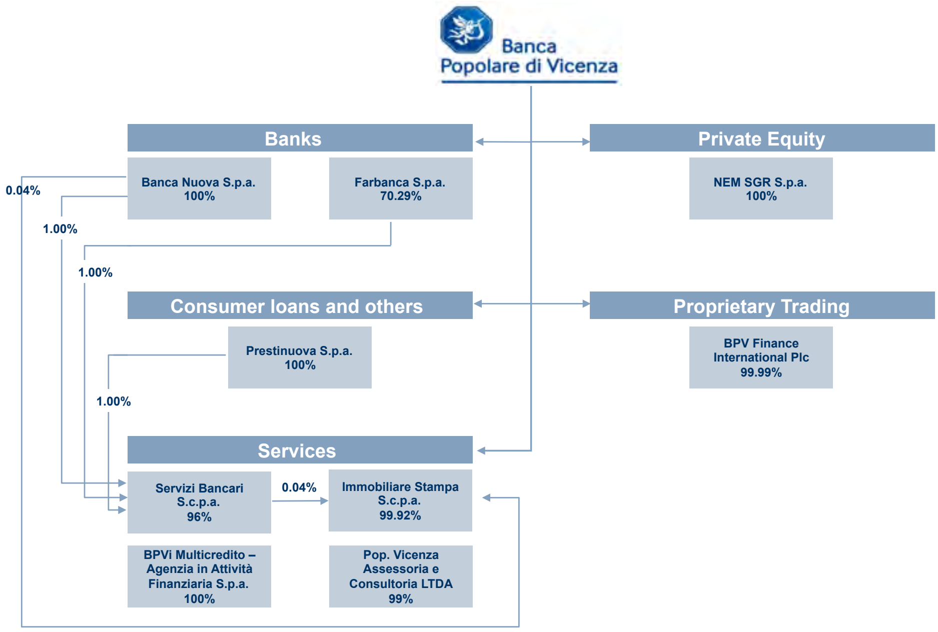
* Members of the Executive Committee

** Resigned on February 10, 2015

*** On February 13, 2015 co-opted as Director and simultaneously appointed Managing Director

BPVI GROUP STRUCTURE

The structure of the Banca Popolare di Vicenza Group at 31 December 2014 is analysed below by business area.



PRINCIPAL DATA AND SUMMARY INDICATORS FOR BPVI GROUP

Statement of Financial Position and Regulatory figures (in millions of euro)	**31/12/2014**	**31/12/2013**	**Changes** (+/-)	%
Banking business	79,335	81,607	-2,272	-2.8
- of which Direct funding	30,373	31,663	-1,290	-4.1
- of which Indirect funding	20,851	19,051	1,800	9.4
- of which Loans to customers	28,111	30,893	-2,782	-9.0
Net interbank position	-2,503	-4,260	1,757	-41.2
Financial cash exposures	6,559	4,263	2,296	53.9
- of which Financial assets available for sale	5,321	4,094	1,227	30.0
Property, plant and equipment and intangible assets	974	1,571	-597	-38.0
- of which land and buildings	524	523	1	0.2
- of which goodwill	330	927	-598	-64.4
Total Assets	46,475	45,236	1,239	2.7
Equity (excluding net income for the period)	4,490	3,679	811	22.0
Equity (including net income for the period)	3,731	3,647	84	2.3
CET 1 / Tier 1 capital (1)	3,025	2,585	440	17.0
Own Funds / Regulatory Capital (1)	3,349	3,314	35	1.1
Risk-weighted assets (1)	28,985	28,061	924	3.3

Reclassified Income Statement figures (2) (in millions of euro)	**31/12/2014**	**31/12/2013**	**Changes** (+/-)	%
Net financial income	540	548.4	-8.0	-1.5
Net operating income	1,077.4	1,083.1	-5.7	-0.5
Net operating costs	-669.1	-657.4	-11.7	1.8
Net profit from operating activities	408.3	425.7	-17.4	-4.1
Net impairment adjustments	-1,521.3	-454.6	-1,066.7	234.6
Net income for the period before income tax	-1,134.3	-33.7	-1,100.6	n.s.
Net income	-758.5	-32.2	-726.4	n.s.

Other information	**31/12/2014**	**31/12/2013**	**Changes** (+/-)	%
Number of employees at the end of the period	5,515	5,463	52	1.0
Average number of employees (3)	5,295	5,290	5	0.1
Outlets	701	689	12	1.7
Bank branches	654	640	14	2.2

(1) The figures at 31 December 2013 were determined with the prudential supervisory rules of Basel 2 previously in force.
(2) For the reconciliation between the reclassified income statement data and the Income Statement items prescribed by Bank of Italy Circular no. 262, reference is explicitly made to the "key" provided in the paragraph "Comments to the income statement".
(3) The average number of employees is calculated in accordance with the indications contained in Bank of Italy Circular no. 262 dated 22 December 2005 and subsequent amendments.

Key performance indicators	31/12/2014	31/12/2013	Changes
Structure ratios (%)			
Loans to customers / total assets	60.5	68.3	-7.8 p.p.
Direct deposits / total assets	65.4	70.0	-4.6 p.p.
Loans to customers / direct deposits	92.6	97.6	-5.0 p.p.
Asset management and retirement savings / indirect deposits	31.6	26.4	5.2 p.p.
Total Assets / Equity (leverage)	12.5 x	12.4 x	0.1 x
Efficiency ratios (%)			
Cost/Income (1)	61.1	58.5	2.6 p.p.
Productivity ratios (%) (2)			
Direct deposits per employee (in millions of euro)	5.7	6.0	-0.2
Indirect deposits per employee (in millions of euro)	3.9	3.6	0.3
Loans to customers per employee (in millions of euro)	5.3	5.8	-0.5
Net interest income per employee (in thousands of euro)	96.5	99.9	-3.4
Net interest and other banking income per employee (in thousands of euro)	203.5	204.7	-1.3
Risk ratios (%)			
Risk-weighted assets / total Assets (3)	62.37	62.03	0.34 p.p.
Net impaired loans /net loans	14.95	12.66	2.28 p.p.
Net non-performing loans/net loans	6.03	5.07	0.96 p.p.
Impaired loans coverage (%) (4)	37.90	31.11	6.78 p.p.
Non-performing loans coverage (%) (4)	54.07	48.74	5.33 p.p.
Performing loans coverage (%) (5)	0.73	0.38	0.35 p.p.
Credit cost (6)	2.91	1.44	1.48 p.p.
Capital adequacy ratios (%)			
CET 1 ratio/Core Tier 1 ratio	10.44	9.21	1.23 p.p.
Tier 1 ratio	10.44	9.21	1.23 p.p.
Total Capital Ratio	11.55	11.81	-0.26 p.p.

(4) The indicator is calculated excluding both from the numerator and from the denominator the operations intermediate with Cassa Compensazione e Garanzia.
(1) The indicator is calculated as the ratio between “operating costs” (item 230 of the Income Statement less “net provisions for risks and charges”) and the “net interest and other banking income ” (item 120 of the Income Statement).
(2) Productivity indicators are calculated with reference to the average number of employees.
(3) The figures at 31 December 2013 were determined with the prudential supervisory rules of Basel 2 previously in force.
(4) The coverage is determined including the so-called “liquidations” that pertain to partial write-offs on loans for which bankruptcy proceedings still in progress at the reporting date.
(5) The coverage is determined excluding repurchase agreements and guarantee margins.
(6) The indicator is calculated by annualising the ratio between “net impairment adjustments on: loans and advances” and gross customer loans excluding repurchase agreements guarantee margins not being subject to impairment.

TERRITORIAL PRESENCE OF THE BPVI GROUP AT 31 DECEMBER 2014

Presence in Italy

Distribution of branches BPVi's Group at December 2014

BPVi
Banca Nuova
Farbanca

The sales network of the BPVi's Group

	31/12/2014					
	Branches	Finance Shops	Private Customer Points	Financial Spaces	Total	% Comp
Banca Popolare di Vicenza	560	-	27	-	587	83.7
Banca Nuova	93	10	5	-	108	15.4
Farbanca	1	-	-	-	1	0.1
PrestiNuova	-	-	-	1	1	0.4
BPVi Multicredito	-	4	-	-	4	0.6
Total	**654**	**14**	**32**	**1**	**701**	**100.0**

Geographical distribution of branches

	31/12/2014	
	Number	Comp. %
Northern Italy	439	**67.1**
Central Italy	119	**18.2**
Southern Italy	96	**14.7**
Total	**654**	**100.0**

Presence abroad

DIRECTOR'S REPORT ON OPERATIONS

Stockholders,

the year that has just ended will be remembered as **a year of historic changes** for the European credit System and, above all, for Italian banks. Starting from 4 November, **the ECB took over the supervision of all European banking intermediaries**, directly for banks of significant size and indirectly for the other financial intermediaries deemed less significant. **Banca Popolare di Vicenza**, as is well known by now, successfully joined the ranks of the 120 most important banks in Europe. This result is **one of the most prestigious achievements in our Institution's nearly 150 years of history** and it crowned a path to growth that saw us turn from a local bank to a credit institution of continent-wide relevance.

Entry into Europe is only the most visible result achieved by the BPVi Group in 2014, a year that was nonetheless confirmed as a very challenging one, not only because of the regulatory changes preceded by the intense period of the Comprehensive Assessment carried out by the ECB, but also because of the persistence of a difficult macroeconomic and financial environment. In order effectively to address the risks and uncertainties of this complex operating environment, **the BPVi Group was able to improve its capitalisation**, bringing it **to high levels, above the minimum targets recently assigned by the ECB**, thanks to the complete success of the capital increase initiatives already started in 2013 and completed in 2014, **totalling Euro 1.3 billion**. This result was achieved **thanks to the confidence and support of our Members**, whose number grew by over 26,000 during the year, **reaching 116,797** Members at the end of 2014, more than double the number at the end of 2008.

During the year, the BPVi Group was also distinguished by the **continuation of the action in support of businesses and local areas** through the traditional lending activities, which in 2014 saw the issue of approximately Euro 2.4 billion in new loans that enabled it to maintain the stock of loans substantially unchanged, in contrast to the n^{th} decline of the System, by -2.1% year on year. Along with and alternatively to the core lending activity, other exclusive initiatives were launched in support to the structural financial requirements of businesses, including **the start of minibond operations and the new Equity Capital Markets project for listing SMEs on the Stock Market**. These new initiatives were met with considerable success on the market and further enhanced the prestige and renown of the BPVi brand.

On the volumes front, moreover, of note is the **positive performance of total funding**, +2.5% year on year net of repurchase agreements with central counterparties, benefiting from the increase in **indirect funding** (+9.4%) and, in particular, in **assets under management and retirement savings** (+31%), whose performance was sharply higher than the average of comparable banks. **Direct funding**, net of repurchase agreements with central counterparties, declined slightly by 2% year on year, as the main consequence of the effort to reduce the costliest components of funding, in particular those with financial companies and large enterprises.

Lastly, of note was the launch of some new initiatives with particular strategic relevance for the bank's future, like the project called **"Multi-channel Evolution"**, directed a further developing the direct channels in support of customers' transactions with the bank. One such initiative was the recent launch of the BPVi Group's new online banking platform, called **BPViGO!**, which in upcoming months will entail the progressive enhancement of the features accessible through the Internet banking and mobile banking channels.

With regard to **income**, the year 2014 was characterised by **a significant improvement of the revenues from traditional operations with customers**, as attested by the considerable growth both of net interest income, net of the contribution of the securities portfolio, and of net fee and commission income, respectively equal to +8.2% and to +9.1% year on year. These results were achieved in part thanks to the **strong growth in the number of customers**, which in 2014 increased by over 62,000 (+4.8% per year), bringing the total of the BPVi Group to nearly 1.4

million customers. **Operating costs** experienced a marginal increase (+1.8%) tied, for the most part, to the growth in size achieved by the BPVi Group in 2014 through the acquisition of 17 new bank branches. The shift to the direct supervision of the European Central Bank, coupled with the analysis of the results of the Asset Quality Review within the scope of the Comprehensive Assessment, drove the Board of Directors' decision to adopt **a particularly prudential approach in the policy for provisions and in the measurement of assets**. As a consequence of the aforesaid approach, **adjustments to receivables** rose to euro 868.5 million, more than doubled compared to those recorded in 2013, whilst **goodwill were written down by approximately 65%**, for an amount of euro 600 million. While this prudential policy improved the overall quality of our Bank's assets, led to a **consolidated net loss of Euro -758.5 million**.
The performance of the Group mostly reflects the results of the Parent Bank **Banca Popolare di Vicenza**, which ended the year 2014 with a net loss of euro -823.7 million, affected by the adjustments of over euro 1.53 billion made in the year, as a consequence of the aforementioned particularly prudential approach adopted in the provisions and asset measurement policy.

A new and decisive phase has now opened for Banca Popolare di Vicenza. The recent Italian Law Decree no. 3 of 24 January 2015 requires, as is well known, the transformation of Italian co-operative banks with assets exceeding euro 8 billion into joint-stock companies. This regulatory change, whose final approval by the Parliament is still pending, coupled with the persistence of an environment of macroeconomic uncertainty, will trigger **the likely start of a consolidation process that will involve the lending sector and consequently also Banca Popolare di Vicenza**. In this environment of considerable change and of consequent uncertainty **our Bank intends to play a leading role once again**, choosing the best solution for its Members, its employees, its customers and all the areas where it operates. In parallel to the analysis of potential strategic options, the Bank has developed and approved **a new, stand-alone Business Plan** that establishes the guidelines that **will enable to achieve an adequate level of profitability from early 2015**, even in a macroeconomic environment that will remain weak, through the sharp growth of revenues, the containment of the growth of costs and the proactive management of impaired loans.

We are confident that in this new phase the Bank will be able to count on the full support and trust of all our Members and to play its traditional leading role in this new phase of its history as well: i.e., **a reference point for businesses and families and to support the economy of the territories where the Group operates**.

ECONOMIC, FINANCIAL AND CREDIT SCENARIO

OVERVIEW OF THE INTERNATIONAL MACROECONOMIC SCENARIO

In 2014, **worldwide economic activity continued to expand, albeit only moderately and with different intensity among the main areas**. In general, **growth remains uneven in advanced economies,** while **emerging Countries continued to decelerate**. Among major industrialised Countries, of note is the acceleration of the US economy, which ended 2014 with growth at 2.4%, benefiting from its strengthening consumption and recovering employment levels. **Major emerging economies**, with the exclusion of India, showed signs of slowing down: China reduced its own pace of economic growth only marginally, with GDP increasing by 7.4% (versus 7.7% in 2013), Brazil substantially stagnated, Japan saw its GDP continue to drop in the 3rd quarter 2014, while Russia is sliding into a severe economic crisis, because of the downward trend in petroleum prices and of the international sanctions in the wake of the events in Ukraine.

In the **Euro Area**, growth continued, albeit with modest intensity and unevenly among the various countries: the performance of the economy was positive in Germany and recovering in Spain and, albeit to a lesser extent, in France. In **Italy**, the recovery had trouble starting and eventually fell back into recession, once again because of the weak production and the persistent fragility of domestic demand, with a modest contribution from exports. However, the overall economic picture in the euro area and, in particular, in Italy, appears more favourable for the months to come, thanks to the impulses deriving from the ECB's expansionary monetary policy (Quantitative Easing), from the euro's weakening relative to the other currencies and from the decline in the price of oil.

MACROECONOMIC PERFORMANCE OF THE EURO AREA

In 2014, the economy of the euro Area remained on its path to recovery, but at slow paces and without any particular signs of acceleration: according to the latest estimates, **the GDP grew only by 0.9% year on year**, after the moderate contractions of the two previous years (amounting to -0.4% in 2013 and -0.7% in 2012), sustained mostly by the rise in consumption, whereas investments continued to decline. Among the main euro Area countries, of note is the return to growth of the peripheral countries, with the exception of Italy, which is the only economy still exhibiting slightly negative performance (GDP is estimated to have changed by -0.4% year on year in 2014). The GDP accelerated in Germany (+1.6% per year) and in Spain (+1.4% per year) whereas France grew at a more moderate pace (+0.4% per year).

The most recent economic indicators show signs of stabilisation of the economy, after its deterioration in the summer months. On the production front, in fact, there are **inklings of a recovery in industrial production**, which increased by 0.6% on average in 2014 compared to the previous year, whereas qualitative surveys of enterprises remain consistent with a moderate expansion in production in the months to come.
Domestic demand continued to improve gradually, sustained by a series of factors, including **the accommodating monetary policy bias, improvements in lending conditions to businesses and households and the progress made by the states on the front of improving public finances and implementing structural reforms**. Household spending, in fact, continued to grow, albeit moderately, and consumer confidence, after the weakness exhibited in the second half of 2014, showed some signs of recovery at the start of 2015. In this context, **the labour market confirmed the signs of improvement** observed in the previous months, albeit in the presence of marked differences among the various countries of the Euro Area, **with the unemployment rate declining to 11.4% in December 2014, from 11.8% at the end of 2013**.

While **the performance of foreign trade** was affected by the slow-down in the demand of emerging countries and by the decline in trade flows with Russia, it was positive nonetheless: in **2014,**

exports of goods and services grew by 2.3% compared to the previous year. The outlook for foreign demand should be even more favourable in 2015, thanks to the expected acceleration in worldwide trade and to the benefits deriving from the recent declining phase of the Euro.
Inflation, after remaining **at extremely low levels** throughout 2014, was actually negative, in December, for the first time since 2009, reaching -0.2% year on year (it was +0.8% at the end of 2013), mostly because of the sharp drop in energy prices. Net of the most volatile components, such as energy and food products, the **core inflation rate remained positive, albeit at historical lows, having risen by +0.8% year on year**.

INTERNATIONAL MONETARY POLICY

In 2014, the monetary policy bias in major advanced Countries remained accommodating, with the goal of sustaining the economic recovery in the various Countries. **The FED progressively reduced its quantitative easing ("tapering"), stopping it altogether in October** but stating that it intends to maintain a low level of long-term rates for a long time to come. In its meetings of December 2014 and January 2015, the FED confirmed the target range for the federal funds rate at 0.0-0.25%, postponing new interventions on rates to the second half of 2015.

There was no change in the expansionary bias of the Bank of England, which, in December, did not change the reference rate (leaving it at 0.5%) and the quantity of financial assets in its own portfolio (GBP 375 billion). **The Bank of Japan**, instead, unexpectedly **decided to strengthen its own monetary expansion programme in October**, with the simultaneous purchase of maturing government bonds.
The **ECB** intervened several times in 2014, making its monetary policy bias even more accommodating, with the goal of bringing inflation back to levels lower than, but close to its 2% target rate and improving the operation of the mechanism for the transmission of monetary policy, promoting the flow of credit to the economy. Some of the **main measures, conventional and otherwise**, were:

- **Reductions of the reference interest rates**: the main refinancing rate was cut both in June and in September, and at the end of 2014 it was 0.05%. Similarly, the rate on banks' overnight deposits with the ECB was brought down to -0.20% and the rate on marginal refinancing operations was cut to 0.30%;
- **Targeted long term refinancing operations**: activation of a series of Targeted Long Term Refinancing Operations (**TLTRO**), directed at providing the banks with liquidity which must be used to expand the credit granted to the economy. The first two operations were carried out in September and December 2014, assigning a total amount of euro 212.4 billion, slightly over half the maximum available amount (approximately euro 400 billion). Six more auctions will be carried out, on a quarterly basis, until June 2016.
- **Launch of a Quantitative Easing ("QE") Programme**, initially limited to the **purchase of securities issued in connection with the securitisation of bank loans to businesses and households** (Asset-Backed Securities) **and of guaranteed bank bonds** (Covered Bonds) and recently expanded to include the purchase of **government securities in the secondary market**. Monthly purchases of securities will amount to euro 60 billion and, according to the ECB, they will be carried out from March 2015 until September 2016 and, in any case, until the Governing Council detects a durable adjustment in the inflation profile, consistent with the objective of achieving a level of inflation lower than, but close to 2% in the medium term. Currently, **the Plan calls for total purchases amounting to euro 1,140 billion**. The ECB will purchase securities from every Country in Europe on the basis of the participation of individual national banks in the budget, but it will have to stay within a dual limit, i.e. 33% of each issuer's debt and 25% of each issue. With regard to risk sharing criteria, the ECB will bear 20% of any losses deriving from the Programme, while the remaining 80% will be borne by the individual national central bank.

Lastly, on 4 November 2014 the Single Supervisory Mechanism (SSM) was launched; it is the 1st Pillar of the European banking union, through which the ECB, in close cooperation with national supervisory Authorities, **took over the supervision of all euro Area banks**, directly in the case of "significant" intermediaries (those subjected to the Comprehensive Assessment) and indirectly in the case of the other "less significant" intermediaries, which will still be supervised by local Authorities according to criteria established by the ECB.

INTERNATIONAL FINANCIAL MARKETS

For the financial markets, 2014 ended with generalised volatility, after a first half of the year still marked by more favourable conditions. The downward revision of global economic growth, the fall in oil prices, the uncertainties about the launch of a programme involving purchases of Government bonds by the ECB, the political situation in Greece and the other international geopolitical tensions intensified uncertainty on the performance of many categories of financial assets.

Stock prices, in particular, fluctuated widely in the final part of the year, presenting a **differentiated profile between the Euro area and the other major advanced economies**. While stock market indexes rose in the United States (the Dow Jones changed by +7.5% during the year) and in Japan (the Nikkei grew by +7.1%), where they respectively benefited from the good performance of the US economy and from the new expansionary monetary policy phase initiated by the Central Bank of Japan, in the Euro Area, instead, after the acceleration of the initial part of the year the stock markets progressively ran out of steam, hampered by the risks of economic stagnation and the possibility of deflation. **The performance levels of the Old Continent's main markets were very weak**: +3.7% the Madrid Ibex, +2.7% the Frankfurt Dax, -0.5% the Paris Cac 40 and -2.7% the London FTSE 100.

In turn, the Italian Stock Market ended 2014 with nearly no change at all in the FTSE Mib (+0.2%), after the 16.6% rise recorded in 2013. The Italian banking sector had better performance, growing by 6.8% in 2014.

The generalised volatility of the stock markets was accompanied by a **substantial improvement in the spreads of the Government bonds** of peripheral countries, in particular of Italy. The uncertain growth prospects of the Italian economy, the inflation downside risks and the international geopolitical tensions seem not to have affected the yields of Italian Government bonds, which in the final part of the year benefited from expectations of further expansionary interventions by the ECB. Overall, **the spread between 10-year BTP and the corresponding German Bund decreased to approximately 130 points at the end of 2014**, approximately 80 points lower than the value at the beginning of the year.

On currency markets, the Euro experienced a weakening trend in the second half of 2014, after remaining at still high levels earlier in the year: the depreciation of the single European currency, which at year end reached **1.21 relative to the US Dollar (-12% over the year)**, was mainly **due to the effects of the diverging monetary policies pursued by the FED and by the ECB**. The declining trend of the European currency is becoming more pronounced in the 1st part of 2015 (1.12 relative to the US Dollar at the end of February), also in light of the announced and expected broadening of the ECB's Quantitative Easing Programme.

As regards the **commodities** market, in 2014 **the bearish trend in prices of leading commodities continued, in particular for oil**. Oil prices underwent a clear, progressive reduction, amounting to **-48% year on year** (Brent), **reaching USD 57.3 per barrel, its lowest level in over 5 and a half years**, because of excess supply relative to the global demand for energy and of competition issues. With reference to precious metals, gold price were more stable: after the sharp reduction of 2013, its decline was limited to 1.8% in 2014, reaching USD 1,186 per ounce at the end of the year.

THE ITALIAN ECONOMY

Italy's cyclic weakness phase does not seem to have been fully overcome yet. The Italian economy's recession continued in 2014 as well, albeit at a reduced pace, **causing its GDP to decline by 0.4% year on year in 2014** (according to initial estimates); this value, however, is an improvement over the negative performance of the two previous years (-1.7% in 2013 and -2.8% in 2012). The Italian economy was particularly affected by the persistent weakness of business investments (-3.3% year on year), while household consumer spending rose moderately (+0.3% year on year) and foreign trade provided a positive contribution (exports rose by +2.7% year on year, imports by +1.8%). The signals obtained from the most recent economic studies indicate that the economy will strengthen slightly from 2015 onwards. **Several factors are concurring in outlining a more favourable picture for the growth of the Italian economy in the early months of 2015**, including in particular the monetary policy impulses deriving from Quantitative Easing, the acceleration in foreign demand thanks to the weakening euro and the stimuli provide by budgetary policy through the measures in support of household income and the reduction of the tax wedge burdening businesses.

In this persistently uncertain environment, **production seems to have stopped weakening towards the end of 2014**, as attested by the rise in industrial production in November and December, which thus contributed to attenuate the negative yearly trend (the year on year change throughout 2014 was -0.8%). **The qualitative indicators in the manufacturing sector, after worsening in the second half of 2014, stabilised in the most recent period**: in February 2015, the manufacturing PMI (Purchasing Managers' Index, a survey conducted among the purchasing managers of manufacturing enterprises), after the contraction of recent months, rose above the threshold that points to an expansion of the activities and, in the same months, the confidence of manufacturing businesses improved significantly.

With regard to consumption, **household consumer spending confirmed its slowly recovering trend**, started in the second half of 2013, returning to marginal growth (the forecast change for 2014 is +0.3%), after contracting for two years. In turn, **consumer confidence**, in spite of its slow-down in the second part of 2014, **increased significantly in the first two months of 2015, thanks to greater optimism in view of the more favourable economic outlook**.

Labour market conditions remain critical, although they did improve at the end of 2014: the unemployment rate, after reaching its record high (13.4% in November), declined in December to 12.9%. The outlook for employment of young people remains challenging. This category has felt the greatest impact of the prolonged decline in economic activity: **youth unemployment** (15-24-year-olds), remains stable above **40%**, nearly twice as high as the European average (23%).

The contribution of foreign markets to the gross domestic product was still positive: **exports of goods continued to grow in 2014 (overall change compared to the previous year was +2.0%)**, benefiting from rising sales to European Countries (+3.7% year on year) which offset the deceleration in demand for Italian products in non-EU Countries (-0.1% year on year), affected by the slowdown in some emerging markets, and particularly in Russia, as a result of the ongoing crisis with Ukraine. Imports of goods continue to decrease (by -1.6% in the year), as a direct consequence of the weak consumer spending and of the productive activities of businesses, as well as of energy prices.

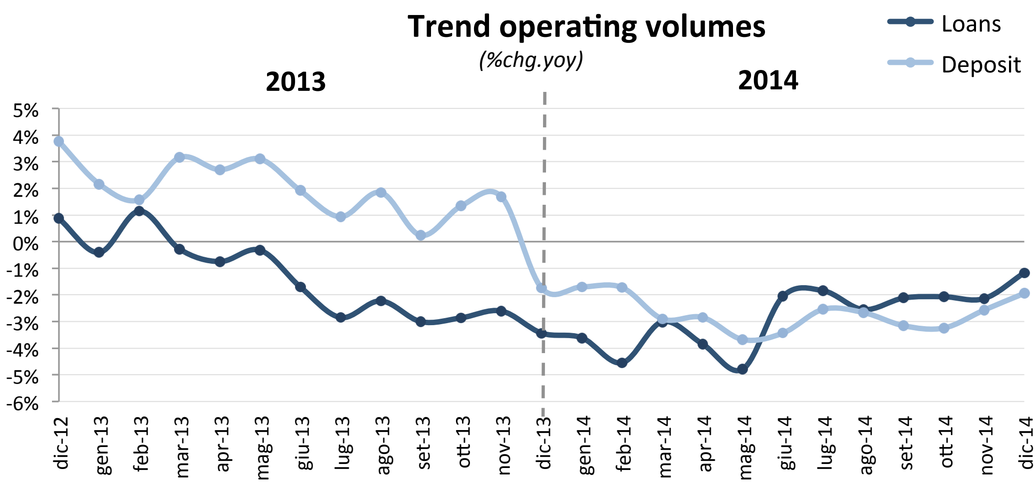
The most recent qualitative indicators point to a stronger expansion of exports in the early months of 2015, assisted by the recovery of international demand and by a lower euro/US Dollar exchange rate.

Inflationary pressures continued to attenuate in 2014, affected in particular by the persistent weakness of consumer spending and the results of the prolonged decline in the prices of commodities, especially in the energy sector. After the record low of September (-0.2% year on year), t**he general consumer price index did not change at all in December, a marked slow-down from +1.2% at the end of 2013.** Net of the most volatile components, such as energy and food products, the core inflation rate remained positive, at +0.6% per year in December 2014 (+0.9% per year at the end of 2013.

Lastly, **public finance data provide negative signals**. According to the most recent available information, the amount of **Italy's public debt** remains high, having **reached euro 2,134.9 billion at the end of December**, up by +3.2% (euro +66 billion) compared to the end of 2013. Overall, at the end of 2014 **the public debt to GDP ratio rose to 132.1% (from 128.5% at the end of 2013),** whereas the net deficit of public Administrations amounted to 3.0% of GDP (2.9% in 2013), thus not exceeding the Deficit/GDP limit imposed by the European Union.

CREDIT AND SAVINGS DYNAMICS

In 2014, the persistence of **a still challenging and uncertain national economic environment had a negative effect on the operations of Italian banks**, which exhibited a **contraction in lending**. These negative dynamics were affected both by the lack of demand for new credit, especially on the part of businesses, and by greater selectivity in the banks' lending criteria, because of borrowers' high riskiness and also as a consequence of the high capitalisation levels the ECB requires from the Italian credit system. However, the latest available economic surveys point, in recent months, **to a recovery in household credit demand** and to **banks' greater willingness to lend**, as confirmed by the rise in new issues of loans for the purchase of homes.
The modest credit expansion and the availability of funds provided by the ECB determined, in 2014, **a contraction in banks' funding activity**, particularly evident in **medium and long term components, while more liquid, less costly forms of funding grew**.
Concerning the evolution of **bank interest rates**, the ECB's continued expansionary monetary policy, which brought about a general reduction in reference rates, promoted both **the decrease in the cost of funding**, and the **decline in the rates applied to loans to households and businesses**, in this latter case also because of the greater competitive pressure between banks.



Bank lending and credit risk indicators

Lending activities in Italy **continued on their negative trend in 2014 as well**, affected by the **fragility of the national economy**, which failed to recover as had been hoped at the start of the year, and by the resulting **weak demand for credit**, especially on the part of businesses. On the supply side, instead, borrowers' persistent riskiness made **banks' lending policies more selective**, although, as the most recent economic surveys show, in recent months there have been **signs of improvement in lending criteria** both for businesses and, above all, for households.

In December 2014, the stock of **gross loans to the private sector**(1) recorded an **annual contraction of 1.2%**, affected by the **reduction in banks' operations with the other financial institutions,** which declined by 3.2% year on year, while **household** and **business** lending, which continued to shrink moderately (-0.8%), nonetheless is exhibiting important **signs of stabilisation**.

However, some comfort can be drawn from **new loans to households**, which in 2014 **grew by 19.6% year on year** overall, with the component of **new loans for the purchase of homes** on the forefront. The significant increase in the flows of new mortgages reflects, on one hand, the recovery in households' demand for credit, ongoing since the start of 2014 and sustained by the improving outlook of the real estate market, and, on the other hand, banks' loosened lending criteria, partly as a result of the greater competitive pressure among banks. However, **new loans to businesses** were still on a **slightly negative trend**, with **a decline of 1.5%** in 2014 compared to the previous year, but involving, in any case, only loans of a higher amount (over euro 1 million). The persistent weakness of the economic cycle, instead, had a negative effect on the quality of bank lending in Italy, causing its severe deterioration. In December 2014, the stock of **gross non-performing loans** rose to **euro 183.7 billion**, up by euro 27.8 billion in the last 12 months. However, the **annual rate of growth of non-performing loans** continued to slow and amounted to **+17.8% in December**; while this figure is still very high, it is nonetheless the lowest in the past 2 years. Instead, the ratio of **gross non-performing loans to total lending** continued to worsen, as a consequence of the rise in non-performing loans coupled with the decline in lending, reaching **9.57%** in December 2014, from 8.07% in December 2013 (+1.5 percentage points). Significant increases were also recorded on the **other categories of hardship loans** (watchlist, overdue and restructured exposures), whose incidence over total lending, according to the most recent available data, rose from 6.64% in September 2013 to **7.72%** in September 2014.

Funding

Italian banks' funding activity contracted throughout 2014, reflecting the lower requirement for funds of the banking system, connected with reduced lending, and the ample supply of liquidity assured by the European Central Bank with non conventional monetary policy interventions, such as the TLTRO and the purchases of ABS and covered bonds, to which it recently added the programme of purchases of Government bonds issued by euro area countries (Quantitative Easing).

In December 2014, **Italian banks' direct funding**(2) **from residents declined by 1.9% year on year**, slightly worse than the -1.7% year on year at December 2013. The negative trend in funding was particularly affected by **the sharp drop in the bond**(3) **component**, down by 13.5% year on year in December 2014 and, to a lesser extent, by the reduction in **repurchase agreements**, which shrank by 4.7% compared to the previous year, because of the reduction in banks' opera-

(1) The private sector includes loans to: Insurance companies and pension funds, Other financial institutions, Businesses and Households.
(2) The aggregate does not include bank bonds held in the portfolio of the banks, which also comprise bank securities issued and concurrently bough back by the issuers.
(3) See previous note.

tions with central counterparties. On the other hand, **deposits** confirmed their positive trends, **growing by 2.7% year on year** thanks to the allocation decisions of households and businesses which, in an uncertain environment, prefer more liquid instruments like **current accounts, up by 9.1%** in the last 12 months, whereas **deposits with pre-set duration** continued to contract, **decreasing by 10.7% year on year**. In 2014 the latter were particularly affected by banks' policies, less attractive for customers and more oriented towards asset management products, with the consequent partial shift of funds towards these forms of investment.
Deposits from foreign countries also experienced a negative trend, having declined by 3.9% compared to the levels of December 2013; they, too, were affected by the high availability of funds from the ECB.
The positive results of **indirect funding** were confirmed, with the good performance of 2013 continuing thanks in part to the contribution of banks which went on placing asset management products in order to increase the contribution of revenues from services. According to the most recent data published by Assogestioni (the Italian association of the major asset management firms in the industry, which monitors asset management market performance) in 2014, **nearly Euro 129 billion flowed into funds and asset management products**, thanks to new transfers from investors. In December 2014, **total assets under management reached the new historic record high at euro 1,579 billion, up by 18.7%** compared to December 2013 (+Euro 249 billion), thanks both to new transfers and to the good performance of financial markets.

Bank interest rates

In 2014 **the interest rates applied to the stock of existing loans with households and businesses declined** (-12 basis points in the last 12 months, down to 3.67% in December 2014), consistently with the cuts in the reference rates made by the ECB in June and September of 2014. In detail, in December the **average rate on loans to non financial companies reached 3.55%**, down by 14 basis points compared to the previous year, whilst the average rate applied to loans to **households, i.e. 3.84%**, declined by 9 basis points year on year.

The generalised drop in interest rates is all the more readily apparent if one considers **the conditions applied to new loans to households and businesses**, whose average rate contracted by as much as 84 basis points overall on a yearly basis and fell to **2.79%. The rate** applied to **new loans for the purchase of homes**, in particular, amounted to **2.88% in December** (-63 basis points compared to the previous year), **one of the lowest values of the past 4 years**, as a result both of the reduction in the reference rates used to index this type of loans and of a containment of the spreads applied by banks because of greater competitive pressure.

On the funding front, the **drop in the cost of funding** for Italian banks continued yet more intensely, benefiting from the conventional and non conventional expansionary monetary policy initiatives of the ECB and from the lower liquidity requirement connected with the weak lending cycle. The **average rate on deposits** (weighted average rate of deposits, repurchase agreements and bonds) **dropped to 1.50%** in December 2014, down by as many as 38 basis points in the past 12 months. Specifically, **the rate on deposits and repurchase agreements** declined by 24 basis points reaching **0.73%**, because of the sharp drop in the yield of deposits with pre-set duration (-62 basis points per annum), similarly to the **rate on bonds**, which decreased by 29 basis points year on year, down to **3.16%**.

The banking spread, i.e. the difference between bank interest rates on loans and on deposits, **widened**, by effect of the decrease in the cost of funding, only partly offset by the lesser reduction in the average interest rate on loans: at the end of December, the banking spread **rose to 2.17%, up by 26 basis points compared to the previous year**.

ECONOMIC SITUATION IN AREAS SERVED BY THE GROUP

Veneto

The most recent data on the economy of **Veneto** showed the persistence, in 2014, of the **diverging trends between the domestic market**, affected in particular by the all too evident difficulties of the trading and construction industries, and **the livelier foreign market**, characterised by the **good performance of exports and of businesses' foreign orders, which sustain regional production**.

In the 4th quarter of 2014, according to the most recent survey published by Unioncamere del Veneto, **industrial production confirmed its expansion for the 5th consecutive quarter**, with an **annual growth rate of 1.7%**, slightly better than the positive performance of recent months (+1.2% in the 2nd quarter and +1.0% in the 3rd). The good performance of production is sustained, in particular, by the **lively demand from international markets**, with good growth rates both for **foreign revenues** (+5.2% year on year) and for **foreign orders** (+3.2% year on year). On the other hand, the **construction industry** is having trouble reversing the **negative trend** of recent years; in the 3rd quarter of 2014, according to Unioncamere, its **revenues contracted slightly** (-0.4% year on year), though they did exhibit a marked slow-down in their rate of decline compared to the past. **Positive signs** are instead coming from the front of **real estate transactions in the residential market** (+4.1% in the first 6 months of 2014 compared to the same period of 2013), whose favourable performance raises hopes for the upcoming recovery of the industry.

On the **domestic consumption** front, **retail commerce** continued along its downward trend, albeit with a slight improvement, and **in the 4th quarter of 2014 its revenues declined by 1.2% year on year**, which nonetheless was not as steep as in the previous quarter (-2.1% year on year). The weak performance of household consumer spending affects, in particular, stores selling non-food products, while food stores, supermarkets and department stores are showing signs of stabilisation of their sales. Positive, instead, are the first indications on **tourist movements in Veneto**, which in the first **8 months of 2014** confirmed, in spite of the adverse weather conditions that affected the summer season, the good results achieved in 2013. In fact, **tourist arrivals grew** (+2.1% compared to the first 8 months of 2013) and **their overnight stays** (+0.2% year on year), although travellers continue to tend to **limit the length of their stay**. In particular, **Veneto** confirmed its position as the **1st region in Italy in terms of number of arrivals of foreign tourists**, thanks to the region's international fame.

The foreign market was confirmed to be of fundamental importance for the region's businesses and in fact **Veneto consolidated its own position among Italy's major exporter regions (2nd place by value of exported goods**, behind only Lombardy). **In the first 9 months of 2014**, sales of regional products on international markets **grew by 2.5% year on year**, much more rapidly than the overall performance of Italy (+1.4% year on year), thanks in particular to the performance of trade flows with European Union Countries. The positive trend of Veneto's exports reflect the good performance of the region's main industries, such as machinery and equipment, textile and clothing, foods and drinks, rubber and plastic and electrical appliances.

Lastly, **the regional labour market** is showing **some signs of improvement**, though it still has some critical issues. The number of **persons in employment continued to grow slightly** (+0.8% year on year in the 4th quarter of 2014), in line with the figure at the national level (+0.7% year on year), and **the employment rate also improved slightly, reaching 7.7% in the 4th quarter of 2014** (-0.2 percentage points on a yearly basis), remaining far lower than the national average (13.3%). **Veneto confirmed its standing in 2nd place among Italian regions** (behind Trentino) **for the lowest unemployment rate.**

Friuli Venezia Giulia

In 2014 **the economy of Friuli Venezia Giulia** recorded the presence of **some important signs of recovery**, mainly connected with the **positive trend of production and with the good performance of foreign trade and of tourism**, especially by the foreign component. However, the most recent available economic data point to a slow-down in production and the persistence of some difficulties, especially for the construction industry.
In the 4th quarter of 2014, according to the local Confindustria (industrialists' association), **regional industrial production grew slightly during the year** (+0.3%), remaining **positive for the 6th consecutive quarter**, but with a marked slow-down in the intensity of its expansion (+5.8% year on year in the 2nd quarter of 2014 and +2.6% year on year in the 3rd quarter). The **revenues** of Friuli's businesses **increased slightly** as well (+0.7% per year), thanks to the lively demand from international markets (+2.4% per year for foreign revenues), which offsets the decline in sales on the domestic market (-2.0% per year). However, **comforting signs** are coming from the performance of **new orders** (+2.6% per year), after the negative figure of the previous quarter (-0.8% per year)
The construction industry, instead, is still **struggling to recover**; in the first 6 months of 2014 the number of residential transactions declined (-3.3% compared to the 1st quarter of 2013), in contrast to the general improvement measured, on average, in the Northeast of Italy (+3.7%).
On the tourism front, the provisional data available indicate, for the first 10 months of 2014, a **slight increase in arrivals** (+0.7% per year), after the moderate decline of 2013 (-1.5% per year), thanks **to the growth in the number of foreign tourists** (+2.5% per year), which offsets the decline in **the number of Italian travellers** (-1.1% per year). On the other hand, **overnight stays** (number of nights) and the **average stay** (stays/arrivals) contracted overall, in particular for Italian tourist, who continue to tend to limit their length of stay because of households' lower spending capacity.
Slightly positive signs are coming from **foreign trade**, with **regional exports growing by 0.1% year on year in the first 9 months of 2014; the figure rises to +1.8%** if one excludes the severe decline observed in the transport means sector (-17% year on year), typically characterised by the high volatility of its orders. This positive trend benefited, in particular, from the good performance of sales on international markets achieved, in particular, by food and drink products, by machinery and equipment, by wood and paper and by rubber and plastic.
Lastly, the situation of the **regional labour market** worsened, with the number of persons in employment declining in the **4th quarter of 2014** compared to the previous year (-2.8%), whereas the **unemployment rate**, because of the increase in the number of jobless individuals, **rose to 9.4%** (+1.3 percentage points per annum), although it still remained below the average figure for Italy (+13.3%) and **among the lowest in the nation (4th region after Trentino Alto Adige, Veneto and Emilia Romagna).**

Lombardy

In 2014, **Lombardy's economy grew slightly**, after 2 years of decline, as attested by the **GDP** (+0.4% year on year according to Prometeia's estimates, updated in October 2014), in contrast with the modest contraction of Italy as a whole (-0.4% year on year).

Moderately positive signals are coming from the performance of **regional industrial production**, which in the 4th quarter of 2014, according to the most recent survey by Unioncamere, grew slightly, by 0.2% year on year after growing by +1.6% year on year in the previous quarter and remaining positive for more than a year and a half. At the individual industry level, the increase in production volumes in particular in iron and steel, engineering and leather and footwear offsets the decline in clothing, non-metal minerals and transport means. The slightly positive trend in production is also accompanied by the increase in **revenues** and **orders**, the latter both for the **domestic market** and, above all, for those originating in **foreign markets**. On the other hand, **retail commerce** is still struggling to pull out of the recession it has been experienced in recent

years; its **revenues continued to decline** in the 3rd quarter of 2014 (-3.7% year on year), affected by the contraction in household consumer spending, which involved both food stores and those specialised in the sale of non-food products.
Initial signs of improvement are coming from the **construction industry**, which, in the first 6 months of 2014, recorded a slight improvement in the **number of transactions** both in the **residential** segment (+0.6% compared to the 1st half of 2013) and, to a more marked extent, in the **non residential** segment (+1.6% year on year).
On the foreign trade front, the latest available data, pertaining to the first 9 months of 2014, confirm that **Lombardy is 1st in Italy in terms of value of exported goods**, in front of Veneto, Emilia Romagna and Piedmont. Overall, Lombardy's exports in the first 9 months of 2014 **grew slightly** compared to the same period of 2013 (+0.3%), reflecting the positive trend in the sectors of machinery and equipment, textile and clothing, in chemistry, in electrical appliance and food products, which offset the decline in sales abroad in metallurgy, in transport means, in electronics and in pharmaceuticals.
Lastly, **the regional labour market** is showing **signs of improvement**. In the **4th quarter of 2014 the number of persons in employment** grew compared to the same quarter of the previous year (+1.0%), while the **unemployment rate declined slightly to 8.5%** (-0.1 percentage points on an annual basis), remaining significantly lower than the average figure for Italy as a whole (13.3%).

Tuscany

The latest available data **on Tuscany's economy** show that the economic environment is still rather uncertain; along with **some positive and encouraging results**, mostly tied to the **good performance of both exports and of tourist movements** and **with the slight recovery of the residential market**, there are still some persistent difficulties attested by the weaker production and by the touchy situation of the labour market.

In the 3rd quarter of 2014, according to the latest available data published by Unioncamere, **regional production worsened slightly, contracting by 1.0% year on year (12th consecutive quarter of decline)**, after the substantial lack of change of the first part of the year (-0.2% year on year in the 1st quarter of 2014 and -0.6% year on year in the 2nd quarter). The decline in the levels of production is connected, in particular, to the weakening demand indicators, with **orders in decline** (-2.6% per year) and **slightly contracting revenues** (-0.2% per year). However, **the foreign market confirmed its positive performance**, as attested by trends in **foreign revenues** (+1.7% per year) and in **foreign orders** (+1.4% per year). **Initial signs of recovery** are visible in the **real estate sector**, where the **number of residential transactions** in the **first 6 months of 2014 increased by 4.0% year on year**, after the severe decline of 2013 (-9.6% year on year).

The region's **tourist movements**, according to available provisional data, in the **first 9 months of 2014** seems to confirm the positive results already recorded in the previous year. **Total arrivals grew slightly** (+1.3% over the same period of 2013), sustained in particular by the increase in the number of **Italian tourists** (+2.7% year on year), while **foreign visitors** were substantially stable (+0.2% year on year); they represent **over 56% of total arrivals**, confirming **Tuscany's** international fame (it is **Italy's 3rd region in terms of arrivals of foreign tourists**). A slight increase was also experienced by **overnight stays** (+1.1% year on year), which benefited from the extension of Italian travellers' period of stay.

On the foreign trade front, **in the first 9 months of 2014 Tuscan exports grew by 2.0% year on year**; net of raw gold, whose foreign sales dropped markedly, this value **rises to a more dynamic +4.6% year on year**. In detail, Tuscan exports were driven by the good performance levels of the textile and clothing sectors, of transport means, of rubber and plastic, of wood and paper and, above all, of machinery and equipment.

Lastly, **signs of hardship** emerge **from trends in the regional labour market**, with the number of persons in employment **in decline in the 4th quarter of 2014** (-1.7% year on year), versus the slight growth observed at the national level (+0.7% year on year), while the **unemployment rate rose to 11.0%** (+2.0 percentage points on an annual basis), albeit still remaining lower than the average figure for Italy as a whole (13.3%).

Sicily

The latest available economic data show that **the fragility of Sicily's economic environment persists** and involves most major industries. Nevertheless, **some positive signs are visible in the residential construction industry, in tourist movement trends and in the performance of food exports**, which provide an important signal that raises hopes for the future.
In 2014, according to the latest available estimates from Prom
eteia (updated in October 2014), the region's economy continued to contract, as attested by the decline in its GDP (-1.8% year on year), more marked than in Italy as a whole (-0.4% year on year). This negative trend should continue, albeit to a lesser extent, in 2015 as well (-0.3% per year), whilst in 2016 the Sicilian GDP change is expected to return to a slightly positive value (+0.4% per year). However, **the construction industry** is showing a **first positive signal**: after a long period of hardship, it returns to exhibit **slight growth in residential transactions** (+1.1% year on year), albeit still remaining on greatly lower levels than before the recession.

On the **tourism** front, the provisional data of the Regional Tourism Observatory, for the first 7 months of 2014, point to **an expansion of tourist movements in the region**, with **arrivals growing by 4.5% per year**. This positive trend was sustained by the increase of both the foreign component (+2.7% year on year), attesting **Sicily's increased international attractiveness (1st region in the South of Italy in number of arrivals of foreign tourists)**, and above all of the Italian component (+6.0% year on year). **Overnight stays** grew overall as well (+4.6% compared to the first 7 months of 2013), while the **average stay** (stays/arrivals) remained substantially stable. The positive results of the tourist movements in the region were also confirmed by the Assaeroporti data of **airport traffic**, which in the first 11 months of 2014 showed a good increase compared to the same period of 2013, with trends than the national average, both in number of flights (+4.1%) and of passengers (+6.9%), especially for the international component (+11.1%).

On the foreign trade side, the data of the first 9 months of 2014 confirm the well known difficulties of Sicilian enterprises on international markets, with exports down sharply (-13.4% year on year), affected mostly by the negative trend in the oil industry (-13.3% year on year), which accounts for nearly 70% of the region's exports by itself. Nevertheless, **the good performance of exports in some important sectors of the Sicilian economy stands out**: for example, the **farming and fishing sector** (+2.9% year on year) and **food** (+3.7% year on year), whose products are the expression of Sicily's uniqueness and make it famous worldwide.

Concerning the **labour market**, lastly, the ISTAT data for the 4th quarter of 2014 indicate, in spite of a slight improvement, the persistence of a critical situation. **The number of persons in employment**, in particular, **grew** (+1.6% year on year) faster than in Italy as a whole (+0.7% y/y), while the **unemployment rate remains substantially stable at 22.1%** (-0.1% percentage points on an annual basis), confirming its position among the highest in the nation (13.3% is the average figure for Italy).

The other main regions where the Group operates

The decline of Lazio's economy continued, albeit at a slower pace, in 2014 as well, with **GDP contracting moderately** (-0.4% year on year according to Prometeia's estimate, updated in October 2014), similarly to Italy's GDP as a whole (-0.4% year on year).

In the 3rd quarter of 2014, **the regional productive system**, according to the latest available economic surveys, **was affected by a deterioration in the economic environment, which led to a new generalised decline in revenues, orders and employment**. Among the main economic indicators, smaller businesses operating in construction and commerce are most affected by the weakness of household consumer spending. **However, initial encouraging signals can be seen in the real estate sector which**, after years of hardship, in the first 6 months of 2014 saw a return to **growth in transaction of residential properties** (+7.5% year on year), especially in the province of Rome.
The initial data on the tourism front were **positive** once again, and in the first 7 months of the year the province of Rome saw **growth, compared to the same period of 2013, both in the number of arrivals and overnight stays** (number of nights), further attesting that the capital is one of the most popular destinations for Italian and foreign travellers (Rome is Italy's number 1 province in terms of tourist arrivals).
On the foreign trade front, **Lazio (the 6th region in Italy in terms of value of exported goods)** in the first 9 months of 2014 recorded **a slight contraction in exports** (-0.4% year on year), in contrast to the moderate increase exhibited by Italy as whole (+1.4% year on year). This trend was affected by the significant declines in sectors like transport means, machinery, electronics and refined petroleum products, only partially offset by the increase in the sales of pharmaceuticals abroad (that generate over 40% of total exports by themselves), metals and metal products, textile products, foods and drinks.
The regional labour market has **mixed signals**: while the number of persons in employment grew in the 4th quarter of 2014 compared to the previous year (+2.4%), **the unemployment rate worsened to 13.4%** (+1.4 percentage points in a year), although it is still in line with the average figure in Italy as a whole (13.3%).

The most recent available economic data for **Emilia-Romagna** point to a **moderate recovery of the region's economic activities in 2014**, as demonstrated by the slight growth of the GDP (+0.3% year on year according to Prometeia), versus the slight contraction recorded by Italy as a whole (-0.4% year on year).
Industrial production, according to the latest survey published by Unioncamere, declined slightly in the 3rd quarter of 2014, by -1.2% year on year, after the substantial stabilisation recorded in recent months (+0.1% y-o-y in the 1st quarter and -0.4% y-o-y in the 2nd quarter of 2014). This negative trend, which affected in particular the textile-clothing, wood and furniture and metal industries, extended also to **revenues** and **total orders**, whilst the **orders from the foreign market** confirmed the growing trend they have maintained for over one year. **Retail commerce worsened** its negative trend, with sales contracting further by 3.8% year on year in the 3rd quarter of 2014 (-3.3% y-o-y in the previous quarter), confirming the sector's severe difficulties in taking the path to recovery. The decrease in revenues ran across all types of stores (food products, non-food, supermarkets and department stores) and it mainly involves small and medium sized businesses.

Moderately positive signals, instead, are coming from **tourist movements** which, according to the provisional data published by the provincial authorities, in the first 6 months of 2014 exhibited good growth in the number of arrival, contrasted, however, by the slight decline in overnight stays with the consequent confirmation, on travellers' part, of the tendency to limit the duration of their stay. **Foreign trade continues to have a more comforting performance**, confirming Emilia-Romagna among Italy's foremost exporter regions (**in 3rd place by value of exports**). In the first 9 months of 2014, **regional exports grew significantly** compared to the corresponding period of 2013 (+4.2%), in contrast to the more modest increase exhibited by Italy as a whole (+1.4% year on year), driven by the increase in the foreign sales of electrical appliances, transport means, rubber and plastic products, textiles and clothing, and machinery and other equipment.

Lastly, the regional labour market is showing significant signs of improvement: the **number of persons in employment in the 4th quarter of 2014 increased slightly** compared to the previous year (+0.9%), while the **unemployment rate dropped to 8.8%** (-0.4 percentage points in a year), remaining markedly lower than the average nationwide figure (13.3%).

CHANGES IN THE REGULATORY AND TAX FRAMEWORK

The main legal and regulatory and fiscal changes that occurred in 2014 are described below.

The main legal changes

In terms of regulatory measures, on 24 June 2014 **Italian Law Decree no. 91 of 24 June 2014** (so-called **Competitiveness Decree**) was published in the Official Gazette of the Italian Republic; it introduced "Urgent provisions for the farming industry, environmental protection and energy efficiency of school and university construction, the renewal and development of businesses, the containment of costs bearing on electricity fees, and for the immediate definition of compliance requirements deriving from European regulations". In particular, Section III ("Urgent provisions for businesses") amends certain provisions, including:

- **Italian Legislative Decree no. 58/1998 (Consolidated Finance Act)** on the matters of takeover bids, stockholder agreements, relevant equity investments and voting rights,
- the **Italian Civil Code**, amending, inter alia, the publicity of the option offer (Article 2441 of the Italian Civil Code), the procedures for exercising the withdrawal right (Articles 2437-bis and 2437-ter of the Italian Civil Code) and on the transformation of partnerships;
- **Italian Legislative Decree no. 385/1993 (Consolidated Law on Banking and Lending)** on compound interest applied by banks;
- **the Italian Bankruptcy Law**, on the matter of pre-deductibility of receivables arisen on the occasion or as a result of bankruptcy proceedings;
- **Italian Law no. 130/1999**, on securitisations: securitisation companies, too, may grant loans to businesses, in compliance with conditions that enable securitisation companies to act as mini credit funds.

In addition, **Italian Legislative Decree no. 39 of 4 March 2014**, in force since 6 April 2014, amended **Italian Legislative Decree no. 231/01 on the administrative liability of entities**. On 21 March 2014, the **Commission Delegated Regulation (EU) No. 285/2014** was published in the Official Journal of the European Union; it supplements Regulation (EU) No. 648/2012 (EMIR) with regard to **regulatory technical standards on direct, substantial and foreseeable effect of OTC contracts within the Union and to prevent the evasion of rules and obligations.**

On 13 May 2014 the Council of the European Union approved the **new European regulations for financial markets and investment services meant to replace the current directives 2004/39/EC and 2006/73/EC and Commission Regulation no. 1287/2006**. The new regulations were published on 12 June 2014 on the Official Journal of the European Union and they comprise a new directive, MiFID II, and a new Regulation, the MiFIR, and they brought many changes compared to the existing regulations, both for the protection of investors and with regard to financial markets and instruments. Member States have the obligation to adopt, no later than 3 July 2016, the legal, regulatory and administrative provisions necessary to conform to the MiFID II Directive, while the MiFIR Regulation must be applied from 3 January 2017.

On 20 August 2014, **Italian Law no. 116 of 11 August 2014** was published in the Official Gazette of the Italian Republic; the Law entered into force on 21 August 2014 and it converted the aforesaid Competitiveness Decree. In replacing Paragraphs 3 and 4 of Article 2351 of the Italian Civil Code, **it recognised the creation of shares with multiple votes and their provision in the articles of association**. This provision **definitively removes the prohibition both for joint-stock companies that do not access the risk capital market, and for Italian companies with shares listed on the regulated market, to issue shares entitling to more than one voting right (respectively in the form of shares with multiple votes and with enhanced vote)**.

On 12 September 2014, **Italian Law Decree no. 133 of 12 September 2014** was published; it entered into force on 13 September 2014 and it was converted into **Law no. 164 of 11 November**

2014, in force since 12 November 2014, which introduced some **provisions for corporate bonds and project bonds**. In particular, it supplemented Article 2414-bis of the Italian Civil Code which, on the matter of guarantees securing bonds, specifies that: *"Secured and unsecured guarantees and any other guarantee, as well as the transfers of receivables pledged as security, supporting bonds, may be pledged in favour of the subscribers of the bonds or of a representative thereof, who shall be authorised to exercise, on the subscribers' behalf, all substantial and legal rights relating to the guarantees themselves".*

With regard to the measures by the Government, with reference to regulations for payment instruments, of note is the promulgation of the following Decrees by the Ministry of the Economy and Finance:

- **Decree 24/01/2014** *"Definitions and scope of payments by debit card"*, adopted jointly with the Minister of Economic Development, which introduced the obligation for shopkeepers, from 30 June 2014 onwards, **to accept payments by debit card** for transactions involving amounts above Euro 30;
- *Decree no. 51 of 14/02/2014 "Regulations on commissions applied to transactions carried out by payment card, in accordance with Article 12, paragraphs 9 and 10, of Law Decree no. 201 of 6 December 2011, converted, with amendments, by Law no. 214 of 22 December 2011"* in force since 29 July 2014, which regulates **the structure and advertising** to customers **of the commissions** that Banks and companies issuing payment cards must apply.

On 27 June 2014, the **Ministry of the Economy and Finance decree pertaining to the State's guarantee for the transfer of receivables claimed by suppliers from the Public Administration**, directed at assuring the full and immediate payment of certain, liquid and due current receivables, accrued at 31 December 2013.

On 26 July 2014, the **Decree of the Ministry of Economic Development of 5 June 2014** was published in the Official Gazette of Italy; it implemented Article 12, paragraph 6-bis of Italian Law Decree no. 145 of 23 December 2013, **pertaining to the extension of the interventions of the guarantee Fund for SMEs to the subscriptions of bonds or similar securities issued by small and medium enterprises**. In particular, the Decree provided that the direct guarantee of the Guarantee Fund may be requested by banks, financial intermediaries and operators in view of individual subscriptions of mini bonds, or on mini bond portfolios.

On 29 July 2014, the IVASS Instruction of 21 July 2014 was published; it introduces Regulation no. 5 concerning **"Implementing provisions on the procedures for fulfilling the obligations of adequate customer verification and registration by insurance companies and insurance brokers"**. The innovation consists of the introduction of the beneficiary among the parties to be identified and whose identity must be verified; this party is not included in the definition of customer or of beneficial owner. With reference to this party, therefore, the Regulation prescribes ad hoc rules.

On 19 December 2014, **the Department of the Treasury of the Minister of the Economy and Finance opened public consultations on the bill concerning the implementation of Article 3 of Italian Law no. 154 of 7 October 2014, introducing principles and criteria for the transposition of Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms ("CRD IV"), amending the provisions of the Consolidated Law on Banking and Lending and of the Consolidated Finance Act**. The transposing bill submitted for consultation appears to be directed, in particular, to strengthen the measures able to assure a sound and prudent management of credit institutions and investment firms, with specific regard to the requirements of the corporate executives and to some aspects of the remuneration policies, the supervisory powers of the competent authority and the penalties for violations of the sector regulations.

The legislative delegation substantially transposed Directive 2013/36/EU safeguarding the division of powers among the involved supervisory Authorities, the extent of use of secondary sources that characterises the regulations on financial intermediaries and coordination with the set of corporate laws currently in force.

Lastly, among the regulatory interventions after the end of the year 2014, of note seems to be **Italian Law Decree no. 3 of 24 January 2015, "Urgent measures for the banking system and for investments"**, published in the Official Gazette of the Italian Republic no. 19 of 24 January 2015 and in force since 25 January 2015, **which established that co-operative banks with assets exceeding Euro 8 billion shall be transformed into joint-stock companies no later than 18 months from the entry into force of the implementing provisions promulgated by the Bank of Italy in accordance with Article 29 Paragraphs 2-bis and 2-ter of the Consolidated Law on Banking and Lending**. The same Law Decree introduced changes on the matter of the **portability of current accounts** providing, inter alia, a reference to the time prescription of Directive 2014/92/EU (12 business days) within which banks shall assure the transfer of a current account (and any connected accounts, SDD, payment cards etc.) from one institution to another, or be obligated to indemnify the customer.

The main regulatory changes

Concerning banking and financial regulatory measures, **CONSOB**, with its Resolution no. 18750 of 19 December 2013 published in the Official Gazette of the Republic of Italy and in the CONSOB Bulletin on 10 February 2014 and in force since 1 January 2014, approved the new **General regulations on penalty proceedings**, which halves, to 180 days, the maximum times of penalty proceedings. CONSOB, with its Resolution no. 18731 of 18 December 2013, in force since 1 January 2014, with the concurrence of the Bank of Italy and Ivass, established that **financial promoters must fulfil the obligations adequately to verify customers**, set out by Italian Legislative Decree no. 231 of 21 November 2007 as amended, and by the related implementing provisions, complying with the measures, methods and internal procedures prescribed, for its own personnel, by the intermediary for whom they carry out their activity.
On 19 December 2014, **CONSOB issued Resolution no. 19084**, published in the Official Gazette of Italy no. 302 of 31 December 2014 and in force since 1 January 2015, which following public consultation, started on 5 November 2014 and completed on 26 November 2014, **made changes to the Issuers' Regulation in relation to the maintenance of the special list where stockholders must register if they intend to benefit from the enhanced vote, to the rules on the transparency of the ownership structure and to the rules on compulsory tender offers**.
On 22 December 2014 CONSOB published **its Communication no. 0097996 addressed to intermediaries and pertaining to the distribution of complex financial products to retail customers**, with the goal of enhancing the protective rules.
On 1 January 2014, the **Ruling of the Bank of Italy of 3 April 2013 on adequate customer verification** (anti-money laundering regulations) came into force. Moreover, with reference to anti-money laundering regulations, on 10 March 2014 the Instructions of the UIF for communicating restitutions in accordance with Article 23, Paragraph 1-bis of Italian Legislative Decree no. 231 of 2007 were published.
In 2014, Circular no. 285 "Supervisory instruction for banks", issued by the Bank of Italy on 17 December 2013, **was subjected to numerous revisions**.
Of note is the 1st revision of 6 May 2014, inserting a new Title IV "Corporate governance, internal controls, risk management", which includes Chapter 1 **"Corporate governance"**. The provisions on the organisation and corporate governance of banks were revised to assure compliance with European regulations, in particular Directive 2013/36/EU ("CRD IV") and the Guidelines issued by the EBA in 2011 on internal governance, to clarify and strengthen the rules on certain aspects emerged from enforcement experience, to coordinate them with the clarifications and enforcement guidelines provided to the system (Clarification Note of February 2009 and Communication of January 2012).

Subsequently, with the revision of 21 May 2014, two new chapters were added to Part I, Title I: **"Banking Groups"** (Chapter 2) and **"Register of banks and banking groups"** (Chapter 4). At the same time, amendments were made to Chapter I of Part III **"Equity investments that may be held by banks and by banking groups"**.

The revision of 24 June 2014 introduced **Chapter 3 "Covered Bonds"** to the Third Part of the Circular. The Chapter, which took effect on 25 June 2014, replaces, repealing them, the corresponding provisions contained in Title V, Chapter 3, of Circular no. 263 of 27 December 2006, revising them to conform the Italian rules to the changes introduced by Regulation (EU) no. 575/2013 (CRR) regarding the prudential treatment of covered bonds and own funds and the prudential requirements of banks.
On 4 November 2014, **a further revision was introduced to conform the regulatory provisions to the start of the single supervisory mechanism**. In particular, Regulation (EU) no. 1024/2013 of 15 October 2013 conferred specific tasks on the European Central Bank (ECB) concerning policies relating to the prudential supervision of credit institutions, in co-operation with the national supervisory authorities of the participating Countries, within the scope of the Single Supervisory Mechanism (SSM). **The ECB took on the tasks conferred by said Regulation on 4 November 2014**; they are performed with the assistance of the Bank of Italy, in the manner prescribed by Regulation (EU) of the European Central Bank no. 468/2014 of 16 April 2014. The related decisions shall be made, at the proposal of the Supervision Committee, by the governing Council of the ECB; the Bank of Italy is represented in both decision-making bodies.
Lastly, with the revision of 18 November 2014, a new **Chapter 2 "Compensation and incentive policies and practices"** was introduced in Part One, Title IV. The new provisions implement Directive 2013/36/EU of 26 June 2013 ("CRD IV") regarding the provisions set forth therein on compensation and incentive policies and practices in banks and banking groups.

The main tax changes

With regard to **regulatory changes on tax-related matters**, the main changes provided in Italian Law no. 190 of 23 December 2014, **"2015 Stability Law"** containing provisions for the preparation of the annual and multi-annual State budget, in force since 1 January 2015 are referenced below.
With regard to business income taxation, the main change was the introduction, with effect starting from the tax year following the one current at 31 December 2014, of the **full deduction from the IRAP taxable base of the cost incurred for employees with open-ended contracts in excess of current deductions**. Enterprises may therefore deduct from the IRAP taxable base the entire cost (e.g. compensation, provisions for severance indemnities, accrued holidays and leave, benefits, etc.) of employees with open-ended contracts.

To incentivise the placement in Italy of the intangible assets currently held abroad by Italian enterprises, and to promote investment in research and development activities, **an optional treatment is introduced, providing tax relief for income deriving from the use of intangible assets** (trademarks, industrial patents, intellectual property, know-how, etc.). The tax relief, which if accepted shall apply for the 5 tax periods following the one current at 31 December 2014, provides, in the presence of certain requirements, the deduction of 50% of the income deriving from use of the aforesaid intangible assets. In addition, **a tax credit is attributed, amounting to 25% of the expenses incurred for investments in research and development activities exceeding the average of the same investments carried out in the three tax periods preceding** the one current at 31 December 2015.
Italian Law no. 190/2014 introduces significant changes with regard to employment as well. The law **makes permanent the euro 80 income tax credit** in favour of employees and of those with

certain similar kinds of income, which had been introduced by Law Decree no. 66/2014 in order *"to immediately reduce tax and contribution pressure on labour and with a view to an overall revision of taxation directed at structurally reducing the tax wedge"*. Experimentally, the law introduced the possibility for private sector employees to request the monthly amount of the employees' severance indemnities (TFR) accrued in accordance with Article 2120 of the Italian Civil Code to be paid concurrently with their wage or salary. The option may be exercised by employees, excluding those in the farming sector and domestic workers, serving for at least six months with the same employer and with reference to the periods starting from 1 March 2015 and until 30 June 2018. **To offset the financial effects to be incurred by small enterprises**, which if the option were exercised would lose the self-financing amount represented by the TFR allocated in the enterprise, the law provides the **possibility of using a bank loan secured by a dedicated state provision established with INPS** (the Italian pension agency), with the payment of interest rates and expenses that should not exceed the TFR revaluation index prescribed by the Italian Civil Code. The lending procedures and the related costs shall be defined by a future framework agreement between the Ministry of Labour, the Ministry of Finance and the Italian Banking Association.
Lastly, to promote stable forms of employment, **employers who hire workers with open-ended contracts** (with certain exceptions identified by the law) between 1 January 2015 and 31 December 2015 **shall be exempted from paying their social security contribution for a maximum period of 36 months** and with the maximum limit of Euro 8,060 per annum, subject to the rate for computing pension payments. The exemption shall not apply with reference to the amounts owed to INAIL for premiums and contributions. The exoneration in question cannot be cumulated with other exonerations or reductions prescribed by current regulations.
In addition, reference is made to the main provisions introduced by Italian Law Decree no. 66 of 24 April 2014, converted with amendments into **Law no. 89 of 23 June 2014**. The aforesaid decree **raised from 12% to 26% the rate of the substitute tax in lieu of income tax and of the regional tax on productive activities and of any surtaxes due by holders of shares of Bank of Italy capital on the higher values of their respective shares recognised in the financial statements for the year to 31 December 2013**, by effect of Article 6, Paragraph 6 of Italian Law Decree no. 133/2013, and prescribed the obligation to pay the substitute tax all at once (instead of three instalments) within the deadline for paying the balance of the income tax due for the year to 31 December 2013.
Shortly after the reform of the **taxation of financial income** (introduced by Italian Law Decree no. 138/2011 which had unified at 20% the tax rate for financial income), the recent **Law Decree no. 66/2014** once again changed the level of taxation of income of a financial nature, **raising the tax rate from 20% to 26%**, with effect from 1 July 2014. Similarly to the previous reform, the tax rate of 12.5% is confirmed for the income (interest, bonuses and other revenue, capital gains and capital losses) deriving from so-called "privileged securities", represented by Government bonds and securities considered equivalent for tax purposes. In addition, specific transitional rules are provided, whereby the new tax rate is to be applied for income from capital with reference to the proceeds accrued from 1 July 2007, while for capital gains it will be possible to frank the gains accrued on the securities held at 30 June 2014, net of the related losses, applying the previous rate of 20%.

Lastly **Italian Law no. 186 of 15 December 2014** introduced special regulations, **known as** *"Voluntary Disclosure"*, **to enable taxpayers to bring in line with the law the financial assets held abroad at 30 September 2014**. The Voluntary Disclosure regulations provide for the active presence of the Financial Administration in the disclosure procedure, inasmuch as the taxpayer must produce the entire documentation to the Tax Authorities, paying the entire amount of the taxes due, benefiting from the reduction of the applicable penalties and from protection against criminal charges. The Law also provides the possibility of disclosing, with procedures similar to those prescribed for assets held abroad, any violations to the reporting obligations for the purposes of income taxes and related surtaxes, of IRAP and of VAT, as well as the violations relating to the withholding agent declaration committed until 30 September 2014. This procedure may be initiated by natural persons but also by enterprises and other entities and it may be used to put right the evasions which generated the funds transferred abroad (or invested in financial or capital assets held in Italy).

GROWTH OF THE BPVI GROUP: ACTIVITIES WITH STRATEGIC IMPORTANCE

As was widely expected, the year 2014 was confirmed to be another challenging year, not only because of the macroeconomic and financial environment, which was still difficult and uncertain, but also and above all because of the radical regulatory innovations and changes that involved not only the Italian, but also the European banking system. We refer, in particular, to the launch in November 2014 of the European single banking supervision, the first decisive step towards the European Banking Union. As is well known, this phase was preceded by an intense period of in-depth preventive assessment by the ECB, the "Comprehensive Assessment", which lasted approximately 1 year and involved and strongly engaged the 130 most important European credit institutions (15 of them Italian), including Banca Popolare di Vicenza. **As is well known, the BPVi Group successfully underwent this thorough assessment**, recording excess capital not only in the Asset Quality Review, but also in the stringent Stress Tests, but whose outcome led nonetheless the Parent Bank's Board of Directors to adopt a particularly prudential approach in the policy for provisions and asset measurement. The successful completion of the ECB's preventive examination was made possible thanks to the good capitalisation level reached by the BPVi Group, strengthened **by the capital increase initiatives successfully completed in 2014** (euro 608 million through extraordinary capital increase and euro 102 million through the new Member campaign), which led **to the attainment of a pro forma Common Equity Tier 1** (including the conversion of the convertible bond, amounting to euro 253 million) **of 11.34%**. Equally important was the consequent growth of the number of Members, which rose to 116,797 at the end of 2014, more than double compared to the end of 2008.
These results appear yet more valuable if one considers that in recent years the BPVi Group has been among the very few Italian banking groups whose **loans have increased[4] : +2.6% from the end of 2010 to the end of 2014, thanks to Euro 11.7 billion in new loans** issued to households and businesses in the last 4 years. The constant effort to support the economic recovery of the areas where the BPVi Group operates is attested not only by the ongoing lending activity, but also by the launch of important, innovative initiatives directed at providing a concrete response to businesses' structural finance needs, e.g. **the minibond instrument** and **the assistance to SMEs on their way to stock market listing**. In particular, on the minibond offering the BPVi Group is gaining recognition as one of the most dynamic operators on the market, having already reached, in 2014, a market share of 43% in terms of volume in the euro 5-50 million issue segment.
This "way of banking" has enabled the BPVi Group to **increase the appreciation and satisfaction of our customers**, whose number at the end of 2014 had risen to nearly **1.4 million (+4.8% year on year)**. Our customer base grew not only in terms of quantity, but also of quality, as confirmed by the most recent customer satisfaction surveys[5] , which show that our **level of customer acquisition and loyalisation is among the best in the Italian lending System**.
Among the other initiatives that characterised the year 2014 are the **initiatives for revising and enhancing the distribution model of the BPVi Group** and among them, in particular, the launch of a specific project called **"Multi-channel Evolution"**, directed at further developing the direct channels supporting the customers' transactions with the bank. This initiative included the recent launch of the new onling banking platform of the BPVi Group, called **BPViGO!**, which in upcoming months will lead to the progressive enhancement of the functions accessible through the Internet banking and mobile banking channels.
Lastly, of note is the continuation of the **A-IRB Project** (Advanced Internal Rating Based), directed at accomplishing the shift to advanced methods for credit risk management, for all banks in the Group.

Every activity of strategic importance that marked the operations of the BPVi Group during 2014 is described in greater detail below.

(4) Gross loans net of operations with Cassa Compensazione e Garanzia and of the other repurchase agreements.
(5) ABI-Eurisko and ABI-SDA Bocconi surveys carried out in 2014.

CAPITAL STRENGTHENING INITIATIVES

To increase its capital, also in view of the shift to the direct Single Supervision of the European Central Bank, on 18 February 2014 the Board of Directors of the Bank resolved to start **two new capital increases**, the first one to be completed within the scope of the powers already vested in the Board of Directors by the Stockholders' Meeting of 30 April 2011 and the other one through an ordinary capital increase directed at broadening the stockholder base.

The tender period of the first capital increase, totalling euro 608 million, had been set to start on 12 May 2014 and end on 8 August 2014 and it entailed the option, for subscribers, of concurrently subscribing **5-year registered bonds with annual return of 4%**, up to an amount equal to the subscribed capital increase. The shares were offered at the price of Euro 62.5 (1 share for every 9 shares and 1 share for every 9 convertible bonds held), while the bonds were offered at the nominal value of euro 62.5. Additionally, the capital increase provided for the recognition of a **"loyalty bonus"**, i.e. the assignment, without additional outlays, of 1 new share every 4 shares subscribed (25% of the value) in favour of those who will continuously maintain ownership of the assigned shares and of those already held at the start of the tender period for a time interval of 36 months.

On 8 August 2014, the expiry date of the tender period, **the capital increase by euro 608 million was successfully completed**, with demand widely exceeding supply and amounting to more than euro 700 million.

The second capital increase, i.e. the "ordinary" one, instead, **was aimed at expanding the membership base;** the shares were offered to parties who do not own any of the Bank's shares or to stockholders owning fewer than 100 shares. Aspiring new members could subscribe the shares with their own funds or with funds obtained from a **loan made available by Banca Popolare di Vicenza**, in compliance with Article 2358 of the Italian Civil Code. In this latter case, the number of shares paid with the amounts lent by the Bank was not computed for supervisory purposes and is subject to lock-up (obligation not to sell all or part of the shares held) until the loan reaches maturity or is fully repaid. At the end of 2014, the aforesaid ordinary capital share increase determined the subscription of euro 102 million, of which 41% was financed by the Bank itself.

The capital strengthening initiatives successfully completed in 2014, coupled to those already carried out in 2013, brought to euro 1.3 billion the total capital increase achieved by the BPVi Group in the last two years. In 2013, euro 253 million had been raised in an extraordinary capital increase, euro 100 million in a capital increase intended for new stockholders and euro 253 million in convertible bonds, which will be converted into shares early, with settlement at the end of May 2015, as resolved on 10 February 2015 by the Bondholders' Meeting for the aforesaid bond.

The capital strengthening initiatives completed in the last two years, including the conversion of the convertible bond placed in 2013, **led to the attainment of pro-forma CET 1** (Common Equity Tier 1, the main capital ratio in accordance with Basel 3 regulations) **at 31 December 2014 of 11.34%** (the Core Tier 1, the highest quality capital ratio according to Basel 2 regulations, was 9.21% at the end of 2013). The capital strengthening of the Group was also accompanied by the **significant growth of the number of Members of BPVi, which rose to 116,797 at the end of 2014**, having grown by approximately 29% in the year and having **more than doubled compared to the end of 2008**, when the members/stockholders were 56,754.

THE COMPREHENSIVE ASSESSMENT AND THE RESULTES THE BPVi GROUP

It is well known that **the BPVi Group is one of 15 Italian banking groups that, in 2014, were subjected to the Comprehensive Assessment** promoted by the supervisory authorities of the EU in collaboration with national ones, in view of the shift to direct Single Supervision by the ECB, which then took place last November.
The main purposes of the Comprehensive Assessment were **to improve the quality of information available on the condition of banks** and to **identify and implement any necessary corrective actions**, assuring investors that banks are fundamentally sound and trustworthy. The assessment comprised **3 specific** audit **phases**:
– **a general risk analysis** (Supervisory Risk Assessment), completed at the end of 2013, directed at identifying in quantitative and qualitative terms the fundamental risk factors of individual banks, including those pertaining to liquidity, financial leverage and financing cost;
– **an asset Quality Review** (AQR), completed in early July, entailing the audit of the correct classification and assessment of the loan portfolio with reference to 31 December 3013;
– **a test to verify the resilience of banks' balance sheets to stress scenarios** (Stress Test with "baseline" scenario and with "adverse" scenario), completed with the publishing of the results on 26 October 2014.

At the end of the ECB's assessment, **the BPVi Group passed with flying colours and was included among the 120 top banks in Europe**, having been found to have excess capital both in the Asset Quality Review, by euro 593 million, and in the Stress Tests, by euro 554 million in the baseline scenario and euro 30 million in the adverse scenario.
After the completion of the Comprehensive Assessment, **from 4 November 2014 onwards the BPVi Group, with the other 12 Italian intermediaries considered "significant"** (i.e. those with assets exceeding Euro 30 billion), **passed under the ECB's direct single supervision**; this change involved the 120 main European banks.

EVOLUTION OF THE BPVI GROUP'S DISTRIBUTION MODEL

Since 2013 a series of initiatives have been taken **to revise and strengthen the distribution model of the BPVi Group**, with the goal of introducing a flexible method of covering the territory and managing customer relations that can best **couple effective commercial action with efficient resource utilisation**.
The new service model of the BPVi Group **confirms, yet again, the central role of the branch**, seen as the main channel for developing relationships with customers. For this reason, in recent years the presence of the BPVi Group in Italy was strengthened by the focused opening of branches in important areas that previously had not been covered. This strategy entailed certain important branch openings carried out in 2014, including **Naples**, the BPVi's first outlet in Campania, and **Lecce**, the second BPVi branch in Puglia after the one in Bari. With the goal of expanding the presence of the BPVi Group in provinces of strategic interest and prestige, in the first half of 2014, **1 branch located in Turin was acquired from Banca Popolare di Spoleto and 16 branches were acquired from Cassa di Risparmio di Ferrara**, of which 14 are situated in Lazio (13 in Rome and 1 in Guidonia Montecelio in the province of Rome) and 2 in Emilia Romagna (1 in Forlì and 1 in Cesena).
With reference to the physical branch network, in 2014 the **"star model"** was further extended; it was introduced in 2013 with the goal of maintaining an active commercial presence in local micro markets, optimising the portfolio of managed segments (Affluent and Small Business) and providing customers with greater access to specialist advisory services. This model calls for the combination of full-service branches (Hub Branches) and "satellite" branches providing partial services ("light" branches). The hub branches carry out all banking transactions, from teller operations to advisory services, whilst the light branches will merely provide basic services, with the support

of the hub branch for services with higher value added. With this model, benefits were obtained in terms of operating flexibility, leveraging the synergies that could be offered by multiple outlets grouped in a Star Branch. In the last quarter of 2014 the "star model" was extended to another group of branch for a total number of 267 branches involved at the Group level (41% of the total).
In addition to the strengthening of the branch network, the new distribution model also calls for **the development and enhancement of the other distribution channels**, to respond to ongoing changes at market level and to optimise presence in local markets. To do this, in 2014 **a specific project called "Multi-channel Evolution"** was launched to accommodate the market trend that sees an ever more significant increase in the use of direct channel in the customers' transactions with the bank. Briefly, along with and in support of branches, which, as stated, remain the essential core of the Group's distribution model, other Bank-Customer contact channels will be developed: for instance, the digital channels, the contact centres and also third party Networks of agents and financial promoters. In relation, in particular, to the evolution of digital channels, of note was the launch, in January 2015 of the new online banking platform of the BPVi Group, called **BPViGO!**, which in upcoming months will lead to the progressive enhancement of the functions accessible through the Internet banking and mobile banking channels, the introduction of new innovative service models such as the opening of accounts in fully paperless mode and the option for customers to interact with their operator remotely (through "videocalling" functions).
With regard to third-party Networks in particular, at 31 December 2014 the BPVI Group, through the subsidiary "BPVI Multicredito", can already count on a network consisting of **180 financial agents** operating in 43 Italian provinces, in addition to **119 financial promoters** (56 acting for the Parent Bank and 63 for Banca Nuova). The promoters and agents work in close collaboration and in support of the outlets, in order to develop the growth of the customer base.
Lastly, in coordination with the "Multi-channel Evolution" project, the **E-money Project** was launched with the goal, on one hand, to exploit the opportunities offered by new technologies at the payment system level (proximity mobile payments, Near Field Communication, digital wallet, real time fund transfers, etc.) and on the other hand to increase the degree of penetration in this segment thanks to a broad range of products.

INITIATIVES AND RESULTS ON THE FRONT OF SUPPORT TO SMALL AND MEDIUM ENTERPRISES

In 2014, although the macroeconomic environment remained challenging and uncertain, the BPVi Group confirmed its commitment to support local small and medium enterprises, both with its usual lending activity and through the launch of some innovative initiatives, aimed at promoting the consolidation of the enterprises' financial structure.
On the front of core lending activities, **in 2014 the stock of gross loans of the BPVi Group remained substantially unchanged** compared to the end of 2013 (-0.8% year on year net of operations with Cassa di Compensazione e Garanzia and of the other repurchase agreements), **although it still grew by 2.6% compared to the end of 2010**. Once again, the annual result was better than the average figure for the System, which declined by 2.1% compared to 31 December 2013 (value calculated net of central counterparties). This performance was sustained, in particular, by the intense new loan activity which, even though the demand for loans was confirmed to be weak overall, in 2014 saw approximately **euro 2.4 billion in new loans**, of which 37% were to households and 44% to small and medium enterprises of the areas where the Group operates.

Lending to manufacturing industries was facilitated by **many agreements stipulated and in force between Banca Popolare di Vicenza and major Trade Associations, Credit Guarantee Consortia (Confidi) and Public Agencies** operating in the areas where the BPVi Group is active: at the end of December, there were **approximately 600 agreements and conventions** in favour of the economic recovery and at the service of Public Institutions.

Among other initiatives in favour of enterprises, of note are the numerous ones aimed at **meeting liquidity requirements**, also using available regulatory instruments (CDP/BEI Funds, Nuova Sabatini, Central Guarantee Fund, etc.), **supporting the establishment of new enterprises**, through agreements with various local agencies for the creation and development of "enterprise incubators", and **support for SME internationalisation**, through a specialised structure in Italy and direct presence in Countries with the highest potential, through the Bank's 6 Representative Offices.
Moreover, in 2014, important initiatives were launched to provide a practical response to businesses' structural finance needs through other than strictly banking instruments of a highly innovative nature, such as directly providing risk capital through the **Private Equity funds** managed by NEM Sgr, the launch of **minibond operations** and the new Equity Capital Markets for **listing SMEs on the Stock Market**.
In particular, with regard to minibonds, i.e. long-term financing instruments recently made available for unlisted SMEs with the incentives introduced with the "Italy Development" and "Destination Italy" Decrees, the BPVi in its first year of activity originated and listed on the Extra-MOT Pro **10 operations for a total placed amount of Euro 190.4 million** with the involvement of over 40 financial institutions as subscribers. The 10 issues involve high-quality Italian enterprises, some of them very active on international markets, that operate in the most diverse industries, such as engineering, energy, food, machinery, ICT. On the minibond offering the BPVi Group is gaining recognition as one of the most dynamic operators on the market, having already reached, **in 2014, a market share of 43% in terms of volume** in the Euro 5-50 million issue segment.
With regard, instead, to assisting SMEs to achieve Stock Market listing, in 2014 **a dedicated Equity Capital Markets structure** was established in the Finance Division with the purposes to expand the commercial offering to corporate customers, complementing the ordinary services with those connected with stock placement and Stock Market listing. In June 2014, the Bank achieved the **Nomad (Nominated Adviser) qualification,** i.e. enrolment in the dedicated register of entities authorised to assist and advice entities intending to be listed on AIM (the unregulated market of Borsa Italiana dedicated to small and medium enterprises) and entered into a partnership agreement with Borsa Italiana, with a view to being a favourite counterparty, able to assist SMEs across the board to respond to their financing needs. **At the end of 2014, the Bank assisted 3 companies in the process for their listing on AIM Italia** and, for 2 of them, it also took on the role of global coordinator.

INITIATIVES AND RESULTS ON THE LIQUIDITY RISK MANAGEMENT FRONT

Among the main operational results achieved by the BPVi Group, in 2014 **the structural liquidity profile was further improved**. This result was achieved through the development of direct retail funding, reducing the costliest funding component (in particular with financial companies and large enterprises), and completing a series of medium-long term funding operations both on the front of **senior issues under the EMTN Programme** and on the front of **securitisations** with underlying mortgages. Among the latter transactions, in 2014 the following were completed:

- **Public issue of 3-year senior unsecured bonds under the EMTN Programme** for a total amount of euro 500 million placed on the primary market. Compared to the size placed on the market, requests amounting to over euro 770 million were collected (1.5 times the book). The placement of approximately 45% of the issue took place with foreign operators.
- The placement of private issues with Italian and foreign investors **(private placement) within the EMTN Programme**, with maturity between 2 and 10 years, for a total amount of euro 974 million.
- A securitisation of home mortgages issued by the Banks of the BPVi Group (Parent Bank and Banca Nuova), called **Berica ABS 3**, for a total nominal value of approximately **euro 1 billion**. The operation met with great success on the market inasmuch as, considering the significant size of the senior tranche placed (euro 835.4 million) and its expected maturity (higher than other issues placed by Italian originators), i.e. approximately 4.8 years, demand widely exceeded

the original offer (2.25 times the original amount). The investor base was broad and diversified, including mutual funds, insurance companies, banks and other financial institutions. The placement of over 82% of the issue took place with foreign operators, confirming the recognised reliability of Banca Popolare di Vicenza, active on the securitisation market since 2001.

Thanks to these initiatives, **the ratio of loans to direct funding** (net of repurchase agreements with central counterparties) **improved by 99.8% in 2013 to 96.1% at the end of 2014** (-3.7 percentage points) whilst the main structural liquidity ratio introduced with Basel 3, the **LCR - Liquidity Coverage Ratio, is already above the requirements prescribed by Basel 3 for 2015**.

Lastly, with reference to the **new Targeted Longer Term Refinancing Operations (TLTRO)** announced by the Governing Council of the ECB on 5 June 2014, the BPVi, consistently with its mission to support households and businesses and in line with the objectives of the European Central Bank in support of the process for the supply of banking credit to the real economy, used this source of financing by a total amount of euro 1.25 billion.

UPDATE OF AIRB - ADVANCED INTERNAL RATING BASED - PROJECT

As has already been described in the Report on Operations of the 2013 Financial Statements, the BPVi Group is currently implementing the **A-IRB Project** (where A-IRB stands for Advanced Internal Rating Based) with the aim of completing the shift to advanced credit risk management methods.

The adoption of advanced method determines, in company management terms, the enhancement and better integration of corporate processes and controls pertaining to managing, monitoring and issuing credit and of strategic and operational planning processes, as well as the improvement in the sales approach through pricing policies that are calibrated according to customer risk measurements.

In 2014, the AIRB Project entailed **the launch of New Rating Systems** (models, processes, procedures, regulations) developed with a view to AIRB for all credit risk segments: *Large Corporate*, *Sme Corporate*, *Sme Retail*, *Small Business* and Private; consequently, the New Rating Assignment Procedure was made operational through the Group's sales network.

In addition, during the year, the initiatives directed at assuring the use of the parameters produced by the Basel 2 models (PD and LGD) in major corporate processes were identified and definied. *Inter alia*, **the organisational structure for Data Quality Management was established, the AIRB Data Quality Management Committee was set up and the IT system for controlling data and the related reporting** was activated. Lastly, the activities of the control functions ("Validation Function" and "Audit Function") continued; in December, they presented the report of their activities to the Corporate Bodies.

The involvement across all main bank functions, the strong internal commitments and the intense training activity carried out have enabled the Group, and in particular the sales Network's personnel, effectively to cope with the complex change deriving from the activation of the new rating models and from the evolution of the Bank processes.

The activities of the A-IRB Project will also continued in 2015, including, in addition to the consolidation of the implemented system and completion of the activities of the control functions, the start of the activities directed at applying the new regulatory revisions within the new European Supervision scenario.

OTHER INFORMATION

Banca Popolare di Vicenza's Ratings

The Parent Bank Banca Popolare di Vicenza is currently rated (counterparty rating) by the rating agencies **DBRS** and **Fitch Ratings**.

On 15 December 2014 DBRS updated the ratings assigned to Banca Popolare di Vicenza, **confirming both the long-term rating of BBB (low), and the short-term rating of R-2 (low). The "negative" outlook** on both ratings was confirmed. The rating assigned to BPVi, which is confirmed to be "investment grade", reflected BPVi's solid market position with Retail and SME customers in many major industrial regions of the Northeast of Italy, as well as the expansion of the number of Members and the improvement in the liquidity profile. The rating also took into account the high level of impaired loans and the need to increase the Bank's coverage levels.
The negative outlook assigned to the rating reflected the expectation on the part of DBRS that the cost of credit would remain high, as a consequence of the still fragile economic environment in Italy, coupled with the Bank's low coverage levels and with the increased regulatory pressures by the ECB.

On 16 July 2014, **Fitch Ratings** as part of its annual revision of the ratings of Italian medium-sized banks, updated its rating of the Banca Popolare di Vicenza, **lowering the rating on medium/long term debt to BB** from BB+ and **confirming the short-term rating at B. The outlook** was improved **from "negative" to "stable"**. The rating reflected the deterioration in the quality of the assets and the low coverage levels. According to Fitch, the capital strengthening initiatives underway or already planned were necessary to offset the potentially high adjustments on loans that could have emerged in the course of the ECB's Asset Quality Review, although the agency had recognised that new impaired loan flows had slowed down in the first two quarters of 2014. The stable outlook, instead, reflected the capitalisation level and the signs of normalisation of the Italian operating environment.

The table below summarises the ratings assigned to Banca Popolare di Vicenza.

Rating agency	Lung term rating	short term rating	Outlook	Date
DBRS	BBB (*Low*)	R-2 (*Low*)	Negative	15/12/2014
Fitch Ratings	BB	B	Stable	16/07/2014

On 4 March 2014, the rating agency **Standard & Poor's** updated the Banca Popolare di Vicenza's rating, **confirming the evaluation on the long-term debt at BB, the short-term debt at B and the "negative" outlook**. On that same occasion, Standard & Poor's **had withdrawn the rating** as requested by BPVi. On 18 February, as part of a rationalisation of the transactions with rating agencies, Banca Popolare di Vicenza had notified said agency of its intention to withdraw from the outstanding agreement it had with the agency.

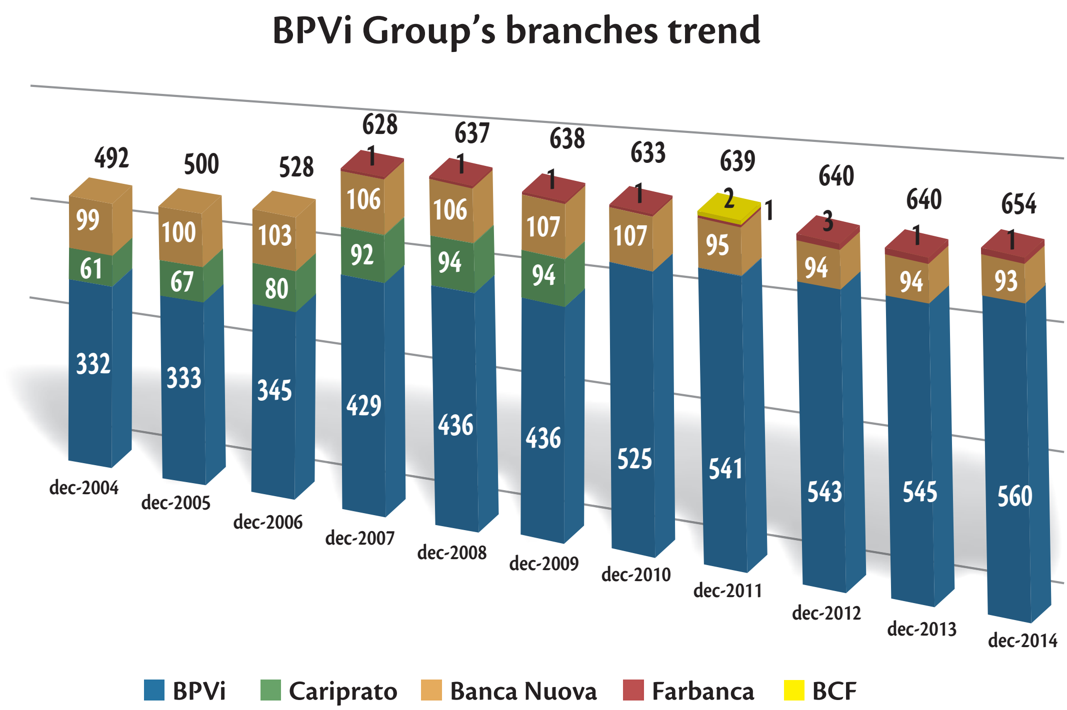
OPERATIONAL STRUCTURE

TERRITORIAL PRESENCE OF THE BANCA POPOLARE DI VICENZA GROUP

This section of the Report on Operations provides information about the **territorial presence and positioning of the branch network** and the **changes in employment by the BPVi Group**.

Traditional distribution channels

At 31 December 2014, **the BPVi Group's network consisted of 654 branches**, situated in **16 regions and 69 provinces throughout Italy**, accounting for **2.1%** of the national total, up from 2.0% at the end of 2013.



As shown in the above chart, at the end of 2014 **the BPVi Group increased the number of its branches by 14 compared to 31 December 2013 (640 branches)**, both by external acquisitions and through internally generated growth, through the strategy of expanding the presence in provinces of strategic interest and continuing the initiatives to reposition the branches geographically. In 2014, the **Parent Bank acquired**, on 1 January 2014, **1 branch located in Turin from Banca Popolare di Spoleto and**, on 1 June 2014, **16 branches** from Cassa di Risparmio di Ferrara, of which 14 are situated in Lazio (13 in Rome and 1 in Guidonia Montecelio in the province of Rome) and 2 in Emilia Romagna (1 in Forlì and 1 in Cesena: before then, the Group had no presence in these locations).
In addition to these acquisitions, in 2014 the **Parent Bank opened 4 new branches** (in the provinces of Padua, Venice, Naples and Lecce) **and closed 6 others** (4 in Rome, 1 in the province of Treviso and 1 in Vicenza).
In 2014 **Banca Nuova** opened **3 new branches** (2 in the province of Messina and 1 in Agrigento) **and closed 4 branches** (2 in the provinces of Messina, 1 in Trapani and 1 in Cosenza), bringing its total number of branches in Italy to 93 (78 in Sicily, 14 in Calabria and 1 in Rome).
The geographical distribution (regions and main provinces) of the BPVi Group's branches is shown below. The **5 provinces with the largest number of branches** are, in order: **Vicenza** (94 branches), **Treviso** (52), **Brescia** (36), **Udine** (36) and **Padua** (33).

BPVi Group's branches geographical distribution	12/31/2014	12/31/2013	Abs. Chg.
Veneto	**258**	**258**	**0**
Vicenza	94	95	-1
Treviso	52	53	-1
Padova	33	32	1
Verona	31	31	0
Venezia	27	26	1
Friuli Venezia Giulia	**64**	**64**	**0**
Udine	36	36	0
Pordenone	14	14	0
Lombardia	**89**	**89**	**0**
Brescia	36	36	0
Bergamo	24	24	0
Milano	13	13	0
Emilia Romagna	**18**	**16**	**2**
Liguria	**5**	**5**	**0**
Piemonte	**3**	**2**	**1**
Trentino Alto Adige	**2**	**2**	**0**
NORTHERN ITALY	439	436	+3
Toscana	**90**	**90**	**0**
Prato	31	31	0
Firenze	22	22	0
Pistoia	8	8	0
Marche	**1**	**1**	**0**
Umbria	**2**	**2**	**0**
Lazio	**26**	**16**	**10**
di cui Roma	23	13	10
CENTRAL ITALY	119	109	+10
Abruzzo	**1**	**1**	**0**
Puglia	**2**	**1**	**1**
Campania	**1**	**0**	**1**
Sicilia	**78**	**78**	**0**
Palermo	28	28	0
Trapani	17	18	-1
Calabria	**14**	**15**	**-1**
SOUTHERN ITALY	96	95	1
Total	654	640	14

The following table shows the changes during the year in the Branch network of each Group bank.

BPVi Group's branches trend	12/31/2014	12/31/2013	Abs.Chg.
Banca Popolare di Vicenza	560	545	+15
Banca Nuova	93	94	-1
Farbanca	1	1	0
Total	**654**	**640**	**14**

Third Party Networks and the other sale channels of the BPVi Group

In addition to branches, the BPVi Group's sales network includes **14 finance shops**[6] (10 Banca Nuova and 4 BPVi Multicredito), **32 private customer points**[7] (27 for BPVi and 5 for Banca Nuova), **1 financial space** for Prestinuova, **totalling 701 outlets**.

From 2013 onwards, a programme for the **evolution of the BPVi Group's distribution model** was launched, providing, *inter alia*, the **enhancement of the networks of freelance professionals (Financial Promoters and Financial Agents)** in support of the branches' operations, with the goal of acquiring and gaining the loyalty of a significant number of new customers, both private and small business, assuring high levels of service and adequate risk management. **At 31 December 2014 the network of financial promoters consisted of 119 professionals** (56 for BPVi and 63 for Banca Nuova), 16 more than in December 2013, while at the same date **the number of agents** operating with the new company of the BPVi Group called "BPVI Multicredito Agenzia in Attività Finanziaria Spa" **consists of 180 professionals** (168 at 31 December 2013).

BPVi Group's Other distribution channels	12/31/2014	12/31/2013	Abs.Chg.
Finance Shops	14	14	0
Private Customer Points	32	32	0
Financial Spaces (Prestinuova)	1	3	-2
Financial Promoters	119	103	+16
Financial Agents	180	168	+12
ATM	757	736	+21
POS	40,116	32,029	+8,087

Electronic channels

(6) Permanent operating point open to the public where the Bank allows one or more Financial Promoters and/or Agents appointed with a specific agency agreement to carry out their professional activities exclusively for the bank.
(7) Permanent operating point open to the public, dedicated to the operating management of Private Banking customers.

In addition to the traditional distribution channels, our Bank has long provided an established range of **electronic channels**, alternative to ordinary branches, through which individual customers and businesses can make queries and give instructions in relation to their accounts.

Appreciation for this operating mode has progressively grown over time and, in line with the market's evolutionary trends, the offering has become richer with the introduction of new features and with parallel constant upgrades with the best technological solutions and according to the most stringent security parameters.
At the end of 2014, the number of individual customers active on the **@time** channel reached 250 thousand, whereas on the front of businesses **@time impresa**, the remote banking solution that enables to connect directly with the Bank and, from the Bank, to interact also with the other banks with which they have accounts (multi-bank function), was activated by more than 70 thousand businesses.
Among the main innovations introduced in 2014, particularly noteworthy are:
- the *"Software Token"* for individuals who, through an additional feature of the @time mobile service for smartphones and tablets, provides the authorisation codes for transaction orders, replacing the physical OTP key;
- the innovative on-line instrument payment ***"MyBank",*** manageable through @time, which enables to pay the purchases made over the Internet from participating stores, directly from their own multi-channel service, with no need to enter any payment card data;
- the convenient ***"m-POS"*** product for stores which allows, through an app and a "pinpad" card reading device, to enable users' smartphones or tables to accept payments made with debit and credit cards. This solution is particularly appreciated by freelance professionals, craftsmen, merchants and businesses needing to accept payments even while operating in mobility.

Moreover, in 2014, as a result of the great importance reached by channels other than branches, the Bank launched a project for the complete revision of the "look and feel" of its own multi-channel platforms, which will see the further extension of the functions available on direct channels (Internet Banking, Smartphones, Tablets, etc.), the remote activation of sale processes through the digital signature of the contracts by the Bank and by the Customer ("paperless" Process) and a greater integration of the Contact Centre with the account management instruments present in the branch, with the introduction of innovative functions that will enable customers to interact with the Bank in real time ("Remote Operator").
In January 2015, the BPViGO! brand was launched; it represents the new, single point of access to the multi-channel world for all customers. At the same time, the home banking graphic interface was redesigned and the presentation of certain information was reorganised. In upcoming months, numerous new features will be progressively released, making **BPViGO!** the single brand under which all the Group's digital initiatives will be collected.

Presence abroad

The BPVi Group has **6 Representative Offices** abroad, whose purpose is to facilitate commercial transactions between Italian companies and the principal international markets, providing appropriate services for entrepreneurs intending to expand in those areas, and to develop lasting business relations with the principal and most experienced banking counterparties in these countries. The offices are located in **Hong Kong** (China), operating since the Eighties, **Shanghai** (China), since 2005, **New Delhi** (India), since April 2006, **Sao Paulo** (Brazil) operating since January 2011, **New York** (USA), operating since mid-October 2011, and **Moscow** (Russian Federation), opened in October 2013.
The BPVi Group also has a subsidiary in Dublin (Ireland), called **BPV Finance (International) Plc,** specialised in proprietary trading, which carries out its activities investing in financial instruments, with a medium-long term perspective, and issuing loans to foreign subsidiaries of companies that are the Group's customers.

In Countries where the BPVi Group operates Representative Offices and in the others where it does not maintain a direct or indirect presence, to provide the best support to companies in international markets, **cooperation agreements have been signed with 71 foreign banks with a total network of approximately 85,000 branches, located in 47 Countries**, including: Afghanistan, Albania, Argentina, Australia, Austria, Belarus, Bosnia Herzegovina, Bulgaria, Canada, Chile, China, Korea, Croatia, Ecuador, Egypt, Russian Federation, Philippines, Georgia, Japan, India, Indonesia, Iraq, Kosovo, Macedonia, Malaysia, Morocco, Mexico, Mongolia, Peru, Poland, United Kingdom, Czech Republic, Romania, Serbia, Slovakia, Slovenia, Spain, South Africa, United States, Taiwan, Thailand, Tunisia, Turkey, Ukraine, Hungary, Venezuela, Vietnam.
In 2014 Banca Popolare di Vicenza **entered into 5 new co-operation agreements**: with the Ecuadoran bank, **Banco Pichincha of Quito**, with the Thai bank, **Krung Thai Bank of Bangkok**, with the English bank **Lloyd's Bank of London**, with the Mongolian bank **Golomt Bank of Ulaanbaatar** and with the major Austrian banking group, **Raiffeisenbank International of Vienna**. In particular, the cooperation agreement signed with the Raiffeisenbank Group allows to assist customer companies, mainly SMEs, in all 15 Countries of Central-Eastern Europe where the Austrian group is active, with over 3,000 Branches.
Lastly, the BPVi Group has **3,830 correspondent bank relationships with banks located in 167 Countries**, 86 account relationships with banks located in 45 countries and 520 trusted banks, based in 81 countries.

HUMAN RESOURCES

At 31 December 2014, **the staff of the BPVi Group consisted of 5,515 persons**, up by 52 compared to 31 December 2013, i.e. +1.0% (+50 considering effective employment, i.e. also taking into account persons on secondment and project and temporary workers).

The breakdown of the changes in number of employees of the companies of the BPVi Group in 2014, provided in the following table, shows that the Parent Bank had 108 more employees compared to the end of 2013, mostly because of the **acquisitions of the Turin branch** from **Banca Popolare di Spoleto** (10 employees) **and of the 16 branches** (14 in Rome and 2 in the province of Forlì and Cesena with a total number of 68 employees) from **Cassa di Risparmio di Ferrara**, and of the **reorganisation and efficiency-boosting** initiative carried out with respect to the investee Prestinuova, which led to the entry of 20 employees into the Parent Bank.
At the investees **Banca Nuova and Servizi Bancari**, the "Solidarity Fund" was activated for personnel fulfilling pension requirements; this initiative enabled to neutralise the entry into **Banca Nuova** of the employees who came from Prestinuova as a result of the reorganisation and efficiency-boosting activity (11 employees) and entailed a reduction in the number of employees of **Servizi Bancari**.

Staff	31/12/2014		31/12/2013		change	
	Number	Comp. %	Number	Comp. %	Abs.	%
Banca Popolare di Vicenza	4,475	81.1	4,367	79.9	108	2.5
Banca Nuova	712	12.9	719	13.2	-7	-1.0
Farbanca	28	0.5	28	0.5	0	0.0
BANKS TOTAL EMPLOYEES	**5,215**	**94.6**	**5,114**	**93.6**	**101**	**2.0**
PrestiNuova	9	0.2	41	0.8	-32	-78.0
BPV Finance	6	0.1	7	0.1	-1	-14.3
BPVI Multicredito	0	0.0	0	0.0	0	n,s
NEM SGR	9	0.2	7	0.1	2	28.6
Servizi Bancari	239	4.3	259	4.7	-20	-7.7
Immobiliare Stampa	37	0.7	35	0.6	2	5.7
OTHER COMPANIES TOTAL EMPLOYEES	**300**	**5.4**	**349**	**6.4**	**-49**	**-14.0**
TOTAL EMPLOYEES	**5,515**	**100.0**	**5,463**	**100.0**	**52**	**1.0**

The distribution of the Group Banks' Central Offices at 31 December 2014, as shown in the following table, **shows no substantial differences** from the data of the end of 2013: **79% of personnel are employed by the branch Network**, while the remaining 21% of personnel work at the Central Offices or at present are not assigned to any office (seconded, on maternity leave, on leave of absence, social hour, etc.).

Banks employees	31/12/2014				31/12/2013			
	Branch network	Corp. Cennter	Other (1)	Branch%	Branch network	Corp. Center	Other (1)	Branch%
Banca Popolare di Vicenza	3,488	754	233	77.9	3,464	698	205	79.3
Banca Nuova	607	79	26	85.3	607	86	26	84.4
Farbanca	14	12	2	50.0	14	12	2	50.0
Total	**4,109**	**845**	**261**	**78.8**	**4,085**	**796**	**233**	**79.9**

(1) Includes employees transferred in other companies or on leave, etc

The **breakdown** of Group employment by **professional category** at 31 December 2014 shows that there are **100 executives** (+2 compared to December 2013), i.e. 1.8% of the Group's total number of employees, **2,303 managers** (+24 compared to December 2013), i.e. 41.8% of the total, and **3,112 clerical and other employees** (+26 persons compared to December 2013), i.e. 56.4% of the Group's employees.

Employees by professional category as of 31/12/2014	Category				Total
	Senior managers	Managers	Remaing staff	Other(1)	
Banca Popolare di Vicenza	81	1,893	2,500	1	4,475
Banca Nuova	10	297	403	2	712
Farbanca	0	8	20	0	28
PrestiNuova	0	5	4	0	9
BPV Finance	1	1	4	0	6
BPVI Multicredito	0	0	0	0	0
NEM SGR	2	4	3	0	9
Servizi Bancari	3	80	153	3	239
Immobiliare Stampa	3	15	19	0	37
Total	**100**	**2,303**	**3,106**	**6**	**5,515**
Composition %	**1.8%**	**41.8%**	**56.3%**	**0.1%**	**100.0%**

(1) Includes employees belonging to the first Area and the first two levels of second area

At 31 December 2014, **the "effective" employment by the BPVi Group**, calculated by taking account of the employees of the Group companies as well as persons on secondment and project or temporary workers, **totalled 5,529 persons**, i.e. 50 more than at 31 December 2013 (+0.9%).

Permanent staff		12/31/2014					12/31/2013	
	Staff (a)	seconded at other BPVi's Group companies (b)	secondedat other companies (c)	seconded from other companies (d)	other staff(1) (e)	Permanent staff (a-b-c+d+e)	Permanent staff	Absolute Change
Banca Pop. di Vicenza	4,475	43	3	14	16	4,460	4,362	98
Banca Nuova	712	12	0	5	0	705	723	-18
Farbanca	28	0	0	5	1	34	34	0
PrestiNuova	9	0	0	4	0	13	23	-9
BPV Finance	6	0	0	0	0	6	7	-1
BPVI Multicredito	0	0	0	3	0	3	1	2
NEM SGR	9	0	0	1	0	10	10	0
Servizi Bancari	239	3	0	23	0	259	281	-22
Immobiliare Stampa	37	1	0	4	0	40	40	0
TOTAL	**5,515**	**59**	**3**	**59**	**17**	**5,529**	**5,479**	**50**

(1) Includes contract workers

Management of Human Resources

In relation to the **personnel management** of the BPVi Group, 2014 was mainly characterised by the **implementation of the operations for the aggregation** of the Turin branch, acquired from

Banca Popolare di Spoleto, and of the 16 Branches acquired from Cassa di Risparmio di Ferrara Within the scope of these operations, on the job training and integration work was arranged with the involvement of the personnel of the BPVi commercial Network through the establishment of dedicated Task Forces.
Among the significant initiatives from the viewpoint of personnel management, of note is also the activation of **Product Specialists** dedicated to promote commercial efforts within the scope of consumer credit (personal loans, lending secured against one fifth of salary/pension, delegations of payment), identified among the Network personnel of Banca Popolare di Vicenza and of Banca Nuova.

In 2014, moreover, the Group continued to pursue its initiatives for the extension of the new Network model, called **"Star Model"**, which involved 243 branches of the Parent Bank (111 Hub Branches, 129 Light Branches and 3 Operational Extensions). The Model was also applied to 24 branches of Banca Nuova (12 Hub Branches and 12 Light Branches). The number of "cash light" Branches, providing cash service only in the morning, rose to 129 at the Group level (126 BPVi and 3 Banca Nuova). These initiatives enabled to optimise the branches' workforce, enabling to free up over 80 resources, employed to strengthen other branches, or to support certain specific projects. Among them, particularly noteworthy was the activation of a **Task Force of Developers**, identified among Network personnel, dedicated to promote commercial efforts oriented to small and medium enterprises.

Among the significant initiatives from the viewpoint of management and enhancement of the Network's personnel, of note is also the adoption of a **new system for the segmentation of Individual Customers and their inclusion in portfolios**, which led to the activation of 48 new Affluent portfolios.

Other significant initiatives carried out in 2014, which had an impact in terms of personnel management, were the adoption of a new data quality management system as part of the progress of the **AIRB Project** (Advanced Internal Rating Based) and the qualitative and quantitative enhancement of the **Risk Management** Department (consistently with the Regulatory Provisions dictated by Bank of Italy Circular no. 263/2006 as amended), of the structures dedicated to the development and innovation of the **multi-channel services**, as well as of some **structures of the Finance Division**, the better to support the evolution of the Group's business lines and the consequent offer of high value added services for enterprises (e.g., operations involving minibonds and the listing of the SMEs on the stock market).

Training and Development Activities within the BPVi Group

From the viewpoint of the training and development of human resources, 2014 was characterised by an intense activity directed, on one hand, at completing the projects that had already been launched and, on the other hand, to carry out specific training initiatives in response to regulatory and contextual changes. Particularly significant in 2014 was the training activity tied to the **AIRB project** (*Advanced Internal Rating Based*), whereby colleagues were engaged in specific training activities aimed at disseminating the guidelines of the projects and the new operating procedures.
Much attention was paid to the **"Manager Training Academy"**, a training initiative that in its 1st edition involved 16 colleagues, all of whom have since become Branch Managers. In the second half of the year, a revised and improved 2nd edition of the Academy, was started; it is now involving, for approximately 8 months, 23 colleagues from both Banca Popolare di Vicenza and from Banca Nuova, engaged in traditional training activities and in "innovative" training events through operational on the job training at the Bank's different structures.

With reference to the competence assessment and development initiative, which involved 215 colleagues of the Parent Bank's General Management, 2 specific initiatives were activated: the project called **"Being managers in BPVi"** dedicated to structure Managers, which focused on the theme of leadership and on the role of the manager; **"Direction: Future"**, which involved 19 persons, on the specific theme of teamwork and projects.
With the goal of enhancing the colleagues' competencies in the financial field, diversified activities were carried out for the various roles: for Customer Managers, the **"Objective Finance"** project continued; for Affluent Managers, the **DEFS certification curriculum** continued, whilst for Financial Promoters a **specific training programme** was designed on the **Mifid issue** and on the operating aspects referred to the procedures to issue orders of financial instruments.
In addition to the initiatives of a project nature described above, during the year training initiatives were planned and executed as usual, with the aim of enhancing and consolidating the competencies of colleagues in different fields. Among them, of note are the training curriculum intended for "star branch" managers, called **"Moving Target"**, the training provided for preparation for the examination to enroll in the Register of Financial Promoters, the initiatives on Anti-money laundering regulations and on credit risk management, the training on the CAI regulations for Customer Managers, the specific curricula for Deputy Managers, as well as linguistic training (in particular the English language) through a training offer that is diversified according to the individual colleagues' needs.

Like every year, in compliance with current regulations and of their changes, specific training initiatives were devised within the scope of Italian Law no. 81/2008 and Bancassicurazione (Ivass).
Lastly, the outside training initiatives continued at qualified manager training institutions, such as SDA Bocconi, The European House Ambrosetti, ABI Formazione, Fondazione CUOA and Captha in addition to participation, by General Management colleagues, in events and conventions on specialist issues with external organisations.

The following table provides an overview of the **quantitative results** of the training activities carried out in 2014 for the employees of BPVi Group companies, divided in the usual types of **entrance training** (for newly hired employees and all those who change jobs), **permanent training** (with refresher training courses with specialist technical and professional content), **development training** (to promote and strengthen managerial skills), and **mandatory training** (required by law).

Training	Banks of BPVi Group			
(days)	**12/31/2014**	**12/31/2013**	**Abs.Chg.**	**% Chg.**
Entrance	2,185	1,344	841	62.6
Permanent	7,765	5,748	2,017	35.1
Devolopment	3,195	1,922	1,273	66.2
Mandatory	21,407	21,467	-60	-0.3
Total	**34,552**	**30,481**	**4,071**	**13.4**

Briefly, **34,552 training days were administered to the personnel of the BPVi Group's Companies in 2014**, i.e. **13.4%** more than in 2013, with marked increases in "entrance" training, tied mainly to initiatives dedicated to the employees of the branches acquired during the year, and in Permanent and Development training, dedicated at enhancing the specific skills and competencies of the BPVi Group's employees.

Labour-management relations

On the topic of labour-management relations, it should be pointed out that the **supplementary company agreement**, valid for all Group companies, was defined in 2014. The agreement makes it possible to benefit from unified rules for the employment of personnel working in the Group, with a view to developing human resources and controlling costs.
Along with the supplementary company agreement, additional agreements were also executed for the obtainment of financing for the training administered and for accessing the benefits provided by the Solidarity Fund in relation to the suspension of the work schedule.
In addition, an agreement was signed to regulate the transfer of the employment contracts of the Cassa di Risparmio di Ferrara personnel involved in the business unit sale that took place on 1 June 2014.
Lastly, the agreement necessary to comply with the prescriptions of the Data Protection Authority concerning the use of IT systems was defined.

COMMERCIAL ACTION: CHARACTERISTICS AND RESULTS

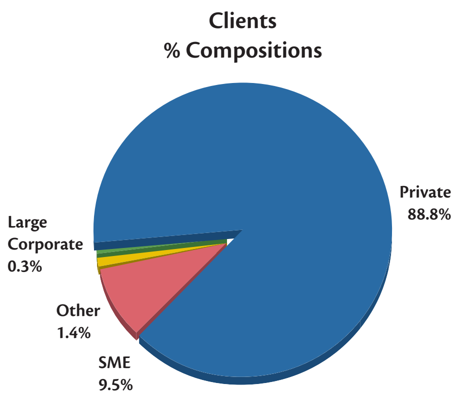
Commercial action: characteristics and changes in 2014

Although the general economic environment was characterised by conditions of fragility and uncertainty, in 2014 the commercial activity of the BPVi Group's Banks focused once again on the appreciation and on support to households and businesses and on the development of the customer base, further strengthening the role of the Group's Banks in their respective areas of operation.
To maximise effectiveness in customer development and oversight, during the year a **new model of individual customer segmentation**, which integrates the usual asset based parameters with elements of a behavioural nature, was developed. This model is better suited to accommodate the evolution of the needs of existing customers. The segmentation criteria of the development model, also directed at defining new service models, enabled to better refine the commercial approach, improving the service rendered and making it more effective, with the goal of satisfying needs and further to promote customer loyalty.
During the year, a great deal of effort was expended in the action to expand individual customers. The lines of action focused, on one hand, on **leveraging existing and potential economic-social relationships** on the areas of interest, e.g. those already successfully launched during the previous year with groups of significant counterparties (employees of customer companies, enrolled in Entities and Associations), and, on the other hand, through the signature of nationwide agreements like those with the Armed Forces and the professional associations.
In addition, numerous **marketing** actions were carried out in support of customer acquisition and loyalisation: from consolidated couponing instruments, to the use of an external outbound call centre stably supporting the branches on specific campaigns and to co-branded agreements with important commercial and institutional entities (Ministry of the Cultural Heritage and Tourism, National Union of Italian *Pro-Loco* associations, La Fenice Theatre in Venice, Udinese Calcio, Vicenza Basketball).
Concerning the **businesses** segment, in 2014 the BPVi Group maintained its commitment in support of the areas of operation and of the economic recovery, developing projects and initiatives in favour of the entrepreneurs and companies operating on the market. In addition to the traditional instruments of financial support, initiatives were carried out to support start-ups, to promote the necessary internationalisation process and, above all, to rebalance the financial profile of small and medium enterprises, through Private Equity funds, Minibond placement and/or Stock-Market listing.

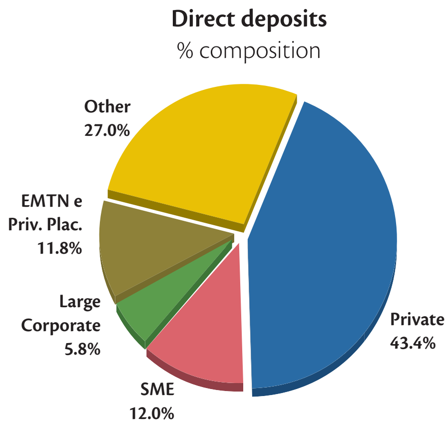
SEGMENT ANALYSIS OF THE BPVI GROUP'S CUSTOMERS AND OPERATIONS

The following is a brief analysis of the characteristics of customers served and the operations of the banks within the BPVi Group.

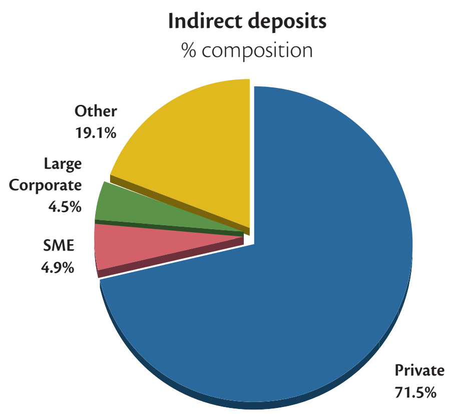
At 31 December 2014, customer distribution confirms the **commercial orientation of the BPVi Group**, with operations dedicated mainly to households and small and medium enterprises, **a common feature among co-operative banks and a typical expression of the socio-economic operating environment**. The chart demonstrates that by far the largest segment of customers is represented by private customers (individuals, VIP customers and bank employees), comprising approximately 89% of the total, followed by the Small and Medium Enterprise segment (retail businesses, with sales of up to Euro 2.5 million, and small and medium enterprises, with sales between Euro 2.5 and 50 million), representing approximately 10% of customers. The percentage of customers in the Large Companies segment (companies with sales above Euro 50 million) was sharply smaller, i.e. 0.3%. The category "Others" (1.4%) includes disputed accounts, certain companies managed directly by the central offices, etc.



Private customers (individuals and VIPs) also dominate **direct funding** (deposits and bonds, net of transactions with central counterparties), contributing over 43% of the total funds gathered by the BPVi Group Banks. The other customer segments, i.e. SMEs and Large Companies, provide a lower contribution, i.e. 12% and 6%, respectively. The funds collected on the Euromarket in the form of the EMTN and Private Placement make up nearly 12% of total Group funding.
Lastly, the "Other" segment accounts for 27% of funding, comprised mainly of funding from customers managed directly and of liabilities in respect of securitisation transactions.



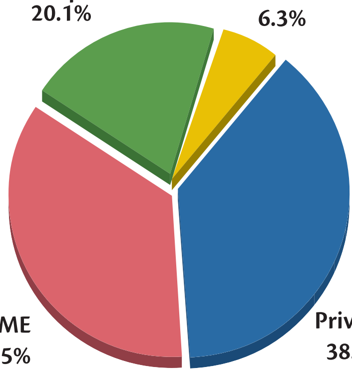
With regard to **indirect funding**, the weight of individual customers is significant, accounting for almost 70% of funds. This is followed by the "Other" segment, with approximately 19%, which includes volumes of funds from direct customers, while the contributions from the corporate segment are much lower, with SMEs and Large companies accounting for 5% each.



The analysis of the contribution of **loans** (net of repurchase agreements with central counterparties), instead, confirms a certain balance among the recipient segments. Confirming the BPVi Group's focus on its core customers, Individuals account for 38% of the Group's loans, followed by SMEs with 36% of the total, whilst Large Companies account for 20%. Lastly, the amount of loans to the "Other" segment (6%) is more limited, comprising mainly the loans of other non-bank companies of the Group (e.g. BPV Finance) and the LRO securities.

Loans

% composition



PRODUCTS, SERVICES AND MARKETS

Commercial innovations for Individuals and Small Businesses

The main objectives of the commercial actions dedicated to Individuals and Small Businesses were **to expand the customer base and to increase cross-selling**, as drivers to boost profitability.
To promote the expansion of the customer base, **numerous conventions were stipulated** in 2014 in favour of the employees of customer companies and with important counterparties like the Minister of Defence, the Tax Police and some Church Institutions. With regard to Small Business customers, particularly important and with nationwide visibility was the conventions signed in Rome in the second half of the year with **Confprofessioni**. This agreement enabled to introduce the Bank as a qualified partner for the various categories of professionals, with the goal of supporting them in complying with regulatory changes, which introduced the obligation for professional firms, merchants and craftsmen to accept payments above a certain threshold (Euro 30) also by electronic payment means (cards). Specific development initiatives also regarded **consumer credit**, with the distribution of the products of Prestinuova, the Group's company operating in the sector of salary-backed and pension-backed loans, and of Compass through personal loans.
With regard to the affluent segment, which comprises customers with assets exceeding Euro 75 thousand, around the end of 2014 the ***Objectway*** application, dedicated to investment consulting, was further developed.
With regard to **indirect funding**, the development of the **asset management** component was further boosted, consistently with the changed market conditions and the customers' strong demand for these products. The many existing agreements with Sgr and Sicav enabled to diversify the offering and adequately to respond to the customers' various, more or less sophisticated demands. Significant attention, moreover, was reserved to **bancassurance**, which provided important feedback especially on Berica Vita's Life Insurance products.
In the insurance segment, in addition, in April 2014 the *"Assurbanking"* Agreement between BPVi and Cattolica Assicurazioni took effect. This agreement is directed at leveraging the competencies and the relationships of the respective sales networks (in the testing phase, approximately 100 branches of the BPVi and 100 Cattolica agencies) and the customers of the two financial Groups, promoting with their respective customers, on the basis of current regulatory provisions, the products and high-level professional competencies held respectively by the Banking Group within the field of payment services and by the Insurance Group within the field of insurance.
Among the product catalogue development initiatives, of note is the expansion of the range of incentives relating to the **commercial offering dedicated to BPVi Members**, described in the specific chapter of this Report within the section "Corporate Social Responsibility and Image".

Lastly, with regard to the changes introduced in the range of the offering, an interesting and innovative initiative was launched at the end of the year to meet the demand of the customers who are most interested in the latest technological innovations. It is the opportunity to **purchase Apple products** (*iPhone, iPad, Macbook and iMac*) **in the branches of the BPVi Group, with a zero-interest rate loan with up to 18 months of maturity**. Our customers, in addition to being able to use the aforesaid loan, can open a free current account called "Semprepiù Insieme", in the case of individual customers, or, for holders of VAT numbers, a current account called "Semprepiù Impresa Medium", with no fee for the first 18 months.

Commercial innovations for Companies

In a market environment still affected by the long recessionary period, the commercial activities dedicated to businesses were once again **focused on assuring the necessary support to local companies**, with the goal of safeguarding employment and contribute to the economic recovery of the areas where the Group operates.

In 2014, as described in the chapter "Initiatives and results on the front of support to small and medium enterprises" of the section dedicated to activities with strategic importance, the activities in support of businesses focused **not only on financial support through the usual lending activities, but also on high value added services** like those devised to promote the **internationalisation process** or the **rebalancing of the financial structure** of SMEs, through the intervention of **Private equity Funds**, **minibonds** and **Stock Market listing**.

Some of the initiatives in **direct support** to businesses **with classic banking instruments** were:

- **Loans issued with CDP (Cassa/Depositi e Prestiti) and EIB (European Investment Bank) Funding**: in 2014, the Group continued to make use of the ceiling of EIB and CDP financing, which allow the bank to obtain funding at competitive rates and, consequently, to issue, for the same amount, loans to companies at controlled prices.
- **The SME Capital Assets - Nuova Sabatini ceiling**: the BPVi was among the first banks to adhere and to start, since its introduction, full and complete operations of this new subsidised State loan, introduced in March 2014 in favour of small and medium enterprises in all productive sectors and aimed at support for investments.
- **The loans guaranteed by the Central Guarantee Fund**: in 2014, the State's support activity, carried out through the Central Guarantee Fund, continued and was expanded, allowing access to loans for SMEs that are deserving in terms of market positioning, but need guarantee support to supplement their modest capitalisation.
- **Advance of PA receivables**: for approximately five years, and well in advance of national programmes, the BPVi Group has been active in the disposal of receivables due to customer companies from the Public Administration, with particular reference to Local Authorities. By taking advantage of the consolidated experience acquired through the management of public treasuries and the subsequent network of relations, the BPVi can now boast 53 agreements with public administrations for the certification and subsequent transfer of the receivable to us. The tool for the disposal of receivables to Local Authorities is especially appreciated by SMEs which represent the majority of suppliers of said Authorities.
- **Support to start-ups**: the recovery of the economy and, above all, of employment cannot be divorced from the establishment of new enterprises. In this sector, the Bank decided to participate in the *"Facciamo Impresa"* and *"Cercando Lavoro"* projects, developed in synergy with the Municipality of Vicenza and the main Trade Associations which aim to establish and sustain micro companies in the Municipality of Vicenza and in another 14 municipalities that took part in the initiative. At the same time, the Bank took part in another significant project to provide support to start-ups, promoted by the Giovani Imprenditori di Confindustria Vicenza Group and called "Primo Miglio 1609". This project, through the establishment of an "enterprise incubator", proposes to support and implement entrepreneurs' ideas for the establishment of new enterprises in the manufacturing industries or otherwise

connected to the manufacturing sector, which remains the main one in the economy of the Vicenza area.
- **New ceiling for loans in favour of SMEs**: in the last two months of 2014, BPVi made available unsecured credit facilities amounting to Euro 1,180 million in favour of approximately 6,000 Small and Medium Enterprises, selected by virtue of their high credit standing, at particularly favourable conditions.

As indicated, in addition to the direct support provided with the various forms of lending described above, during the year a great deal of attention was also paid to the issue of **"structural finance"**, through **the investments the BPVi Group made in the completion of the support structure and in the expansion of the range of products and services on offer** with financial instruments that are not strictly banking instruments and have strong innovative character. Among them, the main ones were:
- ***Private Equity Fund***: in an environment characterised by the severe undercapitalisation of Italian enterprises and excessive use of bank loans, the BPVi decided to offer to its customers, through the funds managed by the subsidiary NEM Sgr, the direct supply of risk capital, but always with minority interests.
- ***Minibond Project***: the Development Decree (Italian Law Decree no. 83/2012) tried to address the Italian enterprises' financing needs, with particular regard to SMEs, amending and establishing alternative financing instruments to the banking channel (bonds, financial bills of exchange and subordinate and participative bonds). BPVi launched a project that aims at finding solutions to the current limits of the sector, represented by the need to have a "standardised" product at "sustainable" costs, as well as by a dearth of investors willing to subscribe the Minibonds to support their placement and subsequent transfer to third party investors. In this first year of activity, the focus was on issues in the euro 5-50 million range, i.e. the typical one of SMEs. ***10 operations*** were completed **for a total placement of euro 190.4 million**, accounting for 43% of the total amount issued in 2014 in the euro 5-50 million range.
- ***Equity Capital Markets Project***: a dedicated Equity Capital Markets structure was established in the Finance Division with the purpose of expanding the commercial offering to corporate customers, complementing the ordinary services with those connected with stock placement and Stock Market listing. In June 2014, the Bank achieved the ***Nomad (Nominated Adviser)*** qualification and entered into a partnership agreement with Borsa Italiana, with a view to being a favourite counterparty, able to assist SMEs across the board to respond to their financing needs. The Bank also launched the process for structuring and placing hybrid financial products such as "going public convertible" and convertible bonds. At the end of 2014, the BPVi assisted, with the role of Nomad, ***3 companies in the process for their listing on AIM Italia*** - Alternative Market of Capital, the market organised and managed by Borsa Italiana for the listing of small and medium enterprises and for 2 of them it also served as global coordinator.

RESEARCH AND DEVELOPMENT

In view of its business and industry sector, the BPVi Group does not generally carry out research and development as such. As a result, it has not recognised any intangible assets or costs in this regard. The routine implementation and update of the product catalogue, designed to ensure that each business offers a complete range of products and services in line with those of major competitors, and the revision of procedures and internal processes to ensure that the operational structure functions adequately, do not result in new or significantly improved products, services or processes with respect to those already present on the market, since they are not the result of research and development in the strict sense.

SYSTEMS

As usual, there were many initiatives that characterised the systems area in 2014. Among them, we should mention, because of their importance, the initiatives relating to the **evolution of the distribution model**, which saw, *inter alia*, the launch of the **"Multi-channel Evolution"** and **"E-money"** projects, directed at further developing the direct channels in support of customers' transactions with the bank. Also of note is the continuation of the **A-IRB Project**, directed at accomplishing the shift to advanced methods for credit risk management. The aforementioned project initiatives have already been described in the section dedicated to activities with strategic relevance, to which reference is made for additional details.
New initiatives were implemented to simplify and improve Network operations, including the **project for the introduction of an electronic system for the paper account statements** produced in the branch with the acquisition of the customer's digital signature.
During the year, moreover, the new IT procedure, intended to support the entire foreign operations of the Group banks, called **Pr.E.M.I.A.** was activated, making it possible to reunify, in a single IT procedure, all areas of commercial interest previously managed in several technological "environments".
With reference to investment services, of note is the considerable development of the instruments for the performance of the **financial advisory service to customers**.
During the year, the IT architecture used by BPVi to manage and support **the operations of financial promoters and agents** was strengthened.
Lastly, work continued on the updates needed to assure **the health and safety of employees in the workplace**, as required by the new "Consolidated Law on health and safety in the workplace", and its subsequent amendments and integrations.

The principal activities of each systems area during 2014 with regard to the organisation of the Group, IT and procedures are described below with respect to each operational area.

SIMPLIFICATION AND BRANCH EFFICIENCY

Work continued on the optimisation of branch processes during 2014, with a view to **simplifying and improving network operations**.
The main initiatives **include organisational activities carried out to consolidate the various elements of the new network model** (star-shaped branches, extension of branch opening hours, cash light branches).
In addition, during the year development continued on the **project for the introduction of an electronic system for the paper account statements** produced in branch with the acquisition of the customer's digital signature via tablet. Therefore, account statements are no longer printed out, but archived digitally ("electronic account statement"), and provided to customers via their Internet banking service or, alternatively, sent to customers' e-mail addresses. Electronic account statements are stored in accordance with law, which means the documents can be obtained and read over time.
In addition, the **experimentation of customers' electronic signature via tablet** was activated on some pilot branches **also for contracts pertaining to the opening of new accounts**.

LENDING

With regard to Lending, in addition to the aforementioned activity relating to the **A-IRB (Advanced Internal Rating Based) Project**, among the innovations in 2014, in the field of appraisals on real estate pledged as collateral, of note was the initiative to harmonise the interfaces with companies appointed to carry out the real estate appraisal service.
In addition, within the lending process, specific processes to **identify new risk indicators** were activated ("Forbearance" and "Trigger" measures).
Moreover, during the year, activities continued to revise the internal regulations as necessary to support changed commercial requirements and the evolution of the general regulatory framework.

FOREIGN TRADING

As regards foreign trading, the so-called **"Progetto Estero"** ("Foreign Trading Project") is particularly significant, whereby, starting on 1 January 2014, the **Pr.E.M.I.A.** platform was activated for the entire Group, the new IT procedure dedicated to supporting all the foreign operations of the Group's banks. The new platform allowed the consolidation in a single IT procedure of all areas of commercial interest previously managed in several technological "environments", ensuring the management of advance and foreign loan products, documentary collections, letters of credit and guarantees, recourse and non-recourse discounts, financial products in addition to all the traditional products of foreign operations. Lastly, the integration of the new application with the other technological environments provided by the SEC information system enabled, also for foreign products, use of the "Commercial Platform", i.e. the tool provided to the commercial network for the sale of domestic products.

At the same time, the **Multicurrency account** was added to the sale products, which allows customers, both individuals and businesses, to operate with a single account in all major foreign currencies, allowing the closure of all existing single currency accounts.

FINANCE

In 2014, **investment services** saw the **continuation** of development of the instruments for the performance of the **financial advisory service to customers**. In particular, BPVi continued consolidation work on the basic advisory system, focusing on portfolio advice for private banking segments and for financial promoters' customers.

Moreover, a new feature was released whereby customers are enabled to select even more prudent portfolios, in risk terms, than the one associated by the system by default on the basis of the existing MiFID questionnaire.
Additional new controls were also introduced (warnings and operating blocks), both when performing the advisory services and when issuing orders, for customers with outdated MiFID questionnaires, and to assure full conformity if their profile changes.

With reference to operations via Third Party Networks, work continued to strengthen the IT architecture used by the Bank to manage both the **operations of financial promoters and of the agents operating with the Group company "BPVI Multicredito - Agenzia in Attività Finanziaria"**. In this regard, following a specific feasibility study and a project launched last year, mobile devices (Tablets) were issued to financial promoters, enabling them to provide a more efficient out-of-office customer promotion and advisory service. An additional feature is being launched to enable financial promoters to obtain the customer's signature on the advisory proposal, provided through the tablet, by means of the Advanced Electronic Signature.

INFORMATION TECHNOLOGY, MULTI-CHANNEL SERVICE AND E-MONEY

In 2014, work continued on the installation of ***Totem Trasparenza*** (Transparency Totem) in all branches of the Group's network, replacing the current manual process for updating the Information Sheets located in each Branch. This project will bring about considerable benefits both in terms of improvement of the Network's productivity and within the dematerialisation process and in terms of regulatory compliance, assuring the immediate updating of the Information Sheets made available to customers. Installation is expected to be completed throughout the Group by July 2015.
Among the main initiatives of 2014, as illustrated above, was the launch of the **"Multi-channel Evolution"** project, with the launch of the **new BPVIGO! brand** and the **E-money Project**, con-

nected with new technologies in payment systems.

In terms of new services offered to customers, the Bank introduced the **POS-sibile** initiative, a new type of POS service, dedicated to shopkeepers and able to channel payments made with debit and credit cards on a prepaid card rather than on the usual current account.

In terms of **technology**, the tenders were completed to identify the suppliers who, in 2015, will carry out a thorough technological renewal of all workstations, both in the Network and in Central Offices. In particular, the **Technological Renewal Project** involves the replacement of all network stations with Thin Clients and the concurrent virtualisation of the workstations, the update of the hardware of central office workstations, migration to the Windows7 operating system, the comprehensive renewal of the printer pool and the update of some architecture components now deemed obsolete (e.g., the revision of the architecture for the management of network files). Completion of the technological renewal plan is expected by the third quarter of 2015.

Lastly, work began on the distribution to all the Group's employees of the new integrated communication platform **Microsoft Lync** that introduces new innovative communication modes, now commonly used, such as "chats", "videocalls" and the possibility to "remotely share documents". Lync is expected to be distributed to all the Group's employees by the first half of 2015.

SAFETY

With regard to the **health and safety of employees in the workplace**, work continued in 2014 on continuous compliance with/fulfilment of the provisions of the "Consolidated law on health and safety in the workplace" (Legislative Decree 81/2008 and subsequent amendments and additions), such as risk assessment and updating work at the Bank's sites, including star-shaped branches and branches with extended opening hours, the "Improvement Plan" and the "Risk Assessment Document - DVR".
In terms of safety, work continued on the "Assessment of Work-Related Stress Risk", mandatory from 1 January 2011, and on confirming, for 2014, the conformity of the Workplace Health and Safety System in accordance with UNI-INAIL Guidelines; compliance was verified through dedicated audits conducted by primary certification companies (DNV).

Lastly, information and training (classroom sessions) continued to be provided to responsible persons, emergency staff (first aid, fire prevention and care of the differently abled), personnel in the Prevention and Protection Department, and Employee Safety Representatives as well as executives with delegated powers.
In terms of **physical and behavioural security**, work continued on alignment to the Parent Bank's security standards and guidelines and Crime-Prevention Memorandums of Understanding were signed with Prefectures and with the ABI. Additionally, robbery risk prevention training continued for branch managers and customer managers and, more in general, information was provided to all Network personnel.

Additionally, the Parent Bank intensified its governance work with respect to the Group's Banks and Companies, both in terms of safety and security, in order "consistently" to comply with legal prescriptions.

SYSTEMS OF INTERNAL CONTROLS

THE SYSTEM OF INTERNAL CONTROLS AND AUDIT FUNCTIONS

With the 15th revision of Bank of Italy Circular no. 263 of 2006 "New regulations for the prudential supervision of banks", issued on 2 July 2013, introduced the new Supervisory Regulations concerning "Internal Control System", "Reporting System" and "Operating Continuity".
The Regulations defined a comprehensive framework of standards and rules undergirding the Internal Control System, consistent with international best practices and with the recommendations of the main international bodies (Financial Stability Board, Basel Committee on Banking Supervision, EBA).
The Internal Control System consists of the set of functions, organisations, resources and processes directed at assuring, in compliance with sound and prudent management and through an adequate process for identifying, measuring, managing and monitoring corporate risks, a business management that is sound, proper and consistent with the pre-set objectives.

The **Internal Control System** is a fundamental element to assure the protection of the company's capital, the efficiency and effectiveness of corporate processes and operations, the credibility of financial disclosure and compliance with laws and regulations.
The current Supervisory Regulations for internal controls define the Internal Control System as a fundamental element of the comprehensive bank governance system; it assures that activities are carried in accordance with corporate strategies and policies and in compliance with the standards of sound and prudent management.
The controls involve, with different roles, the Strategic Supervision Body, the Management Body, the Control Body, the Governance Committees and all Group personnel and they are an integral part of day to day activities. These "controls" must be identified with the goal of mitigating the inherent risks existing in corporate processes and, consequently, assuring the correct execution of corporate operations.
The Internal Controls structure comprises the following three tiers:
- ***Line controls;***
- ***Risk management controls;***
- ***Internal audit.***

Line controls

The purpose of **line controls** is to ensure the correct execution of operations, also by applying a control involving a check of the regular execution of the processes. They are carried out by the operating structures themselves (e.g. hierarchical, system-wide and sampling controls) also through different units reporting to the heads of the operating structures, or performed within the back office; insofar as possible, they are included in IT procedures.
Line controls, whether carried out by real persons or through IT procedures, can be further distinguished into:
- **First level line controls**: these are carried out directly by those who perform a certain activity, or by the IT procedures supporting that activity;
- **Second level line controls**: carried out by persons who do not actually perform the operations but are tasked with supervising them ("risk owners"). In particular, the latter are divided into:
  - o **Functional controls**: carried out by corporate structures separate from the operating structures; they include the functional controls carried out within the scope of specialist back-office or support activities (e.g., controls carried out by back office units on Network operations);
  - o **Hierarchical controls**: carried out by corporate roles hierarchically above those responsible for the operation (e.g. controls carried out by Network Managers on operations carried out by the operators reporting hierarchically to them).

Risk management controls

Risk management controls serve the purpose of ensuring, *inter alia*:
- the correct implementation of the risk management process;
- compliance with the operating limits assigned to the various Functions;
- the corporate operations' compliance with regulations.

The Functions tasked with performing these controls are separate from the productive functions; they contribute to the definition of the risk governance policies and of the risk management process. Specifically, these controls are carried out by the **Corporate risk management Control Functions**, as defined by Bank of Italy (**Compliance, Risk Management, Anti-Money Laundering and Validation**) and by the Functions that, according to provisions of law, regulations, bylaws or self-regulation, have prevalent control duties (**Financial Reporting Manager**).
In particular, with reference to the Corporate risk management Control Functions, the objectives of the controls are set out below, according to the corporate structures tasked with performing them:
- to contribute to the definition of methodologies for the measurement of risk, check compliance with the limits assigned to the various operational functions and check the consistency of the transactions carried out by each production unit with the assigned risk/return targets (Risk Management Function),
- to concur in monitoring the performance and stability of the first pillar internal risk management systems used to calculate capital requirements (Validation Function);
- to concur in the definition of methods for measuring/assessing the risk of non compliance with regulations, verifying that corporate processes are capable of preventing the violation of externally imposed regulations (laws, regulations, etc.) and voluntarily adopted regulations (codes of conduct, codes of ethics, etc.) (Compliance Function);
- concurring in the prevention of risks connected with use of the financial system for the purpose of laundering the revenues from criminal activities and financing terrorism, in accordance with the reference regulations (Italian Legislative Decree no. 231/07) (Anti-money Laundering Function).

Internal audit

The Internal Audit activity serves the purpose of identifying violations of procedures and regulations, as well as periodically assessing the completeness, functionality, adequacy (in terms of efficiency and effectiveness) and the reliability of the Internal Control System. Another purpose of the activity is to bring potential improvements to the attention of the corporate Bodies, with particular reference to risk governance policies, to the risk management process and to risk measurement and control instruments. Based on the results of its own controls, the Internal Audit Function submits intervention requests to corporate structures.
It should be specified that the Internal Audit Function operates throughout the Group. In compliance with independence requirements, this Function reports hierarchically to the BPVi strategic supervisory Body and, functionally, to the BPVi Control Committee, to the BPVi control Body and to the BPVi management Body.
The Internal Audit Department is based on:
- an **Inspection Team**, tasked with verifying, on site or remotely, behavioural compliance with regulations, internal procedures and corporate standards and expressing merit assessments with respect to certain cases. In addition to serving its main purpose of assessing the internal control system with respect to "compliance with regulations and corporate standards", the inspection activity is also carried out in the interest of the process analysis performed by the Auditing Team, as well as in the interest of the oversight activity performed by other control Bodies and Functions (Board of Statutory Auditors, also in its capacity as Supervisory Body, Control Committee, second level control Functions) or strategic supervision and management roles (Board of Directors, General Managers). In organisations characterised mainly by territorial distribution models, as in the BPVi Group, inspections are fundamental in

the policy for the mitigation of credit, financial, operational, and legal/reputational risks.
With regard to the inspections carried out on the Distribution Network of the BPVi Group, in 2014 a total of 268 routine inspections were carried out (214 at the Parent Bank, 54 at Banca Nuova and 1 at Farbanca, the latter still ongoing at the end of 2014), consisting of on-site and remote audits on branches, on financial promoters, portfolios, etc.
Additionally, a series of in-depth surveys and remote analyses was also carried out (a total of 167 interventions at the Group level), with focus on specific events (e.g., robberies, cases of internal or external fraud, customer and/or employee operations, etc.). In detail, 107 in-depth surveys were carried out on Banca Popolare di Vicenza (of which 42 involved the entire Group), 43 on Banca Nuova, 14 on Farbanca and 3 on Prestinuova;

– an **Auditing Team**, focused on the "core" activity of internal auditing, which consists of the execution of audits directed at assessing the functionality of corporate processes (rules, procedures and organisational structures) and the operations of the Central Offices. The team is also focused on advisory activities in support of the Corporate Bodies and the Corporate Functions of the Group's Banks and Companies in the definition of internal controls, formulating proposals for improving the risk control and management processes and corporate governance.
With regard to the activity carried out by the Auditing Team, 45 audits of processes and central offices were completed at Group level in 2014, while 7 more are still ongoing. The audits involved the processes belonging to the areas of lending (2 audit), finance (15 audits), ICT (6 audits), governance and support (9 audits), operational processes (9 audits) and second level controls (4 audits). To these were then added the extraordinary audits carried out within the scope of the A-IRB project (15).
Auditing is also responsible for performing periodic audits on the adequacy and effectiveness of the second level control Corporate Functions, on the adequacy and compliance of the risk management and control system, including the assessment of the effectiveness of the process for defining the Risk Appetite Framework (RAF), on the compliance of the Internal Capital Adequacy Assessment Process (ICAAP) and of the Advanced Internal Rating Based (AIRB) Models with the requirements set by regulations, on the adherence of remuneration and incentive practices with respect to current provisions and to the policies put in place by the Board of Directors of the Parent Bank.

The Internal Audit Function is carried out centrally by the Parent Bank's Internal Audit Department for all Companies in the Group, on the basis of specific outsourcing service agreements and formalised SLAs. In particular, during the period an audit was carried out on NEM SGR and Servizi Bancari.

With regard to the activity carried out by the **Control Committee** of the Parent Bank, it held 15 meetings in 2014. Some of the main topics discussed were: the New prudential supervisory instructions for Banks (15th revision of Bank of Italy Circular no. 263/2006); the update of the Asset Quality Review; the disclosure on the progress of legal disputes concerning compound interest and usury; the Plan of Activities for the year 2014 of the various second and third level control functions; the report on the activities carried out by the Committee in the first half of 2014, the progress of the AIRB Project, the periodic reports on the activities carried out by the Internal Audit, Compliance, Anti-Money Laundering functions and by the Financial Reporting Manager; the periodic reports prepared by the Risk Management functions on the risk profile of the loan portfolio, on market, interest rate, liquidity, operational risks, related parties and equity investments that may be held.
In addition, the reports about the audits carried out by the Internal Audit Function, by the Compliance Function and by the Anti-Money Laundering Function were brought to the attention of the Control Committee. The Control Committee was constantly informed of the completion of the initiatives identified in view of the audits performed by the Internal Audit, Compliance and Anti-Money Laundering Functions.

Within the scope of the initiatives connected with the enforcement of the *New Regulations for the Prudential Supervision of Banks with regard to the Internal Control System, Reporting System and Operating Continuity* per the 15th Revision of Circular no. 263 of 27 December 2006, on 22 April 2014 the

Board of Directors of the Parent Bank resolved to **abolish the 231/01 Supervisory Committee, assigning its functions to the Board of Statutory Auditors**.

Lastly, no reports of possible violations of the Organisational Model for the prevention of crimes pursuant to Italian Legislative Decree 231 were received during 2014 .

THE GROUP COMPLIANCE AND ANTI-MONEY LAUNDERING FUNCTIONS

The Bodies of the Parent Bank Banca Popolare di Vicenza, in exercising their prerogatives with regard to "taking Group-level strategic decisions on the management of risks of non compliance with regulations (i.e. the risk of incurring judicial or administrative penalties, material financial losses or reputation damage as a consequence of violations of mandatory or self-imposed rules) and of the risk of money laundering and terrorism financing", have established the **"Group Compliance Function"** and the **"Group Anti-Money Laundering Function"**.

The **Group Compliance Function** assures a **second level control** in the prevention and management of risks of non compliance with rules, with a view to preserving the good name of the BPVi Group and the public's confidence in its operational and managerial integrity, contributing to the creation of corporate value. The Parent Bank's Compliance Function performs this role also on behalf of the Group's companies that are obligated to establish this Function because they are recipients of the obligations set out by current provisions regulating the matter.

The **Group Anti-Money Laundering Function** also carries out a **second-level control** in order to prevent and counteract money laundering operations and terrorism financing, in the interest of the entire BPVi Group. The Parent Bank's Anti-Money Laundering Function performs this role also on behalf of the Group's companies that are obligated to establish this Function because they are recipients of the obligations set out by the Instruction promulgated by the Bank of Italy on 10 March 2011.

The Group Organisational Model of the Compliance and Anti-Money Laundering functions is centralised for all the Group's Banks, for NEM SGR S.p.A., and for the companies PrestiNuova S.p.A. and BPVi Multicredito Agenzia in Attività Finanziaria S.p.A. (solely the Anti-Money Laundering function) and it calls for the appointment of single Contact Persons for the two Functions with the Subsidiaries. However, it should be noted that, on 10 September 2013, the Revision of the Regulations, function statements and SLAs of the two Functions were submitted to the Board of Directors for approval, consistently with the Instructions of the Bank of Italy (15th update of Circular no. 263 of 27 December 2006 promulgated on 2 July 2013) entitled *"Internal control system, information system and operating continuity"*. In line with these provisions (entered into force, to a large extent, on 1 July 2014), the most significant change indicated in the Regulation of the Compliance Function as regards governing compliance with the regulations concerns the "opening" of the Function's operating perimeter. In addition, at the same meeting, the new *Group Policy to counteract money laundering and terrorism financing* was approved, which defines the responsibilities, tasks and operating methods for the management, at Group level, of the risk of money laundering and terrorism financing.

Lastly, on 4 February 2014 the Board of Directors approved a refinement of the operating model of the Anti-Money Laundering Function, in relation to the entry into force, on 1 January 2014, of the *Bank of Italy Instruction introducing implementing provisions for adequate customer verification*. In particular, a dedicated Office was established, located in Prato, away from the Group's head office, in order to achieve a clearer separation, within the Function, between the control activities and reporting and active collaboration with the Authorities.

In 2014, the Group Compliance and Anti-Money Laundering Functions performed the activities for which they are responsible, as prescribed in the respective 2014 Compliance Plan and 2014 Anti-money laundering Plan, both through **preventive assessments** (ex ante activities) and through **continuous monitoring** and **dedicated audits** (ex post activities).
The Group Anti-Money Laundering Function also carried out the other activities delegated to it in relation to its technical skills: analysis and transmission of suspicious transaction reports, remote checks of the precise compliance, by sales Network persons, with anti–money laundering provisions, forwarding communications of violations of the rules on the use of cash and bearer securities to the Ministry of the Economy and Finance and response to requests from the Authorities.
In the second half of 2014 the regulatory areas were re-mapped and re-distributed in the five sectors (the first four under the Compliance Function): "Governance", "Operations", "Administration", "Financial Markets & Investments" and "Anti-money Laundering".

During the year, progressively more attention was paid to regulatory changes and the related organisational updates, also through participation in numerous inter-disciplinary projects and working groups, and to consultant support within the scope of the most important projects carried out by the bank (foremost among them, in relation to the capital increase initiated in May 2014). Moreover, the activities connected with the project called "adequate customer verification" coordinated by the Anti-Money Laundering Function, and launched following the promulgation of the aforementioned Bank of Italy *Instruction* of 3 April 2013, are being completed.

At Group level, the initiatives for the modification of products and processes and the new product proposals were then evaluated (through the issue of "Compliance Opinions for the Products and Wealth Management Committee"). Additionally, draft Board of Directors resolutions pertaining to sensitive cases in terms of non-compliance risks and the Commercial Directives about to be promulgated were evaluated. In relation to these ex ante advisory activities, in 2014 a total of 145 Compliance interventions were carried out (comprising "Alerts", "Compliance assessments", "Compliance statements" and "Due diligence"), as well as 9 Anti-money Laundering interventions.

Continuous monitoring activities have enabled to enhance the safeguards and they are allowing a gradual improvement of the predictive effectiveness of the anomaly indicators available to the Compliance Function to carry out its audits and plan its initiatives. Said monitoring (which also include the data flows originated by the audits performed by the Internal Audit Department and those responsible for line controls and the data about customer complaints at the Group level) focus, in particular, the safeguards of compliance with regulations on the management of related party transactions, insurance brokerage (non MiFID), the performance of investment services (be means of specific excerpts in the MiFID Area pertaining to questionnaires, orders and securities movements), management of conflicts of interest, anti-usury regulations (through the analysis of the rates and conditions applied) and activities of the financial promoter network. At 31 December 2014, a total number of 105 monitoring results were released for the areas under the responsibility of the Compliance Function.

The interventions of the Anti-Money Laundering Function (76 monitoring actions during the period) instead pertained to compliance in terms of adequate customer verification, transaction records, reports of suspicious transactions and limitation to the use of cash.
With regard, instead, to the audits carried out ("Compliance audits", "In-depth surveys" and "Follow-ups") a total number of 17 actions were carried out for compliance and 19 actions for anti-money laundering.

THE FINANCIAL REPORTING MANAGER AND THE MAIN CHARACTERISTICS OF THE EXISTING RISK MANAGEMENT AND INTERNAL AUDIT SYSTEMS IN RELATION TO THE FINANCIAL REPORTING PROCESS (ALSO PURSUANT TO ARTICLE 123-BIS, PARAGRAPH 2 (B) OF THE CONSOLIDATED FINANCIAL MARKETS ACT)

This section describes the principal characteristics of the **"Model for the Governance and Control of the BPVi Group's administrative and accounting processes"**, which is an integral part of the Banca Popolare di Vicenza's system of internal controls and designed to guarantee the credibility, accuracy, reliability and timeliness of financial information.

The definition of the "Model for the Governance and Control of the BPVi Group's administrative and accounting processes" was guided by:

- the preliminary identification of a recognised and well-known comparative model;
- comparison with reference practices defined or referred to by institutional bodies(8) ;
- comparison with domestic and international best practices adopted by organisations comparable with the BPVi Group.

Based on the Model that has been defined, the Financial Reporting Manager's operations will develop along a cycle of sequential activities (the "DP cycle"(9)), which aims to place the administrative accounting processes under a plan, assess the adequacy and functionality of the related audits, ascertain/declare the corporate accounting disclosures required by Law with the knowledge deriving from the existence/adequacy of processes and the actual performance of accounting controls. The phases of the cycle of activities fall under the responsibility of the Financial Reporting Manager who, however, under his direct supervision and coordination, draws on support from other business functions, including the Internal Audit Department and the Organisation and Safety Department, in order to increase efficiency while minimising the resources required.
The activities performed by the Financial Reporting Manager in 2014 are in line with the provisions of the relevant work programme.
On the basis of a web-based application, the Financial Reporting Manager obtained the internal sub-certification by the Control Owners on the actual execution of the administrative and accounting audits during the year. The Financial Reporting Manager also obtained the certifications of those responsible for the assessment processes and the results of the audits carried out by other control functions on behalf of the Financial Reporting Manager.
Analysis of the above processes identified that the Group's exposure to administrative-accounting risk is compatible with the requirements to provide correct financial information.

These results provide top management and the Financial Reporting Manager with reasonable certainty that the above processes for generating accounting data are adequately controlled and that the related controls are effectively applied, and **allow the Financial Reporting Manager to certify the separate and consolidated financial statements for 2014**.

(8) The COSO Report – "Internal Control Integrated Framework" developed by the Committee of Sponsoring Organizations of the Treadway Commission, comprising the principal US professional accounting and auditing associations was used as a reference for defining the Financial Reporting Manager's Model. It provides a methodology for the analysis and evaluation of the system of internal controls recognised at an international level and recommended by ANDAF (National Association of Finance Directors) in a specific position paper, as well as by ABI in Circular no. 13 dated 27 April 2007.

(9) The operational activities comprising the "DP cycle" are grouped in terms of sequence, nature and purpose into the phases indicated below:

- Phase 1 - Assessment of business controls (Entity Level Control) established by the administrative-accounting Model;
- Phase 2 - Definition of scope and planning of activities;
- Phase 3 - Formalisation/update of administrative-accounting processes;
- Phase 4 - Assessment of risks and design of accounting controls, as well as monitoring of the plan for corrective action (Risk & Control Assessment);
- Phase 5 - Test of controls;
- Phase 6 - Assessment of process controls and preparation of the declaration/certification.

RISK MANAGEMENT

This section of the report presents key information about the work performed by the Group in 2014 to **manage banking and financial risks**. Further details and quantitative information are provided in "Part E" of the explanatory notes entitled "Information on risks and related hedging policies".

The purpose of the Risk Management function is **to measure and control risks**, both at an individual level and on a consolidated basis. This mission involves:
- the **definition and development of models and tools for the measurement and control of risks at Group level**, as well as the systematic and continuous verification of the adequacy of the risk management models and tools used, while also monitoring developments in the regulatory framework;
- **verification that the risk profiles** of the Group's Banks and Companies **comply with the objectives and limits** established by the respective Boards of Directors, and by the Board of Directors of the Parent Bank with regard to the overall risk profile for the Group.

First, it should be stressed that, in 2014, the risk monitoring and management activity was further enhanced and refined, also in relation to the contents of the self-assessment report delivered to the Supervisory Authorities in January 2014 concerning the 15th Revision of Circular no. 263 of 27 December 2006 and the consequent Masterplan directed at closing the gaps noted therein. In this context, reference is made, *inter alia*, to the revision of Risk Appetite Framework and the formalisation of the second level control and of loan performance monitoring.

With specific reference to the Risk Appetite Framework, it should be pointed out that on 12 December 2014 the Board of Directors of the Parent Bank Banca Popolare di Vicenza approved the Risk Appetite Statement (RAS) for the year 2015, with the identification for the individual risk profiles, when relevant, of the following reference values:
- Risk Appetite, which represents the risk level (overall and by type) the Group intends to assume for the pursuit of its own strategic objectives;
- Risk Tolerance, which represents the maximum allowed deviation from the Risk Appetite;
- Risk Capacity, i.e. the maximum level of risk (when it exists) that the Group is technically able to assume without violating the regulatory requirements or the other constraints imposed by the stockholders and/or by the Supervisory Authority.

The indicators contained in the Risk Appetite Statement are periodically monitored by the Risk Management Function; if the effective risk profile assumed and measured (Risk Profile) is above the Tolerance or Capacity level, specific escalation processes will be activated, involving the Body with strategic supervision function. To complement the aforesaid indicators, moreover, specific "threshold of attention" were defined to supplement the monitoring perimeter of the RAS.

In particular, with reference to **credit, concentration and other exposure risks**, the Risk Management Function develops rating models, and takes part in the definition of methodologies for estimating the general provisions needed with reference to the related components of risk. More generally, the function also provides support for the definition of credit measurement methodologies for accounting purposes, with the exclusion of the "analytical" component. Additionally, the Risk Management Function monitors changes in the risk profile of the loans portfolio at a consolidated level and for each Group bank. This activity includes the preparation of monthly and quarterly reports, respectively for senior management at Group banks and for the respective Boards of Directors. In this regard, consistently with the provisions of the 15th Revision of Circular no. 263 of 27 December 2006 on the Internal Control System, in 2014 the second level audit activity of loan performance monitoring with the creation, under the Head of the Risk Management

Function, of a specific structure tasked with auditing, *inter alia*, the work of the operational and credit collection units, assuring the correct classification of impaired exposures and the adequacy of their degree of irrecoverability. Moreover, within the Risk Appetite Framework (RAF), the Risk Management Function submits to the Board of Directors' Approval the system of objectives, limits and/or thresholds of attention pertaining to:

- the expected loss of the portfolio of performing loans;
- the level of single name and geo-sector concentration;
- the exposure to "critical sector", whose list is revised annually in collaboration with the Loans Division;
- the instalment/income ratio and the "loan to value" referred to home mortgages;
- the exposure to country risk in terms of relevance over the loans portfolio and assessment of the countries with which the Group has significant exposures.

In the first quarter of 2013, on the basis of the feasibility study carried out in the last few months of 2012, the A-IRB Project (where A-IRB stands for Advanced Internal Rating Based) was formally launched with the aim of completing the shift to advanced credit risk management methods. In 2014, the new models for the segments of Corporate business, Small Business customers and Individual Customers entered production. The internal LGD model was adopted and new assessment scales were defined.

Concerning the **counterparty risk**, within the Risk Appetite Framework (RAF), the Risk Management Function submitted for approval to the Board of Directors' the system of objectives, limits and/or thresholds of attention pertaining to the capital requirement determined in view of the unexpected loss deriving from the deterioration of the credit rating of a counterparty before the settlement of a transaction involving determined financial instruments.

With regard to **market risks**, the main activities of the Risk Management Function are to validate and document the sources of, and the processes for gathering market data, to determine and validate the methodologies adopted for pricing the financial instruments used by various entities within the Group, and to determine the fair value, for accounting purposes, of nearly all financial instruments held as assets. Moreover, within the Risk Appetite Framework (RAF), the Risk Management Function, in concurrence with the Financial Division, submits to the Board of Directors' approval the system of objectives, limits and/or thresholds of attention pertaining to the VaR and Stop Loss limits, detailed by macro-aggregates. These limits are monitored on a daily basis with the subsequent reporting by the same Function to the Board of Directors on a quarterly basis and to the various Committees with different periodicity.

In relation to **interest rate and liquidity risks**, the Risk Management Function develops strategic Asset & Liability Management (ALM) models and tools, produces daily and monthly reports for the Corporate Bodies and Top Management, and conducts hedge effectiveness tests on asset and liability line items under hedge accounting, and produces liquidity risk indicator for regulatory purposes which, starting from this year, will be reported to the Supervisory Authority. The Risk Management Function also prepares, monitors and updates the Contingency Funding Plan, or revises if necessary. Within the Risk Appetite Framework (RAF), the Risk Management Function submits to the Board of Directors' approval the system of objectives, limits and/or thresholds of attention pertaining to:

- the liquidity situation, through a series of regulatory and managerial indicators, such as the Liquidity Coverage Ratio, the Net Stable Funding Ratio, the loans / funding ratio, the level of concentration of the funding, the direct funding / total liabilities ratio and other early warning indicators of potential stress situations within the Group or referred to markets;
- the interest rate risk on the banking book, by means of indicators determined calculating the effects of parallel and immediate shocks of the rate curves, and on the hedging portfolios pertaining to different strategies, determining their net market value and rate differential.

With regard to **operational risk**, the Function defined a framework for their management, based, on one hand, on the assessment of the 1st and 2nd level organisational controls, through a risk self assessment, and on the construction of the so-called Risk Map and, on the other hand, on the collection and analysis of the loss data collection at Group level. Also with reference to operational risk, the Risk Management Function submitted for the approval of the Board of Directors a system of objectives and limits for 2015, which is included in the Risk Appetite Framework (RAF) and is centred on the level of operating losses incurred.

Regarding the **risks underlying the equity investments that may be held**, the Risk Management Function annually submits to the approval of the Parent Bank's Board of Directors the system of objectives, limits and/or thresholds of attention that, within the Risk Appetite Framework (RAF), refer to the regulations that govern the allowed level of exposure in relation to the equity investments that may be held; the same Function then periodically monitors these indicators, verifying compliance with the regulatory and operational limits.

Regarding the **risks towards related parties**, the Function submits annually for approval to the Body with strategic supervision function of the Parent Bank the Risk Appetite Framework parameters in the form of objectives and limits on the exposure in risk assets referred to Related Parties, having regard to the regulations governing the matter; the same Function then periodically monitors these indicators, verifying, *inter alia*, compliance with the regulatory and operational limits.

Regarding the **risk of excessive financial leverage**, the Function defines the methods for measurement and for stress tests and analyses existing organisational controls and the related mitigation systems consistently with the Risk Appetite Framework approved by the Board of Directors. At least once a year, the Risk Management Function submits to the Board of Directors' approval the system of objectives, limits and/or thresholds of attention pertaining to the leverage ratio.

With reference to the **IT Risk**, the Risk Management Function co-operates in designing the process for analysing, treating, monitoring and reporting the IT risk, and is responsible for collecting the information, communicating and reporting to the corporate Bodies on the status of the risk control system and on any exceptions that may have been observed. The Risk Management Function annually submits to the approval of the Parent Bank's Board of Directors, within the process for the definition of the Risk Appetite Framework, a threshold of attention for the measured risk level (risk indicator) deemed acceptable, beyond which mitigation interventions become necessary.

Concerning the **Reputation Risk**, the Risk Management Function makes an assessment on the basis of a set of quantitative parameters (Key Risk Indicators), supplementing the assessments deriving from the non-compliance risk available from time to time. Within the process for the definition of the Risk Appetite Framework, the Risk Management Function submits, at least once a year, to the approval of the Parent Bank's Board of Directors a threshold of attention for the reputation risk assumed by the Group.

Lastly, regarding the **Strategic Risk**, the Risk Management Function defines, on the indication of the Parent Bank's Board of Directors, the methods for assessing the pure strategic risk and for assessing the Business risk and for stress tests and analyses the existing organisational controls and the related mitigation systems. The Function has a proactive role in monitoring risk and in checking the consistency of the Group's strategic objectives; it is also called upon to formulate preventive opinions on Transactions with Major Relevance, thereby assuring a further safeguard against Strategic Risk.

Risk profile of the BPVi Group

Consistently with the self-assessment of capital adequacy (ICAAP process) and taking into account changes in the operating environment, the **Board of Directors of the Parent Bank approves, at least once a year, the Risk Appetite Framework, which defines the Group's risk propensity** (target values and related limits) as part of the strategic planning and budgeting process. In 2014, the BPVi Group completed the activities prescribed by the Masterplan deriving from the Gap Analysis carried out as a result of the publication of the 15th Revision of Bank of Italy Circular no. 263/2006; among the planned initiatives, of note is the refinement of the overall Risk Appetite Framework, for example with the introduction of new risk metrics. These changes have already been incorporated in the internal regulations of the Group and applied in the definition of the Risk Appetite Statement for the year 2015, approved by the Board of Directors in December.

The risk propensity of the BPVi Group was defined consistently with the Risk Appetite Framework Regulation, identifying the risk indicators of the strategic Areas deemed relevant for the BPVi Group: regulatory capital and requirements, exposure and quality of assets, equity investments and related parties, liquidity, finance and ALM and infrastructure.

The following discussion covers the management and monitoring of the principal types of risk to be applied to the Risk Appetite Framework in force in 2014.

Credit risk

Credit risk is defined as the risk of loss due to an unexpected deterioration in the creditworthiness of a borrower, whether as a result contractual non-performance or otherwise. The credit risk is also connected with the risk of incurring losses as a result of the performance of advisory services involving extraordinary finance and acquisition of equity investments not classified in the trading book for supervisory purposes, due to non-performance by the counterparty.
With regard to the way credit risk is managed, the BPVi Group defined *the policy* for managing credit risk, the concentration risk and other exposure risks, which identifies the risk measurement methods, the roles and responsibilities of the corporate Bodies and Functions involved, and the related management reports.

The core principles of the credit exposure risk governance model of the BPVi Group, developed according to a logic consistent with the roles and responsibilities defined in the Risk Appetite Framework Regulation and in the ICAAP, prescribe that:
- responsibility for defining the guidelines on managing these risks rests with the Body with strategic supervision function of the Parent Bank which, with annual periodicity within the process for the approval of the Risk Appetite Statement, defines the objectives in terms of credit exposure;
- riskiness is monitored centrally by the Parent Bank with reference both to the individual Legal Entities and to the Group as a whole;
- individual Legal Entities must comply with the guidelines defined by the Parent Company for risk and capital management.

The credit exposure risks considered by the BPVi Group are regulated by the "New prudential supervisory instructions for Banks". In particular, credit risk is included among first pillar risks, for which the bank must calculate the minimum capital requirements, concentration, country and transfer risks are included among the risks in relation to which banks must assess their capital adequacy ("Second Pillar" risks, Bank of Italy, Circular no. 263 of 27 December 2006).
In 2014, within the broader project for compliance with the 15th revision of Circular no. 263/2006 and on the basis of the Masterplan, the "credit risk management policy" was revised according

to the new concepts and to the new management process introduced with the Risk Appetite Framework: assessments systems were introduced for the country risk and for the transfer risk, along with a process for assessing the overall consistency of the ECAI ratings with the independent evaluations made by the BPVi Group.

In 2014, within the A-IRB Project (Advanced Internal Rating Based), directed at achieving the shift to advanced credit risk management methods, the new models for the segments of Corporate business, Small Business customers and Individual Customers entered production. In addition, the internal LGD model was adopted and new assessment scales were defined. The project entailed the development and implementation of a new system of internal ratings that express a summary assessment, with a one-year time horizon, of the credit quality of the customer expressed as the probability that the counterparty may become insolvent. This assessment is expressed on internal classification scales (one for each rating segment) consisting of 11 rating classes for performing accounts and 1 residual class for those in default. A probability of default is associated with each rating class. Rating classes are ordered on the basis of credit risk: moving from a lower risk class to a higher risk class means an increase in the probability of default by the debtor within the following 12 months.

The BPVi Group has developed internal rating models that cover the types of counterparties with which it usually works and to which it is most exposed. The models contemplate the following customer segments: retail counterparties, divided into small businesses (mostly comprising sole traders) and SME Retail (entities with revenues between euro 0.7 million and euro 2.5 million), and corporate counterparties, divided into SME Corporate (entities with revenues between euro 2.5 million and euro 150 million) and Large Corporate (entities with revenues above euro 150 million). These models were completed during the first half of 2014 and released to all Group banks. The adoption of the new rating system is accompanied both by a more structured and comprehensive preparatory phase of the credit process, and a new procedure for assigning the rating, the "RA – Rating Attribution", present in the branch Desktop and called up by the PEF within the granting procedure.
Upon defining the Risk Appetite Framework of the Group for 2015, and for more effective credit risk monitoring, the thresholds of attention for expected loss levels of the loans portfolio, geographic and industry concentration, mortgage lending criteria and real estate appraisal were revised. In addition, the sectors to be classified as "Critical" were revised, defining their total limit in terms of new facilities. The Critical Sectors are the sectors that, based on assessments made on data outside and inside the Bank, exhibit systemic risk elements as such to call for the application of specific credit policies.

Routine monitoring activities are based on the **GDC (Credit Management)** instrument, aimed at defining an advanced model for managing loan books based on predetermined strategies (goals, actions and timing) according to the level of customer risk. This IT tool supports account managers, allowing them to check on changes in the credit status of customers, and quickly identify any deterioration in the standing of borrowers. This management tool is based on an **Early Warning** monitoring system which promptly identifies anomalies that are indicators of possible deterioration in customers' creditworthiness. In 2014, revisions were made as a consequence of the introduction of the A-IRB rating models, including the revision of the indicators used to monitor credit risk, and the reporting of the GDC management instrument was developed with advanced analytical and synthetic reports for credit risk monitoring. Previously, management categories were identified which include positions that, while maintaining a performing status, present anomalous trends: in the final months of 2012, the **"Watch"** (SOR) class was established; with a view to rationalising the anomalous credit process and classes, it partially incorporated the **"Observation"** – OS - and **"High Risk"** – AR – classes, of which the latter expresses a higher risk level than the former. This action followed, in terms of time, the successful introduction, in

2012, of the **"Pre – Past Due"** category, which enabled to carry out focused initiatives on positions, previously mainly classified as "Observation" and "High Risk", which had been continuously above the allowed limit for more than 40 days. Moreover, in light of the current economic environment, taking into account the growing need to stipulate debt restructuring agreements with customers, using both the legal instruments introduced by the Bankruptcy Law reform of 2005 and its subsequent implementing provisions (debt restructuring agreements in accordance with Article 182-bis of the Budget Law and recovery plans in accordance with Article 67.3, Letter D) and ordinary debt restructuring operations in general, the class called **"To be restructured"** was introduced. These positions are subject to specialised management by dedicated Bank Functions.

In addition, the management of loans is governed by **"Lending Policies"** that specify how the Bank intends to accept credit risk in relation to its customers, covering both the granting and the renewal phases of the lending relationship. The policies are directed at promoting a balanced growth of loans to counterparties with higher standing and to regulate the issuing of loans to customers with lower credit ratings. In particular, four different lending policies have been identified: "development", "management and protection/critical sectors", "rebalancing" and "disengagement". The assessment is made by the authorised functions, while the system automatically establishes, based on the internal rating and environmental score taken together, the powers of the Network authorisation Committees based on the level of risk (lower powers in the case of high risk and greater powers in relation to more creditworthy customers). For critical sectors, the "management and protection" policy represents a minimum level (the "development" policy is inhibited) and for them the minimum decision-making person is the Head of the Area Credit Office.

Lastly, the standard reports on the dynamics of anomalous loans are, via the corporate Intranet, now available to individual account managers within the entire commercial Network.

Concentration risk

Concentration risk is defined by the BPVi Group as the risk deriving from exposures in the loans portfolio towards counterparties, including central counterparties, groups of related counterparties and counterparties operating in the same industry, located in the same geographic area or exercising the same activity or dealing the same goods, as well as to individual guarantee providers, if credit risk attenuation techniques are applied.

There are two types of concentration risk:
- **single name concentration risk** (concentration to parties belonging to the same economic group and/or connected);
- **sectorial concentration risk** (concentration towards particular industries and/or geographic areas).

Regarding single name concentration, the BPVi Group has long applied a threshold defined in terms of the portion of loans granted to single customers or economic groups out of the total loans granted by the Bank, net of exposures to counterparties belonging to banking and insurance groups. This indicator is calculated for positions with borrowings exceeding euro 60 million (Banca Popolare di Vicenza) and exceeding euro 20 million (Banca Nuova). Upon defining the Group's Risk Appetite Framework for 2015, this indicator was defined in terms of appetite and tolerance.

The BPVi Group also defines, as part of the Risk Appetite Framework, an attention threshold relating to the geographical and industry concentration (sectorial concentration risk) of the loans portfolio. In the sector concentration risk, concentration by economic sector is monitored (net of exposures to banks), using the breakdowns called for by the method proposed by the ABI Studies and Research Centre.

Counterparty risk

Counterparty risk is the risk that the counterparty to a transaction involving specified financial instruments will default prior to settlement. More specifically, counterparty risk emerges in the presence of certain types of transaction that present the following characteristics:
– the exposure to risk generated is equal to the positive fair value generated by said transaction;
– they present a market value which changes over time based on the underlying market variables;
– they generate an exchange of payments or the trading of financial instruments or commodities.

With regard to the way credit risk is managed, the BPVi Group defined the policy for managing the counterparty risk, which identifies the risk measurement methods, the roles and responsibilities of the corporate Bodies and Functions involved, the monitoring activities consistent with the Risk Appetite Framework and the related management reports.
As regards the monitoring of counterparty risk within the Risk Appetite Framework, the Group uses the associated consolidated capital requirement, calculated in accordance with supervisory regulations, inclusive of the so-called Credit Valuation Adjustment (CVA) on OTC derivative transactions, i.e. a capital add-on to take account of potential losses in value connected with fair value adjustments deriving from a change in the creditworthiness of the counterparty in an OTC derivative contract. The calculation of this additional requirement was introduced by Regulation (EU) No. 575/2013 of the European Parliament and of the Council (commonly also known as CRR).
The counterparty risk monitoring prescribed by the Risk Appetite Framework of the BPVi Group provides for calculating absorption both in normal situations and in predefined stress situations, for which a dedicated attention threshold was defined.

Market risk

Market risk is commonly defined as the risk of incurring an adverse change in the value of exposure to financial instruments, included in the trading book for supervisory purposes, due to unfavourable trends in the interest rates, exchange rates, inflation rate, volatility, stock prices, commodity prices (generic risk) and issuer's credit rating (specific risk).

With regard to the way market risk is managed, the BPVi Group defined a dedicated policy that describes the methodologies for the measurement of risk, the roles and responsibilities of the corporate Bodies and Functions involved, and the related management reports.

For **the quantification of market risk**, and the consequent definition of the limits, the BPVi Group has long applied a model based on the **Value at Risk (VaR)** approach, calculated in full evaluation through the "historical simulation": this method implies the revaluation of the risk position conveyed by the sensitivities of the portfolio with the shifts in the market parameters that actually occurred during the last year. The application of a 99% confidence interval to the distribution of the probability of Profit & Losses (hereinafter P&L) obtained in this way determines the VaR with a holding period of 1 day. In order to test the forecasting effectiveness of the results of the VaR, back-testing is carried out which makes it possible to compare the loss estimated by the model with the profit & loss effect of measuring the positions using actual market data. The analysis involves the so-called clean back-testing approach, which compares the VaR calculated at time *t* for estimating the expected loss in time *t*+1, with the P&L change computed using market parameters between time *t* and time *t*+1 for the same portfolio.

The method for the measurement of financial risks through the VaR applies in normal market conditions and is unable to provide an adequate measurement of market risks in extreme situations which could prejudice the Bank's economic and capital situation. For this reason, the need arises to conduct further analyses to assess the capacity to absorb the impact of significant shocks that may occur in financial markets. This type of analysis takes the name of stress testing and consists of a revaluation of the portfolio imposing particularly adverse shocks, defined according to discretionary logic, to the various risk factors. The VaR then aims to define the risk present in market conditions that have historically occurred, whereas stress testing tries to quantify the risk existing in market conditions that are extreme or not contemplated in the reference historical series. Therefore, stress testing can be defined, *de facto*, as a complement to VaR and it measures potential vulnerability upon the occurrence of exceptional and unlikely events that are nonetheless possible. In defining the stress test scenarios used, the BPVi Group has adopted a grid of extreme and symmetrical variations regarding stock markets, parallel shifts in rate curves, trends in exchange rates, volatility and credit spreads; in addition, two market crash scenarios are envisioned, which reproduce events that have actually occurred in the past. Compliance with the limits set for VaR is directed at capping, within the established confidence interval, the maximum daily loss. However, even if the limits are complied with in the time interval of a single day, over several consecutive days losses may still occur whose sum, within a given time interval, may reach values that are not in line with the Group's risk appetite. Therefore, the need arises, in line with financial best practice, to combine VaR limits within indicators aimed at monitoring any losses over longer period **("stop loss")**. The stop loss limit represents the maximum allowed loss that can be accumulated over a given period of time (one month and the entire year), at a given level of authorisation, without the need to define specific actions. Ultimately, the BPVi Group, to monitor synthetic exposure to individual risk factors, has defined **"operating limits"**, which represent the maximum risk assumable in terms of *Greeks* with respect to individual risk factors.

The Risk Management Function of the Parent Bank is responsible for the quantification and control of the VaR limits, while the Financial Monitoring & Documentation office within the Finance Division of the Parent Bank is responsible for the daily checking of operating and stop-loss limits. In 2014, the Risk Management function carried out routine monitoring of the VaR limits as set when the Group's Risk Appetite Statement was defined. This activity was carried out both with regard to the Global Markets aggregate, and for the Covered Call aggregate, pertaining to the Parent Bank's operations, as well as for the trading book of BPV Finance (the only two Group companies with their own trading books).

The aforementioned VaR limits are defined solely on trading books, whereas, with reference to the AFS (Available For Sale) portfolio, where investments of this kind are specifically resolved by the Board of Directors of the Parent Bank, while it does fall under the notion of banking book and hence is subject to monitoring of the interest rate risk through the ALM internal system, a risk monitoring activity is carried out and reported on a weekly basis to the Finance & ALMs Committee and on a quarterly basis to the Board of Directors and to the Control Committee, keeping track of the absorption of the specified ceiling for the different types of investments and analysing risk through the use of the VaR and stress testing.

In 2014, the VaR, at a confidence level of 99%, with a holding period of 1 day, of the Parent Bank's Global Markets aggregate, averaged euro 1.2 million (30.1% in terms of absorption of the limit, set to euro 4 million within the Risk Appetite Framework). Concerning instead the Covered Call aggregate, relating to the sale of bond options and equity options with underlying securities in the banking book, the average VaR was euro 3.3 million (16.5% in terms of absorption of the limit set to euro 20 million within the Risk Appetite Framework). In relation to the subsidiary BPV Finance, the 1-day 99% VaR averaged euro 590 thousand (23.6% in terms of absorption of the limit, set to euro 2.5 million within the Risk Appetite Framework). Within the back-testing activity, in the same period of analysis, no negative clean P&L figure below the VaR figure was recorded.

Interest-rate risk

The interest-rate risk is defined by the Banca Popolare di Vicenza Group as the possibility that fluctuations in market interest rates may have a significant impact on the financial position and the income of the bank. The aforesaid changes affect both income, by impacting on the net interest income (and the level of other operating costs and revenues, sensitive to interest rates) and balance sheet items, influencing the value of equity, as a direct consequence of the change in the value of assets and liabilities sensitive to the interest rate risk. Therefore, an effective measurement, control and management system, which maintains the exposure to interest rate risk within prudent limits, becomes essential for the strength of the bank and for the proper structuring of its risk appetite. Financial differences between the assets and liabilities in the bank's financial statements, and consequently, the potential exposure to interest rate risk, derives as much from customers' preferences regarding the financial characteristics of investment and debt instruments, as from the decisions of the institution regarding funding methods and the use of funds.

With regard to **the way interest-rate risk is managed**, the BPVi Group approved a **policy** that describes the methodologies for the measurement of risk, the roles and responsibilities of the committees and business functions involved, and the related management reports.

This risk is monitored each month using ALMPro ERMAS, an **Asset & Liability Management** tool, which measures in "static" conditions the effect of a change in interest rates on the financial margin and equity. Operational and strategic decisions regarding the management of the banking book, adopted on a weekly basis by the Finance and ALM Committee, have the ultimate goal of immunising the volatility of the net interest income (considering current profits) expected over the financial year (12 months) and of total economic value (considering the market value of the banking book) as a consequence of changes in interest rates.

The Parent Bank's Board is ultimately responsible for the management of interest-rate risk, as assisted by the Finance & ALM Committee and the business functions responsible for the strategic and operational management of such risk, both at Group level and at level of individual legal entity within the Group. The Parent Bank's Board of Directors approves the strategic guidelines and operational limits proposed by the Finance & ALMS Committee, and is periodically informed about changes in the exposure to interest-rate risk and the way it is managed.

The Risk Management Function inputs a continuous and comprehensive flow of data into the Asset & Liability Management system, provides for the management, maintenance and evolution of the data base and of the parameters of the ALM system and is also responsible for reporting to Corporate Bodies and for the monitoring of risk targets and attention thresholds. Lastly, the Finance Division is directly responsible for the operational management of interest-rate risk through the execution of the indications provided by the Finance & ALMs Committee.

In the Group's Risk Appetite Statement, the Board of Directors defined, *inter alia*, a system of objectives, limits and attention thresholds comprising:
- the interest rate risk indicator, both at Group level and individual legal entity level, calculated as the ratio between the change in the economic value of the banking book following an immediate parallel shock to the interest rate curves of 200 basis points, and the Own Funds at the consolidated level;
- the representation of bucket sensitivity +100 bp at the Group level;
- the negative change in the interest margin over a time span of 12 months following a parallel and immediate shock of the interest rate curves of +100 bp;
- the calculation of the potential negative Net Market Value of the portfolio of derivatives pertaining to different funding and lending strategies.

In relation to the monitoring of the aforementioned limits, it should be noted that, at 31 December 2014:
- the Group's exposure to the interest rate in terms of sensitivity +200 bp amounted to 10.5% of the Regulatory Capital, within the set limit of 30%;
- "attention thresholds" for bucket sensitivity +100 bp were all complied with;
- the negative change in the interest margin over a time span of 12 months following a parallel and immediate shock of the interest rate curves of +100 bp amounted to 9.2% versus a limit of 6%;
- the risk exposure of all BPVi Group legal entities was within the established limit;
- the "attention thresholds" relating to the potential negative Net Market Value of the hedging strategies under Hedge Accounting were complied with.

Liquidity risk

The BPVi Group has defined **liquidity risk** as the risk of incurring losses or **lower profits as a result of a temporary difficulty both in raising funds on the market (funding liquidity risk)** and/or of the presence of restrictions on the ability to sell assets **(market liquidity risk)**, necessary to fulfil the Group's own payment commitments. In particular, funding liquidity risk is incurred if the Group is not able to fulfil its own payment commitments and its own obligations in an efficient manner (thus, according to a logic that is consistent with the "desired" risk profile and at "fair" economic conditions), because of the inability to raise funds without compromising its own core operations and/or financial situation. Market liquidity risk on the other hand relates to the risk that the Group may be unable to sell an asset, except at a capital loss, due to the illiquid nature of the market and/or due to the timing required for the transaction. With regard to the way liquidity risk is managed, the BPVi Group approved a policy that describes the methodologies for the measurement of risk, the roles and responsibilities of the involved corporate Bodies and Functions and the management reports.

The Risk Management function develops models and tools for the measurement of liquidity risk, produces the daily operational maturity ladder and the monthly structural maturity ladder, and analyses, maintains and develops the various reports produced, ensuring coordination with the related functions within the Group's Banks and Companies.

Upon defining the Group's Risk Appetite Framework, and for more effective monitoring of liquidity risk, a system of objectives, limits and "attention thresholds" was defined: it is functional to the daily monitoring of the operational liquidity position and the monthly monitoring of the structural liquidity position. With regard to the monitoring of the Group's daily liquidity, this system is based on the calculation of the selected reference indicator, i.e. the **Liquidity Coverage Ratio**. This indicator identifies, at Group level, the stock of uncommitted high quality liquid assets held by the Bank, usable to cover the Total Net Cash Outflows which the Bank might need to cover in the short term (30-day time span).

With regard to monitoring the Group's structural liquidity position, the selected reference indicator is the **Net Stable Funding Ratio**. This indicator identifies the ratio of **Available Stable Funding to Required Stable Funding**, which are both calculated as the sum of capital cash flows in the banking book expiring over a time interval exceeding 1 year.

Similar to the themes of structural liquidity, capital equilibrium is monitored within the BPVi Group by the Risk Management Function through the "loans / direct funding" ratio. In this context, in 2014 the "leverage ratio" was also monitored (i.e. the ratio of tier 1 capital to total balance sheet and off-balance sheet assets); in 2015 it will be assessed separately, consistently with the policy for managing the risk of excessive financial leverage.

Moreover, in order to facilitate a more accurate management of liquidity risk, "attention thresholds" are also defined on certain structural and **early warning** alert indicators and on the **level of funding concentration** on individual counterparties, for certain forms of funding, and on the direct funding level. Consistent with the provisions of the "liquidity risk management policy", the Contingency Funding Plan (the plan for raising funds under stress conditions) is also drafted on a yearly basis, to define the interventions strategies in case of liquidity stress, requiring specific fund raising actions as well as the adequacy of the Group's liquidity reserves.

The operational management of liquidity risk is entrusted to a dedicated function within the Finance Division of the Parent Bank, whose objective is to maintain the best balance between the medium-term maturities of loans and short-term funding, while taking care to diversify it by counterparty and maturity arranged over the counter and in the interbank deposits market. In addition to usual banking treasury activities (daily monitoring of the Group's liquidity and optimisation of its short-term management), any medium and long-term imbalances are managed using appropriate policies established by the Finance and ALMs Committee. Additionally, the Finance and ALMs Committee is provided a weekly report on the performance of the Loans/Direct Funding ratio as further support to monitor the Group's structural liquidity.

As regards monitoring the risk appetite on liquidity risk, it should be pointed out that, at 31 December 2014, **all operating limits were complied with**.

Operational risks

Operational risk is defined as the risk of losses deriving from inadequate or dysfunctional procedures, human resources or internal systems, or external events.

This category includes, *inter alia*, losses deriving from fraud, human error, the interruption of operations, the malfunction and non-availability of systems, contractual non-performance and natural catastrophes. Operational risk also includes legal risk, but excludes strategic and reputation risk. With regard to **the way operational risk is managed**, the BPVi Group has defined that describes the methodologies for the measurement of risk, the roles and responsibilities of the committees and business functions involved, and the related management reports.

With regard to the monitoring of operational risks, the Parent Bank was a founding member in 2002 of DIPO, the interbank consortium promoted by ABI that maintains an Italian database of operational losses. As a consequence, the Group regularly gathers information about its operational losses.

Although the BPVi Group determines its prudent capital requirement for the coverage of operational risk using the Basic Indicator Approach (BIA), a model for the measurement and management of Operational Risk has also been defined. As a consequence, it has also been possible to define the "Operational Risk Management Policy" and the "Classification and Risk Mapping" and "Risk Self Assessment" models.

In 2014, the Parent Bank continued to gather data on operational losses for reporting to DIPO. Commencing from the June 2008 reporting date, Banca Nuova has gathered information in the same way as the Parent Bank following the extension of activities to them and adoption of the related regulations.

The risks underlying the equity investments that may be held

The new supervisory instructions on the matter of "Equity investments that may be held by banks and banking groups", introduced with the 9th revision of 12 December 2011 of Bank of Italy Circular no. 263/2006 (Title V - Chapter 4), prescribe that the Control System adopted by banks shall be capable of assuring the regulatory compliance and consistency of operations and of the organisations with respect to the strategies defined by the Bank.

Accordingly, in 2012 the BPVi Group introduced a new set of regulations, consisting of the "Regulations covering the Equity Investments that may be held by the Banca Popolare di Vicenza Group" and the "Policy for managing the risks underlying the Equity Investments that may be held", to contain the risk of excessive illiquidity of the assets deriving from equity investments in financial and non financial entities and to promote adequate management of risks and conflicts of interest in accordance with sound and prudent management principles. The regulations are based on the following fundamental elements:

- the procedures for measuring and managing the risks underlying the equity investments through the definition of the criteria for managing risk with reference to the roles and responsibilities of corporate Bodies and Functions;
- the procedures for monitoring the risks linked to the equity investment portfolio and verifying the regulatory limits and the internally defined attention thresholds for the different operating organisations and units;
- the definition of the levels of risk propensity within the definition of the Group's Risk Appetite Framework;
- the reports to corporate Bodies and Functions.

Concerning the definition of the Risk Appetite Framework, the Risk Management Function, with the input of the operating organisations directly involved, annually submits for approval to the Parent Bank's Board of Directors the maximum limits of risk appetite, risk tolerance, and risk capacity, as well as the attention thresholds for the other risk indicators for the BPVi Group. Since the end of 2012, the Risk Management Function has performed 2nd level controls on compliance both with Supervisory limits and with the operating limits set internally in the Risk Appetite Framework and with the attention thresholds established internally on the basis of the information provided, at least once every six months, by the Financial Statements Function and activates, if necessary, the related escalation processes. The outcome of this control is reported to the Parent Bank's Equity Investment Committee and Board of Directors. Lastly, the same Function participates in the process for the preparation and approval of investments/divestments in equity assets, according to the procedures defined in the "Regulations on the equity investments that may be held by the Banca Popolare di Vicenza Group"; within this process, it is called upon to express its opinion with regard to compliance of the defined attention thresholds, with reference to the proposed investment/divestment.

Risk Assets to Related Parties

To comply with the provisions of Title V - Chapter 5 of the 9th revision of 12 December 2011 of Bank of Italy Circular no. 263/2006 ("New prudential supervisory instructions for banks") on "Risk assets and conflict of interest with respect to related parties" the BPVi Group has set down "Regulations for Transactions with Related Parties" and a "Policy for Managing Risk Assets with respect to Related Parties".

In particular, this latter policy, in line with the regulatory provisions, is aimed at providing protection against the risk that the nearness of certain persons to the Bank's decision-making centres may compromise the objectivity and impartiality of the decisions to issue loans and to carry out other transactions with the same persons, with possible distortions in the resource allocation process, exposure of the bank to inadequately measured or controlled risks, potential damage for depositors and stockholders.

This policy, consistently with the provisions of the supervisory regulations, defines the addresses to be applied by the BPVi Group, with the following component elements:
- the procedures for measuring and managing the risks underlying Related Party transactions through the definition of the criteria for managing risk with reference to the roles and responsibilities of corporate Bodies and Functions;
- the methods for measuring risks connected with Related Party transactions;
- the procedures for monitoring the risks underlying Related Party transactions and verifying the limits assigned to the different operating organisations and units;
- the definition of the levels of risk propensity (risk appetite);
- the reports to corporate Bodies and Functions (Management Reporting System).

The core principles of the governance model of the BPVi Group within the assumption of risks with respect to Related Parties, developed according to a logic consistent with the roles and responsibilities defined in the Risk Appetite Framework Regulation and in the ICAAP, prescribe that:
- responsibility for defining the guidelines on assuming and managing the risks underlying Related Party transactions rests with the Body with strategic supervision function of the Parent Bank;
- the assumption of risks with respect to Related Parties shall be monitored centrally by the Parent Bank with reference to the individual legal entities and to the Group as a whole;
- individual legal entities shall comply with the guidelines defined by the Parent Company for the assumption of risks with respect to Related Parties.

With reference to the definition of the Group's Risk Appetite Framework, the Risk Management Function, with the input of the operating organisations directly involved, annually submits for approval to the Parent Bank's Board of Directors the maximum limits of risk appetite in terms of the proportion of the risk assets referred to the Related Parties on Own Funds at the consolidated level and their maximum deviation (Risk Tolerance).

In 2014, the Risk Management Function, within the scope of its own 2nd level controls, started monitoring the risks connected with transactions with Related Parties, which entails the following stages:
- measuring the risks underlying exposures to Related Parties that may be mainly due to credit, market and counterparty risks;
- verifying compliance with prudental limits (regulatory limits) at the consolidated level and at the individual Group bank level;
- verifying compliance with the limits set in Risk Appetite Framework in terms of risk exposure to Related Parties.

EXPOSURE TO STRUCTURED CREDIT PRODUCTS DERIVING FROM SECURITISATION TRANSACTIONS ORIGINATED BY THE GROUP

At 31 December 2014 there were eleven securitisations originated by the BPVi Group and called Berica Residential MBS 1, Berica 5 Residential MBS, Berica 6 Residential MBS, Berica 8 Residential MBS, Berica 9 Residential MBS, Berica 10 Residential MBS, Berica ABS, Berica ABS 2, Berica PMI, Piazza Venezia and Berica ABS 3 (the last one was carried out in 2014).
All the above securitisations were carried out pursuant to Italian Law no. 130/1999 through the incorporation of a special-purpose entity (SPE) to which the securitised assets (portfolios of performing mortgages and unsecured loans) were sold without recourse.

It is also specified that the prerequisites of "control" under the new accounting standard IFRS10 exists with regards to the special purpose vehicles used by the Group in its securitisation transactions. For these companies, however, the decision was made not to proceed with the corresponding consolidation in consideration of the fact that all financial statement values are irrelevant with respect to those of the Group and that the assets securitised, like the related liabilities, are already included in the Group financial statements, the prerequisites prescribed by IAS 39 for "derecognition" not applying for the various transactions carried out(10) , since the Group substantially maintained within it the risks and benefits related to the transferred receivables.

In relation to the Berica ABS 3 securitisation completed in 2014, the originators (the Parent Bank BPVi and the subsidiary Banca Nuova) assigned a portfolio of performing residential mortgages totalling euro 1,044 million. The securitisation was completed in June with the issue of Asset Backed Securities whose senior tranches (euro 835.4 million in nominal terms) were entirely placed on the market whereas, in the following month of July, the mezzanine tranches (euro 93.9 million in nominal terms) were all sold on the market. The junior tranches instead were subscribed by the originators, in proportion to the share of loans assigned.

Lastly, on 1 January 2015 the first securitisation originated by the subsidiary Prestinuova took effect; it was carried out in accordance with Italian Law no. 130/1999 through the establishment of a special purpose vehicle ("Adriano Spv") whose securitised assets (salary-backed and pension-backed loans and loans with delegation of payment on salary and pension for a total amount of approximately euro 310 million) were transferred without recourse. The securitisation was completed in January 2015 with the issue of Asset Backed Securities whose senior tranches (euro 267.6 million in nominal terms) were entirely placed on the market, whereas the junior tranche (euro 40 million in nominal terms) was subscribed by the Company.

(10)With the exception of the Berica Residential MBS 1 transaction which was carried out before 1 January 2004, and for which the securitised assets were not "reinstated" on the first-time adoption of IAS-IFRS, as allowed by IAS 1.

The following table shows the details of the exposures held by the Group at 31 December 2014 deriving from the Group's own securitisations.

SPE (in millions of euro)	Exposures senior	mezzanine	junior	Total
Berica Residential MBS 1	21.8	19.0	11.4	52.2
Berica 5 Residential MBS	46.0	21.1	34.3	101.4
Berica 6 Residential MBS	-	218.3	1.0	219.3
Berica 8 Residential MBS	-	-	201.5	201.5
Berica 9 Residential MBS	2.1	461.8	226.8	690.7
Berica 10 Residential MBS	-	447.0	228.7	675.7
Berica ABS	-	110.0	395.5	505.5
Berica ABS 2	-	0.1	213.5	213.6
Berica PMI	0.5	-	638.0	638.5
Piazza Venezia	199.4	173.4	503.0	875.8
Berica ABS 3	-	-	143.0	143.0
Total	**269.8**	**1,450.7**	**2,596.7**	**4,317.2**

All exposures considered (with the sole exception of those referred to the Berica Residential MBS 1 securitisation) are not reported as assets since the aforesaid securitisations do not qualify for derecognition under IAS 39. Therefore, the ABS securities held were eliminated and the securitised assets remaining on the date, and the related liabilities, were written back. The amounts indicated in the table, therefore, relate to the actual carrying amount solely for the exposures pertaining to Berica Residential MBS 1, while for all other transactions the amounts represent the residual nominal values of the various tranches of ABS held by the Group and to the residual amount recoverable in relation to the other types of exposures.

The following table shows the details of the securitised assets underlying the exposures held by the Group at 31 December 2014 deriving from the Group's own securitisations.

SPE (in millions of euro)	Securitized assets (net exposure) Non-performing loans	Whatclist loans	Restructured exposure	Past due exposure	Perfoming loans	Total
Berica Residential MBS 1	13.0	5.2	0.4	-	96.1	114.7
Berica 5 Residential MBS	27.2	12.5	2.7	0.2	152.1	194.7
Berica 6 Residential MBS	19.8	28.4	6.8	0.3	434.6	489.9
Berica 8 Residential MBS	16.3	31.2	2.0	0.4	685.4	735.3
Berica 9 Residential MBS	3.9	8.7	1.5	0.9	754.4	769.4
Berica 10 Residential MBS	2.6	9.9	0.6	0.6	684.1	697.8
Berica ABS	8.3	28.1	1.2	0.4	979.7	1.017.7
Berica ABS 2	1.9	11.2	0.5	0.8	702.8	717.2
Berica PMI	5.4	16.5	0.7	4.7	989.8	1.017.1
Piazza Venezia	7.0	32.7	1.9	8.3	682.5	732.4
Berica ABS 3	-	2.4	0.5	0.5	976.3	979.7
Totale	**105.4**	**186.8**	**18.8**	**17.1**	**7,137.8**	**7,465.9**

EXPOSURE AS INVESTOR TO STRUCTURED CREDIT PRODUCTS DERIVING FROM SECURITISATION TRANSACTIONS ORIGINATED BY THIRD PARTIES

At 31 December 2014, the BPVi Group's exposure to Asset Backed Securities deriving from securitisations originated by third parties totals Euro 308.8 million. The table that follows shows the details of the exposures held, divided according to the type of underlying securitised assets and to the degree of subordination of the individual tranches held. The special purpose entity was not consolidated in any securitisation, since the conditions set out by IFRS 10 were not met. All the aforesaid exposures are recorded under "Loans and advances to customers".

Type of assets securitized	Exposures			Total
(in million of euro)	senior	mezzanine	junior	
RMBS	10.8	17.8	-	28.6
CMBS	-	26.6	-	28.6
ABS - Loans	4.2	6.7	-	10.9
ABS - *Leasing*	-	1.1	-	1.1
ABS - Other asset	226.7	12.9	-	239.6
Total	**241.7**	**79.2**	**-**	**308.8**

The exposures of BPV Finance, totalling euro 69.2 million, relate to various Asset-Backed Securities deriving from Residential Mortgage-Backed Securities (RMBS) and Commercial Mortgage-Backed Securities (CMBS), and to receivables deriving from leases and from collateralised loans to small and medium enterprises. This subsidiary's investment policy is to optimise the medium-term value of the ABS, requiring that they be denominated in euro and have a minimum rating of single A (unless approved otherwise by the Board) at the time the investment is made. The geographical breakdown of the assets underlying these transactions principally encompasses Western Europe and North America. The total fair value at 31 December 2014 is euro 67.1 million, and it represents a negative difference of approximately euro 2.1 million with respect to the carrying amount, mainly because of the "repricing" of such securities in the financial markets and the absence of market liquidity. The aforesaid difference did not affect the Group's overall profits, because the entire portfolio held was reclassified to "Loans and advances to customers" on 1 July 2008, in accordance with the amendments to IAS 39 published by the IASB on 13 October 2008 and endorsed by the European Commission on 15 October 2008 in EC Regulation no. 1004/2008. At 31 December 2014, the net negative reserves recorded in a specific equity line item, amount to euro 1.6 million. For complete disclosure, it should be pointed out that value adjustments totalling euro 6.8 million were effected on the aforementioned exposures in previous years.

The remaining exposures are held by the Parent Bank Banca Popolare di Vicenza (euro 116.2 million) and Banca Nuova (euro 123.4 million) and they mainly refer (euro 159.2 million) to Asset Backed Securities issued in relation to securitisations arranged pursuant to Law no. 130/1999 and originated by construction firms operating with public institutions, by the Palermo Chamber of Commerce, Industry, Craftsmanship and Agriculture and by Sicilian SMEs. For the aforesaid transactions, the Group acted as arranger in the structuring of the transactions and also acts as servicer, calculation agent, cash manager, paying agent and collection account bank for nearly all of them. No elements that could indicate an impairment emerged on these exposures. The related fair value, which was estimated with an internal model that is based on specific analyses to determine the expectations of repayment on the part of the SPV, was found to be aligned to the related carrying amount.

Lastly, the Parent Bank Banca Popolare di Vicenza subscribed, together with the other partner banks of the originator, its own share (euro 84.7 million nominal) of the only tranche issued within the scope of the securitisation carried out by Banca Nuova Terra in 2014. At the end of the year, said exposure, net of the adjustments recorded, amounting to euro 4.8 million, is recorded in the financial statements with an amount of euro 80.4 million.

EXPOSURE TO SOVEREIGN DEBT SECURITIES

As a result of the growing interest of the market in exposures held by the company in sovereign debt securities, and as recommended by the European Securities and Markets Authority (ESMA) in Document no. 2011/226, the details of the related exposures held by the BPVi Group at 31 December 2014 are provided below. As indicated in the ESMA document, "sovereign debt" means bonds issued by central and local governments and government entities, as well as loans granted by said parties.

At 31 December 2014, the BPVi Group holds exposures to sovereign debt amounting to nearly euro 5.4 billion, all referred to the Italian State with the exception of a marginal exposure (euro 25 thousand) in Argentine Government bonds. The table that follows shows the breakdown of exposures to the Italian State, all represented by debt securities, by accounting category, by type of interest rate and by residual duration.

Exposures to Italian sovereign debt	Expiry date				
(in millions of euro)	up to 12 months	12 to 36 months	36 to 60 months	over 60 months	Total
Financial assets held for trading	**1,003.2**	**1.0**	**-**	**6.6**	**1,010.8**
- fixed rate	1,003.2	-	-	6.6	1,009.8
- floating rate	-	1.0	-	-	1.0
- inflation linked	-	-	-	-	-
Financial assets available for sale	**-**	**513.7**	**3,123.8**	**789.0**	**4,426.5**
- fixed rate	-	44.2	538.0	133.8	716.0
- floating rate	-	40.4	133.3	49.9	223.6
- inflation linked	-	429.1	2.452.5	605.3	3,486.9
Financial liabilities held for trading	**-**	**-**	**(56.7)**	**(11.9)**	**(68.6)**
- fixed rate	-	-	56.7	(11.9)	(68.6)
- floating rate	-	-	-	-	-
- inflation linked	-	-	-	-	-
Total	**1,003.2**	**514.7**	**3,067.1**	**783.7**	**5,368.7**

The fixed rate exposures recorded among "Financial assets available for sale" hedge the interest rate risk for a total nominal amount of euro 100 million, whereas inflation linked assets hedge the interest rate risk and the inflation risk for a nominal amount of euro 2,945 million.

At 31 December 2014, sensitivity to changes of 1 bps in the Republic of Italy credit spread for government securities classified as "Financial assets/liabilities held for trading" equalled approximately euro 71 thousand, while for Government securities classified as "Financial assets available for sale", the aforementioned sensitivity equalled euro 2.3 million.

INFORMATION ABOUT LENDING

Information **about the situation of the loan portfolio of the BPVi Group** is presented below in terms of **concentration, geographical distribution and distribution by economic sector, together with a number of risk indicators**. The data used in this analysis were drawn **from the financial statements and the information reported to the Central Risks Database**, including cash loans, guarantees and derivatives. Group Banks and companies are excluded from the aggregates, which however do include all securitised mortgages, even if derecognised, in order to provide a complete picture of the way the Group's loans portfolio is structured.

Concentration of customers

The Group's loans portfolio is well spread overall with just under 285 thousand positions, of which approximately 266 thousand represent 93.3% of the total, remain below the threshold of euro 250 thousand. **The most numerous bracket is represented by facilities of up to euro 25 thousand, accounting for 51.3% of the total positions**, in line with the level at the end of 2013. The proportion of classes from euro 26 thousand to euro 250 thousand is 42.0%, up from 41.7% in December 2013, whilst facilities above this latter threshold account for 6.7% of the total, versus 6.9% at the end of 2013.

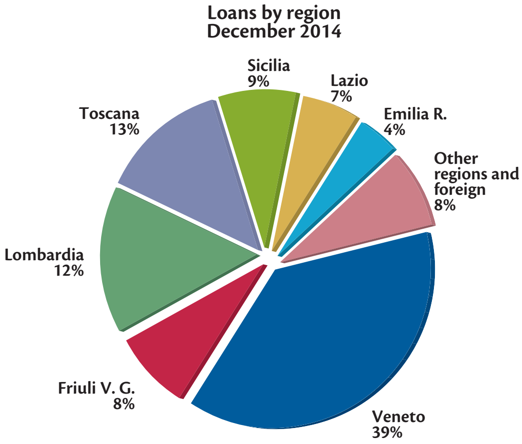
Considering the **amounts drawn down**, instead, the brackets with facilities up to euro 25 thousand account for just 3.6% of total loans granted by the Group (albeit increasing markedly from 3.1% at the end of 2013), while the bracket from euro 26 thousand to euro 250 thousand is much larger (34.4% versus 32.9% in December 2013), and those drawing against greater facilities are at 62.0% (compared to 64.0% at the end of 2012). In particular, facilities in excess of euro 5 million represent 25.0% of total loans drawn down, a sharp decline from 27.3% at the end of 2013.

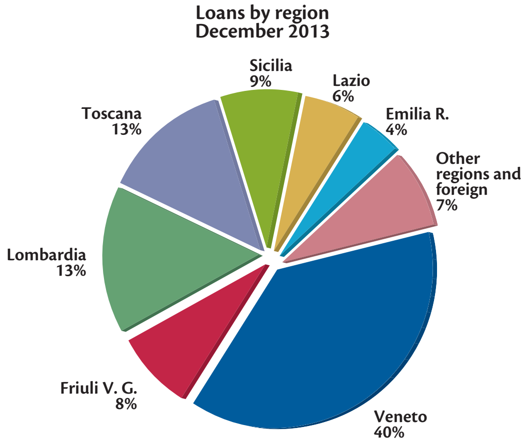
Additionally, concerning the single name concentration risk the Group, in order to assure appropriately fractioned positions, set specific limits on the total amount granted to customers or groups of customers whose facilities exceed certain thresholds. In particular:
- for the Parent Bank, the percentage of credit granted to counterparties, whether individual or in the same group, with facilities exceeding euro 60 million, must remain within a maximum limit of 8% of the bank's total facilities (net of those pertaining to banking and insurance Groups);
- for Banca Nuova, the percentage of credit granted to counterparties, whether individual or in the same group, with facilities exceeding euro 20 million, must remain within a maximum limit of 4% of the bank' s total facilities.

In December 2014 the limit had been widely complied with both by the Parent Bank (6.1%, versus a limit at 8%) and by Banca Nuova (1.8%, whereas the limit is 4%).
Briefly, the data of this paragraph confirm, yet again, the evolution of the Group's portfolio in the direction of greater granularity.

Geographical distribution

The **geographical distribution** of Group lending in December 2014 (excluding repurchase agreements), considering the region/province of residence of individuals and the registered offices of legal persons, did not change substantially since the end of December 2013, confirming the strong concentration of the Group's loans in its original home regions, like **Veneto** (39% of total loans, with the Vicenza province at 17%) and **Friuli V.G.** (8%).

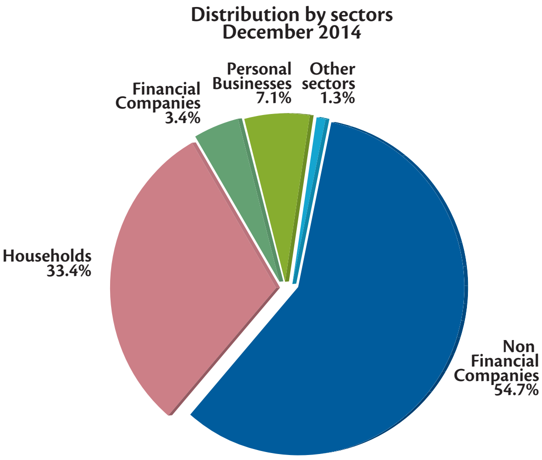


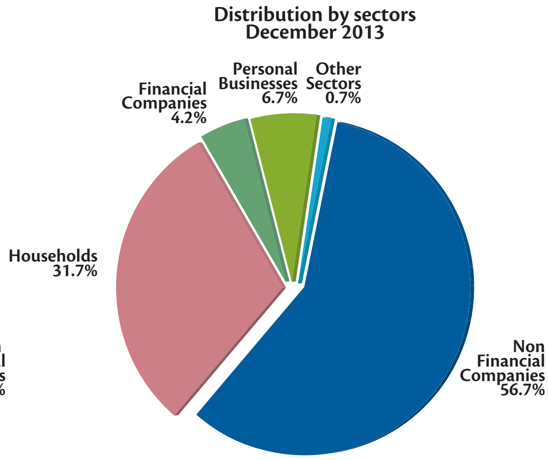


As regards the other regions, **Tuscany** and **Lombardy** reached a significant level, with 13% and 12% respectively, followed by **Sicily** with 9% and **Lazio** with 7%.

Distribution by business sector

The dynamic analysis of the distribution of the loans portfolio **by business sector** at Group level highlights, in December 2014, **a decrease in the weightings** of **"Non-financial companies"** (from 56.7% at the end of 2013 to 54.7%) and **"Financial companies"** (from 4.2% to 3.4%), an increase for **"Households"** (from 31.7% to 33.4%) and **"Personal Businesses"** (from 6.7% to 7.1%), confirming the tendency towards a more granular structure of the Group's portfolio, as already outlined in the section on concentration.





Concerning "Non Financial Companies" and "Personal Businesses", which together account for 63.1% of the Group's loans, they are distributed in highly granular merchandise segments, called ATECO. For representation reasons, the latter are grouped together in this Report on Operations, into macro-sectors with the most homogenous characteristics as possible.
In view of the above, within our Group ATECO macro-sectors are characterised by the following proportions of the total loan portfolio: "Construction and Real Estate" account for 19.1% of the total, followed by "Wholesale and retail commerce" with 11.3%, by "Other services" (mainly personal services) with 6.1%, by "Financial services and business services" with 6.0%, by "Metal working"

(4.8%), by "Other light industry" (which contains industrial sectors other than metal working, basic industry and textile and clothing) with 4.3%, by "Mining and basic industry" (3.3%), by "Textile and clothing" at 2.5%, by "Farming" (2.4%) and, lastly, by the companies involved with "Supply of electricity, gas, water, and waste treatment" with 1.9%.

Other risk indicators

With regard to performing loans, the main instrument for monitoring changes in risk conditions is the Early Warning system, based on performance indicators of the relationship and on all the information that comes from the IT systems of the Group's banks and that can forewarn of a change in the risk level associated with the counterparty. At Group level, then, the performing positions with performance anomalies are classified as **"Watch"** and **"Pre-Past Due"** (continuous overdrafts exceeding 40 days and below 90 days). Concerning the evolution of these categories, the percentage of **loans classified** as **"Watch"** relative to the total portfolio, declined from 6.8% to 6.4% between December 2013 and December 2014, whereas *"Pre-Past Due"* loans increased from 2.9% to 3.1%.

In addition, in October 2012 a new category of default loans was introduced, i.e. those **To be restructured (RSD)**, which includes positions undergoing restructuring and hence awaiting, once all activities necessary to implement the restructuring agreement are completed, to be classified as "Restructured". The original status remains valid in any case for reporting and financial statements purposes. This stated, at Group level the proportion of this category was 1.5% at the end of 2014, with a significant reduction from 2.5% in December 2013.

CORPORATE SOCIAL RESPONSIBILITY AND IMAGE

This section describes the **projects supported and actions taken by the Parent Bank for the benefit of stockholders and all other stakeholders**. A real co-operative bank is recognised by its specific mission: supporting, in line with the spirit of mutuality and solidarity, the development of the local economic context and contributing to the social and economic progress of the areas served. This fundamental principle has always been a core value of Banca Popolare di Vicenza, since **1866, the year of its foundation**, as the **first Co-operative Bank in Veneto and the first Bank in Vicenza**, operating in the service of households, businesses and public Institutions. Even now, though growth in these past years has resulted in the development of the Bank and its Group, BPVi's way of banking continues to be marked by deep ties to the local communities, by its vocation to respect their specific characteristics and by its aptitude in interpreting their economic needs. Being an active and responsible part of the social and environmental context in which it operates and contributing to the economic and social advances of its communities and of all their components, is part of the essence of co-operative banking, with its central values and guiding principles of mutualism and solidarity.

ANNUAL REPORT ON THE MUTUALISTIC NATURE OF THE CO-OPERATIVE PURSUANT TO ARTICLE 2545 OF THE ITALIAN CIVIL CODE

When co-ordinating the provisions of the Italian Civil Code with the special rules for co-operative banks contained in articles 29 et seq. of the Consolidated Law on Banking and Lending, lawmakers confirmed that "co-operative" banks belong to the co-operative category and recognised **the specific nature of their mutualistic purpose**, stating that the associated principles adopted **must be suitably disclosed in the present report**.
The mutualistic purpose, especially in a co-operative bank, is pursued not only in the typical forms of **"internal" mutuality**, but also those of **"external" mutuality** relating to the community and social context in which the bank itself lives and operates and which is increasingly important in terms of corporate social responsibility.
In the case of Banca Popolare di Vicenza, its mutualistic purpose is guaranteed by:
- providing members with banking services at times under preferential conditions;
- taking actions in favour of the local area, households and businesses aimed at enhancing the local economy for the specific benefit of the community as a whole;
- allocating funds to projects of social benefit, charities, welfare and cultural initiatives with benefits for the community and local area in which the Bank directly operates.

The following sections will describe the relationship that binds the Bank to its Members and the principal social interest projects carried out by the Parent Bank during the year for the benefit of local areas and communities.

Banking services for Members

An effective mutualistic relationship with its Members also involves the **specific offer of financial services** relating to the principal products and services, starting with current accounts. In addition to the wide range of services and benefits already in the catalogue, in 2014 the range of benefits relating to the commercial offer dedicated to bank stockholders was expanded, with intervention in the following areas in particular:
- **Current account facilities**: on the current accounts dedicated to SocioPiù Famiglia and SocioPiù Valore Members, a reduced interest rate on facilities (cash flexibility) was reserved.
- **Salary- and Pension-Backed Loans and Payment Delegation Loans**: for all new loans entailed the transfer of one-fifth of salary and pension for Members, a special reduction of the APR (Annual Percentage Rate) was provided;

- **Home mortgages**: a special promotion was reserved to Members in 2014, with a favourable spread reserved to members;
- **Time Deposits**: an advantageous return was reserved for all Bank Members on the SemprePiù Time Deposit in 2014, with various promotions set aside;
- **ABC Assicura Products**: a special discount of 10% was provided to all bank Members on the annual premium of the insurance products of the company ABC Assicura like *Infortuni Famiglia, Diaria da ricovero, Multirischi Famiglia*, and *Multirischi Casa*. The discount is valid throughout the duration of the policy and is applied on the annual premium calculated on the basis of the guarantees chosen by the customer, in relation to the modular structures of the product.

Moreover, among the other significant initiatives, of note is the completion of a special guide, available in all branches, which describes the practical benefits of Membership. The brochure, entitled "**Our Members get special treatment**", serves the purpose, on one hand, of summarising the set of banking privileges reserved for Members and, on the other hand, of stressing all additional promotional initiatives dedicated to Members. Lastly, in 2014 the Bank reserved a series of special discounts to the relatives and friends of its Members on current account products and on savings accounts.

Member admission criteria and management of relationships with Members (pursuant to article 2528, paragraph five of the Italian Civil Code)

The close relationship between the Bank and its Members is one of the hallmarks of the co-operative banking model, featuring the presence of a **large number of Members each with one vote** which prevents the formation of controlling majorities. The close relationship between the Bank and its Stockholders is evident from the very moment of **a new member's admission**, which is governed by Article et seq. of the Articles of Association. Prior to presentation to the Board of Directors, applications for admission as a stockholder are examined by a special **Members Committee**, set up under a board resolution adopted on 23 February 1999, which has the task of evaluating whether such applications satisfy the requirements contained in the acceptance clause in the articles of association and comply with the co-operative spirit. Applications for admission to Membership are transmitted mainly by the branch network, as for the purposes of admission, it is necessary for the aspiring Member to have a long-standing relationship as a customer of the Bank, or have a good reputation in the areas in which the Bank operates. In 2014 the Board of Directors did not reject any applications submitted by aspiring Members.
An intense mutualistic relationship with Members is also reflected in constant and effective communications. Among the tools adopted is **the letter sent at least twice a year** in which the Bank's management provides information on the Bank's results and performance, in compliance with the principle of providing the market with the same information.

Information on the Stockholding Structure of Banca Popolare di Vicenza

At the end of 2014, the Capital Stock of Banca Popolare di Vicenza was held by 108,830 Members (+27.0%, compared to 85,713 at the end of 2013). Also considering the holders of stocks not registered in the Members' Register, which numbered 7,967 in 2014, the **total number of Members/Stockholders amounts to 116,797** (up by +26,081 compared to the end of 2013, +28.8% per annum). The clear increase in the number of Stockholders in the year, which continues and accelerates a trend already highlighted in previous years, is connected, as already described in the chapter of this Report dedicated to strategically significant activities, to the **share capital increase initiatives successively completed in 2014** (euro 608 million raised through the extraordinary share capital increase and euro 102 million through the new member campaign).

The analysis of members' composition at the end of 2014 confirms one of the typical hallmarks of the co-operative model, namely **a large number of Members, almost all of whom are natural persons** (88.7%), with a small representation of companies, entities and institutions (11.2%). The latter category, in particular, nonetheless increased considerably on the prior year, reflecting an interest in working with the Bank in a partnership that is not just limited to banking.

Shareholders composition	2014	Comp. %	2013	Abs.chg.	chg. %
Men	63,075	54.00%	49,945	13,130	26.3%
Women	40,585	34.75%	32,195	8,390	26.1%
Companies, admin. body, institution	13,137	11.25%	8,576	4,561	53.2%
Total	**116,797**	**100.0%**	**90,716**	**26,081**	**28.8%**

An analysis of the Stockholder Structure confirms **the high level of loyalty: roughly half of Members/stockholders have been Members of the Bank for over 3 years**. This figure reflects the long-term, non-speculative nature of investing in the Bank's shares and the close fiduciary relationship that has always bound the Bank to its Members, the latter is an expression of the areas of operation of the Bank itself. In any case, the number of stockholders who have been Members of the Bank for less than 2 years has grown rapidly, partly because of the recent capital strengthening operation intended for new members.

Shareholders composition by ageing of the relationship	2014	Comp. %	2013	Abs.chg.	chg. %
up top 2 years	60,015	51.4%	37,353	22,662	60.7%
from 3 to 5 years	14,433	12.4%	11,970	2,463	20.6%
from 6 to 10 years	14,288	12.2%	13,516	772	5.7%
over 10 years	28,061	24.0%	27,877	184	0.7%
Total	**116,797**	**100.0%**	**90,716**	**26,081**	**28.8%**

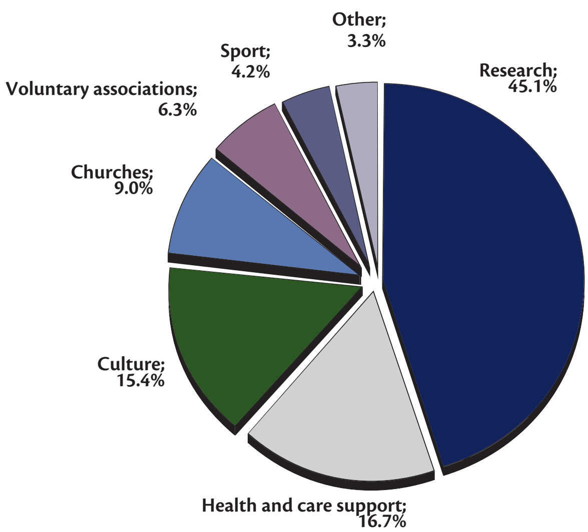
The geographical breakdown of the Members confirms the Bank's **deep roots in its traditional regions**: approximately **67% of Members/stockholders reside in Veneto** (30% in Vicenza) and **Friuli Venezia Giulia**. However, in recent years, consistent with the expansion of Group operations also in other areas of Italy, a considerable increase was recorded in the weight of Members from other important regions where the Group operates, for example, **Lombardy, Tuscany, Sicily, Emilia Romagna and Lazio**, proof of the recognition and appreciation now enjoyed by the Bank at national level.

Shareholders distribution by geographical area	2014 N.	2014 Comp. %	2013 N.	2013 Comp. %	chg. % yoy	Abs. chg. yoy
Veneto	**65,582**	**56.2**	**56,295**	**62.1**	**16.5**	**9,287**
Vicenza	34,549	29.6	31,334	34.5	10.3	3,215
Treviso	12,299	10.5	10,653	11.7	15.5	1,646
Padova	6,453	5.5	5,348	5.9	20.7	1,105
Verona	5,465	4.7	4,272	4.7	27.9	1,193
Venezia	4,211	3.6	2,905	3.2	45.0	1,306
Belluno	2,082	1.8	1,440	1.6	44.6	642
Rovigo	523	0.4	343	0.4	52.5	180
Friuli Venezia Giulia	**12,973**	**11.1**	**10,482**	**11.6**	**23.8**	**2,491**
Udine	9,018	7.7	7,592	8.4	18.8	1,426
Pordenone	2,503	2.1	1,816	2.0	37.8	687
Gorizia	622	0.5	477	0.5	30.4	145
Trieste	830	0.7	597	0.7	39.0	233
Lombardia	**10,691**	**9.2**	**7,606**	**8.4**	**40.6**	**3,085**
Emilia Romagna	**2,814**	**2.4**	**1,887**	**2.1**	**49.1**	**927**
Sicilia	**6,916**	**5.9**	**4,147**	**4.6**	**66.8**	**2,769**
Lazio	**2,259**	**1.9**	**1,359**	**1.5**	**66.2**	**900**
Toscana	**11,235**	**9.6**	**6,378**	**7.0**	**76.2**	**4,857**
Other regions	**4,088**	**3.5**	**2,376**	**2.6**	**72.1**	**1,712**
Foregin	**239**	**0.2**	**186**	**0.2**	**28.5**	**53**
Total	**116,797**	**100.0**	**90,716**	**100.0**	**28.8**	**26,081**

Banca Popolare di Vicenza and the community

The mission of "external" mutuality harmoniously complements that of "internal" mutuality and involves **numerous actions by the Bank in favour of the local area and the local community**.

Donations



As prescribed by Article 53 of the Parent Bank's Articles of Association, in 2014 BPVi **distributed a total of euro 634,581 to 223 good causes** out of the sum approved by the Members' Meeting for charitable works, welfare, culture and projects of social benefit.

In terms of allocation, **45.1%** went of the funds went to research, academic work and education, **16.7%** to healthcare and support, **15.4%** to culture and to the artistic heritage of our communities, **9.0%** to parishes and Catholic church organisations, **6.3%** to volunteer organisations and associations in support of the underprivileged, **4.2%** to sports and youth associations and the remaining **3.3%** to other causes.

Support for Universities and Education Centres

In 2014, Banca Popolare di Vicenza confirmed its support to the young and their education, offering products and services designed for households and students. The bank is particularly interested in instituting scholarships and supporting projects aimed at broadening universities' range of educational offerings.

The Bank renewed its support for the **University Hub of Vicenza** and the **CUOA training centre** of Altavilla Vicentina, a reference point in Italy's corporate training scenario.
Also in 2014, the ***Centro Internazionale di Studi di Architettura Andrea Palladio*** (Andrea Palladio International Architectural Study Centre) in Vicenza, supported by the Bank since 1995, received a contribution for the organisation of the course on Palladian architecture for Italian and foreign students.

The ***Istituto Veneto di Scienze, Lettere ed Arti*** (Institute of Science, Letters and Arts of Veneto) in Venice received BPVi's support for the furnishings of the Sala Luzzatti inside Palazzo Loredan in Venice.

Lastly, the Bank renewed its contribution to **Esac** of Vicenza to finance a study grant for a young student who will participate in the third edition of the *Master di Cucina Italiana* (Master of Italian Cuisine).

Support of scientific research

Also in 2014, Banca Popolare di Vicenza renewed its decision to allocate a **"Health Care and Medical Research Credit Line"** to support hospitals and research institutes, confirming its focus on the health care industry, which is essential for the well-being of the community. Particular attention was paid to the Health Care Unit of Vicenza, **the San Bortolo Hospital**, which the Bank has supported since 1990. In 2014, the San Bortolo Hospital of Vicenza benefited from donations intended for scholarships for the Paediatric Surgery, Traumatology and Neurology, Eye and Maxillofacial Surgery Operating Units. During the year, **ULSS 5 of the Western area of Vicenza** benefited from the Bank's intervention in the purchase of medical equipment for the Lonigo Hospital. Moreover, during the year a contribution was paid in favour of the **Fondazione Biomedica Avanzata di Padova (Advanced Biomedical Foundation of Padua)**, in support of scientific research in the field of molecular medicine.

Artistic restoration initiatives

During the year, significant amounts were allocated for artistic restoration in favour of some delegations of the **FAI *Fondo Ambiente Italiano* (Italian Environmental Fund)** and Association engaged in the restoration and recovery of the cultural heritage of Italy.

Initiatives in support of music and the theatre

In 2014, the Bank engaged in a number of initiatives in support of music and concerts. The Bank has been providing, uninterruptedly since 1996, a contribution to the musical seasons of the **Società del Quartetto and of the Orchestra del Teatro Olimpico (Orchestra of the Olympic Theatre) of Vicenza**. The Bank also renewed its contribution to the *Settimane Musicali* (weekly musical performances) and to *Incontro sulla tastiera* (Meeting on the keyboard).

During the year, the Bank organised two major concerts, performed by **Solisti Veneti** conducted by Maestro Claudio Scimone, one in the **Prato Cathedral** on Easter Day and the other one with the extraordinary participation of **Uto Ughi**, in the Vicenza Cathedral for Christmas. Lastly, as regards support for theatre and shows, the Bank has been making a contribution to the **Teatro Comunale di Thiene (Municipal Theatre of Thiene)** and the **Teatro Politeama Pratese** for more than fifteen years, providing support since its reopening in 1999.

Institutional sponsorships

In support of the local economy

Banca Popolare di Vicenza serves a leading role in the communities where it operates, enhanced by numerous institutional support initiatives in favour of several Organisations and Trade Associations both in the Vicenza area, with **Ascom, Confindustria, Associazione Industriali di Vicenza and Fiera di Vicenza**, and in the Veneto area, with **Confindustria Dolomiti Belluno** and **Associazione Commercialisti del Triveneto (Triveneto Accountants' Association)**
In the province of Prato, where BPVi has a strong presence, additional institutional support was provided to **CNA, Confesercenti and Confartigianato Prato**.
Elsewhere in Italy, moreover, institutional support was assigned in favour of **Confcommercio Genoa** and **Confindustria Lecco**.

Support to culture

Banca Popolare di Vicenza has always provided concrete support to culture and the recovery of the local artistic heritage. The initiatives in support of culture include the multi-year partnerships that Banca Popolare di Vicenza has had since 2007 with major institutions and cultural initiatives in the regions where it is active. The nationwide initiatives in 2014 include the partnership with **La Fenice Theatre Foundation of Venice**, of which the Bank is an official sponsor, whereby tickets for La Fenice Theatre shows are sold in all BPVI branches, and the Institute's logo is reproduced on tickets issued by Fenice and on all promotional support, and the sponsorship of the **Campiello Literary Award**, promoted by Confindustria Veneto, which has continued uninterrupted since 2000.

Support to sports

In football, the Bank has been the official sponsor of **Vicenza Calcio** (first team and youth teams) since 2001, and BPVi's logo has adorned players' jerseys in recent years. The Bank is the official sponsor of the **Udinese Calcio** football club, placing pitch-side ads in Udine's Friuli stadium, where Serie A matches are played.
The Institution is also active in rugby: it is a sponsor for **Rugby Rovigo**. BPVi also supports other local teams, e.g. **Rugby Vicenza**, **Pallacanestro Reggiana** (basketball), **Real Vicenza**, **Circolo Tennis Vicenza** (the Vicenza Tennis Club) and **A.S.D. Pallacanestro Vicenza** (basketball).
Additionally, we should recall the exclusive sponsorships of the 14th Edition of the **"Stravicenza"** running race and the **15th Udine City Half Marathon**, as well as the sponsorship of the **Vicenza Half Marathon**.
The Bank also sponsored, in the Prato area, the sports activities of the **Prato Tennis Club** and of **Associazione Ciclistica Pratese (Bicycling Association of Prato)**.
Lastly, we should note the participation of the Bank, as sponsor, in the Pro-Am competition of the **Asiago Golf Club** and in the trophies of the **Colli Berici Golf Club**.

Promotion of culture, art and the artistic treasures owned by the Bank

The heart of the activities for the promotion of culture and of the artistic treasures owned by the Bank is the **historical headquarters of Palazzo Thiene in Vicenza**, built by Andrea Palladio in the mid Sixteenth Century. In the initial months of the year, in the *loggia* of Palazzo Thiene, the exhibition ***"Capolavori che ritornano. Una dinastia di pittori. Jacopo Bassano, i figli e la bottega*. I capolavori della Collezione Banca Popolare di Vicenza"** ("Returning Masterpieces: a Dynasty of Painters. Jacopo Bassano, His Sons and the Workshop. Masterpieces of the Banca Popolare di Vicenza Collection"). The exhibition, inaugurated in December 2013, presented to visitors the Bank's collection of the works of the grand master of Sixteenth Century Venetian painting and his workshop, and in March it was enriched with a new, important acquisition, i.e. the splendid painting by **Francesco Bassano** entitled **"L'Elemento Fuoco: la fucina di Vulcano" ("The Element of Fire: Vulcan's Forge")**, officially announced to the public in a conference centered on the subject of the new painting in relation to the theme of the four elements interpreted by the Bassanos.

Thanks to the project called ***"Capolavori che ritornano"*** (**Returning Masterpieces**), launched in 1997, over several years, the Bank returned to Vicenza many painting masterpieces originating in Veneto, saving them from being dispersed in the main domestic and international antiquities markets, ideally by returning them to the place of origin, to make them the centrepieces of important exhibits in Palazzo Thiene. In December 2014, within the scope of said initiative, the **"Capolavori che ritornano**. ***L'Ottocento e il primo Novecento nella Collezione Banca Popolare di Vicenza"*** **(Returning Masterpieces: the Nineteenth Century and the early Twentieth Century in the Banca Popolare di Vicenza Collection)**, which presented to the public, for the first time, an extensive overview of the works it owns, dated between the Nineteenth Century and the beginning of the Twentieth Century, and pertaining to several themes, including the famous gendre scenes and views of Venice that, in the course of the Nineteenth Century, had become widespread abroad on the footsteps of the many foreign travellers who, at that time, had started to visit the "bel Paese", in ever greater numbers.

With a view to enhance and promote its artistic assets, in October the Bank organised, in collaboration with the Municipality of Prato and with the Patronage of the President of the Republic of Italy and the sponsorship of the Tuscany Region, at the prestigious Palazzo Pretorio Museum in Prato, the great exhibition ***"Capolavori che si incontrano. Bellini, Caravaggio, Tiepolo e i maestri della pittura toscana e veneta della Collezione Banca Popolare di Vicenza"*** ("Masterpieces put together: Bellini, Caravaggio Tiepolo and the painting masters of Tuscany and Veneto of the Banca Popolare di Vicenza Collection"). The initiative made possible an unprecedented "close encounter" between nearly ninety paintings from the Bank's collection, some of which have never been shown in public before. The works on display, mostly by Tuscan and Venetian masters from the Fifteenth to the Eighteenth Century, followed each other in an iconographic exhibition path, combining together in sections and "compartments" matching the main themes of Western art from the Renaissance to the French Revolution.

Banca Popolare di Vicenza also confirmed its commitment to culture in 2014 with a series of conferences organised in its own historic headquarters. The first set of events was the traditional cycle of **"Sunday Lectures"** in January, accompanying the December 2013 exhibition ***"Capolavori che ritornano. Una dinastia di pittori. Jacopo Bassano, i figli e la bottega. I capolavori della Collezione Banca Popolare di Vicenza"*** ("Returning Masterpieces. A dynasty of painters. Jacopo Bassano, his sons and the workshop. The masterpieces of the Banca Popolare di Vicenza Collection".
The Bank's historic headquarters also hosted, during the year, **prestigious leaders in public institutions, the economy and academia** such as the editorialist **Guido Salerno Aletta, Paolo Savona**, former Minister of Industry in the Ciampi Government, **Roberto Luongo**, General Manager of ICE, and **Fabrizio Saccomanni**, former Minister of the Economy in the Letta Government.

Also noteworthy, with a view to promoting and enhancing the local cultural heritage, is the Bank's proposal for the candidacy of the Basilica Palladiana of Vicenza for the **Europa Nostra Award**, thanks to which Palladio's celebrated masterpiece received the same award assigned to Palazzo Thiene in 1999.

The cultural initiatives that involved the historical headquarters of BPVi include the seventh edition of the project "**Scuole a Palazzo Thiene**" (Palazzo Thiene Schools Project) which involved schools at all levels in the Veneto and Friuli Venezia Giulia regions, and the provinces of Bergamo, Brescia, Florence and Prato in a renewed and expanded range of educational visits to the palace and its art collections. Banca Popolare di Vicenza then participated, in 2014, in the "**Invito a Palazzo**" (Invitation to Palazzo Thiene) event, promoted on a yearly basis by the ABI, as part of which the historical headquarters of the participating banks are open to the public with guided visits.

Lastly, Palazzo Thiene was the location for the awards ceremony of the "**Vicenza Fiorita 2014**" contest, promoted by the F.A.I. in collaboration with the Bank and Giornale di Vicenza, to recognise the most elegant balcony decorated with flowers.

For the promotion, appreciation and showcasing of its own artistic heritage, during the year the Bank loaned some of the most important artworks from its collections for national and international exhibitions. Among them all, worthy of particular mention is the beautiful work by **Baldassarre Franceschini**, **known as *il Volterrano* (the man from Volterra), "The Mystic Marriage of Saint Catherine"**, on the occasion of the exhibition entitled "I Papi della speranza" ("The Popes of Hope"), promoted on the occasion of the celebrations for the first year of Pope Francis' papacy, at Castel Sant'Angelo in Rome.

In its own art collections, the Bank continued its policy of acquisitions in 2014, further expanding its numismatic collections with the acquisition of **some important specimens of Venetian coins,** including the extremely rare **Golden *Zecchino* of Giovanni I Corner**. Also noteworthy is the acquisition of some remarkable ancient Venetian paintings including, in addition to the aforementioned **"Fire Element" by Francesco Bassano**, the **"Portrait of a Gentleman" by Giulio Carpioni**, a large canvas depicting **"Susanna and the elders" by Leandro Bassano** and an additional masterpiece by Jacopo Palma the Younger, **"Rebecca at the well"**.

The Bank also acquired, on art markets, some beautiful Nineteenth Century views of Venice and Chioggia and a bronze sculpture by **Arturo Martini**, **"The strength of heroes"**, placed in the gallery dedicated to the artist in Palazzo Thiene.

External communications and corporate image

In 2014, **109 press releases** were issued (they are available for viewing at the web page http://www.popolarevicenza.it/bpvi-web/home/salaStampa/comunicatiStampa.html); they contributed to strengthen BPVi's presence on local and national media.

To make external communications ever more effective and thorough, and in view of the growing importance of the use of social networks, Banca Popolare di Vicenza has its own **Twitter** account (@popolarevicenza). Through the social network, the Bank shares its press releases and involves the public in its cultural and promotional initiatives. Additionally, the Bank has long been present on **YouTube** as well, with a dedicated channel where the videos on the Bank's initiatives, produced by the corporate TV, **BPVi Channel**, are made available.

The investment in the co-production of films also continued in 2014; it is an important image-boosting instrument for the Bank and it also allows the Bank to take advantage of certain benefits. In particular, the BPVi Group co-produced two films that had excellent box office and viewership results, i.e. ***"La scuola più bella del mondo"*** by Luca Miniero and ***"Andiamo a quel paese"*** by Ficarra and Picone. In addition, the Board of Directors approved the co-production of an international film entitled ***"Il racconto dei racconti"*** which, given the quality of the script and of the cast, could participate in the next Cannes festival.

In March 2014, Paolo Sorrentino's film ***"La Grande Bellezza"*** ("The Great Beauty") co-produced by the Bank in 2013, won the Oscar for best foreign film, linking the name and image of Banca Popolare di Vicenza to an important page in the history of Italian cinema, thanks in part to the product placement operation inserted in one of the most significant scenes of the film.

In November 2014, a preview of Ermanno Olmi's work ***"Torneranno i prati"*** ("Greenery Will Bloom again" is its English title), co-produced in 2013, was shown in the presence of the President of Italy and of highly placed officials during the opening ceremony to commemorate the centennial of the Great War.

Marketing Initiatives

In 2014 the commercial activities targeting individual customers, businesses and Members were supported and sustained by a series of promotional actions and initiatives.
Among the main initiatives, of note is the Bank's **member get member** programme, which was extended to the first half of 2014 and offers customers the opportunity to cut their current account expenses by inviting a non-customer friend/family member to take up a special current account offer, under exclusive conditions. The communication activities already under way were complemented by the contest ***"Presentaci un Amico 2014"*** ("Introduce a Friend to Us 2014"), promoted through the branch channel, the Bank's website and direct marketing initiatives.

Another important initiative, called ***POS-sibile***, carried out in August and September, involved the Bank's POS solutions, which were the subject of a nationwide advertising campaign, centred on the main radio networks (Rai, Radio 24, Radio Capital, Radio 105). The campaign was directed at informing the target group of merchants, craftsmen and professionals who, since 30 June 2014, have been obligated to accept payments with debit cards (ATM cards) for transactions above euro 30 (Decree by the Italian Ministry of Economic Development of 24 January 2014), about the Bank's different POS solutions and the promotional conditions reserved to them, stressing in particular the innovation consisting of the possibility of accepting payments also through smartphones and tablets (Mobile POS).

The better to represent the specific nature of the offer intended for pharmacies and farmers, Banca Popolare di Vicenza was present with its own promotional stand at the major tradeshows of the industries, such as **Cosmofarma in Bologna, Vinitaly in Verona and Enovitis in Campo at Tenuta Ca' Tron in the province of Treviso**. At the community level, moreover, the Bank continued to participate in the events held at the **Vicenza Fair** and the **Longarone Fair**, of which BPVi is an institutional sponsor.

During the year, moreover, several communication actions were developed to leverage the commercial synergies with the **Cattolica Assicurazioni Group**. Of particular note is the ***"Assurbanking"*** initiatives, involving **100 BPVi branches and 100 Cattolica Assicurazioni Agencies**, advertising insurance products to the bank's customers and banking products to customers in the insurance agencies. To support the action, special communication materials were created:

customised totem showcases and product brochures for the insurance agencies and for the BPVi branches, with co-ordinated creativity, specifically designed for this special action.

During the year, several **co-marketing** actions were carried out, which advertised the Bank's brand on several fronts, with different targets. In particular, initiatives oriented to the development of local communities were favoured, enhancing collaboration with local organisations. Among these initiatives should be mentioned, among others, the launch of **co-branded prepaid cards**, subscribable in branches and via the Web through dedicated sites, e.g. the UNPLI Card, which involves *Pro Loco* organisations throughout Italy, and the *Museo Scienza Card*, developed in partnership with the Leonardo da Vinci Science and Technology Museum in Milan.

The co-marketing initiatives also include the close partnership with **Gardaland**, the famed amusement park, which entailed, in 2014 as well, the launch of numerous initiatives and the development of products and services for the young and households. Moreover, the Bank continued to sell, at its branches, entrance tickets for the Park, providing a discounted price to all account holders.

Also of note was ***"Operazione Studenti"*** ("Operation Students"), an initiative launched in 2007 to support the families of students in the areas of interest, initially involving the province of Vicenza in co-operation with Ferrotramvie Vicentine (FTV) and progressively extended to other areas. The number of involved partner companies is high, starting from Vicenza (FTV and AIM) and then including ATVO (operational throughout Eastern Veneto), DOLOMITI BUS (Belluno), ACTV (Venice), CTT and TIEMME (companies operating in Tuscany) and SAF (Udine).

In partnership with the Municipality of Vicenza, moreover, the **City Card** initiative was renewed, dedicated to students of schools in the Vicenza area. The project, launched in 2008, involved a total of 14,000 students, and the services connected with the card, in addition to payment for meal and school bus services, were extended to payment for summer camps and inter-school services.

Lastly, on the occasion of the aforementioned exhibition ***"Capolavori che si incontrano"*** ("Masterpieces put together"), organised by the Bank at the Museo di Palazzo Pretorio in Prato, starting in October, several marketing initiatives were carried out, including the promotional operation **"Con BPVi e Banca Nuova lo spettacolo continua"** ("The show goes on with BPVi and Banca Nuova") targeted at the visitors of the exhibition. The offer was both for customers and non customers and it gave the opportunity to go to one of the branches of Banca Popolare di Vicenza or Banca Nuova to pick up two free movie theatre tickets.

Institutional communications

In 2014, the House organ **"BPV OGGI"** completed 18 years of operation and it continued, during the year, to divulge the activity of the Bank and of the Group, reserving, as always, adequate space to articles by prominent writers, historians and journalists on issues of various nature and interest. In addition, the number of pages of the magazine grew markedly in 2014, to approximately 80. In-depth reports were published about the events where Banca Popolare di Vicenza was a major player, as well as those that concerned products and services proposed for Members and customers. The usual care was devoted, as usual, to the magazine's graphics and artwork, in order to optimise both the written text and the many accompanying photographs.

Internal communications

In 2014, the **Internal Communications Office**, established in September 2013, devised a structured plan to manage all communication initiatives aimed at promoting compliance with the corporate values and mission, facilitating the dissemination of information in an organised manner to all the Group's employees and promoting active participation and collaboration.

Among the many initiatives promoted in 2014, particularly noteworthy is the creation of the Communication portal, to have a single point of access to all the content produced and to the historical records, the publication of the monthly digital newsletter for branch Managers, to have a preferential direct communication channel with a key role for our service model, and special bulletins signed by the top Management on the occasion of significant events to provide timely information to employees. During the year, the Project for the revision of the corporate Intranet was also launched, with the redesign of the graphic interface to facilitate navigability, interactivity and access to contents.

With regard to the usual internal communication channels, in 2014 development and improvement work continued on **BPVi Channel**, the Group's corporate TV that, thanks to the new, highly interactive web platform, increased employee participation thanks to the possibility of filing contents, making searches by topic and keywords and interacting with the editors. The investment in the corporate TV confirms the importance of internal communication in disseminating information and consolidating a shared corporate culture within the Banca Popolare di Vicenza Group. Moreover, in the second half of the year, an analysis was started to design additional initiatives to refine content production and viewing.

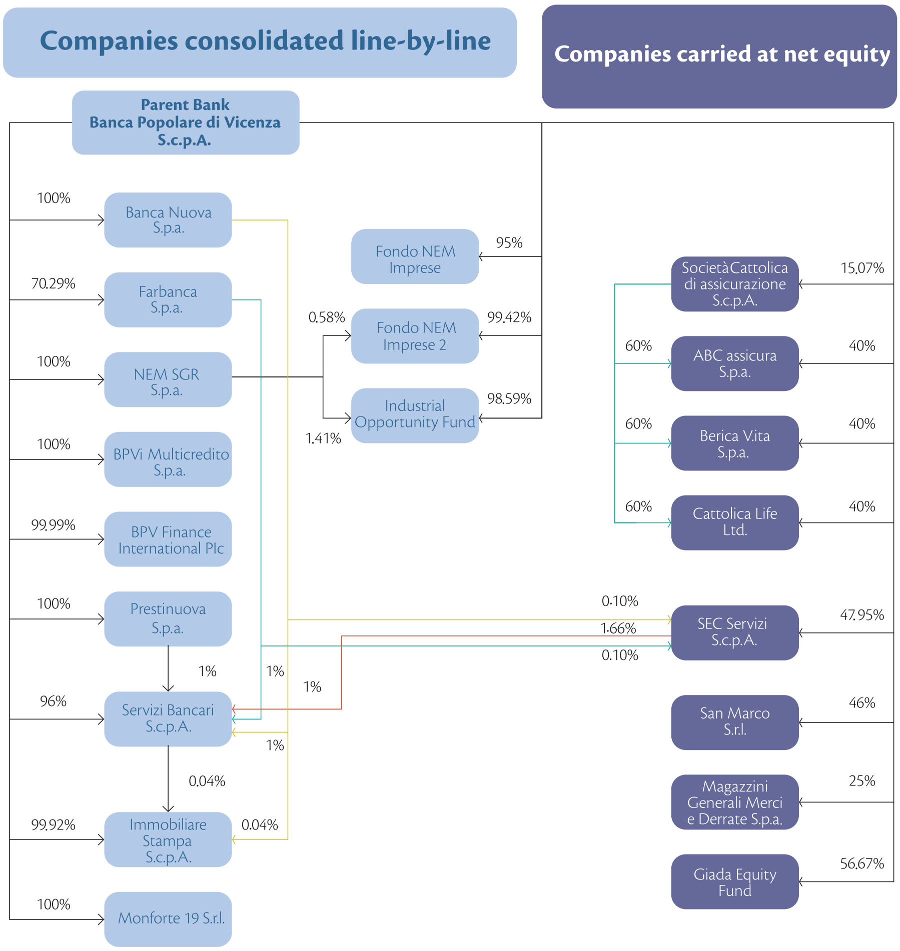
Linea diretta's success grew in 2014, the magazine's fourteenth year, with a considerable increase in the number of pages, now stabilised above seventy, confirming it as a pleasant internal corporate communication instrument, liked by the family members of the BPVi Group's employees, directly involved in the "Giocoinfamiglia" prize competition, centred on questions of an economic-financial nature. In the latest issue, the initiative saw the participation of over four thousand seven hundred contestants. **Linea diretta** pursues the goal of divulging the daily working activities of BPVi employees, as well as their professional experiences, together with the various after-hours initiatives of the Employees' Club and the section dedicated to the readers' personal contributions.

The year 2014 was, above all, the year when the on-line publication ***"Gazzetta della* BPVi *League",*** established in 2012 and now in its third edition, fully came of age. Launched as a commercial publishing initiative, intended only for Network employees, it has succeeded in raising a great deal of interest, involving pretty much all personnel: thus, the 2014 issue was distributed to every employee. The appreciation and affection shown by readers to this "pink journal" contributed to its growth, both in terms of number of pages and in the number of reports it contains. Prominent Italian sportsmen and entertainers were also involved, including Carlo Verdone, Paolo Rossi, Massimiliano Allegri and others. The ***Gazzetta della BPVi League*** has become the fundamental reference for the unique football championship that is the ***BPVi League***, a very popular initiative that can definitely be considered a one of a kind in Italy's banking industry.

CONSOLIDATED RESULTS OF OPERATIONS

SCOPE OF CONSOLIDATION

At 31 December 2014, the scope of consolidation of the BPVi Group is as follows:



Popolare Assessoria e Consultoria Ltda, a subsidiary of which the Parent Bank holds a 99% equity investment, was excluded from the scope of consolidation and valued at cost being that its value is insignificant with respect to the Group's consolidated financial statements.
The changes in the scope of consolidation since 31 December 2013 are indicated below.
In 2014, the subsidiary **Farbanca S.p.a.** was the subject of additional acquisitions by the Parent Bank, whose interest now amounts to 70.29% versus 66,.85% at 31 December 2013.

The Parent Bank Banca Popolare di Vicenza fully subscribed its own share (euro 75.6 million) of the capital increase of **Cattolica Assicurazioni**, completed at the end of the year, The interest now amounts to 15.07% versus 14.92% at 31 December 2013. This increase took place as a consequence of the fact that BPVi was assigned a more than proportional number of rights relative to its interest, because when the capital increase was launched the investee held treasury shares, which were not allowed to participate in the capital increase.

In addition, the interest held in Interporto della Toscana Centrale S.p.a. dropped below the threshold of 20% subsequent to the Parent Bank BPVi's non-participation in the share capital increase that the investee carried out in 2013. Not recognising other elements that, pursuant to IAS 28, prove the existence of a significant influence over the company, it was reclassified among "Financial assets available for sale".

The new accounting standard IFRS 10, in force since 1 January 2014, resulted in the extension of the BPVi Group's scope of consolidation that now includes the mutual funds managed by the subsidiary Nem Sgr among its "subsidiaries". The mutual fund "Giada Equity Fund" instead is included among investments over which significant influence is exercised. In this regard it is specified that the prerequisites of "control" under the new accounting standard IFRS 10 would also exist with regards to the special purpose vehicles used by the Group in its securitisation transactions. For these companies, however, the decision was made not to proceed with the corresponding consolidation, in consideration of the fact that all financial statement values are irrelevant with respect to those of the Group and that the assets securitised are already included in the Group financial statements, the prerequisites prescribed by IAS 39 for "derecognition" not applying for the various transactions carried out(11). Consequently, all comparative information at 31 December 2013 included in the comments to the changes that occurred during the year to the main economic and financial items set out below were restated as prescribed by IAS 8.

The financial statements of the Banca Popolare di Vicenza Group at 31 December 2014 therefore comprise the financial and operating information reported by the Parent Bank and its direct and indirect subsidiaries and associated companies.

The statements of financial position and income statements used for consolidation purposes according to line-by-line and equity methods were those referred to 31 December 2014, with the exceptions set out below. These statements were adjusted, where necessary, to align them with the correct and consistent IAS/IFRS standards applied by the Group. The financial statements of companies consolidated line-by-line, but presented using formats that differ from those established in Bank of Italy Circular no, 262 of 22 December 2005 and subsequent amendments, have also been reclassified in accordance with these formats.

The associate Società Cattolica di Assicurazione was recorded at the equity value reported in the Interim Report on Operations at 30 September 2014(12) , while the data used for Cattolica Life, Berica Vita and ABC Assicura were derived from the statements of financial position and income statements prepared by the three subsidiaries to be incorporated in the consolidated financial statements of the Parent Bank Società Cattolica di Assicurazione S.c.p.a. at 30 September 2014. Consequently, the above-mentioned subsidiaries contributed to the operating result of the BPVi Group only for the first 9 months of 2014, as their financial statements at 31 December 2014 will be approved on a later date than that of the Parent Bank BPVi.

Finally, it is specified that the value of the equity investment in Magazzini Generali Merci e Derrate S.p.a. was written off being that it has a negative net equity in the latest approved financial statements (financial period 2013), while the "Giada Equity Fund" is recorded on the basis of the latest NAV reported by the management company on 10 September 2014, as part of a divestment transaction.

(11) With the exception of the Berica Residential MBS 1 transaction which was carried out before 1 January 2004, and for which the securitised assets were not "reinstated" on the first-time adoption of IAS-IFRS, as allowed by IAS 1.

(12) The data have been adjusted for the effects of the euro 499.4 million capital increase carried out by the subsidiary on 4 December 2014.

BANKING BUSINESS

Banking business (in millions of euro)	31/12/2014	31/12/2013	Changes (+/-)	%
Total funding	51.224	50.714	510	1,0
- of which Direct funding	30.373	31.663	-1.290	-4.1
- of which Indirect funding	20.851	19.051	1.800	9.4
Loans to customers	28.111	30.893	-2.782	-9.0
Total	**79.335**	**81.607**	**-2.272**	**-2.8**

At 31 December 2014, the **banking business** of the Group, comprising **total funding** and **loans to customers**, reached euro 79.335 million, down by 2.8% compared to euro 81.607 million at 31 December 2013, mainly as a result of the marked reduction in the volumes of **repurchase agreements**, in particular the ones carried out on the euro MTS market operated by **Cassa Compensazione e Garanzia**. Net of these operations, the aggregate value was slightly higher (+0.1%) than at the end of 2013, although the significant write-down on receivables carried out by the Group during the year also had a negative impact on net assets.

At 31 December 2014 the Group's **total funding**, consisting of the sum of **direct funding** and **indirect funding**, amounted to euro 51.224 million, up by 1% compared to euro 50.714 million of 31 December 2013 (+2.5% was the increase in the aggregate net of funding repurchase agreements). **Indirect funding** grew (+9.4% year on year), reaching euro 20.851 million, sustained by the positive performance of asset management and retirement savings. **Direct funding**, amounting to euro 30.373 million, instead declined by 4.1% compared to the end of 2013 (-2% net of funding repurchase agreements). A decline was experienced by traditional sources of funding, e,g, time deposits and bonds, as a consequence both of the Group's decision to contain the costliest component of funding, carried out in particular with financial companies and large enterprises, and the customers' tendency to move to asset management instruments, favoured by the current market conditions.

Net cash loans to customers amounted to euro 28.111 million, down by 9% from the values of 31 December 2013. This negative performance reflects both the reduction of lending repurchase agreements, in particular with central counterparties (-73%), and the significant write-downs made by the Group on exposures to customers during the year. Gross loans to customers, excluding repurchase agreements and the related guarantee margins, were substantially stable compared to the value of the end of 2013 (-0.8%) partly thanks to the new loans issued by the Group in 2014, amounting to approximately euro 2.4 billion, of which 80% were to households and small and medium enterprises, confirming the constant support of the BPVi Group to the economy of the areas where it operates, even in a recessionary macroeconomic environment.

DIRECT FUNDING

Direct funding, determined as the sum of "Due to customers", "Debt securities in issue" and "Financial liabilities at fair value", amounted to Euro 30,373 million at 31 December 2014, versus euro 31,663 million at the end of 2013 (-4,1%, -2% net of funding repurchase agreements, almost entirely carried out with central counterparties).

Direct funding (in millions of euro)	31/12/2014	31/12/2013	Changes (+/-)	%
Current accounts and demand deposits	13.963	13.185	778	5.9
Time deposits	2.579	3.932	-1.353	-34.4
Repurchase agreements	1.760	2.478	-718	-29.0
Bonds	8.080	8.518	-438	-5.1
Certificates of deposit and other securities	135	152	-17	-11.2
Other payables	3.856	3.398	458	13.5
Total	**30.373**	**31.663**	**-1.290**	**-4.1**

The aggregate in question shows the decline in **time deposits** (-34.4%), in **repurchase agreements** (-29%), in **bonds** (-5.1%) in **certificates of deposit and other securities** (-11.2%), whereas both **current accounts and demand deposits** (+5.9%) **other payables** (+13.5%) grew,

The performance of **time deposits** (-34.4%) reflects both the Group's decision to contain the costliest component of funding, carried out in particular with financial companies and large enterprises, and the customers' tendency to move to asset management instruments, favoured by the current market conditions. These factors also affected the evolution of **bonds**, which declined by 5,1% on the figure of the end of 2013, although the net issues made by the Group on the EMTN programme increased by a nominal amount of euro 477,5 million during the year.

Repurchase agreements and in particular those conducted on the euro MTS market managed by the **Cassa Compensazione e Garanzia**, contracted by 29% as a consequence of the fact that, in 2014, the BPVi Group's short-term liquidity was characterised by stably positive values.

Lastly, **other payables** increased by 13,5% with respect to the end-of-year figure for 2013, a change that was partly attributable to **the liabilities relating to assets sold and not derecognised** (euro 2,880 million at 31 December 2014, euro 2,808 million at 31 December 2013) that represent the matching entry of the loans sold within the purview of own securitisations that do not meet the derecognition requirements under IAS 39, and were therefore reinstated under asset line item 70. The aforesaid liabilities, posted net of the cash available to the various special purpose entities and generated with the periodic collection of the instalments of the securitised mortgages, represent the share of the Asset Backed Securities issued by the special purpose entities and placed on the market. In this regard, a new securitisation transaction of performing residential mortgages (Berica ABS 3) was executed in 2014; its senior tranches (a nominal euro 835,4 million) and mezzanine tranches (euro 93,9 million in nominal terms) were all placed on the market.

INDIRECT FUNDING

The **indirect funding** of the Group, at market values, amounted to euro 20,851 million at 31 December 2014, up by 9.4% compared to 31 December 2013, sustained, in particular, by the growth in **assets under management and retirement savings** (+31%) but also by **assets under administration** (+1.7%).

Indirect funding (in millions of euro)	31/12/2014	31/12/2013	Changes (+/-)	%
Assets under administration	**14.253**	**14.013**	**240**	**1.7**
Shares	1.147	1.880	-733	-39.0
Other securities	7.496	7.199	297	4.1
Treasury shares	5.610	4.934	676	13.7
Assets under management and retirement savings	**6.598**	**5.038**	**1.560**	**31.0**
Mutual funds/Sicav	4.353	2.828	1.525	53.9
Portfolio management	96	169	-73	-43.2
Pension premiums	2.149	2.041	108	5.3
Total	**20.851**	**19.051**	**1.800**	**9.4**

Source: management accounting

Assets under management and retirement savings benefited from the positive contribution of "mutual funds" (+53.9%) and "retirement savings" (+5.3%), while "portfolio management" (-43,2%) confirm the negative trend of recent years.

Among **assets under administration**, only "shares" (-39%) declined, while the "other securities" (+4.1%) and above all "treasury shares" (13.7%) which benefited from the successful conclusion of the share capital increases carried out by the Parent Bank BPVi during the year.

LOANS TO CUSTOMERS

Loans to customers, corresponding to the item "Loans and advances to customers" under assets, amounted to euro 28,1 billion, down by 9% relative to 31 December 2013; this performance reflects both the reduction of lending repurchase agreements (-73%) and, in particular, with central counterparties, and the significant write-downs made by the Group on exposures to customers during the year. Gross loans to customers, excluding repurchase agreements and the related guarantee margins, were substantially stable compared to the value of the end of 2013 (-0,8%) partly thanks to the new loans issued by the Group in 2014, amounting to approximately euro 2,4 billion, of which 80% were to households and small and medium enterprises, confirming the constant support of the BPVi Group to the economy of the areas where it operates, even in a recessionary macroeconomic environment.

Loans to customers (in millions of euro)	31/12/2014	31/12/2013	Changes	
			(+/-)	%
Current accounts	4.771	4.928	-157	-3.2
Repurchase agreements	607	2.251	-1.644	-73.0
Mortagages	17.354	17.995	-641	-3.6
Credit cards, personal loans and salary assignment	530	551	-21	-3.8
Other transactions	4.362	4.787	-425	-8.9
Debt securities	487	381	106	27.8
Total	**28.111**	**30.893**	**-2.782**	**-9.0**

The aggregate performance is characterised by decline in nearly all its components: **current accounts** (-3,2%), **repurchase agreements** (-73%), **mortgages** (-3,6%), **credit cards**, **personal loans and salary-backed loans** (-3,8%) and **other transactions** (-8,9%). **Debt securities** moved in the opposite direction, growing by 27.8%, in part thanks to the investments made in "Minibonds" within transactions where the Group also oversaw the corresponding structuring phase and that, in actual fact, represent an innovative form of financing productive businesses in the geographic area of choice.

The decline in **other transactions** is partly due to the reduction in the net imbalance generated with the reinstatement of the assets transferred in self-securitisations; this exposure in fact represents the cash available at the various special purpose vehicles for repayment of the Asset Backed Securities issued (euro 132 million at 31 December 2014, euro 231 million at 31 December 2013).

Loans to customers include assets sold but not derecognized totalling Euro 7,350 million (Euro 7,373 million at 31 December 2013) in relation to the securitisations originated by the Group[13] , These transactions do not meet the derecognition requirements of IAS 39, so the residual securitised assets at the reporting date have been "reinstated" in the financial statements, in the relevant technical forms.

(13) With the exception of the Berica Residential MBS 1 transaction which was carried out before 1 January 2004, and for which the securitised assets were not "reinstated" on the first-time adoption of IAS-IFRS, as allowed by IAS 1.

LOANS/DIRECT FUNDING RATIO

Loans / direct funding ratio (in million of euro)	31/12/2014	31/12/2013	Changes (+/-)	%
Loans to customers	28.111	30.893	-2.782	-9.0
Direct funding	30.373	31.663	-1.290	-4.1
Net imbalance	**-2.262**	**-770**	**-1.492**	**193.8**
Loans / direct funding ratio	**92.6**	**97.6**		

At 31 December 2014, total direct funding exceeds loans to customers, exhibiting a net imbalance of nearly euro 2,3 billion in favour of funding, versus euro 770 million at 31 December 2013. As a result, the **"Loans / Direct Funding Ratio"** amounts to 92,6%, an improvement by 5 percentage points from the figure of 31 December 2013.

Net of repurchase agreements traded with central counterparties (Cassa di Compensazione e Garanzia) and of the related guarantee margins, the **loans/direct funding ratio** at 31 December 2014 amounted to 96,1%, up by 3,7 percentage points with respect to 31 December 2013.

CREDIT QUALITY

Impaired loans net (in million of euro)	31/12/2014	31/12/2013	Changes (+/-)	%
Non performing loans	1,696.3	1,566.7	129.6	8.3
Watchlist loans	1,743.0	1,353.8	389,2	28.7
Restructured loans	432.8	506.7	-73.9	-14.6
Loans past due	329.3	485.2	-155.9	-32.1
Total	**4,201.4**	**3,912.4**	**289.0**	**7.4**

Credit quality continued to be affected by the persistent weakness of the economic cycle. At 31 December 2014, **net impaired loans to customers** showed an increase in absolute value by euro 289 million compared to 31 December 2013 (+7,4%), representing an increase with respect to total net loans by 2,29 percentage points, up from 12,66% at 31 December 2013 to 14,95% at 31 December 2014.

In detail, non-performing loans grew by euro 129,6 million (+8,3%) and watchlist loans grew by Euro 389,2 million (+28,7%), whereas a decline was experienced by both restructured loans (-14,6%) and past due exposures (-32,1%),

It is likewise specified that, subsequent to the entry into force on 1 January 2014 of the new prudential supervisory framework named "Basel 3", the methods for identifying past due exposures were modified; they no longer require the so-called "transaction approach", which "Basel 2" rules previously in force instead made mandatory for exposures secured by real estate.

31 december 2014

“Categories (in millions of euro)”	Gross exposure	Adjustments	Net exposures	% loans gross	% coverage	% net loans
Impaired loans	**6,473.6**	**2,272.2**	**4,201.4**	**21.19%**	**35.10%**	**14.95%**
Non performing loans	3,401.7	1,705.4	1,696.3	11.13%	50.13%	6.03%
Watchlist loans	2,238.3	495.3	1,743.0	7.33%	22.13%	6.20%
Restructured loans	465.8	33.0	432.8	1.52%	7.08%	1.54%
Loans past due	367.8	38.5	329.3	1.20%	10.47%	1.17%
Performing loans	**24,079.4**	**170.2**	**23,909.2**	**78.81%**	**0.71%**	**85.05%**
Loans to customers and debt securities	23,319.6	170.2	23.149.4	76.33%	0.73%	82.35%
Repurchase agreements and collateral margin	759.8	-	759.8	2.49%	0.00%	2.70%
Total	**30,553.0**	**2,442.4**	**28,110.6**			
"Impaired loans (included partial write-offs for bankruptcy proceedings)"	*6,765.2*	*2,563,8*	*4,201.4*	*21.93%*	*37.90%*	*14.95%*
Non performing loans (included partial write-offs for bankruptcy proceedings)"	*3,693.3*	*1,997,0*	*1,696.3*	*11.97%*	*54.07%*	*6.03%*
Credit Cost	**2.91%**					

Credit Cost	Gross exposure	Adjustments	Net exposures	% loans gross	% coverage	% net loans
Impaired loans	**5,378.9**	**1,466.5**	**3,912.4**	**16.57%**	**27.26%**	**12.66%**
Non performing loans	2,755.7	1,189.0	1,566.7	8.49%	43.15%	5.07%
Watchlist loans	1,593.7	239.9	1,353.8	4.91%	15.05%	4.38%
Restructured loans	525.0	18.3	506.7	1.62%	3.49%	1.64%
Loans past due	504.5	19.3	485.2	1.55%	3.83%	1.57%
Performing loans	**27,074.5**	**94.2**	**26,980.3**	**83.43%**	**0.35%**	**87.34%**
Loans to customers and debt securities	24,669.4	94.2	24,575.2	76.01%	0.38%	79.55%
Repurchase agreements and collateral margin	2,405.1	-	2,405.1	7.41%	0.00%	7.79%
Total	**32,453.4**	**1,560.7**	**30,892.7**			
"Impaired loans (included partial write-offs for bankruptcy proceedings)"	*5,679.5*	*1,767.1*	*3,912.4*	*17.34%*	*31.11%*	*12.66%*
Non performing loans (included partial write-offs for bankruptcy proceedings)"	*3,056.3*	*1,489.6*	*1,566.7*	*9.33%*	*48.74%*	*5.07%*
Credit Cost	**1.44%**					

As detailed in the above statements, net impaired loans to customers at 31 December 2014 were as follows:

- **net non-performing loans**, representing 6.03% of net loans (5.07% at 31 December 2013), amounted to euro 1,696.3 million, with a coverage percentage, determined without taking account of partial write-offs of receivables for bankruptcy proceedings ("write-offs"), of 50.13% (43.15% at 31 December 2013). Including "write-offs", the coverage percentage was 54.07% (48.74% at 31 December 2013);
- **net watchlist loans**, representing 6.20% of net loans (4.38% at 31 December 2013), amounted to euro 1,743 million with a percentage coverage of 22.13% (15.05% at 31 December 2013);
- **net restructured loans** totalled euro 432.8 million, with a coverage percentage of 7.08% (3.49% at 31 December 2013);
- **net past due exposures** totalled euro 329.3 million, with a coverage percentage of 10.47% (3.83% at 31 December 2013).

Overall, the coverage parameters of impaired loans, i.e. total adjustments as a percentage of gross lending, excluding partial write-offs for bankruptcy proceedings (so-called "write-offs"), increased from 27.26% at 31 December 2013 to 35.10% at 31 December 2014. Including "write-offs", the coverage percentage was 37.90%, versus 31.11% at 31 December 2013.

Lastly, the general provision for **performing loans to customers** (excluding repurchase agreements and guarantee margins not impaired) amounted to euro 170.2 million at 31 December 2014, assuring coverage of 0.73%, nearly doubled compared to 0.38% at 31 December 2013.
The **cost of credit**, defined as the ratio between net adjustments to cash loans to customers and gross loans to customers (excluding repurchase agreements and guarantee margins) rose from the previous year's 1.44% to 2.91% at 31 December 2014.

INTERBANK AND LIQUIDITY SITUATION

At 31 December 2014, the Group's negative net exposure to the interbank market was euro 2,502.9 million, a decrease by euro 1,756.6 million compared to euro -4,259.5 million at 31 December 2013. In this regard, it should be noted that the total does not include demand deposits with Central Banks (euro 2.2 billion at 31 December 2013, absent at the end of 2014) which, in compliance with the provisions of Circular no. 262 of the Bank of Italy, were recorded under the item "Cash and cash equivalents".

Net interbank position (in millions of euro)	31/12/2014	31/12/2013	Changes (+/-)	%
Position with Central Banks	(1,543.9)	(2,915.9)	1,372.0	-47.1
Repurchase agreements position	(594.3)	(738.1)	143.8	-19.5
Net exposure through cash collateral	471.6	625.5	(153.9)	-24.6
Unsecured position	(858.5)	(1,309.8)	451.3	-34.5
Debt securities	22,2	78.8	(56.6)	-71.8
Total	**(2,502.9)**	**(4,259.5)**	**1,756.6**	**-41.2**

The net exposure to Central Banks includes the time deposit connected with maintaining the compulsory reserve (euro 205.2 million at 31 December 2014, euro 428.8 million at the end of 2013) and the refinancing operations in which the Bank participated by forming a pool of assets eligible as collateral. In particular, at 31 December 2014, euro 1,249 million pertaining to the three-year refinancing operation carried out within the scope of the ECB's initiative called TLTRO (Targeted Longer Term Refinancing Operations) aimed at giving new momentum to flows of loans to customers. This item also includes a deposit of euro 0.5 billion obtained through participation in the ordinary weekly auctions (Main Refinancing Operations) of the ECB. Moreover, during the year, the Parent Bank Banca Popolare di Vicenza extinguished in advance the LTRO (Long Term Refinancing Operations) it had initiated, totalling euro 3.3 billion, between the end of 2011 and the beginning of 2012.
The **repurchase agreements position** had a negative imbalance of Euro 594.3 million, down compared to Euro -738.1 million at 31 December 2013.

The **net exposure through cash collateral** had a positive balance of euro 471.6 million (euro 625.5 million at 31 December 2013) and refers to mutual guarantees, aimed at mitigating credit risk, that are exchanged on a daily basis with all major market operators with which the Group carries out OTC derivative and repo/bond buy sell back transactions, quantified on the basis of the market value of existing positions. The guarantees are regulated by international standards (CSA/GMRA) subscribed with the various market counterparties on existing ISDA agreements that regulate the aforesaid transactions.

The **net unsecured position** amounted to euro -858.5 million, down compared to euro -1,309.5 million at 31 December 2013. At the end of 2014, O/N funding, used for temporary coverage of cash imbalances, amounted to zero.
The table below summarises the cash flow statements for 2014 and 2013 derived from the consolidated financial statements at 31 December 2014, which show that in 2014 the Group absorbed net liquidity of euro 2,196.4 million, almost entirely related to the elimination of the demand deposits in place with Central Banks which at 31 December 2013 amounted to euro 2.2 billion.

Liquidity (in millions of euro)	31/12/2014	31/12/2013	Changes (+/-)	%
Cash and cash equivalents at the beginning of the year	**2,389.2**	**410.0**	**1,979.2**	**482.7**
Net liquidity generated/absorbed by operating activities	(2,702.3)	1,786.8	(4,489.1)	n,s,
Net liquidity generated/absorbed by investing activities	(111.2)	(40.5)	(70.7)	174.6
Net liquidity generated/absorbed by funding activities	617.1	232.9	384.2	165.0
Total net cash generated/absorbed in the year	**(2,196.4)**	**1,979.2**	**(4,175.6)**	**n.s.**
Cash and cash equivalents at the end of the year	**192.8**	**2,389.2**	**(2,196.4)**	**-91.9**

Net liquidity absorbed by operating activities in 2014 amounted to euro -2,702.3 million versus euro +1,786.8 million generated in 2013, and it resulted from:

– liquidity generated by financial activities, amounting to euro 839.2 million versus euro 3,648.1 million in 2013;
– liquidity absorbed by financial liabilities of euro 3,575 million, compared to euro 1,919.3 million in 2013;
– liquidity of euro 33.5 million absorbed by operations, versus euro 58 million in 2013.

In 2014, **net liquidity absorbed by investing activities** amounted to euro 111.2 million (euro 40.5 million in 2013), of which euro 91.1 million were connected to equity investments in investee companies made during the year, while euro 30 million refer to purchases of new tangible assets.

Lastly, in 2014, the **liquidity generated by funding activities** amounted to euro 617.1 million (euro 232.9 million in 2013), almost entirely related to the effects of the share capital operations.

FINANCIAL ASSETS AND LIABILITIES

At 31 December 2014, the Group's **cash financial assets** amounted to Euro 6,558.7 million, versus Euro 4,262.9 million at 31 December 2013 (+53.9%).

Cash financial assets (in million of euro)	31/12/2014	31/12/2013	Changes (+/-)	%
Financial assets held for trading	**1,190.0**	**120.0**	**1,070.0**	**891.7**
- Debt securities: Governments and Central Banks	1,010.8	49.8	961.0	1929.7
- Debt securities: other issuers	153.8	49.2	104.6	212.6
- Listed equities	25.4	21.0	4.4	21.0
Financial assets available for sale	**4.3**	**-**	**4.3**	**n.s.**
- Debt securities: other issuers	4.3	-	4.3	n.s.
Financial assets available for sale	**5,321.1**	**4,094.3**	**1,226.8**	**30.0**
- Debt securities: Governments and Central Banks	4,426.5	3,179.6	1,246.9	39.2
- Debt securities: other issuers	44.8	80.2	(35.4)	-44.1
- Listed equities	88.4	65.9	22.5	34.1
- Unlisted equities	255.0	262.9	(7.9)	-3.0
- Mutual funds	479.4	479.5	(0.1)	0.0
- Loans	27.0	26.2	0.8	3.1
Financial assets held to maturity	**43.4**	**48.6**	**(5.2)**	**-10.7**
- Debt securities: other issuers	43.4	48.6	(5.2)	-10.7
Total	**6,558.8**	**4,262.9**	**2,295,9**	**53.9%**

In detail, at 31 December 2014, the BPVi Group's cash financial assets refer to:

- euro 1,190 million of **assets held for trading** that comprise 18.2% of the Group's cash financial assets, having grown by euro 1,070 million compared to 31 December 2013 (+891.7%), mostly referred to the investment in BOT of a nominal amount of Euro 1 billion made at the end of the year; the bonds held also grew, especially those issued by financial institutions, as did the listed stocks;
- euro 4.3 million of **financial assets at fair value**, entirely referred to a single convertible issue for which the BPVi Group exercised the "fair value option";
- euro 5,321.1 million of **financial assets available for sale** that represent 81.2% of the Group's cash financial assets, following an increase by euro 1,226.8 million (+30%) with respect to the balances at the end of 2013 as a result of the new investments in Italian Government bonds;
- euro 43.4 million of **financial assets held to maturity**, in decline compared to euro 48.6 million at the end of 2013.

Exposures to sovereign debt, accounting for 82.9% of the Group's cash financial assets, entirely refer to Italian Government bonds. The details are discussed in the specific paragraph contained in this Report on Operations.

The Group's **financial liabilities held for trading** amount to euro 68.6 million (Euro 53 million at 31 December 2013, and are entirely related to technical mismatches on Italian Government bonds.

The Group's net exposure to **derivative instruments** at 31 December 2014, compared to 31 December 2013, is analysed below.

Trading derivatives (in millions of euro)	31/12/14		31/12/13	
	Positive fair value	*Negative Fair value*	*Positive fair value*	*Negative Fair value*
Derivatives on debt securities and interest rates	6,248.6	(5,867.4)	1,775.6	(1,640.7)
Derivatives on equities and equity indices	0.3	(0.2)	0.4	(0.1)
Derivatives on exchange rates and gold	30.2	(17.9)	23.7	(8.1)
Total	**6,279.1**	**(5,885.5)**	**1,799.7**	**(1,648.9)**

The exposures in derivatives on debt securities and interest rates reflect the effects of the strategies for managing the banking book. To optimise their costs, the various hedging transactions entered into by the Group, in fact, transit on the trading books.

In spite of the significant growth, during the year, of the fair value of trading derivatives and, in particular, of those on debt securities and interest rates, the Group's exposure to market risk was substantially in line with that of the previous year and in any case within the internally prescribed limits. The overall credit risk did not change substantially because they are derivatives assisted by bilateral offsetting agreements and by Credit Support Annexes which regulate the cash collateral financial guarantees given/received. The increase in fair value is mostly due to deals that were substantially mutually "offset" and that almost always derive from the active management of the hedges of the banking book, among which are also included the operations started in 2014 for hedging inflation-linked Italian Government bonds. In the last part of 2014, the Group started an intense portfolio compression activity which, together with other projects currently undergoing analysis, should assure a reduction in the balance sheet values of the trading derivatives while also assuring benefits in terms of capital absorption.

The breakdown of **"hedging" derivatives** is shown below.

Hedging derivatives (in millions of euro)	31/12/2014			31/12/2013		
	Positive fair value	*Negative Fair value*	Nominal *value*	*Positive fair value*	*Negative Fair value*	Nominal *value*
Fair value hedging	**44.7**	**(264.3)**	**1,957.9**	**70.0**	**(344.8)**	**5,401.7**
- debt securities	-	(157.6)	455.0	-	(280.1)	1,530.0
- mortgages	11.2	(106.7)	1,100.5	23.4	(59.5)	954.8
- due to customers	-	-	-	0.6	(5.2)	2,126.5
- own bond issues	33.5	-	402.4	46.0	-	790.4
Cash flow hedging	**53.2**	**(261.1)**	**10,245.0**	**4.9**	**(66.3)**	**10,250.0**
- debt securities	-	(215.0)	2,595.0	-	(15.0)	200.0
- mortgages	53.2	(46.1)	7,650.0	4,9	(51.3)	10,050.0
Fair value option (natural hedging)	**110.3**	**(2.4)**	**2,681.9**	**149.4**	**(31.3)**	**2,651.8**
- own bond issues	110.3	(2.4)	2,681.9	149.4	(31.3)	2,651.8
Total	**208.2**	**(527.8)**	**14,884.8**	**224.3**	**(442.4)**	**18,303.5**

The fair value hedges pertain to interest rate risk on specific fixed-rate and floating rate with maximum rate mortgage portfolios classified as "Loans and advances to customers", on individual own-issue bonds recorded among "Securities in issue", on a debt security recorded among "Loans and advances to banks" and on Italian government bonds recorded among "financial assets available for sale", which also includes inflation linked BPT hedged also for inflation rate.

To represent the aforesaid hedging transactions, the Group opted for the "Micro Fair Value Hedge" accounting model for those relating to own-issue bonds and to investments in debt securities, while it used the "Macro Fair Value Hedge" model for those relating to mortgage loans, with the consequent recognition of the revaluations of the hedged assets (Euro 87.4 million at 31 December 2014 versus Euro 38.1 million at 31 December 2013) in Asset line item 90 "Remeasurement of financial assets backed by macro hedges".
The cash flow hedges pertain to specific portfolios of floating rate mortgages recorded among "loans and advances to customers" and to Italian Government bonds recorded among "financial assets available for sale", in particular inflation linked BTP.

The underlying assets of cash flow hedging derivatives for mortgages refer both to tailor-made interest rate swaps that replicate the amortisation schedule and the method of indexing the hedged assets and to the related swaption collars that enable to limit the consequences of any sudden changes in the interest rate curve. Overall, cash flow hedged floating rate loans amounted to Euro 2.55 billion at 31 December 2014, versus Euro 3.35 billion at the end of 2013.

Finally, the fair value option is used to manage own-issue bonds related, from their origin, to derivative contracts entered into in order to mitigate their interest rate risk.
OTC derivatives entered into with market counterparties, mostly banks, is almost entirely secured by bilateral offsetting agreements that provide the option of offsetting creditor positions with debtor positions in case of counterparty default. Moreover, in order further to attenuate credit risk, specific Credit Support Annex contracts were stipulated, which regulate the cash collateral financial guarantees given/received by the various counterparties with which the Group operates.

The following table shows the Group's net exposure in derivatives, determined on the basis of the net fair values of all existing contracts with a single counterparty with respect to the transactions that are secured by a bilateral offsetting agreement, whilst the remaining transactions are posted on the basis of the fair value of each individual contract.

Derivatives (in millions of euro)	31/12/14		31/12/2013	
	Positive fair value	*Negative Fair value*	*Positive fair value*	*Negative Fair value*
OTC derivatives with market counterparties	**630.2**	**(651.8)**	**318.4**	**(452.3)**
- covered by bilateral offsetting arrangements	629.4	(647.3)	317.8	(442.7)
- not covered by bilateral offsetting arrangements	0.8	(4.5)	0.6	(9.6)
OTC derivatives with Group clients	**100.1**	**(4.5)**	**75.3**	**(8.7)**

The exposures with positive fair values with market counterparties are secured by cash collaterals deposited with the Parent Bank BPVi, totalling Euro 570 million.

Derivatives with customers include gross impaired exposures of Euro 13.8 million, written down by Euro 5.6 million to take account of the related credit risk. The remaining performing positions, instead, were written down by Euro 9.6 million.

PRINCIPAL EQUITY INVESTMENTS

The main agreements, investments and disposals of equities carried out during 2014 are shown below.

Agreements

Concerning the agreements entered into during the year, in relation to the completion of a swap of **Friulia S.p.a.** shares (held by BPVi and by other stockholder banks of said regional financial company) with shares of **Autovie Venete S.p.a.** (held by Friulia S.p.a.), during the month of December all participating stockholders stipulated a Deed Amending the Stockholders' Agreement of Friulia S.p.a.

Purchases of equity instruments and capital transactions by investee companies

During 2014, Banca Popolare di Vicenza carried out various transactions on AFS securities that changed the interests held in existing investee companies or, while maintaining the share held unchanged, led to an increase in the invested amount, both because of new acquisitions of shares and because of participation in capital increases. In relation to these transactions, the most relevant ones are described below.

In 2014, both Banca Popolare di Vicenza and the subsidiary Banca Nuova S.p.a., carried out **several investments in the film-making industry** within the scope of current "Tax credit" regulations, for a total value of euro 4.35 million. In particular, with regard to the Parent Bank:
- In January, an amount of euro 0.5 million was paid to Cinemaundici S.r.l. for the production of the film "Torneranno i prati" (English title: "Greenery Will Bloom again") directed by Ermanno Olmi;
- in October, a second transaction was carried out through the execution of a partnership agreement (Associazione in Partecipazione) in accordance with Article 2549 of the Italian Civil Code, in the amount of euro 1 million paid in favour of **Cattleya S.r.l.** for the production of the film "La scuola più bella del mondo" (The finest school in the world)
- in December, a third transaction amounting to Euro 1 million was completed, for the co-production, with producer **Archimede S.r.l.**, of the film "Il racconto dei racconti" (The story of stories) by director Matteo Garrone.

The subsidiary Banca Nuova, instead, in the last quarter of 2014 completed two investments in the film-making industry by co-producing the film "L'attesa", produced by **Indigo S.r.l.**, paying euro 0.35 million out of euro 0.5 million to be invested, and "Andiamo a quel paese" produced by **Trump Limited S.r.l.**, investing euro 1.5 million.

In January 2014, Banca Popolare di Vicenza effected, for the pertinent share, the payment of the residual amount of the increase in the capital fund called by the **Ente Autonomo per le Fiere di Verona** (Autonomous Authority for Verona trade Fairs), paying euro 325 thousand to the investee.

Between January and May, the Bank formalised the disbursing of capital calls made by the investees **AVM Energia S.p.a.** and **AVM Private Equity S.p.A.** totalling euro 207 thousand, in relation to new capital investments being completed by the investees.

In May and November, in relation to the commitment that had been resolved, the Bank subscribed, pro-rata, 2 capital increases and new financial instruments amounting to euro 2 million, issued by the investee **V.E.I. - Venice European Investment Capital S.p.A.**, in order to finance new equity investments on the latter's part.

In May, in addition, the equity investment held in **Consorzio Triveneto S.p.a.** was increased from the previous share of 10.13% to the current share of 10.93%, for a price of approximately Euro 100 thousand; the stock was offered for sale by a stockholder, who had previously formalized his withdrawal from the company.

Between July and September, BPVi effected purchases of **Farbanca S.p.a.** shares from selling stockholders for approximately euro 1.5 million, raising the share held by Banca Popolare di Vicenza in the subsidiary to 70.29% to 31 December 2014.

At the end of November, the BPVi formalised the exercise of the option right within the capital increase issued by **Società Cattolica di Assicurazione** by a total of euro 499.38 million and a maximum number of 117,500,880 shares; this capital increase by the insurance investee was among the initiatives of its 2014-2017 Business Plan, aimed at sustaining business growth, financing the industrial transformation and investments in innovation and technology and exploit acquisition and partnership opportunities. BPVi, by subscribing a maximum amount of euro 75.6 million, corresponding to 17,794,308 new shares, **raised its holding in Cattolica Assicurazioni from the previous 14.92% to 15.07%** of its share capital.

In December, a series of transactions were carried out that entailed, within the initiatives to re-structure the debt of some borrower companies of the Bank, the transformation of a portion of said debt into equity or into financial instruments issued in favour of the Bank by the borrower counterparties. Overall, the amount of receivables transformed into AFS totalled euro 4.9 million and it involved the following counterparties: **Koelliker S.p.a.** (issue of financial instruments with carrying value of euro 0.4 million), **Conbipel S.p.a.** (issue of financial instruments with carrying value of euro 0.05 million), **Panini S.p.a.** (issue of financial instruments with carrying value of euro 2.9 million), **Aedes S.p.a.** (issue of "special" shares with carrying value of euro 0.98 million) and **SEAT Pagine Gialle S.p.a.** (issue of shares with carrying value of euro 0.6 million).

In December, in the course of the aforementioned swap between **Friulia S.p.a.** shares, held by the Bank, and **Autovie Venete S.p.A.** shares, held by Friulia, BPVi acquired an equity investment of 1.00% of the share capital of the motorway concession holder for a carrying amount of euro 5.5 million, offset by a decrease of equal amount in the carrying amount of the residual equity investment held by the Bank in Friulia S.p.a.

Sales of equity instruments

Within the investments made by the Parent Bank and by Banca Nuova in the film-making industry, reference above, it should be noted that the Banca Popolare di Vicenza fully recouped the investment it had made in favour of the producer **Indigo Film S.r.l.** (for the film *"La Grande Bellezza"*) and it recouped Euro 565 thousand of the Euro 1.2 million investment made within the *Profit Sharing Agreement* per Article 2554 *of the Italian Civil Code* with the producer **Fandango S.r.l.** (for the film *"L'ultima ruota del carro"*) and Euro 0.4 million of the investment made during the year with **Cattleya S.r.l.** (for the film *"La scuola più bella del mondo"*).
With regard to Banca Nuova, instead, in March it was fully repaid the funds disbursed to finance the film produced by **Levante S.r.l.** by the title *"Un fantastico via vai"*, which entailed the collection of the entire amount initially invested, i.e. Euro 1.5 million, with an attractive return in the subsidiary's favour.

In relation to what has already been discussed with regard to the acquisition, by BPVi, of 1.00% of the share capital of the motorway concession holder **Autovie Venete S.p.A.**, the sale of a part of the equity investment held by the Bank in **Friulia S.p.A.** for Euro 5.5 million, reduced the interest held by Banca Popolare di Vicenza in the latter from the previous 1.36% to 0.64% at 31 December 2014, bringing the carrying amount to approximately Euro 4.7 million.

EQUITY

At 31 December 2014, the Group's **equity** amounted to euro 3,731.5 million, reporting an increase of 84.4 million euro from the figure at the end of 2013 (+2.3%, +22% including the profit for the year).
The definition of equity used by the Group corresponds to the sum of the following line items: "Valuation reserves", "Redeemable shares", "Equity instruments", "Reserves", "Additional paid-in capital", "Capital stock", "Treasury shares" and "Net income (loss) for the year".

Group equity (in millions euro)	31/12/2014	31/12/2013	Changes (+/-)	%
Capital stock	351.9	313.7	38.2	12.2
Additional paid-in capital	3,365.1	2,767.4	597.7	21.6
Reserves	608.9	586.3	22.6	3.9
Valuation reserves	186.8	16.4	170.4	1039.0
Equity instruments	3.2	3.3	(0.1)	-3.0
Treasury shares	(25.9)	(7.8)	(18.1)	232.1
Equity	**4,490.0**	**3,679.3**	**810.7**	**22.0**
Net income for the period	(758.5)	(32.2)	(726.3)	n.s.
Total equity	**3,731.5**	**3,647.1**	**84.4**	**2.3**

The changes in **Capital stock** and **Additional paid-in capital** reflect, on one hand, the new shares issued (11,453,042) within the capital increases completed in 2014, and on the other hand the cancellations made in the same period (1,279,485 shares) as a consequence of hereditary succession and/or debt collection activities.

The change in **Reserves** refers (euro - 32.2 million) to coverage of the loss for the year 2013. The profits earned by the BPVi Group in the year were likewise allocated to the item under consideration with the closing of certain mortgage cash flows hedging activities (approximately euro 53.1 million net of the related tax effect). The remaining changes were associated with the measurement of the Companies consolidated at net equity.

Equity instruments, amounting to euro 3.2 million at 31 December 2014, reflect the equity component reported separately in accordance with IAS 32 embedded in the convertible subordinated bond "BPVi 15^ Emissione 2009-2016", and in the convertible bond "BPVi 2013-2018 Convertibile" issued within the scope of the share capital increase transaction executed in the previous period.

Treasury shares at 31 December 2014 equal euro 25.9 million (euro 7.8 million at 31 December 2013), corresponding to 414,202 shares. In this regard, it should be specified that 413,335 shares were retained in the portfolio because they support the extraordinary share capital increase by Euro 608 million made in 2014 by the Parent Bank Banca Popolare di Vicenza. More specifically, in 2017, these shares may be assigned, as bonuses, to those Members who fulfilled the requirements prescribed by the regulations of the transaction.

The **valuation reserves** increased by euro 170.4 million compared to 31 December 2013, mainly because of the positive changes in fair value (total net euro 102 million) recognised on Italian government bonds recorded among "financial assets available for sale" and on the related derivatives hedging the cash flows, but also on the other AFS securities, in particular units of mutual funds. Also positive was the evolution of the valuation reserves referred to the investees valued at equity and those of the cash flow hedges on mortgages, while the actuarial valuation of defined-benefit pension plans shows a negative return, mostly by effect of the reduction in interest rates.

The "valuation reserves" also include the reserves arising from the valuation of land, buildings and works of art at deemed cost on the first-time adoption of IAS/IFRS, together with the reserves relating to special revaluation laws.

The following table shows the breakdown of **valuation reserves** at 31 December 2014 compared to 31 December 2013.

Valuation reserves	31/12/2014	31/12/2013	Changes	
(in millions euro)			(+/-)	%
Financial assets available for sale	209.6	(40.9)	250.5	n.s.
- Italian government securities	*146.7*	*(87.2)*	*233.9*	*n.s.*
- Other debt securities	*(1.6)*	*(3.5)*	*1.9*	*-54.3*
- Listed equities	*9.7*	*8.6*	*1.1*	*12.8*
- Unlisted equities	*50.4*	*50.0*	*0.4*	*0.8*
- Mutual funds	*4.4*	*(8.8)*	*13.2*	*n.s.*
Property. plant and equipment	0.1	0.1	-	0.0
Cash-flow hedges	(137.7)	(41.5)	(96.2)	231.8
- Italian government securities	(142.4)	(10.5)	(131.9)	1256.2
- Mortagages	4.7	(31.0)	35.7	n.s.
Actuarial gains (losses) on defined-benefit pension plans	(10.4)	(6.4)	(4.0)	62.5
Portion of valuation reserves of equity investments carried at equity	38.8	18.7	20.1	107.5
Special revaluation laws	86.4	86.4	-	-
Total	**186.8**	**16.4**	**170.4**	**1039.0**

OWN FUNDS AND RATIOS

Own funds and the **Own fund requirements** at 31 December 2014 were determined in accordance with the new regulatory framework of Basel 3, including the transitional provisions and the national discretionary powers, that came into effect starting from 1 January 2014 subsequent to the issuing of Regulation (EU) no. 575/2013 dated 26 June 2013 (CRR) and of Directive 2013/36/EU dated 26 June 2013 (CRD IV). The comparison with the figures at the end of 2013 is therefore not homogeneous and is not presented.

Own Funds and Ratios (in millions euro)	31/12/2014
Common Equity Tier 1 (CET 1)	3,025.1
Additional Tier 1 (AT1)	-
Tier 2 Capital (T2)	323.9
Own Funds	**3,349.0**
Credit and counterparty risk	2.057.7
Credit Value Adjustment	57.1
Market risk	57.7
Operational risks	146.2
Total prudential requirements	**2,318.8**
Risk-weighted assets	**28,985.1**
Common Equity Tier 1 Ratio	10.44%
Tier 1 Ratio	10.44%
Total Capital Ratio	11.55%
Surplus than the minimum requirements art. 92 CRR. including combined buffer requirement of capital	**305.6**

Own funds at 31 December 2014 amounted to euro 3,349 million and include the entire loss for the year. Moreover, the Group exercised its right to sterilise the valuation reserves relating to debt securities issued by Central Governments of European Union countries held in the "Financial assets available for sale" portfolio, including the related cash flow hedge reserve on the same securities which, including also the portion related to the companies that were consolidated at equity, were positive by a total amount of euro 31.1 million.

The Common Equity Tier 1 Ratio and the Tier 1 Ratio both amount to 10.44%, whilst the Total Capital ratio is equal to 11.55%. Nevertheless, **considering the effects of the POC conversion of euro 253 million that will be completed next 29 May as resolved by the Bondholders' Meeting last 10 February, the *pro-forma* capital ratios at 31 December 2014** of the Group would be equal to 11.34% (Common Equity Tier 1 Ratio and Tier 1 Ratio) and to 12.49% (Total Capital Ratio).
The **fully phased ratios**, i.e., calculated based upon the rules that will be in effect at the end of the transitional period, show a CET1 ratio of 10.66%.

Lastly, on 25 February the ECB sent the final decision made with respect to the prudential requirements for the Banca Popolare di Vicenza Group, prescribing, at the consolidated level, a minimum Total capital ratio of 11%, which from 31 July 2015 onwards shall have to be fully covered by Common Equity Tier 1. However, it should be specified that the minimum requirement in terms of CET1 Ratio could be revised downwards, as a result of the ECB's evaluation of the inclusion of the outcome of the asset quality review (AQR) in the 2014 Consolidated Financial Statements. The Bank, also on the basis of the ongoing discussion with the ECB, deems that said reduction will probably be notified before the Stockholders' Meeting planned for next April. Considering that the *"pro-forma"* CET 1 ratio at 31 December 2014 is equal to 11.34%, the Group deems that compliance with the specific obligations pertaining to own funds communicated by the ECB has already been achieved.

Capital adequacy requirements were calculated using the following methods:
- risk-weighted assets used for determining the credit and counterparty risk requirement were quantified using the standard method and credit risk mitigation (CRM), simplified by adopting unsolicited external ratings provided by the ECAI DBRS for the supervisory portfolio "Exposures to or guaranteed by Central governments and central banks" by ECAI Moody's, S&P and Fitch for the supervisory portfolio "Elements that represent positions relating to securitisations" and unsolicited ratings by the ECAI Cerved Group for the supervisory portfolio "Exposures to Companies";
- the market risk requirement is determined using the standard method, under which sensitivity models are used to represent derivatives involving interest rates and debt securities;
- the operational risks requirement was determined using the basic method, with the calculation of the reference aggregate aligned to the new supervisory provisions.

COMMENTS ON THE INCOME STATEMENT

The year 2014 showed substantial stability of **operating income** (-0.5%), with marked improvement of the revenues deriving from traditional operations with customers that almost completely offset the reduction of the contribution of the investment portfolio. **Operating costs** experienced a marginal increase (+1.8%) tied, for the most part, to the growth in size achieved by the BPVi Group in 2014 through the acquisition of 17 new bank branches (of which 16 former Carife branches). The changed regulatory framework, coupled with the assessment of the outcome of the Asset Quality Review, in a still uncertain macroeconomic and industry environment, led to the decision to adopt a particularly prudential approach in the provisions and asset measurement policy. Of considerable size were the **adjustments on loans and advances to customers** made by the Group (euro 868.5 million), more than doubled compared to those recorded the previous years. The BPVi Group closed 2014 with a net loss of euro -758.5 million partly as a result of the impairment of goodwill (euro 600 million), written down by nearly 65% overall.

To better appreciate the contribution made to net income by the various areas of the Bank's operations, the trends in the principal performance indicators that characterised the year 2014 are discussed below and compared with those in the prior year. The net income at 31 December 2013 was restated as an effect of the retrospective adoption of the new accounting standard IFRS 10.

Reclassified Income Statement	31/12/2014	31/12/2013	Changes	
(in thousands of euro)			(+/-)	%
Net interest income	511,065	528,388	(17,323)	-3.3
Dividends and Profit (loss) from equity investments	29,374	20,033	9,341	46.6
Net financial income	**540,439**	**548,421**	**(7,982)**	**-1.5**
Net fee and commission income	301,301	276,174	25,127	9.1
Net profit for the property portfolios	186,839	206,654	(19,815)	-9.6
Other operating charges/income	48,816	51,829	(3,013)	-5.8
Net Operating income	**1,077,395**	**1,083,078**	**(5,683)**	**-0.5**
Administrative costs:	(633,553)	(621,757)	(11,796)	1.9
- payroll	(401,951)	(392,288)	(9,663)	2.5
- other administrative costs	(231,602)	(229,469)	(2,133)	0.9
Depreciation	(35,554)	(35,633)	79	-0.2
Net Operating costs	**(669,107)**	**(657,390)**	**(11,717)**	**1.8**
Net profit from operating activities	**408,288**	**425,688**	**(17,400)**	**-4.1**
Net impairment adjustments	(1,521,269)	(454,593)	(1,066,676)	234.6
- of which on loans and advances	*(868,456)*	*(432,355)*	*(436,101)*	*100.9*
- of which impairment on goodwill	*(600,000)*	*-*	*(600,000)*	*n.s.*
Net provisions for risks and charges	(18,456)	(12,347)	(6,109)	49.5
Gains (losses) on disposal/evaluation of investments	(2,837)	7,542	(10,379)	n.s.
Net income for the period before income tax	**(1,134,274)**	**(33,710)**	**(1,100,564)**	**n,s,**
Income tax	376,687	3,262	373,425	n.s.
Minority interests	(933)	(1,713)	780	-45.5
Net income	**(758,520)**	**(32,161)**	**(726,359)**	**n.s.**

The reconciliation of the items of the "reclassified" income statement, commented below, with those prescribed in accordance with Bank of Italy Circular no. 262.

<u>**Key**</u>:

Net interest income: income statement item 30.

Dividends and profit (loss) from equity investments: income statement items 70 and 240 net of impairment adjustments (euro -5,309 thousand at 31 December 2014, absent at 31 December 2013).

Net financial income: "Net interest income" + "Dividends and profit (loss) from equity investments valued at equity".

Net fee and commission income: income statement item 60.

Net profit from the property portfolios: income statement items 80, 90, 100 and 110, excluding profit realised on the interest held in the Bank of Italy (euro +10,310 thousand at 31 December 2013).

Other operating charges/income: income statement item 220 excluding "recovery of stamp duty and other indirect taxes" (euro +62,728 thousand at 31 December 2014, euro +54,179 thousand at 31 December 2013) and "depreciation for expenses on third party property improvement" (euro -7,033 thousand at 31 December 2014, Euro -8,281 thousand at 31 December 2013).

Operating income: "Net financial income" + "Net fee and commission income" + "Net profit from the property portfolios" + "Other operating charges/income".

Administrative costs: "Payroll" + "Other administrative costs" as defined below.

Payroll costs: income statement item 180 a).

Other administrative costs: income statement item 180 b) excluding "recovery of stamp duty and other indirect taxes" (euro +62,728 thousand at 31 December 2014, euro +54,179 thousand at 31 December 2013).

Depreciation: income statement items 200 and 210 and including "depreciation for expenses on third party property improvement" (euro -7,033 thousand at 31 December 2014, euro -8,281 thousand al 31 December 2013).

Net operating costs: "Administrative costs" + "Depreciation".

Net profit from operating activities: "Operating income" + "Net operating costs" as defined above.

Net impairment adjustments: income statement items 130, 260 and 310 including also the impairment adjustments of the equity investments recorded under income statement item 240 (euro -5,309 thousand at 31 December 2014, absent at 31 December 2013).

Net provisions for risks and charges: income statement item 190.

Gains (losses) on disposal/evaluation of investments: income statement items 250 and 270, including the revaluation of the interest held in the Bank of Italy (euro +10,310 thousand at 31 December 2013).

Net income (loss) for the period before income tax: "Net profit from operating activities" + "Net impairment adjustments" + "Net provisions for risks and charges" + "Gains (losses) on disposal/evaluation of investments".

Income tax: income statement item 290.

Minority interests: income statement item 330.

At 31 December 2014, **net interest income** amounted to euro 511.1 million, down by 3.3% from 31 December 2013. Net of the contribution of the securities portfolio, the aggregate amount grew by 8.2%[14] thanks to the improvement of the spread between bank rates achieved, in particular, through the streamlining of the sources of financing made possible by the significant improvements to the Group's structural liquidity profile which enabled to contain the cost of funding. On the contrary, the contribution from the investment portfolio has declined, along with the contribution from interest rate hedges carried out on part of the assets of the banking book.

(14) Dato gestionale

Dividends grew (euro 15.6 million, +18% compared to December 2013) as did the **profit/loss from equity investments** (euro 13.8 million versus euro 6.8 million of 31 December 2013) in spite of the fact that the associated insurance companies contributed to the result of the BPVi Group at 31 December 2014 with only 9 months of full operations having been used for the consolidation of the last known data referred to 30 September 2014.
The **net financial income** of the Group, therefore, amounted to euro 540.4 million, down by 1.5% on the figure of the same period of the previous year.

Net fee and commission income amounted to euro 301.3 million at 31 December 2014, up 9.1% from euro 276.2 million at 31 December 2013. On the front of revenue, the income associated with indirect funding, in particular from the assets under management and social security compartments increased, along with those associated with financial transaction structuring activities, thanks to the starting of the new trading operation on “minibonds”, as well as those regarding current accounts and collection and payment services that benefits the development of the customer base. On the cost front, the expenses paid to customers for securities lending and borrowing decreased sharply and, since August, the cost connected to the State guarantee on own bonds was eliminated, as the bonds were extinguished early. The commissions passed back to agents and financial promoters also grew as a consequence of the investments made by the Group for the development of the variable cost distribution networks, in particular, through the subsidiary BPVi Multicredito.

Net profit from the property portfolios amounted to euro 186.8 million, down by 9.6% compared to euro 206.7 million at the end of 2013. Trading activity performed well (+73%), whilst the contribution of profits realised on Italian Government securities classified among “financial assets available for sale” (euro 109.5 million, versus euro 149.2 million at 31 December 2013), obtained both with sales and with the early closure of certain hedges, declined. The contribution from disposal/evaluation of investments and of the correlated “hedging” derivatives are negative, with a final loss of Euro 16.6 million, including the negative effect connected to the reduction (pull to par), due to the passing of time, in profits deriving from the change in the Bank’s creditworthiness recorded in past periods on its bonds measured at fair value.

Other operating income amounted to euro 48.8 million and decreased by 5.8% on 31 December 2013, mostly as a result of the reduction of the contribution the “fast preliminary commission”.

For the aforesaid reasons, the **net operating income** thus amounted to euro 1,077.4 million, down by 0.5% compared to 2013.

The net operating costs amounted to a total of euro 669.1 million, up 1.8% with respect to the figure of 2013, because of higher **payroll costs** (+2.5%) mainly as a consequence of a one-off bonus awarded to employees on the verge of renewing their Supplementary Company Agreements, as well as of the rise in the number of employees as a result of the business unit acquisitions made by the Group in 2014. **Other administrative costs** grew marginally (+0.9%), whereas depreciation and amortisation remained substantially unchanged.

At 31 December 2014, therefore, **net profit from operating activities** amounted to euro 408.3 million, down by 4.1% compared to 2013, with **cost/income**[15] at 61.1%, compared to 58.5% at 31 December 2013.

(15) This indicator is calculated by dividing “operating costs” (income statement item 230 after net allocations to provisions for risks and charges) by net interest and other banking income (income statement item 120)

Net impairment adjustments amounted to euro 1,521.3 million, versus euro 454.6 million at the end of 2013. euro 868.5 million of the aforesaid adjustments refer to loans and advances to customers, with the credit cost amounting to 2.91% versus 1.44% of 31 December 2013. The coverage of impaired loans grew by nearly 8 p.p., whilst the coverage of performing loans nearly doubled (0.73% at the end of 2014, 0.38% at the end of 2013).

Impairment adjustments to **financial assets available for sale** amounted to euro 30.9 million (euro 16.5 million at 31 December 2013) and were recorded applying the specific policy adopted by the Group on the process for identifying impairment losses on financial assets available for sale. These mainly refer to private equity exposures taken on through investment plans and to an equity investment in an unlisted company acquired during a reorganization transaction, carried out in the previous years through the "transformation" of the receivables from the company itself.
Adjustments on **other financial transactions** grew (euro 16.6 million, versus euro 5.8 million at 31 December 2013) by effect, in particular, of the provisions allocated for commitments to the FITD for interventions being defined in favour of certain consortium banks experiencing hardship, as well as the write-downs made on the **equity investments** which amount to euro 5,309 thousand (there were none at 31 December 2013) and euro 681 thousand of them refer to the elimination of the difference in equity that was recorded on the associate San Marco Srl, while the remainder refers to value adjustments carried out by private equity funds consolidated line-by-line.
This item, lastly, also includes the euro 600 million impairment made on the recorded **goodwill**, adjusted by nearly 65%.

Net **provisions for risks and charges** grew (euro 18.5 million at 31 December 2014, vs. euro 12.3 million at the end of 2013), while the **Gains (losses) on disposal/evaluation of investments** amounted to euro -2.8 million, mainly as a result of the changes in fair value recorded by some properties of the Group held for investments purposes. It should be recalled that the figure for last year, positive by Euro 7.5 million, also included the euro 10.3 million revaluation made on the interest held in the Bank of Italy.

Therefore, the gross loss amounted to euro -1,134.3 million versus last year's euro -33.7 million.

Income tax was positive by euro 376.7 million (euro +3.3 million at 31 December 2013), mainly by effect of the recognition of deferred taxes in view of the adjustments recorded on loans and advances to customers and on goodwill, for which the provisions of Italian Law no. 214/2011, which regulates transformability into tax receivables, apply.

Minority interests, i.e. net income attributable to minority stockholders, amounted to euro 933 million compared with euro 1.7 million at 31 December 2013.

The net loss, therefore, amounted to euro -758.5 million, versus euro -32.2 thousand recorded in 2013.

Reconciliation of equity and net income of the Parent Bank with the related consolidated amounts

The following table reconciles the Parent Bank's equity and net income at 31 December 2014 with the corresponding figures for the Parent Bank in the consolidated financial statements at that date.

	31/12/2014	
(in millions of euro)	Equity	of which: net income for the period
Parent bank's statement of financial position	**3,638.6**	**(823.7)**
Year results pertaining to the Gruop. as to:		
- companies consolidated line-by-line	9.7	9.7
- companies valued at shareholders'equity	13.3	13.3
Differences compared to carrying values. as to:		
- companies consolidated line-by-line	74.0	-
- companies valued at shareholders'equity	16.8	5.0
Write-off of dividends collected during the year from:		
- companies consolidated line-by-line	-	(30.3)
- companies valued at shareholders'equity	-	(9.5)
Derecognition of intercompany profit and loss	(4.4)	0.5
Derecognition of intercompany capital gains from discontinuing and contributing operations	(14.6)	76.8
Other consolidation adjustments	(1.9)	(0.2)
Consolidated statement of financial position	**3,731.5**	**(758.5)**

Consolidated equity pertaining to the Parent Bank, i.e. euro 3,731.5 million, is euro 92.9 million than the value reported in the Parent Bank's separate financial statements.

ACCOUNTING EFFECTS OF THE QUANTITATIVE RESULTS OF THE ASSET QUALITY REVIEW (AQR)

The BPVi Group is one of fifteen Italian banking groups that, in 2014, were subjected to the Comprehensive Assessment promoted by the supervisory authorities of the EU in collaboration with national ones, in view of the shift to direct Single Supervision by the ECB, which then took place last November.

The BPVi Group passed with flying colours and was included among the 120 top banks in Europe, having been found to have excess capital both in the Asset Quality Review (euro 593 million), and in the Stress Tests (euro 554 million in the baseline scenario, euro 30 million in the adverse scenario). The Comprehensive Assessment, whose purposes were to improve the quality of information available on the condition of banks (transparency), to identify and implement any necessary corrective actions aimed at assuring investors about the reliability of the banking system (confidence building), comprised three specific audit phases:

- a supervisory risk assessment, to identify, in quantitative and qualitative terms, the fundamental risk factors, including those pertaining to liquidity, financial leverage and financing cost;
- an Asset Quality Review (AQR);
- a test to verify the resilience of banks' balance sheets to stress scenarios (Stress Test).

With specific reference to the AQR, which entailed the audit of the correct classification and assessment of the Group's loan portfolio, the exercise is based:

- on the detailed assessment (Credit File Review - CFR) of a sample of selected positions in specific portfolios/customer segments (Real Estate Related, Large SME and, limited to default positions, Large Corporate) with respect to which the inspection team assessed in detail the classification and the related loss forecast;
- on the critical analysis of the models and parameters used by the Group for the overall assessment of the receivables and on the application, by the ECB, of a prudential proprietary model (Challenger Model) on the performing portfolios of all selected customer segments (Real Estate Related, Large SME, SME Retail, Residential Real Estate and Other Retail);
- on statistical methods for non performing positions; more specifically:
  - the projection of the results of the assessment of the selected samples on their entire portfolio (Real Estate Related, Large SME), with the exception of the Large Corporate segment;
  - the application of the aforementioned ECB prudential model (Challenger Model) on non performing portfolios of segments not subjected to Credit File Review (SME Retail, Residential Real Estate and Other Retail).

The findings of the AQR and their effects on the financial statement data of the BPVI Group at 31 December 2014 are illustrated below as specifically required by the CONSOB for all credit institutions subjected to the ECB's Comprehensive Assessment. In this regard, there is no automatic way to reflect the results of the AQR on the Group's financial statements, considering that:

- the exercise had a prudential nature and statistical methods are not always in line with the international accounting standards applied by the Group (e.g., projections of the results of analytical tests on entire portfolios, reclassification assumptions based on statistical models);
- the ECB used statistical methods to assess portfolios/positions which the Group had assessed in detail;
- detailed assessments require the evaluator to express a judgement and make estimates, characterised by often significant elements of subjectivity; these assessments are in any case guided by specific Corporate Policies which define a *priori*, insofar as possible, the objective criteria to which the evaluator must refer.

Overall, taking 31 December 2013 as reference, the AQR brought to light assessment differences on the loans portfolio amounting to approximately euro 714 million in all, of which approximately euro 126 million pertain to the Credit File Review activity.

The BPVi Group, albeit with the aforementioned limits of the application of the results of a purely prudential exercise to the financial statements, nonetheless decided to adopt, for the assessments of the financial statements at 31 December 2014, a more conservative approach both for the processes leading to the classification of the receivables and for their measurement. More specifically:

a) with reference to the results of the sample-based analysis of the positions subjected to CFR, in 2014 the BPVi Group made additional adjustments with respect to those at the end of 2013, totalling euro 160 million (of which euro 5 million relating to write-offs), versus approximately euro 126 million quantified by the ECB; in detail, certain positions were subjected to greater adjustments (by euro 45.2 million) than those indicated by the inspection team, while lower provisions by euro 11.5 million were allocated to other positions, justified by the fact that the Group's assessment took place at the end of the year, with reference to more up to date situations and information about the individual counterparties, compared to what was known at the time of the ECB's inspection;
b) with reference to the outcome of the statistical projection of the results of the CFT and of the application of statistical models ("Challenger models") on the portfolio not subjected to CFR, leading to assessment differences of approximately euro 395 million, the BPVi Group made a thorough revision of the entire portfolio of non performing loans subjected to detailed assessment with a more prudential and conservative bias, and it revised the process for estimating the parameters (in particular, Loss Given Default and rate of transformation to non-performing) used in the models for the overall assessment of a portion of the impaired loans. The quantification of the effects of said revision cannot be reconciled on a point by point basis with the findings of the AQR, inasmuch as it is referred to the entire portfolio and it is the result of a detailed assessment of the individual positions at the end of 2014, whereas the ECB made its assessment on 2013 data and with statistical methods. The BPVi, also on the basis of the evolution of the hedges, deems that it substantially included in full the aforesaid differences emerged in the AQR;
c) with reference to the outcome of the analysis of "portfolio" adjustments, work was completed on the revision of the method for estimating parameters, in particular Probability of Default, Loss Given Default and Loss Confirmation Period, used in the models for the overall assessment of the entire portfolio of performing loans, whose application led to higher provisions by approximately euro 80 million. In this regard, the results of the AQR had uncovered a difference of approximately euro 192 million from the assessments made by the Group at 31 December 2013 which, however, also reflected the one-off effects of the aforementioned reclassifications from performing to non performing and of the related higher write-downs emerged in the Credit File Review;
d) with reference to the outcome of the analysis of the assessment of the fair value of "level 3" assets, the BPVi Group had already made, on the occasion of the half-year financial statements at 30 June 2014, the only adjustment required, by approximately euro 14.2 million, referred to an unlisted equity investment recorded among the AFS assets and acquired within the scope of a restructuring, carried out in previous years, of the receivables owed by the company.

The BPVi Group deems that it substantially recognised the effects of the AQR, also taking into account the corporate policies and consequently the applicable accounting standards. Confirming the above, the coverage of impaired loans at 31 December 2014 is greater than at 31 December 2013 including the effects of the AQR.

As recalled above, the Comprehensive Assessment carried out by the ECB included in its own scope also a specific assessment on the Group's processes, policies and accounting practices (Pro-

cesses, Policies and Accounting Review - PP&A Review), which led to the formalisation of specific requests for intervention included by the Group in a specific Remediation Plan comprising 6 points:
- critical analysis of the collective write-down model;
- automation of the process for controlling the in/out data of forborne loans;
- implementation of automatic triggers in individual impairment processes;
- implementation of an internal control process on the appraisals and on the collateral carried out by outside parties;
- implementation of a procedure for managing related customers;
- formalising the process for managing litigation.

On the individual points discussed above, a point by point description of the activities carried out and of those that are still ongoing is provided below.

Critical analysis of the collective write-down model

The interventions indicated in the Remediation Plan pertain to:
- the verification of the parameters used for collective write-downs;
- the formalisation of a Collective Provisioning policy.

In view of these requests, the Group carried out the interventions described below, whose results were already applied in the Financial Statements at 31 December 2014.
- Probability of Default[16] parameter: it was modified, providing that, for the purposes of the financial statements, it shall be determined on the basis of the last monthly Probability of Default available in the internal rating systems upon starting the estimation process without applying any adjustment coefficient;
- Loss Confirmation Period[17] : it was modified with a more conservative bias for the Corporate segment, while it was neutralised for the remaining segments;
- Loss Given Default[18] , Time to Recovery[19] and Transformation Rate[20] parameters: the reference time span was revised.

With regard to the impacts on income, as previously stated the aforesaid revision of the method for estimating the parameters for collective write-down entailed, with reference to the portfolio of performing loans, higher provisions by approximately euro 80 million.

Within the scope of the interventions indicated in the Remediation Plan, in 2014 a specific Collective Provisioning Policy was formalised through the publication of a dedicated manual.

Classification and treatment of forborne loans

The interventions indicated in the Remediation Plan pertain to:
- organisational analysis directed at identifying the scope of the loans subjected to Forbearance;
- implementation of the IT procedures for the dynamic management of the portfolio of loans subjected to Forbearance;
- revision of internal regulations.

With reference to the interventions described above, from February 2014 onwards the Group carried out a series of interventions directed at complying with the new regulatory provisions:
- internal regulations were implemented adopting the definitions pertaining to non-performing exposures and forbearance exposures, in accordance with the indications issued by the European Banking Authority (EBA);
- activities were carried out for the recovery of prior positions exhibiting forborne characteristics, using the data present in the IT Procedures and then involving the commercial network for an assessment of the proposals identified at the central level;

(16) Probability of default: probability that a counterparty will default within one year.
(17) Loss Confirmation Period: this parameter is adopted, in practice, to transform an expected loss calculated with “prudential” parameters (PD and LGD), thus with a time horizon of 12 months, to an “incurred but not reported” loss, in accordance with the accounting standards: the latter co vers the time interval - as a rule, less than one year - between the deterioration of the counterparty’s credit rating (which at the managerial level, through the early warning system, is expressed in a classification of the loan to “Watch” or “Pre-Past Due”) and its change to the default status. This parameter applies exclusively to performing positions and with reference solely to the statutory component of the “writedown” (EL).
(18) Loss Given Default, i.e. the expected value (which may be dependent on adverse scenarios) of the ratio, expressed in percentage terms, between the loss caused by the default and the amount of the exposure at the time of the default (Exposure At Default, EAD).
(19) Time to Recovery represents the number of years required to close the non-performing loan.
(20) Transformation Rate, i.e. a corrective factor applied to the probability of default, whose purpose is to make the PD consistent with the LGD (estimated only on the non-performing loans) taking into due consideration the rates of return to performing status.

– the IT procedures were implemented with new functions directed at the classification and subsequent monitoring of forborne loans.

The regulations and the underlying procedural system will be subject to further implementation in order to apply the changes in supervisory regulations.

Implementation of automatic triggers in individual impairment processes

The interventions indicated in the Remediation Plan pertain to:
– definition of the functional requirements for the implementation of automated procedures and identification of anomalous events with relevance for the purposes of the automated non performing / impairment classification;
– implementation of the IT procedure, formalisation of new policy and/or revision of regulations and manuals.

During the year, the Group activated an automatic monitoring process that intercepts events that may be qualified as a loss event or an objective evidence of impairment ("triggers"). Said monitoring is based on two types of triggers:
– significant triggers: particularly relevant events whose occurrence, even individually, determines the need to evaluate the classification of the position to watchlist (internal or external Rating indicating default or near-default(21) , at least 50% reduction in equity because of losses within a reference period);
– additional triggers: the advisability of classifying the position to watchlist is considered if one or more such events occur simultaneously (significant decrease in the value of the guarantee where the sale of the financed asset is required in order to repay the loan(22) , significant decrease in the value of the property(23) , significant decrease in revenues(24) , at least 25% reduction of equity as a result of losses(25).

The monitoring system intercepts the aforementioned events, subjecting the involved positions to the assessment of the internal structures in charge of deciding their classification among impaired loans.

(21)it is applied to Large Corporate, SME Corporate and SME Retail counterparties, and it is based on indications of rating deterioration.
(22)measures significant decreases in the value of pledged assets.
(23)measures the values of property pledged as collateral.
(24)takes into consideration the financial data loaded in the CeBi database
(25)takes into consideration the financial data loaded in the CeBi database

Policy, processes and assessment of guarantees and property

The interventions indicated in the Remediation Plan pertain to:
- definition of a process for the periodic assessment of the property appraisals carried out by outside appraisers;
- revision of the internal regulations of relevance.

In the first half of 2014, the Group established a new process for monitoring the property appraisals made by external appraisers, which entails:
- centralising the monitoring activities in the Appraisals Office of the Administration M/T Organisational Unit for all the Group's banks;
- defining the method for the execution of the controls (issuing 6 specific Checklists) and the procedures for carrying them out ("desktop", i.e. without site inspection, and "drive-by", i.e. with external site inspection);
- defining the sampling criteria (differentiated by type of control) and sample size;
- setting up supports to formalise the outcome of the inspection;
- organising the reporting.

Policies and processes for identifying related party customers

The interventions indicated in the Remediation Plan pertain to:
- the implementation of a solution providing for the identification and certification at the Banking Group level of customers belonging to Economic and Legal Group (i.e. related party customers).
- revision of the internal regulations of relevance.

In the first half of 2014, a new procedure was established, called "Map of Groups" (hereafter, "MdG") and the reference regulation entitled "*Manual for the Management of Economic and Legal Groups of the Banca Popolare di Vicenza Group*" was issued.

This procedure allows to manage the economic and legal ties of the customers of the Banca Popolare di Vicenza Group; all types of Group counterparties present in industry databases are compared/monitored with the connections derived from the Infoprovider Database (Ribes).
Currently, all actions to change (connecting and/or disconnecting NDG) the Customer Groups within the application are centralised with the Group Rating and Lending Policies Office of the Ordinary Loans Department.

Starting from 10 November 2014, the Map of Groups was directly integrated with the processes through which the granting of loans is managed, i.e. the Electronic Credit Granting Procedure and the Rating Attribution procedure.

In line with the activities planned in the Audit portion of the AIRB Project, in February a specific audit will be carried out on the "management of the Group", assessing the adequacy of the organisational, procedural and regulatory controls both in terms of system and of effectiveness.

Formalising the process for managing litigation

The interventions indicated in the Remediation Plan pertain to:
- formalisation of internal regulations directed at governing the process for documenting and approving the decisions tied to the management of litigation;

- in this context, particular focus is dedicated to the process of validating provision estimates, also on the basis of international accounting standards.

The internal Manual "*Managing Litigation*" was published; it applies to the three Banks of the Group and, going over the powers and authorisations resolved by the Strategic Supervision Body for the management of litigation, defines roles and responsibilities and the operating procedures for managing litigation.

In particular, it regulates, *inter alia*:

- the process for approving and documenting decisions connected with the litigation (lawsuits, waivers, settlements, appeals);
- the information flows to the Corporate Bodies or to other Corporate Functions, both in terms of prompt disclosure, in view of cases that may have particularly significant impacts, and of periodic reporting;
- the process guiding the proposal and validation of provisioning;
- the drivers to be applied in assessing provisioning;
- the criteria for filling out the IT instrument (currently, an Access database) on which the cases are recorded and all information about their management is collected.

INFORMATION ON THE COMPANIES OF THE BPVI GROUP

This section provides an overview of the performance by BPVI Group Companies in 2014.

First, the contribution of the Group's various Companies to the principal aggregates (banking product, net income for the year) are presented below, to identify their incidence on total operations and provide a global overview of the Group's banking operations.

Direct funding (in million euro)	Individual results	Eliminations and consolidation adjustments	Contribution to consolidated	
			(+/-)	%
Banca Popolare di Vicenza	27,487	(695)	26,792	88.3
Banca Nuova	3,894	(452)	3,442	11.3
Farbanca	328	(193)	135	0.4
Other Companies	4	-	4	0.0
Total	**31,713**	**(1,340)**	**30,373**	**100.0**

Indirect funding (in million euro)	Individual results	Eliminations and consolidation adjustments	Contribution to consolidated	
			(+/-)	%
Banca Popolare di Vicenza	19,444	(8)	19,436	93.3
Banca Nuova	1,421	(37)	1,384	6.6
Farbanca	33	(2)	31	0.1
Total	**20,898**	**(47)**	**20,851**	**100.0**

Loans to customers (in million euro)	Individual results	Eliminations and consolidation adjustments	Contribution to consolidated	
			(+/-)	%
Banca Popolare di Vicenza	25,149	(1,389)	23,760	84.5
Banca Nuova	3,011	-	3,011	10.7
Farbanca	473	-	473	1.7
PrestiNuova	393	-	393	1.4
BPV Finance	443	(17)	426	1.5
Other companies	48	-	48	0.2
Total	**29,517**	**(1,406)**	**28,111**	**100.0**

Net income (in thousand of euro)	Individual results pertaining to the Group
Banca Popolare di Vicenza	(823,682)
Banca Nuova	(13,478)
Farbanca	2,227
Total banks	**(834,933)**
PrestiNuova	3,347
BPV Finance	21,316
BPVi Multicredito	254
Nem Sgr	1,113
Fondo Nem Imprese	(143)
Fondo Nem Imprese II	(4,011)
Fondo IOF	(1,399)
Total financial companies	**20,477**
Immobiliare Stampa	-
Servizi Bancari	-
Monforte 19	332
Total service companies	**332**
Companies carried at equity	13,810
Elimination of intercompany dividends	(39,783)
Adjustements to comply with IAS / IFRS	**108**
Other intercompany eliminations and consolidation adjustments	81,469
Net income pertaining to the Group	**(758,520)**

"Other consolidation eliminations/adjustments" refer (euro 75.3 million) to the different carrying amount in the consolidated financial statements of the Group (euro 120.2 million) compared to the separate financial statements of Banca Popolare di Vicenza (euro 195.5 million) of goodwill paid to the Group's former banks that had sold their business units to the Parent Bank in 2000 and that were fully written off during the year.

The Parent Bank Banca Popolare di Vicenza

Data and summary indicators

Statement of Financial Position figures, Own Funds and Ratios (in million of euro)	31/12/2014	31/12/2013	Changes (+/-)	%
Banking business	72,080	73,593	-1,513	-2.1
- of which Direct funding	27,487	28,404	-917	-3.2
- of which Indirect funding	19,444	17,856	1,588	8.9
- of which Loans to customers	25,149	27,333	-2,184	-8.0
Net interbank position	-1,579	-3,522	1,943	-55.2
Financial cash exposures	5,513	3,597	1,916	53.3
- of which Financial assets available for sale	4,359	3,483	876	25.2
Property. plant and equipment and intangible assets	361	1,034	-673	-65.1
- of which goodwill	218	891	-673	-75.5
Total Assets	43,422	42,115	1,307	3.1
Equity (including net income for the period)	3,639	3,679	-40	-1.1
Tier 1 capital (1)	3,110	2,730	380	13.9
Regulatory capital (1)	3,442	3,360	82	2.4
Risk-weighted assets (1)	26,520	18,826	7,694	40.9
Core Tier 1 Capital Ratio (1)	11.73%	14.50%	-2.77 p.p.	
Tier 1 Capital Ratio (1)	11.73%	14.50%	-2.77 p.p.	
Total Capital Ratio (1)	12.98%	17.85%	-4.87 p.p.	

Reclassified Income Statement figures(2) (in million of euro)	31/12/2014	31/12/2013	Changes (+/-)	%
Net financial income	389.6	419.7	-30.1	-7.2
Net operating income	908.2	900.2	8.0	0.9
Net operating costs	-566.7	-548.5	-18.2	3.3
Net profit from operating activities	341.5	351.7	-10.2	-2.9
Net impairment adjustments	-1,530.7	-410.7	-1,120.0	272.7
Net income for the period before income tax	-1,204.5	-60.7	-1,143.8	n.s.
Net income	-823.7	-44.6	-779.1	n.s.

(1) The figures at 31 December 2013 were determined with the prudential supervisory rules of Basel 2 previously in force.

(2) For the reconciliation between the reclassified income statement data and the Income Statement items prescribed by Bank of Italy Circular no. 262, reference is explicitly made to the comments on the Bank income statement reported in the following pages.

Other information and indicators	31/12/2014	31/12/2013	Changes	
			(+/-)	%
Number of employees at the end of the period	4,475	4,367	108	2.5
Average number of employees (3)	4,229	4,194	35	0.8
Bank branches	560	545	15	2.8
Loans to customers / direct funding	91.5%	96.2%	-4.7 p.p.	
Total Assets / Equity (leverage)	11.9 x	11.4 x	0.50 x	
Cost/Income (4)	60.7%	58.5%	2.2 p.p.	
Net impaired loans /Net loans	14.85%	12.70%	2.15 p.p.	
Net non-performing loans/Net loans	6.09%	5.14%	0.95 p.p.	
Impaired loans coverage (%)(5)	37.97%	30.85%	7.12 p.p.	
Non-performing loans coverage (%) (5)	53.91%	48.32%	5.59 p.p.	
Performing loans coverage (%) (6)	0.78%	0.38%	0.40 p.p.	
Credit cost (7)	3.18%	1.53%	1.65 p.p.	

(3) The average number of employees is calculated in accordance with the indications contained in Bank of Italy Circular no. 262 dated 22 December 2005 and subsequent amendments.

(4) The indicator is calculated as the ratio between "operating costs" (item 200 of the Income Statement less "net provisions for risks and charges") and the "net interest and other banking income " (item 120 of the Income Statement).

(5) The coverage is determined including the so-called "liquidations" that pertain to partial write-offs on loans for which bankruptcy proceedings still in progress at the reporting date.

(6) The coverage is determined excluding intra-group transactions, repurchase agreements, and guarantee margins.

(7) The indicator is calculated as the ratio between "net impairment adjustments on: loans and advances" and gross customer loans excluding intra-group transactions, guarantee margins and repurchase agreements not being subject to impairment.

Banking business (in millions of euro)	31/12/2014	31/12/2013	Changes	
			(+/-)	%
Total funding	46,931	46,260	671	1.5
- of which Direct funding (1)	27,487	28,404	-917	-3.2
- of which Indirect funding (2)	19,444	17,856	1,588	8.9
Loans to customers (3)	25,149	27,333	-2,184	8.0
Total	**72,080**	**75,593**	**-1,513**	**-2.1**

(1) Determined as the sum of "Due to customers", "Debt securities in issue" and "Financial liabilities at fair value".

(2) Source: management accounting.

(3) Corresponding to the income item "Loans and advances to customers".

At 31 December 2014 the banking product of the Bank, comprising direct and indirect funding and loans to customers, reached euro 72,080 million, compared with Euro 73,593 million at 31 December 2013 (-2.1%). In detail:

– **direct funding from customers** amount to Euro 27,487 million, with a decrease of 3.2% from the values of the end of 2013, mainly as a result of the 28.7% decline in **repurchase agreements** and, in particular, in those entered into with central counterparties. Net of these operations, the decline of the aggregate value in question amounted to 0.8%. **Current accounts and demand deposits** grew (+4.1%), along with **other payables** (+18.5%) and **bonds** (1%), while **time deposits** contracted signi-

ficantly (-34.8%), as a consequence both of the Group's decision to contain the costliest component of funding, carried out in particular with financial companies and large enterprises, and the customers' tendency to move to asset management instruments, favoured by the current market conditions;
- **indirect funding**, at market values, amounted to euro 19,444 million, up by 8.9% compared to 31 December 2013 thanks to the growth in assets **under management administered assets** (+31.2%), but also in **assets under administration** (+1.4%);
- at 31 December 2014, **cash loans to customers** amounted to euro 25,149 million, down by 8% compared to the amount at the end of 2013, reflecting both the 61.9% reduction in **lending repurchase agreements**, in particular with central counterparties, and the significant write-downs made on exposures to customers. Gross loans to customers net of repurchase agreements and of the related guarantee margins were substantially unchanged (-0.7%) compared to the amounts at the end of 2013. In addition to the aforementioned reduction in repurchase agreement, the aggregate amount was also affected by the decline in **current accounts** (-1.9%), **mortgages** (-4.5%), **credit cards**, **personal loans and salary-backed loans** (-7.8%) and in the **other transactions** (-2.8%). **Debt securities** moved in the opposite direction, growing by euro 134 million, in part thanks to the investments made in "Minibonds" within transactions where the Bank also oversaw the corresponding structuring phase.

The **"Loans / Funding Ratio"** amounts to 91.5%, an improvement by 4.7 percentage points from the figure of 31 December 2013. Net of exposures to Cassa di Compensazione e Garanzia (repurchase agreements traded on euro MTS and related guarantee margins), said ratio would be 95.4%, versus 98.6% at 31 December 2013.

Credit quality continued to be affected by the persistent weakness of the economic cycle. At 31 December 2014, net impaired loans to customers showed an increase in absolute value of euro 261.9 million compared to 31 December 2013 (+7.5%), representing an increase with respect to total net loans of 2.15 percentage points, up from 12.70% at 31 December 2013 to 14.85% at 31 December 2014. In detail, non-performing loans grew by euro 126.4 million (+9%) and watchlist loans grew by euro 368.9 million (+32.1%), whereas a decline was experienced by both restructured loans (euro -75.5 million, -15.1%) and past due exposures (euro -157.9 million, -37.7%).
Overall, the coverage parameters of impaired loans, excluding partial write-offs for bankruptcy proceedings (so-called "memorandum accounts") still pending at the end of the year, declined from 26.94% at 31 December 2013 to 35.14% at 31 December 2014. Including "write-offs", the coverage percentage of impaired loans was 37.97%, versus 30.85% at 31 December 2013.

Asset Quality	31/12/2014			31/12/2013		
(in millions of euro)	Net exposure	% loans gross	% coverage	Net exposure	% loans gross	% coverage
Impaired loans	**3,734.0**	**14.85**	**35.14**	**3,472.1**	**12.70**	**26.94**
Non performing loans	1,530.4	6.09	49.96	1,404.0	5.14	42.65
Watchlist loans	1,518.7	6.04	22.14	1,149.8	4.21	14.96
Restructured loans	424.3	1.69	7.20	499.8	1.83	3.51
Loans past due	260.6	1.03	10.48	418.5	1.52	3.66
Performing loans	**21,414.7**	**85.15**	**0.71**	**23,861.3**	**87.30**	**0.33**
Loans to customers and debt securities	19,439.2	77.30	0.78	20,703.4	75.75	0.38
Repurchase agreements and collateral margin	1,975.5	7.85	0.00	3,157.9	11.55	0.00

The breakdown of impaired loans is as follows:
- net non-performing loans, representing 6.09% of net loans (5.14% at 31 December 2013), amounted to euro 1,530.4 million with a percentage coverage of 49.96% (42.65% at 31 Decem-

ber 2013). Including "write-offs", the coverage percentage was 53.91% (48.32% at 31 December 2013);
- net watchlist loans, representing 6.04% of net loans (4.21% at 31 December 2013), amounted to euro 1,518.7 million with a percentage coverage of 22.14% (14.96% at 31 December 2013);
- net restructured loans total euro 424.3 million, with a coverage percentage of 7.20% (3.51% at 31 December 2013);
- net past due exposures totalled euro 260.6 million, with a coverage percentage of 10.48% (3.66% at 31 December 2013).

Lastly, the general provision for performing loans to customers (excluding intragroup balances, repurchase agreements and guarantee margins) amounted to euro 153.1 million at 31 December 2014, assuring coverage of 0.78%, more than doubled compared to 0.38% at 31 December 2013.
At 31 December 2014, the cost of credit, defined as the ratio between net adjustments to cash loans to customers and gross loans to customers (excluding intragroup balances, repurchase agreements and guarantee margins) amounted to 3.18% versus 1.53% at 31 December 2013.

Equity and Own Funds

The **equity** of the Bank amounted to euro 3,638.6 million at 31 December 2014, a 1.1% decrease compared to 31 December 2013 (the change including the result for the year was +19.8%).

Equity (in millions of euro)	31/12/2014	31/12/2013	Changes (+/-)	Changes %
Capital stock	351.9	313.7	38.2	12.2
Additional paid-in capital	3,365.1	2,767.4	597.7	21.6
Reserves	718.1	717.6	0.5	0.1
Valuation reserves	49.9	(70.9)	120.8	-170.4
Equity instruments	3.2	3.3	(0.1)	-3.0
Treasury shares	(25.9)	(7.8)	(18.1)	232.1
Equity	**4,462.3**	**3,723.3**	**739.0**	**19.8**
Net income for the period	(823.7)	(44.6)	(779.1)	n,s,
Total equity	**3,638.6**	**3,678.7**	**(40.1)**	**-1.1**

The shares of the Bank, which is one of the Relevant Issuers listed in CONSOB Resolutions no. 11.768/98 and no. 11.862/99, are dematerialised and centralised with Monte Titoli, in accordance with the provisions of Italian Legislative Decree no. 58/98 and Italian Legislative Decree no. 213/98.
The following table reports the Bank's purchases and sales of its shares in accordance with art. 18 of the Articles of Association.

Treasury shares	Number of shares	on Equity(1) %
Treasury shares at 31 December 2013	**124,039**	**0.15**
Purchases during 2014	4,665.405	4.97
Sales during 2014	4,375.242	4.66
Treasury shares at 31 December 2014	**414,202**	**0.44**

(1) Percentage determined with reference to the number of shares comprising capital stock at 31 December 2014.

Own funds at 31 December 2014 amounted to euro 3,442.1 million. The Common Equity Tier 1 Ratio and the Tier 1 Ratio both amount to 11.73%, whilst the Total Capital ratio is equal to 12.98%. Own funds and the prudential ratios at 31 December 2014 were determined in accordance with the new regulatory framework of Basel 3, including the transitional provisions and the national discretionary powers, that came into effect starting from 1 January 2014 subsequent to the issuing of Regulation (EU) no. 575/2013 dated 26 June 2013 (CRR) and of Directive 2013/36/EU dated 26 June 2013 (CRD IV).

Comments on the income statement

The trends in the principal performance indicators that characterised the year 2014 are discussed below and compared with those in the prior year.

Reclassified Income Statement (in millions of euro)	31/12/2014	31/12/2013	Changes (+/-)	%
Net interest income	389.6	419.7	(30.1)	-7.2
Operating incomes	908.2	900.2	8.0	0.9
Operating costs	(566.7)	(548.5)	(18.2)	3.3
Net profit from operating activities	341.5	351.7	(10.2)	-2.9
Net impairment adjustments	(1,530.7)	(410.7)	(1,120.0)	272.7
Net income for the period before income tax	(1,204.5)	(60.7)	(1,143.8)	n.s.
Net income	(823.7)	(44.6)	(779.1)	n.s.

The **net interest income** declined by 7.2%, mainly as a result of the lower contribution of the investment portfolio and of the hedging transactions entered into on certain items in the banking book. The margins of traditional bank activities of deposit/lending with customers, instead, improved, benefiting both from the careful management of the spread applied to customers and from the streamlining of funding sources, which allowed funding costs to be contained.

At 31 December 2014, **operating income**[26] amounted to euro 908.2 million, up by 0.9% from the 2013 figure. **Dividends** grew (euro 54.6 million, +13.4% compared to December 2013), along with the net **profit from the property portfolios**[27] (euro 171.2 million, +3.3%) and above all the net fee and commission income (euro 253.9 million, +11.6%). **Other operating income**, instead, declined slightly (-0.5%).

At 31 December 2014, **operating costs**[28] amounted to euro 566.7 million, up by 3.3% compared to euro 548.5 million at 31 December 2013 and reflected, above all, the increase in **payroll costs** (+4.2%) and to alesser extent in **other administrative costs**[29] (+2.3%) while other **amortisation and depreciation** remained substantially unchanged[30].
At 31 December 2014, the **net profit from operating activities** therefore amounted to euro 341.5 million, compared with euro 351.7 million at 31 December 2013 (-2.9%). The cost/income ratio[31] is 60.7% (58.5% at the end of December 2013).

Net impairment adjustments[32] amounted to euro 1,530.7 million, versus euro 410.7 million in December 2013. In detail, euro 805.3 million of the aforesaid adjustments (+106.1% compared to 31 December 2013) refer to **loans and advances to customers**; this figure also reflects the outcome of the Asset Quality Review, with credit cost[33] amounting to 3.18% versus 1.53% at 31 December 2013. The other adjustments refer to **financial assets available for sale** (euro 29.2 million, +124.6%), to other transactions (euro 14.1 million, +178%), to **equity investments** (euro 6.9 million, +271.8%) and, above all, to the impairment of the values of **goodwill** recorded in the balance sheet (euro 675.3 million), which were written down by over 75%.

Taking into account **net provisions for risks and charges** (euro -15.3 million at 31 December 2014) compared to euro -10.8 million at 31 December 2013) and **gains on disposal/evaluation of investments**(34) (euro +22 thousand at 31 December 2014, euro +9.1 million at 31 December 2013, which included the write-back by euro 10.3 million of the interest held in the Bank of Italy, the Bank closed 2014 with a **gross loss** of euro -1,204.5 million (euro -60.7 million at the end of 2013).
Income tax was positive by euro 380.8 million (euro +16.1 million at 31 December 2013), mainly by effect of the recognition of deferred taxes in view of the adjustments recorded on loans and advances to customers and on goodwill, for which the provisions of Italian Law no. 214/2011, which regulates transformability into tax receivables, apply.
The Bank closed 2014 with a **net loss** of euro -823.7 million. The comprehensive income instead amounted to euro -702.9 million.

(26)Income statement items 120 and 190, excluding the capital gain realised on the interest held in the Bank of Italy (euro 10,310 thousand at 31 December 2013), the "recovery of stamp duty and other indirect taxes" (euro +55,859 thousand at 31 December 2014, euro +48,012 thousand at 31 December 2013) and "depreciation for expenses on third party property improvement" (euro -4,994 thousand at 31 December 2014, euro -5,934 thousand at 31 December 2013).

(27) Income statement items 80, 90, 100 and 110, excluding the capital gain realised on the interest held in the Bank of Italy (euro 10,310 thousand at 31 December 2013).

(28) Income statement items 150, 170 and 180, including "recovery of stamp duty and other indirect taxes" (euro +55,859 thousand at 31 December 2014, euro +48,012 thousand at 31 December 2013) and "depreciation for expenses on third party property improvement" (euro -4,994 thousand at 31 December 2014, euro -5,934 thousand at 31 December 2013).

(29)Income statement item 150 b) net of "recovery of stamp duty and other indirect taxes" (euro +55,859 thousand at 31 December 2014, euro +48,012 thousand at 31 December 2013).

(30)Income statement items 170 and 180, including "depreciation for expenses on third party property improvement" (euro -4,994 thousand at 31 December 2014, euro -5,934 thousand at 31 December 2013).

(31)This indicator is calculated by dividing "operating costs" (income statement item 230 after net allocations to provisions for risks and charges) by net interest and other banking income (income statement item 120).

(32)Income statement items 130, 210, 230 and 280.

(33)The indicator is calculated as the ratio between "Net impairment adjustments on: loans and advances" and gross customer loans, excluding guarantee margins and repurchase agreements because neither one is impaired.

(34) Income statement item 240, including the capital gain realised on the interest held in the Bank of Italy (euro +10,310 thousand at 31 December 2013).

Statement of Financial Position figures, Own Funds and Ratios (in thousand of euro)	31/12/2014	31/12/2013	Changes (+/-)	%
Banking business	8,324,950	8,235,655	89,295	1.1
- of which Direct funding	3,893,581	3,897,354	-3,773	-0.1
- of which Indirect funding	1,420,611	1,199,098	221,513	18.5
- of which Loans to customers	3,010,758	3,139,203	-128,445	-4.1
Net interbank position	853,492	690,544	162,948	23.6
Financial cash exposures	121,121	162,897	-41,776	-25.6
- of which Financial assets available for sale	121,121	162,896	-41,775	-25.6
Property. plant and equipment and intangible assets	119,755	121,313	-1,558	-1.3
- of which goodwill	110,000	110,000	-	0.0
Total Assets	4,818,013	4,815,135	2,878	0.1
Equity (including net income for the period)	313,537	310,055	3,482	1.1
Tier 1 capital (1)	200,049	207,193	-7,144	-3.4
Regulatory capital (1)	230,972	215,213	15,759	7.3
Risk-weighted assets (1)	2,432,001	1,914,950	517,051	27.0
Core Tier 1 Capital Ratio (1)	8.23%	10.82%	-2.59 p.p.	
Tier 1 Capital Ratio (1)	8.23%	10.82%	-2.59 p.p.	
Total Capital Ratio (1)	9.50%	11.24%	-1.74 p.p.	

Reclassified Income Statement figures(2) (in thousand of euro)	31/12/2014	31/12/2013	Chnges (+/-)	%
Net financial income	90,079	80,120	9,959	12.4
Net operating income	144,783	147,807	-3,024	-2.0
Net operating costs	-96,673	-100,558	3,885	-3.9
Net profit from operating activities	48,110	47,249	861	1.8
Net impairment adjustments	-62,345	-38,435	-23,910	62.2
Net income for the period before income tax	-16,821	7,478	-24,299	-324.9
Net income	-13,478	2,041	-15,519	-760.4

Other information and indicators	31/12/2014	31/12/2013	Variazione (+/-)	%
Number of employees at the end of the period	712	719	-7	-1.0
Average number of employees(3)	704	714	-10	-1.4
Outlets	108	114	-6	-5.3
Loans to customers / direct funding	77.33%	80.55%	-3.22 p.p.	
Total Assets / Equity (leverage)	15.4 x	15.5 x	-0.1 x	
Cost/Income (4)	64.62%	66.15%	-1.53 p.p.	
Net impaired loans /Net loans	14.64%	13.14%	1.50 p.p.	
Net non-performing loans/Net loans	5.38%	5.12%	0.26 p.p.	
Impaired loans coverage (%) (5)	37.02%	32.83%	4.19 p.p.	
Non-performing loans coverage (%) (5)	54.58%	50.89%	3.69 p.p.	
Performing loans coverage (%) (6)	0.44%	0.37%	0.07 p.p.	
Credit cost (7)	1.84%	1.14%	0.70 p.p.	

(1) The figures at 31 December 2013 were determined with the prudential supervisory rules of Basel 2 previously in force.
(2) For the reconciliation between the reclassified income statement data and the Income Statement items prescribed by Bank of Italy Circular no. 262, reference is explicitly made to the "key" provided in the paragraph dedicated to the comment to the Group income statement except for the different numbering of the same items in the individual statement with respect to the consolidated statement.
(3) The average number of employees is calculated in accordance with the indications contained in Bank of Italy Circular no. 262 dated 22 December 2005 and subsequent amendments.
(4) The indicator is calculated as the ratio between "operating costs" (item 200 of the Income Statement less "net provisions for risks and charges") and the "net interest and other banking income " (item 120 of the Income Statement).
(5) The coverage is determined including the so-called "liquidations" that pertain to partial write-offs on loans for which bankruptcy proceedings still in progress at the reporting date.
(6) The coverage is determined excluding intra-group transactions, guarantee margins and repurchase agreements.
(7) The indicator is calculated as the ratio between "net impairment adjustments on: loans and advances" and gross customer loans excluding intra-group transactions, guarantee margins and repurchase agreements not being subject to impairment.

Banca Nuova is 100% directly owned by the Parent Bank Banca Popolare di Vicenza. The Commercial Network had 108 outlets at the end of 2013 of which 93 branches, while on the same date there were 712 employees.

At 31 December 2014 the Group's banking product, comprising direct and indirect funding and cash loans to customers, amounted to euro 8,325 million, compared with euro 8,235.7 million at 31 December 2013 (+1.1%). In detail:

- **direct funding** amounts to euro 3,893.6 million, substantially stable (-0.1%) at the values of the end of 2013. Analysing the changes that characterised the aggregate value in question during the year, of note is the increase in **current accounts and demand deposits** only (+15.7%), while all other components declined: **time deposits** (-33.9%), **repurchase agreements** (-96.7%), bonds (-12.5%), **certificates of deposit and other securities** (-27.6%) and **other payables** (-8%).
- the market value of **indirect funding** stood at over euro 1.4 billion, increasing by euro 221.5 million in absolute terms (+18.5%), sustained mostly by growth in **assets under management and retirement savings** (+29.1%) but also by **assets under administration** (+10%);
- **cash loans to customers**, amounting to euro 3,010.8 million, fell by approximately euro 128.4 million from the previous year (-4.1%), partly because of the adjustments made during the year as a consequence also of the outcome of the Asset Quality Review to which the BPVi Group was subjected. The decline in gross loans to customers was less significant (-2%). An analysis of the trends that characterised the aggregate under review during the year highlights an increase only in **credit cards**, **personal loans and salary-backed loans** (+5.7%), while all other components decreased: **current accounts** -11.1%, **mortgages** -2.5%, **other transactions** -4.9% and **debt securities** -6.2%.

With reference to the **quality of credit, net impaired loans to customers** amounted to euro 440.8 million at 31 December 2014 (+6.9% compared to the end of 2013), with an increase of 1.50 percentage points with respect to total net loans, up from 13.14% at the end of 2013 to 14.64% at 31 December 2014. Overall, the coverage parameters of impaired loans, including partial write-offs for bankruptcy proceedings (so-called "memorandum accounts") still pending at the end of the year, declined from 32.83% at 31 December 2013 to 37.02% at 31 December 2014.

Net impaired loans are analysed in more detail as follows:

- net **non-performing loans**, representing 5.38% of net loans (5.12% at 31 December 2013), amounted to euro 162.1 million (+0.8%), with a coverage percentage, including "write-offs", of 54.58% (50.89% at 31 December 2013);
- net **watchlist loans**, representing 6.84% of net loans (5.92% at 31 December 2013), amount to euro 205.9 million (+10.9%) with a coverage percentage of 21.48% (14.61% at the end of 2013);
- net **restructured loan**s total euro 8.4 million, with a coverage percentage of 1.59% (1.56% at 31 December 2013);
- net **past due exposures** totalled euro 64.3 million, with a coverage percentage of 10.86% (4.82% at 31 December 2013).

Lastly, the general provision for performing loans to customers is euro 11.4 million at 31 December 2014, providing coverage of 0.44% (0.37% at 31 December 2013).
At 31 December 2013, equity amounted to euro 313.5 million, up by 1.1% compared to the end of 2013.

Own funds at 31 December 2014 amounted to euro 231 million. The Common Equity Tier 1 Ratio and the Tier 1 Ratio both amount to 8.23%, whilst the Total Capital ratio is equal to 9.50%. Own funds and the prudential ratios at 31 December 2014 were determined in accordance with the new regulatory framework of Basel 3, including the transitional provisions and the national discretionary powers, that came into effect starting from 1 January 2014 subsequent to the issuing of Regulation (EU) no. 575/2013 dated 26 June 2013 (CRR) and of Directive 2013/36/EU dated 26 June 2013 (CRD IV).

The Bank closed 2014 with a net loss of euro -13.5 million versus a profit of euro 2 million at the end of 2013, by effect of the increased **impairment writedowns** (+62.2%), in particular on loans and advances to customers.
Analysing the main income data, **net interest income** amounted to euro 90.1 million, up 12.4% compared to euro 80.1 million at the end of 2013. Overall, **operating income** amounted to euro 144.8 million, down 2% from the end of 2013, mostly because of the reduction by nearly euro 11.5 million in the **net profit from the property portfolios** and in particular in the profits realised on investments in Italian Government bonds. **Net fee and commission income** contracted by euro 2.3 million, affected by the lower revenue connected to the servicing activity on securitisation and by the lower contribution from current account maintenance and management services. **Other operating charges/income**, instead, grew by approximately euro 0.6 million.

Operating costs totalled Euro 96.7 million, down compared to Euro 100.6 million in 2013, due to the reduction in all of its components: **payroll costs** (-4.2%), **other administrative costs** (-3.4%) and **depreciation and amortisation** (-3.9%).
Net profit from operating activities, therefore, amounted to Euro 48.1 million, up by 1.8% compared to Euro 47.2 million at the end of 2013. The cost/income ratio is 64.6% (66.2% at the end of December 2013).

Net impairment adjustments amounted to euro 62.3 million, versus euro 38.4 million in 2013. In particular, provisions on loans and advances to customers grew (+58.5%), as did those on other transactions (+274.2%). The cost of credit amounted to 1.84% versus 1.14% the previous year.
Including **net provisions for risks and charges**, amounting to euro 2.6 million (+92.7% compared to end of 2013), the **gross loss for the year** amounted to euro -16.8 million, as opposed to the profit of euro 7.5 million at the end of 2013.

Income tax was positive by euro 3.3 million (euro -5.4 million at 31 December 2013), by effect of the recognition of deferred taxes in view of the adjustments recorded on loans and advances to customers, for which the provisions of Italian Law no. 214/2011, which regulates transformability into tax receivables, apply.
Banca Nuova thus closed 2014 with a net **loss of euro** -13.5 million, whereas **comprehensive income** for 2014 was negative by euro 1.3 million.

Farbanca Spa

Statement of Financial Position figures, Own Funds and Ratios (in thousand of euro)	31/12/2014	31/12/2013	Changes	
			(+/-)	%
Banking business	833,337	830,806	2,531	0.3
- of which Direct funding	*327,610*	*334,399*	*-6,789*	*-2.0*
- of which Indirect funding	*32,969*	*29,205*	*3,764*	*12.9*
- of which Loans to customers	*472,758*	*467,202*	*5,556*	*1.2*
Net interbank position	-97,976	-83,137	-14,839	17.8
Total Assets	500,173	494,726	5,447	1.1
Equity (including net income for the period)	60,212	60,584	-372	-0.6
Tier 1 capital (1)	57,035	57,037	-2	0.0
Regulatory capital (1)	57,035	57,037	-2	0.0
Risk-weighted assets (1)	361,482	306,935	54,547	17.8
Core Tier 1 Capital Ratio (1)	15.78%	18.58%	-2.80 p.p.	
Tier 1 Capital Ratio (1)	15.78%	18.58%	-2.80 p.p.	
Total Capital Ratio (1)	15.78%	18.58%	-2.80 p.p.	

Reclassified Income Statement figures(2) (in thousand of euro)	31/12/2014	31/12/2013	Changes	
			(+/-)	%
Net financial income	10,059	9,002	1,057	11.7
Net operating income	12,406	14,208	-1,802	-12.7
Net operating costs	-5,138	-5,192	54	-1.0
Net profit from operating activities	7,268	9,016	-1,748	-19.4
Net impairment adjustments	-2,670	-3,391	721	-21.3
Net income for the period before income tax	4,764	5,563	-799	-14.4
Net income	3,168	5,000	-1,832	-36.6

(1) The figures at 31 December 2013 were determined with the prudential supervisory rules of Basel 2 previously in force.
(2) For the reconciliation between the reclassified income statement data and the Income Statement items prescribed by Bank of Italy Circular no. 262, reference is explicitly made to the "key" provided in the paragraph dedicated to the comment to the Group income statemen except for the different numbering of the same items in the individual statement with respect to the consolidated statement.

Other information and indicators	31/12/2014	31/12/2013	Changes (+/-)	Changes %
Number of employees at the end of the period	32	31	1	3.2
Average number of employees (3)	32	32	0	0.0
Outlets	1	1	0	0.0
Loans to customers / direct funding	144.3%	139.7%	4.6 p.p.	
Total Assets / Equity (leverage)	8.3 x	8.2 x	0.10 x	
Cost/Income (4)	40.21%	35.14%	5.07 p.p.	
Net impaired loans / Net loans	2.76%	2.82%	-0.06 p.p.	
Net non-performing loans/ Net loans	0.79%	0.41%	0.38 p.p.	
Impaired loans coverage (%)	44.85%	38.95%	5.90 p.p.	
Non-performing loans coverage (%)	63.83%	73.66%	-9.83 p.p.	
Performing loans coverage (%)	0.46%	0.45%	0.01 p.p.	
Credit cost (5)	0.55%	0.70%	-0.15 p.p.	

(3) The average number of employees is calculated in accordance with the indications contained in Bank of Italy Circular no. 262 dated 22 December 2005 and subsequent amendments.
(4) The indicator is calculated as the ratio between "operating costs" (item 200 of the Income Statement less "net provisions for risks and charges") and the "net interest and other banking income " (item 120 of the Income Statement).
(5) The indicator is calculated as the ratio between "net impairment adjustments on: loans and advances" and gross customer loans excluding intra-group transactions, guarantee margins and repurchase agreements not being subject to impairment.

Farbanca is an on-line bank specialising in the offer of banking services to pharmacies; the Parent Bank Banca Popolare di Vicenza owns a direct interest of 70.29%.
At the end of 2014, Farbanca's staff consisted of 32 persons. The commercial structure is based on the Bologna branch, whilst the Bank has a team of financial promoter employees for door-to-door services, who have been trained in-house to acquire knowledge of this sector and the ability to serve the bank's pharmacist customers. In addition, the Bank also has 7 administrative offices, where no commercial activities may be conducted.

At 31 December 2014, Farbanca's banking product, comprising direct and indirect funding and cash loans to customers, amounted to euro 833.3 million, compared with euro 830.8 million at 31 December 2013 (+0.3%). In detail:

- **direct funding** amounted to euro 327.6 million, down by 2% compared to the end of 2013. Analysing the dynamics that characterised this aggregate figure during the year, of note is the growth in **current accounts and demand deposits** (+24.6%), **time deposits** (+14.3%) and **other payables**, while **bonds** declined by 18.5% mostly as a result of the repayment, during the year, of a bond that had been fully subscribed by the Parent Bank;
- **indirect funding**, at market values, amounted to euro 33 million at 31 December 2014, up by 12.9% compared to 2013, sustained both by the growth in **assets under management and retirement savings** (+53.4%) but also by **assets under administration** (+6.7%).
- **cash loans to customers** amount to euro 472.8 million, a 1.2% increase from euro 467.2 million in 2013. An analysis of the trends that characterised the aggregate under review during the year highlights an increase only in **mortgages** (+11.1%), with declines in current accounts (-15%), **credit cards, personal loans and salary- and pension-backed loans** (-12.8%) and **other transactions** (-58.6%).

With reference to **credit quality** at 31 December 2014, **net impaired loans to customers** amounted to euro 13 million, down by euro 138 thousand compared to the end of 2013 with their proportion of total net loans declining to 2.76%, versus 2.82% last year. Overall, the coverage of impaired loans rose from 38.95% at 31 December 2013 to 44.85% at 31 December 2014.

Net impaired loans are analysed in more detail as follows:

- net **non-performing loans**, representing 0.79% of net loans (0.41% at 31 December 2013), amounted to euro 3.8 million (euro 1.9 million at 31 December 2013), with a coverage percentage of 63.83% (73.66% at 31 December 2013);
- **watchlist** loans, representing 1.96% of net loans (1.95% at 31 December 2013), amounted to euro 9.3 million (euro 9.1 million at 31 December 2013) with a coverage percentage of 29.95% (23.29% at 31 December 2013);
- **past due loans** amounted only to euro 4 thousand (euro 1.7 million at 31 December 2013), while restructured exposures were zero versus euro 0.4 million at the end of 2013.

Lastly, the general provision for performing loans amounted to euro 2 million at 31 December 2014, covering 0.46% of the performing loans portfolio (0.45% at 31 December 2013).
At 31 December 2013, **equity** (including net income for the year) is euro 60.2 million.
The Bank's **own funds** at 31 December 2014 amounted to euro 57 million, entirely referred to Common Equity Tier 1 capital. The ratios (Common Equity Tier 1 Ratio, Tier 1 Ratio and Total Capital Ratio) were all equal to 15.78%.

Own funds and the prudential ratios at 31 December 2014 were determined in accordance with the new regulatory framework of Basel 3, including the transitional provisions and the national discretionary powers, that came into effect starting from 1 January 2014 subsequent to the issuing of Regulation (EU) no. 575/2013 dated 26 June 2013 (CRR) and of Directive 2013/36/EU dated 26 June 2013 (CRD IV).

The Bank closed 2014 with **net profit** of euro 3.2 million, compared to euro 5 million at the end of 2013.
Analysing the main income data, **net interest income** amounted to euro 10.1 million, up 11.7% compared to euro 9 million at the end of 2013. Overall, **operating income** amounted to euro 12.4 million, down by 12.7% from the end of 2013, mostly because there no longer were any profits realised on investments in Italian Government bonds, which in 2013 had amounted to euro 2.7 million. Instead, both **net fee and commission income** and the **other operating income** were substantially stable. **Operating** costs amounted to euro 5.1 million, unchanged from the end of 2013. **Net profit from operating activities**, therefore, amounted to euro 7.3 million, down by 19.4% compared to Euro 9 million at the end of 2013. The cost/income ratio is 40.21% (35.14% at the end of December 2013).

Net impairment adjustments amounted to euro 2.7 million, versus euro 3.4 million at 31 December 2013 and were nearly entirely related to loans and advances to customers. The cost of credit amounted to 0.55% versus 0.70% the previous year.
Net income for the period before income tax therefore amounted to euro 4.8 million, versus euro 5.6 million in December 2013.
After taxes, (euro 1.6 million at 31 December 2014, euro 0.6 million at 31 December 2013, which included the positive one-off effect, by e uro 1.4 million, referred to the deductibility for tax purposes of the losses realised by the merged BCF - Banca di Credito dei Farmacisti), Farbanca ended the year 2014 with a **net profit** of euro 3.2 million. **Comprehensive income** attained the same amount.

Statement of Financial Position figures, Own Funds and Ratios (in thousand of euro)	31/12/2014	31/12/2013	Changes (+/-)	%
Loans to customers	393,481	409,817	-16,336	-4.0
Net interbank position	-347,777	-367,492	19,715	-5.4
Property. plant and equipment and intangible assets	4,077	4,111	-34	-0.8
- of which goodwill	*4,000*	*4,000*	*-*	*0.0*
Total Assets	405,599	421,119	-15,520	-3.7
Equity (including net income for the period)	37,467	35,134	2,333	6.6
Tier 1 capital	30,347	30,158	189	0.6
Regulatory capital	30,347	30,158	189	0.6
Risk-weighted assets	245,371	256,192	-10,821	-4.2
Core Tier 1 Capital Ratio	12.37%	11.77%	0.60 p.p.	
Tier 1 Capital Ratio	12.37%	11.77%	0.60 p.p.	
Total Capital Ratio	12.37%	11.77%	0.60 p.p.	

Reclassified Income Statement figures[1] (in thousand of euro)	31/12/2014	31/12/2013	Changes (+/-)	%
Net financial income	10,941	9,360	1,581	16.9
Net operating income	10,525	8,889	1,636	18.4
Net operating costs	-4,521	-5,390	869	-16.1
Net profit from operating activities	6,004	3,499	2,505	71.6
Net impairment adjustments	-536	-604	68	-11.3
Net income for the period before income tax	5,464	3,002	2,462	82.0
Net income	3,347	1,371	1,976	144.1

Other information and indicators (in thousand of euro)	31/12/2014	31/12/2013	Changes (+/-)	%
Number of employees at the end of the period	13	23	-10	-43.5
Average number of employees [2]	14	43	-29	-67.4
Total Assets / Equity (leverage)	10.8 x	12 x	-1.2 x	
Cost/Income[3]	42.35%	61.40%	-19.05 p.p.	
Net impaired loans /Net loans	2.30%	2.52%	-0.22 p.p.	
Net non-performing loans/Net loans	0.00%	0.00%	0.00 p.p.	
Impaired loans coverage (%)	16.61%	10.45%	6.16 p.p.	
Non-performing loans coverage (%)	100.00%	100.00%	0.00 p.p.	
Performing loans coverage (%)	0.78%	0.81%	-0.03 p.p.	
Credit cost [4]	0.13%	0.15%	-0.02 p.p.	

(1) For the reconciliation between the reclassified income statement data and the Income Statement items prescribed by Bank of Italy measure of 16 December 2009 updated on 21 January 2014, reference is explicitly made to the "key" provided in the paragraph dedicated to the comment to the Group income statement.

(2) The average number of employees is calculated as the weighted average number of employees where the weighting is given by the number of months worked in the year.

(3) This indicator is calculated as the ratio between "Administrative costs" (income statement line item 110), plus adjustments to Property, plant and equipment and intangible assets (income statement line items 120 and 130), plus Other operating income and charge (income statement line item 160) and Net interest and other banking income.

(4) The indicator is calculated by annualising the ratio between "Net impairment adjustments on financial assets" and Loans and advances.

The Company is 100% owned by the Parent Bank Banca Popolare di Vicenza. At 31 December 2014, Prestinuova had 13 employees.
The core business of Prestinuova consists of "lending secured against one-fifth of salary/pension" and loans, particularly to public-sector employees, that are repaid through withholdings from salaries and pensions, available both for public and private sector employees, with particular focus on employees of public Agencies and a gradual, well-balanced process of opening to the segment of employees of private enterprises. Distribution activities are carried out both by the companies of the Group (Banca Popolare di Vicenza, Banca Nuova and the network of agents of BPVi Multicredito) and through the constant development of commercial agreements with third party networks which at 31 December 2014 include the partnerships with Banca Popolare Sviluppo, Terfinance, Fincontinuo Finanziaria, M3 Group, BCC del Cilento e Lucania Sud and BCC Chianti.

At 31 December 2014, **cash loans to customers** amounted to euro 393.5 million net of adjustments, versus euro 409.8 million at 31 December 2013 (-4%) and 99% of their amount refers to "loans secured against one-fifth of salary".
With reference to **credit quality** at 31 December 2014, **net impaired loans to customers** amounted to euro 9 million, down compared to euro 10.3 million at the end of 2013 and accounting for 2.30% of total net loans, versus 2.52% last year. Net impaired loans are analysed in more detail as follows:
– net **watchlist loans**, equal to 1.17% of net loans, totalled euro 4.6 million (euro 4.7 million at 31 December 2013), with a coverage percentage of 3.41%;
– **past due loans** amounted to Euro 4.4 million (euro 5.6 million at 31 December 2013), with a coverage percentage of 3.41%.

Non-performing loans were also recorded, for a gross amount of euro 1.5 million (euro 847 thousand at 31 December 2013) which, as in 2013, were written down in full. Lastly, the general provision for performing loans amounted to euro 3 million at 31 December 2014, covering 0.78% of the performing loans portfolio (0.81% at 31 December 2013).
Equity (including net income for the year) totalled euro 37.5 million, while **regulatory capital** amounted to euro 30.3 million. As for the company's capital adequacy ratios, the **Tier 1 Capital Ratio** and the **Total Capital Ratio** both amounted to 12.37%.
The company closed 2014 with net income of euro 3,347 thousand (euro 1,371 thousand at 31 December 2013).

Analysing the main income data, **net interest income** amounted to euro 10.9 million, up 16.9% compared to the end of 2013. **Operating income** amounted to euro 10.5 million, up by 18.4% compared to the end of 2013, and included net fee and commission income of euro -0.5 million (euro -0.3 million at 31 December 2013) and other net income of euro 0.1 million (Euro -0.2 million at 31 December 2013).
Operating costs totalled euro 4.5 million, down compared to euro 5.4 million in 2013, due to the reduction in **payroll costs** (-53.9%), while both **other administrative costs** (+37.2%) and **depreciation and amortisation** (+23.1%) grew. The cost/income ratio stood at 42.35%, an improvement of more than 19 percentage points compared to 61.40% at the end of 2013.

Impairment adjustments amounted to euro 536 thousand, versus euro 604 thousand in 2013, with cost of credit at 0.13%.
Net income for the period before income tax amounted to euro 5.5 million (euro 3 million at the end of 2013), while net profit totalled euro 3.3 million. Comprehensive income attained the same amount.

Statement of Financial Position figures, Own Funds and Ratios (in thousand of euro)	31/12/2014	31/12/2013	Changes (+/-)	%
Securities	1,099.889	704,222	395,667	56.2
- *of which Governement Bonds*	*574,934*	*174,290*	*400,644*	*229.9*
- *of which debt securities issued by financial institutions*	*175,076*	*161,323*	*13,753*	*8.5*
- *of which other debt securities*	*6,032*	*-*	*6,032*	*n,s,*
- *of which asset backet securities originated by the Group*	*55,349*	*59,772*	*-4,423*	*-7.4*
- *of which asset backet securities originated by third parties*	*69,187*	*87,823*	*-18,636*	*-21.2*
- *of which equity securities*	*3,941*	*2,749*	*1,192*	*43.4*
- *of which funds and sicav*	*215,370*	*218,265*	*-2,895*	*-1.3*
Loans to customers	116,055	99,186	16,869	17.0
Net interbank position	-1,042.383	-667,038	-375,345	56.3
Total Assets	1,373.526	950,566	422,960	44.5
Equity (including net income for the period)	153,467	136,200	17,267	12.7

Reclassified Income Statement figures (in thousand of euro)	31/12/2014	31/12/2013	Changes (+/-)	%
Net financial income	10,443	9,250	1,193	12.9
Net operating income	25,554	35,574	-10,020	-28.2
Net operating costs	-1,868	-1,883	15	-0.8
Net profit from operating activities	23,686	33,691	-10,005	-29.7
Net impairment adjustments	660	901	-241	-26.7
Net income for the period before income tax	24,346	34,592	-10,246	-29.6
Net income	21,316	30,095	-8,779	-29.2

This Irish-registered Company is 99.99% owned by Banca Popolare di Vicenza and operates out of Dublin's International Financial Services Centre. BPV Finance specialises in proprietary trading and carries out its business by investing in financial instruments, taking a medium-long term view, and by providing loans to foreign subsidiaries of the Group's corporate customers in Italy.At 31 December 2014, BPV Finance Plc had 6 employees.

At 31 December 2014, over half of the Company's securities portfolio (euro 1.1 billion, up by 56.2% compared to 2013) consists of Government securities. The remainder is represented by investments in bonds issued by European and American financial institutions, by Asset Backed Securities (with European and American collateral), by mutual funds and SICAVs and, to a lesser extent, by listed equities. The securities portfolio has an investment grade rating on average. Commercial loans issued to foreign subsidiaries of Italian companies also grew (euro 116.1 million, +17%). As a result of the increased activity, net indebtedness also grew, reaching euro 1,042.4 million at 31 December 2014. The company's equity, including net income for the year, came to euro 153.5 million, compared to euro 136.2 million in 2013. As regards the trends in the composition of net income/loss for the year, 2014 highlighted a reduction of 28.2% in operating income, affected, in particular, by the lower profits realised from the sale of Government securities and mutual funds, only partly offset by the growth in net interest income. Operating expenses were stable, while the analyses targeted at identifying the impairment losses on own assets allowed the recognition of write-backs of euro 660 thousand. The Company closed 2014 with net profit of euro 21.3 million, compared to euro 30.1 million in 2013. The comprehensive income amounted to euro 39.5 million.

NEM SGR S.p.a.

In 2014, the Company, wholly owned by Banca Popolare di Vicenza, continued to manage the speculative closed-end mutual fund reserved for Professional Investors named “Industrial Opportunity Fund”, as well as the non-speculative closed-end mutual funds reserved for Professional Investors named “NEM Imprese” and “NEM Imprese II”.
The Company closed 2014 with **net profit** of Euro 1,094 thousand (Euro 1,163 thousand in 2013), and **equity** (including the income for the year) of Euro 3.8 million.

Servizi Bancari S.c.p.a.

This consortium Company provides back office services to the Group’s banks; its stockholders are Banca Popolare di Vicenza with a 96% controlling interest and Banca Nuova, Farbanca, Prestinuova and Sec Servizi, with 1% each.
The company broke even in 2014, as it is a non-profit co-operative.

Immobiliare Stampa S.c.p.a.

The company, 99.92% owned by Banca Popolare di Vicenza, and 0.04% held by Banca Nuova and Servizi Bancari, respectively, manages the real estate portfolio of the Group, provides real estate services and carries out administrative activities relating to the management of group properties leased to third parties and of third-party properties leased by Group banks.
The company broke even in 2014, as it is a non-profit co-operative.

Monforte 19 S.r.l.

This Company is a wholly-owned subsidiary of Banca Popolare di Vicenza; its business is the letting and rental of own buildings to third parties, as well as the management and administration of the buildings. Monforte 19 is the owner of two prime properties in Milan, one of which is let to the Parent Bank and the other one to companies outside the banking group. The Company also owns a property located in Prato, which is currently undergoing renovation: the work is being completed and the activities for marketing the individual real estate units are underway.
The Company closed 2014 with net profit of Euro 332 thousand (Euro 1.6 million in 2013), and equity (including the income for the year) of Euro 3,071 million.

BPVi Multicredito – Agenzia in attività finanziaria S.p.a.

The exclusive purpose of the Company, wholly owned by Banca Popolare di Vicenza, is to serve as a financial agency, pursuant to Article 128-quater of Italian Legislative Decree no. 385/93 and subsequent amendments and additions.
At 31 December 2014, the Company manages 180 professionals operating in regions in which the branches of the Parent Bank Banca Popolare di Vicenza are present, who promote specific bank and BPVi Group products to individual customers and small businesses, such as current accounts, loans and payment services. Certain insurance products issued by Group investees and connected to banking products being promoted are also offered.
The company closed 2014 with **net profit** of Euro 254 thousand and **equity** (including the income for the year) of Euro 453 thousand.

TRANSACTIONS WITH RELATED PARTIES, SIGNIFICANT NON-RECURRING AND ATYPICAL AND/OR UNUSUAL TRANSACTIONS

Related-party transactions, significant and non-recurring events and operations, and positions and transactions deriving from atypical and/or unusual transactions, as prescribed by CONSOB Communication no. 6064293 of 28 July 2006, pertaining to "*Disclosures by listed issuers and issuers whose financial instruments are held by the general public pursuant to Article 116 of the TUF – Requirements pursuant to Article 114.5 of Legislative Decree no. 58/98*", the definitions and qualitative/quantitative criteria set out in the Internal Regulations approved by the Board of Directors in the course of its meeting of 23 January 2007 for the identification of the above transactions are presented below.

Related-party transactions

For the definition of related-party transactions, please refer to "Part H - Related-party transactions" of the Notes to the Separate and Consolidated Financial Statements.

Significant and non-recurring transactions

"Significant and non-recurring" transactions are defined as all transactions that are not repeated frequently in the ordinary course of the Group's activities and whose balance sheet and/or economic value exceeds a certain materiality threshold. In particular:

- **Significant transactions:**
  transactions whose balance sheet and/or economic value exceeds at least one of the following parameters:
  - 1% of Group equity, as reported in the latest consolidated financial statements;
  - 4% of the Group's net income for the year, as reported in the latest consolidated financial statements.

  For the purposes of the above calculation, each transaction must be considered separately; if transactions are strictly and objectively related as part of the same strategic or operational plan, the calculation must refer to all the related transactions taken together.
  If no consideration is agreed for a transaction, its "normal value" must be determined beforehand to reflect the price at which the transaction would have taken place between independent parties on arms' length terms.
  Standard funding, lending and investment activities conducted on normal market terms are not reported as significant transactions.
- **Non-recurring transactions:**
  transactions that are not repeated frequently in the ordinary course of the Group's activities. The frequency of transactions must also be assessed with reference to prior years as well as to the current year.

  No significant and non-recurring transactions were arranged during 2014.

Atypical and/or unusual transactions

These are defined as all “significant” transactions, as defined above, which due to the nature of the counterparties, the purpose of the transaction, the method of determining the transfer price or the timing of the event (close to the accounting reference date) may give rise to doubts about the correctness/completeness of the information reported in the financial statements, possible conflicts of interest, the safeguarding of assets or the protection of minority stockholders.

Atypical and/or unusual transactions are a subset of significant transactions and are identifiable from the atypical nature of the counterparty or purpose of the transactions and/or from the unusual way in which the transfer price is determined or from the timing of the event.

As an example, the following may be atypical and/or unusual transactions:

- as regards the nature of counterparties: the significant transactions entered into with Related parties;
- as regards the object of the transaction: significant transactions involving the transfer of resources, services or obligations that do not fall within ordinary Group activities;
- as regards the method of determining the transfer price: significant transactions whose transfer price is not determined on an arms’ length basis and, in any case, those for which no consideration is agreed;
- as regards the timing of the event: significant transactions entered into close to the accounting reference date or other relevant dates for the purposes of providing information to the Stockholders and/or the market.

No atypical and/or unusual transactions with a significant effect on the Group’s balance sheet, financial position and results of operations **were carried out during 2014**.

SIGNIFICANT SUBSEQUENT EVENTS

Con riferimento all’informativa sui fatti di rilievo avvenuti dopo la chiusura dell’esercizio di cui With regard to information on significant events occurred after the reporting date per Article 2485 no. 5 of the Italian Civil Code, reference is explicitly made to Part A “Accounting policies”, Section 4 “Subsequent events” of the Explanatory Notes to the Consolidated Financial Statements.

MAIN RISKS AND UNCERTAINTIES AND OUTLOOK FOR OPERATIONS

The year 2015 started with an economic and financial environment that was characterised by **favourable elements and more optimistic prospects**. The evolution of productive activities is benefiting from the **decline in the price of oil, the weakening** euro and the scenario of **very low interest rates**; these latter factors are mostly determined by the active role of the ECB with the launch of **Quantitative Easing**.

However, there are still several **elements of uncertainty**, mainly represented by the evolution of the monetary policy of the Federal Reserve, which could accentuate the volatility of monetary markets and, above all, by the intensification of the current geopolitical crises (Russia-Ukraine, Middle Eastern countries, North African countries). In any case, the most recent available estimates unequivocally point to **2015 as the year of recovery from the long recession that is gripping the Italian economy**, albeit with still limited growth that should gain momentum in 2016.

In spite of the improvement in the economic environment, the profitability outlook for the Italian banking system still remains modest and affected by the **slow growth of net interest income** and, above all, **by the further deterioration of the quality of the loans portfolio**.

In spite of this, the most recent data on credit trends and the indications provided by qualitative surveys are showing **the first signs of a slight improvement in credit conditions and an increase in demand for new loans** both on the part of households and, more tentatively, of businesses. A more decisive recovery in credit, supported in part by the availability of liquidity from the ECB, could, however, be negatively affected by a further increase to the capital requirements imposed on banks. The operations of the BPVi Group in 2015 will be characterised by the **maintenance of a high capitalisation level**, which will benefit, inter alia, by the conversion, in May, of the convertible bond of Euro 253 million. The capital levels achieved will enable the BPVi Group to *continue* **with its lending activity**, in particular with individual customers and small businesses, characterised by a better risk-return profile. On the management front, the commercial action will once again be focused on the further **expansion of the customer** base and on the development of the businesses in which the BPVi Group has distinctive competencies (support to internationalisation, minibond operations, assistance to SMEs on the way to stock market listing, etc.). The expected income levels for the BPVi Group should then benefit, in particular, from the **further increase in revenues, deriving from operations with customers**, both on the front of the net interest income and of fees and commissions, exploiting the potential acquired with the significant expansion of the customer base achieved in recent years and, above all, the important business initiatives that will be indicated in the **new three-year Industrial Plan**, expected to be approved by the end of the first quarter of the year. On the front of the operating costs, **the action to contain the inertial growth in administrative costs** will continue, connected in particular to the important projects launched (e.g. multi-channel/e-money project) and to regulatory compliance. The **cost of credit**, a factor that by its very nature is difficult to predict, while remaining above the pre-crisis levels, should decline sharply compared to 2014.

PROPOSAL TO COVER THE LOSS FOR THE YEAR

Stockholders,

With regard to the 2014 loss of euro 823,681,554.44, we propose to cover said loss in the following manner:

1. by using the following available reserves from earnings:
   - use of the entire reserve under Italian Legislative Decree no. 153/99, amounting to euro 27,036,518.67;
   - use of the entire reserves consisting of the cancellation surplus recognised as a result of the merger by absorption of the companies BPVi Fondi Sgr S.p.a. and Nordest Merchant S.p.a. amounting to euro 868,291.28;
   - use of the reserve called "former Provision for General Banking Risks" totalling euro 17,828,436.11;

2. by using the available portion of the reserve for treasury shares amounting to euro 140,000,000.00 (after said use, the reserve for treasury shares will amount to euro 100,000,000);

3. by using the entire statutory reserve amounting to euro 239,252,960.25;

4. for the residual portion, amounting to euro 398,695,348.13, by using the Additional paid-in capital reserve.

Lastly, we propose that an amount of euro 500,000.00 be set aside to the provision for social support, charities, culture and the public interest, to be withdrawn, in the absence of distributable profit pursuant to art. 53 of the Articles of Association, from the reserve known as the "former Provision for General Banking Risks".

GLOSSARY

ABS (Asset backed securities)	Financial instruments deriving from securitisations whose return and repayment are secured by a portfolio of the issuer's assets (collateral). Examples of assets serving as collateral are mortgages, loans, bonds, trade receivables, receivables deriving from credit cards, etc.
ALMS	Asset & Liability Management System. This is an instrument for measuring interest rate risk relating to interest-bearing assets and liabilities and identifies how changes in rate curves influence the Bank's future profit margins. The ALMS is a valid tool for management allowing it to assess ex-ante at what level of risk the Bank intends to position itself in expected financial scenarios and to estimate the value of balance sheet items by discounting future cash flows, thus keeping the Bank's value under constant observation.
Euro Area	The group of countries which have adopted the Euro as the single currency. The Euro area consists of the following countries: Belgium, Germany, Greece, Spain, France, Ireland, Italy, Cyprus, Luxembourg, Malta, the Netherlands, Austria, Portugal, Finland, Slovenia, Slovakia, Estonia, Latvia and, starting from 1 January 2015, Lithuania.
Assessment	An assessment is an evaluation involving an opinion on the likely turn of the events assessed.
Asset allocation	It consists of identifying asset classes to be included in the portfolio in order optimally to allocate financial resources, in view of the reference time horizon, risk-return preferences and the set of existing assets.
Asset management	The management of wealth on behalf of third parties, comprising collective management (open-end and closed-end mutual funds, real estate funds, pension funds and SICAVs), endowment assurance products and individual management (by banks, brokers and trust companies).
ATM	Automated Teller Machine: Automatic apparatus to enable customers to perform transactions such as withdrawing cash, depositing cash or cheques, requesting information on the account, paying utilities, topping up mobile phones, etc. The customer activates the terminal introducing a card and entering his/her personal identification number.
Back office	In a financial institution, the organisation that deals with all the reporting, accounting and administrative requirements relating to transactions carried out by the operating units (front office).
Back-testing	Retrospective analysis to test the reliability of measurements

	of the sources of risk associated with asset positions.
Bancassurance	The offer of typically insurance-related products through the operating network of credit entities.
Banking book	Generally referred to securities and financial instruments in general, identifying that part of the investment portfolio held for "proprietary" activities.
Basel 3	The expression 'Basel 3' indicates a set of measures approved by the Basel Committee on Banking Supervision as a consequence of the 2007-08 financial crisis with the intent to improve the existing prudential regulations of the banking industry (which in turn are commonly known as Basel 2), the effectiveness of the supervisory action and the banks' ability to manage the risks they assume.
β (Beta)	Beta coefficient of an issuer or of a group of comparable issuers, expression of the inter-relation between the actual return of an equity and the overall return of the reference market.
Securitisation	A securitisation represents a special issue of bonds with the payment of coupons and the redemption of principal on maturity funded by the cash flows deriving from a portfolio of financial assets (mortgages, commercial paper, leasing contracts) held by the vehicle company issuing the securitisation. Each securitisation is divided into various tranches of bonds with different ratings (from AAA to BBB or even lower), depending on the credit risk involved.
CDO (Collateralised Debt Obligations)	Securities issued as part of securitisation transactions, guaranteed by an underlying represented by loans, securities or other financial assets.
Common Equity Tier 1 (CET 1)	The primary quality capital of Own Funds (or Regulatory Capital), as defined by Article 4 of Regulation (EU) no. 575/2013 (CRR). It mainly comprises instruments issued directly by the bank, which meet the criteria for classification as ordinary shares according to regulations; share premium accounts related to the instruments allowed in CET1, retained earnings and revaluation reserves and other visible reserves. From these elements are subtracted the deductions defined by the regulations, the main ones being: goodwill and intangible assets and deferred tax assets (DTA). For more information, please refer to Regulation (EU) no. 575/2013 (CRR), Part Two, Title I.
Compliance (function)	The compliance function serves to prevent the risk of non-

	compliance by company activity with compulsory regulations and laws or self-regulatory ones (for example, articles of association, codes of conduct, self-regulatory codes etc.).
Confidi (Credit Guarantee Associations)	Organisations with co-operative or consortium structure, which provide collective loan guarantees in favour of member or participating companies.
Confidi	Organismi, aventi struttura cooperativa o consortile, che esercitano in forma mutualistica attività di garanzia collettiva dei finanziamenti in favore delle imprese socie o consorziate.
CONSOB	The "Commissione Nazionale per le Società e la Borsa" (Italian stock market regulator), set up under Law no. 216 dated 7 June 1974, is an independent administrative authority, with a separate legal identity and full autonomy under Law no. 281/1985, whose activities are aimed at investor protection, and the efficiency, transparency and development of the Italian stock market.
Corporate	Customer class consisting of small, medium and large companies.
Cost/income	A performance indicator which expresses in percentage terms the ratio between a bank's costs and its income. It is one of the main indicators of the bank's operating efficiency: the lower the value expressed by the indicator, the higher the efficiency of the bank.
Period-on-period growth	Growth relative to the previous reporting period (for example, the previous quarter).
Year-on-year growth	Growth relative to the same period in the prior year.
Cross selling	This is an indicator of the average number of products held by each customer; the higher the number of products held, the greater the degree of customer loyalty and the more profitable the relationship.
Probability of default (PD)	The probability that a counterparty enters a state of default, even if temporarily, before the end of the reference period (one year). This measure is the output of a rating system.
Δ (Delta)	The delta represents the degree of sensitivity of the premium of the options relative to the performance of the underlying security indicated in the contract.
ESM	European Stability Mechanism. Permanent crisis management mechanism, which has replaced the EFSF. The ESM provides financial support to requesting Euro area member states and it uses the instruments already available to the EFSF.

Euribor	Euribor (Euro Interbank Offered Rate) is the principal market reference rate and is calculated as the weighted average of interest rates applied to financial transactions in euro between prime European banks. It is published on a daily basis by the European Banking Federation with quotations for 1 month, 3 month and 6 month maturities.
Fair value	The amount at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
Financial Stability Board (FSB)	The Financial Stability Board is an international body in charge of international coordination of the work of national financial authorities and the commissions that define international standards. It was established in April 2009 by the G20, as the successor of the Financial Stability Forum, and brings together national authorities responsible for stability (i.e. Central banks, supervisory authorities and Treasury Departments), international financial institutions, committees of experts from central banks and international supervisory and regulatory bodies.
Banking spread	Difference between the interest rate applied by the Bank on loans and the rate recognised on funding.
Governance	The term identifies the set of instruments and rules that regulate corporate life, with particular reference to the transparency of the corporate documents and deeds and to the completeness of disclosure to the market.
House organ	Periodic publication by a business to communicate with its employees and/or customers.
IAS/IFRS	International Accounting Standards/International Financial Reporting Standards. These are the international accounting standards issued by the IASB (International Accounting Standards Board), whose application is compulsory (under a legislative decree promulgated in November 2004) for the purposes of preparing separate and consolidated financial statements by a wide array of companies, including banks.
Impairment	In the context of the international accounting standards (IAS), impairment represents the loss in the value of an asset that is recognised if its carrying amount exceeds its recoverable value, being the amount that could be obtained by selling it or using it in the business. Impairment testing must be performed on all assets, except for those measured at fair value since, in this case, any losses (or gains) are implicit in such value.

ISTAT	Italy's publicly-operated central statistics office. It has been in operation since 1926 and is the principal producer of official statistics in support of citizens and public policy-makers.
ISVASS	Istituto per la Vigilanza sulle Assicurazioni (Insurance Supervisory Authority) is a government agency with separate legal identity that operates to safeguard the stability of the insurance market and to protect consumers. Established with Italian Law no. 135/2012 (converting Law Decree no. 95/12 with amendments), the IVASS took over all of the ISVAP's functions, authority and powers.
Joint venture	Agreement between two or more entities to carry out a given economic activity, usually through the establishment of a joint-stock company.
Liquidity Coverage Ratio	The Liquidity Coverage Ratio (LCR) is a short-term indicator, devised by the Basel Committee on Banking Supervision, whose purpose is to assure that a bank will maintain an adequate level of unrestricted high quality liquid assets that can be converted into cash to meet its liquidity requirements within 30 calendar days in a particularly acute liquidity stress scenario specified by the supervisory authorities.
Mark-down	Negative differential relative to a reference indicator, normally an interbank rate, applied to the rate on customer deposits.
Mark-up	Positive differential relative to a reference indicator, normally an interbank rate, applied to the rate on loans to customers.
Maturity Ladder	Representation of cash inflows/outflows by settlement date, in order to highlight cash mismatches (exact and/or cumulative), during various time buckets.
Mezzanine	In a securitisation, it is the tranche with the intermediate subordination level between the junior tranche and the senior tranche.
MIFID	Markets in financial instruments directive. European regulations provided by Directive 2004/39/EC to increase investor protection and assure the greatest possible transparency through mandatory disclosure to Customers.
E-money	The set of techniques connected with the use of electronic money.
Multi-channel activities	The offer of retail banking products and services both through the traditional channel of branches and through other channels (financial promoters, agents, electronic channels, call centres, etc.).
OTC (Over The Counter)	Over the counter market (unregulated market). All those

"markets" in which financial assets are traded other than official regulated ones. The methods of contracting are not standardised and it is possible to agree "atypical" contracts. Securities traded on an OTC market are generally less liquid that those traded on official markets.

POS	POS (Points of Sale) are terminals at cash registers in shops and supermarkets used for making payments with debit or credit cards.
Rating	A rating expresses the creditworthiness of issuers of bonds using letters that indicate the debtor's reliability. For example, a triple A (AAA) rating represents the highest quality investment grade; the scores descend progressively (AA, A, BBB, BB, B). Triple C (CCC) ratings are awarded to the least reliable debtors. The rating is assigned by a specialised agency.
Recession	Negative economic situation featuring a reduction in industrial output, a fall in consumption, and a decrease in household income. Technically a Country is in recession when its GDP declines for two consecutive quarters.
Risk Appetite Framework (RAF)	The reference framework defining, consistently with the maximum assumable risk, the business model and the strategic plan, risk propensity, tolerance thresholds, risk limits, risk governance policies, the reference processes needed to define them and implement them.
Sensitivity	The term identifies the situation of higher or lower sensitivity with which determined assets or liabilities react to changes in rates or other reference parameters.
SGR	SGRs (Società di Gestione del Risparmio) or asset management companies are companies authorised to promote, set up, organise and manage the assets of a mutual fund (collective asset management), keeping their own assets separate from those of the fund. An SGR can also manage funds set up by other asset management companies.
Single Supervisory Mechanism (SSM)	Financial supervision system, wherein, from November 2014 onwards, the European Central Bank has submitted significant credit institutions to direct supervision and act in close cooperation with the competent domestic authorities for the supervision of all credit institutions, carried out under the overall oversight of the ECB. The degree of significance of the institution is determined according to specific criteria. Euro Area countries automatically participate in the SSM, while countries outside the Euro Area may opt not to.
Small business	Market segment relating to small and very small businesses (typically tradesmen and shopkeepers).

Spread	This term normally indicates the difference between two interest rates, the gap between bid and ask prices in securities trading or the additional amount the issuer of securities recognises over a reference rate.
Stakeholder	Stakeholder. This term is used to indicate all categories of parties which may influence, be influenced by or hold a stake in the activities of a business/bank, such as Human Resources, Stockholders, Customers, the National Community and the State, Suppliers and future generations.
Stagnation	Stagnation is characterised by the persistence, over time, of modest changes in Gross Domestic Product and per capita income.
Stress test	Simulation used to measure the impact of extreme market scenarios.
Trading Book	Generally referred to securities and financial instruments in general, identifying that part of the investment portfolio held for trading.
Value at Risk – VAR	Value at Risk is an estimate of the expected maximum poten tial loss on a portfolio of financial instruments in a specified time period, with a defined level of probability, upon the occurrence of unfavourable market conditions.
Vega	Coefficient measuring the sensitivity of the value of an option in relation to a change or an underestimation of volatility.

BANCA POPOLARE DI VICENZA GROUP
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
in thousands of euro

Assets			31 december 2014		31 december 2013
10.	Cash and cash equivalents		192,755		2,389,157
20.	Financial assets held for trading		7,579,380		2,069,062
30.	Financial assets at fair value		4,260		-
40.	Financial assets available for sale		5,321,059		4,094,277
50.	Financial assets held to maturity		43,374		48,606
60.	Loans and advances to banks		2,254,927		2,794,000
70.	Loans and advances to customers		28,110,636		30,892,706
80.	Hedging derivatives		97,860		74,934
90.	Remeasurement of financial assets backed by macro hedges (+/-)		87,447		38,064
100.	Equity investments		494,857		384,967
120.	Property, plant and equipment		626,373		623,300
130.	Intangible assets		347,812		947,733
	of which: - goodwill	*329,862*		*927,362*	
140.	Tax assets		948,516		570,511
	a) current	81,437		45,216	
	b) deferred tax assets	867,079		525,295	
	of which: - of L. 214/2011	*734,435*		*424,586*	
160.	Other assets		365,611		308,712
Total assets			**46,474,867**		**45,236,029**

The comparative figures at 31 December 2013 were redetermined by effect of the retrospective adoption of the new accounting standard IFRS 10 “Consolidated Financial Statements”.

Equity and Liabilities			31 december 2014		31 december 2013
10.	Due to banks		4,757,848		7,053,463
20.	Due to customers		22,157,659		22,992,714
30.	Debt securities in issue		6,668,144		6,957,740
40.	Financial liabilities held for trading		5,956,524		1,733,166
50.	Financial liabilities at fair value		1,547,346		1,712,199
60.	Hedging derivatives		525,379		411,093
70.	Fair value adjustment of financial liabilities subject to macro hedge (+/-)		-		(2,824)
80.	Tax liabilities		182,170		187,256
	a) current	1,842		45,723	
	b) deferred	180,328		141,533	
100.	Other liabilities		791,454		387,863
110.	Provision for severance indemnities		80,132		75,298
120.	Provisions for risks and charges:		58,349		60,289
	a) pensions and similar commitments	5,253		5,681	
	b) other provisions	53,096		54,608	
140.	Valuation reserves		186,831		16,355
160.	Equity instruments		3,195		3,332
170.	Reserves		608,879		586,307
180.	Additional paid-in capital		3,365,095		2,767,383
190.	Capital stock		351,870		313,719
200.	Treasury shares (-)		(25,888)		(7,752)
210.	Minority interests (+/-)		18,400		20,589
220.	Net income (loss) for the year (+/-)		(758,520)		(32,161)
Total Equity and Liabilities			**46,474,867**		**45,236,029**

The comparative figures at 31 December 2013 were redetermined by effect of the retrospective adoption of the new accounting standard IFRS 10 “Consolidated Financial Statements”.

BANCA POPOLARE DI VICENZA GROUP
CONSOLIDATED INCOME STATEMENT
in thousands of euro

Consolidated Income Statement	31 december 2014		31 december 2013	
10. Interest income and similar revenues		1,171,079		1,279,300
20. Interest expense and similar charges		(660,014)		(750,912)
30. Net interest income		**511,065**		**528,388**
40. Fee and commission income		357,518		353,187
50. Fee and commission expense		(56,217)		(77,013)
60. Net fee and commission income		**301,301**		**276,174**
70. Dividend and similar income		15,564		13,192
80. Net trading income		96,330		55,670
90. Net hedging gains (losses)		54,017		71,263
100. Gains (losses) on disposal or repurchase of:		44,861		100,909
a) loans and advances	299		57	
b) financial assets available for sale	47,051		99,629	
d) financial liabilities	(2,489)		1,223	
110. Net change in financial assets and liabilities at fair value		(8,370)		(10,878)
120. Net interest and other banking income		**1,014,768**		**1,034,718**
130. Net impairment adjustments on:		(915,960)		(454,593)
a) loans and advances	(868,456)		(432,355)	
b) financial assets available for sale	(30,934)		(16,484)	
d) other financial transactions	(16,570)		(5,754)	
140. Net income from financial activities		**98,808**		**580,125**
170. Net income from financial and insurance activities		**98,808**		**580,125**
180. Administrative costs:		(696,281)		(675,936)
a) payroll	(401,951)		(392,288)	
b) other administrative costs	(294,330)		(283,648)	
190. Net provisions for risks and charges		(18,456)		(12,347)
200. Net adjustments to property, plant and equipment		(24,023)		(23,244)
210. Net adjustments to intangible assets		(4,498)		(4,108)
220. Other operating charges/income		104,512		97,727
230. Operating costs		**(638,746)**		**(617,908)**
240. Profit (loss) from equity investments		8,501		6,841
250. Net gains (losses) arising on fair value adjustments to property, plant and equipment and intangible assets		(2,850)		(2,822)
260. Adjustments to goodwill		(600,000)		(15,225)
270. Gains (losses) on disposal of investments		13		54
280. Profit (loss) on current operations before income taxes		**(1,134,274)**		**(48,935)**
290. Income taxes on current operations		376,687		3,262
300. Profit (loss) from current operations after tax		**(757,587)**		**(45,673)**
310. Profit (loss) from disposal groups, net of tax		-		15,225
320. Net income (loss) for the year		**(757,587)**		**(30,448)**
330. Minority interests		(933)		(1,713)
340. Net income (loss) for the year pertaining to the parent bank		**(758,520)**		**(32,161)**

The comparative figures at 31 December 2013 were redetermined by effect of the retrospective adoption of the new accounting standard IFRS 10 “Consolidated Financial Statements”.

BANCA POPOLARE DI VICENZA GROUP
STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME
in thousands of euro

Caption	31 december 2014	31 december 2013
10. Net income (loss) for the year	**(757,587)**	**(30,448)**
Other post-tax components of income without reversal to income statement		
40. Defined-benefit plans	(4,053)	2,469
60. Portion of valuation reserves of equity investments carried at equity	(136)	55
Other post-tax components of income with eversal to income statement		
90. Cash-flow hedges	(96,167)	(49,305)
100. Financial assets available for sale	250,620	166,775
120. Portion of valuation reserves of equity investments carried at equity	20,209	(1,182)
130. Total other post-tax components of income	**170,473**	**118,812**
140. Total comprehensive income (Lines 10, + 130,)	**(587,114)**	**88,364**
150. Total comprehensive income pertaining to minority interests	(930)	(1,718)
160. Total comprehensive income pertainingto the parent bank	**(588,044)**	**86,646**

The comparative figures at 31 December 2013 were redetermined by effect of the retrospective adoption of the new accounting standard IFRS 10 "Consolidated Financial Statements".

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

	"Balance at 31/12/2013 (1)	Change in opening balances	Balance at 01/01/2014	Allocation of prior year results			
				Group reserves	Dividends and other allocations	Changes in reserves	Issue of new shares (2)
Capital stock:	325,866	-	325,866	-	-	-	38,151
a) ordinary shares	325,866	-	325,866	-	-	-	38,151
b) other shares	-	-	-	-	-	-	-
Additional paid-in capital	2,771,763	-	2,771,763	-	-		597,712
Reserves:	588,668	-	588,668	(31,619)	-	54,173	-
a) from earnings	484,270	-	484,270	(31,619)	-	52,517	-
b) other	104,398	-	104,398	-	-	1,656	-
Valuation reserves	16,343	-	16,343	-			-
Equity instruments	3,332	-	3,332	-	-		-
Treasury shares	(7,752)	-	(7,752)	-	-	-	-
Net income (loss) for the year	(30,448)	-	(30,448)	31,619	(1,171)	-	-
Group Equity	**3,647,183**	**-**	**3,647,183**	**-**	**-**	**54,173**	**635,863**
Minority interests	**20,589**	**-**	**20,589**	**-**	**(1,171)**	**-**	**-**

(1) Balances at 31 December 2013 were redetermined by effect of the retrospective adoption of the new accounting standard IFRS 10 “Consolidated Financial Statements”.

(2) The “issue of new shares” is stated net of the cancellations recorded during the year.

Changes in the year							Group equity at 31/12/2014	Minority interests at 31/12/2014
Equity transactions						Total comprehensive income at 31/12/2014		
Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock Options	Changes in ownership interests			
-	-	-	-	-	(1,144)	-	351,870	11,003
-	-	-	-	-	(1,144)	-	351,870	11,003
-	-	-	-	-	-	-	-	-
-	-	-	-	-	(454)	-	3,365,095	3,926
-	-	-	-	-	210	-	608,879	2,553
-	-	-	-	-	(298)	-	502,361	2,509
-	-	-	-	-	508	-	106,518	44
-	-	-	-	-	-	170,473	186,831	(15)
-	-	(137)	-	-	-	-	3,195	-
(18,136)	-	-	-	-	-	-	(25,888)	-
-	-	-	-	-	-	(757,587)	(758,520)	933
(18,136)		**(137)**	**-**	**-**	**560**	**(588,044)**	**3,731,462**	**-**
-		**-**	**-**	**-**	**(1,948)**	**930**	**-**	**18,400**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

	Balance at 31/12/2012	Change in opening balances (1)	Balance at 01/01/2013	Allocation of prior year results			
				Group reserves	Dividends and other allocations	Changes in reserves	Issue of new shares (2)
Capital stock:	309,905	-	309,905	-	-	-	15,961
a) ordinary shares	309,905	-	309,905	-	-	-	15,961
b) other shares	-	-	-	-	-	-	-
Additional paid-in capital	2,509,097	-	2,509,097	-	-	-	262,666
Reserves:	533,032	(6,775)	526,257	59,554	-	3,015	-
a) from earnings	426,764	(6,775)	419,989	59,554	-	4,727	-
b) other	106,268	-	106,268	-	-	(1,712)	-
Valuation reserves	(112,537)	6,775	(105,762)	-	-	3,293	-
Equity instruments	1,665	-	1,665	-	-	-	-
Treasury shares	-	-	-	-	-	-	-
Net income (loss) for the year	101,138	-	101,138	(59,554)	(41,584)	-	-
Group Equity	**3,321,479**	**-**	**3,321,479**	**-**	**(40,940)**	**6,291**	**279,950**
Minority interests	**20,821**	**-**	**20,821**	**-**	**(644)**	**17**	**(1,323)**

(1) Changes in opening balances refer to the effect of the retrospective adoption of the new accounting standard IFRS 10 “Consolidated Financial Statements”.

(2) The “issue of new shares” is stated net of the cancellations recorded during the period.

Changes in the year							Group equity at 31/12/2013	Minority interests at 31/12/2013
Equity transactions						Total comprehensive income at 31/12/2013		
Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock Options	"Changes in ownership interests			
"	-	-	-	-	-	-	313,719	12,147
-	-	-	-	-	-	-	313,719	12,147
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	2,767,383	4,380
-	-	-	-	-	(158)	-	586,307	2,361
-		-	-	-	-	-	481,959	2,311
-	-	-	-	-	(158)	-	104,348	50
-	-	-	-	-	-	118,812	16,355	(12)
-	-	1,667	-	-	-	-	3,332	-
(7,752)	-	-	-	-	-	-	(7,752)	-
-	-	-	-	-	-	(30,448)	(32,161)	1,713
(7,752)	**-**	**1,667**	**-**	**-**	**(158)**	**86,646**	**3,647,183**	**-**
-	**-**	**-**	**-**	**-**	**-**	**1,718**	**-**	**20,589**

BANCA POPOLARE DI VICENZA GROUP
STATEMENT OF CONSOLIDATED CASH FLOWS
Direct method
in thousands of euro

A. Operating activities	31/12/2014	31/12/2013
1. Cash generated from operations	**33,520**	**57,946**
- Interest income collected (+)	1,088,593	1,102,743
- Interest expense paid (-)	(595,752)	(652,894)
- Dividends and similar income	15,564	13,192
- Net fee and commission income (+/-)	301,301	276,174
- Payroll costs (-)	(402,654)	(393,453)
- Net premium income (+)	-	-
- Other insurance income (charges) (+/-)	-	-
- Other costs (-)	(294,978)	(284,310)
- Other revenues (+)	23,519	92,154
- Taxation (-)	(102,073)	(95,661)
- Costs/income relating to groups of assets held for sale, net of tax effect (+/-)		
2. Cash generated/absorbed by financial assets	**839,209**	**3,667,666**
- Financial assets held for trading	(1,042,666)	32,673
- Financial assets at fair value	(4,609)	-
- Financial assets available for sale	(847,376)	579,580
- Loans and advances to customers	2,169,695	1,428,373
- Loans and advances to banks: demand	280,189	674,024
- Loans and advances to banks: other receivables	258,884	873,414
- Other assets	25,092	79,603
3. Cash generated/absorbed by financial liabilities	**(3,575,060)**	**(1,919,343)**
- Due to banks: demand	(842,332)	684,006
- Due to banks: other payables	(1,453,283)	(988,475)
- Due to customers	(906,638)	(412,188)
- Debt securities in issue	(289,596)	(1,219,022)
- Financial liabilities held for trading	(15,564)	54,098
- Financial liabilities at fair value	(186,362)	12,559
- Other liabilities	118,715	(50,321)
Net liquidity generated/absorbed by operating activities	**(2,702,331)**	**1,806,269**

Key:
(+) generated
(-) absorbed

B. Investing activities	31/12/2014	31/12/2013
1. Cash generated by	**14,534**	**31,800**
- Disposal of equity investments	-	19
- Dividends collected on equity investments	9,476	-
- Disposal/redemption of financial assets held to maturity	5,000	5,000
- Disposal of property, plant and equipment	58	5,781
- Sale of intangible assets	-	-
- Sale of subsidiary companies and business divisions	-	21,000
2. Cash absorbed by	**(125,696)**	**(91,814)**
- Purchase of equity investments	(91,126)	(45,551)
- Purchase of financial assets held to maturity	-	(10,670)
- Purchase of property, plant and equipment	(29,992)	(29,098)
- Purchase of intangible assets	(2,078)	(6,495)
- Purchase of subsidiary companies and business divisions	(2,500)	-
Net liquidity generated/absorbed by investing activities	**(111,162)**	**(60,014)**
C. funding activities		
- Issues/purchases of treasury shares	617,728	272,198
- Issues/Purchases of equity instruments	(137)	1,668
- Distribution of dividends and other purposes	(500)	(40,940)
Net liquidity generated/absorbed by funding activities	**617,091**	**232,926**
Total net cash generated/absorbed in the year	**(2,196,402)**	**1,979,181**

Key:
(+) generated
(-) absorbed

Reconciliation
(in thousands of euro)

Captions	31/12/2014	31/12/2013
Cash and cash equivalents at the beginning of the year	2,389,157	409,976
Cash and cash equivalents resulting from business combination	1,145	
Net liquidity generated/absorbed in the year	(2,197,547)	1,979,181
Cash and balances with central banks: effect of change in exchange rates	-	-
Cash and cash equivalents at the end of the year	192,755	2,389,157

The comparative figures at 31 December 2013 were redetermined by effect of the retrospective adoption of the new accounting standard IFRS 10 “Consolidated Financial Statements”.

The statement of consolidate cash flows presented above was prepared using the “direct” method envisaged by IAS 7 and reports the “cash flows” from the Group’s operating, investing and financing activities.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PART A – ACCOUNTING POLICIES

PART B – INFORMATION ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

PART C – INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

PART D – CONSOLIDATED COMPREHENSIVE INCOME

PART E – INFORMATION ON RISKS AND RELATED HEDGING POLICY

PART F – INFORMATION ON CONSOLIDATED EQUITY

PART G – BUSINESS COMBINATIONS

PART H – RELATED-PARTY TRANSACTIONS

PART I – EQUITY-SETTLED PAYMENT ARRANGEMENTS

PART L – SEGMENT INFORMATION

PART A – ACCOUNTING POLICIES

A. 1 – GENERAL PART

Section 1 – Declaration of conformity with IFRS

The consolidated financial statements at 31 December 2014 were prepared in accordance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), endorsed by the European Commission under the procedure per art. 6 of Regulation (EC) 1606/2002 of the European Parliament and Council dated 19 July 2002 and in force at the current reporting date, including the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

The currently applicable international accounting standards (IAS/IFRS), as endorsed by the European Commission, adopted to prepare the consolidated Financial Statements at 31 December 2014 are as follows:

IFRS 1 First-time adoption of IFRS
IFRS 7 Financial instruments: disclosures
IFRS 8 Operating segments
IFRS 10 Consolidated financial statements
IFRS 11 Joint Arrangements
IFRS 12 Disclosure of Interests in Other Entities
IFRS 13 Fair Value Measurement
IAS 1 Presentation of financial statements
IAS 7 Statement of cash flows
IAS 8 Accounting policies, changes in accounting estimates and errors
IAS 10 Events after the reporting period
IAS 12 Income taxes
IAS 16 Property, plant and equipment
IAS 17 Leases
IAS 18 Revenue
IAS 19 Employee benefits
IAS 21 The effects of changes in foreign exchange rates
IAS 23 Borrowing costs
IAS 24 Related party disclosures
IAS 26 Accounting and reporting by retirement benefit plans
IAS 27 Separate Financial Statements
IAS 28 Investments in Associates and Joint Ventures
IAS 32 Financial instruments: disclosure and presentation
IAS 33 Earnings per Share
IAS 34 Interim financial statements
IAS 36 Impairment of assets
IAS 37 Provisions, contingent liabilities and contingent assets
IAS 38 Intangible assets
IAS 39 Financial instruments: recognition and measurement
IAS 40 Investment property

Accounting standards and interpretations applied from 1 January 2014

As required by IAS 8 (Accounting policies, changes in accounting estimates and errors) the accounting standards, amendments and interpretations applicable starting from 1 January 2014, whose effects in terms of disclosure were acknowledged in the 3rd update of 22 December 2014 of Circular no. 262 issued by the Bank of Italy, are listed below:
- IFRS 10 "Consolidated financial statements";
- IFRS 11 "Joint arrangements";
- IFRS 12 "Disclosure of interests in other entities";
- Amendments to IFRS 10, 11, 12 on Transition guidance;
- IAS 27 (revised) "Separate financial statements";
- IAS 28 (revised) "Associates and joint ventures";
- Amendments to IFRS 10, 12 and IAS 27 "Investment entities";
- Amendments to IAS 32, "Offsetting financial instruments asset and liability";
- Amendment to IAS 36 "Impairment of assets" on recoverable amount disclosures;
- Amendment to IAS 39 "Financial instruments: Recognition and measurement" on novation of derivates and hedge accounting;
- IFRIC 21 "Levies".

Accounting standards and interpretations to be applied in future

The accounting standards and interpretations applied from 1 January 2015 are listed below:
- Amendment to IAS 19 regarding defined benefit plans;
- Annual improvements 2012;
- Annual improvements 2013.

At the date of approval of these financial statements, IFRS 9 - Financial Instruments had been issued by the IASB but not yet endorsed by the European Union, within the scope of the project for the revision of the current IAS 39; in addition, the following have been published and shall be applicable after 1 January 2016:
- Amendment to IFRS 11 "Joint Arrangements" on acquisition of an interest in a joint operation;
- Amendment to IAS 16 "Property, plant and equipment" and IAS 41 "Agriculture" regarding bearer plants;
- Amendment to IAS 16 "Property, plant and equipment" and IAS 38 on depreciation and amortization;
- IFRS 14 " Regulatory deferral accounts";
- Amendments to IAS 27 "Separate financial statements" on the equity method;
- Amendment to IFRS 10 "Consolidated financial statements" and IAS 28 " Investments in associates and joint ventures";
- Annual improvements 2014;
- IFRS 15 "revenue from contracts with customers".

Any repercussions that the reporting principles, the amendments and interpretations to be applied in future may have on financial disclosure are being studied and evaluated.

Section 2 – Basis of preparation

The consolidated financial statements at 31 December 2014 comprise the statement of financial position and the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and these Explanatory notes and they are accompanied by the Directors' report on operations.

The financial statements have been prepared with reference to the formats and rules specified in Bank of Italy Circular 262 of 22 December 2005 as amended ("Banks' financial statements: layout and preparation"), issued by the Supervisory Body exercising its regulatory powers pertaining to the technical forms of bank financial statements, in accordance with Article 9 of Legislative Decree 38/2005.

As prescribed by Article 5, paragraph 2, of Legislative Decree 38/2005, the consolidated Financial statements are prepared using the Euro as the accounting currency and the amounts, in line with the instructions issued by the Bank of Italy, unless otherwise indicated, are expressed in thousands of Euro, rounding off as appropriate in accordance with regulatory provisions.

These consolidated Financial statements were prepared with the intention to provide clear information and they truthfully and fairly represent the financial position, the income and the cash flow of the Banca Popolare di Vicenza Group.

In the preparation of the consolidated Financial statements, general reporting standards have been adopted, as detailed below, prescribed by IAS 1 "Presentation of financial statements" and the accounting standards illustrated in part A.2 of these Explanatory notes, in compliance with the general provisions included in the "Framework for the preparation and presentation of the financial standards" (the "framework") prepared by the International Accounting Standards Board, with particular regard to the fundamental principle of the prevalence of substance over form, and to the concept of the relevance and significance of the information.

The general reporting standards prescribed by IAS 1 are summarised below:

Going concern

These consolidated Financial statements were prepared on a going concern basis.

In this regard, the joint co-ordination committee for IAS/IFRS application between the Bank of Italy, CONSOB and ISVAP (Italy's insurance industry regulator) issued its document no. 2 on 6 February 2009 entitled *"Disclosures in financial reports on the going concern assumption, financial risks, tests of assets for impairment and uncertainties in the use of estimates"*. This document requires management to carry out a detailed review in relation to the going concern presumption, in accordance with the requirements of IAS 1.

In particular, paragraphs 23-24 of IAS 1 establish that: *"When preparing financial statements, management shall make an assessment of an entity's ability to continue as a going concern. Financial statements shall be prepared on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, those uncertainties shall be disclosed. When financial statements are not prepared on a going concern basis, that fact shall be disclosed, together with the basis on which the financial statements are prepared and the reason why the entity is not regarded as a going concern"*.

The current conditions of financial markets and of the overall economy and the negative short/medium-term forecasts mean that now the presumption of going concern must be assessed particularly thoroughly.

Having examined the risks and uncertainties associated with the current macroeconomic context and taking into account the indications contained in the 2012-2014/2016 Business Plan, the Group can reasonably expect to carry on its operations in the foreseeable future and so its consolidated financial statements at 31 December 2014 have been prepared on a going concern basis.

The negative result of the year 2014 was caused, for the most part, by non-recurring valuation components, which do not affect the Group's future profitability prospects. The increase in the levels of capitalisation of the Group, its current liquidity position and its demonstrated ability to refinance itself on the market, as well as the raising of the coverage levels of the credit portfolio are as such as not to engender any doubts on the Bank's viability. Lastly, the initial evidence of the new 2015-2019 Business Plan confirms, with its forecasts, the potential for increase of the Bank's profitability in compliance with the ever more stringent regulatory constraints.

Recognition on an accrual basis

The Consolidated Financial statements are prepared, with the exception of cash flow disclosure, according to the principle that costs and revenues are recognised on an accrual basis, regardless of the time of their actual payment.

Relevance, significance and aggregation

Each relevant class of items, however similar they may be, shall be reported distinctly in the financial statements. Items with dissimilar nature or destination may be aggregated only if they are not significant. The presentation and classification of the items of the Consolidated Financial statements complies with the provisions set out in Bank of Italy Circular no. 262 which bindingly establishes financial statement formats and the procedures for their completion, as well as the content of the Explanatory notes.

In accordance with the provisions of the aforesaid Circular no. 262, statements of financial position, income statements and comprehensive income statements comprise line items (indicated by numbers), lines (indicated by letters) and additional information details (the "of which" portions of line items and lines). The line items, the lines and their information details make up the financial statement accounts. New items may be added to the aforesaid statements, provided their content is not associated to any of the items already included in the statements and only if the amounts are relevant. The lines provided by the statements may be grouped when one of the two following conditions is met: a) the amount of the lines is irrelevant; b) grouping enhances the clarity of the financial statements; in this case, the explanatory notes contain distinctly the lines to be grouped.

In this regard, the Group, in preparing the Consolidated Financial statements at 31 December 2014, did not apply the aforesaid provisions that allow to add new items or to group them. Line items in the statement of financial position, the income statement, the statement of comprehensive income and the tables included in the Explanatory notes are not presented if their balance is zero in both years.

Offsetting

Unless otherwise provided or expressly allowed by international reporting standards or by an interpretation thereof or by the provision of the aforementioned Bank of Italy Circular no. 262, assets and liabilities as well as costs and revenues may not be mutually offset.

Uniformity of presentation

The standards for the presentation and classification of Financial statement items are kept constant from one period to the other in order to assure the comparability of information, unless differently required by an international accounting standard or by an interpretation or if the need emerges of making the representation of the information more appropriate in terms of significance. If feasible, the change is adopted retroactively and the nature, the reason and the amount of the items affected by the change are indicated.

Comparative information

For all amounts posted in the Consolidated Financial statements of the current year, unless otherwise prescribed or allowed by an international accounting standard, comparative information with respect to the previous year is provided and, when relevant for comprehension of the financial statements for the reference year, also comparative information about comments and descriptive information. If changes were made to the presentation or classification of line items, the comparative amounts are reclassified as well, unless reclassification is not feasible. Non comparability and the adaptation, or its impossibility, are pointed out and commented in the explanatory notes.

In this regard, it is specified that on 1 January 2014 the new accounting standard IFRS 10 – "Consolidated financial statements" that replaced IAS 27 Consolidated and separate financial statements", and SIC 12 ("Consolidation – special purpose entities") came into effect. The new international accounting standard has the purpose of establishing a single reference framework for the definition of the scope of consolidation for all types of entities. The IASB also issued the new International Accounting Standards IFRS 11 - "Joint Arrangements" and IFRS 12 – "Disclosure of Interests in Other Entities" that apply to the recognition of Joint Ventures and to the new disclosure required in the explanatory notes regarding investments in other entities, respectively. Consequentially, the standards IAS 27 and IAS 28 were amended: the new IAS 27 applies only to the separate financial statements of an entity whereas IAS 28 deals with the "equity method" applicable to associated companies and to joint ventures.

The application of the new accounting standards resulted in the extension of the BPVi Group's scope of consolidation that now includes the mutual funds managed by the subsidiary Nem Sgr among its "subsidiaries". The mutual fund "Giada Equity Fund" instead is included among investments over which significant influence is exercised. Consequently, the changes deriving from new standard were applied retrospectively - as generally established by IAS 8 for all changes in accounting standards - adjusting the balances of the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, and the statement of cash flows at 31 December 2013.

It is also specified that the prerequisites of "control" under the new accounting standard IFRS 10 exists with regards to the special purpose vehicle used by the Group in its securitisation transactions. For these companies, however, the decision was made to not proceed with the corresponding consolidation in consideration of the fact that all present financial statement values are irrelevant with respect to those of the group and that the assets securitised are already included in the Group financial statements, the prerequisites prescribed by IAS 39 for the so-called "derecognition" not applying for the various transactions carried out [35].

For the sake of completeness, the line items of the layout of the financial statements at 31 December 2013 that were redetermined are shown below:

Caption	Assets (in thousands of euro)	31/12/2013 restated	31/12/2013
40.	Financial assets available for sale	*4,094,277*	*4,158,242*
60.	Loans and advances to banks	*2,794,000*	*2,780,542*
70.	Loans and advances to customers	*30,892,706*	*30,873,999*
100.	Equity investments	*384,967*	*355,917*
140.	Tax assets	*570,511*	*566,575*
	a) current	*45,216*	*41,863*
	b) deferred tax assets	*525,295*	*524,712*
160.	Other assets	*308,712*	*308,445*

Caption	Liabilities (in thousands of euro)	31/12/2013 restated	31/12/2013
10.	Deposits from banks	*7,053,463*	*7,053,057*
80.	Tax liabilities	*187,256*	*186,387*
	a) current	*45,723*	*45,603*
	b) deferred tax assets	*141,533*	*140,784*
100.	Other liabilities	*387,863*	*388,039*
140.	Valuation reserves	*16,355*	*5,790*
170	Reserves	*586,307*	*593,082*
210	Minority interests (+/-)	*20,589*	*20,092*
220	Net income (loss) for the period (+/-)	*(32,161)*	*(28,228)*

(35) With the exception of the Berica Residential Mbs 1 transaction which was carried out before 1 January 2004, and for which the securitised assets were not "reinstated" on the first-time adoption of IAS-IFRS, as allowed by IAS 1.

Caption	Income Statement (in thousands of euro)	31/12/2013 *restated*	31/12/2013
10.	Interest income and similar revenues	*1,279,300*	*1,276,012*
20.	Interest expense and similar charges	*(750,912)*	*(750,913)*
40.	Fee and commission income	*353,187*	*356,888*
50.	Fee and commission expense	*(77,013)*	*(76,889)*
70.	Dividend and similar income	*13,192*	*12,568*
130.	Net impairment adjustments on:		
	b) financial assets available for sale	*(16,484)*	*(14,294)*
180.	Administrative costs:		
	b) other administrative costs	*(283,648)*	*(283,219)*
240.	Other operating charges/income	*6,841*	*9,848*
290.	Profit (loss) from equity investments	*3,262*	*1,602*
330.	Income taxes on current operations	*(1,713)*	*(1,658)*
340.	Minority interests	*(32,161)*	*(28,228)*

Estimation uncertainty and risks

As indicated in these Explanatory notes, estimation processes have been completed in support of the carrying amount of the more significant items requiring valuation in the consolidated financial statements at 31 December 2014, as required by prevailing accounting standards and relevant regulations. This process, which largely involved estimating the future recoverability of amounts reported in the financial statements in accordance with current regulations, was performed on a going concern basis without considering forced-sale values.

Estimates have been primarily used for determining the fair value of financial instruments, for the valuation of loans and intangible assets with an indefinite useful life, for determining other provisions for risks and charges and for quantifying current and deferred taxes.

It is stressed that the analysis carried out, also taking into account the impairment losses applied, supports the carrying amount of these items at 31 December 2014.

This valuation process was nevertheless particularly complex due to the current macroeconomic and market conditions. In particular, abnormal volatility in all the financial and non-financial parameters used for measurement purposes has rendered it difficult to make short-term or other forecasts for such financial and non-financial parameters, which can have a significant influence on estimated values. The parameters and the information used to verify the values mentioned in the previous paragraphs are therefore significantly influenced by the particularly uncertain macroeconomic and market environment, which could lead to rapid changes, not foreseeable today, with consequent effects, which may be significant, on the values reported in the Financial Statements at 31 December 2014.

Section 3 - Scope of consolidation and methodology

The consolidated financial statements of the Banca Popolare di Vicenza Group include the financial and operating results at and for the period ended 31 December 2014 of the Parent Bank Banca Popolare di Vicenza, its direct and indirect subsidiaries, companies under joint control and associated companies. As required by IAS/IFRS, the scope of consolidation also includes companies whose activities are dissimilar to those of the rest of the Group. Companies with individual and cumulative financial statement values that are irrelevant to the Group consolidated financial statements are not included in the scope of consolidation. Equity investments in these companies were valued at cost.

Subsidiaries are defined as investments in companies and investments in entities over which the Group exercises control in accordance with IFRS 10. More precisely *"An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee"*. The power requires that the investors have rights that grant it the ability to direct the relevant activities that significantly affect the investee's returns. The power is based on an ability that need not necessarily be exercised in practice. The control is analysed continuously. Investors must re-determine if it controls an investee when facts and circumstances indicated that there are changes in one or more elements of control.

Joint operations are defined as a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. These parties are defined parties to the joint arrangement. The participants in the Joint Operation have rights to the assets, and obligations for the liabilities of the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. These parties are defined as joint venturers. The joint venturers have rights to the net assets of the arrangement.
Associated companies are defined as all those companies not controlled by Banca Popolare di Vicenza over which the Parent Bank, directly or indirectly, is able to exercise significant influence. Such influence is presumed to exist for those companies in which the Group holds at least 20% of the voting rights, or in which it is able to participate in the determination of financial and operating policies as a consequence of specific legal arrangements.

With regard to the consolidation methods used, subsidiaries are consolidated on a line-by-line basis, while associated companies and joint ventures are accounted for using the equity method.

Line-by-line consolidation: under this method, the assets, liabilities, "off-balance sheet" transactions, income and expenses of Group companies are combined on a "line-by-line" basis. Following the allocation of the minority interest in equity and the results for the period to separate captions, the carrying amount of investments is eliminated against the Group's interest in their equity at the time of acquisition or initial consolidation; any differences are allocated, as far as possible, to the assets and liabilities of the consolidated companies concerned and residual amounts are reported as "goodwill".

Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions and, consequentially, any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received shall be recognised directly in equity and attributed to the owners of the subsidiary".

Consolidation with the Equity method: under this method, equity investments are initially recognised at cost and subsequently adjusted to reflect changes in the Group's interest in their equity. Differences between the cost of an investment and the Group's interest in its equity at the acquisition or initial consolidation date are reflected in its carrying amount, if they cannot be attributed to specific assets or liabilities.

Equity investments classified as "non-current assets held for sale and discontinued operations" in compliance with IFRS 5 are carried at the lower of their book or fair value, net of selling costs. Dividends distributed within the Group are reversed back to reserves.

Receivables, payables, income and expenses arising from transactions between Group companies are eliminated, except where insignificant.

The statements of financial position and income statements used for line-by-line consolidation purposes are those approved by the Boards of Directors of the individual companies at 31 December 2014; those financial statements prepared under IAS/IFRS were used directly while, for companies that prepared their financial statements under Italian GAAP and accounting principles applicable to mutual fund reports, statements of financial position and income statements were prepared in accordance with the accounting policies adopted by the Parent Bank.

Investments in companies carried at equity, whose financial statements were approved by their respective Boards of Directors after the date of the present consolidated financial statements, are stated with reference to the equity reported in their latest approved financial statements.

The associate Società Cattolica di Assicurazione is recorded at the equity value reported in the Interim Report on Operations at 30 September 2014 [36], while the data used for Cattolica Life, Berica Vita and ABC Assicura were derived from the statements of financial position and income statements prepared by the three subsidiaries to be incorporated in the consolidated financial statements of the Parent Bank Società Cattolica di Assicurazione ScpA at 30 September 2014. Consequently, the above-mentioned subsidiaries contributed to the operating result of the BPVi Group only for the first 9 months of 2014, as their financial statements at 31 December 2014 will be approved on a later date than that of the Parent Bank BPVi.

Finally, it is specified that the value of the equity investment in Magazzini Generali Merci e Derrate SpA was written off being that it has a negative net equity in the latest approved financial statements (financial period 2013), while the "Giada Equity Fund" is recorded on the basis of the latest NAV reported by the management company on 10 September 2014, as part of a divestment transaction.

Lastly, the income statements of companies joining or leaving the scope of consolidation in the period (or whose method of consolidation changed during the period) are consolidated from the date of acquisition or until the date of disposal of the interest held.

(36) The data have been adjusted for the effects of the Euro 499.4 mln capital increase carried out by the subsidiary on 4 December 2014.

1. Equity investments in fully owned subsidiaries

Name	Headquarters	Registered office	Nature of holding (1)	Type of investment: Holder	Type of investment: interest held %	Majority of voting rights % (2)
1. BANCA POPOLARE DI VICENZA SCpA Capital stock Euro 351,870,120 in shares of par value Euro 3.75	VICENZA	VICENZA	Parent Bank			-
2. BANCA NUOVA SpA Capital stock Euro 206,300,000 in shares of par value Euro 1.00	PALERMO	PALERMO	1	B. Pop. Vicenza	100.00	100.00
3. FARBANCA SpA Capital stock Euro 35,308,150 in shares of par value Euro 10.00	BOLOGNA	BOLOGNA	1	B. Pop. Vicenza	70.29	70.29
4. MONFORTE 19 Srl Capital stock Euro 10,000 in shares of par value Euro 1.00	VICENZA	VICENZA	1	B. Pop. Vicenza	100.00	100.00
5. IMMOBILIARE STAMPA SCpA Capital stock Euro 214,400,000 in shares of par value Euro 500.00	VICENZA	VICENZA	1	B. Pop. Vicenza B. Nuova Servizi Bancari	99,92 0,04 0,04	99,92 0,04 0,04
6. BPV FINANCE INTERNATIONAL Plc Capital stock Euro 103,291 in shares of par value Euro 1.00	DUBLIN	DUBLIN	1	B. Pop. Vicenza	99.99	99.99
7. NEM SGR SpA Capital stock Euro 1,200,000 in shares of par value Euro 1.00	MILANO	VICENZA	1	B. Pop. Vicenza	100.00	100.00
8. B.P.VI MULTICREDITO Spa Capital stock Euro 120,000 in shares of par value Euro 1.00	VICENZA	VICENZA	1	B. Pop. Vicenza	100.00	100.00
9. PRESTINUOVA SpA Capital stock Euro 25,263,160 in shares of par value Euro 10.00	ROMA	ROMA	1	B. Pop. Vicenza	100.00	100.00
10. SERVIZI BANCARI SCpA Capital stock Euro 120,000 in shares of par value Euro 60.00	VICENZA	VICENZA	1	B. Pop. Vicenza B. Nuova Farbanca Prestinuova	96.00 1.00 1.00 1.00	96.00 1.00 1.00 1.00
11. NEM IMPRESE Equity Euro 30.000.000 in shares of par value Euro 250.000	MILANO	VICENZA	1	B. Pop. Vicenza	95.00	95.00
12. NEM IMPRESE II Equity Euro 115.675.000 in shares of par value Euro 25.000	MILANO	VICENZA	1	B. Pop. Vicenza Nem Sgr	99.42 0.58	99.42 0.58
13. INDUSTRIAL OPPORTUNITY FUND Equity Euro 71.000.000 in shares of par value Euro 500.000	MILANO	VICENZA	1	B. Pop. Vicenza Nem Sgr	98.59 1.41	98.59 1.41

Legenda:
(1) Tipo di rapporto:
1 = majority of voting rights at ordinary stockholders' meeting
2 = dominant influence at ordinary stockholders' meeting
3 = agreements with other stockholders
4 = other forms of control
5= coordinated control under art. 26.1 of Decree 87/92
6= coordinated control under art. 26.2 of Decree 87/92
7 = joint control
(2) Number of votes at AGM (effective/potential)

The percentage interest in equity also reflects the voting rights at Ordinary Stockholders' Meetings.

2. Significant judgements and assumptions used in determining the consolidation area

In accordance with the provisions of IFRS 10 "Consolidated Financial Statements", compliance with the standard's requirements was verified in order to determine the consolidation area.

Under IFRS 10, an investor controls an investee if:
- it has power over the investee;
- it is exposed to variable returns from its involvement with the investee;
- it has the ability to use its power over the investee to affect the amount of the investee's returns.

Power is defined by the same standard as the exercise of existing rights that give the ability to direct the investee's relevant activities. Relevant activities are the activities that significantly affect the investee's returns.

Under IFRS 10, the factors to be considered in determining the existence of control include:
- the investment entity's purpose and design;
- which are its relevant activities and how decisions concerning such activities are made;
- whether the investor's rights give it the ability to direct the relevant activities.

Verifying purpose and design requires an analysis of the investee's governance, in order to understand which are the relevant activities and how they are governed, i.e. who has the power to direct them. Therefore, the purpose of this analysis is to understand whether the investee's governance occurs through the exercise of voting rights in Shareholders' Meetings or other corporate bodies, or through other means specified in the investee's incorporation documents.

Purpose and design considerations should also include any forms of involvement in the decisions taken at the time of the investee's incorporation. Although involvement in the investee's incorporation does not constitute in itself evidence of control, it may indicate that the investor had the opportunity to obtain sufficient rights to gain power over the investee.

The identification of relevant activities requires an analysis of the company's core business in order to identify the activities it carries out, and in particular the activities that most affect the entity's variable returns.

Once purpose and design have been analysed and relevant activities have been identified, it is necessary to understand the rights that the investor can exercise in order to actually direct these relevant activities.

These rights, which are influenced by the entity's governance mechanisms, include:
- the investment entity's voting rights (or potential voting rights);
- right to appoint, reappoint or remove the investee's managers with strategic responsibilities
- who have the ability to direct the relevant activities;
- right to appoint or remove another entity that carries out the relevant activities;
- right to instruct the investment entity to initiate transactions to the investor's benefit, or to prohibit any change to such transactions;
- other rights (e.g. the right to make decisions as specified in a management agreement) giving the holder of such rights the ability to direct the relevant activities.

Therefore, for the purposes of determining whether control exists it is necessary to consider the possible existence of potential voting rights incorporated in the agreements entered into, as well as their substantive nature, i.e. the ability to exercise such rights in practice. For this purpose, the judgement that is provided should take into account all existing facts and circumstances, and specifically the identification of any financial, legal and/or operational barriers that may prevent the exercise of these rights.

In particular, the analysis conducted to verify the existence of the control requirement concerned investment entities and other entities with which the Group has contractual relationships of various nature. In detail, the analysis macro-areas involved Bancassurance companies, mutual funds, equities classified as "Financial assets available for sale", vehicle companies and receivables. With reference to the latter, checks were conducted on contractual and non-contractual terms and conditions (such as pledges, covenants, etc.) laid out in connection with the granting of new loans and the restructuring of existing loans, which could create the conditions for de facto control under IFRS 10 over the borrower.

The assessment carried out by the Group regarding the impact the aforesaid new standard had, revealed a marginal enlargement of the scope of consolidation which will include the special purpose vehicles related to the securitisations originated within the Group (the underlying assets and liabilities are already included in the Group's scope) and the Funds Nem Imprese, Nem Imprese II and Industrial Opportunity managed by the subsidiary Nem SGR, which therefore are consolidated on a line-by-line basis.

It also emerged that the Parent Bank, as holder of 56.67% of the Giada Equity Fund, has a significant influence over this fund; this investment is therefore carried at equity.

No impact on the BPVi Group from the new IFRS 11 regarding Joint arrangements (Joint Ventures and Joint Operations) can currently be observed.

3. Equity investments in fully owned subsidiaries with significant interests in third parties

3.1 Third-party interests, availability of third-party voting rights and dividends distributed to third parties

	Name	Minority interests %	Voting rights of third parties% (1)	Dividends distributed to third parties
1.	Farbanca S.p.a.	29.71	29.71	1,170

(1) Voting rights in ordinary

3.2 Subsidiaries with significant interests in third parties: accounting information

	Name	Total assets	Cash and cash equivalents	Financial assets	Property, plant and equipment and Intangible assetsi	Financial liabilities	Net Equity	Net interest income	Net interest and other banking income
1.	Farbanca S.p.a.	500,173	37	484,434	96	437,262	60,212	10,059	12,155

	Name	Operating costs	Profit (loss) on current operations before income taxes	Profit (loss) from current operations after tax	Profit (loss) from disposal groups, net of tax	Net income (loss) for the year (1)	Other components of income without release to the income statement net of tazx(2)	Total comprehensive income (3) = (1) + (2)
1.	Farbanca S.p.a.	(4,723)	4,764	3,168	-	3,168	(9)	3,159

4. Significant restrictions

There are no significant restrictions under IFRS 12, paragraph 13 to be reported.

5. Other information

There is no other information worthy of disclosure.

Section 4 – Subsequent events

No significant events occurred between the reporting date of these Financial statements (31 December 2014) and the date of their approval by the Board of Directors (3 March 2015), except as indicated below.

On 24 January 2015, Italian Law Decree no. 3 of 24 January 2015, "Urgent measure for the banking system and investments" was published in the Official Gazette no. 19; it entered into force the following day. The Law Decree, among its other provisions, established that co-operative banks with assets exceeding Euro 8 billion, including Banca Popolare di Vicenza, shall be transformed into joint-stock companies within 18 months from the entry into force of the implementing provisions issued by the Bank of Italy in accordance with Article 29, Paragraphs 2-bis and 2-ter of the Consolidated Law on Banking and Lending. The process for the conversion of the aforesaid decree into a law of the Republic of Italy is currently ongoing.

As a result of the resolution passed on 25 October 2014 by the Board of Directors in relation to the irrevocable decision to exercise, at the first available opportunity, the option to repay in shares the convertible bond "Banca Popolare di Vicenza 5% 2013/2018 convertibile con facoltà di rimborso in azioni", (i.e. convertible bond with possibility of repayment in shares), on 10 February 2015 the Bondholders' Meeting approved the proposal for early payment of the issuer's repayment option and to move the interest payment date from 2 September 2015 to 29 May 2015.

On 13 February 2015 the Board of Directors of Banca Popolare di Vicenza co-opted Mr. Samuele Sorato, General Manager of the Bank, as new Director, simultaneously appointing him Managing Director. From that date onwards, therefore, Mr. Samuele Sorato has served both as Managing Director and as General Manager.

On 18 February 2015 the Deputy Chairman of Banca Popolare di Vicenza, Prof. Marino Breganze, was indicted, in his capacity as Chairman and legal representative of the subsidiary Banca Nuova, for participation with other persons in the offences per Articles 40 and 644 paragraphs I and V no. 1 of the Italian Criminal Code (causality relationship and usury) within the scope of the criminal proceeding R.G.N.R. 20909/12 initiated before the Prosecutor's Office at the Court of Palermo.

Lastly, on 25 February the ECB sent the final decision made with respect to the prudential requirements for the Banca Popolare di Vicenza Group, prescribing, at the consolidated level, a minimum Total capital ratio of 11%, which from 31 July 2015 onwards shall have to be fully covered by Common Equity Tier 1. However, it should be specified that the Supervisory Authority communicated that the requirement in terms of CET1 could be revised downwards, as a result of the evaluation in relation to the inclusion of the outcome of the asset quality review (AQR) in the 2014 Financial Statements. The ECB target requirements were already exceeded by the "pro-forma" ratio (taking into account the conversion of the convertible bond due to occur on 29 May 2015) of the BPVi

Group at 31 December 2014, attaining respectively 11.34% in terms of CET1 Ratio, and 12.49% in terms of Total Capital Ratio. These values, therefore, exceeded the requirements set by the ECB even before the reduction of the CET1 Ratio requirement.

Section 5 – Other matters

Statutory audit of consolidated financial statements

The consolidated financial statements have been audited by KPMG S.p.A., an independent firm of auditors, under the engagement for external audit conferred for the nine-year period, from 2010 to 2018 by resolution of the stockholders on 24 April 2010. The consolidated financial statements are also accompanied by the attestation of the Financial Reporting Manager, as required by art. 154-bis, par. 5, of Legislative Decree 58/98 (Italy's Financial Markets Act – TUF) as amended by Legislative Decree no. 195/2007 implementing the Transparency Directive.

A. 2 – PART RELATING TO THE PRINCIPAL FINANCIAL STATEMENT

The accounting standards adopted in the preparation of the consolidated financial statements at 31 December 2014 are as follows.

ASSETS

1. Financial assets held for trading

Classification

This line item comprises financial instruments held for trading [37] and derivative contracts with a positive fair value that are not designated as effective hedging instruments. Such financial instruments must not carry any clause restricting their trading.

Derivative contracts include embedded derivatives which are attached to a primary financial instrument, known as the "host contract" when they have been recognized separately from the host and forward transactions in currencies, securities, goods and precious metals. An embedded derivative is recognised separately from the host contract when all of the following conditions are satisfied:

- its economic characteristics and risks are not closely related to those of the "host" contract;
- the separated embedded instrument meets the definition of a derivative;
- the hybrid instrument is not measured at fair value through the income statement.

Financial instruments are designated as financial assets held for trading upon initial recognition, except if former hedging derivatives with a positive fair value at the reporting date are reclassified as "financial assets held for trading" after a hedging relationship has become ineffective.

Recognition

The initial recognition of financial assets held for trading takes place: i) on the settlement date for debt securities, equity instruments and units in mutual funds and sicavs; ii) on the subscription date for derivative contracts.

Financial assets held for trading are initially recognised at their fair value, whereas transaction costs or income are written off immediately, even if directly attributable to the instrument concerned.

The initial fair value of a financial instrument is usually the cost incurred in buying it.

(37) Positions held for trading are those intentionally acquired for the purpose of sale in the near term and/or to benefit, in the near term, from differences between the purchase and sale price, or from other changes in price or interest rates. "Positions" are those held on own account and those arising from customer services or from market making.

Measurement and recognition of income and expense

After initial recognition, financial assets held for trading are stated at fair value through the income statement.

For details on the methods used to identify fair value, see paragraph 17.3 below, entitled "Criteria for determining the fair value of financial instruments", of "Other information" in part A.2. of this document.

Gains and losses realised on sale or redemption and unrealised gains and losses deriving from changes in the fair value of financial assets held for trading are booked to "net trading income" in the income statement, except for any gains or losses on rating or valuation relating to derivative contracts linked to the "fair value option", which are booked to "net change in financial assets and liabilities at fair value".

The profits and losses recognised in "Net trading income" in the income statement also include the differentials collected and paid on trading derivatives, and those accruing up to the reporting date, while differentials relating to derivative contracts associated with financial assets and liabilities at fair value and/or with financial assets and liabilities classified in the trading book are recognised in "interest income" or "interest expense" depending on whether they are positive or negative, respectively.

Derecognition

Financial assets held for trading are derecognised when the contractual rights over the related cash flows expire or when the financial asset is transferred together with substantially all the contractual risks and benefits associated with its ownership.

2. Financial assets available for sale

Classification

This line item comprises monetary financial instruments that are not classified in the other categories envisaged by IAS 39. It nonetheless includes:

- debt securities and loans for which the holder may not recover substantially all the initial investment, other than because of deterioration in the issuer's creditworthiness;
- equities not listed in an active market;
- unharmonised mutual funds;
- junior asset-backed debt securities (ABS) issued by SPVs as part of securitisations by the Group or by third parties, unless classified as "Financial assets at fair value";
- securities repurchased from customers following complaints/litigation.

Financial instruments are designated to this category upon initial recognition, or following reclassifications allowed by paragraphs 50 to 54 of IAS 39, as amended by Regulation (EC) 1004/2008 of the European Commission issued on 15 October 2008.

Recognition

Financial assets available for sale (AFS) are initially recognised on the settlement date, on the basis of their fair value, as uplifted by any directly-attributable acquisition costs/revenues. Costs and revenues with the above characteristics are excluded if they are reimbursable by the borrower or represent normal internal administrative costs.

The initial fair value of a financial instrument is usually the cost incurred in buying it.

Measurement and recognition of income and expense

Subsequent to initial recognition, AFS financial assets are stated at fair value; the profits or losses deriving from any changes in fair value are recorded in a specific equity reserve, recognised in the statement of comprehensive income, until the financial assets concerned are derecognised or a permanent impairment of value is recognised. .

For details on the methods used to identify fair value, see paragraph 17.3 below, entitled "Criteria for determining the fair value of financial instruments", of "Other information" in part A.2. of this document.

These assets are reviewed at the end of each reporting period for objective evidence of any impairment in accordance with paragraph 58 et seq. of IAS 39. Such objective evidence in the case of equities quoted in an active market includes a significant or prolonged reduction in fair value below acquisition cost. In particular, as stated in the Group's policy for identifying evidence of impairment of securities classified as financial assets available for sale, a significant reduction in fair value is defined as more than 50% and a prolonged reduction in fair value is defined as an unbroken period of more than 30 months. Any losses identified are charged to the income statement as "net impairment adjustments to financial assets available for sale". This amount also includes reclassification to the income statement of fair value gains/losses previously recognised in the specific equity reserve. If, in a subsequent period, the fair value of the financial instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss must be reversed, with the amount of the reversal recognised in the same line of the income statement as the original impairment in the case of monetary items (e.g. debt securities) or in equity in the case of non-monetary items (e.g. equities). Write-backs cannot exceed the cost/amortised cost that the instrument would have had in the absence of earlier write-downs.

If a financial asset classified in this line item has been reclassified to another category, the related reserve accumulated up to the date of the reclassification is maintained in equity until such time that the financial instrument in question is sold, if a non-monetary item is involved; on the other hand, if a monetary item is involved, the reserve is amortised in the income statement (as "interest income and similar revenues") over the residual useful life of the financial instrument to which it refers.

The interest income on these financial assets is calculated using the effective interest method, with the associated income recognised in "interest income and similar revenues" in the income statement.
Gains and losses on the disposal or redemption of such financial assets are booked to the income statement as "gains (losses) on disposal or repurchase of: Financial assets available for sale" and include any reversal to profit or loss of fair value gains/losses previously recognised in the specific equity reserve.

Derecognition

Financial assets available for sale are derecognised when the contractual rights over the related cash flows expire or when the financial asset is transferred together with substantially all the contractual risks and benefits associated with its ownership.

3. Financial assets held to maturity

Classification

This line item reports non-structured debt securities, listed in an active market, with fixed maturity and fixed or determinable payments, which the Group has the positive intention and ability to hold until maturity.

Financial instruments are designated as financial assets held to maturity upon initial recognition or following reclassification in accordance with paragraphs 50 to 54 of IAS 39, as amended by Regulation (EC) 1004/2008 of the European Commission issued on 15 October 2008.

Recognition

Financial assets held to maturity are initially recognised on the settlement date, on the basis of their fair value, as uplifted by any directly-attributable acquisition costs/revenues. Costs and revenues with the above characteristics are excluded if they are reimbursable by the borrower or represent normal internal administrative costs.

The initial fair value of a financial instrument is usually the cost incurred in buying it.

Measurement and recognition of income and expense

Subsequent to initial recognition, financial assets held to maturity are measured at amortised cost. The interest income on these financial assets is calculated using the effective interest method, with the associated income recognised in "interest income and similar revenues" in the income statement. Gains and losses on the disposal or redemption of such financial assets are booked to the income statement as "gains (losses) on disposal or repurchase of: Financial assets held to maturity". An impairment test is carried out at the reporting date to check for objective evidence of any loss in value. Any losses identified are charged to the income statement as "net impairment adjustments to financial assets held to maturity". If the reasons for such losses cease to apply due to events arising subsequent to the write-down, the related write-backs are credited to the same income statement line item. Write-backs cannot exceed the cost/amortised cost that the instrument would have had in the absence of earlier write-downs.

Derecognition

Financial assets held to maturity are derecognised when the contractual rights over the related cash flows expire or when the financial asset is transferred together with substantially all the contractual risks and benefits associated with its ownership.

4. Loans and receivables

4.1. Loans and advances to banks

Classification

This line item comprises monetary financial assets with banks, whether disbursed directly or purchased from third parties, which carry fixed or determinable payments and are not listed in an active market (current accounts, guarantee deposits, debt securities, etc.).

This balance also includes amounts due from Central Banks, other than unrestricted deposits which are classified as “cash and cash equivalents”.

Details of the recognition, measurement, derecognition and recording of these loans can be found in the subsequent note 4.2 on “loans and advances to customers”.

4.2. Loans and advances to customers

Classification

Loans and advances to customers include non-structured monetary financial assets with customers, whether disbursed directly or purchased from third parties, which carry fixed or determinable payments and are not listed in an active market (current accounts, mortgage loans, other kinds of loans, debt securities etc.).

Financial instruments are designated as loans and advances to customers upon initial recognition, or following reclassifications allowed by paragraphs 50 to 54 of IAS 39, as amended by Regulation (EC) 1004/2008 of the European Commission issued on 15 October 2008.

Recognition

The initial recognition of a loan takes place on the grant date or, in the case of debt securities, on the settlement date, with reference to the fair value of the financial instrument, increased by any directly-attributable acquisition costs/revenues.

Costs and revenues with the above characteristics are excluded if they are reimbursable by the borrower or represent normal internal administrative costs.

The initial fair value of a financial instrument is usually equal to the amount disbursed or the cost incurred in buying it.

Measurement and recognition of income and expense

Subsequent to initial recognition, loans and advances to customers are measured at amortised cost. This is their initially-recorded value as decreased/increased by repayments of principal, write-downs/write-backs and the amortisation – determined using the effective interest method – of the difference between the amount paid out and that repayable on maturity, which typically represents costs/income directly attributable to the individual loans.

The effective interest rate is the rate that discounts the flow of estimated future payments over the expected duration of the loan so as to obtain exactly the net book value at the time of initial recognition, which includes directly-related transaction costs/revenues and all fees paid or received between the contracting parties. This financial method of accounting distributes the economic effect of costs/income over the expected residual life of each loan.

Estimates of the flows and the contractual duration of the loan take account of all contractual clauses that could influence the amounts and due dates (such as early repayments and the various options that can be exercised), but without considering any expected losses on the loan.

The amortised cost method is not applied to short-term loans, since the discounting effect would be negligible, and these are therefore stated at cost. The same measurement criterion is applied to loans without a fixed repayment date or which are repayable upon demand.

At every reporting date an analysis is performed to identify any problem loans for which there is objective evidence of possible impairment. This category includes loans classified as "non-performing", "watchlist", "restructured" or "past due", as defined by the supervisory regulations. The adjustment to the value of each loan represents the difference between its amortised cost (or cost for short-term and demand loans) at the time of measurement and the discounted value of the related future cash flows, determined using the original effective interest rate.

Key elements in determining the present value of future cash flows comprise the estimated realisable value of loans, also taking account of any available guarantees, the expected timing of recoveries and the forecast loan-recovery costs. Cash flows relating to loans due to be recovered in the short term (12/18 months) are not discounted.

The approach taken for case-by-case determination of the recoverable value of non-performing loans depends on their amount, applying the following criteria:

- up to euro 25,000: the positions are analysed case-by-case but are not discounted, since they are frequently not taken to court, but sold after the usual attempts to obtain recovery on an amicable basis; these loans generally remain in this category for not more than 12/18 months, representing the short term;
- from euro 25,000 to euro 150,000: the positions are analysed on a case-by-case basis to estimate the amount recoverable, which is discounted over the average recovery period, based on past experience and statistics;
- amounts exceeding euro 150,000 are analysed on a case-by-case basis to estimate the amount recoverable, which is discounted over the likely recovery period, as determined by the competent corporate functions.

Watchlist loans exceeding euro 150,000 are analysed on a case-by-case basis to estimate the amount recoverable, which is discounted over the likely average recovery period, based on past experience and statistics. The remaining positions are assessed on a collective basis using Probability of Default (PD) and Loss Given Default (LGD) parameters (which differ according to the amounts concerned), with the related future nominal cash flows discounted over the estimated average recovery period, based on past experience and statistics.

Restructured loans are valued on a case-by-case basis, also recognising any "implied" loss arising from the restructuring of the position. If no evidence of loss is revealed by the case-by-case analyses, the exposures are assessed collectively using PD and LGD parameters, calculated on the basis of past experience and statistics that are intended to estimate the latent loss. The related estimated future cash flows are discounted over the estimated average recovery period, as determined with reference to past experience and statistics. If, instead, the case-by-case analysis shows evidence of an impairment loss, the restructured loans are classified either in the watchlist or as non-performing and valued in accordance with the rules applying to these categories.

Past due exposures are written down on a collective basis. This test is performed by grouping loans into categories that reflect a similar degree of credit risk. The related loss percentages are then estimated with reference to past experience and statistics, in order to measure the inherent loss for each category of loan. Estimated future cash flows are determined using PD and LGD parameters by technical form and the resulting flows are discounted on the basis of average recovery times, determined with reference to past experience and statistics.

Loans for which no objective evidence of loss has been individually identified, i.e. performing loans, are tested for impairment on an overall basis. This test is performed by grouping loans into categories that reflect a similar degree of credit risk. The related loss percentages are then estimated with reference to past records, in order to measure the inherent loss for each category of loan. Estimated future cash flows are determined using PD and LGD parameters by technical form and the resulting flows are discounted on the basis of average recovery times, determined with reference to past experience and statistics.

For performing loans only, the expected loss (equal to gross value x PD x LGD) is adjusted for the Loss Confirmation Period (LCP), which expresses the average delay between the deterioration of the debtor's financial conditions ("incurred loss") and the actual classification of individual exposures as defaulted, for various categories of homogeneous loans; its purpose is to "adjust" PD, which is typically expressed on an annual time span.

No write-downs are recorded in relation to loans represented by “repurchase agreements” and “securities lending”, or to loans to non-profit organisations, local and public administrations and Cassa di Compensazione e Garanzia (Italy’s securities clearing house).

Provisions made for an impaired loan are only reversed if the credit quality has improved to the extent that timely recovery of the principal and interest, with respect to the original terms for the loan contract, is reasonably certain, or if the amount actually recovered exceeds the recoverable amount estimated previously. Only for non-performing loans, write-backs also include the positive effect of discounting adjustments made due to the progressive reduction in the estimated time required to recover the related loans.

Adjustments, net of previous provisions and the partial or total recovery of amounts previously written down, are recorded in the “net impairment adjustments to loans and advances” line item of the income statement.

Derecognition

Loans and advances are derecognised as assets when they are deemed to be unrecoverable or are transferred together with substantially all the related risks and benefits.

5. Financial assets at fair value

Classification

This line item comprises monetary financial instruments of a structured kind (meaning that one or more embedded derivatives is present) and/or those related to trading derivatives entered into with an external counterparty for the purposes of transferring the risks of the financial asset held (under the so-called “fair value option”, or FVO), unless classified as “Financial assets held for trading”.

In particular, the FVO is used when it eliminates or significantly reduces accounting imbalances deriving from the inconsistent recognition of financial instruments that are related (natural hedges) or covered by derivative contracts which, due to difficulties and complexities, cannot be recognised as hedges.

Financial instruments are designated as financial assets at fair value upon initial recognition. They cannot be reclassified subsequently.

Recognition, measurement, derecognition and recording of income and expense

The principles applying to the recognition, measurement, derecognition and recording of income and expense relating to financial assets at fair value are the same as those relating to “financial assets held for trading”.

Gains and losses realised on sale or redemption and unrealised gains and losses deriving from changes in the fair value of financial assets/liabilities at fair value are classified as “net change in financial assets and liabilities at fair value” in the income statement.

6. Hedging transactions

Classification

Hedging transactions are intended to neutralise possible losses on certain elements or groups of elements due to a given risk (e.g. a rise in interest rates), via the generation of profits from the hedging instruments if the events associated with that risk should actually occur.

Hedging transactions are conducted solely in the form of derivative contracts with counterparties outside of the Group to whom the risk is transferred. The use of internal deals is therefore not permitted.

At the time that a hedging transaction is arranged, it is classified as one of the following types of hedge:
- fair value hedge of a given asset or liability: the objective is to hedge the exposure to changes in fair value of an item caused by one or more risks;
- cash flow hedge attributable to a particular asset or liability: the objective is to hedge the exposure to changes in the future cash flows associated with an item caused by given risks;
- hedge of the effects of an investment denominated in foreign currency: the objective is to hedge the risks associated with investing in a foreign operation denominated in foreign currency..

Hedging transactions can refer to individual financial instruments and/or groups of financial assets/liabilities.

The transaction is classified as a hedge if it has been formally designated as such, there is a documented relationship between the hedged instrument and the hedging instrument, and it is highly effective both at the start of the hedge and throughout its life.

A hedge is considered highly effective if changes in the fair value of the instrument being hedged or of the related expected cash flows are offset by those of the hedging instrument. More precisely, the hedge is effective when changes in the fair value (or cash flows) of the hedging instrument neutralise the changes in the hedged instrument, deriving from the risk being hedged, within an interval of 80%-125%.

The effectiveness of the hedge is assessed at the start of the hedge and throughout its life and, in particular, on each reporting date, using:
- prospective tests that justify the adoption of hedge accounting by showing the expected effectiveness of the hedge in future periods;
- retrospective tests that show the effectiveness of the hedge during the reference period.

If the tests do not confirm the effectiveness of the hedge, the hedge accounting described above is terminated and the related derivative contract is reclassified among the "financial assets (liabilities) held for trading". In addition, hedging transactions are no longer classified as such if:
- the hedge ceases;
- the transaction expires, is sold, terminated or exercised;
- the hedged item is sold, expires or is redeemed;
- the hedge no longer meets the criteria to qualify for hedge accounting.

Recognition

Hedging derivatives are initially recognised at fair value on their subscription date.

Measurement and recognition of income and expense

Subsequent to initial recognition, hedging derivatives are stated at fair value on the basis described below:

- in the case of fair value hedges, changes in the value of the hedged item (but only for the portion attributable to the hedged risk) and the hedging instrument are reflected in the income statement. In this way, changes in the fair value of the hedged item are substantially offset against the opposite changes in the fair value of the hedging instrument. Any difference, representing the ineffective portion of the hedge, therefore represents the net effect of the hedge on profit or loss, which is booked to "Net hedging gains (losses)";
- in the case of cash flow hedges, changes in the fair value of the hedging transaction are recorded in equity, to the extent that the hedge is effective, and are only released to the income statement when the related cash flows are actually generated by the hedged item. Any change in hedge fair value attributable to the total or partial effectiveness of the hedging relationship is recorded in the income statement as "other operating charges/income";
- hedges of investments denominated in foreign currency are recorded in the same way as cash flow hedges.

Hedging contract differentials are booked to "interest income" or "interest expense" depending on whether they are positive or negative.

Derecognition

Hedging transactions are derecognised on disposal if all the risks and benefits associated with them are substantially transferred as a result.

7. Equity investments

Classification

This line item includes investments in associated companies and joint ventures.

Recognition

Investments in associated companies and joint ventures are carried at equity in accordance with IAS 28. Under this method, equity investments are initially recognised at cost and subsequently adjusted to reflect changes in the Group's interest in their equity. Differences between the cost of an investment and the Group's interest in its equity at the acquisition or initial consolidation date are reflected in its carrying amount, if they cannot be attributed to specific assets or liabilities.

Measurement

Subsequent to acquisition, the value of investments in associated companies, in entities over which the Group exercises significant influence and joint ventures is adjusted to reflect changes in the Group's interest in their equity value.

Equity investments are tested for impairment by estimating their recoverable amount, which takes account of the present value of the future cash flows to be generated by them, including their final disposal value and/or other factors.

Any resulting impairment adjustments, being the difference between the carrying amount of the investments concerned and their recoverable value, are charged to "Profit (loss) from equity investments" in the income statement.

If the reasons for such impairment cease to apply due to events subsequent to its recognition, the write-down is reversed through the income statement in the same line item as above, but for no more than the amount of the original impairment loss.

Derecognition

Equity investments are derecognised on expiry of the contractual rights over the related financial flows, or when the investment is sold with the transfer of substantially all the related risks and benefits of ownership.

Recognition of income and expense

In accordance with IAS 28, the Group's interest in the results of associated companies, entities subject to significant influence and joint ventures is recognized in "Profit (loss) from equity investments" in the income statement.

8. Property, plant and equipment

Classification

This line item comprises the fixed assets held for the generation of income, for rent or for administrative purposes, such as land, business property, investment property, installations, furniture, furnishings, all types of equipment and works of art.

Property, plant and equipment also include leasehold improvements, if they can be separated from the related assets. If these items are expected to generate future benefits, but are not functionally and operationally independent, they are classified as "other assets" and depreciated over the expected useful life of the improvements or the residual lease period, whichever is shorter.

Amounts paid in advance to acquire and restructure assets not yet used for productive purposes are capitalised, but not depreciated.

Property, plant and equipment held “for business purposes” is defined as that held for supplying services or for administrative purposes, while “investment property” is defined as that held to earn rentals and/or for capital appreciation.

Recognition

Property, plant and equipment are initially recorded at cost, including all directly attributable costs of bringing them to working condition.

Expenditure that improves an asset or increases the future economic benefits expected from the asset is allocated to the asset concerned and depreciated over its remaining useful life.

Measurement and recognition of income and expense

Subsequent to initial recognition, property, plant and equipment held “for business purposes” are stated at cost, net of accumulated depreciation and any impairment losses, consistent with the “cost model” described in paragraph 30 of IAS 16. More specifically, property, plant and equipment are systematically depreciated over their useful lives on a straight-line basis, except for:
- land, whether acquired separately or included in the value of buildings, which is not depreciated since it has an indefinite useful life. With regard to free-standing properties, the value of the land is separated from the value of the related buildings by reference to internal and/or independent expert appraisals, unless this information is directly available from the purchase contract;
- works of art, which are not depreciated since they normally have an indefinite useful life and their value is likely to increase over time;
- investment properties, which are stated at fair value in accordance with IAS 40.

The depreciation charge for assets acquired during the period is determined on a daily basis from the time they enter into service. The depreciation charge for assets sold and/or disposed during the period is determined on a daily basis up to the date of transfer and/or disposal.

At each reporting date, if there is evidence that the value of an asset, other than investment property, may be impaired, its carrying value is compared with its recoverable value, being either its fair value net of any selling costs or its value in use, represented by the present value of the future cash flows to be generated by the asset, whichever is greater. Any adjustments are recorded as “net adjustments to property, plant and equipment” in the income statement.

If the reasons for recognising an impairment loss cease to apply, the consequent write-back cannot cause the value of the asset to exceed its net book value (after depreciation) had no impairment losses been recognised in prior periods.

“Investment properties” covered by IAS 40 are stated at the market value determined by independent appraisals, with changes in their fair value recorded in “net gains (losses) arising on fair value adjustments to property, plant and equipment and intangible assets” in the income statement.

Derecognition

Property, plant and equipment are derecognised upon disposal or when they are retired from use on a permanent basis and no economic benefits are expected from their disposal.

9. Intangible assets

Classification

This line item reports non-monetary assets without physical form that have the following characteristics:

- identifiability;
- control over the assets concerned;
- existence of future economic benefits.

If any one of these characteristics is absent, the related purchase or internally-generated cost is expensed in the period incurred.

Intangible assets include, in particular, applications software used over a number of years, "intangibles" associated with the valuation of customer relationships identified on allocation of the purchase price paid for lines of business, and other identifiable intangible assets representing legal or contractual rights.

This line item also includes goodwill, representing the positive difference between the purchase cost and the fair value of assets and liabilities acquired as a result of business combinations. In particular, an intangible asset is recorded as goodwill when the positive difference between the fair value of the net assets acquired and their purchase cost (including related charges) represents their ability to generate future earnings. If this difference is negative (badwill) or if the goodwill is not justified by the ability of the acquired assets/liabilities to generate future earnings, the difference is recorded directly in the income statement.

With reference to the goodwill recognised upon changes in a parent's ownership interest in subsidiaries already under control, the changes of a parent's ownership interest in a subsidiary (that do not result in loss of control) are accounted for as "equity transactions". As a result, the difference between the additional purchase consideration (for a company in which a controlling interest is already held) and the corresponding share of equity will be accounted for directly as a decrease in equity.

Recognition

Intangible assets are initially recorded at cost, including any directly-related charges.

Measurement

Subsequent to initial recognition, intangible assets are stated at cost, net of accumulated amortisation and any impairment losses, in accordance with the "cost model" described in paragraph 74 of IAS 38.

Intangible assets with a finite useful life are amortised systematically on a straight-line basis over their estimated useful lives.

The amortisation charge for assets acquired during the period is determined on a daily basis from the time they enter into service. The amortisation charge for those sold and/or disposed during the period is determined on a daily basis up to the date of transfer and/or disposal.

If there is evidence that the value of an intangible asset may be impaired, its carrying amount is compared with its recoverable value. Any adjustments are recorded in "net adjustments to intangible assets" in the income statement.

If the reasons for such impairment losses cease to apply due to events arising subsequent to the write-down, the appropriate write-backs are credited to the same income statement line item. Such write-backs cannot cause the value of the asset to exceed its net book value (after amortisation) had no impairment losses been recognised in prior periods.

Assets with an indefinite useful life, such as goodwill, are not amortised but their carrying value is tested periodically for impairment, as required by IAS 36. Any impairment losses, representing the difference between the carrying value of the asset and its recoverable value, are charged to "adjustments to goodwill" in the income statement. Impairment losses recognised for goodwill cannot be reversed in later periods.

Derecognition

Intangible assets are derecognised from the statement of financial position if no future economic benefits are expected, or on disposal.

10. Non-current assets held for sale and discontinued operations and liabilities associated with discontinued operations

Classification

These line items comprise all non-current assets/liabilities and discontinued operations held for sale, as defined by IFRS 5, i.e. those individual assets/liabilities or groups of assets/liabilities held for sale whose carrying amount will be recovered principally via sale rather than continuous use. This category also includes "discontinued operations" which, by convention, are also referred to as "groups of assets/liabilities held for sale".

Measurement

Non-current assets/liabilities (or discontinued operations) held for sale are measured at the lower of their carrying amount or their fair value, net of selling costs, except for the following assets which continue to be valued in accordance with the related accounting policies:

- deferred tax assets;
- assets deriving from employee benefits;
- financial instruments;
- investment property.

Recognition of income and expense

Income (interest income, dividends, etc.) and charges (interest expense, depreciation, etc.) relating to individual non-current assets (or discontinued operations) held for sale and the related liabilities are classified in the normal line items, while the income (interest income, dividends, etc.) and charges (interest expense, depreciation, etc.) relating to discontinued operations are classified, net of the related current and deferred taxation, in "profit (loss) from non-current assets held for sale, net of tax" in the income statement. The depreciation of depreciable assets ceases in the period in which they are classified as non-current assets held for sale.

11. Current and deferred taxation

Income taxes, calculated in accordance with current fiscal legislation, are recorded in the income statement on an accruals basis in line with the costs and revenues that generated them, except for those relating to items debited or credited directly to equity; for consistency, the tax on such items is also booked to equity. Income taxes reported in the income statement represent a prudent estimate of the current tax charge and the related changes in deferred tax assets and liabilities. In particular, deferred tax assets and liabilities are determined with reference to temporary differences between the book value of assets and liabilities and their tax bases.
Deferred tax assets are recognised if they are likely to be recoverable, determined with reference to the Group's ongoing ability to generate taxable income.
Deferred tax assets and liabilities are recorded in the statement of financial position as, respectively, "Tax assets" and "Tax liabilities", on an open account basis without offset.
In the case of current taxes, payments on account for individual taxes are offset against the related tax payable, with positive balances reported as "current tax assets" and negative balances as "current tax liabilities". In accordance with paragraph 52b of IAS 12, no provision for deferred taxation has been recorded in relation to the reserves and revaluation surpluses that are in suspense for tax purposes, since their distribution is not envisaged; in this regard, the Group has not carried out, and has no short or medium-term plans to carry out, any activities which could give rise to the payment of deferred taxes.

LIABILITIES AND EQUITY

12. Provisions for risks and charges

12.1 Pensions and similar commitments

IAS 19 classifies pension funds as post-employment benefits, making a distinction between defined contribution plans and defined benefit plans. The company pension fund for employees of the former subsidiary Cariprato (absorbed into the Parent Bank Banca Popolare di Vicenza effective 1 January 2010) is split into two sections:

1) a capitalisation section, qualifying as a defined contribution plan, for which the Bank only has the obligation to pay an annual amount calculated on the basis of salary paid to fund participants. This section is not recognized in the statement of financial position, in compliance with IAS 19. The costs of the annual payment by the Group are recognized in the income statement;
2) a supplementary section, qualifying as a defined benefit plan, which is recognised in provisions for risks and charges in the statement of financial position. The benefits are assured by the return on the investments and by the mathematical reserve, calculated annually by an independent actuary.

12.2 Other provisions

In accordance with IAS 37, the provisions for risks and charges reflect known obligations (legal or constructive) deriving from past events, the settlement of which is likely to involve the use of economic resources whose timing and extent are uncertain, on condition that a reliable estimate can be made of the amount needed to settle them at the end of the reporting period. Where the effect of the time value of money is material because the liability's settlement date is deferred, the provisions are discounted using current market rates.

Provisions are re-examined at each reporting period and adjusted to reflect the best current estimate. These are recorded in the appropriate line items of the income statement, depending on the "nature" of the expense. In particular, provisions for future personnel expenses in connection with bonuses and other incentive schemes are classified in "payroll" costs, provisions for tax risks and charges are classified in "income taxes" and provisions for potential losses not directly attributable to specific line items in the income statement are reported in "net provisions for risks and charges".

13. Payables and debt securities in issue

Classification

Amounts due to banks and amounts due to customers include the various forms of interbank and customer funding (current accounts, restricted and unrestricted deposits, loans, repurchase agreements, etc.), while debt securities in issue report all the liabilities in respect of the Group's own issues (savings certificates, certificates of deposit, bonds not classified as "financial liabilities at fair value", etc.).
All the financial instruments issued are reported in the financial statements net of any amounts repurchased and that those which have expired at the reporting date but which have not yet been repaid.

Recognition

These financial liabilities are initially recorded on receipt of the amounts collected or on the issue of the debt securities.

They are initially recognised at the fair value of the liabilities, as uplifted for any directly-attributable acquisition costs/revenues. Costs and revenues with the above characteristics are excluded if they are reimbursable by the borrower or represent normal internal administrative costs.

The initial fair value of a financial liability usually corresponds to the amount received.
If the conditions set out in IAS 32 and 39 are satisfied, any derivatives embedded in the above financial liabilities are separated and accounted for separately.

Measurement

Following initial recognition, the above financial liabilities are stated at amortised cost using the effective interest method, except that short-term liabilities continue to be stated at nominal value since the effect of discounting is negligible.

Derecognition

Financial liabilities are derecognised when they expire or are settled. Derecognition also applies when issued securities are repurchased, even if such acquisition is only temporary. Any differences between the book value of the derecognised liability and the amount paid are recorded as "gains (losses) on disposal or repurchase of financial liabilities" in the income statement. If, subsequent to repurchase, the securities are placed back in the market, this transaction is treated as a new issue and the liabilities are recorded at the new placement price.

14. Financial liabilities held for trading

Classification

This line item reports short positions arising from trading activities and derivatives not designated as effective hedging instruments that have a negative fair value.

Derivative contracts include embedded derivatives which are attached to a primary financial instrument, known as the "host contract" when they have been recognized separately from the host and forward transactions in currencies, securities, goods and precious metals.
An embedded derivative is recognised separately from the host contract when all of the following conditions are satisfied:

- its economic characteristics and risks are not closely related to those of the "host" contract;
- the separated embedded instrument meets the definition of a derivative;
- the hybrid instrument is not measured at fair value through the income statement.

If the fair value of a derivative contract subsequently becomes positive it is recorded as a financial asset held for trading.

Financial instruments are designated as financial liabilities held for trading upon initial recognition, except if former hedging derivatives with a negative fair value at the reference date are reclassified as "financial liabilities held for trading" after a hedging relationship has become ineffective. They cannot be reclassified subsequently.

Recognition, measurement, derecognition and recording of income and expense

The recognition, measurement, derecognition and recording of the effects on the income statement of the above financial liabilities are described in the earlier paragraph on "financial assets held for trading".

15. Financial liabilities at fair value

Classification

This line item reports bonds issued that are related to trading derivatives entered with an external counterparty for the purposes of transferring one or more risks associated with the liability issued (fair value option).

Financial instruments are designated as financial liabilities at fair value upon initial recognition. They cannot be reclassified subsequently.

Recognition, measurement, derecognition and recording of income and expense

The recognition, measurement, derecognition and recording of the effects on the income statement of the above financial liabilities are described in the earlier paragraph on "financial assets at fair value".

16. Transactions in foreign currency

Foreign currency assets and liabilities include not only those denominated in a currency other than the euro, but also those that carry financial indexation clauses linked to the euro exchange rate against a specific currency or a specific basket of currencies.
Foreign currency assets and liabilities are split between monetary and non-monetary items for currency translation purposes.

Recognition

Foreign currency transactions are initially recognised in euro, by translating the foreign currency amount using the spot exchange rate prevailing on the date of the transaction.

Measurement

At the end of each reporting period:
- foreign currency monetary items are translated using the year-end closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction;
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising from the settlement of monetary items or from the translation of monetary items using rates other than the initial translation rate, or the closing rate at the end of the prior period, are recorded in the income statement for the period under “net trading income”, or if such differences relate to financial assets/liabilities accounted for under the fair value option permitted by IAS 39, under “net changes in financial assets and liabilities at fair value”.
When gains or losses on non-monetary items are recognised in equity, the exchange differences on them are also recognised in equity in the same period. Similarly, when gains or losses on non-monetary items are recognised in the income statement, the exchange differences on them are also recognised in the income statement in the same period.

17. Other information

17.1 Provision for severance indemnities

According to IFRIC, the provision for severance indemnities is a “post-employment benefit” qualifying as a “defined benefit plan”, the value of which according to IAS 19 must be determined on an actuarial basis. As a consequence, the year-end actuarial valuation of this line item is carried out with reference to earned benefits using the Projected Unit Credit Method. This method involves the projection of future payments with reference to past trends and statistical analyses and probabilities, adopting suitable demographic techniques. This makes it possible to calculate the severance indemnities accruing at a specific date on an actuarial basis, distributing the cost over the entire remaining service of the current workforce, and no longer presenting them as a cost payable as if the business were to cease trading on the reporting date. The provision for severance indemnities has been valued by an independent actuary using the method outlined above.

17.2 Repurchase agreements and securities loans

"Repurchase agreements", which obligate the buyer to resell/repurchase the assets of the transaction (e.g., securities) and "securities loans" wherein the collateral is represented by cash that returns to be fully available to the bearer, are treated as loans against securities and, therefore, the amounts received and paid are recorded as payables and loans. In particular, the aforesaid "repurchase agreements" and "securities loans" completed for funding purposes are recognised in the financial statements as payables for the amount received, while when completed for lending purposes they are recognised as receivables for the amount paid. These transactions do not determine movements in the securities portfolio. Accordingly, the cost of borrowing and income from lending are recorded as interest in the income statement.

17.3 Criteria for determining the fair value of financial instruments

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the conditions, at current market conditions (i.e. a closing price), irrespective of whether the price is directly observable or is estimated using a valuation technique.

In the case of financial instruments listed in active markets, the fair value is determined on the basis of the most advantageous market prices to which the Group has access (using the official or other equivalent price on the last trading day of the year in question). In this regard, a financial instruments is considered to be listed in an active market if the transactions related to the financial instruments take place often and frequently enough to provide information useful to determine the price on a continuous basis.

In the absence of an active market, fair value is determined using valuation techniques generally accepted in financial practice aimed at estimating the price at which an orderly sale or transfer of a liability between market participants would take place at the measurement date, at current market conditions. In the hierarchical order in which they are reported, these valuation techniques call for the use of:

1. the latest NAV (Net Asset Value) published by the management companies of harmonised funds (UCITS - Undertakings for Collective Investment in Transferable Securities), Hedge Funds and SICAVs;
2. listed prices for the assets or liabilities in inactive markets (e.g., those obtainable from external info providers such as Bloomberg and/or Reuters or provided by electronic-trading platforms not definable as active markets) or prices of similar assets or liabilities listed in active markets;
3. fair value obtained from valuation models (e.g. Discounted Cash Flow Analysis, Option Pricing Models), which estimate all of the possible factors that condition the fair value of a financial instrument (cost of money, credit risk, liquidity risk, volatility, exchange rates, early repayment, etc.) based on observable market data, also for similar instruments, at the valuation date. If there are not market references for one or more risk factors, we use internal parameters based on past experience and statistics (the valuation models are reviewed periodically to ensure that they are still completely reliable);
4. price indications provided by the issuer, adjusted if necessary to take account of counterparty and/or liquidity risk (e.g. the unit value communicated by the management company for closed-end funds reserved for institutional investors or other kinds of mutual funds other than those mentioned in point 1, the redemption value determined according to the issue regulations for insurance contracts);
5. for equity instruments, where the valuation techniques mentioned above are not applicable: i) the transaction prices directed on the same security or on similar securities observed within in a reasonable timescale with respect to the valuation date; ii) the value shown in independent appraisals, if available; iii) the value corresponding to the portion of net equity held as shown in the company's latest approved financial statements; iv) the cost, adjusted if necessary to take account of material impairment, where the fair value cannot be reliably determined.

If it is assumed that the initial fair value of a financial instrument is always equal to the price incurred to purchase the asset or to the price received for the transfer of the liabilities, therein including the accessory costs/revenues. Nevertheless, when in particular and specifically documented situations there is a substantial deviation between the transaction price and the related fair value, the financial instrument must be posted at a value (the fair value) other than the transaction price.

Given these considerations and in compliance with IFRS 13, the Group classifies fair value measurements according to a hierarchy (the Fair Value Hierarchy) that reflects the reliability of the inputs on which the measurements are based. This hierarchy consists of the following levels:

- Level 1 - listed prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 - inputs other than listed prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. This level also includes the valuation techniques based on market approaches that mainly use data observable on the market, prices obtained from external info providers and the valuations of mutual funds based on the NAV communicated by the management company, the value of which is updated and published periodically (at least once a month) and represents the amount at which the position can be wholly or partially liquidated on the investor's initiative;
- Level 3 - inputs that are unobservable for the asset or liability but that reflect the assumptions that market participants would use when pricing the asset or liability. This level includes prices provided by the issuer counterparty or derived from independent appraisals, and those obtained with valuation models that do not use data observable in the market to estimate significant factors affecting the fair value of the financial instrument. These also include valuations of unlisted equities corresponding to the fraction of equity held in the company or derived from direct transactions observed in a reasonable timescale. Also included are the financial instruments kept at cost..

A.3 – INFORMATION ABOUT TRANSFERS BETWEEN FINANCIAL-ASSET PORTFOLIOS

The market turmoil experienced in the second half of 2008 and the reduced liquidity of certain financial instruments meant that it has no longer been possible to pursue in the near term the original intent when classifying them as financial assets held for trading, since such instruments will now have to be held in the medium/long-term or until maturity. In view of this state of affairs, in 2008 the Group took up the reclassification option for financial instruments permitted by the amendments to IAS 39 "Financial instruments: recognition and measurement" and to IFRS 7 "Financial instruments: disclosures" contained in the "Reclassification of Financial Assets" published by the IASB on 13 October 2008 and endorsed by the European Commission on 15 October 2008 with Regulation EC 1004/2008.

The following table shows the information required by IFRS 7, par. 12A, b) and e) relating to these reclassifications.

A.3.1 - Reclassified financial assets: book value, fair value and effect on comprehensive income

This table reports the disclosures required by paragraph 12A b) and e) of IFRS.

Type of financial instrument	Origination portfolio	Destination portfolio	Book value at 31/12/2014	*Fair value* at 31/12/2014	Income components in the absence of transfers (before tax)		Income components booked during the year (before tax)	
					Valuation	Other	Valuation	Other
Debt securities	Financial assets available for sale	Loans and receivibles	94,822	90,987	9,127	1,098	-	2,563
Debt securities	Financial assets held for trading	Financial assets available for sale	44	44	-	-	-	-
Equities	Financial assets held for trading	Financial assets available for sale	-	-	-	-	-	-
Mutual Funds	Financial assets held for trading	Financial assets available for sale	2,449	2,449	134	-	134	-
		Totali	**97,315**	**93,480**	**9,261**	**1,098**	**134**	**2,563**

A.3.2 – Reclassified financial assets: effect on comprehensive income prior to transfer

No financial assets were reclassified during the year. The disclosures required by paragraph 12A d) of IFRS 7 are therefore omitted.

A.3.3 – Transfer of financial assets held for trading

No financial assets were reclassified during the year. The disclosures required by paragraph 12A c) of IFRS 7 are therefore omitted.

A.3.4 – Effective interest rate and forecast cash flows from reclassified assets

No financial assets were reclassified during the year. The disclosures required by paragraph 12A f) of IFRS 7 are therefore omitted.

A.4 - INFORMATION ABOUT FAIR VALUE

Qualitative information

A.4.1 Levels of fair value 2 and 3; valuation techniques and inputs used

The Group gives the maximum priority to listed prices in active markets[38].

If prices directly observable in active markets are not available, valuation techniques that maximise recourse to information available in the market and that are influenced as least as possible by subjective valuations or internal assumptions. The valuation techniques and the inputs used for the various types of financial instruments measured/not measured at fair value on a recurrent basis and for the other assets/liabilities stated at fair value on a recurrent basis for which listed prices in active markets are not available are described below.

To determine the fair value of the debt securities not listed in an active market, the Group makes recourse, where available, to prices observed in inactive markets and/or to recent transactions that took place with similar instruments in active markets (the so-called comparable approach). For example, the price indications that can be inferred from the info providers such as Bloomberg and Reuters, the "exchange" prices listed in Markets or electronic-trading platforms that cannot be deemed to be active markets, or quotations of individual contributors specialised in trading financial instruments subject to valuation are taken into consideration. Fair value determinations made this way are assigned a Fair Value Hierarchy level 2.

If no source of information as described above is available or the Group deems that the available sources do not reflect the real fair value of the financial instrument, Discounting Cash Flow valuation models that predominately use inputs observable in the market to estimate possible factors that affect the fair value of a financial instrument, are used (cost of money, credit risk, liquidity risk, volatility, exchange rates, early repayment rates, etc.). Fair values determined this way are also assumed to be at Fair Value Hierarchy level 2. If it is impossible to refer to market input data for one or more risk factors, we use internal parameters based on past experience and statistics which, when material, entail the assignment of Fair Value Hierarchy level 3.

On 31 December 2014, the only instance of debt securities stated at fair value on a recurrent basis classified in level 3 regards the junior notes subscribed by the Bank as a result of the sole securitisation transaction originated by the Bank not "reinstated " in the financial statements, being arranged prior to 1 January 2004. In this specific case, the valuations are based on the actual data of the transaction at the reference date of the financial statements. Similar techniques are used for the correlated "back to back swap" derivative.

As regards instead debt securities not stated at fair value on a recurrent basis classified in level 3, these instances refer to the senior and mezzanine notes subscribed as part of the third-party securitisations in which the Group played the role of arranger, for which specific analyses are carried out to determine the likelihood of repayment by the SPV. The overall valuation of the financial instruments never exceeds the related book value in so far that it refers to highly illiquid securities with implicit surpluses very difficult to achieve.

(38) The Group considers as "active markets" the List of Regulated Italian Markets authorised by Consob, in the List of Regulated Markets related to foreign regulated markets recognised pursuant to the European Community law recognised pursuant to art. 67.1 of Legislative Decree 58/98 and with the List of Regulated Markets recognised pursuant to art. 67.2 of Legislative Decree 58/98 with the exclusion of the Luxembourg market. This decision was made in consideration of the fact that these markets should ensure volumes so as to minimise the so-called bid-ask spreads.

To determine the fair value of equities not listed in an active market, the Group makes recourse to:
- transaction prices directed on the same security or on similar securities observed within in a reasonable timescale with respect to the valuation date;
- the value shown in independent appraisals, if available;
- the value corresponding to the portion of net equity held as shown in the company's latest approved financial statements.

No adjustments are made to the above values. Fair value determinations made this way are assigned a Fair Value Hierarchy level 3.

In case of equities with fair value that cannot be reliably determined as described above and that have an individually immaterial exposure (less than euro 500 thousand), the decision was made to present them at cost, adjusted if necessary to take into account impairment write-downs.

It should be noted that the Group classified certain equity investments not listed in active markets but for which observable "prices" are available such as, for example, the value of shares established by the Shareholders' Meeting for co-operative banks or the Bank of Italy's valuation determined by law, at fair value level 2.

To determine the fair value of mutual funds not listed in an active market, the Group uses the NAV reported by the management company without making any adjustment to it.
Mutual funds' investments, the NAV of which is periodically updated and published (at least once a month) and that represents the amount at which the position can be liquidated (partially or fully) on the investor's initiative, are classified at Fair Value Hierarchy level 2. In contrast, investments such as those characterised by material levels of illiquidity (e.g., hedge funds, private equity funds and more generally closed-end real estate funds) are assigned Fair value Hierarchy level 3. A similar classification is used also for the capitalisation certificates held and measured based on the redemption value reported by the issuer.

To measure own bond issues, special Discounting Cash Flow-type models are used that call for the discounting of expected cash flows through the use of a discount curve representing both the funding spread, established by the issuer in the primary market, and any change in the issuer's creditworthiness during the life of the loan.

The funding spread is made equal to the cost of the borrowing determined with the activation of the "hedge" or, in want thereof, based on the spread with which the "hedge" could have been stipulated when the bond was issued.

The spread representative of the change in creditworthiness is determined only if a specialised agency reports a change the Bank's rating after the issue date of the individual bond. This change is assumed to be equal to the average cumulative probabilities of default for issuers in the financial sector having the same rating as the Bank (pre- and post-downgrade) identifiable from the report published annually by the rating agency Standard & Poor's. The change of the above PD is then converted into a credit spread equivalent and applied to the individual bond issues.

This valuation technique (Fair value level 2) is consistent with the quantification of the bond's initial fair value that is always recognised in financial statements at the price received for the transfer of the liability.

To determine the fair value of the OTC derivatives, the valuation techniques employed use predominately material inputs based on observable market parameters (*Interest rate curve, Volatilities, Credit curve, Spot price, etc.*) derived in a sterilised manner every day from the Reuters info provider.

An adjustment determined on the basis of the so-called EL (Expected Loss) obtained multiplying the probability of default associated with the counterparty based on the internal rating system and estimated on a time horizon equal to the residual life of each individual derivative, by the LGD (Loss Given Default) of the on-demand loans is applied to outstanding contracts with (Corporate and Retail) customers that present a positive market value for the Group.

No adjustment of value attributable to counterparty risk arising from a market value positive for the Group (CVA) or arising from a market value negative for the Group (DVA), is instead made to the OTC derivative instruments traded with market counterparties with which specific bilateral offsetting agreements collateralised by "credit support annex" contracts which govern the financial cash collateral have been stipulated. A similar treatment is also observed for the transactions entered into materially with investee companies of the Group that result in exclusive control, a situation of significant influence or of joint ventures.

For "Loans and advances to banks" and for the "Amounts due to banks" of short duration (coming due within 12 months), by convention, the book value is assumed to be the fair value, whereas the corresponding medium-long term items are measured based on the discounted cash flow technique prescribed by contract through the use of risk free curves adjusted if necessary to take into account the credit risk of the counterparty or of the bank itself. Fair value determinations made this way are assigned a Fair Value Hierarchy level 3.

For the "Loans and advances to customers" of short duration (coming due within 12 months), by convention, the book value is assumed to be the fair value. The valuation of medium term loans and advances corresponds to the sum of the future cash flows prescribed by contract, including interest, discounted with reference to a risk-free rate curve. The expected nominal cash flows are adjusted for expected losses using the probability of default (PD) and of loss-given-default (LGD) parameters attributed to the specific class of risk and determined with reference to past experience and statistics. Fair value determinations made this way are assigned a Fair Value Hierarchy level 3.

For the "Amounts due to customers" of short duration (coming due within 12 months) by convention, the book value is assumed to be the fair value. The measurement of the medium-long term liabilities other than bonds issued already illustrated are measured based on the discounted cash flow technique prescribed by contract, adjusted to take into account the banks own credit risk if necessary. Fair value determinations made this way are assigned a Fair Value Hierarchy level 3.

Finally, the fair value investment property is derived from appraisals performed by outside companies. Fair value determinations made this way are assigned a Fair Value Hierarchy level 3.

A.4.2 Valuation processes and sensitivity

Based on the above, the financial instruments stated at fair value on a recurrent basis and classified in level 3 of the hierarchy provided for by IFRS 13 are almost wholly measured based on "passive" techniques predominantly based on information, non-adjusted, derived from third parties, (e.g., NAV) or however in any case valuations made based on public information from the financial statements).

Thus, any sensitivity analysis would have little meaning. In this regard, the table below provides indications regarding the valuation techniques used for the Group financial instruments stated at fair value on a recurrent basis and classified in the Fair Value Hierarchy level 3.

Assessment techniques used (in thousand of euro)	Total	Assessment techniques					
		Internal model	Net Assets Value	Recent transactions	Equity	External appraisals	Cost
Financial assets held for trading	**340**	**340**	**-**	**-**	**-**	**-**	**-**
- Derivatives (back to back swap)	340	340	-	-	-	-	-
Financial assets available for sale	**362,526**	**10,619**	**141,621**	**140,829**	**34,416**	**10,140**	**24,901**
- Debt securities (Asset Backed Securieties - tranche junior)	10,664	10,619	-	-	-	-	45
- Equities unlisted	233,211	-	23,220	140,829	34,416	10,140	24,606
- Mutual funds	91,628	-	91,378	-	-	-	250
- Loans (capitalization certificates)	27,023	-	27,023	-	-	-	-

In this regard, under the term "Net Asset Value" a similar classification is also used for the capitalisation certificates held and measured based on the redemption value reported by the issuer as well as certain equity investments in vehicle companies purposely formed to manage private equity investments. Recent transactions include both transactions carried out by investee companies and trading of equities between stockholders observed in a reasonable period of time.

A.4.3 Fair value hierarchy

The techniques for determining fair value for the various types of financial instruments and for investments properties are the same as those used in previous years also and did not result in transfers between the various levels of the Fair value hierarchy provided for by IFRS 13.
The only exception is an equity investment for a trivial amount that was reclassified from level 1 to level 3 following the delisting of the security.

A.4.4 Other information

There is no other information worthy of disclosure.

Quantitative information

A.4.5 Fair value hierarchy

A.4.5.1 Financial assets and liabilities at fair value on a recurrent basis: breakdown by levels of fair value

Financial assets/liabilities at *fair value*	31/12/2014			31/12/2013		
	L 1	L 2	L 3	L 1	L 2	L3
1. Financial assets held for trading	1,088,467	6,490,573	340	70,827	1,997,399	836
2. Financial assets at fair value	-	4,260	-	-	-	-
3. Financial assets available for sale	4,540,460	418,073	362,526	3,249,480	472,756	372,041
4. Hedging derivatives	-	97,860	-	-	74,934	-
5. Property, plant and equipment	-	-	136,694	-	-	138,191
6. Intangible assets	-	-	-	-	-	-
Total	**5,628,927**	**7,010,766**	**499,560**	**3,320,307**	**2,545,089**	**511,068**
1. Financial liabilities held for trading	68,563	5,887,961	-	52,999	1,680,167	-
2. Financial liabilities at fair value	-	1,547,346	-	-	1,712,199	-
3. Hedging derivatives	-	525,379	-	-	411,093	-
Total	**68,563**	**7,960,686**	**-**	**52,999**	**3,803,459**	**-**

key:
L1= Level 1
L2= Level 2
L3= Level 3

During the year no financial instruments were transferred between fair value levels 1 and 2. The disclosures required by paragraph 27B b) of IFRS 7 are therefore omitted.
Level 3 assets mainly refer to:

- junior notes (euro 10,619 thousand) and the related back-to-back swaps (euro 340 thousand) originating from the securitisation transaction called “Berica Residential Mbs1”, measured based on a capital model directed at quantifying the expectations that the special purpose vehicle will pay;
- capitalisation certificates (euro 27,023 thousand), for which the fair value is taken to be the redemption value reported by the management company;
- equity interests not listed in an active market and of material amounts (a total of euro 204,080 thousand) for which the fair value is determined based on the value deriving from recent transactions between stockholders, from internal and/or external appraisals or, as a last resort, the corresponding portion of equity held. For those whose individual amount is immaterial (a total of euro 5,941 thousand), the fair value is equal to the cost, adjusted, if necessary, to take material impairment into account;
- mutual funds (euro 91,628 thousand) and similar investments (euro 23,191 thousand), whose fair value is determined based on the latest NAV reported by the management company;
- debt securities in default amounting to euro 44 thousand;
- investment property (buildings and land) the fair value of which is determined on the base of independent appraisals.

Given the above, for most of the financial instruments classified at level 3 in the hierarchy set forth by IFRS 7 "passive" measurement techniques were used (NAV or redemption values notified by the various management companies, values derived from the company's equity or from independent appraisals obtained by the Group, etc.) which do not use financial models based on market data and, therefore, any fair value sensitivity analysis (IFRS 7, par. 27 e) would have little meaning.

A.4.5.2 – Annual changes in financial assets at fair value on a recurring basis (level 3)

	Financial assets					
	Financial assets held for trading	Financial assets at fair value	Financial assets available for sale	Hedging derivatives	Property, plant and equipment	Intangible assets
1. Opening balance	**836**	**-**	**372,041**	**-**	**138,191**	**-**
2. Increases	**-**	**-**	**66,431**	**-**	**1,653**	**-**
2.1. Purchases	-	-	42,084	-	1,653	-
2.2. Profits booked to:	-	-	24,265	-	-	-
2.2.1. Income statement	-	-	4,304	-	-	-
- of which: capital gains	-	-	3,467	-	-	-
2.2.2. Equity	X	X	19,961	-	-	-
2.3. Transfers from other levels	-	-	-	-	-	-
2.4. Other increases	-	-	82	-	-	-
3. Decreases	**496**	**-**	**75,946**	**-**	**3,150**	**-**
3.1. Sales	-	-	29,138	-	-	-
3.2. Reimbursements	-	-	-	-	-	-
3.3. Losses booked to:	496	-	45,277	-	2,850	-
3.3.1. Income statement:	496	-	33,410	-	2,850	-
- of which: losses	496	-	31,689	-	2,850	-
3.3.2. Equity	X	X	11,867	-	-	-
3.4. Transfers to other levels	-	-	-	-	300	-
3.5. Other decreases	-	-	1,531	-	-	-
4. Closing balance	**340**	**-**	**362,526**	**-**	**136,694**	**-**

With reference to assets held at year end and in compliance with paragraph 27B d) of IFRS 7, the following is reported:

- Financial assets held for trading: losses recognised in the income statement all refer to measurement losses on back-to-back swaps associated with the "Berica Residential MBS 1" securitisation, recognised in "Net trading income" (income statement line item 80);
- Financial assets available for sale: profits and losses recognised in equity all refer to fair value changes recorded in the year and recognised, net of tax, in line item 100 "Financial assets available for sale" of the statement of comprehensive income. Profits and losses recognised in the income statement refer to changes in values recognised according to IAS 39 recorded in income statement line item 130 "Net impairment adjustments to financial assets available for sale" and to the trading income and losses recorded in income statement line item 100 "Gains (losses) on disposal or repurchase".

A.4.5.3 – Annual changes in financial liabilities at fair value on a recurring basis (level 3)

During the year there were no changes in financial liabilities at fair value level 3. Therefore, the related table is omitted.

A.4.5.4 – Assets and liabilities not stated at fair value or stated at fair value on a non-recurring basis: breakdown by levels of fair value

Financial assets/liabilities not valued at fair value or at fair value on non-recurrent basis	31/12/14				31/12/13			
	Book value	L1	L2	L3	Book value	L1	L2	L3
Financial assets held to maturity	43,374	-	44,153	-	48,606	50,118	-	-
Loans and advances to banks	2,254,927	-	21,426	2,262,052	2,794,000	-	68,076	2,715,162
Loans and advances to customers	28,110,636	-	315,616	29,715,704	30,892,706	-	178,949	32,544,327
Investiment property	-	-	-	-	-	-	-	-
Non-current assets held for sale	-	-	-	-	-	-	-	-
Total	**30,408,937**	**-**	**381,195**	**31,977,756**	**33,735,312**	**50,118**	**247,025**	**35,259,489**
1. Due to banks	4,757,848	-	-	4,750,199	7,053,463	-	-	7,008,517
2. Due to customers	22,157,659	-	-	22,157,874	22,992,714	-	-	22,991,119
3. Debt securities	6,668,144	-	6,944,087	135,119	6,957,740	-	6,839,341	152,073
4. Liabilities associated with assets held for sale	-	-	-	-	-	-	-	-
Total	**33,583,651**	**-**	**6,944,087**	**27,043,192**	**37,003,917**	**-**	**6,839,341**	**30,151,709**

Key:
L1= Level 1
L2= Level 2
L3= Level 3

A.5 – "Day one profit/loss" disclosure

The Group did not undertake any transactions during the year involving the recognition of "day one profit/loss".

PART B – INFORMATION ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

SECTION 1

Cash and cash equivalents – Line item 10

1.1 Cash and cash equivalents: breakdown

	31/12/2014	31/12/2013
a) Cash	192,755	189,157
b) Unrestricted deposits with central banks	-	2,200,000
Total	**192,755**	**2,389,157**

Line b) "Unrestricted deposits with central banks" of 31 December 2013 referred to an overnight deposit made for day to day liquidity management needs within the period of maintenance of the mandatory reserve, extinguished in 2014.

SECTION 2

Financial assets held for trading – Line item 20

2.1 Financial assets held for trading: breakdown by type

Items/Amounts	31/12/2014			31/12/2013		
	L 1	L 2	L 3	L 1	L 2	L3
A. Cash assets						
1. Debt securities	1,063,006	101,546	-	49,831	49,138	-
1.1 Structured securities	9,707	77,266	-	-	28,907	-
1.2 Other debt securities	1,053,299	24,280	-	49,831	20,231	-
2. Equities	25,432	-	-	20,996	-	-
3. Mutual funds	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	**1,088,438**	**101,546**	**-**	**70,827**	**49,138**	**-**
B. Derivatives						
1.Financial derivatives	29	6,389,027	340	-	1,948,261	836
1.1 dealing	29	6,278,772	340	-	1,798,843	836
1.2 connected with the fair value option	-	110,255	-	-	149,418	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 dealing	-	-	-	-	-	-
2.2 connected with the fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total B	**29**	**6,389,027**	**340**	**-**	**1,948,261**	**836**
Total (A+B)	**1,088,467**	**6,490,573**	**340**	**70,827**	**1,997,399**	**836**

Structured securities mainly refer to bonds with payoffs linked to the performance of equity indexes or specific baskets of shares.

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

Items/Amounts	31/12/2014	31/12/2013
A. Cash assets		
1. Debt securities	**1,164,552**	**98,969**
a) Governments and Central Banks	1,010,808	49,831
b) Other public entities	-	-
c) Banks	95,271	30,588
d) Other issuers	58,473	18,550
2, Equities	**25,432**	**20,996**
a) Banks	3,983	611
b) Other issuers:	21,449	20,385
- insurance companies	1,875	972
- financial companies	952	-
- non-financial companies	18,622	19,413
- other	-	-
3, Mutual funds	**-**	**-**
4, Loans	**-**	**-**
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other issuers	-	-
Total A	**1,189,984**	**119,965**
B, Derivatives		
a) Banks		
- fair value	5,234,489	1,479,751
b) Customers		
- fair value	1,154,907	469,346
Total B	**6,389,396**	**1,949,097**
Total (A+B)	**7,579,380**	**2,069,062**

There are no “Equities” issued by parties classified as non-performing or watchlist.

The Group uses bilateral offsetting arrangements relating to operations in over-the-counter derivatives with principal market counterparties, mainly Banks, giving the option to offset creditor positions against debtor positions in the event of counterparty default. For the purposes of mitigating credit risk further, specific Credit Support Annex contracts have been entered with the Group’s most frequent counterparties with the aim of regulating the provision of cash collateral financial guarantees.

Exposures in derivatives towards customers also include transactions carried out with financial companies, habitual market counterparties of the Bank in these transactions.

2.3 Cash financial assets held for trading: changes during the year

	Debt securities	Equities	Mutual funds	Loans	**Total**
A. Opening balance	**98,969**	**20,996**	**-**	**-**	**119,965**
B. Increases	**3,324,069**	**157,911**	**-**	**-**	**3,481,980**
B1. Purchases	3,226,652	154,119	-	-	3,380,771
B2. Positive changes in fair value	5,092	569	-	-	5,661
B3. Other changes	92,325	3,223	-	-	95,548
C. Decreases	**2,258,486**	**153,475**	**-**	**-**	**2,411,961**
C1. Sales	2,153,794	148,489	-	-	2,302,283
C2. Redemptions	35,821	-	-	-	35,821
C3. Negative changes in fair value	1,920	2,171	-	-	4,091
C4. Transfers to other asset portfolios	-	-	-	-	-
C5. Other changes	66,951	2,815	-	-	69,766
D. Closing balance	**1,164,552**	**25,432**	**-**	**-**	**1,189,984**

The “Other changes” of line B3. of “Debt securities” include the trading profit (euro 22,156 thousand, of which euro 14,128 thousand relating to short positions) recorded in the income statement line 80 “Net trading income”, the differential between opening and closing coupons and the issue discounts for the year (euro 1,606 thousand) and for the remainder to “short positions” (on securities) existing at the end of the year (euro 68,563 thousand).

The “Other changes” of line C5., of “Debt securities” refer to the trading loss (euro 13,952 thousand, of which euro 13,896 thousand relating to short positions) recorded in the income statement line item 80 “Net trading income”, and for the remainder to initial balances of “short positions” (on securities) existing at 31 December 2013 (euro 52,999 thousand).

“Other changes” in lines B.3 and C.5 pertaining to “Equities” report trading profits and losses respectively, recognised in “Net trading income” (income statement line item 80).

SECTION 3

Financial assets at fair value – Line item 30

3.1 Financial assets at fair value: breakdown by type

Items/Amounts	31/12/2014			31/12/2013		
	L1	L2	L3	L1	L2	L3
1. Debt securities	-	4,260	-	-	-	-
1.1 Structured securities	-	4,260	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equities	-	-	-	-	-	-
3. Mutual funds	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Structured	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total	**-**	**4,260**	**-**	**-**	**-**	**-**
Cost	**-**	**-**	**-**	**-**	**-**	**-**

The item refers to a bond convertible to shares for which the Group applied the fair value option.

3.2 Financial assets at fair value: breakdown by debtor/issuer

Items/Amounts	31/12/2014	31/12/2013
1. Debt securities	**4,260**	-
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other issuers	4,260	-
2. Equities	-	-
a) Banks	-	-
b) Other issuers:	-	-
- insurance companies	-	-
- financial companies	-	-
- non-financial companies	-	-
- other	-	-
3. Mutual funds	-	-
4. Loans	-	-
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other issuers	-	-
Total	**4,260**	-

3.3 Assets at fair value: changes during the year

	Debt securities	Equities	Mutual funds	Loans	**Total**
A. Opening balance	-	-	-	-	-
B. Increases	**4,653**	-	-	-	**4,653**
B1. Purchases	4,609	-	-	-	4,609
B2. Positive changes in fair value	-	-	-	-	-
B3. Other changes	44	-	-	-	44
C. Decreases	**393**	-	-	-	**393**
C1. Sales	-	-	-	-	-
C2. Redemptions	-	-	-	-	-
C3. Negative changes in fair value	393	-	-	-	393
C4. Other changes	-	-	-	-	-
D. Closing balance	**4,260**	-	-	-	**4,260**

Line C.3 refers to the negative change in fair value" reported in "Net change in financial assets and liabilities at fair value" (income statement line item 110).

SECTION 4

Financial assets available for sale – Line item 40

4.1 Financial assets available for sale: breakdown by type

Items/Amounts	31/12/2014			31/12/2013		
	L 1	L 2	L 3	L 1	L 2	L3
1. Debt securities	4,447,563	12,996	10,664	3,178,528	72,710	8,543
1.1 Structured securities	-	-	-	-	5,958	-
1.2 Other debt securities	4,447,563	12,996	10,664	3,178,528	66,752	8,543
2. Equities	88,385	21,808	233,211	65,854	20,855	242,077
2.1 Carried at fair value	88,385	21,808	231,913	65,854	20,855	238,696
2.2 Carried at cost	-	-	1,298	-	-	3,381
3. Mutual funds	4,512	383,269	91,628	5,098	379,191	95,166
4. Loans	-	-	27,023	-	-	26,255
Total	**4,540,460**	**418,073**	**362,526**	**3,249,480**	**472,756**	**372,041**

Line 1. includes debt securities temporarily sold under funding repurchase agreements.

Level 2 "Equities" include (Euro 17,175 thousand) the shares hold in the capital of the Bank of Italy.

"Equities carried at cost" refer to certain individually immaterial equity interests, whose fair value cannot be reliably or verifiably determined and so are reported at cost, as adjusted for any impairment.

Line 4. "Loans" consists of the capitalisation certificates.

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

Items/Amounts	31/12/2014	31/12/2013
1. Debt securities	**4,471,223**	**3,259,781**
a) Governments and Central Banks	4,426,481	3,179,599
b) Other public entities	-	-
c) Banks	28,480	66,035
d) Other issuers	16,262	14,147
2. Equities	**343,404**	**328,786**
a) Banks	120,388	121,250
b) Other issuers:	223,016	207,536
- insurance companies	-	-
- financial companies	50,410	50,548
- non-financial companies	172,606	156,988
- other	-	-
3. Mutual funds	**479,409**	**479,455**
4l Loans	**27,023**	**26,255**
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other issuers	27,023	26,255
Total	**5,321,059**	**4,094,277**

"Debt securities" are mainly connected to the Group's investments in Italian government securities, some of which are backed by micro hedges against interest rate risk and inflation, both as fair value hedges and cash flow hedges.

"Equities" include euro 1,062 thousand in equity interests issued by parties classified as watchlist and euro 7,193 thousand in equity interests issued by parties classified as restructured.

Mutual funds mainly refer to investments in flexible funds (euro 350,259 thousand) and in real estate funds (euro 33,846 thousand), in equity funds and for the remainder to closed-end funds reserved for private equity institutional investors, which mainly invest in non-financial companies and companies not listed on active markets.

4.3 Financial assets available for sale with micro hedges

Assets hedged	31/12/2014	31/12/2013
1. Debt securities	3,399,733	2,277,319
2. Equities	-	-
3. Mutual funds	-	-
4. Loans	-	-
Total	**3,399,733**	**2,277,319**

Assets hedged refer to government securities for a nominal Euro 450 million (BTP and BTP inflation linked) that had been micro hedged against interest rate and inflation risk, and for a nominal Euro 2,595 million that had been micro hedged against cash flows.

The tests carried out at year end confirmed the effectiveness of the hedges.

4.4 Financial assets available for sale: changes during the year

	Debt securities	Equities	Mutual funds	Loans	**Total**
A. Opening balance	**3,259,781**	**328,786**	**479,455**	**26,255**	**4,094,277**
B. Increases	**7,401,524**	**113,247**	**40,557**	**899**	**7,556,227**
B1. Purchases	6,888,777	96,852	13,425	899	6,999,953
B2. Positive changes in fair value	450,805	11,639	18,757	-	481,201
B3. Writebacks	3,467	3,145	5,946	-	12,558
- booked to income statement	3,467	X	-	-	3,467
- booked to equity	-	3,145	5,946	-	9,091
B4. Transfers from other asset portfolios	-	-	-	-	-
B5. Other changes	58,475	1,611	2,429	-	62,515
C. Decreases	**6,190,082**	**98,629**	**40,603**	**131**	**6,329,445**
C1. Sales	6,160,428	62,887	20,902	-	6,244,217
C2. Redemptions	22,832	-	-	-	22,832
C3. Negative changes in fair value	961	14,969	6,614	-	22,544
C4. Impairment writedowns	821	20,773	13,078	-	34,672
- booked to income statement	821	20,502	13,078	-	34,401
- booked to equity	-	271	-	-	271
C5. Transfers to other asset portfolios	-	-	-	-	-
C6. Other changes	5,040	-	9	131	5,180
D. Closing balance	**4,471,223**	**343,404**	**479,409**	**27,023**	**5,321,059**

The positive and negative changes in fair value in lines B2. and C3. include the net changes in fair value (positive by euro 111,523 thousand) referring to the securities that are subject to micro hedging, recorded under “Net hedging gains (losses)” (line item 90 in the income statement).

“Write-backs - recognised in the income statement” of line B3. and “Impairment write-downs” in line C4. refer to write backs and impairment losses recognised under IAS 39 on some of the financial instruments held by the Group.

“Other changes” in lines B5. and C6. report the profits and losses respectively arising on reimbursement/disposal of financial assets available for sale, recognised in “Gains (losses) on disposal or repurchase” (income statement line item 100) along with the reversal to income of the related “Valuation reserves” from equity. The same lines include the differentials between opening and closing issue discounts, the differentials between the initial and closing coupons and the adjustment for amortised cost relating to the year recognised in the income statement as a reduction from coupon interest income.

SECTION 5

Financial assets held to maturity – Line item 50

5.1 Financial assets held to maturity: breakdown by type

Items/ Amounts	31/12/2014				31/12/2013			
	BV	FV			BV	FV		
		L1	L2	L3		L1	L2	L3
1. Debt securities	43,374	-	44,153	-	48,606	50,118	-	-
- structured	-	-	-	-	-	-	-	-
- other	43,374	-	44,153	-	48,606	50,118	-	-
2. Loans	-	-	-	-	-	-	-	-

Key:
FV = fair value
BV = Book value

5.2 Financial assets held to maturity: breakdown by debtor/issuer

Items/Amounts	31/12/2014	31/12/2013
1. Debt securities	**43,374**	**48,606**
a) Governments and Central Banks	-	-
b) Other public entities	-	-
c) Banks	38,251	38,409
d) Other issuers	5,123	10,197
2. Loans	**-**	**-**
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other issuers	-	-
Total	**43,374**	**48,606**
Total *Fair Value*	**44,153**	**50,118**

5.3 Financial assets held to maturity with micro hedges

The Group does not have any financial assets held to maturity with micro hedges.

5.4 Financial assets held to maturity: changes during the year

	Debt securities	Loans	**Total**
A. Opening balance	**48,606**	**-**	**48,606**
B. Increases	**-**	**-**	**-**
B1. Purchases	-	-	-
B2. Writebacks	-	-	-
B3. Transfers from other asset portfolios	-	-	-
B4. Other changes	-	-	-
C. Decreases	**5,232**	**-**	**5,232**
C1. Sales	-	-	-
C2. Redemptions	5,000	-	5,000
C3. Adjustments	-	-	-
C4. Transfers to other asset portfolios	-	-	-
C5. Other changes	232	-	232
D. Closing balance	**43,374**	**-**	**43,374**

"Other changes" in line C5. indicate the differential between opening and closing coupons.

SECTION 6

Loans and advances to banks – Line item 60

6.1 Loans and advances to banks: breakdown by type

Type of transaction/Amounts	31/12/2014				31/12/2013			
	Book value	*Fair value*			Book value	*Fair value*		
		L1	L2	L3		L1	L2	L3
A. Deposits with central banks	**205,203**				**428,759**			
1. Time deposits	-	X	X	X	-	X	X	X
2. Compulsory reserve	205,203	X	X	X	428,759	X	X	X
3. Repurchase agreements	-	X	X	X	-	X	X	X
4. Other	-	X	X	X	-	X	X	X
B. Loans and advances to banks	**2,049,724**				**2,365,241**			
1. Loans:								
1.1 Current accounts and sight deposits	398,947	X	X	X	246,107	X	X	X
1.2. Time deposits	15,270	X	X	X	56,155	X	X	X
1.3 Other loans	1,613,338	X	X	X	1,984,142	X	X	X
- Repurchase agreements	600,001	X	X	X	1,033,030	X	X	X
- Finance leases	-	X	X	X	-	X	X	X
- Other	1,013,337	X	X	X	951,112	X	X	X
2. Debt securities	22,169				78,837			
2.1 Structured securities	-	X	X	X	-	X	X	X
2.2 Other debt securities	22,169	X	X	X	78,837	X	X	X
Total	**2,254,927**	**-**	**21,426**	**2,262,052**	**2,794,000**	**-**	**68,076**	**2,715,162**

Net impaired loans to banks amount to Euro 298 thousand at 31 December 2014, all of which relate to a loan to a Russian bank, classified as non-performing.

Line A.2. shows the balance of the "management account" with Bank of Italy and includes the reserve subject to maintenance and the "mobilisable" part of this reserve of the Parent Bank and subsidiary Banks.

Line B.1.1.3 refers (euro 48,480 thousand) to guarantee deposits made as part of transactions in certain securitisations originated by Group. This line also includes operating receivables from banks for the performance of financial services.

For the determination of the fair value of loans and advances to banks, please see the previous Section A.4 - "Information about fair value".

6.2 Loans and advances to banks with micro hedges

There are no loans and advances to banks with micro hedges.

6.3 Finance leases

There are no finance leases with banks.

SECTION 7

Loans and advances to customers – Line item 70

7.1 Loans and advances to customers: breakdown by type

Type of transaction/ Amounts	31/12/2014						31/12/2013					
	Book value			Fair value			Book value			Fair value		
	Performing loans	Impaired loans		Livello 1	Livello 2	Livello 3	Performing loans	Impaired loans		Livello 1	Livello 2	Livello 3
		Purchased	Other					Purchased	Other			
Loans												
1. Current accounts and sight deposits	3,855,007	-	915,922	X	X	X	4,025,015	-	902,826	X	X	X
2. Repurchase agreements	606,983	-	-	X	X	X	2,251,189	-	-	X	X	X
3. Mortgages	14,689,765	-	2,664,261	X	X	X	15,575,202	-	2,419,326	X	X	X
4. Credit cards, personal loans and assignments of one-fifth of salary	511,082	-	18,337	X	X	X	530,725	-	19,917	X	X	X
5. Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
7. Other loans	3,767,861	-	594,244	X	X	X	4,225,152	-	561,955	X	X	X
Debt securities												
8. Structured securities	15,916	-	4,382	X	X	X	15,583	-	4,172	X	X	X
9. Other debt securities	462,675	-	4,201	X	X	X	357,442	-	4,202	X	X	X
Total	**23,909,289**	**-**	**4,201,347**	**-**	**315,616**	**29,715,704**	**26,980,308**	**-**	**3,912,398**	**-**	**178,949**	**32,544,327**

Loans and advances to customers are reported in the financial statements at amortised cost, less specific and portfolio write-downs recognised in accordance with IAS 39.

The item includes euro 7,351.2 million (euro 7,372.6 million at 31 December 2013), of which impaired assets amounting to euro 309.5 million (euro 268.8 million at 31 December 2013), in assets sold but not derecognised relating to the mortgages sold as part of the certain securitisations originated by Group which, since they do not satisfy the IAS 39 requirements for derecognition, have been "reinstated" in the financial statements.

"Other loans" in line 7. report euro 131.8 million for the difference between the reinstatement of assets sold under the "Piazza Venezia MBS" self-securitisations and the accompanying elimination of the corresponding liabilities for the asset-backed securities subscribed under these loans. The same line also includes operating receivables from customers for the performance of financial services and guarantee deposits carried out within the scope of certain securitisations originated by the Group.

For the determination of the fair value of loans and advances to customers, please see the previous Section A.4 - "Information about fair value".

7.2 Loans and advances to customers: breakdown by debtor/issuer

Type of transaction/Amounts	31/12/2014			31/12/2013		
	Performing loans	Impaired loans		Performing loans	Impaired loans	
		Purchased	Other		Purchased	Other
1. Debt securities	**478,591**	**-**	**8,583**	**373,025**	**-**	**8,374**
a) Governments	-	-	-	-	-	-
b) Other public entities	-	-	-	-	-	-
c) Other issuers	478,591	-	8,583	373,025	-	8,374
- non-financial companies	61,692	-	4,382	15,544	-	4,172
- financial companies	416,899	-	4,201	357,481	-	4,202
- insurance companies	-	-	-	-	-	-
- other	-	-	-	-	-	-
2. Loans to:	**23,430,698**	**-**	**4,192,764**	**26,607,283**	**-**	**3,904,024**
a) Governments	4	-	-	4	-	-
b) Other public entities	49,575	-	50,436	40,840	-	53,291
c) Other issuers	23,381,119	-	4,142,328	26,566,439	-	3,850,733
- non-financial companies	12,110,768	-	3,096,747	14,010,410	-	2,764,017
- financial companies	1,565,436	-	98,891	3,129,781	-	68,980
- insurance companies	14,949	-	-	11,211	-	581
- other	9,689,966	-	946,690	9,415,037	-	1,017,155
Total	**23,909,289**	**-**	**4,201,347**	**26,980,308**	**-**	**3,912,398**

7.3 Loans and advances to customers with micro hedges

The Group, in order to contain/reduce exposure to the interest rate risk of the value of the banking book, activated hedges of the cash flows of some portfolios of floating rate mortgages linked to the three-month Euribor, for a total amount of euro 2,550 million at 31 December 2014. At the same date, moreover, hedges of fixed rate mortgages and of floating rate mortgages with maximum rate were implemented for a total amount of euro 929 million.

7.4 Finance leases

There are no finance leases with customers.

SECTION 8

Hedging derivatives – Line item 80

8.1 Hedging derivatives: analysis by type of hedge and level

	Fair Value 31/12/2014			NV	*Fair Value* 31/12/2013			NV
	L1	L2	L3	31/12/2014	L1	L2	L3	31/12/2013
A. Financial derivatives	**-**	**97,860**	**-**	**6,242,575**	**-**	**74,934**	**-**	**4,148,652**
1) Fair value	-	44,690	-	1,142,575	-	70,026	-	1,898,652
2) Cash flows	-	53,170	-	5,100,000	-	4,908	-	2,250,000
3) Foreign investments	-	-	-	-	-	-	-	-
A. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**97,860**	**-**	**6,242,575**	**-**	**74,934**	**-**	**4,148,652**

KEY:
NV: notional value
L1: Level 1
L2: Level 2
L3: Level 3

This line item reports derivatives with a positive fair value, taken out to hedge interest rate risk relating to specific fixed-rate and floating-rate with maximum rate mortgage books recorded under "Loans and advances to customers" and individual own bond issues classified as "Debt securities in issue". This line item also reports derivatives with a positive fair value, taken out to hedge cash flows relating to specific floating-rate mortgage books recorded under "Loans and advances to customers".

The underlying assets of cash flow hedging derivatives for mortgages refer both to interest rate swaps and to the related swaption collars that enable to limit the consequences of any sudden changes in the interest rate curve.

8.2 Hedging derivatives: analysis by hedged portfolio and type of hedge

Transactions/ Type of hedge	*Fair value*						Cash flows		Foreign investments
	Micro					Macro	Micro	Macro	
	Interest rate risk	Exchange risk	Credit risk	Price risk	Multiple risk				
1. Financial assets available for sale	-	-	-	-	-	X	-	X	X
2. Loans and advances	11,185	-	-	X	-	X	53,170	X	X
3. Financial assets held to maturity	X	-	-	X	-	X	-	X	X
4. Portfolio	X	X	X	X	X	-	X	-	X
5. Other transactions	-	-	-	-	-	X	-	X	-
Total assets	**11,185**	**-**	**-**	**-**	**-**	**-**	**53,170**	**-**	**-**
1. Financial liabilities	33,505	-	-	X	-	X	-	X	X
2. Portfolio	X	X	X	X	X	-	X	-	X
Total liabilities	**33,505**	**-**	**-**	**X**	**-**	**-**	**-**	**-**	**X**
1. Expected transactions	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	-	X	-	-

To represent the aforesaid hedging transactions, the Group opted for the "Micro Fair Value Hedge" accounting model for those relating to own-issue bonds and to investments in government bonds, while it used the "Macro Fair Value Hedge" model for those relating to mortgage loans, with the consequent recognition of the revaluations of the hedged assets in Asset line item 90 "Remeasurement of financial assets backed by macro hedges".

SECTION 9

Remeasurement of financial assets backed by macro hedges – Line item 90

9.1 Remeasurement of hedged assets: analysis by hedged portfolio

Type of transaction/Amounts	31/12/2014	31/12/2013
1. Positive fair value	**98,389**	**61,056**
1.1 in specific portfolios:	98,389	61,056
a) loans and advances	98,389	61,056
b) financial assets available for sale	-	-
1.2 aggregate	-	-
1. Negative fair value	**(10,942)**	**(22,992)**
1.1 in specific portfolios:	(10,942)	(22,992)
a) loans and advances	(10,942)	(22,992)
b) financial assets available for sale	-	-
1.2 aggregate	-	-
Total	**87,447**	**38,064**

This line item reports fair value changes in fixed-rate mortgages and floating-rate mortgages with maximum rates classified as "Loans and advances to customers" that are hedged by Interest Rate Swaps and Interest Rate Caps in order to limit/reduce exposure to interest rate risk of the banking book value.

The Group has selected Macro Fair Value Hedging as the accounting method for representing these hedges in the financial statements. Consequently, the re-measurement of hedged assets in compliance with IAS 39 is reported in this line item, with the matching entry recognised in "Net hedging gains (losses)" (income statement line item 90), together with the results of measuring the associated hedging derivatives.

9.2 Assets backed by macro hedges of interest rate risk

Hedged assets	31/12/2014	31/12/2013
1. Loans and advances	1,060,373	935,466
2. Financial assets available for sale	-	-
3. Portfolio	-	-
Total	**1,060,373**	**935,466**

The amounts shown in the table above refer to the remaining balance of principal due to expire of the hedged assets.

SECTION 10

Equity investments – Line item 100

10.1 Equity investments: disclosures

Name	Registered Office	Headquarters	Type of relationship	Type of investment Holder	 Held %	Voting rights %
A. Associated companies subject to significant influence						
B. Firms under significant influence						
1. SOCIETA' CATTOLICA DI ASSICURAZIONE S.c.p.a. Capital stock euro 522,881,778 in shares of par value euro 3.00	VERONA	VERONA	2	B. Pop. Vicenza	15.07	1
2. CATTOLICA LIFE Ltd Capital stock euro 634,850 in shares of par value euro 1.00	DUBLINO	DUBLINO	2	B. Pop. Vicenza	40.00	40.00
3. BERICA VITA S.p.a. Capital stock euro 31,000,000 in shares of par value euro 10.00	VICENZA	VICENZA	2	B. Pop. Vicenza	40.00	40.00
4. ABC ASSICURA SpA Capital stock Euro 8,925,000 in shares of par value Euro 0.51	VERONA	VERONA	2	B. Pop. Vicenza	40.00	40.00
5. SAN MARCO S.r.l. Capital stock euro 15,080 in shares of par value euro 1.00	CORTINA D'AMPEZZO (BL)	CORTINA D'AMPEZZO (BL)	2	B. Pop. Vicenza	46.00	46.00
6. POPOLARE VICENZA ASSESSORIA E CONSULTORIA Ltda [1] Capital stock R$ 23,000 in shares of par value R$ 1.00	SAN PAOLO DEL BRASILE	SAN PAOLO DEL BRASILE	2	B. Pop. Vicenza	99.00	99.00
SEC SERVIZI S.c.p.a. Capital stock euro 25,000,000 in shares of par value euro 1.00	PADOVA	PADOVA	2	B. Pop. Vicenza B.Nuova Farbanca Prestinuova	47.95 1.66 0.10 0.10	47.95 1.66 0.10 0.10
8. Giada Equity Fund Equity euro 75,000,000 in shares of par value euro 250,000	TREVISO	TREVISO	2	B. Pop. Vicenza	56.67	56.67
9. Teplast S.p.a. Equity euro 516,000 in shares of par value euro 5.16	VICENZA	VICENZA	2	Nem Imprese	35.00	35.00

10. Boato Holding S.p.a. Equity euro 5,600,000 in share of per value euro 1	BOLOGNA	BOLOGNA	2	Nem Imprese	25.00	25.00
11. Corvallis Holding S.p.a. Equity euro 6,195,000 in share of per value euro 1	PADOVA	PADOVA	2	Nem Imprese II	43.50	43.50
12. Orogroup S.p.a. Equity euro 4,553,500 in share of per value euro 1	PADOVA	PADOVA	2	Nem Imprese II	42.90	42.90
13. Doreca S.p.a. Equity euro 14,750,000 in share of per value euro 1	ROMA	ROMA	2	Nem Imprese II	13.60	13.60
14. Energon Esco S.p.a. in share of per value euro 1	MODENA	MODENA	2	Nem Imprese II	37.00	37.00
Equity euro 1,000,000 in share of per value euro 1						
15. Meta-Fin S.p.a. Equity euro 17,428,520 in share of per value euro 1	REGGIO EMILIA	REGGIO EMILIA	2	Nem Imprese II	16.00	16.00
16. Braccialini S.p.a. Equity euro 1,000,000 in share of per value euro 1	FIRENZE	FIRENZE	2	Industrial Opportunity Fund	22.22	22.22
17. Magazzini Generali Merci e Derrate S.p.a. Equity euro 1,241,317 in share of per value euro 5.17	VERONA	VERONA	2	B. Pop. Vicenza	25.00	25.00

(1) Though 99%-owned, the company was carried at cost in consideration of its immaterial nature with respect to the values in the Group's consolidated financial statements.

The equity interest percentage shown also reflects the voting rights at stockholders' meetings, except in the case of Società Cattolica di Assicurazione S.c.p.a., under whose by-laws each member has just one vote regardless of the size of holding (principle of "per capita voting").

At 31 December 2014 the equity investment held in the company Magazzini Generali Merci e derrate S.p.a. in liquidation was fully written down. Said equity investment is classified among non-performing exposures.

The scope of consolidation does not include any investments in companies under joint control.

10.2 Significant equity investments: book value, fair value and collected dividends

Name	Book Value	*Fair Value*	Dividends received
A. Associated companies subject to significant influence			
B. Firms under significant influence			
1. Società Cattolica di Assicurazione S.c.p.a.	396,065	150,260	3,813
Total	**396,065**	**150,260**	**3,813**

There are no equity investments in companies under joint control.

10.3 Significant equity investments: accounting information

Name	Cash and cash balances	Financial assets	Non financial assets	Financial liabilities	Non financial liabilites	Total earnings	Net interest income
A. Associated companies subject to significant influence							
B. Firms under significant influence							
1. Società Cattolica di Assicurazione SCpA	X	16,534,130	2,851,639	1,728,602	16,096,404	4,721,859	X

Denominazioni	Net losses / recoveries on impairment	Total profit or loss before tax from continuing operations	Total profit or loss after tax from continuing operations	Profit (Loss) after tax from discontinued operations	Net profit or loss for the year (1)	Other comprehensive income after tax (2)	Comprehensive income (3) = (1) + (2)
A. Associated companies subject to significant influence	-	-	-	-	-	-	-
B. Firms under significant influence							
1. Società Cattolica di Assicurazione SCpA	X	173,039	64,192	-	64,192	12,840	77,032

The amounts in the table refer to the consolidated financial statements at 31 December 2013. Net income and equity refer only to the part attributable to the Parent Bank.

10.4 Non significant equity investments: accounting information

Name	Investments' book value	Total assets	Total liabilities	Total earnings	Total profit or loss after tax from continuing operations	Profit (Loss) after tax from discontinued operations	Net profit or loss for the year (1)	Other	Other comprehensive income after tax (3) = (1) + (2)
A. Associated companies subject to significant influence	-	-	-	-	-	-	-	-	-
B. Firms under significant influence									
1. Cattolica Life Ltd	9,588	861,597	839,734	208,953	1,592	-	1,591,970	-	1,591,970
2. Berica Vita S.p.a.	33,762	1,358,597	1,138,233	367,384	11,386	-	11,386	-	11,386
3. ABC Assicura S.p.a.	5,047	59,168	47,985	17,453	1,385	-	1,385	-	1,385
4. Magazzini Generali Merci e Derrate S.p.a.	-	8,403	7,967	949	(1,827)	-	(1,827)	-	(1,827)
5. San Marco S.r.l.	154	20,405	19,414	912	73	-	73	-	73
6. Popolare di Vicenza Assessoria e Consultoria Ltda	10	66	53	363	-	-	-	-	-
7. Sec Servizi S.c.p.a.	12,767	67,971	42,340	134,015	-	-	-	-	-
8. Giada Equity Fund	4,667	10,046	60	316	(1,685)	-	(1,685)	-	(1,685)
9. Teplast S.p.a.	2,835	17,944	14,006	21,775	(120)	-	(120)	-	(120)
10. Boato Holding S.p.a.	1,478	18,311	9,708	-	(156)	-	(156)	-	(156)
11. Corvallis Holding S.p.a.	5,120	9,854	1,225	-	26	-	26	-	26
12. Orogroup S.p.a.	2,302	20,009	13,045	651	(409)	-	(409)	-	(409)
13. Doreca S.p.a.	2,786	206,061	151,516	192,147	(11,057)	-	(11,057)	-	(11,057)
14. Energon Esco S.p.a.	3,000	-	-	4,528	-	-	-	-	-
15. Meta-Fin S.p.a.	12,500	8,872	5,075	-	2,553	-	2,553	-	2,553
16. Braccialini S.p.a.	2,776	59,955	44,045	68,282	(501)	-	(501)	-	(501)

10.5 Equity investments: changes during the year

	31/12/2014	31/12/2013
A. Opening balance	**384,967**	**350,472**
B. Increases	120,485	61,144
B.1 Purchases	91,126	22,584
B.2 Writebacks	-	-
B.3 Revaluations	-	-
B.4 Other changes	29,359	38,560
C. Decreases	**10,595**	**26,649**
C.1 Sales	-	10
C.2 Adjustments	5,309	-
C.3 Other changes	5,286	26,639
D. Closing balance	**494,857**	384,967
E. Total revaluations	-	-
F. Total adjustments	**26,112**	**20,803**

"Purchases" reported in line B.1 refer to:

- euro 75,626 thousand for the subscription of the capital increase resolved by Società Cattolica di Assicurazione S.c.p.a. within the limit of the Group's pre-emptive share;
- euro 15,500 thousand for the acquisition of interest by the Fund Nem Imprese II in the companies Energon Esco S.p.a. (Euro 3,000 thousand) and Meta-Fin S.p.a. (euro 12,500 thousand).

"Other changes" reported in lines B.4 and C.3 include the effects of equity accounting for companies over which significant influence is exercised.
"Other changes" in line C.3 also include a euro 644 divestment in the company Giada Equity Fund. In addition, the interest held in Interporto della Toscana Centrale S.p.a. dropped below the threshold of 20% subsequent to the Parent Bank's non-participation in the share capital increase that the investee carried out in 2013. Not recognising other elements that, pursuant to IAS 28, prove the existence of a significant influence over the company, for a value of euro 2,199 thousand, it was reclassified among "Financial assets available for sale".

"Adjustments" in line C.2 relating to the write-downs due to impairment losses, recorded in the income statement based on IAS 36, refer to:

- euro 681 thousand to the equity investment in San Marco S.r.l.;
- euro 2,190 thousand to the equity investment in Orogroup S.p.a. (owned by the Nem Imprese II Fund);
- euro 1,214 thousand to the equity investment in Doreca S.p.a. (owned by the Nem Imprese II Fund);
- euro 1,224 thousand to the equity investment in Braccialini S.p.a. (owned by the Industrial Opportunity Fund).

It should be pointed out that the information and parameters used to evaluate the equity investments are influenced by the uncertainty of the macroeconomic and market environment, which may evolve in unforeseen ways.

10.6 Judgements and assumptions used in determining the existence of joint control or significant influence

See Section 3 “Scope of consolidation and methodology” in Part A of these Explanatory Notes.

10.7 Commitments relating to equity investments in companies under joint control

There are no equity investments in companies under joint control.

10.8 Commitments relating to equity investments in companies subject to significant influence

There are no commitments worthy of disclosure relating to equity investments in companies subject to significant influence.

10.9 Significant restrictions

There are no significant restrictions relating to equity investments in companies subject to significant influence.

10.10 Other information

There is no other information worthy of disclosure.

SECTION 11

Technical reserves borne by reinsurers – Line item 110

This Section is not relevant.

SECTION 12

Property, plant and equipment – Line item 120

12.1 Property, plant and equipment used for business purposes: analysis of assets carried at cost

Attività / Valori	31/12/2014	31/12/2013
1. Owned asstes	**478,265**	**473,319**
a) land	78,078	75,693
b) buildings	297,734	296,998
c) furniture	20,729	22,364
d) IT equipment	6,084	7,424
e) other	75,640	70,840
2. Purchased under finance leases	**11,414**	**11,790**
a) land	-	-
b) buildings	11,414	11,790
c) furniture	-	-
d) IT equipment	-	-
e) other	-	-
Total	**489,679**	**485,109**

Property, plant and equipment for business purposes are systematically depreciated in each year on a straight-line basis using rates that reflect the residual useful lives of the related assets.

The value of land associated with free-standing property has been separated from the value of the building and is not depreciated since it has an indefinite useful life, as do works of art.

12.2 Investment property: analysis of assets carried at cost

There is no investment property carried at cost.

12.3 Property, plant and equipment used for business purposes: analysis of the revalued assets

There is no revalued property, plant and equipment used for business purposes.

12.4 Investment property: analysis of assets carried at fair value

Attività/Valori	31/12/2014			31/12/2013		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. owned	**-**	**-**	**136,694**	**-**	**-**	**138,191**
a) land	-	-	27,461	-	-	27,461
b) buildings	-	-	109,233	-	-	110,730
2. Purchased under finance leases	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-
Total	**-**	**-**	**136,694**	**-**	**-**	**138,191**

Investment property is stated at the market value determined by independent appraisals, with changes in their fair value recorded in "net gains (losses) arising on fair value adjustments to property, plant and equipment and intangible assets" in the income statement. The above appraisals are updated on an annual basis, at 31 December of each year.

12.5 Property, plant and equipment used for business purposes: changes during the year

	Land	Buildings	Furniture	IT equipment	Other	Total
A. Opening gross amount	**75,693**	**399,001**	**109,824**	**84,154**	**165,185**	**833,857**
A.1 Total net reductions in value	-	90,213	87,460	76,730	94,345	348,748
A.2 Opening net amount	**75,693**	**308,788**	**22,364**	**7,424**	**70,840**	**485,109**
B. Increases	**2,385**	**11,298**	**3,071**	**2,327**	**9,584**	**28,665**
B.1 Purchases	2,385	10,890	3,070	2,327	9,558	28,230
- of which: business combination	-		450	362	51	863
B.2 Capitalized improvement expenditure	-	108	-	-	-	108
B.3 Writebacks	-	-	-	-	-	-
B.4 Fair value increases booked to:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive exchange rate adjustments	-	-	-	-	-	-
B.6 Transfers from investment property	-	300	-	-	-	300
B.7 Other changes	-	-	1	-	26	27
C. Decreases	**-**	**10,938**	**4,706**	**3,667**	**4,784**	**24,095**
C.1 Sales	-	-	6	1	51	58
C.2 Depreciation	-	10,938	4,690	3,666	4,729	24,023
C.3 Impairment writedowns booked to:						
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Fair value increases booked to:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange rate adjustments	-	-	-	-	-	-
C,6 Transfer to:	-	-	-	-	-	-
a) investment property						
b) assets held for sale	-	-	-	-	-	-
C.7 Other changes	-	-	10	-	4	14
D. Closing net amount	**78,078**	**309,148**	**20,729**	**6,084**	**75,640**	**489,679**
D.1 Total net reductions in value	-	101,151	92,150	80,396	99,074	372,771
D. Closing gross amount	**78,078**	**410,299**	**112,879**	**86,480**	**174,714**	**862,450**
E. Carried at cost	-	-	-	-	-	-

12.6 Investment property: changes during the year

	Total	
	Land	Buildings
A. Opening balance	**27,461**	**110,730**
B. Increases	**-**	**1,653**
B.1.Purchases	-	1,653
B.2 Capitalized improvement expenditure	-	-
B.3 Positive changes in fair value	-	-
B.4 Writebacks	-	-
B.5 Positive exchange rate adjustments	-	-
B.6 Transfers from property plant and equipment used for business purposes	-	-
B.7 Other changes	-	-
C. Decreases	**-**	**3,150**
C.1 Sales	-	-
C.2 Depreciation	-	-
C.3 Negative changes in fair value	-	2,850
C.4 Impairment writedowns	-	-
C.5 Negative exchange rate adjustments	-	-
C.6 Transfers to:	-	300
a) investment property	-	300
b) non-current assets held for sale	-	-
B.7 Other changes	-	-
D. Closing balance	**27,461**	**109,233**
E. Measurement at *fair value*	**-**	**-**

12.7 Commitments to purchase property, plant and equipment (IAS 16/74 c.)

There are no commitments at the reporting date for the purchase of property, plant and equipment that warrant disclosure.

SECTION 13

Intangible assets – Item 130

13.1 Intangible assets: analysis by type of asset

Assets/values	31/12/2014		31/12/2013	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	**X**	**329,862**	**X**	**927,362**
A.1.1 attributable to the group	X	329,862	X	927,362
A.1.2 attributable to minority interests	X	-	X	-
A.2 Other intangible assets	**17,950**	**-**	**20,371**	**-**
A.2.1 Carried at cost:	17,950	-	20,371	-
a) Other intangible assets: generated internally	-	-	-	-
b) Other assets	17,950	-	20,371	-
A.2.2 Carried at fair value:	-	-	-	-
a) Other intangible assets: generated internally	-	-	-	-
b) Other assets	-	-	-	-
Totall	**17,950**	**329,862**	**20,371**	**927,362**

With reference to line A.1 "Goodwill", the Group took up the option allowed by IFRS 1 on first-time adoption of IAS-IFRS by retaining at the transition date of 1.1.2004 the residual value of goodwill reported under Italian GAAP.
At 31 December 2014 this line comprises:

- euro 168,922 thousand in respect of the merger deficit arising following the merger by incorporation of the former subsidiary Cariprato S.p.a., which was absorbed into the Parent Bank in date 31 December 2010;
- euro 55,930 thousand in respect of the merger deficit arising following the merger by incorporation of the former subsidiary Banca Nuova S.p.a., which was absorbed into the Parent Bank in date 28 February 2011;
- euro 52,889 thousand representing the residual goodwill paid for the purchase of 46 bank branches from the Intesa Group during 2001;
- euro 36,000 thousand representing the residual goodwill paid to Banca AntonVeneta for the purchase of 30 branches in eastern Sicily at the end of 2004;
- euro 1,482 thousand from the merger deficit arising following the merger by incorporation of the former subsidiary BPVi Fondi SGR and deriving from the merger by incorporation of Verona Gestioni SGR S.p.a.;
- euro 6,223 thousand arising on consolidation of the subsidiary Farbanca S.p.a.;
- euro 4,121 thousand in goodwill paid to acquire a business unit from Banca Steinhauslin &C.;
- euro 1,619 thousand in goodwill paid to acquire the "Palermo Branch" business from Banca Popolare Commercio e Industria (UBI Group) on 1 March 2009;
- euro 176 thousand from the merger deficit arising following the merger by incorporation of the former subsidiary Nordest Merchant S.p.a.;
- euro 2,500 thousand in goodwill paid by the Parent Bank to acquire 16 branches from Cassa di Risparmio di Ferrara on 1 June 2014;

Since the carrying value of this goodwill represents an intangible asset with an indefinite useful life, it has been tested for impairment in accordance with IAS 36, which led to a write-down of the recorded goodwill by a total amount of euro 600,000 thousand (i.e., 64.7% thereof).

The results of these tests are discussed in the specific paragraph later on in this section.

"Other intangible assets" (line A.2) includes euro 12,578 thousand in intangibles identified as part of the purchase price allocation process relating to the acquisition of 61 branches from the UBI Group at the end of 2007. In fact, IFRS 3 states that the cost of a business combination (such as the acquisition of the 61 UBI branches) must be accounted for using the purchase method and that the price paid be allocated to the assets acquired and liabilities assumed as measured at their respective fair values. The "intangibles" which express the value of customer relationships acquired are being amortised over the period they are expected to benefit (the average life is estimated as 17 years for intangibles relating to individual customers and as 12 years for corporate customers, corresponding to the related retention rates). The annual amortisation charge is euro 1,646 thousand.

The other intangible assets classified in line A.2 "Other intangible assets" mainly refer to capitalised software and user licenses.

Disclosure about impairment testing of goodwill and intangible assets with an indefinite useful life (IAS 36, par. 134-137)

The following CGUs (Cash Generating Units) have been tested to verify the book value of their goodwill, goodwill arising on consolidation classified in goodwill, and goodwill arising on application of the equity method allocated to equity investments:

- Banca Popolare di Vicenza CGU (referring to the legal entity Banca Popolare di Vicenza, net of its equity investments and consequent effects on equity and income);
- Banca Nuova CGU (same as the legal entity);
- Farbanca CGU (same as the legal entity);
- Prestinuova CGU (same as the legal entity);
- Cattolica Life CGU (same as the legal entity);
- Cattolica Assicurazioni CGU.

For the purposes of identifying the CGUs with the individual legal entities, reference was made to the principles set out in IAS 36; the consistency of this decision was supported by the fact that the long-term and annual system of financial reporting to the Group's Board of Directors is organised by legal entity, that bank branches acquired in the past are now part of the individual banks, and that individual legal entities are given responsibility for achieving results.

The following table reports the value of goodwill allocated to the various CGUs and the equity differences recognised under Equity investments of the companies over which significant influence is exercised:

CGU	Goodwill arising on consolidation	Goodwill arising on application of the equity method
Banca Popolare di Vicenza	213,792	-
Banca Nuova	109,847	-
Farbanca	6,223	-
Cattolica Assicurazioni	-	94,045
Cattolica Life	-	2,121
ABC Assicura	-	417
Total	**329,862**	**96,583**

In general, the different valuation techniques fall into the following core categories:
- analytical methods (for determining value in use);
- market methods (for determining fair value).

Analytical methods

In compliance with recent valuation practice, the adoption of value in use as the measure for determining recoverable amount involves using methods based on estimating future income or cash flow, such as for example, the dividends that a CGU is able to produce in the future (Dividend Discount Model - DDM, with reference to "Excess Capital").

The Dividend Discount Model is a variation on the cash flow method. In particular, this method, in its "Excess Capital" variant, establishes that the economic value of a financial company is given by discounting a stream of dividends determined on the basis of minimum capital requirements dictated by the Supervisory Authority.

Value in use has therefore been determined using methods currently adopted by industry players (Dividend Discount Model for banks and consumer credit companies and earnings method for insurance companies).

Market methods

The two principal market methods are:
- the stock market quotations/market multiples method;
- the comparable transactions method

The stock market quotations/market multiples method is based on analysing listed companies similar to the one being valued and particularly the relationship between the market value of such companies and their statement of financial position and profit indicators.

The comparable transactions method adopts a similar approach to that of the market multiples method and involves analysing the relationship between prices reported for company/business acquisitions and the statement of financial position and profit indicators of such companies.

The multiples of Italian listed banks have been considerably volatile in recent years. In line with the impairment test carried out since 2008, fair value was not determined using stock market multiples.

With regard to the multiples for comparable transactions, in past years an extremely limited number of acquisitions of banks was carried out, hence, taking into account the changed macroeconomic scenarios as well, this parameter seems hardly significant. The value deriving from application of these multiples, taking as reference comparable transactions that took place in the September 2008 - June 2014 time interval, was nevertheless calculated, for complete disclosure. The values that would derive from application of the multiples for comparable transactions to the banking CGUs (BPVi, Banca Nuova and Farbanca) would exceed those obtained with the measurement deriving from value in use, but they were not utilised for the reason discussed above.

In view of the option provided by IAS 36, which prescribes that the book value of the CGU shall be compared with the higher amount between the value in use and the market/sale value, only the value in use was utilised, whereas the market value (fair value), though it was calculated, was not taken into consideration for the reasons set out above.

Analytical methods: recoverable value estimation and sensitivity analysis

The method adopted for determining value in use (specifically DDM), is based on constructing the economic-financial projections needed to determine the estimated dividends that the CGU is able to produce in the future.

The plan projections were made with reference to the Group's structure as at 31 December 2014. With reference to the annual impairment test on the sustainability of the value of goodwill recognised on both a consolidated and individual level in the financial statements of Banca Popolare di Vicenza, in relation to value in use, the income and financial projections of the years 2015-1019 were developed.

BPVi appointed PriceWaterhouseCoopers Advisory to carry out the impairment test activity on all the aforesaid CGUs. Additionally, a review was requested of the 2015-2019 projections according to the procedures set out in the International Standard on Assurance Engagements (ISAE) 3400 "The Examination of Prospective Financial Information" issued by the IFAC (International Federation of Accountants).

The decision to engage the services of a third party evaluator with reference to all CGUs is linked to the awareness of the importance of this process in addition to the results of a preliminary analysis that highlighted general impairment presumptions, which can be summarised in the persistence of a difficult macroeconomic environment and changes in the regulatory framework (including, among others, the introduction of Basel 3 and the move under European Supervision).
The Terminal Value was determined hypothesizing the 2019 net income, increased by 2% (long-term growth rate of the model) as the reference net income. Risk-weighted assets have also been determined assuming a 2% growth rate.

In an environment of uncertainty about the actual level of future capital targets with respect to Basel 3 minimum requirements, considering that from 4 November 2014 there has been a new Supervisory Authority, for impairment test purposes the minimum CET1 ratio has been set at 10.5% for the entire explicit period (2014-2019). For Terminal Value, the CET1 ratio has been maintained at 8% (as in 2013) with at Tier 1 at 8.5%. CET 1 at 8% is higher than the regulatory limits but consistent with the threshold ratio set by the Supervisory Authority for Comprehensive Assessment. As required by the accounting standards, the valuations have been tested for their sensitivity to changes in specific parameters in the economic and financial forecasts, in the cost of capital and in supervisory ratios (as cited above).

The aforesaid sensitivity analysis was then conducted on the valuation results with respect to the cost of capital – Ke (+/- 0.25%), the growth rate – g (+/- 0.25%), the change in the cost of credit (+/- 5 basis points) in 2019 and in the average annual growth rate in 2014/2019 of net interest and other banking income (+/- 0.5%), on the 2019 result (and hence on Terminal Value). Another sensitivity analysis was also conducted on all five years of the plan, assuming a minimum cost of risk of 0.7% and 1.0% for BPVi, 0.8% and 1.0% for Banca Nuova, 0.5% and 0.7% for Farbanca and 0.25% for Prestinuova.

Summary of the assumptions used for deriving terminal value:

CGU	Method of calculation of the terminal value	Growth rate (g)	Average discount rate
Banca Popolare di Vicenza	Steady state return	2.00%	8.5%
Banca Nuova	Steady state return	2.00%	8.0%
Farbanca	Steady state return	2.00%	8.0%
Prestinuova	Steady state return	2.00%	8.0%
Cattolica Assicurazioni	Steady state return	2.00%	7.6%
Cattolica Life	Steady state return	2.00%	8.7%

The average discount rate used was a cost of capital estimated on the basis of the Capital Asset Pricing Model (CAPM) according to the following formula:

Ke = i + ß * MRP

where:

i: risk free rate, assumed to be equal to the net return of ten-year Italian Treasury Notes at the date of assessment (average of six previous months, hence matching the 1 July 2014 - 31 December 2014 time interval);
ß: beta, determined as the average of the fluctuations, relative to market fluctuations, historically underwent by banking securities identified as comparable;
MRP: Market risk premium, i.e. the compensation for an investment whose risk exceeds the one expressed by a risk-free asset.

The factors determining cost of capital used for the various CGUs are shown in the following table:

	Gross free risk rate	Beta	*Risk premium*	Capital cost (KE)
CGU BPVi	2,4%	1,12	5.00%	8.0%(1)
CGU Banks	2,4%	1,12	5.00%	8.0%
CGU Prestinuova	2,4%	1,12	5.00%	8.0%
CGU Cattolica Assicurazioni	2,4%	1,03	5.00%	7.6%
CGU Cattolica Life	2,4%	1,26	5.00%	8.7%

(1) A cost of capital of 8.5% was used for the CGU BPVi.

With specific reference to the CGU BPVi, taking into account i) the uncertainty related to future capital targets with respect to Basel 3 minimum requirements, ii) the awareness that the macroeconomic environment, while partly recovering, is still weak in both size and rate, and iii) the latest forecast issued by Prometeia in February, the cost of capital was increased by 0.5%, bringing it up to 8.5% (compared to 8% calculated according to the method described above).

For completeness of information, it should be noted that the analysis was conducted with the cost of capital at 8.5% for the other bank CGUs as well; however, as the latter showed a value in use which also in this case was higher than the value to be tested, with irrelevant effects for impairment test purposes, 8.0% was left as reference ratio.

A "sum of the parts" valuation method was used for the Cattolica Assicurazioni CGU, aimed at considering both its stand-alone value and the value of synergies arising from the partnership agreement executed with the company. The value of the equity investment comprises:
- the equity value of Cattolica Assicurazioni, determined through the "value in use" using an Excess Capital Dividend Discount Model (DDM) principally based on data from the 2014-2017 business plan and on balance sheet data at 30 September 2014, with the pro-forma addition of the euro 499.4 million capital increase carried out on 4 December 2014, in which the BPVi Group participated for a total of euro 75.6 million;
- the net present value of revenue synergies by capitalizing to infinity the commission passed back to the BPVi Group on the placement of Protezione insurance products.

PWC assessed CGU Cattolica Life on the basis of the earnings method, using 30 September 2014 as the starting point, the preliminary budget figure for 2015 and the plan agreed upon with Cattolica Assicurazioni for the subsequent years, with expected earning prudentially reduced compared to the plan estimates set out in the 2012 agreement.

General approach used for making forecasts

When conducting the impairment tests for the 2014 financial statements, income and financial projections for the years 2015-2019 were developed.

The new income and financial projections were made with reference to the Group's structure as at 31 December 2014, and implementing, for the first year, the objectives of the 2015 budget and, for each year after that, the most recent estimates by Prometeia. These projections take into account a market rate scenario that is consistent with the forecast published by Prometeia for the 2015-2017 period (October 2014 Forecast Report) and the annual differentials implicit in the yield curve surveyed at the end of 2014, for the two subsequent years.

The assumptions for the operating volumes for the forecast years (2016-2019) are that:
- the commercial network loans will grow, taking into account the forecast by Prometeia, at a rate to be distinguished both in terms of segmentation and of technical form;
- the gross non-performing loans will grow slightly more than what Prometeia had forecasted for 2016 and 2017 (i.e. at +12.2% vs Prometeia's +7.2% in 2016 and +9.0% vs Prometeia's +5.3% in 2017), and a decreasing trend in the following two years period, with a growth rate of +6.8% growth rate plan, slightly higher than the more moderate rates indicated for the last year of forecast in the Report (+5.3% in 2017);
- the 2014-2017 CAGR of the stock of loans will be 1.7%, prudentially lower than Prometeia's forecast (CAGR +3.0%);
- the average change in direct deposits for the 2014-2017 period will be +3.0%, higher than the stability forecast by Prometeia (CAGR +0.0%). However, it should be noted that this growth, net of repurchase agreements with Cassa Compensazione e Garanzia (CCG), is around +0.3%, more in line with the indications contained in the Forecast Report.
- the 2014-2017 CAGR of indirect funding will be equal to 9.5%. This growth is supported not only by a market effect, but also by the commercial networks' continued effort to place products of the asset management and pension segments, even valuing the partnerships with Cattolica Assicurazioni and Arca, with a view to gradually filling the gap compared to peers in terms of productivity per employee. For this purposes, concomitantly with the revision of the operational segmentation for the 2015 budget, actions have already been implemented to strengthen the network of Affluent and Private client managers with the aim to develop the segment

With regard to income statement line items:
- net interest income was determined based on the expected growth of lending and deposit volumes. Rates and spreads were estimated on the basis of the rate scenario used. With specific reference to the so-called "on-demand items", the evolution takes into account the breakdown between parameterised fixed-rate components and the historical experience in terms of elasticity of the conditions applied to the customers with respect to market performance. As regards medium-long term issues, spreads were assumed to be in line with budget forecasts. By contrast, as concerns bond funding spreads were assumed to grow gradually, reflecting the need to ensure an adequate level of medium to long-term funding retail such as to fully cover the time interval of the Plan;
- as regards the movement of the securities portfolio, the budget level forecast for the end of 2015 was used as a reference value. It should be noted that the budget envisages the gradual reconstitution of the portfolio of Treasuries AFS during the first quarter of the year, with a total increase of euro 2.0 bn from the end of 2014, funded mainly through repurchase agreements with CCG. Additionally, compared to the end of 2014, investments in Government bonds (BOT) made at year end, amounting to euro 1 bn, will come to maturity.
- the evolution of net commissions was determined using as reference base the 2015 budget, which anticipates a significant improvement compared to 2014 (+21.6% vs Prometeia's +6%).

This evolution is influenced firstly by the elimination, from July 2014, of the expenses incurred for State guarantees on its bonds. Excluding this factor and the expenses paid to clients for securities lending and borrowing, net commissions are still expected to increase by +14.4%. This growth is mainly attributable to: increases related to the margin on assets under management, commissions on mini-bond and equity capital market transactions, revenues from foreign transaction services, para-banking activities and insurance for placement of a greater number of CPI policies as a consequence of the granting of a higher number of residential mortgage loans;

- concerning adjustments to Banca Popolare di Vicenza loans, with respect to the goal of the 2015 budget, a gradual convergence was assumed towards a cost of credit of approximately 0.6%, consistent with the analysts' forecasts for the Italian banking system (approximately 0.7% in 2017, the last available forecast year);
- payroll costs were estimated assuming that the number of employees would remain stable at the budgeted levels for late 2015 and a CAGR for 2014-2017 of +0.9% (Prometeia -0.1%);
- the other administrative costs record an overall CAGR for 2014-2017 of +1.0% (Prometeia -0.3%). This growth is due mainly to the new projects envisaged in the 2015 budget and to regulatory requirements;
- functional amortisation was determined assuming the inertial development of amortisation on assets existing in December 2014 and considering a level of investments for each year of the forecast time interval equal to the 2015 budget forecast minus any extraordinary items;
- income taxes were calculated according to current tax regulations.

When constructing the projections of individual CGUs, a check was conducted to verify that, at the consolidated level, the minimum capital ratios (CET1 ratios) of 11% were maintained.

With the full awareness that although the macroeconomic indicators are showing signs of partial recovery, there is still much uncertainty, as previously stated the results, as required by the accounting standards, have been tested for their sensitivity to changes in specific parameters in the economic and financial forecasts.

Impairment test results summary

For the purposes of testing intangible assets for impairment, all the CGUs express a value in use higher than the value to be tested even in the lower limit of the sensitivity analyses, with the exception of the Banca Popolare di Vicenza CGU.

In fact, the BPVi CGU expresses a value in use with a negative differential compared to the value to be tested, calculated on the basis of the parameters and methodologies described above, equal to euro 600 million.

This impairment loss was determined by applying a cost of capital (Ke) of 8.5%, increased by 0.5% compared to the cost of capital calculated according to the CAPM method used in previous years, in order to incorporate the uncertainties of the macroeconomic and regulatory environment.

In light of the above, sensitivity analyses were conducted taking as reference the Ke/g parameters only; these analyses showed a range of values with a differential compared to the value to be tested comprised between euro -724.2 million and euro -448.9 million.

However, the assessments were made particularly complex by the current macroeconomic and market environment, the new regulatory framework and standards, and the consequent difficulty and uncertainty tied to long-term income forecasts. Therefore, the information and parameters used for goodwill recoverability tests could evolve differently from the assumptions.

13.2 Intangible assets: changes during the year

	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total
		FIN	INDEF	FIN	INDEF	
A. Opening balance	**1,150,318**	**-**	**-**	**39,638**	**-**	**1,189,956**
A.1 Total net reductions in value	222,956	-	-	19,267	-	242,223
A.2 Opening net amount	**927,362**	**-**	**-**	**20,371**	**-**	**947,733**
B. Increases	**2,500**	**-**	**-**	**2,077**	**-**	**4,577**
B.1 Purchases	2,500	-	-	2,077	-	4,577
- of which: business combination	*2,500*	-	-	*661*	-	*3,161*
B.2 Increases in internally generated intangible assets	X	-	-	-	-	-
B.3 Writebacks	X	-	-	-	-	-
B.4 Fair value increases booked to:		-	-	-	-	-
a) equity	X	-	-	-	-	-
b) income statement	X	-	-	-	-	-
B.5 Positive exchange rate adjustments	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**600,000**	**-**	**-**	**4,498**	**-**	**604,498**
C.1 Sales	-	-	-	-	-	-
C.2 Adjustments	600,000	-	-	4,498	-	604,498
- Amortization	X	-	-	4,498	-	4,498
- Writedowns	600,000	-	-	-	-	600,000
+ equity	X	-	-	-	-	-
+ income statement	600,000	-	-	-	-	600,000
C.3 Fair value increases booked to:		-	-	-	-	-
a) equity	X	-	-	-	-	-
b) income statement	X	-	-	-	-	-
C.4 Transfers to discontinued operations due for disposal	-	-	-	-	-	-
C.5 Negative exchange rate adjustments	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Closing net amount	**329,862**	**-**	**-**	**17,950**	**-**	**347,812**
D.1 Total net value adjustments	822,956	-	-	23,765	-	846,721
E. Closing gross amount	**1,152,818**	**-**	**-**	**41,715**	**-**	**1,194,533**
F. Carried at cost	-	-	-	-	-	-

Key:
DEF: definite life INDEF: indefinite life

The opening balance of "Other intangible assets" does not include those assets which had been fully depreciated at the end of the prior year.

Intangible assets, except goodwill, are amortised systematically each year on a straight-line basis over their estimated useful lives.

The "Adjustments" of line C.2 refer to the impairment on the goodwill recognised in the income statement under "Adjustments to goodwill", for which please refer to the specific paragraph contained in this Section.

13.3 Other information

It is reported that:

- no intangible assets have been revalued under paragraph 124 b) of IAS 38;
- there are no intangible assets that have been acquired under government concession;
- no intangible assets have been given as security against the Bank's debts;
- there are no commitments for the purchase of intangible assets that warrant disclosure;
- there are no intangible assets under finance leases.

As for the allocation of goodwill between cash-generating units, reference should be made to the information contained in the specific paragraph earlier in the present section.

SECTION 14

Tax assets and liabilities – Asset line item 140 and Liability line item 80

14.1 Deferred tax assets: breakdown

Deferred tax assets	31/12/2014	31/12/2013
Deferred tax assets through the income statement	**769,201**	**450,042**
- Tax losses	8,507	-
- of which DTA convertible Law 214/2011	8,507	-
- Goodwill subject to impairment and franking	335,454	234,296
- of which DTA convertible Law 214/2011	335,454	234,296
- Adjustments to loans to customers	392,057	191,894
- of which DTA convertible Law 214/2011	390,474	190,290
- Taxed provisions for risks and charges	18,789	14,422
- Other	14,394	9,430
Deferred tax assets through equity	**97,878**	**75,253**
- Revalutations of financial asset available for sale	26,418	54,238
- Hedging derivatives (CFH)	68,036	20,520
- Actuarial variations of defined benefit pension plans	1,914	-
- Other	1,510	495
Total	**867.079**	**525.295**

14.2 Deferred tax liabilities: breakdown

Deferred tax liabilities	31/12/2014	31/12/2013
Deferred tax liabilities through the income statement	**43,563**	**120,019**
- Goodwill (depreciation)	12,188	93,137
- Gains in installments	5,077	1,568
- Other	26,298	25,314
Deferred tax liabilities through equity	**136,765**	**21,514**
- Revalutations of financial asset available for sale	100,084	11,054
- Revalutation of Hedging derivatives cash flow hedge	28,548	2,327
- Actuarial variations of defined benefit pension plans	-	-
- Other	8,133	8,133
Total	**180,328**	**141,533**

14.3 Change in deferred tax assets (through the income statement)

	31/12/2014	31/12/2013
1. Opening balance	**450,042**	**351,824**
2. Increases	**378,153**	**128,049**
2.1 Deferred tax assets recorded during the year	375,294	127,976
a) relating to prior years	938	930
b) due to changes in accounting policies	-	-
c) writebacks	-	-
d) other	374,356	127,046
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	2,859	73
3. Decreases	**58,994**	**29,831**
3.1 Deferred tax assets reversing during the year	53,958	28,749
a) reversals	53,958	28,749
b) written down as no longer recoverable	-	-
c) due to changes in accounting policies	-	-
d) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	5,036	1,082
a) transformation in tax credits pursuant to Law 214/2011	4,468	-
b) other	568	1,082
4. Closing balance	**769,201**	**450,042**

14.3.1 Change in deferred tax assets per Italian Law 214/2011 (through the income statement)

	31/12/2014	31/12/2013
1. Opening balance	**424,586**	**286,422**
2. Increases	**357,505**	**154,941**
3. Decreases	**47,656**	**16,777**
3.1 Reversals	42,917	16,777
3.2 Trasformation in tax credits	4,468	-
a) resulting from operating losses	4,468	-
b) arising from tax losses	-	-
3.3 Other decreases	271	-
4. Closing balance	**734,435**	**424,586**

14.4 Change in deferred tax liabilities (through the income statement)

	31/12/2014	31/12/2013
1. Opening balance	**120,019**	**106,338**
2. Increases	**21,010**	**16,225**
2.1 Deferred tax liabilities recorded during the year	16,220	16,223
a) relating to prior years	-	-
b) due to changes in accounting policies	-	-
c) other	16,220	16,223
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	4,790	2
3. Decreases	**97,466**	**2,544**
3.1 Deferred tax liabilities eliminated during the year	97,464	1,574
a) reversals	97,464	1,574
b) due to changes in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	2	970
4. Closing balance	**43,563**	**120,019**

14.5 Change in deferred tax assets (through equity)

	31/12/2014	31/12/2013
1. Opening balance	**75,253**	**134,539**
2. Increases	**69,461**	**24,798**
2.1 Deferred tax assets recorded during the year	69,461	24,724
a) relating to prior years	-	-
b) due to changes in accounting policies	-	-
c) other	69,461	24,724
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	74
3. Decreases	**46,836**	**84,084**
3.1 Deferred tax assets reversing during the year	46,119	84,084
a) reversals	46,114	84,084
b) written down as no longer recoverable	-	-
c) due to changes in accounting policies	-	-
d) other	5	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	717	-
4. Closing balance	**97,878**	**75,253**

14.6 Change in deferred tax liabilities (through equity)

	31/12/2014	31/12/2013
1. Opening balance	**21,514**	**30,176**
2. Increases	**120,950**	**6,402**
2.1 Deferred tax liabilities recorded during the year	120,900	6,383
a) relating to prior years	-	-
b) due to changes in accounting policies	-	-
c) other	120,900	6,383
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	50	19
3. Decreases	**5,699**	**15,064**
3.1 Deferred tax liabilities eliminated during the year	5,657	14,288
a) reversals	5,657	14,288
b) due to changes in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	42	776
4. Closing balance	**136,765**	**21,514**

14.7 Other information

	31/12/2014	31/12/2013
Tax assets - current	81,437	45,216
Total	**81,437**	**45,216**

In compliance with the Bank of Italy Circular no. 262 of 22 December 2005 as amended, "Tax assets" (asset line item 140) and "Tax liabilities" (liability line item 80) in the statement of financial position only include those tax assets and liabilities (current and deferred) recognised in accordance with IAS 12 (governing income taxes), while other tax credit/debit balances are reported in "Other assets" (asset line item 160) and "Other liabilities" (liability line item 100) of the statement of financial position.

In compliance with IAS 12, payments on account for individual taxes have been offset against the related tax payable, with net positive balances reported as "Tax assets: current" and net negative balances as "Tax liabilities: current".

SECTION 15

Non-current assets held for sale and discontinued operations and associated liabilities – Asset line item 150 and liability line item 90

This Section has not been completed since the Group does not have any non-current assets held for sale and discontinued operations and associated liabilities within the meaning of IFRS 5.

SECTION 16

Other assets – Line item 160

16.1 Other assets: breakdown

	31/12/2014	31/12/2013
1. Miscellaneous debits in transit	14,069	15,789
2. Miscellaneous security transactions	605	3,757
3. Amounts recorded on the last day of the year	207,108	42,978
4. Checks drawn on third parties sent for collection	11,042	20,685
5. Adjustments to non-liquid portion of notes discounted with recourse	-	99,814
6. Accrued income and prepaid expenses not allocated to specific accounts	4,604	3,450
7. Leasehold improvements	14,275	17,724
8. Items awaiting allocation	757	762
9. Other fiscal items	67,960	46,836
10. Other miscellaneous items	43,887	51,905
11. Differences on elimination	1,304	5,012
Total	**365.611**	**308.712**

"Leasehold improvements" consist of improvement expenditure that cannot be separated from the assets themselves, meaning that it cannot be separately recognised in property, plant and equipment. These costs are amortised over the period they are expected to benefit or the residual duration of the lease, whichever is shorter.

"Amounts recorded on the last day of the year" refer to items almost all of which settled in the first few days of the new year.

Tax liabilities in the table below, in compliance with the Bank of Italy Circular no. 262 of 22 December 2005, as amended, report the tax liabilities that do not fall under the scope of IAS 12 (governing income taxes).

LIABILITIES AND EQUITY

SECTION 1

Due to banks – Line item 10

1.1 Due to banks: breakdown by type

Type of transaction/Members of the group	31/12/2014	31/12/2013
1. Due to central banks	**1,749,074**	**3,344,626**
2. Due to other banks	**3,008,774**	**3,708,837**
2.1 Current accounts and sight deposits	594,794	860,310
2.2 Time deposits	428,115	482,997
2.3 Loans	1,613,863	2,248,933
2.3.1 repurchase agreements	1,194,330	1,771,146
2.3.2 other	419,533	477,787
2.4 Payables for commitments to repurchase own equity instruments	-	-
2.5 Other payables	372,002	116,597
Total	**4,757,848**	**7,053,463**
Fair value - level 1	-	-
Fair value - level 2	-	-
Fair value - level 3	**4,750,199**	**7,008,517**
Total Fair value	**4,750,199**	**7,008,517**

Line item 1. “Due to central banks” includes the Target Longer Term Refinancing Operations – TLTRO completed with the ECB, totalling Euro 1,249 million.

Line 2.3.1 also includes funding “repurchase agreements” using securities obtained under lending “repurchase agreements”.

For the determination of the fair value of due to banks, please see Section A.4 - “Information about fair value”.

1.2 Details of the Line item 10 "Due to banks": subordinated debt

There is no subordinated debt with banks.

1.3 Details of line item 10 "Due to banks": structured debt

There is no structured debt with banks.

1.4 Due to banks with micro hedges

There are no amounts due to banks with micro hedges.

1.5 Finance lease payables

There are no finance leases with banks.

SECTION 2

Due to customers – Line item 20

2.1 Due to customers: breakdown by type

Type of transaction/Members of the group	31/12/2014	31/12/2013
1. Current accounts and sight deposits	13,963,241	13,185,015
2. Time deposits	2,578,264	3,932,074
3. Loans	2,437,714	2,825,667
3.1 repurchase agreements	1,760,085	2,478,300
3.2 other	677,629	347,367
4. Payables for commitments to repurchase own equity instruments	-	-
5. Other payables	3,178,440	3,049,958
Total	**22,157,659**	**22,992,714**
Fair value - level 1	**-**	**-**
Fair value - level 2	**-**	**-**
Fair value - level 3	**22,157,874**	**22,991,119**
Total Fair value	**22,157,874**	**22,991,119**

Line 3.1 also includes funding repurchase agreements using securities obtained under lending repurchase agreements almost entirely related to transactions negotiated over the EuroMTS market, managed by Cassa di Compensazione e Garanzia.

"Other payables" at 31 December 2014 include euro 2,880.1 million (euro 2,808.5 million at 31 December 2013) in liabilities for assets sold but not derecognised, as the matching entry to the mortgages sold under certain securitisations originated by the Group which do not qualify for derecognition under IAS 39 and so have been "reinstated" in the statement of financial position in "Loans and advances to customers" (asset line item 70).
For the determination of the fair value of payables due to customers, please see Section A.4 - "Information about fair value".

2.2 Details of the Line item 20 "Due to customers": subordinated debt

There is no subordinated debt with customers.

2.3 Details of the Line item 20 "Due to customers": structured debt

There is no structured debt with customers.

2.4 Due to customers with micro hedges

There are no amounts due to customers with micro hedges.

2.5 Finance lease payables

Time distribution of residual debt to lease companies

	31/12/2014	31/12/2013
up to 1 year	218	210
1 to 5 years	1,233	1,184
over 5 years	1,992	2,260
Total	**3,443**	**3,654**
surrender value	720	718
Totale	**4,163**	**4,372**

Asset	**Residual debt**	**Residual debt**
Buildings	4,163	4,372
Total	**4,163**	**4,372**

In 2011, the subsidiary Immobiliare Stampa took over the finance lease agreement pertaining to a high-value building, located in Venice, paying euro 6,691 thousand. The principal value of the residual payments of the lease agreement, expiring in July 2027, amounts to euro 4,163 thousand at 31 December 2014.

SECTION 3

Debt securities in issue – Line item 30

3.1 Debt securities in issue: breakdown by type

Type of security/ Amounts	31/12/2014				31/12/2013			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities	**6,668,144**	**-**	**6,944,087**	**135,119**	**6,957,740**	**-**	**6,839,341**	**152,073**
1. Bonds	6,533,067	-	6,944,087	-	6,805,667	-	6,839,341	-
1.1 structured	342,681	-	373,224	-	349,024	-	350,428	-
1.2 other	6,190,386	-	6,570,863	-	6,456,643	-	6,488,913	-
2. other securities	135,077	-	-	135,119	152,073	-	-	152,073
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	135,077	-	-	135,119	152,073	-	-	152,073
Total	**6,668,144**	**-**	**6,944,087**	**135,119**	**6,957,740**	**-**	**6,839,341**	**152,073**

The Item 1.1 "Structured bonds" is related to bond issues convertible into Parent Bank shares.

Line 1.2 "Bonds" also includes repurchase agreement with underlying own issue securities amounting to euro 301,119 thousand.

Line item 2.2 "Other securities" comprises certificates of deposit and own cheques in circulation.

For the determination of the fair value of debt securities in issue, please see Section A.4 - "Information about fair value".

3.2 Details of line item 30 "Debt securities in issue": subordinated securities

	31/12/2014	31/12/2013
Bonds	768,498	845,001

More information about subordinated liabilities can be found in Part F, Section 2 of these Explanatory notes.

3.3 Details of line item 30 "Debt securities in issue": securities with micro hedges

Type of securities/Amount	31/12/2014	31/12/2013
A. Securities		
1. Bonds	400,124	757,447
1.1 structured	-	-
1.2 other	400,124	757,447
2. other securities	-	-
2.1 structured	-	-
2.2 other	-	-
Total	**400,124**	**757,447**

The amounts shown in the table above refer to the nominal value of fixed-rate bonds subject to micro hedges.

SECTION 4

Financial liabilities held for trading – Line item 40

4.1 Financial liabilities held for trading: breakdown by type

Type of transaction/ Members of the group	31/12/2014					31/12/2013				
	NV	FV			FV*	NV	FV			FV*
		L1	L2	L3			L1	L2	L3	
A. Cash liabilities										
1. Due to other banks	-	-	-	-	-	50,000	52,999	-	-	52,999
2. Due to customers	65,106	68,563	-	-	68,563	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1. Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total A	**65,106**	**68,563**	**-**	**-**	**68,563**	**50,000**	**52,999**	**-**	**-**	**52,999**
B. Derivatives										
1. Financial derivatives	-	-	5,887,961	-	-	-	-	1,680,167	-	-
1.1 Dealing	X	-	5,885,529	-	X	X	-	1,648,826	-	X
1.2 Connected with fair value option	X	-	2,432	-	X	X	-	31,341	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	-	-	-	-	-	-	-	-	-	-
2.1 Dealing	X	-	-	-	X	X	-	-	-	X
2.2 Connected with fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**-**	**5,887,961**	**-**	**X**	**X**	**-**	**1,680,167**	**-**	**X**
Total (A+B)	**X**	**68,563**	**5,887,961**	**-**	**X**	**X**	**52,999**	**1,680,167**	**-**	**X**

Key:
FV = Fair value
FV* = Fair value calculated excluding the differences in value due to changes in the issuer's credit rating since the issue date
NV = Nominal or notional value
L1 = Level 1
L2 = Level 2
L3 = Level 3

"Cash liabilities" refer to short positions on Italian Government bonds existing at 31 December 2014.

There are no derivatives with underlying own liabilities.

4.2 Details of the Line item 40 "Financial liabilities held for trading": subordinated liabilities

There are no subordinated liabilities.

4.3 Details of the Line item 40 "Financial liabilities held for trading": structured debt

There is no structured debt.

4.4 Cash financial liabilities held for trading (excluding "short positions"): changes during the year

No changes have taken place in the year in cash financial liabilities held for trading (other than "short positions") relating to amounts due to banks, amounts due to customers and debt securities in issue. The related table has therefore not been prepared.

SECTION 5

Financial liabilities at fair value – Line item 50

5.1 Financial liabilities at fair value: breakdown by type

Type of transaction/ Amounts	31/12/2014					31/12/2013				
	NV	Fair value			FV*	NV	Fair value			FV*
		L1	L2	L3			L1	L2	L3	
1. Due to banks	-	-	-	-	-	-	-	-	-	-
1.1 Structured	-	-	-	-	X	-	-	-	-	X
1.2 Other	-	-	-	-	X	-	-	-	-	X
2. Due to customers	-	-	-	-	-	-	-	-	-	-
2.1 Structured	-	-	-	-	X	-	-	-	-	X
2.2 Other	-	-	-	-	X	-	-	-	-	X
3. Debt securities	**1,495,456**	-	**1,547,346**	-	**1,737,120**	**1,677,042**	-	**1,712,199**	-	**1,724,998**
3.1 Structured	49,847	-	50,449	-	X	72,415	-	73,245	-	X
3.2 Other	1,445,609	-	1,496,897	-	X	1,604,627	-	1,638,954	-	X
Total	**1,495,456**	-	**1,547,346**	-	**1,737,120**	**1,677,042**	-	**1,712,199**	-	**1,724,998**

Key:
FV = Fair value
FV* = Fair value calculated excluding the differences in value due to changes in the issuer's credit rating since the issue date
NV = Nominal value
L1 = Level 1
L2 = Level 2
L3 = Level 3

This line item includes own bonds correlated with derivative contracts that hedge interest rate risk, valued by applying the fair value option, as allowed by IAS 39 (natural hedges).

Structured securities relate mainly to liabilities containing an optional part linked to the performance of interest rates.

5.2 Details of line item 50 "Financial liabilities at fair value": subordinated liabilities

	31/12/2014	31/12/2013
Debt securities	107,452	113,444

More information about subordinated liabilities can be found in Part F, Section 2 of these Explanatory notes.

5.3 Financial liabilities at fair value: changes during the year

	Due to banks	Due to customers	Debt securities in issue	Total
A. Opening balance	**-**	**-**	**1,712,199**	**1,712,199**
B. Increases	**-**	**-**	**360,169**	**360,169**
B1. Issues	-	-	294,114	294,114
B2. Disposals	-	-	29,949	29,949
B3. Positive changes in fair value	-	-	23,457	23,457
B4. Other changes	-	-	12,649	12,649
C. Decreases	**-**	**-**	**525,022**	**525,022**
C1. Purchases	-	-	108,347	108,347
C2. Redemptions	-	-	402,078	402,078
C3. Negative changes in fair value	-	-	10,825	10,825
C4. Other changes	-	-	3,772	3,772
D. Closing balance	**-**	**-**	**1,547,346**	**1,547,346**

The "Positive and negative changes in fair value" (lines B.3 and C.3) relating to "Debt securities in issue" are reported in "Net change in financial assets and liabilities at fair value" (income statement line item 110).

Line B.4 refers (euro 8,379 thousand) to the issue discounts during the year and (euro 3,842 thousand) to the losses recorded under income statement line item 110 "Net change in financial assets and liabilities at fair value", realised through the buy-back of own bonds, and for the remainder to differentials between opening and closing accruals.

Line C.4 refers (euro 2,914 thousand) to the profit, recorded under income statement line item 110 "Net change in financial assets and liabilities at fair value", realised through the buy-back of own bonds and for the remainder to differentials between opening and closing accruals.

SECTION 6

Hedging derivatives - Line item 60

6.1 Hedging derivatives: analysis by type of hedge and levels

	Fair value 31/12/2014			NV 31/12/2014	Fair value 31/12/2013			NV 31/12/2013
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives	**-**	**525,379**	**-**	**5,960,332**	**-**	**411,093**	**-**	**8,053,047**
1) Fair value	-	264,273	-	815,332	-	344,818	-	3,503,047
2) Cash flows	-	261,106	-	5,145,000	-	66,275	-	4,550,000
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**525,379**	**-**	**5,960,332**	**-**	**411,093**	**-**	**8,053,047**

Key: NV = nominal value; L1 = Level 1; L2 = Level 2; L3 = Level 33

This line item reports derivatives with a negative fair value, taken out to hedge interest rate risk on specific fixed-rate mortgage portfolios classified as "Loans and advances to customers" and on specific debt securities classified as "Financial assets available for sale".

This line item also reports derivatives with a negative fair value, taken out to hedge cash flows relating to specific floating-rate mortgage hedging books recorded under "Loans and advances to customers" and inflation-indexed debt securities recorded under "Financial assets available for sale".

6.2 Hedging derivatives: analysis by hedged portfolio and type of hedge

Transactions/Type of hedge	Fair value						Cash flows		Foreign investments
	Micro					Macro	Micro	Macro	
	Interest rate risk	Exchange risk	Credit risk	Price risk	Multiple risk				
1. Financial assets available for sale	157,529	-	-	-	-	X	215,001	X	X
2. Loans and advances	106,744	-	-	X	-	X	46,105	X	X
3. Financial assets held to maturity	X	-	-	X	-	X	-	X	X
4. Portfolio	X	X	X	X	X	-	X	-	X
5. Other transactions	-	-	-	-	-	X	-	X	-
Total assets	**264,273**	**-**	**-**	**-**	**-**	**-**	**261,106**	**-**	**-**
1. Financial liabilities	-	-	-	X	-	X	-	X	X
2. Portfolio	X	X	X	X	X	-	X	-	X
Total liabilities	**-**	**-**	**-**	**X**	**-**	**-**	**-**	**-**	**X**
1. Expected transactions	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	-	X	-	-

To represent the aforesaid hedging transactions, the Group opted for the “Micro Fair Value Hedge” accounting model for those relating to investments in debt securities, while it used the “Macro Fair Value Hedge” model for those relating to mortgage loans, with the consequent recognition of the revaluations of the hedged assets in Asset line item 90 “Remeasurement of financial assets backed by macro hedges”.

SECTION 7

Remeasurement of financial liabilities backed by macro hedges - Line item 70

7.1 Remeasurement of hedged financial liabilities

“Fair value adjustment of hedged financial liabilities/ Members of the Group”	31/12/2014	31/12/2013
1. Positive changes to financial liabilities	-	391
2. Negative changes to financial liabilities	-	(3,215)
Total	**-**	**(2,824)**

7.2 Financial liabilities backed by macro hedges of interest rate risk: breakdown

Hedged financial liabilities	31/12/2014	31/12/2013
1. Due to customers	-	1,782,904
Total	**-**	**1,782,904**

SECTION 8

Tax liabilities – Line item 80

	31/12/2014	31/12/2013
Tax liabilities - current	1,842	45,723
Total	**1,842**	**45,723**

Deferred tax liabilities are discussed in asset Section 14.

In compliance with IAS 12, payments on account for individual taxes have been offset against the related tax payable, with net positive balances reported as “Tax assets: current” and net negative balances as “Tax liabilities: current”.

It should be noted that, in compliance with the Bank of Italy Circular no. 262 dated 22 December 2005, as amended, "Tax assets" (asset line item 140) and "Tax liabilities" (liability line item 80) in the statement of financial position only include those tax assets and liabilities (current and deferred) recognised in accordance with IAS 12 (governing income taxes), while other tax credit/debit balances are reported in "Other assets" (asset line item 160) and "Other liabilities" (liability line item 100) of the statement of financial position.

SECTION 9

Liabilities associated with non-current assets held for sale – Line item 90

This Section has not been completed since the Group does not have any liabilities associated with non-current assets held for sale.

SECTION 10

Other liabilities –Item 100

10.1 Other liabilities: breakdown

	31/12/2014	31/12/2013
1. Miscellaneous security transactions	22,378	38,758
2. Employee salaries and contributions	28,244	28,841
3. Due to suppliers	28,916	37,297
4. Transactions in transit	168,326	152,501
5. Adjustments for non-liquid balances relating to the portfolio	246,261	-
6. Allowance for risks on guarantees and commitments	22,940	10,692
7. Accrued expenses and deferred income not allocated to specific accounts	7,461	7,626
8. Other fiscal items	41,129	40,411
9. Other miscellaneous items	225,799	71,737
Total	**791,454**	**387,863**

"Transactions in transit" refer to positions taken in the last few days of the half year, almost all of which settled in the first few days of the new year.

Tax liabilities in the table, in compliance with the Bank of Italy Circular no. 262 dated 22 December 2005, as amended, report the tax assets that do not fall under the scope of IAS 12 (governing income taxes).

SECTION 11

Provision for severance indemnities – Line item 110

11.1 Provision for severance indemnities: changes during the year

	31/12/2014	31/12/2013
A. Opening balance	**75,298**	**80,138**
B. Increases	**8,459**	**2,420**
B.1 Provisions	1,846	1,767
B.2 Other increases	6,613	653
- of which business combination	695	-
C. Decreases	**3,625**	**7,260**
C.1 Payments made	3,354	2,932
C.2 Other decreases	271	4,328
D. Closing balance	**80,132**	**75,298**
Total	**80,132**	**75,298**

According to IFRIC, the provision for severance indemnities is a "post-employment benefit" qualifying as a "defined benefit plan", the value of which according to IAS 19 must be determined on an actuarial basis. As a consequence, the year-end valuation of this amount was carried out by an independent actuary using the projected unit credit method with reference to earned benefits. This method involves the projection of future payments with reference to past trends and statistical analyses and probabilities, adopting suitable demographic techniques. This makes it possible to calculate the severance indemnities accruing at a specific date on an actuarial basis, distributing the cost over the entire remaining service of the current workforce, and no longer presenting them as a cost payable as if the business were to cease trading on the reporting date.

Line B.1 "Provisions" includes, in addition to the actual provisions for the year determined in accordance with current laws and with the National Collective Labour Agreement, also the adjusting effect of the actuarial measurement recognised in the income in accordance with IAS 19.

Line B.2 "Other increases" includes the effect of the actuarial measurement, recognised as a balancing entry of the specific equity valuation reserve, in accordance with the new IAS 19.

The actuarial valuation of severance indemnities produced under the above method is Euro 7,666 thousand less than the amount calculated in accordance with prevailing law and collective payroll agreements (whereas in 2013 it had been in deficit by Euro 1,219 thousand).

SECTION 12

Provision for risks and charges – Line item 120

12.1 Provisions for risks and charges: breakdown

Items/Amounts	31/12/2014	31/12/2013
1. Post-retirement benefits	5,253	5,681
2. Other provisions for risks and charges	53,096	54,608
2.1 legal disputes	38,658	33,390
2.2 personnel expenses	3,871	8,830
2.3 other	10,567	12,388
Total	**58,349**	**60,289**

"Post-retirement benefits" refer to the Supplementary Section of the pension fund, a defined benefit plan of the former subsidiary Cariprato, merged into Banca Popolare di Vicenza on 31 December 2010, more details of which can be found in note 12.3 below. The Capitalisation Section of this fund is a defined contribution plan and so is not reported in the statement of financial position, in compliance with IAS 19.

12.2 Provisions for risks and charges: changes during the year

Items/Amounts	Total	
	Post-retirement benefits	Other provisions
A. Opening balance	**5,681**	**54,608**
B. Increases	**220**	**19,050**
B.1 Provisions	211	16,059
B.2 Changes due to the passage of time	-	-
B.3 Changes due to variations in the discount rate	-	2,491
B.4 Other increases	9	500
C. Decreases	**648**	**20,562**
C.1 Utilizations during the year	648	19,480
C.2 Changes due to variations in the discount rate	-	-
C.3 Other decreases	-	1,082
D. Closing balance	**5,253**	**53,096**

12.3 Defined benefit pension funds

1. Illustration of the characteristics of the provisions and of the related risks

The Bank operates a supplementary pension fund for employees under an agreement signed on 30 June 1998 between Cariprato, merged into BPVi in December 2010, and the employees' unions. This Fund, restricted under article 2117 of the Italian Civil Code and governed by specific regulations, is divided into two Sections:

- the Capitalisation Section, which guarantees supplementary pension benefits on a defined contribution basis, requiring the Bank to pay an annual amount calculated with reference to the taxable base used for determining severance indemnities;
- the defined benefit Supplementary Section, which is described in this note.

The Supplementary Section represents the continuation, under current rules, of the original Fund set up under an in-house agreement dated 27 June 1972 to supplement the benefits payable by INPS. Its participants comprise personnel of the former subsidiary Cariprato who were already pensioners at 1 July 1998, as well as the employees of the bank at 1 May 1981 who opted to remain in the Supplementary Section on 1 July 1998.

The Fund guarantees pension benefits to members that supplement those paid by INPS under the obligatory national scheme. These benefits can represent up to 75% of the last pensionable salary received (after 35 years of service).

At 31 December 2014, the Supplementary Section's participants comprise 2 employees still in service and 58 entitled to supplementary or substitute benefits greater than zero.

2. Change in the year of the net defined benefit liabilities (assets) and of the rights to reimbursement

The opening and closing balances of the present value of the defined benefit obligation are reconciled below, indicating the effects of changes during the year:

Description	Mathematical Reserve
Mathematical reserve at 31/12/2013	**5,681**
Net earnings of the Fund	199
Pension cost	(648)
Payments made	6
Actuarial loss - 2013	15
Mathematical reserve at 31/12/2014	**5,253**

At 31 December 2014, the size of the Fund was aligned to the mathematical reserve calculated on the same date, since the Bank, in accordance with Article 8 of the Fund Regulations, had settled the deficit of euro 211 thousand (versus a deficit of euro 414 thousand the previous year) resulting from the actuarial valuation.

The Fund's assets, all invested in cash and cash equivalents with Banca Popolare di Vicenza, decreased from euro 5,681 thousand at 31 December 2013 to euro 5,253 thousand at 31 December 2014. The decreases during the year derive from the payment of euro 648 thousand in pensions, whilst the increases comprise euro 8 thousand from interest income for the remuneration of the invested cash and euro 211 thousand from the payment made to settle the Fund deficit and make its size match the mathematical reserve.

3. Disclosures on the fair value of plan assets

The present value of the defined benefit obligation and the fair value of the plan assets and the plan's surplus or deficit are presented for the current year and four previous ones:

year	Present value	Fair value of assets	Surplus or (Deficit)
2010	6,839	7,149	310
2011	6,361	6,505	144
2012	5,923	5,838	(85)
2013	5,681	5,268	(414)
2014	5,253	5,042	(211)

At 31 December 2014, the Bank allocated a provision of euro 211 thousand to make the size of the Fund match the Mathematical Reserve.

There are no differences between the present value of plan assets and the assets and liabilities reported in the statement of financial position since all the fund's resources are invested in liquid assets.

4. Description of principal actuarial assumptions

The amount of the supplementary Fund in relation to the obligations to its participants is reviewed once a year by an independent actuary.
The principal actuarial assumptions adopted for the latest calculation of the mathematical reserve at 31 December 2014 are set out below.
This valuation was made using the demographic, economic and financial assumptions described below.

Demographic assumptions

The following criteria were adopted:
- probability of death of current employees and pensioners: mortality rates applying to the Italian population published by ISTAT in 2007 were assumed; the probability of cases of underage orphans was assumed to be zero;
- probability of termination of service for absolute and permanent disability: probabilities adopted by the Treasury Ministry's Pension Institutes, published in the report for 1969, reduced to 75% of the original amount;
- age of retirement: it was assumed that active employees who do not "die in service" or "retire for intervening disability" stop working as soon as they reach the minimum pensionable age/length of service established by current retirement legislation in Italy. No person may receive benefits unless they also qualify for a pension payable by INPS;
- calculation of indirect expenses and of reversibility: the calculation refers to the composition of the

average surviving family unit, depending on the employee's sex and age on death, and the number of years since death. The probabilities of marriage (by sex and age) and the probabilities of fertility (by age of the female and by order of birth of the children) were taken from the ISTAT "Marriage tables" (1971) and from the ISTAT "Female fertility survey" (1974), with appropriate adjustments to take account of social changes in the past twenty years. In order to take account of the changes introduced by Law 335/1995 on the accumulation of surviving spouse pensions and beneficiary income, the pension payable by INPS to surviving spouses has been reduced to 66% (based on information obtained in relation to a major bank);
- types of remuneration: these were taken, with suitable standardisation, from actual statistics relating to the staff of a bank at 31 December 1995, split between the four categories: managers and officials, male middle managers and clerical staff, female middle managers and clerical staff, subordinate and auxiliary staff. Due to the limited number of employees of Cassa, the data which can be directly identified by examining its experience is immaterial.

Economic and financial assumptions

The following rates have been adopted:
- technical discounting rate: 3.5%;
- annual inflation rate: 2%;
- annual rate of salary increases: 2.25%;
- annual growth in nominal GDP (Art. 1.9 of Italian Law no. 335/1995): 3%.

5. Information on amount, timing and uncertainty of cash flows

On the basis of assumptions reported in the earlier paragraph, the calculation of charges the Fund must deal with in the future gave the following results.

Average present value of integrated pension (Euro)	Males	Females	Total
direct	22,350,605	-	22,350,605
indirect and survivors' pensions	-	4,545,822	4,545,822
total	22,350,605	4,545,822	26,896,427

Average present value of INPS pension(Euro)	Males	Females	Total
direct	18,345,143	-	18,345,143
indirect and survivors' pensions	-	3,363,429	3,363,429
total	18,345,143	3,363,429	21,708,572

Average present value of supplementary pension (Euro)	Males	Females	Total
direct	4,005,462	-	4,005,462
indirect and survivors' pensions	-	1,182,393	1,182,393
totale	4,005,462	1,182,393	5,187,855

Average present value of treatments accrued (Euro)		
integrated pension	pension INPS	supplementary pension
1,250,227	1,185,264	64,963

As regards timing, for the 58 pensioners, the average age is around 77 years for males and 80 years for females.
As regards current employees, it was assumed they will continue to keep up the same percentage of work activity in future as they have done up till now.

6. Multi-employer plans

This paragraph has not been completed since there is just one employer.

7. Defined benefit plans that spread risks among entities under common control

This paragraph has not been completed since there are no risks spread among entities under common control.

12.4 Provisions for risks and charges – other provisions

Items/Amounts	31/12/2014	31/12/2013
1. Legal disputes	**38,658**	**33,390**
1.1 Civil litigation	29,605	24,094
1.2 Bankruptcy claims	9,053	9,296
2. Personnel expenses	**3,871**	**8,830**
2.1 Bonus system and other personnel expenses	3,871	8,830
3. Other	**10,567**	**12,388**
3.1 Complaints and other	10,567	12,388
Total	**53,096**	**54,608**

The provision for legal disputes relates to contingencies associated with claims against the Bank and from the liquidators of bankrupt companies.

The provision for employment costs refers to the contingent liabilities connected with the employee incentive scheme.

The other provisions for risks and charges relate to customer complaints, fiscal disputes and other sundry charges.

The contingent liability for bankruptcy claims and litigation against the Bank has been discounted to present value, while the other provisions refer to contingencies that are likely to be settled within the next 12/18 months. Consequently, these liabilities have not been discounted since the effect would not be significant.

SECTION 13

Technical reserves – Line item 130

This Section is not relevant.

SECTION 14

Redeemable shares – Line item 150

This Section has not been completed because the Group has not issued any redeemable shares.

SECTION 15

Group equity – Line items 140, 160, 170, 180, 190, 200 and 220

15.1 "Capital stock" and "Treasury shares": breakdown

Items/Amounts	31/12/2014	31/12/2013
- Treasury shares	93,832,032	83,658,475
- Nominal value	euro 3.75	euro 3.75

15.2 Capital stock – Number of shares issued by the parent bank: changes during the year

Items/Amounts	Ordinarie	Altre
A. Treasury shares at the beginning of the year	**83,658,475**	**-**
- fully paid	83,658,475	-
- not fully paid	-	-
A.1 Treasury shares (-)	124,039	-
A.2 Outstanding shares: opening balance	**83,534,436**	**-**
B. Increases	**15,828,284**	**-**
B.1 New issues	11,453,042	-
- payment:	11,453,042	-
- business combinations	-	-
- conversion of bonds	210	-
- exercise of warrant	-	-
- other	11,452,832	-
- bonus:	-	-
- to employees	-	-
- to directors	-	-
- other	-	-
B.2 Sale of treasury shares	4,375,242	-
B.3 Other changes	-	-
C. Decreases	**5,944,890**	**-**
C.1 Elimination	1,279,485	-
C.2 Purchase of treasury shares	4,665,405	-
C.3 Disposal of companies	-	-
C.4 Other changes	-	-
D. Outstanding shares: closing balance	**93,417,830**	**-**
D.1 Treasury shares (+)	414,202	-
D.2 Treasury shares at the end of the year	93,832,032	-
- fully paid	93,832,032	-
- not fully paid	-	-

15.3 Capital stock: other information

As a result of bonus issues in previous years, capital stock includes the following revaluation reserves in suspense for tax purposes:

- reserve under Law 74 dated 11.02.1952 for euro 24 thousand;
- reserve under Law 72 dated 19.03.1983 for euro 13,005 thousand;
- reserve under Law 576 dated 02.12.1975 for euro 553 thousand;
- reserve under Law 218 dated 30.07.1990 for euro 30,582 thousand;
- reserve under Law 408 dated 29.12.1990 for euro 12,834 thousand;
- reserve under Law 413 dated 30.12.1991 for euro 28,054 thousand.

15.4 Reserves from earnings: other information

There is no other information worthy of disclosure.

15.5 Other information

There is no other information worthy of disclosure.

SECTION 16

Minority interests – Line item 210

This Section has not been completed since there are no equity instruments pertaining to minority interests included in equity.

OTHER INFORMATION

1. Guarantees given and commitments

Operations	31/12/2014	31/12/2013
1) Financial guarantees	434,638	452,096
a) Banks	47,977	29,632
b) Customers	386,661	422,464
2) Commercial guarantees	644,015	839,191
a) Banks	67,222	107,557
b) Customers	576,793	731,634
3) Irrevocable commitments to make loans	1,176,959	1,218,740
a) Banks	35	2,373
i) certain to be called on	35	2,373
ii) not certain to be called on	-	-
b) Customers	1,176,924	1,216,367
i) certain to be called on	1,139	4,208
ii) not certain to be called on	1,175,785	1,212,159
4) Commitments underlying credit derivatives: protection sold	-	-
5) Assets lodged to guarantee the commitments of third parties	-	-
6) Other commitments	42,515	40,636
Total	**2,298,127**	**2,550,663**

2. Assets pledged to guarantee own liabilities and commitments

Portfolio	31/12/2014	31/12/2013
1. Financial assets held for trading	743,761	-
2. Financial assets at fair value	-	-
3. Financial assets available for sale	2,245,071	4,282,493
4. Financial assets held to maturity	43,374	48,606
5. Loans and advances to banks	925,778	808,338
6. Loans and advances to customers	7,377,739	1,850,147
7. Property, plant and equipment	-	-

The assets pledged as security shown in the table refer mainly:

- for assets held for trading, to securities transferred in the pooling of assets pledged as security for refinancing operations with the ECB;
- for financial assets available for sale, to own securities pledged in repurchase agreements or securing own liabilities;
- for loans and advances to banks, to cash collaterals in view of the exposures deriving from operations involving OTC derivatives and/or Repo;
- for loans and advances to customers, to securities receivables whose amount is equal to the ABS securities placed on the market or subscribed by the Group and re-employed in financing operations, to eligible loans transferred in the pooling of assets pledged to guarantee refinancing operations with the ECB and to a ceiling of receivables connected with financing obtained from institutional counterparties.

The pool of assets lodged to guarantee refinancing operations with the ECB also includes assets not recorded in the financial statements and referred to guarantees received within security lending and repurchase agreement transactions for a total value of euro 0.5 billion.

3. Information on operating leases

There are no operating leases worthy of disclosure.

4. Composition of investment for unit-linked and index-linked policies

The Group does not have any unit-linked and index-linked policies.

5. Administration and trading on behalf of third parties

Type of service	31/12/2014	31/12/2013
1. Orders executed on behalf of customers	**528,129**	**684,177**
a) purchases	437,473	526,398
1. settled	436,471	523,748
2. unsettled	1,002	2,650
b) sales	90,656	157,779
1. settled	89,475	157,043
2. unsettled	1,181	736
2. Portfolio management	**185,877**	**219,671**
a) individual	93,185	138,670
b) collective	92,692	81,001
3. Custody and administration of securities	**31,663,904**	**37,152,770**
a) third-party securities on deposit: associated with activities as a custodian bank (excluding portfolio management)	-	-
1. securities issued by consolidated companies	-	-
2. other securities	-	-
b) third party securities in custody (excluding portfolio management): other	18,732,929	20,889,392
1. securities issued by consolidated companies	6,144,995	6,812,185
2. other securities	12,587,934	14,077,207
c) third-party securities on deposit with third parties	18,147,052	20,197,174
d) own securities on deposit with third parties	12,930,975	16,263,378
4. Other transactions	**-**	**-**

5. Financial assets offset in the financial statements, or subject to framework offsetting agreements or similar agreements.

6. Financial liabilities offset in the financial statements, or subject to framework offsetting agreements or similar agreements.

The Group has no outstanding financial assets and liabilities that are offset in accordance with IAS 32.42. The related tables are therefore omitted.

It should be noted that the Group uses bilateral offsetting arrangements relating to operations in over-the-counter derivatives with principal market counterparties, mainly Banks, giving the option to offset creditor positions against debtor positions in the event of counterparty default. These agreements have not entailed the offsetting of assets against liabilities in the financial statements.

8. Securities lending

The fair value at 31 December 2014 of the securities received in securities loans with customers is set out below. The transactions are without cash guarantee or with cash guarantee that is not within the full availability of the lender. Therefore, they are not included among the assets and liabilities of the statement of financial position.

Type	**Financial companies**		**Non-financial institutions**	
	Nominal Value	Fair Value	Nominal Value	Fair Value
Debt securities	-	120,849	-	349,206
Bank bonds	-	5,000	-	4,070
Total	**-**	**125,849**	**-**	**353,276**

All borrowed securities were pledged to guarantee own financing transactions of the Eurosystem.

9. Disclosure on joint operations

The Bank does not own any joint operations.

PART C – INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

SECTION 1

Interest – Line items 10 and 20

1.1 Interest income and similar revenues: breakdown

Items/technical forms	Debt securities	Loans	Other transactions	Total 31/12/2014	Total 31/12/2013
1. Financial assets held for trading	4,500	-	43,354	47,854	54,629
2. Financial assets at fair value	44	-	-	44	-
3. Financial assets available for sale	103,527	841	-	104,368	158,374
4. Financial assets held to maturity	1,797	-	-	1,797	1,895
5. Loans and advances to banks	1,462	6,091	-	7,553	14,751
6. Loans and advances to customers	10,945	964,029	-	974,974	990,558
7. Hedging derivatives	X	X	34,398	34,398	59,037
8. Other assets	X	X	91	91	56
Total	**122,275**	**970,961**	**77,843**	**1,171,079**	**1,279,300**

The line item in question includes late-payment interest on loans relating to non-performing loans to customers for euro 34 thousand.

1.2 Interest income and similar revenues: differentials relating to hedging transactions

	31/12/2014	31/12/2013
A. Positive differentials relating to hedging transactions	76,982	133,350
B. Negative differentials relating to hedging transactions	(42,584)	(74,313)
C. Balance (A-B)	**34,398**	**59,037**

1.3 Interest income and similar revenues: other information

1.3.1 Interest income on foreign currency financial assets

	31/12/2014	31/12/2013
a) on foreign currency assets	7,099	9,626

1.3.2 Interest income on finance leases

There was no interest income on finance leases.

1.4 Interest expense and similar charges: breakdown

Items/technical forms	Payables	Securities	Other transactions	Total 31/12/2014	Totale 31/12/2013
1. Due to central banks	(4,936)	X	-	(4,936)	(18,959)
2. Due to banks	(59,035)	X	-	(59,035)	(64,002)
3. Due to customers	(265,281)	X	-	(265,281)	(327,337)
4. Debt securities in issue	X	(259,054)	-	(259,054)	(268,723)
5. Financial liabilities held for trading	-	(10,575)	-	(10,575)	(3,353)
6. Financial liabilities at fair value	-	(61,133)	-	(61,133)	(68,538)
7. Other liabilities and provisions	X	X	-	-	-
8. Hedging derivatives	X	X	-	-	-
Total	**(329,252)**	**(330,762)**	**-**	**(660,014)**	**(750,912)**

1.5 Interest expense and similar charges: differentials relating to hedging transactions

There are no net negative differentials relating to hedging transactions.

1.6 Interest expense and similar charges: other information

1.6.1 Interest expense on foreign currency liabilities

	31/12/2014	31/12/2013
a) on foreign currency liabilities	(1,580)	(3,180)

1.6.2 Interest expense on finance leases

	31/12/2014	31/12/2013
a) on finance leases	(125)	(125)

SECTION 2

Commissions – Line items 40 and 50

2.1 Fee and commission income: breakdown

Type of service/Amounts	31/12/2014	31/12/2013
a) guarantees given	13,959	16,752
b) derivatives on loans	-	-
c) management, dealing and consultancy services:	121,365	126,707
1. trading in financial instruments	738	394
2. foreign currency trading	1,813	13,472
3. portfolio management	1,146	3,943
3.1. individual	1,146	3,943
3.2. collective	-	-
4. custody and administration of securities	2,620	2,623
5. custodian bank	-	64
6. placement of securities	48,726	44,755
7. acceptance and transmission of orders	9,881	8,601
8. advisory services	5,960	2,197
8.1. for investments	-	-
8.2. for financial structure	5,960	2,197
9. distribution of third party services	50,481	50,658
9.1. portfolio management	349	227
9.1.1. individual	2	2
9.1.2. collective	347	225
9.2. insurance products	30,769	27,751
9.3. other products	19,363	22,680
d) collection and payment services	40,109	35,177
e) servicing for securitization transactions	1,918	3,016
f) services for factoring transactions	-	-
f) services for factoring transactions	-	-
h) multilateral trading systems management	-	-
i) provision and management of current accounts	138,057	136,867
j) other services	42,110	34,668
Total	**357,518**	**353,187**

With reference to the change in line item c) 2. “currency trading”, it should be specified that it was affected by the refinement of the procedures to account for foreign currency transactions as a result of the introduction of the new foreign trading procedure.

2.2 Fee and commission expense: breakdown

Services/Amounts	31/12/2014	31/12/2013
a) guarantees received	(15,341)	(25,315)
b) derivatives on loans	-	-
c) management and dealing services:	(14,562)	(9,913)
1. trading in financial instruments	(2,464)	(2,620)
2. trading in foreign currency	(164)	(239)
3. portfolio management	(223)	(1,399)
3.1. own portfolio	(223)	(1,399)
3.2. third-party portfolio	-	-
4. custody and administration of securities	(69)	(57)
5. placement of financial instruments	(700)	(51)
6. door-to-door distribution of financial instruments, products and services	(10,942)	(5,547)
d) collection and payment services	(11,357)	(10,951)
e) other services	(14,957)	(30,834)
Total	**(56,217)**	**(77,013)**

Line a) includes the cost of the guarantee received from the State for the possibility of lodging own liabilities with the ECB (Article 8 of Law Decree 201/2011). This guarantee was extinguished during the year.

SECTION 3

Dividend and similar income – Line item 70

3.1 Dividend and similar income: breakdown

Items/Income	31/12/2014		31/12/2013	
	Dividends	Income from mutual funds	Dividends	Income from mutual funds
A. Financial assets held for trading	616	-	997	-
B. Financial assets available for sale	10,920	4,028	11,210	985
C. Financial assets at fair value	-	-	-	-
D. Equity investments	-	X	-	X
Total	**11,536**	**4,028**	**12,207**	**985**

SECTION 4

Net trading income – Line item 80

4.1 Net trading income: breakdown

Transactions/Income items	Gains (A)	Trading profits (B)	Losses (C)	Trading losses (D)	Net profit (loss) [(A+B) - (C+D)]
1. Financial assets held for trading	**5,661**	**11,251**	**(3,399)**	**(2,871)**	**10,642**
1.1 Debt securities	5,092	8,028	(1,228)	(56)	11,836
1.2 Equities	569	3,223	(2,171)	(2,815)	(1,194)
1.3 Mutual funds	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	**-**	**14,128**	**(692)**	**(13,896)**	**(460)**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	14,128	(692)	(13,896)	(460)
2.3 Other	-	-	-	-	-
3. Other assets and financial liabilities: exchange differences	**X**	**X**	**X**	**X**	**3,982**
4. Derivatives	**5,264,268**	**3,378,891**	**(5,092,429)**	**(3,471,793)**	**82,166**
4.1 Financial derivatives:	5,264,268	3,378,891	(5,092,429)	(3,471,793)	82,166
- On debt securities and interest rates	5,264,254	3,369,796	(5,092,349)	(3,464,187)	77,514
- On equities and equity indices	14	9,095	(80)	(7,606)	1,423
- On currency and gold	X	X	X	X	3,229
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
Total	**5,269,929**	**3,404,270**	**(5,096,520)**	**(3,488,560)**	**96,330**

Trading profits (losses) and valuation gains (losses) relating to financial derivatives are presented on a gross basis for each individual financial instrument.

SECTION 5

Net hedging gains (losses) – Line item 90

5.1 Net hedging gains (losses): breakdown

Income items/Amounts	31/12/2014	31/12/2013
A Income relating to:		
A.1 Fair value hedges	368,766	348,477
A.2 Hedged financial assets (fair value)	178,637	61,034
A.3 Hedged financial liabilities (fair value)	2,772	29,398
A.4 Cash-flow hedges	2,308	11,839
A.5 Foreign currency assets and liabilities	-	-
Total income from hedging activities (A)	**552,483**	**450,748**
B. Charges from:		
B.1 Fair value hedges	(444,316)	(85,807)
B.2 Hedged financial assets (fair value)	-	(293,287)
B.3 Hedged financial liabilities (fair value)	(54,150)	(391)
B.4 Cash-flow hedges	-	-
B.5 Foreign currency assets and liabilities	-	-
Total charges from hedging activities (B)	**(498,466)**	**(379,485)**
C. Net hedging gains (losses) (A - B)	**54,017**	**71,263**

At 31 December 2014, there are hedges of interest rate risk on specific fixed-rate and floating rate with maximum rate mortgage portfolios classified as "Loans and advances to customers", on certain debt securities classified as "Financial assets available for sale" and on individual own-issue bonds recorded among "Securities in issue".

The measurements carried out at the end of the year, in accordance with IAS 39, confirmed the effectiveness of existing hedges and led to the recording, in the line item in question, of a net expense of euro 9,659 thousand, which represents partial ineffectiveness, which in any case remains within the range allowed by IAS 39.

The item also includes euro 68,348 thousand in net income mainly connected to the early termination of certain hedges on debt securities recorded among "Financial assets available for sale" and net expenses of euro 4,788 thousand relating to the early termination of the hedges of on-demand items recorded among amounts "Due to customers".

SECTION 6

Gains (losses) on disposal or repurchase – Line item 100

6.1 Gains (losses) on disposal or repurchase: breakdown

Items/income items	31/12/2014			31/12/2013		
	Profits	Losses	Net profit (loss)	Profits	Losses	Net profit (loss)
Financial assets						
1. Loans and advances to banks	-	-	-	-	-	-
2. Loans and advances to customers	300	(1)	299	60	(3)	57
3. Financial assets available for sale	47,097	(46)	47,051	103,950	(4,321)	99,629
3.1 Debt securities	43,084	(37)	43,047	80,504	(754)	79,750
3.2 Equities	1,611	-	1,611	18,450	(3,561)	14,889
3.3 Mutual funds	2,402	(9)	2,393	4,996	(6)	4,990
3.4 Loans	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-
Total assets	**47,397**	**(47)**	**47,350**	**104,010**	**(4,324)**	**99,686**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	458	-	458
3. Debt securities in issue	1,508	(3,997)	(2,489)	3,346	(2,581)	765
Total liabilities	**1,508**	**(3,997)**	**(2,489)**	**3,804**	**(2,581)**	**1,223**

The gains and losses from “Financial assets available for sale” include the “release” to income of the positive and negative valuation reserves, recorded separately under equity at 31 December 2013, as a result of selling assets during the year.

SECTION 7

Net change in financial assets and liabilities at fair value – Line item 110

7.1 Net change in financial assets and liabilities at fair value: breakdown

Transactions/Income items	Gains (A)	Gains on disposals(B)	Losses (C)	Losses on disposals(D)	Net profit (loss) [(A+B)-(C+D)]
1. Financial assets	**-**	**-**	**(393)**	**-**	**(393)**
1.1 Debt securities	-	-	(393)	-	(393)
1.2 Equities	-	-	-	-	-
1.3 Mutual funds	-	-	-	-	-
1.4 Loans	-	-	-	-	-
2. Financial liabilities	**10,825**	**2,914**	**(23,457)**	**(3,842)**	**(13,560)**
2.1 Debt securities	10,825	2,914	(23,457)	(3,842)	(13,560)
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	-	-	-	-	-
3. Foreign currency financial assets & liabilities: exchange differences	**X**	**X**	**X**	**X**	**-**
4. Credit and financial derivatives	**39,570**	**3,035**	**(31,166)**	**(5,856)**	**5,583**
Total liabilities	**50,395**	**5,949**	**(55,016)**	**(9,698)**	**(8,370)**

Trading profits (losses) and valuation gains (losses) relating to financial derivatives are presented on a gross basis for each individual financial instrument.

The net losses recorded in the line item in question on financial liabilities include the pull to par effect connected to the reduction, due to the passing of time, in profits deriving from the change in the Parent Bank's creditworthiness recorded in previous years on its bonds measured at fair value.

SECTION 8

Net impairment adjustments – Line item 130

8.1 Net impairment adjustments to loans and advances: breakdown

Transactions/Income items	Adjustments			Writebacks				31/12/2014	31/12/2013
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Other		A	B	A	B		
A. Due from banks	-	(2)	-	-	-	-	-	(2)	(2)
- Loans	-	(2)	-	-	-	-	-	(2)	(2)
- Debt securities	-	-	-	-	-	-	-	-	-
B. Loans to customers	(18,489)	(849,268)	(76,673)	41,141	34,835	-	-	(868,454)	(432,353)
Purchased impaired loans	-	-	-	-	-	-	-	-	
- Loans	-	-	X	-	-	X	X	-	-
- Debt securities	-	-	X	-	-	X	X	-	-
Other loans	(18,489)	(849,268)	(76,673)	41,141	34,835	-	-	(868,454)	(432,353)
- Loans	(18,489)	(848,564)	(71,374)	41,141	34,835	-	-	(862,451)	(432,353)
- Debt securities	-	(704)	(5,299)	-	-	-	-	(6,003)	-
C. Total	**(18,489)**	**(849,270)**	**(76,673)**	**41,141**	**34,835**	**-**	**-**	**(868,456)**	**(432,355)**

Key:
A = interest
B = other

The increase in the item is mainly due to the adjustments emerged from the Asset Quality Review carried out by the European Central Bank.

8.2 Net impairment adjustments to financial assets available for sale: breakdown

Transactions/Income items	Adjustments		Writebacks		31/12/2014	31/12/2013
	Specific		Specific			
	Write-offs	Other	A	B		
A. Debt securities	-	(821)	-	3,467	2,646	(1,298)
B. Equities	-	(20,502)	X	X	(20,502)	(14,178)
C. Mutual funds	-	(13,078)	X	-	(13,078)	(1,008)
D. Loans to banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	**-**	**(34,401)**	**-**	**3,467**	**(30,934)**	**(16,484)**

Key:
A = interest
B = other

Impairment adjustments to equities relate to stocks listed on an active market which exceeded the materiality and/or durability threshold set forth in the internal policy for "identifying impairment losses on financial assets available for sale" and to certain equity interests held in unlisted companies for which an impairment loss was deemed to exist.

Impairment adjustments to mutual funds refer (euro 3,557 thousand) to a real estate fund and (euro 9,521 thousand) to a private equity fund.

8.3 Net impairment adjustments to financial assets held to maturity: breakdown

This table has not been completed because the Group did not recognise net impairment losses on financial assets held to maturity.

8.4 Net impairment adjustments to other financial transactions: breakdown

Transactions/Income items	Adjustments			Writebacks				31/12/2014	31/12/2013
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Other		A	B	A	B		
A. Guarantees given	(1,071)	(13,968)	(1,531)	-	-	-	-	(16,570)	(5,754)
B. Derivatives on loans	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	-	-	-	-	-	-	-
D. Other transactions	-	-	-	-	-	-	-	-	-
E. Total	**(1,071)**	**(13,968)**	**(1,531)**	**-**	**-**	**-**	**-**	**(16,570)**	**(5,754)**

Key:
A = interest
B = other

The “write-offs” refer to the Group’s share of the actions authorised by the Interbank Deposit Protection Fund (F.I.T.D.) Management Committee in favour of certain participant banks, whereas the “others” column includes the provisions prudentially allocated in view of possible interventions by the Fund in favour of certain participating entities undergoing hardship, not yet authorised by the Management Committee.

SECTION 9

Net premium income – Line item 150

This Section is not relevant.

SECTION 10

Other insurance income (charges) – Line item 160

This Section is not relevant.

SECTION 11

Administrative costs – Item 180

11.1 Payroll costs: breakdown

Type of expense/Segments	31/12/2014	31/12/2013
1) Employees	**(391,083)**	**(377,972)**
a) wages and salaries	(279,231)	(265,837)
b) social security contributions	(71,440)	(70,000)
c) severance indemnities	(80)	(25)
d) pension costs	(506)	(623)
e) provision for severance indemnities	(1,846)	(1,767)
f) provision for pensions and similar commitments:	(805)	(819)
- defined contribution	(608)	(612)
- defined benefit	(197)	(207)
g) payments to external supplementary pension funds:	(21,359)	(21,280)
- defined contribution	(21,359)	(21,280)
- defined benefit	-	-
h) costs deriving from equity-settled payment arrangements"	(465)	(465)
i) other personnel benefits	(15,351)	(17,156)
2. Other personnel	**(1,833)**	**(1,521)**
3. Directors and Statutory Auditors	**(8,046)**	**(8,358)**
4. Retired personnel	**(989)**	**(4,437)**
Total	**(401,951)**	**(392,288)**

11.2 Average number of employees by grade

	31/12/2014	31/12/2013
1. Employees	**5,275**	**5,267**
a) Managers	97	103
b) Middle managers	2,265	2,262
c) Other employees	2,913	2,902
2. Other personnel	**20**	**23**
Total	**5,295**	**5,290**

The average number of employees is calculated as the weighted average number of employees (with permanent and other employment contracts, including staff from other non-Group companies who are seconded to Group companies and excluding Group company employees who are seconded to other non-Group companies), where the weighting is given by the number of months worked in the year.

The calculation of the average number of employees at 31 December 2014 included the employees deriving from the acquisitions of the business units of Banca Popolare di Spoleto and of Cassa di Risparmio di Ferrara.

“Other employees” include staff working under contracts other than permanent employment ones, such as temporary or project contracts.

11.3 Defined benefit pension funds: costs and revenues

At 31 December 2014, the Parent Bank, in accordance with Article 8 of the Fund Regulations, had settled the deficit of euro 211 thousand resulting from the actuarial valuation, realigning the size of the Fund to the mathematical reserve calculated on the same date.

The above mentioned cost has been recorded (euro 197 thousand) under income statement line item 180 a) “Payroll” and (euro 211 thousand) under line item 90 “Actuarial gains and losses on defined-benefit plans” of the statement of comprehensive income.

11.4 Other employee benefits

There are no other employee benefits worthy of disclosure under paragraphs 131, 141 and 142 of IAS 19.

11.5 Other administrative costs: breakdown

	31/12/2014	31/12/2013
1. Indirect taxes	**(72,379)**	**(63,666)**
2. Non-professional products and services	**(107,547)**	**(106,565)**
2.1. postage, telephone charges	(12,675)	(13,905)
2.2. security and valuables transportation	(8,108)	(9,406)
2.3. electricity, heating and water	(8,944)	(9,666)
2.4. transport	(2,992)	(3,064)
2.5. hire of programs and microfiches	(4,198)	(3,798)
2.6. data processing	(63,635)	(59,566)
2.7. stationery and printing	(2,237)	(2,208)
2.8. cleaning of premises	(4,758)	(4,952)
3. Professional services	**(32,087)**	**(29,110)**
4. Rentals	**(38,374)**	**(38,139)**
4.1. rent of buildings	(36,764)	(36,222)
4.2. machine lease installments	(1,610)	(1,917)
5. Maintenance of furniture and installations	**(10,751)**	**(11,238)**
6. Insurance premiums	**(3,269)**	**(3,721)**
7. Other expenses	**(29,923)**	**(31,209)**
7.1. surveys, searches and subscriptions	(6,242)	(5,663)
7.2. membership fees	(2,861)	(2,775)
7.3. advertising and entertainment	(11,521)	(11,103)
7.4. other miscellaneous expenses	(9,299)	(11,668)
Total	**(294,330)**	**(283,648)**

SECTION 12

Net provisions for risks and charges – Line item 190

12.1 Net provisions for risks and charges: breakdown

	31/12/2014	31/12/2013
a) Provisions for legal disputes and other charges	(17,558)	(12,656)
b) Provision for other risks and charges	(898)	309
Total	**(18,456)**	**(12,347)**

More details on provisions for risks and charges can be found in Part B, Liabilities Section 12 of these Explanatory notes.

SECTION 13

Net adjustments to property, plant and equipment – Line item 200

13.1 Net adjustments to property, plant and equipment: breakdown

Assets/Income items	Depreciation (a)	Impairment adjustments (b)	Writebacks (c)	**Net result (a+b-c)**
A. Property, plant and equipment				
A.1 Owned	(23,672)	-	-	**(23,672)**
- for business purposes	(23,672)	-	-	**(23,672)**
- for investment purposes	-	-	-	**-**
A.2 Held under finance leases	(351)	-	-	**(351)**
- for business purposes	(351)	-	-	**(351)**
- for investment purposes	-	-	-	**-**
Total	**(24,023)**	**-**	**-**	**(24,023)**

SECTION 14

Net adjustments to intangible assets – Line item 210

14.1 Net adjustments to intangible assets: breakdown

Assets/Income items	Depreciation (a)	Impairment adjustments (b)	Writebacks (c)	**Net result (a+b-c)**
A. Intangible assets				
A.1 Owned	(4,498)	-	-	**(4,498)**
- internally generated	-	-	-	**-**
- other	(4,498)	-	-	**(4,498)**
A,2 Held under finance leases	-	-	-	**-**
Total	**(4,498)**	**-**	**-**	**(4,498)**

SECTION 15

Other operating charges/income – Line item 220

15.1 Other operating charges: breakdown

	31/12/2014	31/12/2013
1. Amortization of leasehold improvements	(7,033)	(8,281)
2. Other charges	(3,308)	(5,080)
Total	**(10,341)**	**(13,361)**

The amount in line 1. relates to the amortisation of leasehold improvements that cannot be separated from the related assets and which, accordingly, are not reported separately under property, plant and equipment. These costs are amortised over the period they are expected to benefit or the residual duration of the lease, whichever is shorter.

15.2 Other operating income: breakdown

	31/12/2014	31/12/2013
1. Expenses recovered from third parties on current and savings accounts	28,773	33,944
2. Property rental income	4,744	7,145
3. Recovery of stamp duty and other indirect taxes	62,728	54,179
4. Other income	18,608	15,820
Total	**114,853**	**111,088**

Line 1. also includes the new "Fast Preliminary Commission" (CIV), introduced by the "Save-Italy Decree" (Italian Law Decree 201/2011). Starting from 1 July 2012, the aforesaid commission replaced the Credit Line Service Commission (CSA), previously recognised in income statement line item 40 "Fee and commission income".

SECTION 16

Profit (Loss) from equity investments - Line item 240

16.1 Profit (Loss) from equity investments: breakdown

Income item/Segments	31/12/2014	31/12/2013
1) Companies under joint control		
A. Income	**-**	**-**
1. Revaluations	-	-
2. Profit from disposals	-	-
3. Writebacks	-	-
4. Other income	-	-
B. Charges	**-**	**-**
1. Writedowns	-	-
2. Impairment writedowns	-	-
3. Loss from disposals	-	-
4. Other charges	-	-
Net profit (loss)	**-**	**-**
2) Companies subject to significant influence		
A. Income	**15,274**	**11,488**
1. Revaluations	-	-
2. Profit from disposals	-	-
3. Writebacks	-	-
4. Other income	15,274	11,488
B. Charges	**(6,773)**	**(4,647)**
1. Writedowns	-	-
2. Impairment writedowns	(5,309)	-
3. Loss from disposals	-	-
4. Other charges	(1,464)	(4,647)
Net profit (loss)	**8,501**	**6,841**
Total	**8,501**	**6,841**

"Other income" and "Other charges" refer to the results for the year of equity investments consolidated using the equity method.
"Adjustments" in line B.2 relating to the write-downs due to impairment losses, recorded in the income statement based on IAS 36, refer to:

- euro 681 thousand to the equity investment in San Marco S.r.l.;
- euro 2,190 thousand to the equity investment in Orogroup S.p.a. (owned by the Nem Imprese II Fund);
- euro 1,214 thousand to the equity investment in Doreca S.p.a. (owned by the Nem Imprese II Fund);
- euro 1,224 thousand to the equity investment in Braccialini S.p.a. (owned by the Industrial Opportunity Fund).

SECTION 17

Net gains (losses) arising on fair value adjustments to property, plant and equipment and intangible assets - Line item 250

17.1 Net gains (losses) arising on adjustments to the fair value (or restated value) of property, plant and equipment and intangible assets: breakdown

Assets/Income item	Revaluations (a)	Write-downs (b)	Exchange differences		"Net profit (loss) (a-b+c-d) at 31/12/2014"	"Net profit (loss) (a-b+c-d) at 31/12/2013"
			"Positive	Negative (d)		
A. Property, plant and equipment	**-**	**(2,850)**	**,**	**,**	**(2,850)**	**(2,822)**
A.1 Owned:	-	(2,850)	-	-	(2,850)	(2,822)
- For business purposes	-	-	-	-	-	-
- For investment purposes	-	(2,850)	-	-	(2,850)	(2,822)
A.2 Held under finance lease:	-	-	-	-	-	-
- For business purposes	-	-	-	-	-	-
- For investment purposes	-	-	-	-	-	-
B. Intangible assets	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Owned:	-	-	-	-	-	-
B.1.1 Internally generated	-	-	-	-	-	-
B.1.2 Other	-	-	-	-	-	-
B.2 Held under finance lease	-	-	-	-	-	-
Total	**-**	**(2,850)**	**-**	**-**	**(2,850)**	**(2,822)**

SECTION 18

Adjustments to goodwill – Line item 260

	31/12/2014	31/12/2013
a) Adjustments to goodwill	(600,000)	(15,225)

"Adjustments to goodwill" refer to the impairment determined as a result of the impairment test on the carrying amount in accordance with the provisions of IAS 36. The results of these tests are discussed in the specific paragraph in Section 12 "Intangible assets" of the Statement of Financial Position.

SECTION 19

Gains (losses) on disposal of investments – Line item 270

19.1 Gains (losses) on disposal of investments: breakdown

Income item/Segments	31/12/2014	31/12/2013
A. Buildings	**-**	**-**
- Profit from disposals	-	-
- Loss from disposals	-	-
B. Other assets	**13**	**54**
- Profit from disposals	27	59
- Loss from disposals	(14)	(5)
Net profit (loss)	**13**	**54**

The profits and losses reported above relate to the sale and/or retirement of certain property, plant and equipment and intangible assets.

SECTION 20

Income taxes on current operations – Line item 290

20.1 Income taxes on current operations: breakdown

Income item/Segments	31/12/2014	31/12/2013
1. Current income taxes (-)	(32,242)	(83,984)
2. Change in prior year income taxes (+/-)	6,349	2,668
3. Reduction in current taxes (+)	-	-
3.bis. Reduction in current taxes for tax credits pursuant to Law 214/2011	4,468	-
4. Change in deferred tax assets (+/-)	316,868	99,227
5. Change in deferred tax liabilities (+/-)	81,244	(14,649)
6. Income taxes for the year (-) (-1+/-2+3+3 bis+/-4+/-5)	**376,687**	**3,262**

"Current income taxes" include withholding taxes on income from capitalisation policies and taxes paid abroad.

The positive change of current taxes of the earlier years refers mainly to surplus provisions set aside for income taxes in earlier years.

SECTION 21

Profit (Loss) from disposal groups, net of tax – Line item 310

21.1 Profit (loss) from disposal groups, net of tax: breakdown

Income item/Segments	31/12/2014	31/12/2013
1. Income	-	21,000
2. Charges	-	-
3 Result of valuations of disposal groups of assets and related liabilities	-	-
4. Gains (losses) on disposal	-	-
5. Taxation	-	(5,775)
Net profit (loss)	**-**	**15,225**

The aforesaid profit and loss at 31 December 2013 refer to groups of discontinued operations relating to the "Mutual Funds" and "Asset Management" business units, sold on 1 January 2013 by the subsidiary BPVi Fondi Sgr S.p.a. to Arca Sgr S.p.a.

21.2 Details of income taxes relating to disposal groups of assets/liabilities

Income item/Segments	31/12/2014	31/12/2013
1. Current income taxes (-)	-	(5,775)
2. Change in deferred tax assets (+/-)	-	-
3. Change in deferred tax liabilities (+/-)	-	-
4. Income taxes for the year (-1+/-2+/-3)	**-**	**(5,775)**

SECTION 22

Minority interests – Line item 330

22.1 Breakdown of line item 330 "Minority interests"

	31/12/2014	31/12/2013
Consolidated investments with significant minority interests		
1. Farbanca S.p.a.	941	1.658
2. Nem Imprese	(8)	55
Other investments	**-**	**-**
Total	**933**	**1,713**

SECTION 23

Other information

There is no other information worthy of disclosure in addition to that established by international financial reporting standards and by the instructions in Bank of Italy Circular no. 262 of 22 December 2005 as amended.

SECTION 24

Earnings per share

The disclosure required by IAS 33 (paragraphs 68, 70 a), b), c), and d) and 73 will now be provided.

24.1 Average number of ordinary shares on dilution of capital stock

	31/12/2014	31/12/2013
Weighted average number of ordinary shares	85,155,806	82,287,320
Dilution adjustment	-	-
Weighted average number of ordinary shares (fully diluted)	85,155,806	82,287,320

The weighted average number of ordinary shares outstanding is calculated with reference to the number of ordinary shares outstanding at the start of the year, as adjusted by the number of ordinary shares cancelled or issued during the year multiplied by the number of days such shares were in circulation in proportion to the total number of days in the year. Treasury shares are not included in the total number of shares outstanding.

At 31 December 2014 there are no dilution adjustments. In this regard, it should be noted that the potential dilutive effects associated with the “Loyalty Bonus” provided as part of the capital increases made by the Parent Bank in 2013 and 2014 were not considered.

The weighted average number of ordinary shares (fully diluted) is calculated by adding to the weighted average number of ordinary shares outstanding the additional ordinary shares that would have been outstanding had all potential ordinary shares with a dilutive effect been converted. Since at 31 December 2014 there are no dilutions adjustments, the weighted average of ordinary shares on dilution of capital stock matches with the weighted average of ordinary shares.

24.2 Other information

	31/12/2014			31/12/2013		
	Share of profit (euro)	Weighted average number of ordinary shares	EPS (euro)	Share of profit (euro)	Weighted average number of ordinary shares	EPS (euro)
Basic earnings/loss per share	(758,520)	85,155,806	(8,907)	(32,161)	82,287,320	(0,391)
Diluted earnings/loss per share	(758,520)	85,155,806	(8,907)	(32,161)	82,287,320	(0,391)

The Basic earnings/loss per share are determined by dividing the results attributable to the holders of the Parent Bank's ordinary equity instruments (the numerator) by the weighted average number of ordinary shares outstanding during the year (the denominator).

Diluted earnings/loss per share are determined by adjusting both the results attributable to the holders of the Parent Bank's ordinary equity instruments and the weighted average number of shares outstanding to take account of the potential dilution associated with the convertible bond: "Banca Popolare di Vicenza 13^ emissione subordinato convertibile 2007-2015" issued on 20/12/2007.

Since at 31 December 2014 there are no dilutive effects, the diluted earnings/loss per share coincide with the basic earnings per share.

PART D – CONSOLIDATED COMPREHENSIVE INCOME

Statement of consolidated comprehensive income

Line items	Gross amount	Income tax	Net amount
10. Net income (loss) for the year	**(1,134,274)**	**376,687**	**(757,587)**
Other components of income without release to the income statement			
20. Property, plant and equipment	-	-	-
30. Intangible assets	-	-	-
40. Defined-benefit plans	(5,592)	1,539	(4,053)
50. Non-current assets held for sale and discontinued operations:	-	-	-
60. Portion of valuation reserves of equity investments carried at equity	(184)	48	(136)
Other components of income with release to the income statement			
70. Hedges of foreign investments:	-	-	-
a) changes in fair value	-	-	-
b) release to the income statement	-	-	-
c) other changes	-	-	-
80. Exchange differences:	-	-	-
a) changes in fair value	-	-	-
b) release to the income statement	-	-	-
c) other changes	-	-	-
90. Cash-flow hedges:	(143,683)	47,516	(96,167)
a) changes in fair value	(92,885)	30,718	(62,167)
b) release to the income statement	(50,798)	16,798	(34,000)
c) other changes	-	-	-
100. Financial assets available for sale:	365,457	(114,837)	250,620
a) changes in fair value	347,134	(115,878)	231,256
b) release to the income statement	16,618	1,224	17,842
- impairment writedowns	8,820	-	8,820
- profits/losses on disposals	7,798	1,224	9,022
c) other changes	1,705	(183)	1,522
110. Non-current assets held for sale and discontinued operations:	-	-	-
a) changes in fair value	-	-	-
b) release to the income statement	-	-	-
c) other changes	-	-	-
120. Portion of valuation reserves of equity investments carried at equity	30,652	(10,443)	20,209
a) changes in fair value	29,811	(10,227)	19,584
b) release to the income statement	317	(112)	205
- impairment writedowns	1,801	(616)	1,185
- gains/losses on disposal	(1,484)	504	(980)
c) other changes	524	(104)	420
130. Total other components of income	**246,650**	**(76,177)**	**170,473**
140. Comprehensive income (Lines 10+110)	**(887,624)**	**300,510**	**(587,114)**
150. Comprehensive income pertaining to minority interests	(1,401)	471	(930)
160. Comprehensive income pertaining to the parent bank	**(889,025)**	**300,981**	**(588,044)**

SECTION 1

Risks of the Banking Group

Introduction

The current regulations for internal controls define the Internal Control System (ICS) as a fundamental element of the comprehensive bank governance system; it assures that activities are carried in accordance with corporate strategies and policies and in compliance with the standards of sound and prudent management.

The controls involve, with different roles, the Corporate bodies, the Governance Committees and all Group personnel and they are an integral part of day to day activities. These "controls" must be identified with the goal of mitigating the inherent risks existing in corporate processes and, consequently, assuring the correct execution of corporate operations.
The Internal Controls structure comprises the following three tiers:

- line controls, whose purpose is to ensure the correct execution of operations, also by applying a control involving a check of the regular execution of the processes. They are carried out by the operating structures themselves (e.g. hierarchical, system-wide and sampling controls) also through different units reporting to the heads of the operating structures, or performed within the back office activities; insofar as possible, they are included in IT procedures. Line controls, be they carried out by real persons or through IT procedures, can be further distinguished into:
  a) First level line controls: these are carried out directly by those who perform a certain activity, or by the IT procedures supporting that activity;
  b) Second level line controls: they are carried out by persons who do not actually perform the operations but are tasked with supervising them ("risk owners"). In particular, the latter are divided into:
  - Second level - functional controls: carried out by corporate structures separate from the operating structures; they include the functional controls carried out within the scope of specialist back-office or support activities (e.g., controls carried out by back office units on Network operations;
  - Second level - hierarchical controls: carried out by corporate roles hierarchically above those responsible for the operation (e.g. controls carried out by Network Managers on operations carried out by the operators reporting hierarchically to them).
- risk management controls serve the purpose of ensuring, inter alia:
  a) the correct implementation of the risk management process;
  b) compliance with the operating limits assigned to the various Functions;
  c) the corporate operations' compliance with regulations.
  The Functions tasked with performing these controls are separate from the productive functions; they contribute to the definition of the risk governance policies and of the risk management process. Specifically, these controls are carried out by the Corporate risk management Control Functions, as defined by Bank of Italy (Compliance, Risk Management, Anti Money Laundering and Validation) and by the Functions that, according to provisions of law, regulations, bylaws or self-regulation, have prevalent control duties (Financial Reporting Manager).

These controls have the following objectives:

- o to contribute to the definition of methodologies for the measurement of risk, check compliance with the limits assigned to the various operational functions and check the consistency of the transactions carried out by each production unit with the assigned risk/return targets **(Risk Management)**;
- o to concur in monitoring the performance and stability of the first pillar internal risk management systems used to calculate capital requirements **(Validation)**;
- o to concur in the definition of methods for measuring/assessing the risk of non compliance with regulations, verifying that corporate processes are capable of preventing the violation of externally imposed regulations (laws, regulations, etc.) and voluntarily adopted regulations (codes of conduct, codes of ethics, etc.) **(Compliance)**;
- o to concur in the prevention of risks connected with use of the financial system for the purpose of laundering the revenues from criminal activities and financing terrorism, in accordance with the reference regulations (Italian Legislative Decree no. 231/07) **(Anti-money laundering)**;
- o certify corporate accounting information in accordance with legal requirements **(Financial Reporting Manager)**;

- the Internal Audit activity serves the purpose of identifying violations of procedures and regulations, as well as periodically assessing the completeness, functionality, adequacy (in terms of efficiency and effectiveness) and the reliability of the Internal Control System. Another purpose of the activity, performed by the Internal Audit Function, is to bring potential improvements to the attention of the corporate Bodies, with particular reference to risk governance policies, to the risk management process and to risk measurement and control instruments. Based on the results of its own controls, the Internal Audit Function submits intervention requests to corporate structures.

The aforesaid levels of control (line, risk management, internal audit) constitute a single integrated system activated by different Functions, but complementary in its aims, in the characteristics of its approach and in the operating rules.

There is a significant link between the risk management and internal audit Functions, which must have an integrated vision of all corporate operations, recognising, with shared and complementary assessment criteria, the issues connected with correct control of corporate risks and with the effective and efficient operation of the "operating machine", in relation to the evolving external and internal context.

With particular reference to the Risk Management Function, it should be pointed out that, in compliance with the model applied by the Banca Popolare di Vicenza Group, the Parent Bank's Risk Management Offices carries out these activities centrally on a Group level. This Function reports hierarchically to the General Manager of the Parent Bank and functionally to the Board of Directors of the Parent Bank through the Audit Committee. It is the duty of the Risk Management Function, *inter alia*, to:

- develop and/or maintain, in a systematic and continuous way, the risk management models and instruments used also in light of regulatory changes and indications having an impact on risk management activities;

- define and develop models and tools for the measurement and control of risks at Group level, including those connected with advanced approaches;

- coordinate the collection of the information necessary to feed the Group's risk management system from all Group Banks and Companies, overseeing and promoting the actions aimed at filling any gaps noted;

- measure the Group's exposure to the different risk profiles, verifying their compliance with the limits established by the Body with management function, providing the corporate Bodies and Functions with reports about the different risk profiles;

- propose to the Parent Bank's strategic supervision Body the Risk Appetite Framework parameters (objectives, tolerance and capacity), continuously verifying its adequacy after its passage through the Control Committee and coordinating, when necessary, with other competent functions;

- participate in the internal committees that involve risk assumption/management processes at the individual level and at the Group level.

In addition, the Risk Management Function is responsible for managing the assessment of the internal capital levels adapted to handle all the risks associate with the activities carried out (ICAAP), observing the legislation that came into force on 1 January 2007, originated in the Second Pillar of Basel II. It should be emphasised that the preparation of the ICAAP Report is one of the best opportunities to disseminate the risk culture within the Group, starting with the Board of Directors, that approves the Report itself and that every quarter receives updates on the main content thereof, and continuing on to the various functional units, involved in risk self-assessment focused on creating the so-called "Risk Map" compiled on a Group level.

Another opportunity to disseminate the risk culture occurs when defining the so-called Risk Appetite Framework in a Statement, approved as a minimum on an annual basis by the Board of Directors and continuously monitored by the competent structures. It should be emphasised that most of the Group's activity, from the process of defining operational and strategic planning goals to daily operations, takes place in compliance with the systems of risk objectives (appetite), limits (tolerance, capacity) and attention thresholds defined within the Risk Appetite Framework. In 2014, the definition of the Risk Appetite Statement saw an even closer cooperation of the Risk Management Function with the Strategic Planning Division and the operating functions with competence for each individual aspect; moreover, the results were also endorsed by the subsidiaries, which during the year implemented the risk management regulations, each with reference to significant risk profiles, as obtained through the ICAAP process. Further confirming the importance of the Risk Appetite Framework, certain operating limits / attention thresholds are used as key variables for implementing the Group's incentive scheme.

Consistently with the above described approach, staff training also gives due consideration to risk-associated issues: the number of training days dedicated to risk in 2014 (including issues such as security, transparency, anti-money laundering, protecting investors), also including the issues regarding credit in general, represented almost one third (29%) of the total. One of the most significant initiatives of 2014 was the continuation of the training plan laid out in A-IRB (Advanced Internal Rating Based) Project with the goal of introducing internal models in determining requirements related to credit risk.

1.1 Credit risk

QUALITATIVE INFORMATION

1. General aspects

Credit Risk is the risk of losses due to non-performance by the counterparty (specifically the obligation to repay loans) or, more broadly, the failure of customers or their guarantors to meet their obligations.

Credit risk also usually includes "Country Risk", being the risk that public and private borrowers in a country might be affected by the political, economic and financial situation there. In such cases, the failure to meet their obligations may depend on external factors beyond their control (political and economic risks, currency controls etc.) that relate to the country in which they are resident.

Lending by the BPVi Group has always aimed to support both the borrowing needs of households and the development and consolidation of businesses, especially small and medium-sized firms, which typify the local economies where the Group's banks operate.

In keeping with prior years, the lending policy adopted by the Group's different businesses seeks to respond to the needs of individuals and firms, while paying particular attention to the difficult economic situation, credit risk and an adequate level of guarantees.

With reference to "individual" customers, the development of activities has focused on the longer-term segment with the granting and/or renegotiation of home mortgages and personal loans either directly via the Group's banks or via other companies.

As regards the economic situation with the goal of providing a breath of fresh air to struggling households, the banks within the BPVI Group have adopted the "Household Plan", that is to say the agreement between the Italian Banking Association and the Consumers' Associations signed on 18 December 2009, which calls for the suspension of instalment payments on mortgage loans for 12/18 months. This agreement was renewed several times in subsequent years, until the definitive deadline of 31 March 2013. After this date, it was replaced by the Ministry of Finance's Solidarity Fund, initially funded with euro 20 million, and again in September of last year with an additional 40 million (of which 20 for 2014 and the same amount for 2015).

Development activities in relation to "small businesses" have mainly focused on short-term lending, where the risk is spread widely, using technical forms that are supported by underwriting syndicates wherever possible. Medium-term lending has been expanded to medium and large businesses, with a special focus on those with secured guarantees. In all cases, special care has been taken in the selection of economic sectors from which borrowers come, in order to give preference to lower risk activities. Sector analysis has become increasingly important in the credit management process and involves the examination of internal data and external data provided by specialist Italian companies, in order to maximise their significance in view of the characteristics of the different banks and areas in which they operate.

The BPVI Group's banks have complied with the "Common Opinion" issued on 3 August 2009 by the Ministry of the Economy and Finance, the Italian Banking Association and business associations, aimed at giving struggling companies some financial respite, and renewed several times in subsequent years.

The Group is not active in the field of credit derivatives.

Lastly, the Pillar 3 disclosures are published in the "Corporate Documents" section of Banca Popolare di Vicenza's website (www.popolarevicenza.it).

2. Credit risk management policies

2.1 Organisational aspects

The Group's regulations for the Management of Credit, contained in its Credit Manual, establish a prudent approach to risk assessment. At the preliminary stage, borrowers are required to provide all the documentation needed for an adequate assessment of their credit rating. Such documentation must allow assessment of whether the amount requested, the technical form of the loan and the project to be financed are all consistent; it must also allow the characteristics and qualities of borrowers to be identified, having regard for all forms of relationship with them.

The risks associated with individual customers from the same Group must be considered separately. If there are legal or economic relations between individual customers, these parties form a unit in risk terms and represent a Group (economic group or risk group).

When granting and/or renewing lines of credit, it is necessary to verify the exposure by the entire BPVI Group to borrowers and that to any groups to which they belong.
Pricing and/or income from the relationship cannot be a factor when evaluating credit rating and agreeing a loan.

The preliminary process depends on the type of customer concerned. For "individual" customers and small businesses, the granting or otherwise of credit for relatively small amounts is dealt with at branch or Area level. This follows a simplified process using internal rating models, an IT tool that checks credit rating at the time new lines of credit are granted, using both internal and external sources of information. For better control over the process of granting credit to "individual" customers and small businesses, stricter limits have been introduced on decision-making powers, identified on the basis of the risk profile attributed to the counterparty by the internal scoring system.

The granting of credit to companies/entities follows a more complex process: proposed lending to such customers must be supported by a technical opinion from Area or Head Office credit analysts depending on the amount of credit requested.

Account managers monitor and administer loans day by day and are responsible for their granting. If customer risk increases, the operating objective is to contain the bank's risk by promptly adopting all the necessary measures.
Further to the "New prudential supervisory instructions for banks" (Bank of Italy Circular 263/06 as amended), the Group has adopted a process which, as far as property securing loans is concerned, constantly checks and updates its estimated value, also by using statistical methods based on geo-referenced systems.

2.2 Management, measurement and monitoring systems

The credit process is organised as follows:

- Granting of credit, which involves: investigation, assessment, decision, formalisation of the credit and any guarantees;
- Management of credit, which involves: uses, monitoring, facility revision, management of anomalies;
- Management of non-performing loans and recovery of loans.

Since 2008, the BPVi Group has implemented an internal rating system, which is used for assessing customer ratings and for granting and monitoring credit.

The rating models were then developed primarily with reference to the types of counterparties with whom the Group structurally operates, namely:

- Individuals and Small Businesses;
- Small Corporate (with between Euro 517 thousand and Euro 2.5 million in turnover);
- Mid Corporate (with between Euro 2.5 and Euro 50 million in turnover);
- Corporate (with more than Euro 50 million in turnover).

In January 2013, the Board of Directors of the Parent Bank decided to launch the initiative to adopt advanced credit risk measurement methods (**"Advanced Internal Ratings Based" system - AIRB**). The rating models were revised as part of this initiative. In particular, they cover the following counterparty-types:

- Individuals
- Small Business segments (sole proprietorships, non-commercial partnerships, partnerships with turnover less than 700,000 euro and exposure less than 1 million euro)
- SME Retail (Joint-stock companies with less than euro 2.5 million of turnover and exposure less than euro 1 million, Partnerships with turnover between euro 700,000 and euro 2.5 million and exposure less than Euro 1 million);
- SME Corporate (corporations and partnerships with turnover less than 2.5 million euro and exposure above 1 million euro, partnerships and corporations with turnover between 2.5 and 150 million euro);
- Large Corporate (Companies with more than euro 150 million in turnover).

After introducing such internal ratings into the credit management process, a series of "Credit Policies" were defined and approval limits were revised according to the level of counterparty risk.

The "Credit Policies" govern the way in which the Group means to assume credit risk with customers, by fostering balanced growth in loans to counterparties with higher "credit ratings" and regulating/limiting the grant of credit to riskier customers.

This also includes the regulations for "critical sectors", i.e. the sectors that, based on assessments made on data outside and inside the Bank, exhibit such systemic risk elements that companies in the sectors should be more carefully scrutinised when granting credit and managing. Credit to companies in these sectors is regulated by more stringent limits than ordinary ones. The definition of the scope of critical sectors is revised annually.

The Credit Management application (GdC) plays an important role in the monitoring and management of borrowers, allowing account managers to check on changes in the credit status of customers and quickly identify any deterioration in the standing of borrowers. This instrument was developed with the objective of implementing an advanced credit portfolio management model based on predefined strategies (objectives, actions and timelines) that are consistent with the customer's risk level. Within the Loans Department of the Parent Bank and Banca Nuova, there are Credit Surveillance units to improve the management of customers showing initial signs of distress; the unit's specific tasks involve providing support to account managers for specific anomalous positions, reviewing the effectiveness of actions taken and spreading a general culture focused on safeguarding against credit risk and reducing it.

As required by the Supervisory Instructions (Part IV, Chapter 11, Section II), suitable systems for the identification, measurement and control of risks have been adopted in order to manage credit in a proper and prudent manner.

Controls form an integral part of the daily activities of the Group. There are four types:

- Line controls: these are performed at organisational level (e.g. hierarchical controls) or are built into procedures or carried out as part of back-office work;
- Risk management controls: these contribute to defining risk measurement methods, check compliance with the limits established for the various functions and monitor the consistency of operations; they are carried out by structures other than the production structures. They include the II level credit performance monitoring controls, carried out by the Risk Management function to implement the indications contained in Bank of Italy Circular no. 263, 15th Revision;
- Internal audit: the purpose of this activity is to reassess the credit rating of individual borrowers, at predetermined intervals.
- Inspections: these are carried out by the audit function both on-site and on a remote basis, in order to verify the quality of loans and the support for decisions taken by the functions responsible for granting and administering credit.

Within the scope of the credit risk monitoring and management activity, management reporting is carried out; in particular, on a quarterly basis the loans portfolio's risk Profile Report is prepared; it provides fundamental information support for the Control Committee: the reporting contains detailed credit risk reports at the consolidated and individual level (portfolio distribution by administrative statuses, rating classes and expected loss, transition matrices, deterioration rates), with analyses differentiated by management segment, industry and geographic area.

Also available is an instrument for reporting to the network, characterised by various views of the loans portfolio, with different hierarchical levels of aggregation (branch, area, general Management, bank, group) and visibility.

Lastly, in compliance with the Bank of Italy's instructions relating to Basel 2 and "groups of connected customers", the Bank introduced a number of rules relating to the management of economic groups to increase the level of objectivity and process repetition regarding their composition.

2.3 Credit risk mitigation techniques

The credit risk associated with individual counterparties or groups is mitigated by obtaining security (pledges, mortgages and special privileges) and/or personal guarantees (sureties, endorsements, credit mandates and letters of patronage).

The degree of mitigation attributed to each guarantee is governed by specific regulations that take account of the varying nature of the guarantees obtained.

The value of property is periodically reassessed and updated on the basis of the statistical databases of a primary operator in the industry and the initiatives directed at renewing the appraisals are activated.

Analysis of these guarantees does not reveal a special degree of concentration within the various technical forms of cover/guarantee since, except with regard to general sureties, they are essentially "specific" to each position. In addition, overall, there are no contractual restrictions that might undermine the legal validity of the guarantees obtained.

2.4 Impaired financial assets

Anomalous loans not classified as non-performing are monitored not only by the commercial network but also by specific organisational units, whose mission is to "prevent default". These units, which report hierarchically and functionally to the Loans Division, operate at Head Office and in the Area offices responsible for the branch network.

Account managers are required to adopt an operational approach aimed at eliminating anomalies and limiting risks.

In the case of "Restructured" loans which are identified and managed in compliance with the supervisory rules ("Cash and off-balance sheet exposures (...) for which a bank, due to deterioration in the borrower's economic and financial status, allows the original contractual conditions to be revised (...) giving rise to a loss"), their management involves checking observance of the agreed restructuring plan and the fact that they may qualify for other internal classifications, such as that of "Watchlist" loans.

With regard to positions involved in debt restructuring in its various forms, including restructuring agreements under art. 67 or art. 182 of the bankruptcy law, the Parent Bank has increased the number of staff working on anomalous loans to ensure the precise, professional management of such agreements, thus creating a specialist team devoted to this activity.

Activities relating to "watchlist loans" give priority to friendly, even if gradual, recovery of credit or at least to the mitigation of any negative effects in the event of default.

The classification of loans as "non-performing" is based on the criteria laid down in the supervisory regulations. Accordingly, this category comprises loans to parties that are insolvent or in similar circumstances, even if not confirmed by a judge, the recovery of which is the subject of court action or other suitable measures.

Management of non-performing loans and recovery of loans is the responsibility of specific units within the Loans Department.

These units consist of internal lawyers and personnel who carry out administrative and accounting activities in relation to the non-performing loans concerned. The accounting processes adopt an IT procedure used by all the companies belonging to the Sec Servizi consortium.

Recovery activities are carried out on a pro-active basis, with a view to optimizing the legal procedures and maximizing the outcome in economic and financial terms. In particular, when evaluating the steps to take, internal lawyers prefer to take out-of-court action with recourse to settlements that accelerate recoveries and contain the level of costs incurred. Where this route is not applicable, and especially with regard to larger amounts and when higher recoveries can be expected, external lawyers are instructed to take legal action since this represents both a method of putting legitimate pressure on the debtor and a way to resolve disputes.

Small loans that are uncollectible or difficult to collect are generally grouped together and sold without recourse, given that legal action would be uneconomic in cost/benefit terms.

For financial reporting purposes, non-performing loans are analysed on a case-by-case basis to determine the provisions required to cover expected losses. The extent of the loss expected from each relationship is determined with reference to the solvency of the debtor, the nature and value of the guarantees obtained and the progress made by recovery procedures. Estimates are made on a prudent basis, including by discounting to present value, as required by the applicable accounting standards.

This complex evaluation process is facilitated by subdividing the total loan book into similar categories and years of origin, taking account of the realisable value of the personal and/or corporate assets of the debtor and the guarantors.

Lastly, the proper performance of the task of administering and evaluating non-performing loans is assured by both periodic Internal Autid Department and by external verification activities, carried out by the Board of Statutory Auditors and the Indipendent Auditors.

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

A.1 IMPAIRED AND PERFORMING EXPOSURES: SIZE, ADJUSTMENTS, TRENDS, ECONOMIC AND TERRITORIAL DISTRIBUTION

A.1.1 Breakdown of financial assets by portfolio and credit quality (book values)

Portfolio/Quality	Banking group						*Other companies*		Total
	Non-performing loans	Watchlist loans	Restructured exposures	Impaired exposures past due	Not impaired exposures past due	Other assets	Impaired loans	Other	
1. Financial assets held for trading	-	4,922	581	2,740	-	7,545,705	-	-	7,553,948
2. Financial assets available for sale	-	-	-	-	-	4,498,246	-	-	4,498,246
3. Financial assets held to maturity	-	-	-	-	-	43,374	-	-	43,374
4. Loans and advances to banks	298	-	-	-	12,450	2,242,179	-	-	2,254,927
5. Loans and advances to customers	1,696,271	1,742,939	432,841	329,296	1,202,553	22,706,736	-	-	28,110,636
6. Financial assets at fair value	-	-	-	-	-	4,260	-	-	4,260
7. Financial assets being sold	-	-	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	97,860	-	-	97,860
Total at 31/12/2014	**1,696,569**	**1,747,861**	**433,422**	**332,036**	**1,215,003**	**37,138,360**	**-**	**-**	**42,563,251**
Total at 31/12/2013	**1,567,152**	**1,355,609**	**506,766**	**486,224**	**1,253,263**	**33,975,334**	**-**	**-**	**39,144,348**

A.1.2 Distribution of financial assets by portfolio and credit quality (gross and net values)

Portfolio/Quality	Impaired assets			*Performing loans*			Total (net exposure)
	Gross exposure	Specific adjustments	Net exposure	"Gross exposure"	Portfolio adjustments	Net exposure	
A. Banking group							
1. Financial assets held for trading	8,243	-	8,243	X	X	7,545,705	7,553,948
2. Financial assets available for sale	-	-	-	4,498,246	-	4,498,246	4,498,246
3. Financial assets held to maturity	-	-	-	43,374	-	43,374	43,374
4. Loans and advances to banks	616	(318)	298	2,254,629	-	2,254,629	2,254,927
5. Loans and advances to customers	6,473,559	(2,272,212)	4,201,347	24,079,497	(170,208)	23,909,289	28,110,636
6. Financial assets at fair value	-	-	-	X	X	4,260	4,260
7. Financial assets being sold	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	X	X	97,860	97,860
Total A	**6,482,418**	**(2,272,530)**	**4,209,888**	**30,875,746**	**(170,208)**	**38,353,363**	**42,563,251**
B. Other consolidated companies							
1. Financial assets held for trading	-	-	-	X	X	-	-
2. Financial assets available for sale	-	-	-	-	-	-	-
3. Financial assets held to maturity	-	-	-	-	-	-	-
4. Loans and advances to banks	-	-	-	-	-	-	-
5. Loans and advances to customers	-	-	-	-	-	-	-
6. Financial assets at fair value	-	-	-	X	X	-	-
7. Financial assets being sold	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	X	X	-	-
Total B	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total at 31/12/2014	**6,482,418**	**(2,272,530)**	**4,209,888**	**30,875,746**	**(170,208)**	**38,353,363**	**42,563,251**
Total at 31/12/2013	**5,382,577**	**(1,466,826)**	**3,915,751**	**33,202,832**	**(94,183)**	**35,228,597**	**39,144,348**

Impaired loans included in the "Financial assets held for trading" portfolio, all related to derivative contracts with customers, have been adjusted for a total of euro 5,264 thousand to reflect their credit risk. These adjustments relate for euro 3,504 thousand to watch list loans, for euro 1,363 thousand to past due loans and for euro 397 thousand to restructured loans.
Breakdown of non impaired loans.

The following is a breakdown for the “Loans and advances to customers” portfolio of “performing loans”, distinguished between exposures subject to renegotiation under collective Agreements and exposures subject to renegotiations granted by the Group to clients in financial difficulties and other exposures, and their seniority expired.

Exposures	Non past-due exposures			Past due up to 30 days			Past due 30 to 60 days		
	Gross exposure	adjustments	Net exposure	Gross exposure	adjustments	Net exposure	Gross exposure	adjustments	Net exposure
Loans and advances to customers:									
- renegotiations under collective agreements	166,825	(296)	166,529	1,281	(4)	1,277	5,285	(16)	5,269
- renegotiations granted to customers in financial difficulty	764,120	(7,757)	756,363	36,600	(634)	35,966	44,381	(302)	44,079
- other exposures	21,933,689	(149,845)	21,783,844	232,222	(2,686)	229,536	145,437	(821)	144,616
Total	**22,864,634**	**(157,898)**	**22,706,736**	**270,103**	**(3,324)**	**266,779**	**195,103**	**(1,139)**	**193,964**

Exposures	Past due 60 to 90 days			Past due 90 to 180 days			Past due 180 days to 1 year			Past due over 1 year		
	Gross exposure	adjustments	Net exposure	Gross exposure	adjustments	Net exposure	Gross exposure	adjustments	Net exposure	Gross exposure	adjustments	Net exposure
Loans and advances to customers:												
- renegotiations under collective agreements	3,694	(13)	3,681	5,913	(22)	5,891	1,978	(9)	1,969	378	(1)	377
- renegotiations granted to customers in financial difficulty	46,899	(393)	46,506	44,847	(312)	44,535	53,371	(382)	52,989	1,848	(13)	1,835
- other exposures	177,901	(1,314)	176,587	207,902	(1,390)	206,512	155,955	(1,200)	154,755	48,971	(2,798)	46,173
Total	**228,494**	**(1,720)**	**226,774**	**258,662**	**(1,724)**	**256,938**	**211,304**	**(1,591)**	**209,713**	**51,197**	**(2,812)**	**48,385**

With respect to the above-mentioned “Loans and advances to customers” portfolio, the table below provides details on the seniority of the renegotiated performing exposures representing “forborne exposures” in accordance with the EBA ITS “On Supervisory reporting on forbearance and non-performing exposures under article 99(4) of Regulation (EU) no. 575/2013”.

Exposures	Non past-due exposures			Past due up to 30 days			Past due 30 to 60 days		
	Gross exposure	adjustments	Net exposure	Gross exposure	adjustments	Net exposure	Gross exposure	adjustments	Net exposure
Loans and advances to customers:									
- performing loans subject to renegotiation	784.900	(7.845)	777.055	37.379	(638)	36.741	47.575	(314)	47.261

Exposures	Past due 60 to 90 days			Past due 90 to 180 days			Past due 180 days to 1 year			Past due over 1 year		
	Gross exposure	adjustments	Net exposure	Gross exposure	adjustments	Net exposure	Gross exposure	adjustments	Net exposure	Gross exposure	adjustments	Net exposure
Loans and advances to customers:												
- performing loans subject to renegotiation	49.205	(403)	48.802	48.780	(331)	48.449	54.424	(389)	54.035	1.848	(13)	1.835

Performing loans of other portfolios do not include exposures subject to renegotiation under collective agreements and/or exposures subject to renegotiations granted to clients in financial difficulties and/or past due.

A.1.3 Banking group - Cash and off-balance sheet exposures to banks: gross and net valuess

Type of exposure/Amounts	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure
A. CASH EXPOSURES				
a) Non-performing loans	616	(318)	X	298
b) Watchlist loans	-	-	X	-
c) Restructured exposures	-	-	X	-
d) Past due exposures	-	-	X	-
e) Other assets	2,416,631	X	-	2,416,631
Total A	**2,417,247**	**(318)**	**-**	**2,416,929**
B. OFF-BALANCE SHEET EXPOSURES				
a) Impaired assets	-	-	X	-
b) Other	1,514,689	X	-	1,514,689
Total B	**1,514,689**	**-**	**-**	**1,514,689**
Total (A + B)	**3,931,936**	**(318)**	**-**	**3,931,618**

A.1.4 Banking group - Cash exposures to banks: changes in gross impaired loans

Categories	Non-performing loans	Watchlist loans	Restructured exposures	Exposures past due
A. Opening gross exposure	**616**	**-**	**-**	**-**
of which: sold but not derecognized	-		-	-
B. Increases	**-**	**-**	**-**	**-**
B.1 transfers from performing loans	-	-	-	-
B.2 transfers from other categories of impaired exposure	-	-	-	-
B.3 other increases	-	-	-	-
C. Decreases	**-**	**-**	**-**	**-**
C.1 transfers to performing loans	-	-	-	-
C.2 write-offs	-	-	-	-
C.3 collections	-	-	-	-
C.4 proceeds from disposals	-	-	-	-
C.4 bis losses from disposals	-	-	-	-
C.5 transfers to other categories of impaired exposure	-	-	-	-
C.6 other decreases	-	-	-	-
D. Closing gross exposure	**616**	**-**	**-**	**-**
of which: sold but not derecognized	-	-	-	-

A.1.5 Banking group - Cash exposures to banks: changes in total write-downs

Categories	Non-performing loans	Watchlist loans	Restructured exposures	Exposures past due
A. Opening total adjustments	**315**	**-**	**-**	**-**
of which: sold but not derecognized	-	-	-	-
B. Increases	**3**	**-**	**-**	**-**
B.1 adjustments	2	-	-	-
B.1.bis loss from disposals	-	-	-	-
B.2 transfers from other categories of impaired exposure	-	-	-	-
B.3 other increases	1	-	-	-
C. Decreases	**-**	**-**	**-**	**-**
C.1 writebacks on valuation	-	-	-	-
C.2 writebacks due to collections	-	-	-	-
C.2.bis profit from disposals	-	-	-	-
C.3 write-offs	-	-	-	-
C.4 transfers to other categories of impaired exposure	-	-	-	-
C.5 other decreases	-	-	-	-
D. Total closing adjustments	**318**	**-**	**-**	**-**
of which: sold but not derecognized	-	-	-	-

A.1.6 Banking group - Cash and off-balance sheet exposures to customers: gross and net values

Type of exposure/Amounts	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure
A.1 CASH EXPOSURES				
a) Non-performing loans	3,401,681	(1,705,410)	X	1,696,271
b) Watchlist loans	2,238,272	(495,333)	X	1,742,939
c) Restructured exposures	465,816	(32,975)	X	432,841
d) Past due exposures	367,790	(38,494)	X	329,296
e) Other assets	29,627,927	X	(170,208)	29,457,719
TOTAL A	**36,101,486**	**(2,272,212)**	**(170,208)**	**33,659,066**
B.1 Off-balance sheet exposures				
a) Impaired assets	172,439	(5,244)	X	167,195
b) Other	2,738,180	X	(1,475)	2,736,705
TOTAL B	**2,910,619**	**(5,244)**	**(1,475)**	**2,903,900**
TOTAL (A + B)	**39,012,105**	**(2,277,456)**	**(171,683)**	**36,562,966**

For complete disclosure cash exposure to customers classified as non-performing loans including partial write-offs for bankruptcy proceedings in progress at the reporting date ("memorandum accounts") is set out below.

Type of exposure/Amounts	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure
A. CASH EXPOSURES				
a) Non-performing loans	3,693,309	(1,997,038)	X	1,696,271

A.1.7 Banking group - Cash exposures to customers: changes in gross impaired loans

Categories	Non-performing loans	Watchlist loans	Restructured exposures	Exposures past due
A. Opening gross exposure	**2,755,657**	**1,593,710**	**525,046**	**504,496**
of which: sold but not derecognized	90,489	138,850	28,060	47,278
B. Increases	**798,791**	**1,551,867**	**375,926**	**990,673**
B.1 transfers from performing loans	27,719	571,582	144,868	829,088
B.2 transfers from other categories of impaired exposure	656,473	849,316	189,146	6,788
B.3 other increases	114,599	130,969	41,912	154,797
- of which: business combination	-	*10,354*	*2,536*	*2,829*
C. Variazione in diminuzione	**152,767**	**907,305**	**435,156**	**1,127,379**
C.1 transfers to performing loans	-	101,812	70,223	372,474
C.2 write-offs	45,767	10,109	1,356	184
C.3 collections	80,233	95,105	76,668	40,041
C.4 proceeds from disposals	26,767	145	-	-
C.4 bis losses from disposals	-	-	-	-
C.5 transfers to other categories of impaired exposure	-	700,134	286,909	714,680
C.6 other decreases	-	-	-	-
D. Closing gross exposure	**3,401,681**	**2,238,272**	**465,816**	**367,790**
of which: sold but not derecognized	*139,766*	*196,549*	*18,818*	*19,366*

A.1.8 Banking group - Cash exposures to customers: changes in total write-downs

Categories	Non-performing loans	Watchlist loans	Restructured exposures	Exposures past due
A. Opening total adjustments	**1,188,974**	**239,875**	**18,335**	**19,327**
of which: sold but not derecognized	*27,420*	*4,413*	*178*	*2,431*
B. Increases	**622,143**	**337,571**	**16,096**	**20,902**
B.1 adjustments	496,972	335,308	14,805	20,672
B.1.bis loss from disposals	-	-	-	-
B.2 transfers from other categories of impaired exposure	57,572	43	-	4
B.3 other increases	67,599	2,220	1,291	226
- of which: business combination	-	*2,219*	*1,291*	*225*
C. Decreases	**105,707**	**82,113**	**1,456**	**1,735**
C.1 writebacks on valuation	54,912	14,199	100	1,289
C.2 writebacks due to collections	5,028	229	-	219
C.2.bis profit from disposals	-	-	-	-
C.3 write-offs	45,767	10,109	1,356	184
C.4 transfers to other categories of impaired exposure	-	57,576	-	43
C.5 other decreases	-	-	-	-
D. Total closing adjustments	**1,705,410**	**495,333**	**32,975**	**38,494**
of which: sold but not derecognized	*47,354*	*14,981*	*400*	*2,228*

A.2 CLASSIFICATION OF EXPOSURES BASED ON EXTERNAL AND INTERNAL RATINGS

A.2.1 Banking group - Breakdown of cash and "off-balance sheet" exposures by external rating class

Exposures	External rating class						Unrated	Total
	Class 1	Class2	Class 3	Class 4	Class 5	Class 6		
A. Cash exposures	**610,536**	**1,178,698**	**4,932,178**	**4,301,749**	**673,661**	**453,563**	**24,405,019**	**36,555,404**
B. Derivatives	**-**	**15,553**	**15,783**	**25,122**	**2,538**	**1,733**	**735,827**	**796,556**
B.1 Financial derivatives	-	15,553	15,783	25,122	2,538	1,733	735,827	796,556
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees given	**-**	**288,159**	**62,345**	**160,036**	**15,147**	**1,666**	**551,300**	**1,078,653**
D. Commitments to grant finance	**-**	**65,891**	**45,687**	**155,059**	**66,970**	**39,773**	**1,260,321**	**1,633,701**
E. Other	**-**	**299,387**	**107,829**	**-**	**-**	**-**	**502,463**	**909,679**
Total	**610,536**	**1,847,688**	**5,163,822**	**4,641,966**	**758,316**	**496,735**	**27,454,930**	**40,973,993**

For classifying customers by external ratings, the Group uses:

- the ratings provided by DBRS Ratings Limited with regard to the supervisory portfolio "Exposures to or guaranteed by central governments and central banks";
- the ratings supplied by Standard & Poor's Rating Services, Moody's and Fitch Ratings with regard to the supervisory portfolio "Securitisations";
- the ratings provided by Cerved Group with regard to the "Exposures to companies and other parties".

The mapping tables for the rating classes published by each of the above rating agencies are provided below (source: Bank of Italy).

Credit class	Risk weighting coefficents			DBRS Ratings Limited
	Central governments and banks	Supervised intermediaries, public sector entities, territorial entities	Multi-lateral development banks	
1	0%	20%	20%	from AAA to AAL
2	20%	50%	50%	from AH to AL
3	50%	100%	50%	from BBBH to BBBL
4	100%	100%	100%	from BBH to BBL
5	100%	100%	100%	from BH to BL
6	150%	150%	150%	CCC

In accordance with the Circular entitled "New prudential supervisory instructions for banks", the categories "Supervised intermediaries", "Public-sector entities" and "Territorial entities" must make reference to the credit class in which exposures to "Central government" are classified in the country in which these parties are headquartered.

Credit class	Exposures deriving from securitizations	Ecai		
		Standard & Poor's	Fitch Ratings	Moody's
1	20%	from AAA a AA-	from AAA to AA-	from Aaa to Aa3
2	50%	from A+ a A-	from A+ to A-	from A1 to A3
3	100%	from BBB+ a BBB-	from BBB+ to BBB-	from Baa1 to Baa3
4	350%	from BB+ a BB-	from BB+ to BB-	from Ba1 to Ba3
5	1250%	B+ and below	B+ and below	B1 and below

Credit class	Companies and other parties	Cerved Group
1	20%	-
2	50%	from A1.1 to A3.1
3	100%	B1.1
4	100%	from B1.2 to B2.2
5	150%	C1.1
6	150%	from C1.2 to C2.1

A.2.2 Banking group - Breakdown of cash and "off-balance sheet" exposures by internal rating class

Exposures	Internal rating classes					
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6
A. Cash exposures	**177,472**	**838,357**	**273,484**	**1,746,930**	**3,110,684**	**3,215,082**
B. Derivatives	**191**	**104**	**6,496**	**1,925**	**5,176**	**12,453**
B.1 Financial derivatives	191	104	6,496	1,925	5,176	12,453
B.2 Credit derivatives	-	-	-	-	-	-
C. Guarantees given	**24,713**	**15,976**	**40,383**	**89,326**	**160,047**	**106,907**
D. Commitments to grant finance	**9,633**	**15,551**	**7,526**	**43,832**	**25,072**	**62,029**
E. Others	-	-	-	-	-	-
Total	**212,009**	**869,988**	**327,889**	**1,882,013**	**3,300,979**	**3,396,471**

The Group uses internal ratings, split into 13 classes of decreasing credit quality (with class 1 representing the least risky customers and class 13 the most risky), solely for managing customer credit risk. Impaired assets are all classified as "Unrated".

The models developed by the Group cover the types of counterparty with whom it operates structurally and to whom it is most exposed (Individuals, Small Business, Small Corporate, Mid Corporate and Corporate). This table therefore does not include exposures arising from treasury activity (loans and advances to Banks) or investment activity (debt securities, equities, mutual funds, derivatives with institutional counterparties).

The internal ratings are not used for calculating capital adequacy requirements.

Class 7	Class 8	Class 9	Class 10	Class 11	Class 12	Class 13	Unrated	Total
2,560,446	**2,326,157**	**2,139,661**	**1,224,361**	**359,064**	**821,942**	**1,000,013**	**7,856,832**	**27,650,485**
7,000	**8,884**	**5,334**	**2,301**	**233**	**937**	**2,087**	**470,228**	**523,349**
7,000	8,884	5,334	2,301	233	937	2,087	470,228	523,349
-	-	-	-	-	-	-	-	-
78,999	**65,981**	**72,050**	**60,200**	**13,964**	**17,874**	**7,974**	**209,060**	**963,454**
40,713	**59,236**	**48,090**	**38,390**	**2,483**	**64,501**	**44,575**	**249,490**	**711,121**
-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2,687,158	**2,460,258**	**2,265,135**	**1,325,252**	**375,744**	**905,254**	**1,054,649**	**8,785,610**	**29,848,409**

A.3 DISTRIBUTION OF GUARANTEED EXPOSURES BY TYPE OF GUARANTEE

A.3.1 Banking group – Guaranteed exposures to banks

	Amount of net exposure	"Secured guarantees (1)"			
		Buildings	" Buildings financial leasing"	Banks	Other secured guarantees
1. Guaranteed cash exposures:	**605,837**	**-**	**-**	**743,492**	**301**
1.1 fully guaranteed	605,837	-	-	743,492	301
- of which: impaired exposure	-	-	-	-	-
1.2 partially guaranteed	-	-	-	-	-
- of which: impaired exposure	-	-	-	-	-
2. Guaranteed "off-balance sheet" exposures:	**445,054**	**-**	**-**	**-**	**392,336**
2.1 fully guaranteed	8,890	-	-	-	5,052
- of which: impaired exposure	-	-	-	-	-
2.2 partially guaranteed	436,164	-	-	-	387,284
- of which: impaired exposure	-	-	-	-	-

A.3.2 Banking group – Guaranteed exposures to customers

	Amount of net exposure	Secured guarantees (1)			
		Buildings	" Buildings financial leasing"	Securities	Other secured guarantees
1. Guaranteed cash exposures:	**19,857,886**	**33,515,174**	**-**	**1,049,636**	**291,259**
1.1 fully guaranteed	18,688,503	33,290,243	-	934,341	237,110
- of which: impaired exposure	3,035,689	5,963,357	-	118,428	38,951
1.2 partially guaranteed	1,169,383	224,931	-	115,295	54,149
- of which: impaired exposure	322,208	139,070	-	23,405	13,189
2. Guaranteed "off-balance sheet" exposures:	**507,102**	**13,424**	**-**	**36,923**	**214,172**
2.1 fully guaranteed	253,607	12,856	-	26,500	50,683
- of which: impaired exposure	23,022	1,700	-	202	15,285
2.2 partially guaranteed	253,495	568	-	10,423	163,489
- of which: impaired exposure	918	-	-	64	401

Unsecured guarantees (2)									Total (1)+(2)
Credit derivatives					Crediti di firma				
CLN	Other derivatives								
	Govern-ments and central banks	Other public entities	Banks	Other issuers	Govern-ments and central banks	Other public entities	Banks	Other issuers	
-	**-**	**-**	**-**	**-**	**-**	**-**	**5,535**	**-**	**749,328**
-	-	-	-	-	-	-	5,535	-	749,328
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	**-**	**-**	**-**	**-**	**-**	**-**	**3,838**	**-**	**396,174**
-	-	-	-	-	-	-	3,838	-	8,890
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	387,284
-	-	-	-	-	-	-	-	-	-

Unsecured guarantees (2)									Total (1)+(2)
Credit derivatives					Guarantees				
CLN	Altri derivati								
	Govern-ments and central banks	Other public entities	Banks	Other issuers	Govern-ments and central banks	Other pu-blic entities	Banks	Other issuers	
-	**-**	**-**	**-**	**-**	**2,563**	**89,297**	**5,817**	**3,186,324**	**38,140,070**
-	-	-	-	-	2,489	43,667	5,014	2,864,505	37,377,369
-	-	-	-	-	-	2,019	54	565,393	6,688,202
-	-	-	-	-	74	45,630	803	321,819	762,701
-	-	-	-	-	-	8,059	290	104,342	288,355
-	**-**	**-**	**-**	**-**	**-**	**186**	**7,100**	**194,627**	**466,432**
-	-	-	-	-	-	186	2,329	172,129	264,683
-	-	-	-	-	-	-	-	6,902	24,089
-	-	-	-	-	-	-	4,771	22,498	201,749
-	-	-	-	-	-	-	-	419	884

B. DISTRIBUTION AND CONCENTRATION OF CREDIT

B.1 Banking group - Geographical distribution of cash and "off-balance sheet" exposures to customers (book value)

Exposures/Counterparts	Governments			Other public entities			Financial companies	
	Net exposure	Specific adjustments	Portfolio adjustments	Net exposure	Specific adjustments	Portfolio adjustments	Net exposure	Specific adjustments
A. Cash exposures								
A.1 Non-performing loans	-	-	X	-	-	X	17,972	(52,255)
A.2 Watchlist loans	-	-	X	49,323	(4,463)	X	46,935	(31,932)
A.3 Restructured exposures	-	-	X	-	-	X	11,525	(20,515)
A.4 Past due exposures	-	-	X	1,113	-	X	26,660	(2,590)
A.5 Other exposures	5,437,293	X	-	49,575	X	-	2,028,728	X
Total A	**5,437,293**	**-**	**-**	**100,011**	**(4,463)**	**-**	**2,131,820**	**(107,292)**
B. "Off-balance sheet" exposures								
B.1 Non-performing loans	-	-	X	-	-	X	-	-
B.2 Watchlist loans	-	-	X	-	-	X	-	(564)
B.3 Other impaired assets	-	-	X	-	-	X	570	-
B.4 Other exposures	403,700	X	-	2,196	X	(3)	258,600	X
Total B	**403,700**	**-**	**-**	**2,196**	**-**	**(3)**	**259,170**	**(564)**
Total at 31/12/14	**5,840,993**	**-**	**-**	**102,207**	**(4,463)**	**(3)**	**2,390,990**	**(107,856)**
Total at 31/12/13	**3,233,547**	**-**	**-**	**98,261**	**(637)**	**(6)**	**3,801,530**	**(58,742)**

	Insurance companies			Non-financial institutions			Other issuers		
Portfolio adjustments	Net exposure	Specific adjustments	Portfolio adjustments	Net exposure	Specific adjustments	Portfolio adjustments	Net exposure	Specific adjustments	Portfolio adjustments
X	-	-	X	1,269,337	(1,286,324)	X	408,962	(366,831)	X
X	-	-	X	1,267,937	(381,893)	X	378,744	(77,045)	X
X	-	-	X	319,505	(11,607)	X	101,811	(853)	X
X	-	-	X	244,350	(30,383)	X	57,173	(5,521)	X
(7,446)	47,095	X	(2)	12,205,059	X	(125,612)	9,689,969	X	(37,148)
(7,446)	**47,095**	**-**	**(2)**	**15,306,188**	**(1,710,207)**	**(125,612)**	**10,636,659**	**(450,250)**	**(37,148)**
X	-	-	X	5,825	(1,690)	X	14	-	X
X	-	-	X	108,291	(2,962)	X	1,377	(27)	X
X	-	-	X	50,988	(1)	X	130	-	X
(43)	16,813	X	(25)	1,453,287	X	(1,351)	600,094	X	(53)
(43)	**16,813**	**-**	**(25)**	**1,618,391**	**(4,653)**	**(1,351)**	**601,615**	**(27)**	**(53)**
(7,489)	**63,908**	**-**	**(27)**	**16,924,579**	**(1,714,860)**	**(126,963)**	**11,238,274**	**(450,277)**	**(37,201)**
(2,140)	**65,616**	**(222)**	**(34)**	**18,630,732**	**(1,082,955)**	**(71,086)**	**11,033,790**	**(327,356)**	**(22,700)**

B.2 Banking group - Geographical distribution of cash and "off-balance sheet" exposures to customers (book value)

Exposures/Geographical area	ITALY		OTHER EU COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. Cash exposures										
A.1 Non-performing loans	1,694,755	(1,691,632)	767	(10,971)	145	(601)	604	(2,206)	-	-
A.2 Watchlist loans	1,737,497	(485,492)	5,436	(9,837)	5	(3)	-	-	1	(1)
A.3 Restructured exposures	424,782	(32,904)	8,059	(71)	-	-	-	-	-	-
A.4 Past due exposures	328,455	(38,363)	676	(88)	1	-	164	(43)	-	-
A.5 Other exposures	29,018,514	(169,086)	368,884	(782)	38,840	(93)	6,282	(66)	25,199	(181)
TOTAL	**33,204,003**	**(2,417,477)**	**383,822**	**(21,749)**	**38,991**	**(697)**	**7,050**	**(2,315)**	**25,200**	**(182)**
B. "Off-balance sheet" exposures										
B.1 Non-performing loans	5,839	(1,690)	-	-	-	-	-	-	-	-
B.2 Watchlist loans	109,668	(3,553)	-	-	-	-	-	-	-	-
B.3 Other impaired assets	51,688	(1)	-	-	-	-	-	-	-	-
B.4 Other exposures	2,516,808	(1,467)	217,850	(8)	32	-	-	-	-	-
TOTAL	**2,684,003**	**(6,711)**	**217,850**	**(8)**	**32**	**-**	**-**	**-**	**-**	**-**
Total at 31/12/2014	**35,888,006**	**(2,424,188)**	**601,672**	**(21,757)**	**39,023**	**(697)**	**7,050**	**(2,315)**	**25,200**	**(182)**
Total at 31/12/2013	**36,246,522**	**(1,548,716)**	**558,987**	**(15,294)**	**31,670**	**(665)**	**3,459**	**(1,107)**	**22,838**	**(96)**

B.3 Banking group - Geographical distribution of cash and "off-balance sheet" exposures to banks (book value)

Exposures/Geographical area	ITALY		OTHER EU COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
A. Cash exposures										
A.1 Non-performing loans	-	-	298	(318)	-	-	-	-	-	-
A.2 Watchlist loans	-	-	-	-	-	-	-	-	-	-
A.3 Restructured exposures	-	-	-	-	-	-	-	-	-	-
A.4 Past due exposures	-	-	-	-	-	-	-	-	-	-
A.5 Other exposures	980,708	-	1,397,295	-	11,203	-	23,272	-	4,153	-
TOTAL	**980,708**	**-**	**1,397,593**	**(318)**	**11,203**	**-**	**23,272**	**-**	**4,153**	**-**
B. "Off-balance sheet" exposures										
B.1 Non-performing loans	-	-	-	-	-	-	-	-	-	-
B.2 Watchlist loans	-	-	-	-	-	-	-	-	-	-
B.3 Other impaired assets	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	462,158	-	408,628	-	9,191	-	22,362	-	9,705	-
TOTAL	**462,158**	**-**	**408,628**	**-**	**9,191**	**-**	**22,362**	**-**	**9,705**	**-**
Total at 31/12/2014	**1,442,866**	**-**	**1,806,221**	**(318)**	**20,394**	**-**	**45,634**	**-**	**13,858**	**-**
Total at 31/12/2013	**1,309,677**	**-**	**1,724,039**	**(315)**	**140,870**	**-**	**63,474**	**-**	**15,333**	**-**

B.4 Significant exposures

	31/12/2014
a) Book value	10,881,391
b) Weighted value	1,598,780
c) Number	7

On the basis of current supervisory instructions, a “significant exposure” is one whose amount is equal or greater than 10% of the admissible Capital (equal to the Group’s own funds).

C. SECURITISATIONS

C.1 SECURITISATIONS

QUALITATIVE INFORMATION

Objectives, strategies and processes underlying securitisations

The Banca Popolare di Vicenza Group has identified securitisations as the main source of collection to meet funding requirements. All these securitisations form a strategic part of the Group's expectations of further growth in the mortgage sector and the general process of expanding bank lending, which requires adequate liquidity to be raised in advance to meet future loan applications. More specifically, the securitisations carried out met the following objectives:
– to free up resources on the asset-side of the statement of financial position, whilst improving the treasury position;
– to reduce maturity mismatching between deposits and long-term lending;
– to reduce the ratio of long-term lending to total lending.

These are also the purposes of "self-securitisations", carried out with the intent of having available usable securities for funding activities with the European Central Bank or with major market counterparties.

At the date of the financial statements, the following eight securitisations existed:
- Berica Residential MBS 1 S.r.l.;
- Berica 5 Residential MBS S.r.l.;
- Berica 6 Residential MBS S.r.l.;
- Berica 8 Residential MBS S.r.l.;
- Berica 9 Residential MBS S.r.l.;
- Berica 10 Residential MBS S.r.l.;
- Berica ABS S.r.l.;
- Berica ABS 2 S.r.l.;
- Berica PMI S.r.l.;
- Piazza Venezia S.r.l.:
- Berica ABS 3 S.r.l.

The securitisations, all of which are multioriginator, were carried out in accordance with Italian Law 130/1999.

The last securitisation was completed during the year with the transfer of performing mortgage loan portfolios granted to individuals by the Bank and by the subsidiary Banca Nuova with the simultaneous subscription, by the same originators, of the junior securities issued in proportion to the transferred receivables.

In the case of the Piazza Venezia securitisation, the originator banks have subscribed to the associated asset-backed securities in proportion to the size of the loan portfolio sold ("self-securitisations"). Therefore, this securitisation does not fall under the disclosure requirements applying to the present Section.

For a complete disclosure, the details relative to the last two securitisations originated by the Bank and executed in 2013 are provided below.

- Vehicle company:	**Berica ABS 3 srl**
- Date of sale of loans:	01/04/14
- Type of loans sold:	Mortgage loans
- Quality of loans sold:	Performing loans
- Guarantees on loans sold:	First mortgage
- Geographical area of loans sold:	Italy
- Economic status of debtors sold:	Individuals
- Number of loans sold:	9,016
of which: Banca Popolare di Vicenza	8,109
of which: Banca Nuova	907
- Price of loans sold:	**1,044,738,132,29**
of which: Banca Popolare di Vicenza	952,957,488,56
of which: Banca Nuova	91,780,643,73
- Value of loans sold:	**1,044,311,996,26**
of which: Banca Popolare di Vicenza	952,578,015,83
of which: Banca Nuova	91,733,980,43
- Interest accrued on loans sold:	**426,136,03**
of which: Banca Popolare di Vicenza	379,472,73
of which: Banca Nuova	46,663,30

With the aforesaid securitisation, the ABS 3 set out below were issued; they were subscribed by the originators in proportion to the transferred receivables portfolio. In detail:
- euro 835,400 thousand in senior notes with an external rating from Fitch ("AA+") and DBRS ("AAA") with a yield tied to the 3-month Euribor plus 105 bps;
- euro 93,900 thousand in mezzanine notes with an external rating from Fitch ("A") and DBRS ("A-") with a yield tied to the 3-month Euribor plus 225 bps;
- euro 115,012 thousand in unrated junior notes (Euro 104,909 thousand subscribed by the originator Banks) with yield tied to the 3-month Euribor.

For each own securitisation, the originator Banks have signed specific servicing contracts with the respective vehicle companies for the coordination and supervision of the management, administration and collection of the securitised loans, as well as for recovery activities in the event of borrower default. These contracts require the payment of an annual servicing fee as well as recompense for each position requiring recovery activities. The function of servicer is carried out by specific structures within the company, whose work has been duly organised and is checked by the Bank's internal auditors, who verify the propriety and conformity of its conduct with respect to the terms of the servicing contract.

Servicer and arranger activities

For all the securitisations, the originator Banks have signed specific servicing contracts with the respective vehicle companies for the coordination and supervision of the management, administration and collection of their specific securitised loans, as well as for recovery activities in the event of borrower default.

These contracts require the payment of an annual servicing fee as well as recompense for each position requiring recovery activities. The function of servicer is carried out by specific specially organised structures within the company, whose work is subject to control by internal auditors, who verify the propriety and conformity of their conduct with respect to the terms of the servicing contract.

Lastly, the originator banks also act as the administrative servicer for all the above securitisations, receiving a contractually-agreed fee from the special purpose vehicles for providing this service.

Accounting treatment of outstanding positions relating to securitisations

With regard to the above securitisations, for the first securitisation, set up before 1 January 2004, the securitised assets were not reinstated on the first-time adoption of IAS-IFRS, as allowed by par. 27 of IFRS 1.

The other securitisations, arranged subsequent to 1 January 2004, do not meet the derecognition requirements of IAS 39. Accordingly, the portion of residual securitised assets relating to loans sold by the Group has been reinstated at the statement of financial position date and the corresponding asset-backed securities eliminated.

In particular, the securitised assets and related liabilities relating to the multi-originator securitisations have been "reinstated" in the statement of financial position, with the residual securitised loans reported in the asset line item "Loans and advances to customers" and the associated liabilities in the liability line item "Due to customers", while the corresponding portion of asset-backed securities relating to these securitisations has been eliminated from the Group's portfolio. If said elimination results in a negative imbalance, said amount is recorded under "Loans and advances to customers".

"Interest income and similar revenues" and "interest expense and similar charges" arising during the year in relation to the above assets and liabilities have been recognised, and an overall assessment of the reinstated securitised loans has also been performed with any write-downs reported in "net impairment adjustments to: loans and receivables". The securitised assets reported in the statement of financial position have been valued using the same principles as for the Group's own assets.

Internal systems for the measurement and control of risk

The residual risk for each bank in relation to the total insolvency of borrowers represents, for the own securitisations not reinstated, the value of the junior notes (highest degree of subordination) held. The Group's banks monitor changes in the key credit and financial variables relating to each securitisation.

With a view to controlling risk, special attention is focused on the performance of the trigger ratios, of performance indicators on default and delinquent loans, as well as the performance of the excess spread that represents the return on the junior notes held by the Group. The Board of Directors of each bank receives a summary and detailed statement about the securitisations at least every six months.

Concurrently with the issue of the ABS, several back-to-back swaps were arranged in the form of Interest Rate Swaps (IRS), in order to shield the special purpose vehicle (SPV) from interest rate risk. These instruments are measured at fair value, as discussed below, and are included in the periodic Asset & Liability Management (ALM) analysis which is performed every quarter.

BPV Finance specialises in managing several investment portfolios, one of which is entirely devoted to ABS. It applies a "buy and hold" policy to ABS deriving from the securitisation of residential and commercial mortgages, as well as from other forms of financing, such as leasing, loans to small and medium-sized firms, and credit cards.
The assets underlying the securitisations are geographically distributed in Western Europe and North America, the securities are denominated in euro and must have a minimum single "A" rating (unless otherwise specifically approved by the Board of Directors).

BPV Finance's front office is responsible for managing and selecting these positions, based on research produced by various investment banks.
The process of monitoring and measuring the risks involves the periodic collection and analysis of the investor reports published by the various originators during the year. In addition, the various positions are monitored through Bloomberg and websites specialised in monitoring such securities, and through publications and analysis produced by the different investment houses.

Results from positions relating to securitisations

The risk relating to the first four own securitisations, not reinstated pursuant to par. 27 of IFRS 1, is represented by the junior notes held and the related back-to-back swaps arranged by the Parent Bank. The fair value of these financial instruments is measured with reference to analysis performed using a financial-mathematical model, developed together with an external firm of consultants, that evaluates the performance of the assets underlying the securities concerned. These evaluations are based on the results of the individual underlying transactions at the reference date, using specific assumptions about the principal variables that affect performance (rate of early loan repayments, rate of recognition of non-performing loans, percentage of expected losses, etc.).

The last seven multi-originator securitisations arranged by the Group have been "reinstated" in the statement of financial position, with the residual securitised loans reported in "Loans and advances to customers" (asset line item 70) and the associated liabilities in "Due to customers" (liability line item 20), while the corresponding junior, mezzanine and senior ABS subscribed under these securitisations have been derecognised. "Interest income and similar revenues" and "interest expense and similar charges" arising during the year in relation to these securitisations have been recognised, and an overall assessment of the reinstated securitised loans has also been performed with any write-downs reported in "net impairment adjustments to: loans and receivables".

Rating agencies

The following rating agencies were engaged to perform due diligence work on the above transactions and assign ratings to the related Asset-Backed Securities:

- Berica Residential MBS 1 S.r.l.: Standard & Poor's and Fitch Ratings;
- Berica 5 Residential MBS S.r.l.: Standard & Poor's and Fitch Ratings;
- Berica 6 Residential MBS S.r.l.: Standard & Poor's, Fitch Ratings and Moody's Investors Service Inc.;
- Berica 8 Residential MBS S.r.l.: Fitch Ratings and Moody's;
- Berica 9 Residential MBS S.r.l.: Fitch Ratings and Moody's;
- Berica 10 Residential MBS S.r.l.: Moody's and DBRS;
- Berica ABS S.r.l.: Moody's and DBRS;
- Berica ABS 2 S.r.l.: Fitch Ratings and DBRS;
- Berica PMI S.r.l.: Fitch Ratings and DBRS;
- Piazza Venezia S.r.l.: Fitch Ratings;
- Berica ABS 3 S.r.l.: Fitch Ratings and DBRS.

QUANTITATIVE INFORMATION

C.1 Banking group - Exposures deriving from securitisations analysed by quality of the underlying assets

"Quality of underlying assets/Exposures"	Cash exposures						
	Senior		Mezzanine		Junior		Senior
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure
A. Own securitized underlying assets:	**70,324**	**70,324**	**1,277,339**	**1,277,339**	**2,094,543**	**2,093,664**	**-**
a) Impaired assets	-	-	-	-	-	-	-
b) Other	70,324	70,324	1,277,339	1,277,339	2,094,543	2,093,664	-
B. Third-party securitized underlying assets:	**246,469**	**241,669**	**73,920**	**67,128**	**-**	**-**	**-**
a) Impaired assets	-	-	10,993	4,201	-	-	-
b) Other	246,469	241,669	62,927	62,927	-	-	-

	Guarantees given						Credit lines				
		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-

C.2 Banking group - Exposures deriving from the principal "own" securitisations analysed by type of asset securitised and type of exposure

"Type of asset securitized/Exposure"	Cash exposures						
	Senior		Mezzanine		Junior		Senior
	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks	Book value
A. Fully derecognized							
A.1 Berica Residential MBS 1 S.r.l.							
- mortgages	21,771	-	19,041	-	11,410	(879)	-
B. Partially derecognized							
C. Not derecognized							
C.1 Berica 5 Residential MBS S.r.l.							
- mortgages	46,041	-	21,097	-	34,293	-	-
C.2 Berica 6 Residential MBS S.r.l.							
- mortgages	-	-	218,301	-	1,000	-	-
C.3 Berica 8 Residential MBS S.r.l.							
- mortgages	-	-	-	-	201,450	-	-
C.4 Berica 9 Residential MBS S.r.l.							
- mortgages	2,051	-	461,800	-	226,800	-	-
C.5. Berica 10 Residential MBS S.r.l.							
- mortgages	-	-	447,000	-	228,653	-	-
C.6 Berica ABS Residential MBS S.r.l.							
- mortgages	-	-	110,000	-	395,538	-	-
C.7 Berica ABS 2 Residential MBS S.r.l.							
- mortgages	-	-	100	-	213,529	-	-
C.8 Berica PMI S.r.l.							
- Unsecured loans and mortgage loans in favor of small and medium- size companies"	461	-	-	-	638,027	-	-
C.9 Berica ABS 3 Residential MBS S.r.l.							
- mortgages	-	-	-	-	142,964	-	-

Guarantees given						Credit lines					
		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Write-downs/ writebacks	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	

C.3 Banking group - Exposures deriving from the principal “third-party” securitisations analysed by type of asset securitised and type of exposure

“Type of asset securitized/Exposure”	Cash exposures						
	Senior		Mezzanine		Junior		Senior
	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks	Book value
A.1 - Australe Finance S.r.l.							
technical reserves arising from contracts originated by the public administration	17,215	-	-	-	-	-	-
A.2 - Alisei Finance S.r.l.							
performing and non perfoming receivables of Impresa Spa (technical reserves)	14,111	-	-	-	-	-	-
A.3 - Gironda SPV S.r.l.							
performing and non perfoming receivables of Consvif (annual fees)	21,052	-	-	-	-	-	-
A.4 - Aquarius SPV S.r.l.							
technical reserves arising from contracts originated by the public administration	18,605	-	-	-	-	-	-
A.5 - CLARF 2011-1 A2							
residential mortgages	9,739	-	-	-	-	-	-
A.6 - Altair Finance S.r.l.							
performing and not performing receivables (2013 year) of Palermo Chamber of Commerce (annual fees)	-	-	5,103	-	-	-	-
A.7 - HARVT IV A1B							
collateralized loans	2,997	-	-	-	-	-	-
A.8 - SANTM 3 A3							
collateralized loans	1,249	-	-	-	-	-	-
A.9 - LOGGI 2003-1 A							
residential mortgages	1,021	-	-	-	-	-	-
A.10 - GRANM 2007-2 3M2							
residential mortgages	-	-	6,928	-	-	-	-
A.11 - PARGN 12X C1B							
commercial mortgages	-	-	6,209	-	-	-	-
A.12 - FIPF 1 A2							
commercial mortgages	-	-	5,219	-	-	-	-
A.13 - Prospero Finance S.r.l.	-	-	4,029	-	-	-	-

Guarantees given					Credit lines					
	Mezzanine		Junior		Senior		Mezzanine		Junior	
Writedowns/ writebacks	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
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-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-

"Type of asset securitized/Exposure"	Cash exposures						
	Senior		Mezzanine		Junior		Senior
	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks	Book value
A.14 - PARGN 15X CB							
commercial mortgages	-	-	4,320	-	-	-	-
A.15 - UCI 17 B							
residential mortgages	-	-	4,201	(2,792)	-	-	-
A.16 - Kalos Finance S.r.l.							
performing and not performing receivables of Palermo Chamber of Commerce (annual fees)	-	-	3,813	-	-	-	-
A.17 - CLISL 1X II							
collateralized loans	-	-	2,841	-	-	-	-
A.18 - FORES 1 B							
commercial mortgages	-	-	3,966	-	-	-	-
A.19 - PARGN 11X CB							
commercial mortgages	-	-	3,686	-	-	-	-
A.20 - RMFE IV-A III							
collateralized loans	-	-	3,821	-	-	-	-
A.21 - GRAN 2004-1 2B							
residential mortgages	-	-	3,001	-	-	-	-
A.22 - PARGN 10X C1B							
commercial mortgages	-	-	2,910	-	-	-	-
A.23- PTRMO 2006-1 C							
commercial mortgages	-	-	2,295	-	-	-	-
A.24 - LOCAT 2005-3 B							
leasing receivables	-	-	1,118	-	-	-	-
A.25 - EMACP 2006-3 C							
residential mortgages	-	-	2,385	-	-	-	-
A.26 - GRAN 2003-2 2B							
residential mortgages	-	-	1,283	-	-	-	-
A.27 AYTDS 2006-I B							
bonds	-	-	-	(4,000)	-	-	-
A.28 Nausicaa Spv S.r.l.							
performing and not performing receivables of Palermo Chamber of Commerce (annual fees)	3,500	-	-	-	-	-	-
A.29 Tritone Spv S.r.l.							
Abs loans	33,578	-	-	-	-	-	-
A.30 Tamigi Spv S.r.l.							
technical reserves arising from contracts originated by the public administration	21,284	-	-	-	-	-	-
A.31 Timavo Spv S.r.l.							
commercial loans	3,043	-	-	-	-	-	-
A.32 Egeo Spv S.r.l.							
technical reserves arising from contracts originated by the public administration	13,901	-	-	-	-	-	-
A.33 BNT Portfolio SPV S.r.l.							
loans to customers	80,374	(4,799)	-	-	-	-	-

Guarantees given					Credit lines					
	Mezzanine		Junior		Senior		Mezzanine		Junior	
Writedowns/ writebacks	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks	Book value	Writedowns/ writebacks
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
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-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-

C.4 Banking group - Exposures to securitisations analysed by portfolio and by type

Exposure/Portfolio	Financial assets held for trading	Financial assets at fair value	Financial assets available for sale	Financial assets held to maturity	Loans and advances	31/12/2014	31/12/2013
1. Cash exposures	**-**	**-**	**10,618**	**-**	**350,401**	**361,019**	**314,479**
- Senior	-	-	-	-	263,440	263,440	207,680
- Mezzanine	-	-	-	-	86,169	86,169	97,277
- Junior	-	-	10,618	-	792	11,410	9,522
2. "Off-balance sheet" exposures	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Senior	-	-	-	-	-	-	-
- Mezzanine	-	-	-	-	-	-	-
- Junior	-	-	-	-	-	-	-

C.5 Banking group - Total amount of securitised assets underlying the junior securities or other forms of credit instrument

Assets/Values	Traditional securitizations	Synthetic securitizations
A. Own underlying assets:	**6,733,579**	**-**
A.1 Fully derecognized	114,646	-
1. Non-performing loans	12,998	X
2. Watchlist loans	5,172	X
3. Restructured exposures	425	X
4. Exposures past due	-	X
5. Other assets	96,051	X
A.2 Partially derecognized	-	-
1. Non-performing loans	-	X
2. Watchlist loans	-	X
3. Restructured exposures	-	X
4. Exposures past due	-	X
5. Other assets	-	X
A.3 Not derecognized	6,618,933	-
1. Non-performing loans	85,394	-
2. Watchlist loans	148,859	-
3. Restructured exposures	16,558	-
4. Exposures past due	8,810	-
5. Other assets	6,359,312	-
B. Third-party underlying assets:	**-**	**-**
B.1 Non-performing loans	-	-
B.2 Watchlist loans	-	-
B.3 Restructured exposures	-	-
B.4 Past due exposures	-	-
B.5 Other assets	-	-

C.6 Banking group - Holdings in special purpose vehicles for securitisation

S.P.V.	Registered office	Consolidation
Berica Residential MBS 1 S.r.l.	Vicenza	No
Berica 5 Residential MBS S.r.l.	Vicenza	No
Berica 6 Residential MBS S.r.l.	Vicenza	No
Berica 8 Residential MBS S.r.l.	Vicenza	No
Berica 9 Residential MBS S.r.l.	Vicenza	No
Berica 10 Residential MBS S.r.l.	Vicenza	No
Berica ABS S.r.l.	Vicenza	No
Berica ABS 2 S.r.l.	Vicenza	No
Berica PMI S.r.l.	Vicenza	No
Berica ABS 3 S.r.l.	Vicenza	No
Kalos Finance S.r.l.	Milan	No
Prospero Finance S.r.l.	Milan	No
Altair Finance S.r.l.	Milan	No
Nausicaa SPV S.r.l.	Milan	No
Alisei Finance S.r.l.	Milan	No
Egeo SPV S.r.l	Milan	No
Tritone SPV S.r.l	Milan	No
Gironda SPV S.r.l.	Conegliano (TV)	No
Tamigi SPV S.r.l.	Conegliano (TV)	No
Timavo SPV S.r.l	Milan	No

Assets			Liabilities		
Loans and advances	Debt securities	Other	Senior	Mezzanine	Junior
118,412	-	16,818	73,455	35,308	10,526
204,245	-	20,180	133,327	43,932	34,293
492,481	-	116,797	419,652	54,741	1,000
723,968	-	93,165	544,987	-	174,950
770,819	-	61,996	106,625	461,800	193,200
699,027	-	41,473	447,000	42,133	184,382
998,318	-	45,426	495,145	110,000	327,468
713,687	-	45,444	232,357	280,100	179,959
1,015,441	-	106,258	451,791	461	588,027
973,729	-	39,780	858,386	-	115,012
9,938	-	175	-	3,765	7,277
9,067	-	201	-	4,004	6,009
7,762	-	88	-	5,102	3,325
7,619	-	458	5,503	-	2,870
25,600	-	430	20,600	-	7,100
13,500	-	1,500	13,900	-	1,100
33,655	-	230	33,655	-	-
21,819	-	10,418	21,000	-	3,919
21,100	-	2,013	21,000	500	2,769
5,200	-	827	3,000	-	3,330

S.P.V.	Registered office	Consolidation
Australe Finance S.r.l.	Milan	No
Aquarius SPV S.r.l.	Conegliano (TV)	No
BNT Portfolio SPV S.r.l.	Conegliano (TV)	No
Clisl 1X Clare Island BV	Holland	No
Fores 1 Forest Finance Plc	Ireland	No
Aytds 2006-1 AYT Deuda Subordinada Fta	Spain	No
Harvt IV Harvest Clo	Ireland	No
Ptrmo 2006-1 Patrimonio Uno	Italy	No
Rmfe IV-X RMF Euro Cdo	Ireland	No
Fipf 1 Fondo Immobili Pubblici Funding Srl	Italy	No
Loggi 2003-1 Loggias	France	No
Locat 2005-3 Locat Securitisation Vehicle Srl	Italy	No
Pargn 12X Paragon Mortgages Plc	United Kingdom	No
Emacp 2006-3 E-Mac Program B.V.	Holland	No
Pargn 15X Paragon Mortgages Plc	United Kingdom	No
Pargn 10X Paragon Mortgages Plc	United Kingdom	No
Pargn 11X Paragon Mortgages Plc	United Kingdom	No
Gran 2003-2 Granite Mortgages Plc	United Kingdom	No
Gran 2004-1 Granite Mortgages Plc	United Kingdom	No
Santm 3 Fta Santander Empresas	Spain	No
Uci 17 Uci	Spain	No
Granm 2007-2 Granite Master Issuer Plc	United Kingdom	No
Clarf 2011-1 Claris Finance Srl	Italy	No
Compartment Atena	Luxembourg	No

Assets			Liabilities		
Loans and advances	Debt securities	Other	Senior	Mezzanine	Junior
23,663	-	1,346	16,947	-	10,650
18,150	-	1,991	18,484	-	4,366
356,697	-	24,491	397,800	-	-
142,092	142,092	142,092	142,092	142,092	142,092
198,299	198,299	198,299	198,299	198,299	198,299
-	-	-	-	-	-
381,994	381,994	381,994	381,994	381,994	381,994
260,106	260,106	260,106	260,106	260,106	260,106
143,356	143,356	143,356	143,356	143,356	143,356
1,337,185	1,337,185	1,337,185	1,337,185	1,337,185	1,337,185
104,443	104,443	104,443	104,443	104,443	104,443
183,713	183,713	183,713	183,713	183,713	183,713
1,172,817	1,172,817	1,172,817	1,172,817	1,172,817	1,172,817
484,242	484,242	484,242	484,242	484,242	484,242
977,222	977,222	977,222	977,222	977,222	977,222
553,922	553,922	553,922	553,922	553,922	553,922
657,686	657,686	657,686	657,686	657,686	657,686
17,410,078	17,410,078	17,410,078	17,410,078	17,410,078	17,410,078
17,410,078	17,410,078	17,410,078	17,410,078	17,410,078	17,410,078
417,310	417,310	417,310	417,310	417,310	417,310
837,086	837,086	837,086	837,086	837,086	837,086
17,410,078	17,410,078	17,410,078	17,410,078	17,410,078	17,410,078
951,910	951,910	951,910	951,910	951,910	951,910
12,080	12,080	12,080	12,080	12,080	12,080

C.7 Banking group - Non consolidated special purpose vehicles for securitisation

The table below shows the information required by paragraph 26 of IFRS 12 for exposures in debt securities
The Group did not sponsor special purpose vehicles for securitisation.

Isin Code	Description	Tranche	Maturity	Originator	Geographical
IT0004678949	KALOS FIN 3% .MEZ.21	mezzanine	31/12/21	C.C.I.A.A. di Palermo	Italy
IT0004792195	PROSPERO FIN.2,5% 22	mezzanine	31/12/22	C.C.I.A.A. di Palermo	Italy
IT0004885361	ALISEI F.3,25% 18 A	senior	20/12/18		Italy
IT0004890528	ALTAIR FIN.SRL 2% 23	mezzanine	31/12/23	C.C.I.A.A. di Palermo	Italy
IT0004953953	GIRONDA 3,031% CL.A	senior	30/11/30	CONSVIF srl	Italy
IT0004991425	NAUSICAA SPV SRL C.A	senior	31/12/24	C.C.I.A.A. di Palermo	Italy
IT0004999675	TRITONE SPV 2% 14-35	senior	31/12/35		Italy
IT0005041279	TAMIGI SPV 3,15% CLA	senior	30/07/40	pubblica amministrazione	Italy
IT0005055469	TIMAVO SRL 6% 14-24	senior	30/12/24	Crediti commerciali	Italy
IT0005074601	EGEO SRL 2,00% CL.A	senior	31/12/27	pubblica amministrazione	Italy
IT0004841372	AQUARIUS 3,20% CL. A	senior	30/07/30	CONSVIF srl	Italy
IT0004843253	AUSTRALE F. 3,7% CL. A	senior	30/01/16	Maltauro Spa	Italy
IT0005022915	BNT PORTFOLIO TV 42	unica trnche	09/02/42	Banca Nuova Terra	Italy
XS0246905805	PARGN 11X CB	mezzanine	15/04/20	Paragon Mortgage Ltd	United Kingdom
XS0261650674	PARGN 12X C1B	mezzanine	15/08/22	Paragon Mortgage Ltd	United Kingdom
XS0235420725	PARGN 10X C1B	mezzanine	17/12/18	Paragon Mortgage Ltd	United Kingdom
XS0310524599	PARGN 15X CB	mezzanine	15/06/23	Paragon Mortgage Ltd	United Kingdom
IT0004070055	PTRMO 2006-1 C	mezzanine	30/12/16	Banca Nazionale Lavoro Fondi SGR	Italy
IT0003872774	FIPF 1 A2	mezzanine	10/01/23	Fondo Immobiliare Pubblico Funding	Italy
XS0220767106	FORES 1 B	mezzanine	12/05/15	Immofinanz.	Austria
XS0254042541	HARVT IV A1B	senior	29/07/15	Mizuho Corporate Bank	Global
ES0337710026	SANTM 3 A3	senior	16/10/15	Banco Santander	Spain
XS0143891488	CLISL 1X II	mezzanine	21/09/15	Allied Irish Bank	Global
ES0312284013	AYTDS 2006-I B	mezzanine	17/11/16	Ahorro y Titulizacion	Spain
XS0253600521	RMFE IV-A III	mezzanine	12/09/16	RMF Group	Global
IT0003951123	LOCAT 2005-3 B	mezzanine	14/12/15	Locat SpA	Italy
FR0010029231	LOGGI 2003-1 A	senior	26/11/18	Electricite de France, Gas de France	France
XS0274611317	EMACP 2006-3 C	mezzanine	25/10/18	GMAC RFC NL	Netherlands
XS0168666013	GRAN 2003-2 2B	mezzanine	22/03/19	Northern Rock Plc	United Kingdom
XS0184563111	GRAN 2004-1 2B	mezzanine	22/09/19	Northern Rock Plc	United Kingdom
ES0337985024	UCI 17 B	mezzanine	17/09/20	Union de Creditos Inmobiliarios	Spain
XS0298976621	GRANM 2007-2 3M2	mezzanine	18/05/15	Northern Rock Plc	United Kingdom
IT0004700867	CLARF 2011-1 A2	senior	28/11/15	Veneto Banca	Italy

held by the Group at 31 December 2014 relating to third-party securitisations.

Securitized assets	Rating S&P	Rating Moody's	Rating Fitch	Book value	Maximum exposure to the risk of loss	Assets' accounting portfolio
Performing receivables of Chamber of commerce (annual fees)	n.a.	n.a.	n.a.	3,813	3,813	Loans and advances to customers
Performing receivables of Chamber of commerce (annual fees)	n.a.	n.a.	n.a.	4,029	4,029	Loans and advances to customers
Technical Reserves	n.a.	n.a.	n.a.	14,111	14,111	Loans and advances to customers
Performing receivables of Chamber of commerce (annual fees)	n.a.	n.a.	n.a.	5,103	5,103	Loans and advances to customers
Technical Reserves	n.a.	n.a.	n.a.	21,052	21,052	Loans and advances to customers
Performing receivables of Chamber of commerce (annual fees)	n.a.	n.a.	n.a.	3,500	3,500	Loans and advances to customers
Loan Abs portfolio	n.a.	n.a.	n.a.	33,578	33,578	Loans and advances to customers
Technical Reserves	n.a.	n.a.	n.a.	21,284	21,284	Loans and advances to customers
Commercial loans	n.a.	n.a.	n.a.	3,043	3,043	Loans and advances to customers
Technical Reserves	n.a.	n.a.	n.a.	13,901	13,901	Loans and advances to customers
Technical Reserves	n.a.	n.a.	n.a.	18,605	18,605	Loans and advances to customers
Technical Reserves	n.a.	n.a.	n.a.	17,215	17,215	Loans and advances to customers
Loans	n.a.	n.a.	n.a.	80,374	80,374	Loans and advances to customers
CMBS	BBB	A3	A	3,686	3,686	Loans and advances to customers
CMBS	BBB	A2	A	6,209	6,209	Loans and advances to customers
CMBS	A-	A2	A	2,910	2,910	Loans and advances to customers
CMBS	BB	A2	BBB	4,320	4,320	Loans and advances to customers
CMBS	BBB-	n.a.	BBB+	2,295	2,295	Loans and advances to customers
CMBS	BBB-	Baa2	BBB+	5,219	5,219	Loans and advances to customers
CMBS	AA	n.a.	A	3,966	3,966	Loans and advances to customers
Collateralised loans	AA-	n.a.	AA	2,997	2,997	Loans and advances to customers
Collateralised loans	A+	A1	A+	1,249	1,249	Loans and advances to customers
Collateralised loans	AA-	Aa2	n.a.	2,841	2,841	Loans and advances to customers
Credit obligations	D	n.d.	C	-	-	Loans and advances to customers
Collateralised loans	A+	Aa1	n.a.	3,821	3,821	Loans and advances to customers
Leasing	BBB+	Baa2	n.a.	1,118	1,118	Loans and advances to customers
RMBS	n.a.	Aaa	AAA	1,021	1,021	Loans and advances to customers
RMBS	BBB	NR	BB	2,385	2,385	Loans and advances to customers
RMBS	A	A3	AAA	1,283	1,283	Loans and advances to customers
RMBS	A	Aa2	AAA	3,001	3,001	Loans and advances to customers
RMBS	CCC	n.a.	CC	4,201	4,201	Loans and advances to customers
RMBS	A	Aa1	AA	6,928	6,928	Loans and advances to customers
RMBS	n.a.	A2	AA+	9,739	9,739	Loans and advances to customers
			Total	**308,797**	**308,797**	

C.8 Banking group - Servicer activities - collection of securitised loans and redemption of securities issued by the special purpose vehicle for securitisation

Vehicle company	Securitized assets 31/12/2014		Loans collected during the year	
	Impaired loans	Performing loans	Impaired loans	Performing loans
Berica Residential MBS 1 S.r.l.	-	116,084	-	17,032
Berica 5 Residential MBS S.r.l.	-	195,603	-	14,166
Berica 6 Residential MBS S.r.l.	-	492,481	-	38,678
Berica 8 Residential MBS S.r.l.	-	723,969	-	84,153
Berica 9 Residential MBS S.r.l.	-	770,819	-	79,171
Berica 10 Residential MBS S.r.l.	-	699,027	-	73,836
Berica ABS S.r.l.	-	998,319	-	107,345
Berica ABS 2 S.r.l.	-	713,687	-	82,859
Berica PMI S.r.l.	-	1,015,442	-	255,025
Berica ABS 3 S.r.l.	-	973,729	-	69,149
Australe Finance S.r.l.	-	23,663	-	5,988
Boreale Finance S.r.l. (seconda serie)	-	6,035	-	2,012
Turchese Finance S.r.l. (quarta serie)	-	6,647	-	427
Kalos s.r.l	-	9,938	-	320
Prospero Finance S.r.l.	-	9,067	-	384
Altair Finance S.r.l.	-	7,762	-	1,137
Nausicaa SPV S.r.l.	-	7,618	-	9,381
Alisei Finance S.r.l.	-	25,600	-	-
Tritone SPV S.r.l.	-	33,519	-	9,120
Timavo SPV S.r.l.	-	5,200	-	-
Egeo SPV S.r.l.	-	13,500	-	-

C.9 Banking group - Consolidated special purpose vehicles for securitisation

It is also specified that the prerequisites of "control" under the new accounting standard IFRS 10 exists with regards to the special purpose vehicles used by the Group in its securitisation transactions. For these companies, however, the decision was made to not proceed with the corresponding consolidation in consideration of the fact that all financial statement values are irrelevant with respect to those of the group and that the assets securitised are already included in the Group financial statements, the prerequisites prescribed by IAS 39 for the so-called "derecognition" not applying for the various transactions carried out.

Percentage of securities redeemed 31/12/2014					
Senior		*Mezzanine*		*Junior*	
Impaired assets	Performing assets	Impaired assets	Performing assets	Impaired assets	Performing assets
0.00%	86.72%	0.00%	0.00%	0.00%	60.49%
0.00%	78.90%	0.00%	0.00%	0.00%	3.13%
0.00%	100.00%	0.00%	62.50%	0.00%	78.26%
0.00%	55.33%	0.00%	0.00%	0.00%	0.00%
0.00%	39.00%	0.00%	0.00%	0.00%	0.00%
0.00%	32.65%	0.00%	0.00%	0.00%	0.00%
0.00%	42.37%	0.00%	0.00%	0.00%	0.00%
0.00%	25.45%	0.00%	0.00%	0.00%	0.00%
0.00%	48.33%	0.00%	0.00%	0.00%	0.00%
0.00%	8.49%	0.00%	0.00%	0.00%	0.00%
0.00%	32.00%	0.00%	0.00%	0.00%	0.00%
0.00%	55.28%	0.00%	0.00%	0.00%	0.00%
0.00%	100.00%	0.00%	56.08%	0.00%	4.88%
0.00%	100.00%	0.00%	40.24%	0.00%	0.32%
0.00%	100.00%	0.00%	40.24%	0.00%	0.00%
0.00%	100.00%	0.00%	43.25%	0.00%	0.00%
0.00%	60.41%	0.00%	0.00%	0.00%	0.00%
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
0.00%	21.32%	0.00%	0.00%	0.00%	0.00%
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

D.1 Consolidated structured entities

The BPVi Group's scope of consolidation includes among its "subsidiaries" the three mutual funds managed by the subsidiary Nem Sgr named "Nem Imprese", "Nem Imprese II" and "Industrial Opportunity Fund". With reference to these mutual funds, at 31 December 2014 the Parent Bank's residual commitment to make further payments amounts to euro 71,699 thousand.

At 31 December 2014, the funds under review realised a loss as specified below. Nem Imprese: euro 151 thousand; Nem Imprese II: euro 4,011 thousand; Industrial Opportunity Fund: euro 1,399 thousand.

The risks associated to the Group's investments in the above-mentioned funds are those typical of an investment in private equity funds, mainly consisting of liquidity and market risk.

Key information on the funds subject to line-by-line consolidation is provided below.

Industrial Opportunity Fund

The Fund, which invests principally through mezzanine financing transactions also in support of corporate acquisitions with financial partners, typically private equity funds, or industrial in companies operating in Italy, started operations on 4 July 2008. Its equity amounts to euro 71,000 thousand, divided into 140 Class A units and 2 Class B units with a nominal value of euro 500,000 each (entirely held by the Group); in regard to the possibility of obtaining financial leverage by borrowing an amount not exceeding total equity, the subsidiary Nem Sgr, on behalf of the Fund, and the Parent Bank entered into a revolving credit agreement for a total amount of euro 60 million, expiring on 31 December 2018, Euribor interest rate plus a spread to be determined from time to time and in any case not higher than 200 basis points. This is in line with the Fund's objective of generating income and seeking capital appreciation over the medium to long term with a view to maximising the return on the Investors' investment.

Nem Imprese Fund

The Fund, which invests in the small and medium enterprise sector mainly through minority equity investments, started operations on 13 May 2005. Its equity amounts to euro 30,000 thousand, divided into 120 units with a nominal value of euro 250,000 each (of which 114 held by the Group). From inception to 31 December 2014 the subsidiary Nem Sgr carried out eight investment and four divestment transactions on behalf of the Fund, distributing to investors a total of euro 17,323 thousand or 61.15% of the amount of the Fund.

Nem Imprese II Fund

The Fund, which invests in the small and medium enterprise sector mainly through minority equity investments, started operations on 9 February 2010. Its equity amounts to euro 115,675 thousand, divided into 4,600 Class A units and 27 Class B units with a nominal value of euro 25,000 each (entirely held by the Group).

Giada Equity Fund

The Giada Equity Fund, in which the Parent Bank holds a 56.67% interest, is carried at equity. The fund, established in September 2002, is a closed-end mutual fund reserved for qualified investors, managed by 21 Investimenti Sgr S.p.a. with a total capital of euro 75 million, divided into 300 units with a nominal value of euro 250,000.

The Fund's duration, originally 10 years, has been extended by two years until 26 September 2014 following a resolution of the Manager's board of directors dated 31 August 2012 ("Extension Resolution").

The Fund carried out 17 investment transactions calling all of the commitments subscribed, amounting to euro 75.0 million.

Following the Extension Resolution, the Fund's activity focused on the sale of the equity investments in the portfolio. In particular, during 2014 the Fund sold the entire equity investment in the subsidiary Stalam S.p.a., realising revenues of euro 1.1 million, and in April it completed the liquidation of the subsidiary Land & Estate Holding Sarl. In July the Fund finalised the sale of the equity investment in the company Macplast S.p.a. (held through Capitolodue S.pa., which was subsequently liquidated) realising revenues of euro 1.9 million to the Fund as advance payment of the near totality of the final distribution to stakeholders. A portion of these revenues was subsequently distributed to subscribers, in part as repayment of principal and in part as dividend. In detail, during the year the Parent Bank received dividends for euro 857 thousand and repayments of principal for euro 644 thousand.

At 31 December 2014 the Fund contributed to the consolidated income statement with a loss of euro 955 thousand (gross of tax effect). Adjustments relating to write-downs of euro 6,004 thousand due to impairment losses, recorded in the income statement based on IAS 36, have been entered in the Parent Bank's separate financial statements.

D.2 Structured entities unconsolidated for accounting purposes

D.2.1 Structured entities consolidated for supervisory purposes

The Group does not consolidate structured entities for supervisory purposes other than those consolidated for accounting purposes.

D.2.2 Other structured entities

QUALITATIVE INFORMATION

The disclosures required by paragraph 26, 27 letter a), 30, 31, B25 and B26 of IFRS 12, concerning the Group's key investments in mutual funds is provided below.
The Group did not sponsor unconsolidated structured entities.

ATHENA CAPITAL BALANCED FUND 1

This fund was subscribed by Banca Popolare di Vicenza on 28 November 2012 for a total commitment of euro 100 million, fully paid up on 31 December 2014.
The Investment Advisor is "Edmond Capital Partners LLP", an independent company authorised by the "United Kingdom Financial Services Authority".

The fund operates as part of a plafond of investments in funds managed by professionals of the sector with specific expertise, with a view to achieving satisfactory long-term returns through direct investments in funds and other assets characterised by a limited risk level (such as European sovereign debt, equities of European financial institutions, and other residual investments aimed at optimising and taking advantage of specific market situations). The fund can borrow up to 100% of its NAV.
The value of each unit is calculated and published by the Sgr on a weekly basis.

OPTIMUM EVOLUTION FUND SIF SICAV

This fund, reserved for institutional investors and registered with the "Registre de Commerce et des Sociétés" of Luxembourg, was subscribed by Banca Popolare di Vicenza on 28 November 2012 for a total commitment of euro 100 million fully paid up.

The fund operates as part of a plafond of investments in funds managed by professionals of the sector with specific expertise, with a view to implementing a multi-asset strategy to achieve steady long-term returns through a wide range of direct and indirect investments in bonds, equities, real estate, hedge funds, funds of funds, private equity, and structured bonds. The fund may use financial leverage for direct and/or indirect investments in line with the market practices adopted for the different subfunds.
The Board of Directors is responsible for the fund's management, administration and investments, and is composed of at least three members.

Optimum Asset Management (Luxembourg) S.A., registered with the "Luxembourg trade and companies register", is the fund management company responsible for asset management, distribution and sale services.
The value of each unit is calculated and published by the Sgr on a monthly basis.

21 INVESTIMENTI II

21 Investimenti II is a closed-end mutual fund reserved for qualified investors, authorised by a Bank of Italy Instruction dated 3 April 2007, for a total of euro 283.4 million.
In 2007 the Parent Bank subscribed a commitment for up to euro 40 million, of which to date approximately euro 35.7 million has been called, with the aim to achieve satisfactory returns through a vehicle for investing in mostly Italian companies with high growth potential.

The fund invests in development and buyout capital in the Italian medium-sized enterprises segment, and is managed by 21 Investimenti Sgr S.p.a., an asset management company authorised by Bank of Italy.

The fund invests principally in Italian companies, i.e. companies incorporated or having their registered office or headquarters in the territory of Italy; companies that conduct a material portion of their business, directly or indirectly, in the territory of Italy, or foreign holding companies whose equity investments are chiefly in companies having the characteristics described above.

The fund invests mainly in listed or unlisted instruments representing (or entitling to the purchase of instruments representing) risk capital suitable to ensure control of the companies in the portfolio, or a position - of a contractual or other nature - through which the fund can significantly influence the development and subsequent sale of said companies. The Sgr may also invest the fund's assets in instruments listed in a regulated market subject to predetermined limits.

The fund's liquidity may be invested exclusively in short-term, readily realisable investments, specifically interest-bearing deposits with banks or other financial institutions, financial instruments issued or guaranteed by a State, commercial paper, or other low-risk investments selected by the Sgr.
The Fund does not invest in companies:
- whose core business consists of real estate transactions, with the exception of companies whose core business is the construction, promotion and/or sale of third-party real estate assets or the provision of related services;
- that invest in the research and exploitation of natural resources, with the exception of companies whose core business is the marketing of natural resources or the production of plant and equipment used for the generation, extraction or transport thereof or the provision of related services.

The subscription period ended on 14 August 2008, the investment period is 5 years after the first closing, extendable for one year, and the fund's duration is 10 years after the closing of subscriptions (however, one year before fund expiry, the Sgr may apply with Bank of Italy for an extension not exceeding three years).
The value of each unit is calculated and published by the Sgr on a half-year basis.

AGRIS

Agris is a closed-end real estate mutual fund with mixed contribution reserved for institutional investors, managed by IDeA FIMIT S.p.a.

In 2012 the Parent Bank acquired fund units for approximately euro 20 million.
The fund started operations on 29 December 2011 through the assignment of real estate assets mainly for production use by companies operating in the agricultural industry, and has a duration of 10 years. It plays a strategic role for this sector, as it is the only investment product dedicated to supporting, in a real estate perspective, the development of the agricultural sector in Italy. The fund was established through the assignment by several agricultural consortia of the right of ownership on real estate complexes and units with a value of approximately euro 102 million

at 31 December 2013.
On 25 June 2012 BPVi, following a resolution approved by the Board of Directors on 12 June 2012, acquired 376 units of the Agris fund for a total of euro 19,987 thousand.

Except in case of early liquidation, the Fund's duration is ten years, with expiry on the closing date of the first Annual Report subsequent to the tenth anniversary of the closing date of the first subscription period (31 December 2012), with the option to extend duration for a further two years.
The value of each unit is calculated and published by the Sgr on a half-year basis.

ILP III S.C.A.

ILP III S.C.A. is a SICAR ("société d'investissement en capital à risque") registered in Luxembourg and dedicated exclusively to investment activities, comparable to a closed-end fund operating in the private equity sector.

As such, the subsidiary has no operational structure and its business is managed by the advisor J. Hirsh & Co. International Sàrl and by the Luxembourg-based manager ILP III Sàrl.
The total commitment subscribed by investors amounts to euro 270 million, reduced to euro 257 million in September 2011.

BPVi subscribed a commitment for up to euro 25 million, of which to date approximately euro 21 million has been called, with the aim to achieve satisfactory returns through a vehicle for investing in companies with high growth potential.

The fund's investment period, originally set to expire on 12 April 2012, has been extended for two years in order to complete ongoing investments.
The value of each unit is calculated and published by the Sgr on a half-year basis.

WISEQUITY III

Wisequity III is a closed-end real estate mutual fund reserved for qualified investors, managed by WISE Sgr S.p.a.

At 30 June 2014, the total net value of the closed-end fund reserved for qualified investors Wisequity III amounts to euro 87 million. At 30 June 2014 subscribers have paid euro 101 million or 55.40% of the subscribed capital (euro 181.5 million). The contribution was used to cover the Fund's financial commitments related to already approved investments, as well as day-to-day management and Fund establishment expenses.

BPVi subscribed a commitment for up to euro 10 million, of which approximately euro 7.3 million have been called at 31 December 2014. The fund aims to achieve satisfactory returns through a vehicle for investing in mostly Italian companies with high growth potential.

The Wisequity III fund focuses on small to medium sized enterprises and operates by acquiring the majority of the companies' voting right capital and supporting their owners or managers in implementing the business and financial plan.
The Fund's investments are of two types:
- "management buy-out " and "management buy-in " including transactions carried out with the use of financial leverage;
- "development capital" for companies with significant growth potential.

The fund invests principally in Italian companies, i.e. companies incorporated or having their registered office or headquarters in the territory of Italy; companies incorporated or having their registered office or headquarters in an EU member State and conduct a material portion of their business, directly or indirectly, in the territory of Italy, or foreign holding companies established or having their registered office or headquarters in an EU member State whose equity investments are chiefly in companies having the characteristics described above.

Investments in non-Italian companies may be carried out on condition that their total amount does not exceed a predetermined percentage of the Fund and in a manner that ensures that investors are not exposed to liabilities exceeding the obligations they assume under the Fund Regulations.

In selecting potential investments, the Sgr is not subject to specific sector constraints.
The Fund's key objective is to invest in instruments representing (or entitling to acquire instruments representing) risk capital of the investee companies without any limit as to the percentage of said capital held by the Fund.

The total amount of investments in instruments issued by a single issuer or by issuers belonging to the same group may not exceed a certain percentage of the Fund's total assets, percentage which may be increased subject to favourable opinion of the Advisory Board.

The Fund's capital may be used to buy and/or sell derivative instruments or carry out currency transactions, including through derivatives, solely for the purpose of hedging risks associated with the investment or divestment transactions.
The value of each unit is calculated and published by the Sgr on a half-year basis.

TOSCANA VENTURE

Toscana Venture is a closed-end real estate mutual fund reserved for qualified investors, managed by S.I.C.I. S.p.a.

The Bank subscribed a commitment for up to euro 7 million, fully called at 31 December 2014, with the aim to achieve satisfactory returns through a vehicle for investing in mostly Italian small to medium sized companies with attractive growth potential.

Established in 2003, the fund focuses on small to medium sized enterprises within the Tuscan regional economic environment, and operates by acquiring portions of the companies' voting right capital and supporting their owners or managers in implementing the business and financial plan. In 2014 the Fund focused on managing its equity investment portfolio and on seeking the best divestment opportunities.

The value of each unit is calculated and published by the Sgr on a half-year basis.

COPERNICO FUND

The fund was subscribed by BPV Finance on 21 December 2010 for a commitment of up to euro 10 million fully paid up. On 23 December 2013, BPV Finance made a further investment of euro 8.2 million. At 31 December 2014 there are no residual payment commitments.

Copernico is a closed-end speculative real estate fund reserved for qualified investors. It is managed by Finanziaria Internazionale Investments Sgr S.p.a., based in Conegliano (TV). The Company is registered with Bank of Italy's Investment Management Companies Register.
The fund invests in renewable energy sources with a focus on solar energy through financial lease contracts, real estate rights and real estate equity investments.

In particular, Copernico invests in companies operating in the real estate sector and that produce electricity from renewable sources or biomass. The investments aim to achieve both a constant cash flow as well as capital gains from the sale of these positions.

QUADRIVIO Q2 FUND

The fund was subscribed by BPV Finance on 21 May 2013 for a total commitment of euro 15 million. At 31 December 2014, the residual payment commitment amounted to euro 4.3 million.

Quadrivio Q2 is a closed-end fund reserved for qualified investors managed by Quadrivio Sgr S.p.a., an investment management company based in Milan and registered with Bank of Italy's Register of Investment Management Companies. The fund specialises in investments in medium capitalisation companies and aims for international growth and consolidation of the position. The fund may not invest in startups or companies requiring high turnaround. Sector focus is on companies operating in the Food & Beverage sector, design product manufacturers and distributors (excluding the fashion industry), and providers of business-to-business services, financial services, distribution modernisation, niche consumer goods and specialised equipment. Geographic focus is mainly on the Italian market.

For this reason, the fund targets companies that offer the highest return on invested capital and require limited investments in fixed assets (the fund does not invest in startups): value is created by acting directly on the company's organisational and financial structure, including management incentive mechanisms.

OPTIMUM EVOLUTION FUND SIF – MULTI STRATEGY II

The fund was subscribed by BPV Finance on 7 August 2013 with a commitment up to euro 150 million fully paid up.

Optimum Evolution Fund SIF – Multi Strategy II is a specialised investment fund reserved for qualified investors, established in the legal form of a Luxembourg SICAV. It is registered with the Luxembourg "Registre de Commerce et des Societes".

The fund is managed by Optimum Asset Management (Luxembourg) SA, a company registered with the "Luxembourg trade and companies register" with number B158100 and having its registered office in via J.F. Kennedy 46a, Luxembourg.

The fund pursues a multi-asset investment strategy with the aim to achieve long-term returns, investing in harmonised and non-harmonised fixed-income, equity, real estate and speculative funds, funds of funds, closed-end and open-end funds, listed and unlisted investment vehicles, private equity and structured bond funds.

SATOR PUBLIC VALUE

The fund was subscribed by BPV Finance on 1 August 2013 for an amount of euro 8 million. At 31 December 2014 there are no residual payment commitments.
Sator Public Value is a hedge fund based in the Cayman Islands.

It is managed by Sator Capital Limited, a UK investment management company established in London in November 2007. Sator Capital Ltd. is regulated and registered by the FSA (Financial Services Authority). The fund's key investment objective is to maximise absolute return mainly through equity instruments traded in regulated markets with a geographic focus on the Euro area.

PLURIMA ORWELL CURRENCY ALPHA FUND

The fund was subscribed by BPV Finance on 14 October 2013 for an amount of euro 10 million. At 31 December 2014 there are no residual payment commitments.

The fund is established in the legal form of a SICAV in accordance with the provisions regulating UCITS as set out in Regulation (EU) no. 352/2011.

The fund is managed by Orwell Capita Limited.
Its investment objective is to achieve long-term return on invested capital by operating in the currency markets.

The managers adopt a trend following and mean reversion strategy. Foreign currency positions may be held directly or through derivative instruments, including OTC derivatives. Additionally, the fund holds positions in liquid assets like cash, money market instruments, and fixed and variable rate government and corporate bonds traded on one or more regulated markets.
The fund focuses on G10 currencies, although there may be residual positions in other currencies.

QUANTITATIVE INFORMATION

Items/type of structured entity	Assets' accounting portfolio	Total assets (A)
1. S.p.v.	-	-
2. Mutula funds		**452,181**
OPTIMUM EVOLUTION FUND SIF – MULTI STRATEGY II	Financial assets available for sale	150,180
OPTIMUM MULTI STRAT.	Financial assets available for sale	108,199
ATHENA CAP.BIOTECHN.	Financial assets available for sale	94,064
21 INVESTIMENTI II A	Financial assets available for sale	21,800
AGRIS CL.A PORTATORE	Financial assets available for sale	16,430
FONDO COPERNICO	Financial assets available for sale	14,682
PLURIMA ORWELL CURRENCY ALPHA FUND	Financial assets available for sale	10,342
QUADRIVIO Q2	Financial assets available for sale	9,663
SATOR PUBLIC EQUITY VALUE FUND	Financial assets available for sale	7,941
ILP III SICAR CL.A	Financial assets available for sale	7,542
WISEQUITY III CL.A P	Financial assets available for sale	6,922
TOSCANA VENTURE PT	Financial assets available for sale	4,416

Maximum exposure to the risk of loss was determined by adding the residual commitment to the book value, gross of the negative reserve if any.

Liabilities' accounting portfolio	Total liabilities (B)	Net book value (C=A-B)	Maximum exposure at loss risk (D)	"Difference between exposure at loss risk and book value (E=D-C)"
-	-	-	-	-
-	**-**	**452,181**	**471,606**	**19,425**
-	-	150,180	150,180	-
-	-	108,199	108,199	-
-	-	94,064	100,000	5,936
-	-	21,800	26,085	4,285
-	-	16,430	16,430	-
-	-	14,682	15,913	1,231
-	-	10,342	10,342	-
-	-	9,663	9,683	20
-	-	7,941	8,000	59
-	-	7,542	11,091	3,549
-	-	6,922	9,943	3,021
-	-	4,416	5,740	1,324

E. SALE OF FINANCIAL ASSETS

A. Financial assets sold but not derecognised in full

Qualitative information

Financial assets sold but not derecognised and all liabilities relating to assets sold but not derecognised in the tables set out in this section mainly refer to receivables reinstated in the financial statements relating to securitisations transactions set up by the Group, outlined in the previous section C.1 “Securitisations”, as well as to repurchase agreements carried out on property securities.

Quantitative information

E.1 Banking group - Financial assets sold but not derecognized: book value and whole value

Technical forms/Portfolio	Financial assets held for trading			Financial assets at fair value			Financial assets available for sale		
	A	B	C	A	B	C	A	B	C
A. Cash assets	**13,337**	**-**	**-**	**-**	**-**	**-**	**2,439,341**	**-**	**-**
1. Debt securities	13,337						2,439,341		
2. Equities	-	-	-	-	-	-	-	-	-
3. Mutual funds	-	-	-	-	-	-	-	-	-
4. Loans	-	-	-	-	-		-	-	-
B. Derivatives	-	-	-	X	X	X	X	X	X
Total at 31/12/2014	**13,337**	**-**	**-**	**-**	**-**	**-**	**2,439,341**	**-**	**-**
of which: impaired exposure	-	-	-	-	-	-	-	-	-
Total at 31/12/2013	**-**	**-**	**-**	**-**	**-**	**-**	**1,798,529**	**-**	**-**
of which: impaired exposure	-	-	-	-	-	-	-	-	-

Technical forms/Portfolio	Financial assets held to maturity			Loans and advances to banks			Loans and advances to customers			Total	
	A	B	C	A	B	C	A	B	C	31/12/14	31/12/13
A. Cash assets	**43,683**	**-**	**-**	**22,169**	**-**	**-**	**6,787,964**	**-**	**-**	**9,306,494**	**8,512,854**
1. Debt securities	43,683			22,169			169,031			2,687,561	2,073,818
2. Equities	X	X	X	X	X	X	X	X	X	-	-
3. Mutual funds	X	X	X	X	X	X	X	X	X	-	-
4. Loans	-	-	-	-	-	-	6,618,933			6,618,933	6,439,036
B. Derivatives	X	X	X	X	X	X	X	X	X	-	-
Total at 31/12/2014	**43,683**	**-**	**-**	**22,169**	**-**	**-**	**6,787,964**	**-**	**-**	**9,306,494**	**X**
of which: impaired exposure	-	-	-	-	-	-	261,462	-	-	261,462	X
Total at 31/12/2013	**48,606**	**-**	**-**	**43,143**	**-**	**-**	**6,622,576**	**-**	**-**	**X**	**8,512,854**
of which: impaired exposure	-	-	-	-	-	-	261,462	-	-	X	261,462

Key: A = Financial assets sold and recognized in full (book value); B = Financial assets sold and recognized in part (book value); C = Financial assets sold and recognized in part (full value)

E.2 Banking group- Financial liabilities relating to financial assets sold but not derecognized: book value

Liabilities/Assets portfolio	Financial assets held for trading	Financial assets at fair value	Financial assets available for sale	Financial assets held to maturity	Loans and advances to banks	Loans and advances to customers	Total
1. Due to customers	**-**	**-**	**1,759,760**	**-**	**325**	**2,880,050**	**4,640,135**
a) for assets recognized in full"	-	-	1,759,760	-	325	2,880,050	4,640,135
b) for assets recognized in part"	-	-	-	-	-	-	-
2. Due to banks	**10,490**	**-**	**368,535**	**32,500**	**16,734**	**762,252**	**1,190,511**
a) for assets recognized in full"	10,490	-	368,535	32,500	16,734	762,252	1,190,511
b) for assets recognized in part"	-	-	-	-	-	-	-
3. Debt securities in issue	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) for assets recognized in full"	-	-	-	-	-	-	-
b) for assets recognized in part"	-	-	-	-	-	-	-
Total at 31/12/2014	**10,490**	**-**	**2,128,295**	**32,500**	**17,059**	**3,642,302**	**5,830,646**
Total at 31/12/2013	**-**	**-**	**1,724,221**	**41,411**	**31,786**	**4,244,103**	**6,041,521**

E.3 Banking group - Sales with liabilities having recourse exclusively on the sold assets: fair value

The fair value of sales with liabilities having recourse exclusively on the sold assets does not have substantial differences from the book value. Therefore, the table has not been completed.

E.4 Banking group - Covered bond transactions

The Group has not carried out any covered bond transactions.

Since the end of April 2008, new internal rating models for retail customers (individuals and small businesses), small corporate customers (turnover from euro 517 thousand to euro 2.5 million), and mid corporate customers (turnover from euro 2.5 to euro 50 million) have been adopted by the commercial network of Banca Popolare di Vicenza and in early June of the same year also by CariPrato (which was merged into the Parent Bank at the end of 2010) and by Banca Nuova. In June 2009, these models were followed by the corporate module, directed at assigning ratings not only to companies with turnover above euro 50 million, but also to Financial and investment Holding companies (regardless of turnover) and to parent companies with turnover above euro 50 million.

It will be recalled that the SGR monitoring system (Sistema di Gestione dei Rischi or risk management system) has been in use at the Parent Bank since October 2004 and at Banca Nuova since April 2005. It is used mainly to provide early warnings to alert account managers of the existence of problems with certain customers and to make them take corrective action against the higher risk situations, in accordance with precisely defined procedures.
The system underwent a revision in 2009 to make this monitoring tool even more effective in quickly identifying anomalies, and involved the definition of a new model and calculation algorithm for performance scoring (called EW = Early Warning), as well as interfacing the system with the internal ratings models. This system, which became operational for Banca Popolare di Vicenza in June 2009, was extended to the other Group banks in October 2009.

In January 2013, the Board of Directors of the Parent Bank decided to launch the initiative to adopt advanced credit risk measurement methods (**"Advanced Internal Ratings Based" system - AIRB**) as prescribed by the supervisory regulations in compliance with Basel 2 principles. The purpose of the initiative is further to strengthen and integrate, through the development of processes, procedures and models for credit risk control, the company processes and controls pertaining to credit management, monitoring and granting and the strategic and operational planning processes.

In this regard, in January 2014 new rating models became operational for the segments of the following types of enterprises:
a) SME[39] retail (Joint-stock companies with less than euro 2.5 million of turnover and exposure less than euro 1 million, Partnerships with turnover between euro 700,000 and euro 2.5 million and exposure less than euro 1 million);
b) SME Corporate (Corporations with turnover less than euro 2.5 million and exposure above euro 1 million, Partnerships and corporations with turnover between euro 2.5 and 150 million),
c) Large Corporate (Companies with more than euro 150 million in turnover).

In the first half of 2014, the models for the individual and Small Business segments (sole proprietorships, non-commercial partnerships, partnerships with turnover less than euro 700,000 and exposure less than euro 1 million) were activated.

The early warning instrument (EW) was reviewed within the scope of the AIRB Project during 2014, to adjust it to new rating models and, especially, to give greater significance to the latter by means of appropriate risk indicators, in monitoring borrowers.

(39) Acronym of Small & Medium Enterprise

1.2 – BANKING GROUP - MARKET RISKS

1.2.1 INTEREST RATE RISK AND PRICE RISK – TRADING BOOK FOR SUPERVISORY PURPOSES

QUALITATIVE INFORMATION

A. General aspects

Interest rate risk represents the risk of incurring losses due to adverse trends in the rates of return on debt securities and other interest rate related instruments.

Three types of interest rate risk can be identified:
- **level**. The risk associated with an absolute change in the forward structure of risk-free interest rates (parallel shifts in the yield curve);
- **curve and fundamental**. The first identifies the risk deriving from a relative change in the structure of interest rates. The second derives from the imperfect correlation of the elements of a position, particularly with reference to hedging strategies;
- **credit spread**. Risk deriving from changes in the prices of bonds and credit derivatives associated with unexpected changes in the issuer's credit rating.

Price risk represents the risk associated with changes in the value of equity portfolios due to fluctuations in market prices. This risk is distinguished between:
- **generic risk**. Change in the price of an equity instrument following fluctuations in the market concerned;
- **specific risk**. Change in the market price of a specific equity instrument due to revised market expectations about the financial strength or prospects of the issuer.

The investment policy adopted by the Group focuses on optimizing operating results and on reducing their volatility.

B. Management and measurement of interest rate risk and price risk

The Board of Directors of the Parent Company is responsible for defining propensity to market risk and the guidelines for the management of such risk, with the support of the Finance and ALMs Committee and the corporate divisions in charge of operational and strategic management of risk.

Specifically, for market risk management:
- as part of its consulting functions, the Finance and ALMs Committee proposes risk management guidelines to the Board of Directors;
- the Finance Division has operational management duties, and assigns powers to the Global Markets Department the performance of activities regarding trading in financial instruments, in compliance with the risk limits and powers assigned;
- the Risk Management Department monitors risk limits at the Parent Company level and at individual Subsidiary level and, with the support of the Finance Division (Financial Monitoring & Documentation Office), operating and stop-loss limits at the Parent Company level.

The Board of Directors of the Parent Bank approved the "Investment policy: Investment guidelines for 2014" already discussed by the Finance and ALMs Committee.
The Board of Directors also resolved that investment strategies must be executed in line with the propensity to risk and the resulting operating limits generally or specifically approved, in relation to the assigned powers, by the competent corporate bodies, as well as with the risk/return targets negotiated during budget planning.

Briefly, these guidelines establish that the trading book investment strategy for 2014 will be conducted through market-making and trading by the Finance Division; this activity primarily translates into the process of managing financial instruments held for trading and treasury purposes, also in support of the branch Network's flow business (positions held to create the underlying for repo transactions with customers, secondary markets for issues by the Bank or placed by the Bank etc.).

The control of financial risk management is, therefore, centralised for Group Banks (including BPV Finance Plc) under the Parent Bank's Risk Management Department. This activity involves the daily monitoring of the observance of the VaR limits approved by the Board of Directors.

Operating and stop loss limits are also used to guide the activity of individual desks, with responsibility for monitoring and controlling these limits lying with the Financial Control office in the Finance Division of Banca Popolare di Vicenza.

Monitoring of market risk of the BPVi Group is based on:
- defining a system for delegating powers in line with the risk limits and identifying the related escalation procedures in the event of overruns of these limits;
- controlling observance of the limits and powers.

For the Group's book (HFT), the BPVi Group has defined a risk-based system for delegating powers in line with the risk-appetite targets resolved by the Board of Directors. Specifically, the Board may delegate powers to the General Manager of the Parent Company, on hearing the opinion of the Finance and ALMs Committee, for the definition of operating powers of the Finance Division, as follows:
- VaR limits broken down by individual desk (or strategy);
- monthly and cumulative stop-loss limits broken down by individual desk (or strategy);
- operating limits.

The Board of Directors approved the following limits for 2014:
- **VaR limit**: measure of the maximum potential loss over a given period of time for a predefined confidence level;
- **monthly and yearly stop-loss limit**: measure of the maximum accumulated loss over a specified period of time, allowed at a given level in the hierarchy without the need to take specific action.

As part of the "Operating limits of the Global Markets Department - Finance Division", issued by the General Manager under the authority of the Board of Directors, a set of operating limits will be monitored for the Banca Popolare di Vicenza Group based on the following indicators:
- ***Sensitivity (interest rate risk)***: change in profit or loss that would occur in the event of a parallel shift in the reference curve by one basis point);
- ***Vega (Interest rate risk)***: change in profit or loss that would occur in the event of a 1% change in volatility (or in the volatility curves) for the financial instrument;
- ***Vega (equity risk)***: change in profit or loss that would occur in the event of a 1% change in volatility (or in the volatility curves) for the financial instrument;
- ***Vega (Exchange risk)***: change in profit or loss that would occur in the event of a 1% change in the volatility of the exchange rate;
- ***Delta in cash terms (exchange rate risk)***: cash equivalent position for spot, forward and exchange rate derivative portfolios;

- ***Delta equivalent (equity risk)***: market value of shares and cash equivalent position for equity and stock index derivatives;
- ***Maximum invested amount (position)***: book value of cash securities/funds (gross of the derivatives' delta) to ensure that assets and liabilities are balanced within the assigned budget limits;
- **Concentration**: maximum limit, in percentage or absolute terms, on an asset that can be held in the portfolio (by instrument or issuer);
- ***Credit Risk Sensitivity (credit risk)***: change in profit or loss that would occur in the event of a shift in the reference credit curve by one basis point.

Additionally, operating limits were defined with respect to transactions in options with underlying BTP/BTPei Government bonds (both outright and in asset swap) which are monitored by the Risk Management Department that also carries out a reporting activity to the Finance and ALMs Committee on a weekly basis.

Value at Risk (VaR) is a statistical measure that indicates the maximum potential loss on an investment in a given period of time. VaR is calculated by simulating past trends and estimates portfolio risks on the basis of:
- past market movements;
- holding period of 1 day;
- 99% confidence level.

The **VaR limit** refers to overall operations of the Global Markets aggregate, but it entails monitoring the level of risk applying to the individual strategies (desks) identified by the portfolio tree in the Murex application and resolved by the Parent Bank's Board of Directors.

The Parent Bank's Risk Management Department is responsible for reporting VaR. This analysis is performed on a daily basis, partly to check that the VaR remains within the parameters established and defined by the Board of Directors in line with the propensity to risk resolved by the Board.
The calculation of VaR concerns the trading book for supervisory purposes of the Parent Company and the HFT and AFS portfolios of the subsidiary BPV Finance Plc.

For the purposes of having a standard representation of the underlying risk factors and a consistent method of calculation, the Group uses a **single risk calculation system based on the VaR program by Murex**. This has the benefit not only of being able to use the same system of position keeping as for managing and measuring risks, but also of producing important operational synergies. In addition, operational risks have also been reduced as a result of no longer having to replicate in an external system the positions and deals contained in the Group's official system.

In addition to monitoring VaR limits, the Risk Management Department carries out back-testing and stress testing on a daily basis.

As regards back-testing the model's results, a clean back-testing approach was used, which compares the VaR calculated at time t for estimating the expected loss in time t+1 against the profit & loss change computed using market parameters between time t and time t+1 for the same portfolio.

The stress test, instead, measures potential vulnerability upon the occurrence of exceptional events that are nonetheless possible. The analysis is carried out on a daily basis and the scenarios used represent 8 levels of extreme, symmetrical variations regarding stock markets, parallel shifts in rate curves, trends in exchange rates, volatility and credit spreads.

In defining stress scenarios, the following assumptions have been made regarding correlation between risk factors:

- rises in the stock market are accompanied by downward movements in government securities, meaning that shares and risk-free rates rise at the same time;
- declines in the stock market are followed by a collapse in the corporate bond market (high correlation between equities and credit spreads), meaning credit spreads rise when stock markets fall.

Apart from the scenarios just described - which simulate a specifically defined hypothetical market situation - two stress tests are also conducted based on actual market crashes in the past, involving the reproduction:

- of the market shifts reported after the World Trade Center Attack on 11 September 2001;
- of the market shifts reported after Lehman Brothers filed for bankruptcy under Chapter 11 on 15 September 2008.

The VaR models are used solely for management control purposes and are not used for the calculation of capital adequacy requirements. The trends in VaR for the Group's trading book are described in point 3 below.

QUANTITATIVE INFORMATION

1. Trading book for supervisory purposes: breakdown by residual maturity (repricing date) of cash financial assets and liabilities and financial derivatives

Currency: EURO

Type/Residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets								
1.1 Debt securities	-	39,819	46,081	1,022,155	47,597	201	6,473	-
" - with early redemption option"	-	-	-	-	-	-	-	-
- other	-	39,819	46,081	1,022,155	47,597	201	6,473	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities								
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	(56,320)	(11,776)	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options	-	(339)	(150)	-	-	-	-	-
+ long positions	-	114	184,662	-	-	-	-	-
+ short positions	-	(453)	(184,812)	-	-	-	-	-
- Other	-	33,825	(18)	-	(1,147)	(75)	-	-
+ long positions	-	34,530	-	-	456	113	-	-
+ short positions	-	(705)	(18)	-	(1,603)	(188)	-	-
3.2 Without underlying security								
- Options	(405,916)	(34,380)	16,473	74,278	266,005	88,693	49,735	-
+ long positions	920,479	5,765,069	1,968,350	3,943,884	20,806,807	7,189,384	6,120,930	-
+ short positions	(1,326,395)	(5,799,449)	(1,951,877)	(3,869,606)	(20,540,802)	(7,100,691)	(6,071,195)	-
- Other	392,257	34,938,794	(9,807,322)	(24,653,293)	(2,294,320)	(644,115)	2,014,495	-
+ long positions	392,257	66,106,585	2,767,256	2,729,555	20,925,518	17,567,232	22,808,614	-
+ short positions	-	(31,167,791)	(12,574,578)	(27,382,848)	(23,219,838)	(18,211,347)	(20,794,119)	-

Currency: USD

Type/Residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets								
1.1 Debt securities	-	-	-	-	787	-	-	-
" - with early redemption option"	-	-	-	-	-	-	-	-
- other	-	-	-	-	787	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities								
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options	-	85,798	(5,151)	(11,594)	-	-	-	-
+ long positions	-	201,519	2,581	8,852	-	-	-	-
+ short positions	-	(115,721)	(7,732)	(20,446)	-	-	-	-
- Other	-	(59,124)	8,091	(31)	(32)	-	-	-
+ long positions	-	231,250	28,760	23,155	2,528	-	-	-
+ short positions	-	(290,374)	(20,669)	(23,186)	(2,560)	-	-	-

Currency: GBP

Type/Residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets								
1.1 Debt securities	-	-	-	-	-	-	-	-
" - with early redemption option"	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities								
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options	-	-	-	529	-	-	-	-
+ long positions	-	-	-	529	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other	-	(2,528)	(104)	2	-	-	-	-
+ long positions	-	2,698	642	899	385	-	-	-
+ short positions	-	(5,226)	(746)	(897)	(385)	-	-	-

Currency: CHF

Type/Residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets								
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option"	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities								
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other	-	(2,583)	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	(2,583)	-	-	-	-	-	-

Currency: JPY

Type/Residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets								
1.1 Debt securities	-	-	-	-	-	-	-	-
" - with early redemption option"	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities								
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options	-	(19,717)	-	-	-	-	-	-
+ long positions	-	23,485	-	-	-	-	-	-
+ short positions	-	(43,202)	-	-	-	-	-	-
- Other	-	19,175	40	-	-	-	-	-
+ long positions	-	23,448	2,186	-	-	-	-	-
+ short positions	-	(4,273)	(2,146)	-	-	-	-	-

Currency: Other

Type/Residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets								
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option"	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities								
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options	-	(93,770)	4,418	-	-	-	-	-
+ long positions	-	17,800	4,418	-	-	-	-	-
+ short positions	-	(111,570)	-	-	-	-	-	-
- Other	-	93,329	-	-	-	-	-	-
+ long positions	-	101,553	-	-	-	-	-	-
+ short positions	-	(8,224)	-	-	-	-	-	-

2. Trading book for supervisory purposes: breakdown of the exposures in equities and stock indices by principal country and market of listing

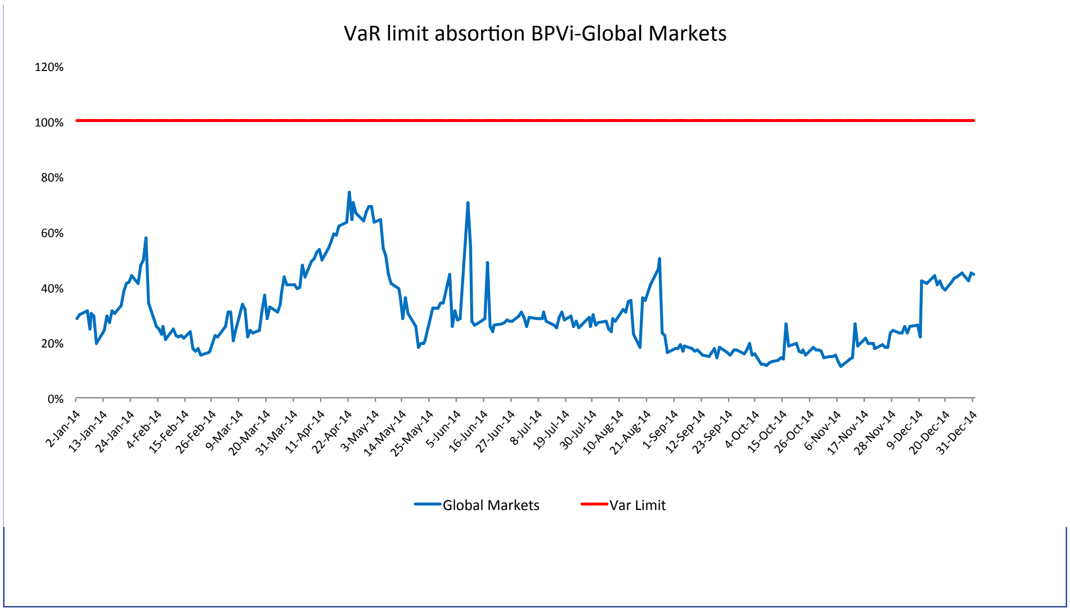
Type of transaction/Listing index	Listed						Unlisted
	Italy	Germany	Grain Britain	Holland	France	Spain	
A. Equities							
- long positions	22,715	333	193	1,280	911	-	-
- short positions	-	-	-	-	-	-	-
"B. Transactions not yet settled on equities"							
- long positions	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-
C. Other derivatives on equities							
- long positions	370	26	-	-	-	-	-
- short positions	(54)	(57)	(6,303)	-	-	-	-
D. Derivatives on equity indices							
- long positions	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-

3. *Trading book for supervisory purposes: internal models and other methods of sensitivity analysis*

Trends in VaR and stress tests on Banca Popolare di Vicenza and BPV Finance's trading books in 2014 are shown separately below. For the Parent Bank, the back-testing results are also shown.

VAR – STRESS TEST SCENARIO – BACK-TESTING OF ENTIRE TRADING BOOK OF BANCA POPOLARE DI VICENZA

During the period examined, the 1-day 99% Value at Risk of BPVi's Global Markets aggregate averaged euro 1.21 million. In terms of limit absorption, set at euro 4 million, this averaged 30.13% (at 31 December 2014, the 1-day 99% VaR of the book analysed amounted to euro 1.79 million, with limit absorption of approximately 44.71%).



The Global Markets aggregate excludes Covered Call operations, pertaining to sales of bond options and equity options with underlying securities in the banking book. In 2014, these operations had an average VaR of euro 3.31 million (euro 1.39 million at 31 December 2014).

Stress test scenario

STRESS TEST SCENARIO

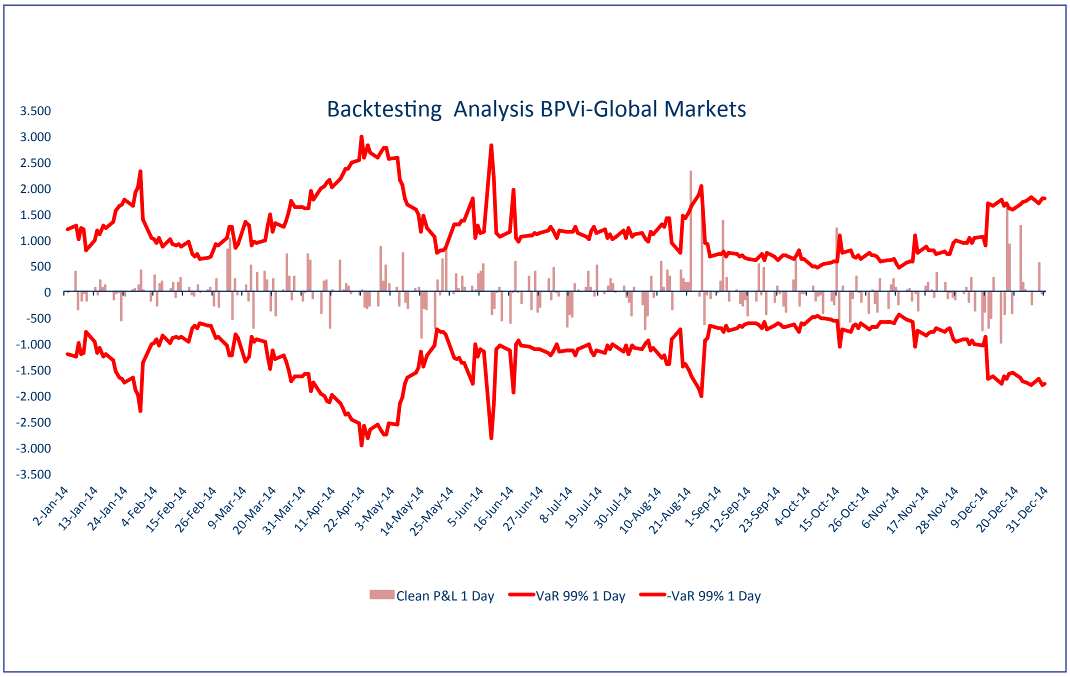
During 2014 the maximum theoretical loss of the Global Markets aggregate under stress would have been euro 10.98 million, while the maximum loss at 31 December 2014 would have reached euro 7.49 million.

	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6	Scenario 7	Scenario 8	Scenario 9	Scenario 10
Max	262,658	163,069	88,259	32,397	14,845	28,640	40,436	52,211	1,796	59
Min	-9,574	-10,979	-9,754	-5,411	-2,049	-5,257	-7,351	-6,521	-5,684	-5,939
Media	43,071	23,882	10,675	3,211	1,738	2,478	4,084	7,280	-2,590	-1,615
31/12/2014	-6,092	-7,493	-7,069	-4,182	4,464	8,470	11,890	14,577	-5,188	-1,722

* *Euro/thousand*

BACK-TESTING

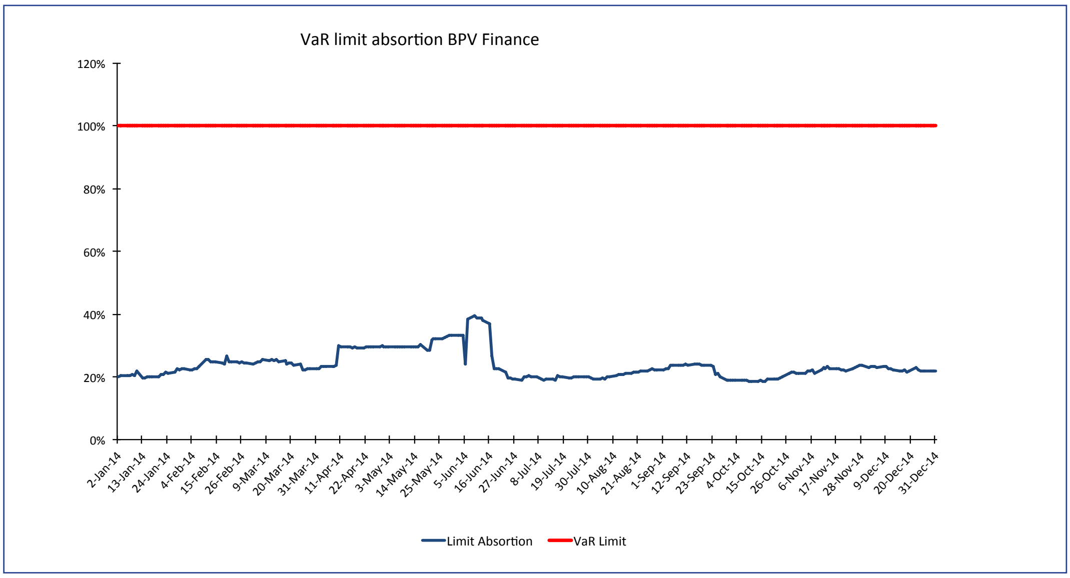
The following chart presents the results of back-testing with reference to the Global Markets aggregate during 2014.



During 2014, there were no cases of negative P&L exceeding VaR.

VAR – STRESS TEST SCENARIO OF ENTIRE TRADING BOOK OF BPV FINANCE

During the period examined, the 1-day 99% Value at Risk of BPV Finance averaged euro 591 thousand. In terms of limit absorption, set at euro 2.5 million, this averaged 23.63% (at 31 December 2014, the 1-day 99% VaR of the book analysed amounted to euro 546 thousand, with limit absorption of 21.84%).



Noting that stress test scenarios for BPV Finance were produced in line with those applicable to the Parent Bank, the stress tests demonstrated a maximum "theoretical" loss at 31 December 2014 of euro 19.70 million, while the maximum loss for the year in question would have been euro 17.02 million.

	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6	Scenario 7	Scenario 8	Scenario 9	Scenario 10
Max	-16,182	-12,146	-8,103	-4,055	9,614	20,090	31,402	43,531	-6,554	-411
Min	-29,578	-23,5277	-16,580	-8,736	4,062	8,131	12,207	16,290	-13,173	-1,037
Media	-18,339	-13,779	-9,201	-4,604	4,601	9,207	13,827	18,471	-7,361	-772
31/12/2014	-17,016	-12,801	-8,561	-4,295	4,328	8,691	13,094	17,540	-6,863	-871

1.2.2 INTEREST RATE RISK AND PRICE RISK – BANKING BOOK

QUALITATIVE INFORMATION

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

The banking book comprises all the positions other than those included in the trading book for supervisory purposes.

The interest rate risk incurred by the BPVi Group in relation to the banking book mainly derives from the activity of transforming maturities. It particularly arises from the mismatch of interest-bearing assets and liabilities in terms of amount, due date and interest rates.

As regards price risk, the banking book comprises minority holdings in equities classified as available for sale (AFS) and mutual funds. Investments in associates and subsidiaries are also included.

The process of measuring and controlling interest rate risk on the banking book, with the aim of effectively managing the medium/long-term economic and financial equilibrium of the BPVi Group, is governed by a specific policy which defines:

- the principles and methods of managing risk with reference to the roles and responsibilities of corporate Bodies and Functions;
- the methods of measuring risk, of defining operating limits and of structuring the risk management process;
- the principles and methods used for conducting stress tests;
- the Management Reporting System.

Responsibility for managing interest rate risk lies with the Parent Bank's Board of Directors, which uses the Finance and ALMs Committee and relevant company functions for the strategic and operational management of the same both at the level of the Group and of individual legal entities. In particular, the governance of interest rate risk involves the following bodies at the Parent Bank:

- the Board of Directors approves the strategic guidelines and operating limits proposed by the Finance and ALMs Committee, and is periodically informed (at least once a quarter) about changes in exposure to interest rate risk and its operational management;
- the Finance and ALMs Committee proposes strategic guidelines in its consultative capacity to the Board of Directors;
- the General Manager of the Parent Bank, having heard the opinion of the Finance and ALMs Committee, having assessed the potential impacts on the Group's multi-year net interest income deriving from the proposed strategies for managing the interest rate risk, formally defines the actions which the Finance Division implements in matters of interest rate risk both in the short and in the medium to long term, observing the guidelines defined by Board of Directors;
- the Risk Management Department is responsible for reporting and monitoring operating limits, and prepares the topics of discussion in meetings of the Finance and ALMs Committee;
- the Finance Division has direct responsibility for the operational management of interest rate risk.

The Asset & Liability Management methods adopted by the Group largely respond to the need to monitor exposure of all interest-earning assets and interest-bearing liabilities to interest rate risk when market conditions change. A report is produced once a month for the purpose of analysing interest rate exposure of both net interest income and the economic value of the banking book.

Interest rate risk is monitored using the following models:

- repricing gap analysis: estimates repricing mismatches and expected change in net interest income following a sudden, parallel shock to rate curves (+50 bps and +100 bps);
- refixing gap analysis: estimates refixing mismatches (split by benchmark, such as to ensure monitoring of lags and basis risks) for floating-rate positions;
- maturity gap analysis fixed rate: estimates mismatches between fixed-rate statement of financial position items in the banking book, and the corrective effects of any hedging strategies;
- duration gap analysis and sensitivity analysis: estimates market value, duration, sensitivity, bucket sensitivity of the economic value of the banking book following a sudden, parallel shock to rate curves of +100 bps and +200 bps.

The analyses performed are static and therefore exclude assumptions about future changes in the structure of assets and liabilities, in terms of volumes and product mix. Sight positions with customers are managed using a specific internal model, which makes it possible to take account of the stickiness of the rate applied to such transactions when market rates change, as well as of the duration of such positions. The inclusion of this "behavioural" model in static ALM analyses completes the collection of methods used to estimate the interest rate risk of the banking book, thereby going beyond the assumption of full and immediate repricing of such positions when market rates change and of the assumptions of the Bank of Italy's simplified model.

For 2014, the BPVi Group defined a system of internal limits for monitoring the interest rate risk of the banking book, consistently with the risk-appetite targets set by the Board of Directors.

The variables to be monitored are those generated by the static Asset & Liability Management analyses with the "outlook for current profits" and with the "outlook for market values" approach. The system of limits for 2014 approved by the Board of Directors is organised to identify percentage thresholds, i.e. the change in the economic value of assets and liabilities following an immediate parallel shock to the rate curves of +200 basis points (with respect to the inertia situation), as a percentage of the regulatory capital at the measurement date. Furthermore, "attention thresholds" are envisaged for the expected change of the net interest income over a time span of one year following a parallel and sudden shock of the rate curves of +100 basis points and regarding the representation of bucket sensitivity +100 bps (with declining thresholds for each significant time bucket interval)

Strategic and operating decisions regarding the banking book by the Finance and ALMs Committee aim to minimise the volatility in net interest income expected in the gapping period (12 months) or rather to minimise the volatility in total economic value when interest rates change.

B. Fair value hedges

The Group has arranged specific hedges for fixed-rate or fixed step up multicallable, bonds, which are reported using the Fair Value Option. The strategy underlying the hedge is to reduce the duration of the liability. It should be noted that during the first half of 2008 instruments and processes were defined for hedge accounting for specific clusters of similar fixed-rate medium to long-term loans (fair value hedge - group micro hedges). All the Parent Bank's hedges of fixed-rate loans were unwound in October 2009. In June 2010 the above fixed-rate loans were hedged again, with forward-start hedges from July 2012. In June, a part of these hedges were renegotiated with forward starting in July 2013. BTPs and inflation-linked BTPs purchased since January 2010 for the Parent Bank and for subsidiaries have been hedged through asset swaps. This type of transaction has also adopted hedge accounting (fair value hedges - specific micro hedges). In the first half of 2014, the Parent Bank switched most of the aforesaid Fair Value Hedges on BTPs and inflation-linked BTPs to Cash Flow Hedges. After extending hedge accounting to interest-bearing liabilities, some of the fixed-rate bonds of the Parent Bank not hedged under the Fair Value Option were hedged since March 2010 in application of hedge accounting (fair value hedge – specific micro hedges). In the second half of 2010 the hedge accounting process was extended to cover floating-rate loans with embedded interest rate caps (fair value hedge

– group micro hedges). This type of hedging also continued during 2011, 2012, 2013 and 2014, extending operations from only Individual segment loans to Small Business and Corporate segment loans as well. In July 2013, the Hedge Accounting process was also extended to hedging the core inelastic sight deposit component with customers (Macro Fair value Hedge), estimated through an internal statistical model. This strategy lies within the broadest set of initiatives intended to support the Group's net interest income. In September 2014, all hedges were unwound.

C. Cash flow hedges

During the first half of 2011 instruments and processes were defined for hedge accounting for specific clusters of similar floating-rate loans (macro cash flow hedge). From July 2011 onwards, the Group has arranged cash flow hedges for loans of this kind. This strategy lies within the broadest set of initiatives intended to support the Group's net interest income. Additionally, starting in May 2012, to mitigate the asset side interest rate risk thus generated, ancillary swaption collars were also entered into; they were systematically renewed in correspondence with their expiry. Starting from January 2013, the Group extended the Cash Flow Hedge to inflation linked treasury bonds held in portfolio.

QUANTITATIVE INFORMATION

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

Currency: EURO

Type/Residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets								
1.1 Debt securities	7,142	3,380,355	459,767	5,060	872,017	49,404	245,872	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	7,142	3,380,355	459,767	5,060	872,017	49,404	245,872	-
1.2 Loans to banks	1,211,412	481,144	279,859	28,409	135,798	-	-	-
1.3 Loans to customers	8,454,406	14,261,966	783,361	556,233	1,956,968	566,013	840,083	-
- current accounts	4,363,318	98,190	10,598	44,254	252,280	727	-	-
- other loans	4,091,088	14,163,776	772,763	511,979	1,704,688	565,286	840,083	-
- with early redemption option	2,040,918	13,090,781	450,002	277,935	646,277	432,641	666,173	-
- other	2,050,170	1,072,995	322,761	234,044	1,058,411	132,645	173,910	-
2. Cash liabilities								
2.1 Due to customers	(17,708,312)	(3,184,566)	(481,203)	(461,512)	(148,705)	-	(11,961)	-
- current accounts	(13,541,754)	-	-	-	-	-	-	-
- other payables	(4,166,558)	(3,184,566)	(481,203)	(461,512)	(148,705)	-	(11,961)	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	(4,166,558)	(3,184,566)	(481,203)	(461,512)	(148,705)	-	(11,961)	-
2.2 Due to banks	(884,251)	(2,650,283)	(579,459)	(105,570)	(415,964)	-	-	-
- current accounts	(20,095)	-	-	-	-	-	-	-
- other payables	(864,156)	(2,650,283)	(579,459)	(105,570)	(415,964)	-	-	-
2.3 Debt securities	(6,411)	(1,912,925)	(537,305)	(942,375)	(4,077,793)	(642,807)	(5,369)	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	(6,411)	(1,912,925)	(537,305)	(942,375)	(4,077,793)	(642,807)	(5,369)	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options	336,002	(9,279)	(9,387)	(29,099)	(163,900)	(15,751)	(108,587)	-
+ long positions	363,044	2,330,917	363,620	714,311	4,206,506	3,318,653	3,325,388	-
+ short positions	(27,042)	(2,340,196)	(373,007)	(743,410)	(4,370,406)	(3,334,404)	(3,433,975)	-
- other	-	(4,920,837)	(63,833)	(203,360)	2,344,987	1,555,277	1,287,767	-
+ long positions	-	1,036,713	604,938	480,511	3,268,454	1,811,314	1,560,874	-
+ short positions	-	(5,957,550)	(668,771)	(683,871)	(923,467)	(256,037)	(273,107)	-
4. Other off-balance sheet operations								
+ long positions	44,652	15,832	12,653	32,169	252,045	373,397	341,276	-
+ short positions	(1,072,024)	-	-	-	-	-	-	-

Currency: USD

Type/Residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets								
1.1 Debt securities	-	8,145	-	-	-	438	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	8,145	-	-	-	438	-	-
1.2 Loans to banks	49,239	17,881	627	1,226	845	-	-	-
1.3 Loans to customers	36,421	152,491	19,103	162	5,232	121	-	-
- current accounts	1,939	-	-	-	2	-	-	-
- other loans	34,482	152,491	19,103	162	5,230	121	-	-
- with early redemption option	34,200	148,854	16,486	68	5,043	121	-	-
- other	282	3,637	2,617	94	187	-	-	-
2. Cash liabilities								
2.1 Due to customers	(106,634)	(7,626)	(4,167)	(2,672)	-	-	-	-
- current accounts	(106,634)	(7,626)	(4,167)	(2,672)	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Due to banks	(114,083)	(7,933)	-	-	-	-	-	-
- current accounts	(2,783)	-	-	-	-	-	-	-
- other payables	(111,300)	(7,933)	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet operations								
+ long positions	6,467	-	-	-	-	1,154	-	-
+ short positions	(7,621)	-	-	-	-	-	-	-

Currency: GBP

Type/Residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets								
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	1,826	-	-	-	-	-	-	-
1.3 Loans to customers	13	8,077	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other loans	13	8,077	-	-	-	-	-	-
- with early redemption option	13	1,931	-	-	-	-	-	-
- other	-	6,146	-	-	-	-	-	-
2. Cash liabilities								
2.1 Due to customers	(8,078)	(257)	-	(257)	-	-	-	-
- current accounts	(8,078)	(257)	-	(257)	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet operations								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

Currency: CHF

Type/Residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets								
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	1,537	-	-	-	-	-	-	-
1.3 Loans to customers	1,313	3,105	53	-	66	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other loans	1,313	3,105	53	-	66	-	-	-
- with early redemption option	1,313	3,105	53	-	66	-	-	-
- other	-	-	-	-	-	-	-	-
2. Cash liabilities								
2.1 Due to customers	(4,693)	(51)	-	-	-	-	-	-
- current accounts	(4,693)	(51)	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet operations								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

Currency: JPY

Type/Residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets								
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	2,909	-	-	-	-	-	-	-
1.3 Loans to customers	571	1,673	330	14	147	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other loans	571	1,673	330	14	147	-	-	-
- with early redemption option	571	1,673	330	14	147	-	-	-
- other	-	-	-	-	-	-	-	-
2. Cash liabilities								
2.1 Due to customers	(2,495)	-	-	-	-	-	-	-
- current accounts	(2,495)	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet operations								
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

Currency: Other

Type/Residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets								
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	20,046	-	-	-	-	-	-	-
1.3 Loans to customers	1,942	108	249	-	-	-	-	-
- current accounts	1,942	-	-	-	-	-	-	-
- other loans	-	108	249	-	-	-	-	-
- with early redemption option	-	108	249	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. Cash liabilities								
2.1 Due to customers	(13,749)	(624)	-	(430)	-	-	-	-
- current accounts	(13,749)	(624)	-	(430)	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Due to banks	(4)	(301)	-	-	-	-	-	-
- current accounts	(4)	-	-	-	-	-	-	-
- other payables	-	(301)	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security								
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet operations								
+ long positions	206,934	-	-	-	-	-	-	-
+ short positions	(206,934)	-	-	-	-	-	-	-

2. Banking book: Internal models and other methods of sensitivity analysis

As mentioned earlier, the BPVi Group uses a static ALM model to measure the sensitivity of the banking book's financial and economic equilibrium to changes in interest rates.

The effects of interest rate fluctuations on expected profitability are estimated using the classic textbook approaches:

- the **"outlook for current profits"** approach estimates the impact of interest rate fluctuations on net interest income for the year, over a short-term period;
- the **"outlook for market values"** approach estimates the impact of interest rate fluctuations on the banking book's economic value, over a long-term period.

Stress testing represents the set of qualitative and quantitative techniques used by the Group to assess its vulnerability to adverse market conditions. The Group periodically carries out stress tests to measure and control the interest rate risk of the banking book. Stress tests look at target variables with a view to the "outlook for current profits" and the "outlook for market values". Stress tests are conducted for the following purposes:

- to highlight the risk generated by any mismatches between interest-earning assets and interest-bearing liabilities, and so clearly define what actions are needed to mitigate and keep interest rate risk within the established limits;
- to produce measures of sensitivity to monitor the operating limits on interest rate risk.

The scenarios used to measure the exposure of the banking book's economic value to risk assume that rate curves shift by +50 basis points and +100 basis points. The scenarios used to measure the exposure of the banking book's economic value to risk assume that rate curves shift by +100 basis points and +200 basis points. In each of these scenarios, all the risk factors experience the same shock.

As stated before, the estimates are made under the assumption that the structure of the statement of financial position remains unchanged in terms of volumes and product mix. The stickiness and persistency of sight positions with customers are managed using a specific internal model.

The principal indicators of the banking book's interest rate risk at 31 December 2014 are set out below (in euro).

Δ MI +50 bp	euro	28,655,549
	% MI	5.6%

ΔVA +100 bp	euro	-237,678,887
	% PV	-7.1%

Δ MI +100 bp	euro	48,378,307
	% MI	9.5%

ΔVA +200 bp	euro	-381,129,848
	% PV	-11.4%

The need to assess the Group's vulnerability to exceptional but plausible events has involved developing more complex, detailed scenarios than the shift ones. Twist scenarios respond to this requirement: the construction of such scenarios (involving curve steepening, flattening and inversion) requires the shocks to be initially applied to specific points of the curves, and that the resulting shock differential be transferred to all other points. The use of these scenarios helps estimate sensitivity indicators for many risk factors, represented by individual points on the rate curves.

Unlisted equities are currently not subject to specific sensitivity analysis.

1.2.3 EXCHANGE RATE RISK

QUALITATIVE INFORMATION

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

Exchange rate risk represents the risk associated with changes in the value of positions denominated in foreign currencies deriving from unexpected variations in the cross rates. Exchange rate risk is principally generated by the support provided for commercial activity in foreign currencies and by trading in foreign securities.

Automatic network systems interfaced with a single position-keeping system enable the Finance Division to monitor constantly, in real time, the currency flows that are processed instantaneously on the interbank forex market. In addition, a specific unit within the Finance Division is responsible for managing own account positions and products relating to the exchange derivatives needed to meet the various investment and hedging requirements of Group customers.

An advanced position keeping system assures the efficient management of spot and forward flows within a specific framework of limits set by the competent corporate bodies.

B. Hedging of exchange rate risk

Currency investment and hedging of exchange rate risk involve transactions that minimise currency exposure (purchase and sale of currency on the interbank market) as well as management of the derivatives book within precise risk and position limits.

QUANTITATIVE INFORMATION

1. Breakdown by currency of assets, liabilities and derivatives

Line items	Currency					
	US Dollars	Sterling	Japanese Yen	Canadian Dollars	Swiss Francs	Other currencies
A. Financial assets	**292,247**	**9,916**	**5,644**	**1,938**	**6,074**	**20,407**
A.1 Debt securities	8,583	-	-	-	-	-
A.2 Equities	316	-	-	-	-	-
A.3 Loans to banks	69,818	1,826	2,909	1,581	1,537	18,465
A.4 Loans to customers	213,530	8,090	2,735	357	4,537	1,942
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**3,365**	**1,445**	**244**	**253**	**1,135**	**1,630**
C. Financial liabilities	**(243,115)**	**(8,592)**	**(2,495)**	**(2,202)**	**(4,744)**	**(12,906)**
C.1 Due to banks	(122,016)	-	-	-	-	(305)
C.2 Due to customers	(121,099)	(8,592)	(2,495)	(2,202)	(4,744)	(12,601)
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**(4,070)**	**(550)**	**-**	**(1)**	**(9)**	**(3)**
E. Financial derivatives	**(53,717)**	**(2,102)**	**(502)**	**(126)**	**(2,583)**	**4,103**
- Options	69,053	529	(19,717)	-	-	(89,352)
+ long positions	212,952	529	23,485	-	-	22,218
+ short positions	(143,899)	-	(43,202)	-	-	(111,570)
- Other derivatives	(122,770)	(2,631)	19,215	(126)	(2,583)	93,455
+ long positions	290,364	4,495	25,634	-	-	101,553
+ short positions	(413,134)	(7,126)	(6,419)	(126)	(2,583)	(8,098)
Total assets	**798,928**	**16,385**	**55,007**	**2,191**	**7,209**	**145,808**
Total liabilities	**(804,218)**	**(16,268)**	**(52,116)**	**(2,329)**	**(7,336)**	**(132,577)**
Net balance (+/-)	**(5,290)**	**117**	**2,891**	**(138)**	**(127)**	**13,231**

2. Internal models and other methods of sensitivity analysis

The exchange rate risk generated by the trading book and the banking book is monitored using the VaR model described in detail in section 1.2.1 "Interest rate risk - Trading book for supervisory purposes", to which reference is made. With regard to the estimation of exchange rate risk, reference is made to the tables included in the quantitative information for that Section.

1.2.4 FINANCIAL DERIVATIVES

A. FINANCIAL DERIVATIVES

A.1 Trading book for supervisory purposes: period-end and average notional amounts

Underlyings/Type of derivatives	31/12/2014		31/12/2013	
	OTC	Central counter-parties	OTC	Central counter-parties
1. Debt securities and interest rates	**152,844,960**	**670,100**	**121,486,911**	**632,418**
a) Options	20,478,528	-	23,030,344	-
b) Swaps	132,366,432	-	98,456,567	-
c) Forward	-	-	-	18
d) Futures	-	670,100	-	632,400
e) Other	-	-	-	-
2. Equities and equity indices	**23,508**	**8,293**	**29,080**	**7,535**
a) Options	23,508	1,990	29,080	-
b) Swaps	-	-	-	-
c) Forward	-	-	-	480
d) Futures	-	6,303	-	7,055
e) Other	-	-	-	-
3. Currency and gold	**1,566,980**	**-**	**842,973**	**-**
a) Options	985,819	-	263,491	-
b) Swaps	-	-	-	-
c) Forward	496,475	-	464,702	-
d) Futures	-	-	-	-
e) Other	84,686	-	114,780	-
4. Commodities	**-**	**-**	**-**	**-**
5. Other underlyings	**-**	**-**	**-**	**-**
Total	**154,435,448**	**678,393**	**122,358,964**	**639,953**
Averages	**138,397,206**	**659,173**	**100,973,539**	**622,962**

A.2 Banking book: period-end and average notional amounts

A.2.1 For hedging

Underlyings/Type of derivatives	31/12/2014		31/12/2013	
	OTC	Central counter-parties	OTC	Central counter-parties
1. Debt securities and interest rates	**12,202,908**	**-**	**15,651,699**	**-**
a) Options	5,840,201	-	7,279,797	-
b) Swaps	6,362,707	-	8,371,902	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equities and equity indices	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currency and gold	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**
5. Other underlyings	**-**	**-**	**-**	**-**
Total	**12,202,908**	**-**	**15,651,699**	**-**
Averages	**13,927,304**	**-**	**8,237,795**	**-**

A.2.2 Other derivatives

Underlyings/Type of derivatives	31/12/2014		31/12/2013	
	OTC	Central counter-parties	OTC	Central counter-parties
1. Debt securities and interest rates	**2,679,636**	**-**	**2,649,578**	**-**
a) Options	279,540	-	79,540	-
b) Swaps	2,400,096	-	2,570,038	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equities and equity indices	**2,250**	**-**	**2,250**	**-**
a) Options	2,250	-	2,250	-
b) Swaps	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currency and gold	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**
5. Other underlyings	**-**	**-**	**-**	**-**
Total	**2,681,886**	**-**	**2,651,828**	**-**
Averages	**2,666,857**	**-**	**2,376,004**	**-**

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

Portfolio/Type of derivatives	31/12/2014		31/12/2013	
	OTC	Central counter-parties	OTC	Central counter-parties
A. Trading book	**6,279,112**	**29**	**1,799,679**	**-**
a) Options	123,366	29	85,382	-
b) Interest rate swaps	6,144,089	-	1,703,540	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward	11,478	-	5,580	-
f) Futures	-	-	-	-
g) Other	179	-	5,177	-
B. Banking book - hedging	**97,860**	**-**	**74,934**	**-**
a) Options	12,414	-	26,809	-
b) Interest rate swaps	85,446	-	48,125	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking book - other derivatives	**110,255**	**-**	**149,418**	**-**
a) Options	1,595	-	-	-
b) Interest rate swaps	108,660	-	149,418	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**6,487,227**	**29**	**2,024,031**	**-**

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

Portfolio/Type of derivatives	31/12/2014		31/12/2013	
	OTC	Central counter-parties	OTC	Central counter-parties
A. Trading book	**(5,885,529)**	**-**	**(1,648,826)**	**-**
a) Options	(154,075)	-	(81,137)	-
b) Interest rate swaps	(5,719,213)	-	(1,560,790)	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward	(10,460)	-	(5,772)	-
f) Futures	-	-	-	-
g) Other	(1,781)	-	(1,127)	-
B. Banking book - hedging	**(525,379)**	**-**	**(411,093)**	**-**
a) Options	(46,105)	-	(736)	-
b) Interest rate swaps	(479,274)	-	(410,357)	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking book - other derivatives	**(2,432)**	**-**	**(31,341)**	**-**
a) Options	(4)	-	-	-
b) Interest rate swaps	(2,428)	-	(31,341)	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**(6,413,340)**	**-**	**(2,091,260)**	**-**

A.5 OTC financial derivatives: trading book for supervisory purposes - notional values, gross positive and negative fair values by counterparty - contracts not forming part of clearing agreements

Contracts not forming part of clearing agreements	Governments and central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial institutions	Other issuers
1. Debt securities and interest rates							
- Notional value	-	-	8,525,832	109,111	82,830	1,592,712	545,826
- Positive fair value	-	-	686	10,134	-	65,132	644
- Negative fair value	-	-	(698)	-	(3,450)	(179)	(1,525)
- future exposure	-	-	24,549	939	-	6,118	58
2. Equities and equity indices							
- Notional value	-	-	258	-	-	-	-
- Positive fair value	-	-	-	-	-	-	-
- Negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	9	-	-	-	-
3. Currency and gold							
- Notional value	-	-	26,231	2,237	-	431,843	5,807
- Positive fair value	-	-	109	84	-	24,037	29
- Negative fair value	-	-	(356)	(31)	-	(2,750)	(108)
- future exposure	-	-	262	86	-	4,118	58
4. Other instruments							
- Notional value	-	-	-	-	-	-	-
- Positive fair value	-	-	-	-	-	-	-
- Negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

A.6 OTC financial derivatives: trading book for supervisory purposes: notional values, gross positive and negative fair values by counterparty - contracts forming part of clearing agreements

Contracts forming part of clearing agreements	Governments and central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial institutions	Other issuers
1. Debt securities and interest rates							
- Notional value	-	-	118,840,678	23,147,971	-	-	-
- Positive fair value	-	-	5,139,198	1,032,798	-	-	-
- Negative fair value	-	-	(5,020,213)	(841,302)	-	-	-
2. Equities and equity indices							
- Notional value	-	-	23,250	-	-	-	-
- Positive fair value	-	-	269	-	-	-	-
- Negative fair value	-	-	(233)	-	-	-	-
3. Currency and gold							
- Notional value	-	-	816,777	284,085	-	-	-
- Positive fair value	-	-	2,914	3,080	-	-	-
- Negative fair value	-	-	(12,229)	(2,455)	-	-	-
4. Other instruments							
- Notional value	-	-	-	-	-	-	-
- Positive fair value	-	-	-	-	-	-	-
- Negative fair value	-	-	-	-	-	-	-

A.7 OTC financial derivatives: banking book: notional values, gross positive and negative fair values by counterparty - contracts not forming part of clearing agreements

This table has not been completed since the Group does not have contracts forming part of clearing agreements

A.8 OTC financial derivatives: banking book: notional values, positive and negative gross fair values by counterparty - contracts forming part of clearing agreements

Contracts not forming part of clearing agreements	Governments and central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial institutions	Other issuers
1. Debt securities and interest rates							
- Notional value	-	-	14,857,544	25,000	-	-	-
- Positive fair value	-	-	208,115	-	-	-	-
- Negative fair value	-	-	(514,813)	(12,998)	-	-	-
2. Equities and equity indices							
- Notional value	-	-	2,250	-	-	-	-
- Positive fair value	-	-	-	-	-	-	-
- Negative fair value	-	-	-	-	-	-	-
3. Currency and gold							
- Notional value	-	-	-	-	-	-	-
- Positive fair value	-	-	-	-	-	-	-
- Negative fair value	-	-	-	-	-	-	-
4. Other instruments							
- Notional value	-	-	-	-	-	-	-
- Positive fair value	-	-	-	-	-	-	-
- Negative fair value	-	-	-	-	-	-	-

A.9 Residual life of OTC financial derivatives: notional value

Underlyings/residual value	Within 12 months	1 to 5 years	Over 5 years	Total
A. Trading book for supervisory purposes	**32,032,854**	**42,872,650**	**79,529,944**	**154,435,448**
A.1 Financial derivatives on debt securities and interest rates	30,448,324	42,866,692	79,529,944	152,844,960
A.2 Financial derivatives on equities and equity indices	23,408	100	-	23,508
A.3 Financial derivatives on exchange rates and gold	1,561,122	5,858	-	1,566,980
A.4 Financial derivatives on other instruments	-	-	-	-
B. Banking book	**6,641,821**	**3,673,077**	**4,567,896**	**14,884,794**
B.1 Financial derivatives on debt securities and interest rates	6,6410,821	3,673,077	4,565,646	14,882,544
B.2 Financial derivatives on equities and equity indices	-	-	2,250	2,250
B.3 Financial derivatives on exchange rates and gold	-	-	-	-
B.4 Financial derivatives on other instruments	-	-	-	-
Total at 31/12/2014	**38,674,675**	**46,547,727**	**84,097,840**	**169,320,242**
Total at 31/12/2013	**46,045,117**	**35,597,091**	**59,020,283**	**140,662,491**

A.10 OTC financial derivatives: counterparty risk/financial risk – Internal models

The Group does not use EPE (expected positive exposure) internal models to define counterparty risk/financial risk.

B. CREDIT DERIVATIVES

The Group has not entered any transactions involving credit derivatives.

C. FINANCIAL AND CREDIT DERIVATIVES

C.1 OTC financial and credit derivatives: net fair values and future exposure by counterparty

	Go-vernments and central banks	Other public entities	Banks	Financial compa-nies	Insurance compa-nies	Non-financial institu-tions	Other issuers
1. Bilateral financial derivative agreements							
- Positive fair value	-	-	443,201	186,192	-	-	-
- Negative fair value	-	-	(640,193)	(7,069)	-	-	-
- Future exposure	-	-	546,532	102,067	-	-	-
- Net counterparty risk	-	-	989,731	288,259	-	-	-
2. Bilateral credit derivative agree-ments							
- Positive fair value	-	-	-	-	-	-	-
- Negative fair value	-	-	-	-	-	-	-
- Future exposure	-	-	-	-	-	-	-
- Net counterparty risk	-	-	-	-	-	-	-
2. "Cross product" agreements							
- Positive fair value	-	-	-	-	-	-	-
- Negative fair value	-	-	-	-	-	-	-
- Future exposure	-	-	-	-	-	-	-
- Net counterparty risk	-	-	-	-	-	-	-

The Group uses bilateral offsetting arrangements relating to operations in over-the-counter derivatives with principal market counterparties, giving the option to offset creditor positions against debtor positions in the event of counterparty default.

SECTION 1.3 – LIQUIDITY RISK

QUALITATIVE INFORMATION

A. General aspects, management and measurement of liquidity risk

Liquidity risk is the risk of being unable to meet payment obligations caused by inability to obtain funding (funding liquidity risk) and/or the presence of restrictions on the ability to sell assets (market liquidity risk). This risk can also take the form of a loss relative to fair value deriving from a forced sale, or more generally, of a loss in terms of reputation or business opportunities.

Funding liquidity risk is incurred in banking activities when institutional counterparties withdraw their usual funding, or request a significantly higher return than in normal circumstances.

The policy for managing liquidity risk of the Banca Popolare di Vicenza Group lays down the following fundamental principles for governing this risk:
- liquidity is managed centrally by the Parent Bank, Banca Popolare di Vicenza;
- responsibility for defining the propensity to liquidity risk and the guidelines on managing that risk rests with the Parent Bank's Board of Directors;
- the Liquidity Funding Plan (for ordinary liquidity management) and the Contingency Funding Plan (for contingency management) are developed and managed by the Parent Bank for the entire BPVi Group.

The Parent Bank's Board of Directors uses the Finance and ALMs Committee and relevant company functions for the operational and strategic management of this risk. In particular:
- the Finance and ALMs Committee proposes strategic guidelines in its consultative capacity to the Parent Bank's Board of Directors;
- the General Manager of the Parent Bank, having consulted the Finance and ALMs Committee, manages situations of liquidity stress, proposes possible corrective measures within the scope of the powers assigned to him by the Board of Directors, and submits proposals for action, that lie beyond his delegated powers, to the competent Bodies;
- the Risk Management Department monitors the risk limits, the results of the stress testing, the early warning indicators, and, more generally, the liquidity of the Group and of the individual Subsidiaries. Also, with the support of the Finance Division and of the Reporting and Planning Division, he regularly audits and updates the Contingency Funding Plan based on the results of the stress test;
- the Reporting and Planning Division, jointly with the Finance Division and the Risk Management Department, defines how the transfer price system operates within funds;
- the Finance Division has operational management duties.

Short-term liquidity management (within a 12-month horizon) uses an Operating Maturity Ladder, which identifies mismatches between expected cash inflows and outflows for each time period (liquidity gaps on precise dates). The cumulative mismatches (cumulative liquidity gaps) are used for calculating the net cash requirement/surplus for the different time horizons considered.

Medium/long-term liquidity management (beyond 12 months) uses a Structural Maturity Ladder, which identifies the balance between assets and liabilities by matching them not only in terms of cash flows but also in terms of statement of financial position ratios. The objective is to ensure that the profile of structural liquidity is sufficiently balanced, with restrictions on the possibility of financing medium/long-term assets with liabilities of a different duration.

Following activation of the ALMPro ERMAS software at the start of 2010, an integrated liquidity risk monitoring process has been developed as part of the Risk Management and Treasury functions. The high level of automation in terms of both database input and report production fosters early monitoring of the risk/operating limit indicators.

As part of overall risk management, the Board of Directors establishes the Group's propensity to liquidity risk on an annual basis, by defining the system of operational limits and "attention thresholds" for monitoring.

The system of limits and "attention thresholds" illustrated below is functional to the daily monitoring of the operational liquidity position and the monthly monitoring of the structural liquidity position by the Risk Management Department.

The system of operating limits and attention thresholds approved by the Board of Directors for 2014 is based on the use of the following two risk indicators:

- Liquidity Coverage Ratio;
- Net Stable Funding Ratio.

The reference indicator selected for monitoring short-term liquidity is the Liquidity Coverage Ratio, determined using static, not stressed, logic. This indicator identifies, at Group level, the stock of not committed high quality liquid assets held by the Bank, which can be used to cover net cash outflows, which the Bank might need to cover in the event of a short-term liquidity crisis.

The reference indicator selected for monitoring medium/long-term liquidity is the Net Stable Funding Ratio, determined using static, not stressed, logic. This indicator identifies, at Group level, the ratio of available stable funding to required stable funding, which are both calculated as the sum of capital cash flows in the banking book expiring starting from the time bucket of 1 year, exclusive, up to the end of the time bucket in which the Group operates.

During 2011, the Group initiated a project aimed at gradually approaching the production of Basel 3 compliant liquidity ratios. This work also continued in 2012, 2013 and 2014, allowing the start of a periodic internal report on statutory ratios to be submitted to the Finance and ALMs Committee. In addition to the reporting of the Liquidity Coverage Ratio and the Net Stable Funding Ratio, information on the evolution of the so-called Leverage Ratio is also provided. Since 30 June 2014, the Group has prepared its monthly Supervisory Reports on the basis of the LCR (Liquidity Coverage Ratio) indicator and the quarterly reports on the SFR (Stable Funding Ratio) indicator, as defined in Regulation no. 575/2013 (CRR).

In addition to the indicators described above, the Group has defined early warning indicators, which are used, *inter alia*, to identify and recognise an "early warning" state of liquidity within the Contingency Funding Plan. They are divided into the following categories:

- structural early warning indicators which provide evidence of the potential presence of stress or a liquidity crisis, based on Group's structure of assets and liabilities (bank specific);
- early warning alert indicators which provide alerts on the potential presence of stress or a liquidity crisis, based on indices and market variables.

Following the indications provided by the Basel Committee on diversifying funding sources, a specific "attention threshold" is defined for the level of concentration of funding from single counterparties, for the following two types of funding:

- wholesale sight deposits, including time deposits;
- deposits on the non-collateralised euro interbank market.

The contribution of individual counterparties must not exceed a pre-set threshold of the total specific type of funding. Said attention threshold is monitored on a monthly basis, and monthly reports are provided in the Finance and ALMs Committee meeting.

During the second half of 2013, monitoring of the liquidity risk originated from intra-day operations began. Every day, the monitoring anticipates an ex-post analysis of the entire trend for cash flows entering and leaving the Group, identifying the minimum intra-day financial position. The analysis is performed in both ongoing terms and relating to specific stress scenarios. Furthermore, the timing at which "time critical" payments (i.e. of the payments that must be made within determined cut-off periods) is also monitored.

The trend in the Group's liquidity situation is reported monthly to the Parent Bank's Board of Directors and weekly to the Finance and ALMs Committee. The Top Management is informed on the Group's exposure to liquidity risk on a daily basis. Lastly, the Group is monitored on a weekly basis by the Bank of Italy and by the European Central Bank.
In 2014, liquidity generally improved in both monetary and senior and collateralised markets thanks to the ECB's confirmation of an accommodating monetary policy that had positive repercussions most of all on the yields of the Sovereign debt of the peripheral Countries of the euro Area and, with regard to Italy, on the ten-year spread between BTP and Bund.

The contraction of spreads on the secondary market of senior and ABS issues, associated with the limited volumes of new issues in the 2011-2013 three-year time interval, led to renewed interest on the part of domestic and international investors and the return to the primary market by bank issuers who had "waited on the sidelines" in recent years.

On the front of the ECB's accommodating monetary policy, the main actions taken by the Central Bank to sustain the economic recovery, achieve the target levels of inflation and exchange rate and stimulate the recovery of credit to the real economy were:

- cutting the rate for refinancing operations with the European Central Bank (completed with two initiatives that took place in June 2014 and in September 2014) from 0.25% to 0.05%;

- announcing the Targeted Longer Term Refinancing Operations (TLTRO) connected to the levels of lending by the European banking system;

- starting a two-year Programme for the purchase of ABS and Covered Bonds (the purchases were started on the last Quarter of 2014).

On the monetary market, a situation of "scarce liquidity" persists on maturities exceeding one week: the characteristics of uncertainty and volatility are confirmed, especially in terms of "liquidity" and "depth" of the trades, as recorded in recent years.

In this environment, the Group pursued the policy of focused, diversified funding implemented in past years, consistently with the capital rebalancing goals prescribed by the Business Plan and with the standards that are about to be introduced with regard to the measurement and management of the liquidity risk, prescribed by the Prudential Supervisory Regulations.

The Group also continued its issuing activity on both the senior and collateralised primary market, exploiting the favourable conditions and the consolidated relationships with domestic and international investors. In particular, of note are the funding operations completed by the Finance Division of the Parent Bank, including: the new 3-year senior issue completed in January 2014, the new Berica ABS 3 securitisation placed on the market in June 2014 and a series of senior private placement issues completed throughout the year.

These operations allowed to increase direct funding, to improve the liquidity indicators and, at the same time, to improve the "transforming maturities" profile.

QUANTITATIVE INFORMATION

1. Breakdown of financial assets and liabilities by residual maturity

Currency: EURO

Type/Residual duration	Sight	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Unspecified duration
Cash assets										
A.1 Government securities	30	-	-	-	-	6,090	1,009,090	3,388,470	678,615	-
A.2 Other debt securities	6,899	3,197	-	-	21,649	55,703	39,989	309,867	334,812	-
A.3 Mutual funds	479,185	-	-	-	-	-	-	-	-	-
A.4 Loans	5,655,180	546,721	174,458	945,509	2,023,485	1,613,288	1,832,496	8,458,541	8,802,352	205,203
- banks	1,218,220	1,998	3,017	21,486	219,647	267,253	36,571	170,135	-	205,203
- customers	4,436,960	544,723	171,441	924,023	1,803,838	1,346,035	1,795,925	8,288,406	8,802,352	-
Cash liabilities										
B.1 Deposits and current accounts	(14,398,886)	(44,796)	(148,565)	(457,844)	(879,321)	(715,422)	(568,446)	(140,441)	-	-
- banks	(561,209)	-	(21,500)	-	(56,000)	(237,350)	(109,250)	-	-	-
- customers	(13,837,677)	(44,796)	(127,065)	(457,844)	(823,321)	(478,072)	(459,196)	(140,441)	-	-
B.2 Debt securities	(96,673)	(2,231)	(5,506)	(137,286)	(970,262)	(484,229)	(1,191,410)	(4,538,590)	(752,197)	-
B.3 Other liabilities	(533,133)	(2,322,208)	(120,991)	(666,039)	(4,495)	(391,609)	(35,554)	(2,170,971)	(3,094,214)	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital	-	(40,036)	21,115	5,522	12,595	(7,273)	10,383	(1,199)	(76)	-
- long positions	-	38,240	98,840	120,075	115,405	24,644	42,607	3,241	111	-
- short positions	-	(78,276)	(77,725)	(114,553)	(102,810)	(31,917)	(32,224)	(4,440)	(187)	-
C.2 Financial derivatives without exchange of capital	396,137	2,969	-	-	7,919	27,067	-	-	-	-
- long positions	6,261,983	3,834	-	-	48,078	38,318	-	-	-	-
- short positions	(5,865,846)	(865)	-	-	(40,159)	(11,251)	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to make loans	(40,249)	(12,203)	9	8,562	(204,773)	(273,190)	(65,738)	208,404	379,176	-
- long positions	43,644	-	9	8,562	3,631	12,403	27,846	208,404	379,176	-
- short positions	(83,893)	(12,203)	-	-	(208,404)	(285,593)	(93,584)	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

The unspecified duration of line A.4 "Loans to banks" includes the compulsory reserve deposit of the Parent Bank and of the Subsidiary banks.
Among loans to customers are the loans securitised in the so-called "Piazza Venezia" self-securitisations, in which the originator Banks subscribed all Asset-Backed Securities issued, in proportion to the transferred portfolio. Residual loans amount to euro 732,414 thousand, of which impaired positions of euro 49,915 thousand.

The nominal quantities of ABS held by the Group and issued within the aforementioned self-securitisation are summarised below:

- euro 199,378 thousand in senior notes with an external rating from Fitch ("A+") with a yield tied to the 6-month Euribor plus 85 bps;
- euro 173,400 thousand in mezzanine notes with external rating assigned by Fitch ("A+") with yield tied to the 6-month Euribor plus 105 bps for class A2 and external rating assigned by Fitch ("A-") with yield tied to the 6-month Euribor plus 125 bps for class A3;
- euro 462,816 thousand in unrated junior notes subscribed by the Bank with yield tied to the 6-month Euribor.

Currency: USD

Type/Residual duration	Sight	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Unspecified duration
Cash assets										
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	40	8,968	725	-
A.3 Mutual funds	224	-	-	-	-	-	-	-	-	-
A.4 Loans	85,137	7,023	27,784	21,562	115,310	17,812	1,391	8,459	144	-
- banks	49,220	159	14,867	718	2,136	627	1,226	845	-	-
- customers	35,917	6,864	12,917	20,844	113,174	17,185	165	7,614	144	-
Cash liabilities										
B.1 Deposits and current accounts	(140,567)	(1,112)	(1,343)	(3,193)	(1,965)	(4,156)	(2,650)	-	-	-
- banks	(33,934)	-	-	-	-	-	-	-	-	-
- customers	(106,633)	(1,112)	(1,343)	(3,193)	(1,965)	(4,156)	(2,650)	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	(80,069)	-	-	(7,933)	-	-	-	-	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital	-	3,331	(46,564)	78,612	(8,705)	2,940	(11,624)	(32)	-	-
- long positions	-	94,746	39,391	186,173	112,459	31,341	32,007	2,528	-	-
- short positions	-	(91,415)	(85,955)	(107,561)	(121,164)	(28,401)	(43,631)	(2,560)	-	-
C.2 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to make loans	-	-	-	-	-	(950)	-	-	950	-
- long positions	5,326	616	-	-	-	-	-	-	950	-
- short positions	(5,326)	(616)	-	-	-	(950)	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

Currency: GBP

Type/Residual duration	Sight	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Unspecified duration
Cash assets										
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Mutual funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	1,839	15	361	185	1,518	-	-	6,018	-	-
- banks	1,826	-	-	-	-	-	-	-	-	-
- customers	13	15	361	185	1,518	-	-	6,018	-	-
Cash liabilities										
B.1 Deposits and current accounts	(8,078)	(257)	-	-	-	-	(257)	-	-	-
- banks	-	-	-	-	-	-	-	-	-	-
- customers	(8,078)	(257)	-	-	-	-	(257)	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital	-	(143)	(2,333)	(0)	(53)	(104)	531	(0)	-	-
- long positions	-	2	-	2,439	128	642	1,428	385	-	-
- short positions	-	(145)	(2,333)	(2,439)	(181)	(746)	(897)	(385)	-	-
C.2 Financial derivatives without exchange of capital	2	-	-	-	-	-	-	-	-	-
- long positions	2	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to make loans	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

Currency: CHF

Type/Residual duration	Sight	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Unspecified duration
Cash assets										
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Mutual funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	2,858	109	710	1,694	586	54	-	72	-	-
- banks	1,537	-	-	-	-	-	-	-	-	-
- customers	1,321	109	710	1,694	586	54	-	72	-	-
Cash liabilities										
B.1 Deposits and current accounts	(4,693)	-	-	-	(51)	-	-	-	-	-
- banks	-	-	-	-	-	-	-	-	-	-
- customers	(4,693)	-	-	-	(51)	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital	-	(88)	(2,495)	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	(88)	(2,495)	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to make loans	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

Currency: JPY

Type/Residual duration	Sight	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Unspecified duration
Cash assets										
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Mutual funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	3,484	-	-	-	1,679	331	14	169	-	-
- banks	2,909	-	-	-	-	-	-	-	-	-
- customers	575	-	-	-	1,679	331	14	169	-	-
Cash liabilities										
B.1 Deposits and current accounts	(2,495)	-	-	-	-	-	-	-	-	-
- banks	-	-	-	-	-	-	-	-	-	-
- customers	(2,495)	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital	-	17,975	(87)	(15,442)	(2,989)	40	-	-	-	-
- long positions	-	21,749	-	23,485	1,699	2,186	-	-	-	-
- short positions	-	(3,774)	(87)	(38,927)	(4,688)	(2,146)	-	-	-	-
C.2 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to make loans	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

Currency: OTHER

Type/Residual duration	Sight	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Unspecified duration
Cash assets										
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Mutual funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	22,026	-	37	1	71	253	-	-	-	-
- banks	20,046	-	-	-	-	-	-	-	-	-
- customers	1,980	-	37	1	71	253	-	-	-	-
Cash liabilities										
B.1 Deposits and current accounts	(13,753)	(439)	(301)	-	(183)	-	(427)	-	-	-
- banks	(4)	-	(301)	-	-	-	-	-	-	-
- customers	(13,749)	(439)	-	-	(183)	-	(427)	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital	-	24,859	31,155	(56,453)	-	4,418	-	-	-	-
- long positions	-	52,502	60,684	1,269	4,899	4,418	-	-	-	-
- short positions	-	(27,643)	(29,529)	(57,722)	(4,899)	-	-	-	-	-
C.2 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to make loans	-	-	-	-	-	-	-	-	-	-
- long positions	5,185	-	-	-	-	-	-	-	-	-
- short positions	(5,185)	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

2. *Disclosure on committed assets recorded in the financial statements*

Technical form	pledged		not engaged		**Total at 31/12/2014**	**Total at 31/12/2013**
	BV	FV	BV	FV		
1. Cash and cash equivalents	-	X	192,755	X	192,755	2,389,157
2. Debt securities	3,924,560	3,281,950	2,898,192	2,890,263	6,192,752	3,852,048
3. Equities	-	-	368,836	354,219	368,836	326,141
4. Loans	10,181,032	X	19,702,211	X	29,883,243	33,236,104
5. Other financial assets	-	X	7,550,728	X	7,550,728	2,985,073
6. Non-financial assets	-	X	2,286,553	X	2,286,553	2,446,053
Total at 31/12/2014	**13,475,592**	**3,281,950**	**32,999,275**	**3,244,482**	**46,474,867**	**X**
Total at 31/12/2013	**11,140,721**	**3,451,345**	**34,093,855**	**703,561**	**X**	**49,389,482**

Among the committed loans are all assets transferred to the special purpose vehicle within the own securitisations, not subjected to cancellation.

3. Disclosure on committed own assets not recorded in the financial statements

Technical form	Pledged	Not engaged	**Total at 31/12/2014**	**Total at 31/12/2013**
1. Financial assets	3,123,908	4,217,326	7,341,234	12,653,782
- Securities	3,123,908	4,217,326	7,341,234	12,653,782
- Others	-	-	-	-
2. Non-financial assets	-	-	-	-
Total at 31/12/2014	**3,123,908**	**4,217,326**	**7,341,234**	**X**
Total at 31/12/2013	**5,738,012**	**6,915,770**	**X**	**12,653,782**

The committed securities include the securities issued by the special purchase vehicle acquired by the Group and re-employed in financing operations.
Uncommitted securities also include the bonds issued by the Bank and bought back

1.4 – OPERATIONAL RISK

QUALITATIVE INFORMATION

A. General aspects, management and measurement of operational risk

Operational risk is defined as the risk of losses deriving from inadequate or dysfunctional procedures, human resources or internal systems, or external events.

This category includes, *inter alia*, losses deriving from fraud, human error, the interruption of operations, the malfunction and non-availability of systems, contractual non-performance and natural catastrophes. Operational risk also includes legal risk, but excludes strategic and reputation risk.
Operational risks are "monitored" by the Operational Risk and IT Risk Unit within the Risk Management Department.

For the purposes of the prudential capital requirements in view of operational risks, the Group uses the so-called basic approach or BIA (Basic Indicator Approach), whereby the capital requirement is equal to the average over the last 3 years of the net interest and other banking income (Income Statement line item 120) multiplied by a fixed coefficient of 15%.

The core principles of the operational risk governance model of the BPVi Group, developed according to a logic consistent with the roles and responsibilities defined in the ICAAP prescribe that:

- responsibility for defining the guidelines on managing operational risks rests with the Body with strategic supervision function of the Parent Bank;
- riskiness is monitored centrally by the Parent Bank with reference to the individual legal entities and to the Group as a whole;
- individual legal entities must comply with the guidelines defined by the Parent Company for risk and capital management.

The operational risk management framework of the BPVi Group is based:

- on the assessment of the 1st and 2nd level organisational controls and on the construction of the so-called Risk Map, which is the method used by the Group to conduct its risk self-assessment;

- on operational Loss Data Collection.

With reference to item 1 above, the scope for the purposes of assessing organisational control is consistent with the provisions of the Group's ICAAP process and it specifically matches the definition of banking group pursuant to Article 65 of the Consolidated Law on Banking and Lending, i.e. with the scope represented by the parties included in the consolidated supervision. With regard to item 2, the scope extends to the Parent Bank, Banca Popolare di Vicenza and to the Subsidiary Banca Nuova.

During 2014 the Internal Audit Department carried out remote and on-site checks in relation to the distribution network in order to verify compliance with company standards (essentially: correct application of regulations and correct performance of line controls).

The audit of processes rather than of their central owners also examined regulatory, procedural and organisational structure in order to assess the adequacy of controls over operational risks in terms of compliance with corporate strategy, of achieving process effectiveness and efficiency, of protecting the value of assets and protecting against losses, of the reliability and completeness of accounting and management information, and the compliance of transactions with the law, supervisory requirements and internal instructions.

The results attest the existence and adequacy of the system of controls protecting against such risks, and as far as distribution processes are concerned, are based on the compliance observed during audit activities within the Network.

With regard to the monitoring of operational risks, the Bank was a founding member in 2002 of DIPO, the interbank consortium promoted by ABI that maintains an Italian database of operational losses. As a consequence, the Group gathers regular information about its operational losses.

On 12 December 2014, the operational risk management policy was submitted to the Parent Bank's Board of Directors. Said policy describes:

- the steps and structure of the operational risk management process;
- the roles and responsibilities of the company Bodies and Functions within the operational risk management process;
- the reporting system addressed to company Bodies and Functions (Management Reporting System);

The policy describes the flow of information to the Bodies and Committees and in particular it prescribes that the dynamics of operational risks shall be submitted to the Control Committee and to the Parent Bank's Body with strategic supervision function on a quarterly basis, with specific reference to loss data (Loss Data Collection).

QUANTITATIVE INFORMATION

In 2014, the Parent Bank continued to gather data on operational losses for reporting to the Italian Operating Losses Data Base (DIPO), which was more complete thanks to the more structured approach used after adopting the manual, which was also adopted by the subsidiary Banca Nuova in June 2008. The manual, updated in January 2014, was further extended to the subsidiary Servizi Bancari.

The events have been divided by type and line of business according to the categories envisaged in the New Capital Accord (Basel 2).
Of the events identified in the Group in 2014 involving an economic loss, 63.17% of the total amount of losses was attributable to errors in “execution, delivery and process management”; 20.58% due to “customers, products and business practice”; 8.68% due to “external fraud”; 4.61% due to “employment practices and workplace safety”; 2.35% was attributable to “damage from external events”, and 0.62% to “internal fraud”.

The “retail” line of business accounted for the largest share of the loss, i.e. 66.77%. This is followed by the “commercial” business line, which accounted for 29.98% of total losses, “retail intermediation” for 2.96%, and the “trading and sales” line, which completes the totality of events with 0.28% of total losses.

SECTION 2 – RISKS PERTAINING TO INSURANCE ACTIVITIES

This Section is not relevant.

SECTION 3 – RISKS PERTAINING TO OTHER BUSINESSES

This Section is not relevant.

PART F – INFORMATION ON CONSOLIDATED EQUITY

SECTION 1

Consolidated Equity

A. QUALITATIVE INFORMATION

Definition of equity

The definition of consolidated equity used by the Group corresponds to the sum of the following line items: 140 “Valuation reserves”, 150 “Redeemable shares”, 160 “Equity instruments”, 170 “Reserves”, 180 “Additional paid-in capital”, 190 “Capital stock”, 200 “Treasury shares” and 220 “Net income (loss) for the year”.

Management of equity

Information about the way in which the Group pursues its capital management objectives is provided in Section 2.2 below.

Nature of the capital adequacy requirement

Since the Banking Group carries out lending activities, it is subject to the requirements of art. 29 et seq. of Decree 385 dated 1 September 1993 “Consolidated law on banking and lending” or “TUB”. Accordingly, the Group must comply with the capital adequacy requirements detailed in the above legislation.

Changes in disclosure requirements

The disclosure requirements relating to capital have not undergone any changes compared with the prior year.

B. QUANTITATIVE INFORMATION

B.1 Consolidated equity: breakdown by type of company

Equity line items	Banking group	Insurance companies	Other companies	Consolidation eliminations and adjustments	Total
Capital stock	935,755	-	-	(572,882)	362,873
Additional paid-in capital	3,495,712	-	-	(126,691)	3,369,021
Reserves	876,536	-	-	(265,104)	611,432
Equity instruments	3,195	-	-	-	3,195
(Treasury shares)	(25,888)	-	-	-	(25,888)
Valuation reserves	76,466	-	-	110,350	186,816
- Financial assets available for sale	208,289	-	-	1,357	209,646
- Property, plant and equipment	78	-	-	-	78
- Intangible assets	-	-	-	-	-
- Hedges of foreign investments	-	-	-	-	-
- Cash-flow hedges	(137,697)	-	-	-	(137,697)
- Exchange differences	-	-	-	-	-
- Non-current assets held for sale and discontinued operations	-	-	-	-	-
- Actuarial gains (losses) on defined-benefit pension plans	(10,428)	-	-	-	(10,428)
- Portion of valuation reserves of equity investments carried at equity	-	-	-	38,819	38,819
- Special revaluation laws	16,224	-	-	70,174	86,398
Net income (loss) for the year (+/-) - Group and minority interests	(813,083)	-	-	55,496	(757,587)
Equity	**4,548,693**	**-**	**-**	**(798,831)**	**3,749,862**

B.2 Valuation reserves - AFS financial assets: breakdown

Assets/Values	Banking group		Insurance companies		Other companies		Consolidation eliminations and adjustments		Total	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	190,180	(46,411)	-	-	-	-	-	1,357	190,180	(45,054)
2. Equities	71,784	(11,664)	-	-	-	-	-	-	71,784	(11,664)
3. Mutual funds	13,034	(8,634)	-	-	-	-	-	-	13,034	(8,634)
4. Loans	-	-	-	-	-	-	-	-	-	-
Total at 31/12/14	**274,998**	**(66,709)**	**-**	**-**	**-**	**-**	**-**	**1,357**	**274,998**	**(65,352)**
Total at 31/12/13	**87,275**	**(130,261)**	**-**	**-**	**-**	**-**	**-**	**2,012**	**87,275**	**(128,249)**

B.3 Valuation reserves - AFS financial assets: changes during the year

	Debt securities	Equities	Mutual funds	Loans
1. Opening balance	**(90,695)**	**58,608**	**(8,887)**	**-**
2. Positive changes	**360,318**	**16,797**	**24,770**	**-**
2.1 Increases in fair value	343,957	11,639	18,757	-
2.2 Release negative reserves to income statement	15,901	3,145	5,946	-
- from impairment	-	3,145	5,946	-
- from disposals	15,901	-	-	-
2.3 Other changes	460	2,013	67	-
3. Negative changes	**124,497**	**15,285**	**11,483**	**-**
3.1 Decreases in fair value	5,636	14,969	6,614	-
3.2 Impairment writedowns	-	271	-	-
3.3 Release positive disposal reserves to income statement	8,022	45	36	-
3.4 Other changes	110,839	-	4,833	-
4. Closing balance	**145,126**	**60,120**	**4,400**	**-**

Lines 2.3 and 3.4 relate to the change in taxation for changes occurred during the year in the equity reserve arising from the fair value valuation of financial assets available for sale.

B.4 Valuation reserves on defined-benefit plan: changes during the year

	Defined-benefit plan
Opening balance	**(6,374)**
Positive changes	**(4,054)**
Positive changes on actuarial gains and losses	(4,054)
Negative changes	**-**
Negative changes on actuarial gains and losses	-
Closing balance	**(10,428)**

SECTION 2

Own funds and capital adequacy ratios

2.1 Scope of application of the regulations

The Group's Own funds and the prudential ratios at 31 December 2014 were determined in accordance with the new regulatory framework of Basel 3, including the transitory provisions and the national discretionary powers, that came into effect starting from 1 January 2014 subsequent to the issuing of the Regulation (EU) 575/2013 dated 26 June 2013 (CRR) and the Directive 2013/36/EU dated 26 June 2013 (CRD IV). Therefore, the comparison with the figures at the end of 2013 is not homogeneous, inasmuch as they had been determined with the previous Basel 2 rules.

2.2 Own funds

A. QUALITATIVE INFORMATION

1. Common Equity Tier 1 (CET 1) capital

At 31 December 2014, Common Equity Tier 1 capital consists of the various items of the Group's Equity, with the sole exception of "equity instruments".

The financial instruments computed in common equity tier 1 capital relate to the ordinary shares issued by the Group. In this regard, it should be specified that the shares issued within the capital increase operations reserved for new stakeholders completed in 2013 and in 2014, totalling euro 200 million, were excluded from the aggregate for the portion (euro 61.9 million) financed by the issuer, as allowed by the regulations of the aforesaid operations.

"Prudential filters" include the DTAs connected to multiple frankings of the same goodwill, the valuation reserves referred to hedges on the cash flows of assets and liabilities not measured at fair value and, lastly, "prudent valuation" whose amount was determined in accordance with the simplified approach.

"Deductions" from common equity tier 1 capital pertain to the intangible assets recorded in the financial statements, including the differences in equity recorded in the Group's consolidated financial statements to increase the book value of the equity investments held in associated companies, and to the common equity instruments issued by entities in the financial sector in which the Bank holds a significant investment and whose amount exceeds the thresholds prescribed by current regulations, taking into account the transitional provisions on this matter.

Lastly, the Group exercised its right to sterilize the valuation reserves relating to debt securities issued by central governments of European Union countries held in the "Financial assets available for sale" portfolio, including the related cash flow hedge reserve on the same securities.

2. Additional Tier 1 (AT1) capital

The Bank has not issued any financial instruments that can be computed in additional tier 1 capital.

3. *Tier 2 (T2) capital*

Tier 2 capital comprises certain subordinated bonds issued by the Group which were computed net of any buy-backs and taking into account the transitional provisions.

The principal contractual characteristics of the subordinated liabilities issued are presented below.

ISIN code	Issue date	Maturity	Captions(1)	Interest rate	Nominal value	Book value	Portion included in Tier 2 capital
XS0210870415 (2)(3)	03/02/2005	03/02/2015	30 Liabilities	Euribor3m + 0,45	200,000	200,361	3,726
XS0336683254 (2)(3)	20/12/2007	20/12/2017	30 Liabilities	Euribor3m + 2,35	200,000	199,969	118,904
IT0004548258 (2)(3)(4)	31/12/2009	31/12/2016	30 Liabilities	3,70%	88,006	87,307	23,412
IT0004657471 (2)(3)(6)	15/12/2010	15/12/2017	30 Liabilities	4,60%	149,986	157,385	119,989
IT0004724214 (2)(5)	24/06/2011	24/06/2018	30 Liabilities	6,65%	52,984	43,503	-
IT0004781073 (2)(3)(6)	28/12/2011	28/12/2018	30 Liabilities	8,50%	62,298	62,505	49,838
IT0004424351 (2)	15/12/2009	15/12/2015	50 Liabilities	5,00%	103,948	107,452	10,538
IT0004543960 (2)(3)	16/11/2009	16/11/2015	30 Liabilities	4,00%	17,398	17,468	905
Total					**874,620**	**875,950**	**327,312**

(1) 30 P.P = Debt securities in issue; 50 P.P.= Financial liabilities at fair value.
(2) The bonds with a subordination clause whereby, if the Issuer were to be wound up, they would be redeemed only after all other creditors, not subordinated to the same extent, have been satisfied.
(3) The bonds with an early redemption clause, whereby the Issuer reserves the right to redeem it early, not less than 18 months after the final date of placement, following prior authorisation from the Bank of Italy and giving at least one month's notice.
(4) Bond convertible into Banca Popolare di Vicenza ordinary shares from 1 November 2016 to 30 November 2016, in a ratio of 1 share of par value euro 3.75 each for every bond of nominal value euro 64.50.
Bondholders are entitled to convert early in the event of extraordinary operations involving capital, except for mergers with other companies in the Banca Popolare di Vicenza Group or with companies controlled by the Issuer.
(5) Zero coupon bond, issued under the Exchange Tender Offer promoted during the year on index linked policies issued by the affiliates Berica Vita and Cattolica Life, placed with Group clients and having as underlying assets securities issued by Icelandic banks in default. This liability is not included in the calculation of Regulatory Capital as it does not meet all the conditions required by regulatory provisions for the inclusion.
(6) Starting in 2014, admissibility in Own Funds is limited to the "grandfathering" clauses that regulate the gradual shift from the previous Basel 2 rules to the current Basel 3 rule.
(7) The included portion is net of buy-backs.

B. QUANTITATIVE INFORMATION

	31/12/2014	31/12/2013
A. CET1 before the application of prudential filters	**3,671,876**	**2,674,545**
of which CET1 instruments object of transitional disposals	-	-
B. Prudential filters of Tier 1 capital	(72,299)	(42,229)
C. CET1 before deductions and transitional arrangements effects (A+/-B)	3,599,577	2,632,316
D. Deductions from CET1	540,385	46,880
E. Transitional arrangements - Impact on CET1 (+/-), minority interests object of transitional disposal included	(34,076)	-
F. Total Common Equity Tier 1 - CET1 (C-D+/-E)	**3,025,116**	**2,585,436**
G. Additional Tier 1 - AT1 before deductions and transitional arrangements effects/Five	-	-
of which AT1 instruments object of transitional disposals	-	-
H. Deductions from AT1	-	-
I. Transitional arrangements - Impact on AT1 (+/-), minority interests object of transitional disposal included	-	-
L. Total Additional Tier 1 (AT1) (G-H+/-I)	-	-
M. Tier 2 - T2 before deductions and transitional arrangements effects	327,312	775,237
of which T2 instruments object of transitional disposals	169,827	-
N. Deductions from T2	-	46,880
O. Transitional arrangements - Impact on T2 (+/-), minority interests object of transitional disposal included	(3,411)	-
P. Total Tier 2 - T2 (M-N+/-O)	**323,901**	**728,357**
Q. Total Own Funds (F+L+P)	**3,349,017**	**3,313,793**

The figures at 31 December 2013 were determined with the prudential supervisory rules of Basel 2 previously in force.

2.3 *Capital adequacy*

A. QUALITATIVE INFORMATION

The capital management policies adopted by the Banca Popolare di Vicenza Group are intended to ensure that Tier 1 capital is consistent with the overall level of risk accepted and the plans for the expansion of the Group, as well as to optimise the composition of capital by recourse to various financial instruments that minimise the related cost.

B. QUANTITATIVE INFORMATION

Categories/Amounts	Unweighted amounts		Weighted amounts/ Requirements	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
A. RISK ASSETS				
A.1 Credit and counterparty risk	**44,557,056**	**47,475,408**	**25,721,357**	**25,794,546**
1. Standard methodology	44,234,719	47,203,795	25,310,694	25,436,487
2. Methodology based on internal ratings	-	-	-	
2.1 Basic	-	-	-	
2.2 Advanced	-	-	-	
3. Securitizations	322,337	271,613	410,663	358,059
B. CAPITAL ADEQUACY REQUIREMENTS				
B.1 Credit and counterparty risk			**2,057,709**	**2,063,566**
B.2 Adjustment credit valuation risk			57,126	-
B.3 Regulamentary risk			-	-
B.4 Market risks			57,731	30,263
1. Standard methodology			57,731	30,263
2. Internal models			-	-
3. Concentration risk			-	-
B.5 Operational risks			**146,240**	**151,030**
1. Basic method			146,240	151,030
2. Standard method			-	-
3. Advanced method			-	-
B.6 Other elements of calculation			-	-
B.7 Total prudential requirements			**2,318,806**	**2,244,859**
RISK ASSETS AND CAPITAL RATIOS				
C.1 Risk-weighted assets			28,985,070	28,060,738
C.2 CET1 capital/ Risk-weighted assets (CET1 capital ratio)			10.44%	9.21%
C.3 Tier 1 capital/ Risk-weighted assets (Tier 1 capital ratio)			10.44%	9.21%
C.4 Regulatory capital including TIER 3/Risk-weighted assets (Total capital ratio)			11.55%	11.81%

The figures at 31 December 2013 were determined with the prudential supervisory rules of Basel 2 previously in force.

"Other elements of calculation" refer to adjustments to capital adequacy requirements for intra-group balances.
Capital adequacy requirements were calculated using the same methods as those already adopted last year. In particular:

- risk-weighted assets used for determining the credit and counterparty risk requirement were quantified using the standard method and credit risk mitigation (CRM), by adopting unsolicited external ratings provided by the ECAI DBRS for the supervisory portfolio "Exposures to or guaranteed by Central governments and central banks" by ECAI Moody's, S&P and Fitch for the supervisory portfolio "Elements that represent positions relating to securitisations" and unsolicited ratings by the ECAI Cerved Group for the supervisory portfolio "Exposures to Companies";
- the market risk requirement was determined using the standard method, wherein sensitivity models were used to represent derivatives and other off-balance sheet transactions involving

interest rates and debt securities;
- the operational risks requirement was determined using the basic method, whereby the calculation of the reference aggregate was aligned to the new supervisory provisions.

SECTION 3

Insurance regulatory capital and capital adequacy ratios

This Section has not been completed since the Group does not have any companies under its exclusive or joint control that are subject to insurance supervision.

SECTION 4

Capital adequacy of the financial conglomerate

This Section has not been completed since the Group is not a financial conglomerate, as defined by the supervisory authorities (Bank of Italy, CONSOB, ISVAP).

PART G – BUSINESS COMBINATIONS

SECTION 1

Transactions during the year

In line with the provisions of Bank of Italy Circular no. 262 of 22 December 2005 as amended, the information required by IFRS 3, paragraphs 59.a, 60 and 63 is provided below. This information conventionally also includes business combinations between entities under common control.

1.1. Business combinations

On 1 January 2014, the agreement came into force for the sale to the Bank, by Banca Popolare di Spoleto in Extraordinary Administration, of the business unit comprising the Turin branch.

The accounting position of the business unit at the disposal date is provided below.

Business Line "Torino Branch"

Accounting position as at 1st January 2014			
Assets		**Equity and liabilities**	
- Cash and cash equivalents	165	- Due to customers	31,135
- Loans and advances to customers	8,921	- Debt securities in issue	3,620
- Property, plant and equipment	425	- Other liabilities	2
- Intangible assets	258		
- Other assets	284		
- Interbank loans and advances	24,704		
Total assets	**34,757**	**Total Equity and liabilities**	**34,757**

Since the consideration paid for the purchase of the above-mentioned branch was equal to Euro 1, and the fair value of the assets and liabilities is aligned with their carrying value, the transaction generated no goodwill requiring recognition based on IFRS 3.

The transfer agreement for the transfer of the business unit comprised of 16 bank branches, of which 2 in Emilia Romagna and 14 in Lazio, from Cassa di Risparmio di Ferrara under Special Management to the Bank also became effective on 1 June 2014. The accounting position of the business unit at the disposal date is provided below.

Business Line “Carife Branches”

Accounting position as at 1st January 2014			
Assets		**Equity and liabilities**	
- Cash and cash equivalents	980	- Due to customers	167,567
- Loans and advances to customers	114,437	- Debt securities in issue	71
- Property, plant and equipment	438	- Other liabilities	1,631
- Intangible assets	403	- Provision for seve rance indemnities	695
- Other assets	5,773		
- Interbank loans and advances	47,933		
Total assets	**169,964**	**Total Equity and liabilities**	**169,964**

The consideration paid for the purchase of the above-mentioned business unit amounted to Euro 2.5 million which, pending completion of the Purchase Price Allocation process, was recorded among goodwill.

SECTION 2

Operations carried out after the end of the year

The Group has not carried out any business combinations involving companies or business units after 31 December 2014.

SECTION 3

Retrospective adjustments

In accordance with IFRS 3, paragraphs 61, 62 and 63, we point out that no changes have occurred during year 2014 on goodwill.

PART H – RELATED-PARTY TRANSACTIONS

1. Information on the remuneration of key management personnel

The following table reports the remuneration paid to key management personnel during the year 2014.

		Managers with strategic responsibilities
a)	Short-term benefits	10,646
b)	Post-employment benefits	373
c)	Other long-term benefits	-
d)	Indemnities due on termination of employment	-
e)	Share-based payments	-
Total		**11,019**

Key management personnel comprise members of the Parent Bank's General Management team, as defined in its Articles of Association, as well as its serving Directors and Statutory Auditors.

The remuneration categories included in the above table comprise:

a) Short-term benefits: the item includes: *i)* for General Management members: wages, salaries and related social security contributions, payment in lieu of vacation and sick leave, incentives and benefits in kind, such as medical assistance, housing, company cars and goods or services provided free or at reduced cost; *ii)* for Directors and Statutory Auditors: attendance fees, remuneration for the performance of their duties (also for similar positions held with Group companies);

b) Post employment benefits: these include the company contributions to pension funds (pension and retirement plans, life insurance and health care subsequent to termination) and the provision for severance indemnities recorded on the basis required by law and in-house agreements;

c) Other long-term benefits: there are no other long-term benefits worthy of mention (such as leave of absence or sabbaticals related to length of service, bonuses linked to anniversaries, other benefits linked with length of service, disability benefits and, if due more than twelve months after the reporting date, profit share, incentives and deferred remuneration);

d) Indemnities due on termination of employment: these include the amounts paid for early termination prior to pensionable age, incentives for voluntary redundancy and incentives for early retirement;

e) Share-based payments: these include the cost of shares assigned on achieving a certain length of service or specific objectives.

2. Information on related-party transactions

"Related-party transactions" are defined as all transactions with parties defined as such in IAS 24.

More specifically, with reference to the organisation and governance of the Group, the following parties are deemed to be "Related parties":

- *companies under joint control:* companies over which the Group exercises joint control, whether directly or indirectly;
- *associated companies:* companies over which the Group exercises significant influence, whether directly or indirectly;
- *key management personnel*, i.e. members of General Management of the Parent Bank and its banking subsidiaries, the General Manager and/or Managing Director of the other subsidiari-

es, the Directors and Statutory Auditors of the Parent Bank and other Group companies;
- *"close relatives" of key management personnel*;
- *companies controlled by, jointly controlled by or associated with key management personnel or their close family;*
- *parties that manage pension plans for the Group's employees and any other parties related to the Group.*

"Close relatives" are deemed to be: (a) the partner and children of the related party; (b) the children of the partner; (c) the dependents of the related party or his/her partner.

The following tables summarise the balances and transactions with related parties during the period and their impact on cash flow, according to their classification at 31 December 2014.

Statement of financial position

Related parties	Loans and advances to banks	Loans and advances to customers	Other assets[1]	Deposits from banks	Due to customers	Other liabilities[2]	Guarantees and commitments
- Associated companies	-	39,758	1,038	-	93,963	435,584	14,943
- Companies under joint control	-	-	-	-	-	-	-
- Managers with strategic responsibilities	-	58,797	16	-	8,377	4,046	5
- Other related parties[3]	-	188,371	10,066	-	47,205	9,456	42,241
Total	**-**	**286,926**	**11,120**	**-**	**149,545**	**449,086**	**57,189**
Total reported in balance sheet	**2,254,927**	**28,110,636**	**13,313,684**	**4,757,848**	**22,157,659**	**14,963,468**	**2,298,127**
% incidence	0.00	1.02	0.08	0.00	0.67	3.00	2.49

(1) Asset line items 20, 30, 40, 50 and 160 from the consolidated statement of financial position.

(2) Liability line items 30, 40, 50 and 100 from the consolidated statement of financial position.

(3) Including the close family members of key management personnel, subsidiary companies, jointly controlled companies or associated companies of key management personnel or their close family, and parties that manage pension plans for the Group's employees and any other parties related to the Group.

Income statement

Related parties	Interest income	Interest expense	Net fee and commission income	Other costs / other revenues (1)
- Associated companies	1,218	(20,301)	30,402	(53,985)
- Companies under joint control	-	-	-	-
- Managers with strategic responsibilities	739	(229)	145	(11,019)
- Other related parties [2]	5,592	(703)	201	(80)
Total	**7,549**	**(21,233)**	**30,748**	**(65,084)**
Total reported in balance sheet	**1,171,079**	**(660,014)**	**301,301**	**(591,769)**
% incidence	0.64	3.22	10.21	11.00

(1) Line items 180 and 220 from the consolidated income statement. These include the remuneration paid to key management personnel of the Parent Bank.

(2) Including the close family of key management personnel, companies controlled by, jointly controlled by or associated with key management personnel or their close family, and parties that manage pension plans for the Group's employees and any other parties related to the Group.

Cash flows

Cash flows	31/12/2014
Loans and advances to banks	-
Loans and advances to customers	8,861
Other assets (1)	3,396
Total cash flows with related parties	**12,257**
Total liquidity absorbed by financial assets	**839,208**
% incidence	1.46

(1) Asset line items 20, 30, 40, 50 and 160 from the consolidated statement of financial position.

Cash flows	31/12/2014
Due to banks	-
Due to customers	9,705
Other liabilities (2)	(44,624)
Total cash flows with related parties	**(34,919)**
Total liquidity generated by financial liabilities	**(3,575,060)**
% incidence	0.98

(2) Liability line items 30, 40, 50 and 100 from the consolidated statement of financial position.

Cash flows	31/12/2014
Interest income and similar revenues	7,549
Interest expense and similar charges	(21,233)
Net fee and commission income	30,748
Other income/other costs (3)	(65,084)
Total cash flows with related parties	**(48,020)**
Total cash flow from operations	**33,520**
% incidence	-143.26

(3) Line items 180 and 220 from the consolidated income statement.

PART I – EQUITY-SETTLED PAYMENT ARRANGEMENTS

This Section has not been completed because there are no outstanding equity-settled payment arrangements.

PART L – SEGMENT INFORMATION

The composition of the various business segments is as follows:

Banks:	Banca Popolare di Vicenza S.c.p.a. Banca Nuova S.p.a. Farbanca S.p.a.
Product companies:	Prestinuova S.p.a.
Service companies:	Servizi Bancari S.c.p.a. Immobiliare Stampa S.c.p.a. Monforte 19 Srl BPVi Multicredito – Agenzia in attività finanziaria S.p.a.
Private Equity e Asset Management:	NEM Sgr S.p.a. Nem Imprese Nem Imprese II Industrial Opportunity Fund
Proprietary Trading:	BPV Finance (International) Plc

The composition of the various geographical areas is as follows:

Northern and Central Italy:	Banca Popolare di Vicenza S.c.p.a. Farbanca S.p.a. PrestiNuova S.p.a. NEM Sgr S.p.a. Nem Imprese Nem Imprese II Industrial Opportunity Fund Monforte 19 Srl Immobiliare Stampa S.c.p.a. Servizi Bancari S.c.p.a. BPVi Multicredito – Agenzia in attività finanziaria S.p.a.
Southern Italy and the Islands:	Banca Nuova S.p.a.
Other EU countries:	BPV Finance (International) Plc

A. PRIMARY SEGMENT

A.1 Distribution by business segments: income statement

Line items/Segments	Commercial banks	Product companies	Service companies	Private Equity e Asset Management	Proprietary Trading	Other	Total
Net interest income (line item 30)	489,759	10,941	(3,589)	2,863	10,443	648	511,065
Net fee and commission income (line item 60)	300,315	(526)	1,308	(88)	273	19	301,301
Dividends and similar income (line item 70)	54,725	-	-	-	622	(39,783)	15,564
Net change in financial assets and liabilities (line items 80, 90, 100 and 110)	172,622	-	-	-	14,216	-	186,838
Net impairment adjustments (line item 130)	(913,622)	(536)	-	(1,721)	660	(741)	(915,960)
Administrative costs (line item 180)	(706,076)	(4,489)	(31,759)	(2,223)	(1,860)	50,126	(696,281)
Net provisions for risks and charges (line item 190)	(17,692)	(5)	(318)	-	-	(441)	(18,456)
Net adjustments to property, plant and equipment (line items 200 and 210)	(18,147)	(27)	(10,498)	(12)	(8)	171	(28,521)
"Other operating charges/income (line items 220, 240, 250, 260 and 270)"	(578,419)	106	47,907	(4,635)	-	45,217	(489,824)
Profit (loss) from current operations before tax (line item 280)	**(1,216,535)**	**5,464**	**3,051**	**(5,816)**	**24,346**	**55,216**	**(1,134,274)**

The "Other" column includes intercompany eliminations and consolidation adjustments.

A.2 Distribution by business segment: statement of financial position

Line items/Segments	Commercial banks	Product companies	Service companies	Private Equity e Asset Management	Proprietary Trading	Other	Total
Loans to customers (line item 70)	28,632,219	393,481	-	49,098	442,646	(1,406,808)	28,110,636
Deposits with banks and liquid assets (line items 10 and 60)	4,842,736	5,324	21,103	4,084	26,964	(2,452,529)	2,447,682
Financial assets (line items 20, 30, 40, 50 and 80)	12,121,386	-	-	22,109	902,438	-	13,045,933
Equity investments (line item 100)	1,253,808	35	102	33,670	-	(792,758)	494,857
Property, plant & equipment & intangible assets (line items 120 and 130)	480,841	4,077	493,218	17	14	(3,982)	974,185
Other assets (line items 90, 150 and 160)	472,506	204	2,169	857	8	(22,686)	453,058
Total assets	**47,803,496**	**403,121**	**516,592**	**109,835**	**1,372,070**	**(4,678,763)**	**45,526,351**
Due to customers (line item 20)	22,222,966	-	4,163	-	-	(69,470)	22,157,659
Deposits from banks (line item 10)	5,473,580	353,101	238,348	16,078	1,198,486	(2,521,745)	4,757,848
Financial liabilities (line items 30, 40, 50 and 60)	15,948,069	-	-	-	19,143	(1,269,819)	14,697,393
Other liabilities (line items 90, 100, 110 and 120)	925,325	13,911	15,863	717	252	(26,133)	929,935
Total liabilities	**44,569,940**	**367,012**	**258,374**	**16,795**	**1,217,881**	**(3,887,167)**	**42,542,835**

The "Other" column includes intercompany eliminations and consolidation adjustments.

B. SECONDARY SEGMENT

B.1 Distribution by geographical area: income statement

Line items/Segments	Italy		Other EU countries	Other	Total
	Northern and Central Italy	Southern Italy and the Islands			
Net interest income (line item 30)	409,895	90,079	10,443	648	511,065
Net fee and commission income (line item 60)	256,824	44,185	273	19	301,301
Dividends and similar income (line item 70)	54,575	150	622	(39,783)	15,564
Net change in financial assets and liabilities (line items 80, 90, 100 and 110)	171,045	1,577	14,216	-	186,838
Net impairment adjustments (line item 130)	(853,534)	(62,345)	660	(741)	(915,960)
Administrative costs (line item 180)	(646,844)	(97,703)	(1,860)	50,126	(696,281)
Net provisions for risks and charges (line item 190)	(15,440)	(2,575)	-	(441)	(18,456)
Net adjustments to property, plant and equipment (line items 200 and 210)	(25,141)	(3,543)	(8)	171	(28,521)
Other operating charges/income (line items 220, 240, 250, 260 and 270)	(548,395)	13,354	-	45,217	(489,824)
Profit (loss) from current operations before tax (line item 280)	**(1,197,015)**	**(16,821)**	**24,346**	**55,216**	**(1,134,274)**

The “Other” column includes intercompany eliminations and consolidation adjustments.

B.2 Distribution by geographical area: statement of financial position

Line items/Segments	Italy		Other EU countries	Other	Total
	Northern and Central Italy	Southern Italy and the Islands			
Loans and advances to custormers (line item 70)	26,064,040	3,010,758	442,646	(1,406,808)	28,110,636
Cash, loans and advances to bank (line items 10 and 60)	3,506,265	1,366,982	26,964	(2,452,529)	2,447,682
Financial assets (line items 20, 30, 40, 50 and 80)	12,008,634	134,861	902,438	-	13,045,933
Equity investments (line item 100)	1,287,084	531	-	(792,758)	494,857
Tangible and intangible assets (line items 120 and 130)	858,398	119,755	14	(3,982)	974,185
Othet assets (line items 90, 150 and 160)	358,956	116,780	8	(22,686)	453,058
Total assets	**44,083,377**	**4,749,667**	**1,372,070**	**(4,678,763)**	**45,526,351**
Due to customers (line item 20)	19,320,776	2,906,353	-	(69,470)	22,157,659
Deposits from banks (line item 10)	5,604,542	476,565	1,198,486	(2,521,745)	4,757,848
Financial liabilities (line items 30, 40, 50 and 60)	14,905,513	1,042,556	19,143	(1,269,819)	14,697,393
Other liabilities (line items 90, 100, 110 and 120)	886,199	69,617	252	(26,133)	929,935
Total liabilities	**40,717,030**	**4,495,091**	**1,217,881**	**(3,887,167)**	**42,542,835**

The “Other” column includes intercompany eliminations and consolidation adjustments.

ATTACHMENT NO. 1

Fees for auditing and services other than auditing pursuant to art. 149-duodecies of the Consob Issuers' Regulation

The table below, drawn up pursuant to art. 149-duodecies of the Consob Issuers' Regulation (resolution 11971), reports the fees paid to the auditing firm KPMG S.p.A. and to the companies within its network, received separately for auditing assignments and for the provision of other services to the Group.

Type of service	Provider of service	Recipient of the service	Fees			Total
			of which: professional fees	of which: expenses	of which: VAT	
Audit	KPMG S.p.a.	Banca Popolare di Vicenza S.C.p.A.-Banca Nuova S.p.A.-Prestinuova S.p.A.-BPV Finance (International) Plc-Immobiliare StampaS.c.p.A.-Monforte 19 S.r.l.-NEM Sgr S.p.A.-BPVI Multicredito S.p.A.-Servizi Bancari S.c.p.A.-Industrial Opportunity Fund-Nem Imprese-Nem Imprese II	495,722	60,035	114,410	670,167
Certification services	KPMG S.p.a.	Banca Popolare di Vicenza S.C.p.A.	80,000	4,000	18,480	102,480
Tax advisory services	K Studio Associato Consulenza legale e tributaria - KPMG Ireland	BPV Finance (International) Plc	13,250	-	3,048	16,298
Other services: other advices	KPMG Advisory S.p.a.	Banca Popolare di Vicenza S.C.p.A.	1,797,00	-	395,340	2,192,340
Other services: other advices	KPMG S.p.a.	Banca Popolare di Vicenza S.C.p.A.	35,000	1,750	8,085	44,835
Total			**2,420,972**	**65,785**	**539,362**	**3,026,119**

CERTIFICATION OF THE FINANCIAL REPORTING MANAGER (CONSOLIDATED FINANCIAL STATEMENTS)

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 81-TER OF CONSOB REGULATION NO.11971 OF MAY 14, 1999, AS AMENDED AND UPDATED

1. The undersigned

– Cav. Lav. Dott. Giovanni Zonin, as Chairman of the Board of Directors, and
– Dott. Massimiliano Pellegrini, as Financial Reporting Manager of Banca Popolare di Vicenza S.c.p.A., taking into account of the provisions of Article 154-bis, paragraphs 3 and 4 of Legislative Decree No. 58 of 24 February 1998, do hereby certify:

- the adequacy in relation to the enterprise's characteristics and
- the effective application

of the administrative and accounting procedures for preparing the consolidated financial statements, during 2014.

2. The adequacy of the accounting and administrative processes for preparing the consolidated financial statements at 31 december 2014 has been evaluated on the basis of an internal procedure established by Banca Popolare di Vicenza S.c.p.A. in compliance with the Internal Control - Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), which are internationally accepted frameworks for internal control system.

3. It's also certified that:

3.1 The consolidated financial statements as at 31 December 2014:

a) have been prepared in compliance with applicable international accounting standards recognized by the European Community pursuant to European Parliament and Council Regulation no. 1606/2002 of 19 July 2002;
b) correspond to the results of the book and accounts;
c) give a true and fair presentation of the balance sheet, profit and loss and financial position of the issuer and of the companies included in the scope of consolidation.

3.2 The report on operations contains a reliable analysis of the business trends and results, as well as the general situation of the issuer and of the other companies included in the consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Vicenza, March 03, 2015

The Chairman of the Board of Directors	Financial Reporting Manager
Cav. Lav. Dott. Giovanni Zonin	Dott. Massimiliano Pellegrini

INDIPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

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(Translation from the Italian original which remains the definitive version)

Report of the auditors in accordance with articles 14 and 16 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
Banca Popolare di Vicenza S.C.p.A.

1 We have audited the consolidated financial statements of the Banca Popolare di Vicenza Group as at and for the year ended 31 December 2014, comprising the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes thereto. The parent's directors are responsible for the preparation of these financial statements 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. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

The consolidated financial statements present the prior year corresponding figures for comparative purposes. As disclosed in the notes, the parent's directors restated some of the corresponding figures included in the prior year consolidated financial statements. We audited such consolidated financial statements and issued our report thereon on 2 April 2014. We have examined the methods used to restate the prior year corresponding figures and related disclosures for the purposes of expressing an opinion on the consolidated financial statements at 31 December 2014.

3 In our opinion, the consolidated financial statements of the Banca Popolare di Vicenza Group as at and for the year ended 31 December 2014 comply with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Therefore, they are clearly stated and give a true and fair view of the financial position of the Banca Popolare di Vicenza Group as at 31 December 2014, the results of its operations and its cash flows for the year then ended.

4 The directors of Banca Popolare di Vicenza S.C.p.A. are responsible for the preparation of a report on operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and its specific section on corporate governance and shareholding structure, to the extent of the information required by article 123-bis.2.b of Legislative decree no. 58/98 with the financial statements to which they refer, as required by the law. For this purpose, we have performed the procedures required by the Italian Standard on Auditing 001 issued by the Italian Accounting Profession and recommended by Consob. In our opinion, the report on operations and the information required by article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the specific section of such report are consistent with the consolidated financial statements of the Banca Popolare di Vicenza Group as at and for the year ended 31 December 2014.

Verona, 18 March 2015

KPMG S.p.A.

(signed on the original)

Vito Antonini
Director of Audit

SEPARATE FINANCIAL STATEMENTS

BANCA POPOLARE DI VICENZA
STATEMENT OF FINANCIAL POSITION
in unit of Euro

ASSETS		31/12/2014		31/12/2013
10. Cash and cash equivalents		155,791,190		2,346,925,623
20. Financial assets held for trading		7,528,006,455		2,051,789,690
30. Financial assets at fair value		4,259,881		-
40. Financial assets available for sale		4,359,376,575		3,483,188,735
60. Loans and advances to banks		3,308,250,323		3,835,792,347
70. Loans and advances to customers		25,148,702,917		27,333,429,227
80. Hedging derivatives		94,880,680		74,059,798
90. Remeasurement of financial assets backed by macro hedges (+/-)		56,517,005		18,606,572
100. Equity investments		1,253,236,393		1,166,630,271
110. Property, plant and equipment		125,834,357		123,549,089
120. Intangible assets		235,156,146		910,138,434
of which: - goodwill	*218,151,507*		*890,914,827*	
130. Tax assets		866,137,554		496,410,890
a) current	70,136,863		30,634,729	
b) deferred tax assets	796,000,691		465,776,161	
- of which: - L.214/2011	*675,437,461*		*375,287,609*	
150. Other assets		286,071,113		274,344,092
Total assets		**43,422,220,589**		**42,114,864,768**

The comparative figures at 31 December 2013 were redetermined by effect of the retrospective adoption of the new accounting standard IFRS 10 “Consolidated Financial Statements”.

EQUITY AND LIABILITIES			31/12/2014		31/12/2013
10.	Due to banks		4,887,363,150		7,357,675,362
20.	Due to customers		19,175,427,217		20,174,268,032
30.	Debt securities in issue		6,886,346,935		6,627,061,965
40.	Financial liabilities held for trading		5,948,500,016		1,720,701,262
50.	Financial liabilities at fair value		1,425,310,003		1,602,283,873
60.	Hedging derivatives		458,932,038		365,836,983
70.	Fair value adjustment of financial liabilities subject to macro hedge (+/-)		-		(3,215,025)
80.	Tax liabilities		148,145,753		162,066,210
	a) current	-		41,651,680	
	b) deferred	148,145,753		120,414,530	
100.	Other liabilities		738,035,093		320,774,970
110.	Provision for severance indemnities		66,188,474		60,857,164
120.	Provisions for risks and charges:		49,344,676		47,894,160
	a) pensions and similar commitments	5,252,818		5,681,560	
	b) other provisions	44,091,858		42,212,600	
130.	Valuation reserves		49,907,999		(70,905,958)
150.	Equity instruments		3,195,323		3,332,283
160.	Reserves		718,127,697		717,509,061
170.	Additional paid-in capital		3,365,095,274		2,767,383,009
180.	Capital stock		351,870,120		313,719,281
190.	Treasury shares (-)		(25,887,625)		(7,752,433)
200.	Net income (loss) for the year (+/-)		(823,681,554)		(44,625,431)
Total Equity and Liabilities			**43,422,220,589**		**42,114,864,768**

The comparative figures at 31 December 2013 were redetermined by effect of the retrospective adoption of the new accounting standard IFRS 10 "Consolidated Financial Statements".

BANCA POPOLARE DI VICENZA
INCOME STATEMENT
in unit of euro

CAPTIONS		31/12/2014		31/12/2013
10. Interest income and similar revenues		1,034,168,677		1,129,945,007
20. Interest expense and similar charges		(644,547,844)		(710,198,574)
30. Net interest income		**389,620,833**		**419,746,433**
40. Fee and commission income		302,500,461		297,882,663
50. Fee and commission expense		(48,574,290)		(70,348,720)
60. Net fee and commission income		**253,926,171**		**227,533,943**
70. Dividend and similar income		54,575,003		48,126,968
80. Net trading income		94,673,144		54,832,973
90. Net hedging gains (losses)		52,023,707		52,587,218
100. Gains (losses) on disposal or repurchase of:		32,837,385		79,474,845
a) loans and advances	171,022		29,207	
b) financial assets available for sale	34,143,505		77,362,550	
d) financial liabilities	(1,477,142)		2,083,088	
110. Net change in financial assets and liabilities at fair value		(8,380,817)		(10,915,757)
120. Net interest and other banking income		**869,275,426**		**871,386,623**
130. Net impairment adjustments on:		(848,607,367)		(408,864,546)
a) loans and advances	(805,327,454)		(390,799,138)	
b) financial assets available for sale	(29,208,108)		(13,003,657)	
d) other financial transactions	(14,071,805)		(5,061,751)	
140. Net income from financial activities		**20,668,059**		**462,522,077**
150. Administrative costs:		(602,967,279)		(576,845,533)
a) payroll	(323,961,392)		(310,807,113)	
b) other administrative costs	(279,005,887)		(266,038,420)	
160. Net provisions for risks and charges		(15,280,713)		(10,808,887)
170. Net adjustments to property, plant and equipment		(10,468,994)		(9,975,723)
180. Net adjustments to intangible assets		(4,097,732)		(3,742,494)
190. Other operating charges/income		89,768,642		81,185,782
200. Operating costs		**(543,046,076)**		**(520,186,855)**
210. Profit (loss) from equity investments		(6,858,912)		(1,845,063)
230. Adjustments to goodwill		(675,263,320)		(15,225,000)
240. Gains (losses) on disposal of investments		22,187		(1,167,558)
250. Profit (loss) on current operations before income taxes		**(1,204,478,062)**		**(75,902,399)**
260. Income taxes on current operations		380,796,508		16,051,968
270. Profit (loss) from current operations after tax		**(823,681,554)**		**(59,850,431)**
280. Profit (loss) from disposal groups, net of tax		-		15,225,000
290. Net income (loss) for the year		**(823,681,554)**		**(44,625,431)**

The comparative figures at 31 December 2013 were redetermined by effect of the retrospective adoption of the new accounting standard IFRS 10 "Consolidated Financial Statements".

BANCA POPOLARE DI VICENZA
STATEMENT OF COMPREHENSIVE INCOME
in unit of euro

CAPTIONS	31/12/2014	31/12/2013
10. Net income (loss) for the year	**(823,681,554)**	**(44,625,431)**
Other post-tax components of income without reversal to income statement		
40. Defined-benefit plans	(3,503,390)	1,929,211
Other post-tax components of income with reversal to income statement		
90. Cash-flow hedges	(92,263,274)	(43,196,140)
100. Financial assets available for sale	216,580,621	156,213,380
130. Total other post-tax components of income	**120,813,957**	**114,946,451**
140. Total comprehensive income (Lines 10 + 130)	**(702,867,597)**	**70,321,020**

The comparative figures at 31 December 2013 were redetermined by effect of the retrospective adoption of the new accounting standard IFRS 10 “Consolidated Financial Statements”.

2014 CHANGES IN EQUITY

	Balance at 31/12/2013 (1)	Change in opening balances	Balance at 01/01/2014	Allocation of prior year results		Changes in reserves	Issue of new shares (2)
				Group reserves	Dividends and other allocations		
Capital stock:	313,719,281		313,719,281	-	-	-	38,150,839
a) ordinary shares	313,719,281	-	313,719,281	-	-	-	38,150,839
b) other shares	-	-	-	-	-	-	-
Additional paid-in capital	2,767,383,009	-	2,767,383,009	-	-	-	597,712,265
Reserves:	717,509,061	-	717,509,061	(44,625,431)	-	45,244,067	-
a) from earnings	706,702,782	-	706,702,782	(44,625,431)	-	45,244,067	-
b) other	10,806,279	-	10,806,279	-	-	-	-
Valuation reserves:	(70,905,958)	-	(70,905,958)	-	-	-	-
Equity instruments	3,332,283	-	3,332,283	-	-	-	-
Treasury shares	(7,752,433)	-	(7,752,433)	-	-	-	-
Net income (loss) for the year	(44,625,431)	-	(44,625,431)	44,625,431	-	-	-
Equity	**3,678,659,812**	**-**	**3,678,659,812**	**-**	**-**	**45,244,067**	**635,863,104**

(1) "Balance at 31/12/2013" were redetermined by effect of the retrospective adoption of the new accounting standard IFRS 10 "Consolidated Financial Statements".
(2) The "issue of new shares" is stated net of the cancellations recorded during the year.

Changes in the year						Equity at 31/12/2014
Equity transactions					Total comprehensive income at 31/12/2014	
Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock Options		
-	-	-	-	-	-	351,870,120
-	-	-	-	-	-	351,870,120
-	-	-	-	-	-	-
-	-	-	-	-	-	3,365,095,274
-	-	-	-	-	-	718,127,697
-	-	-	-	-	-	707,321,418
-	-	-	-	-	-	10,806,279
-	-	-	-	-	120,813,957	49,907,999
-	-	(136,960)	-	-	-	3,195,323
(18,135,192)	-	-	-	-	-	(25,887,625)
-	-	-	-	-	(823,681,554)	(823,681,554)
(18,135,192)	**-**	**(136,960)**	**-**	**-**	**(702,867,597)**	**3,638,627,234**

2013 CHANGES IN EQUITY

	Balance at 31/12/2012	Change in opening balances [1]	Balance at 01/01/2014	Allocation of prior year results			
				Group reserves	Dividends and other allocations	Changes in reserves	Issue of new shares [2]
Capital stock:	296.922.953		296.922.953	-	-	-	16.796.328
a) ordinary shares	296.922.953	-	296.922.953	-	-	-	16.796.328
b) other shares	-	-	-	-	-	-	-
Additional paid-in capital	2.504.228.785	-	2.504.228.785	-	-	-	263.154.224
Reserves:	696.298.520	(6.755.598)	689.542.922	23.082.813	-	5.187.900	(304.574)
a) from earnings	685.492.241	(6.755.598)	678.736.643	23.082.813	-	5.187.900	(304.574)
b) other	10.806.279	-	10.806.279	-	-	-	-
Valuation reserves:	(193.665.795)	6.755.598	(186.910.197)	-	-	1.057.788	-
Equity instruments	1.664.696	-	1.664.696	-	-	-	-
Treasury shares	-	-	-	-	-	-	-
Net income (loss) for the year	64.022.540	-	64.022.540	(23.082.813)	(40.939.727)	-	-
Equity	**3.369.471.699**	**-**	**3.369.471.699**	**-**	**(40.939.727)**	**6.245.688**	**279.645.978**

[1] The "change in opening balances" was redetermined by effect of the retrospective adoption of the new accounting standard IFRS 10 "Consolidated Financial Statements".

[2] The "issue of new shares" is stated net of the cancellations recorded during the year

Changes in the year						Equity at 31/12/2013
Equity transactions					Total comprehensive income at 31/12/2013	
Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock Options		
-	-	-	-	-	-	313.719.281
-	-	-	-	-	-	313.719.281
-	-	-	-	-	-	-
-	-	-	-	-	-	2.767.383.009
-	-	-	-	-	-	717.509.061
-	-	-	-	-	-	706.702.782
-	-	-	-	-	-	10.806.279
-	-	-	-	-	114.946.451	(70.905.958)
-	-	1.667.587	-	-	-	3.332.283
(7.752.433)	-	-	-	-	-	(7.752.433)
-	-	-	-	-	(44.625.431)	(44.625.431)
(7.752.433)	**-**	**1.667.587**	**-**	**-**	**70.321.020**	**3.678.659.812**

BANCA POPOLARE DI VICENZA
STATEMENT OF CASH FLOWS
Direct Method
in unit of euro

OPERATING ACTIVITIES	31/12/2014	31/12/2013
1. Cash generated from operations	**(109,469,331)**	**194,212,304**
- Interest income collected (+)	884,096,387	990,222,200
- Interest expense paid (-)	(573,581,713)	(630,291,357)
- Dividends and similar income	14,791,751	11,662,611
- Net fee and commission income (+/-)	257,145,080	226,612,737
- Payroll costs (-)	(325,200,590)	(304,424,956)
- Other costs (-)	(286,620,333)	(242,675,451)
- Other revenues (+)	3,216,000	181,337,000
- Taxation (-)	(83,315,912)	(38,230,480)
- costs/income relating to groups of assets held for sale, net of tax effect (+/-)	-	-
2. Cash generated/absorbed by financial assets	**684,976,429**	**2,677,874,353**
- Financial assets held for trading	(1,009,610,000)	53,989,000
- Financial assets at fair value	(4,608,000)	-
- Financial assets available for sale	(542,351,000)	893,618,511
- Loans and advances to customers	1,695,991,127	124,652,003
- Loans and advances to banks: demand	588,952,000	285,284,000
- Loans and advances to banks: other receivables	(63,295,342)	1,417,755,626
- Other assets	19,897,644	(73,413,230)
3. Cash generated/absorbed by financial liabilities	**(3,311,679,292)**	**(1,146,420,146)**
- Due to banks: demand	(911,401,000)	508,990,000
- Due to banks: other payables	(1,558,925,000)	(1,053,940,000)
- Due to customers	(1,130,887,848)	431,398,425
- Debt securities in issue	259,284,970	(908,701,538)
- Financial liabilities held for trading	15,564,000	(16,394,000)
- Financial liabilities at fair value	(195,031,000)	(11,984,000)
- Other liabilities	209,716,587	(95,789,032)
Net liquidity generated/absorbed by operating activities	**(2,736,172,194)**	**1,725,666,511**

B. INVESTING ACTIVITIES

1. Cash generated by	**40,471,246**	**57,556,357**
- Disposal of equity investments	643,994	19,000
- Dividends collected on equity investments	39,783,252	36,464,357
- Disposal/redemption of financial assets held to maturity	-	-
- Disposal of property, plant and equipment	44,000	73,000
- Sale of intangible assets	-	-
- Sale of subsidiary companies and business divisions	-	21,000,000
2. Cash absorbed by	**(113,024,437)**	**(39,280,000)**
- Purchase of equity investments	(96,307,437)	(42,914,558)
- Purchase of financial assets held to maturity	-	-
- Purchase of property, plant and equipment	(12.338.000)	(14.637.000)
- Purchase of intangible assets	(1.879.000)	(5.740.000)
- Purchase of subsidiary companies and business divisions	(2.500.000)	-
Net liquidity generated/absorbed by investing activities	**(72,553,191)**	**18,276,357**
C. FUNDING ACTIVITIES		
- Issue/purchase of treasury shares	617,727,912	272,198,119
- Issues/Purchases of equity instruments	(136.960)	1.667.587
- Distribution of dividends and other purposes	-	(40.940.000)
Net liquidity generated/absorbed by funding activities	**617,590,952**	**232,925,706**
TOTAL NET CASH GENERATED/ABSORBED IN THE YEAR	**(2,191,134,433)**	**1,976,868,574**

RECONCILIATION

Captions	**31/12/2014**	**31/12/2013**
Cash and cash equivalents at the beginning of the year	**2,346,925,623**	**370,057,049**
Cash and 'cash equivalents resulting from extraordinary transactions entered into by the Bank	-	-
Cash and cash equivalents resulting from business combination	1,144,690	
Net liquidity generated/absorbed in the year	(2,192,279,123)	1,976,868,574
Cash and balances with central banks: effect of change in exchange rates	-	-
Cash and cash equivalents at the end of the year	**155,791,190**	**2,346,925,623**

Key:
(+) generated
(-) absorbed

The comparative figures at 31 December 2013 were redetermined by effect of the retrospective adoption of the new accounting standard IFRS 10 "Consolidated Financial Statements".

The statement of cash flows presented above was prepared using the "direct" method envisaged by IAS 7 and reports the "cash flows" from the Bank's operating, investing and financing activities.

EXPLANATORY NOTES

PART A – ACCOUNTING POLICIES

A. 1 – GENERAL INFORMATION

Section 1 – Declaration of conformity with IFRS

The financial statements at 31 December 2014 were prepared in accordance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), endorsed by the European Commission under the procedure per art. 6 of Regulation (EC) 1606/2002 of the European Parliament and Council dated 19 July 2002 and in force at the current reporting date, including the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

The currently applicable international accounting standards (IAS/IFRS), as endorsed by the European Commission, adopted to prepare the Financial Statements at 31 December 2014 are as follows:

IFRS 1 First-time adoption of IFRS
IFRS 7 Financial instruments: disclosures
IFRS 8 Operating segments
IFRS 10 Consolidated financial statements
IFRS 11 Joint Arrangements
IFRS 12 Disclosure of Interests in Other Entities
IFRS 13 Fair Value Measurement
IAS 1 Presentation of financial statements
IAS 7 Statement of cash flows
IAS 8 Accounting policies, changes in accounting estimates and errors
IAS 10 Events after the reporting period
IAS 12 Income taxes
IAS 16 Property, plant and equipment
IAS 17 Leases
IAS 18 Revenue
IAS 19 Employee benefits
IAS 21 The effects of changes in foreign exchange rates
IAS 24 Related party disclosures
IAS 26 Accounting and reporting by retirement benefit plans
IAS 27 Separate Financial Statements
IAS 28 Investments in Associates and Joint Ventures
IAS 30 Disclosures in the financial statements of banks and similar financial institutions
IAS 32 Financial instruments: disclosure and presentation
IAS 36 Impairment of assets
IAS 37 Provisions, contingent liabilities and contingent assets
IAS 38 Intangible assets
IAS 39 Financial instruments: recognition and measurement
IAS 40 Investment property

Accounting standards and interpretations applied from 1 January 2014

As required by IAS 8 (Accounting policies, changes in accounting estimates and errors) the accounting standards, amendments and interpretations applicable starting from 1 January 2014, whose effects in terms of disclosure were acknowledged in the 3rd update of 22 December 2014 of Circular no. 262 issued by the Bank of Italy, are listed below:

- IFRS 10 "Consolidated financial statements";

- IFRS 11 “Joint arrangements”;
- IFRS 12 “Disclosure of interests in other entities”;
- Amendments to IFRS 10, 11, 12 on Transition guidance;
- IAS 27 (revised) “Separate financial statements”;
- IAS 28 (revised) “Associates and joint ventures”;
- Amendments to IFRS 10, 12 and IAS 27 “Investment entities”;
- Amendments to IAS 32, “Offsetting financial instruments asset and liability”;
- Amendment to IAS 36 “Impairment of assets” on recoverable amount disclosures;
- Amendment to IAS 39 “Financial instruments: Recognition and measurement” on novation of derivates and hedge accounting;
- IFRIC 21 “Levies”.

Accounting standards and interpretations applied from 1 January 2014

The accounting standards and interpretations applied from 1 January 2015 are listed below:

- Amendment to IAS 19 regarding defined benefit plans;
- Annual improvements 2012;
- Annual improvements 2013.

At the date of approval of these financial statements, IFRS 9 - Financial Instruments had been issued by the IASB but not yet endorsed by the European Union, within the scope of the project for the revision of the current IAS 39; in addition, the following have been published and shall be applicable after 1 January 2016:

- Amendment to IFRS 11 “Joint Arrangements” on acquisition of an interest in a joint operation;
- Amendment to IAS 16 “Property, plant and equipment” and IAS 41 “Agriculture” regarding bearer plants;
- Amendment to IAS 16 “Property, plant and equipment” and IAS 38 on depreciation and amortization;
- IFRS 14 “Regulatory deferral accounts”;
- Amendments to IAS 27 “Separate financial statements” on the equity method;
- Amendment to IFRS 10 “Consolidated financial statements” and IAS 28 “ Investments in associates and joint ventures”;
- Annual improvements 2014;
- IFRS 15 “revenue from contracts with customers”.

Any repercussions that the reporting principles, the amendments and interpretations to be applied in future may have on financial disclosure are being studied and evaluated.

Section 2 – Basis of preparation

The Financial Statements at 31 December 2014 comprise the statement of financial position and the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows and these Explanatory notes and they are accompanied by the report on operations.
The financial statements have been prepared with reference to the formats and rules specified in Bank of Italy Circular 262 of 22 December 2005 - 3rd update dated 22 December 2014 ("Banks' financial statements: layout and preparation"), issued by the Supervisory Body exercising its regulatory powers pertaining to the technical forms of bank financial statements, in accordance with Article 9 of Legislative Decree 38/2005.

As prescribed in Article 5.2 of Italian Legislative Decree no. 38/2005, the Financial Statements are prepared using the Euro as the accounting currency. The amounts contained in the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and these explanatory notes are stated in thousands of Euro, except where indicated otherwise. The roundings have been made in accordance with the related regulations.

These Financial statements were prepared with the intention to provide clear information and they truthfully and fairly represent the financial position, the income and the cash flow of the Banca Popolare di Vicenza.

In the preparation of the Financial statements, general reporting standards have been adopted, as detailed below, prescribed by IAS 1 "Presentation of financial statements" and the accounting standards illustrated in part A.2 of these explanatory notes, in compliance with the general provisions included in the "Framework for the preparation and presentation of the financial standards" (the "framework") prepared by the International Accounting Standards Board, with particular regard to the fundamental principle of the prevalence of substance over form, and to the concept of the relevance and significance of the information.

The general reporting standards prescribed by IAS 1 are summarised below.

Going concern

These Financial statements were prepared on a going concern basis.
In this regard, the joint co-ordination committee for IAS/IFRS application between the Bank of Italy, CONSOB and ISVAP (Italy's insurance industry regulator) issued its document no. 2 on 6 February 2009 entitled *"Disclosures in financial reports on the going concern assumption, financial risks, tests of assets for impairment and uncertainties in the use of estimates"*. This document requires management to carry out a detailed review in relation to the going concern presumption, in accordance with the requirements of IAS 1.

In particular, paragraphs 23-24 of IAS 1 establish that: *"When preparing financial statements, management shall make an assessment of an entity's ability to continue as a going concern. Financial statements shall be prepared on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, those uncertainties shall be disclosed. When financial statements are not prepared on a going concern basis, that fact shall be disclosed, together with the basis on which the financial statements are prepared and the reason why the entity is not regarded as a going concern"*.

The current conditions of financial markets and of the overall economy and the negative short/medium-term forecasts mean that now the presumption of going concern must, unlike in the past, be assessed particularly thoroughly.

Having examined the risks and uncertainties associated with the current macroeconomic context and taking into account the indications contained in the 2012-2014/2016 Business Plan, the Bank can reasonably expect to carry on its operations in the foreseeable future and so its 2014 financial statements have been prepared on a going concern basis.

The negative result of the year 2014 was caused, for the most part, by non-recurring valuation components, which do not affect the Bank's future profitability prospects. The increase in the levels of capitalisation of the Bank, its current liquidity position and its demonstrated ability to refinance itself on the market, as well as the raising of the coverage levels of the credit portfolio are as such as not to engender any doubts on the Bank's viability. Lastly, the initial evidence of the new 2015-2019 Business Plan confirms, with its forecasts, the potential for increase of the Bank's profitability in compliance with the ever more stringent regulatory constraints.

Recognition on an accrual basis

The Financial statements are prepared, with the exception of cash flow disclosure, according to the principle that costs and revenues are recognised on an accrual basis, regardless of the time of their actual payment.

Relevance, significance and aggregation

Each relevant class of items, however similar they may be, shall be reported distinctly in the financial statements. Items with dissimilar nature or destination may be aggregated only if they are not significant. The presentation and classification of the items of the Financial statements complies with the provisions set out in Bank of Italy Circular no. 262 which bindingly establishes financial statement formats and the procedures for their completion, as well as the content of the explanatory notes.

In accordance with the provisions of the aforesaid Circular no. 262, statements of financial position, income statements and comprehensive income statements comprise line items (indicated by numbers), lines (indicated by letters) and additional information details (the "of which" portions of line items and lines). The line items, the lines and their information details make up the financial statement accounts. New items may be added to the aforesaid statements, provided their content is not associated to any of the items already included in the statements and only if the amounts are relevant. The lines provided by the statements may be grouped when one of the two following conditions is met: a) the amount of the lines is irrelevant; b) grouping enhances the clarity of the financial statements; in this case, the explanatory notes contain distinctly the lines to be grouped.

In this regard, the Bank, in preparing the Financial statements at 31 December 2014, did not apply the aforesaid provisions that allow to add new items or to group them. Line items in the statement of financial position, the income statement, the statement of comprehensive income and the tables included in the explanatory notes are not presented if their balance is zero in both years.

Offsetting

Unless otherwise provided or expressly allowed by international reporting standards or by an interpretation thereof or by the provision of the aforementioned Bank of Italy Circular no. 262, assets and liabilities as well as costs and revenues may not be mutually offset.

Uniformity of presentation

The standards for the presentation and classification of Financial statement items are kept constant from one period to the other in order to assure the comparability of information, unless differently required by an international accounting standard or by an interpretation or if the need emerges of making the representation of the information more appropriate in terms of significance. If feasible, the change is adopted retroactively and the nature, the reason and the amount of the items affected by the change are indicated.

Comparative information

For all amounts posted in the Financial statements of the current year, unless otherwise prescribed or allowed by an international accounting standard, comparative information with respect to the previous year is provided and, when relevant for comprehension of the financial statements for the reference year, also comparative information about comments and descriptive information. If changes were made to the presentation or classification of line items, the comparative amounts are reclassified as well, unless reclassification is not feasible. Non comparability and the adaptation, or its impossibility, are pointed out and commented in the explanatory notes.

In this regard, it should be stressed that the entry into force from 1 January 2014 of the new accounting standards "IFRS 10 - Consolidated financial statements" and "IFRS 11 - Joint Arrangements" resulted in the extension of the BPVi Group's scope of consolidation that now includes the mutual funds managed by the subsidiary Nem Sgr among its "subsidiaries". The mutual fund "Giada Equity Fund" instead is included among investments over which significant influence is exercised. Consequently, the changes deriving from new standard were applied retrospectively - as generally established by IAS 8 for all changes in accounting standards - adjusting the balances of the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, and the statement of cash flows at 31 December 2013.

For the sake of completeness, the line items of the layout of the financial statements at 31 December 2013 that were redetermined are shown below:

	Assets (in thousand of Euro)	31/12/2013 *restated*	31/12/2013
40.	Financial assets available for sale	3,483,188,735	3,570,058,700
	of which: mutual funds	261,191	348,061
100.	Equity investments	1,166,630,271	1,074,630,736
130.	Tax assets	496,410,890	498,159,550

	Equity and Liabilities (in thousand of Euro)	31/12/2013 *restated*	31/12/2013
80.	Tax liabilities	162,066,210	162,118,521
130.	Valuation reserves	(70,905,958)	(81,435,693)
160.	Reserves	717,509,061	724,264,659
200.	Net income (loss) for the year (+/-)	(44,625,431)	(44,284,515)

	Income Statement (in thousand of Euro)	31/12/2013 *restated*	31/12/2013
130.	Net impairment adjustements on b) financial assets avaiable for sale	(13,003,657)	(14,139,632)
210.	Profit (loss) from equity investments	(1,845,063)	(199,726)
260.	Income taxes on current operations	16,051,968	15,883,522
270.	Profit (loss) from current operations after tax	(59,850,431)	(59,509,515)
290.	Net income (loss) for the year	(44,625,431)	(44,284,515)

Estimation uncertainty and risks

As indicated in these explanatory notes, estimation processes have been completed in support of the carrying amount of the more significant items requiring valuation in the financial statements at 31 December 2014, as required by prevailing accounting standards and relevant regulations. This process, which largely involved estimating the future recoverability of amounts reported in the financial statements in accordance with current regulations, was performed on a going concern basis without considering forced-sale values.

Estimates have been primarily used for determining the fair value of financial instruments, for the valuation of loans and intangible assets with an indefinite useful life, for determining other provisions for risks and charges and for quantifying current and deferred taxes.
It is stressed that the analysis carried out, also taking into account the impairment losses applied, supports the carrying amount of these items at 31 December 2014.

This valuation process was nevertheless particularly complex due to the current macroeconomic and market conditions. In particular, abnormal volatility in all the financial and non-financial parameters used for measurement purposes has rendered it difficult to make short-term or other forecasts for such financial and non-financial parameters, which can have a significant influence on estimated values. The parameters and the information used to verify the values mentioned in the previous paragraphs are therefore significantly influenced by the particularly uncertain macroeconomic and market environment, which could lead to rapid changes, not foreseeable today, with consequent effects, which may be significant, on the values reported in the Financial Statements at 31 December 2014.

Section 3 – Subsequent events

No significant events occurred between the reporting date of these Financial statements (31 December 2014) and the date of their approval by the Board of Directors (3 March 2015), except as indicated below.

On 24 January 2015, Italian Law Decree no. 3 of 24 January 2015, "**Urgent measure for the banking system and investments**" was published in the Official Gazette no. 19; it entered into force the following day. The Law Decree, among its other provisions, established that co-operative banks with assets exceeding Euro 8 billion, including Banca Popolare di Vicenza, shall be transformed into joint-stock companies within 18 months from the entry into force of the implementing provisions issued by the Bank of Italy in accordance with Article 29, Paragraphs 2-bis and 2-ter of the Consolidated Law on Banking and Lending. The process for the conversion of the aforesaid decree into a law of the Republic of Italy is currently ongoing.

As a result of the resolution passed on 25 October 2014 by the Board of Directors in relation to the irrevocable decision to exercise, at the first available opportunity, the option to repay in shares the convertible bond "Banca Popolare di Vicenza 5% 2013/2018 convertibile con facoltà di rimborso in azioni", (i.e. convertible bond with possibility of repayment in shares), on 10 February 2015 **the Bondholders' Meeting approved the proposal for early payment** of the issuer's repayment option and to move the interest payment date from 2 September 2015 to 29 May 2015.

On 13 February 2015 the Board of Directors of Banca Popolare di Vicenza **co-opted Mr. Samuele Sorato, General Manager of the Bank**, as new Director, simultaneously appointing **him Managing Director**. From that date onwards, therefore, Mr. Samuele Sorato has served both as Managing Director and as General Manager.

On 18 February 2015 the Deputy Chairman of Banca Popolare di Vicenza, Prof. Marino Breganze, was indicted, in his capacity as Chairman and legal representative of the subsidiary Banca Nuova, for participation with other persons in the offences per Articles 40 and 644 paragraphs I and V no. 1 of the Italian Criminal Code (causality relationship and usury) within the scope of the criminal proceeding R.G.N.R. 20909/12 initiated before the Prosecutor's Office at the Court of Palermo.

Lastly, on 25 February the ECB sent the final decision made with respect to the prudential requirements for the Banca Popolare di Vicenza Group, prescribing, at the consolidated level, a minimum Total capital ratio of 11%, which from 31 July 2015 onwards shall have to be fully covered by Common

Equity Tier 1. However, it should be specified that the Supervisory Authority communicated that the requirement in terms of CET1 could be revised downwards, as a result of the evaluation in relation to the inclusion of the outcome of the asset quality review (AQR) in the 2014 Financial Statements. The ECB target requirements were already exceeded by the "pro-forma" ratio (taking into account the conversion of the convertible bond due to occur on 29 May 2015) of the BPVi Group at 31 December 2014, attaining respectively 11.34% in terms of CET1 Ratio, and 12.49% in terms of Total Capital Ratio. These values, therefore, exceeded the requirements set by the ECB even before the reduction of the CET1 Ratio requirement.

Section 4 – Other matters

Statutory Audit of financial statements

The financial statements have been audited by KPMG S.p.A., an independent firm of auditors, under the engagement for external audit conferred for the nine-year period, from 2010 to 2018 by resolution of the stockholders on 24 April 2010. The financial statements are also accompanied by the attestation of the Financial Reporting Manager, as required by art. 154-bis, par. 5, of Decree 58/98 (Italy's Financial Markets Act – TUF) as amended by Decree no. 195/2007 implementing the Transparency Directive.

A. 2 – PART RELATING TO THE PRINCIPAL FINANCIAL STATEMENT LINE ITEMS

The accounting standards adopted in the preparation of the Financial Statements at 31 December 2014 are as follows.

ASSETS

1. Financial assets held for trading

Classification

This line item comprises financial instruments held for trading(1) and derivative contracts with a positive fair value that are not designated as effective hedging instruments. Such financial instruments must not carry any clause restricting their trading.

Derivative contracts include embedded derivatives which are attached to a primary financial instrument, known as the "host contract" when they have been recognized separately from the host and forward transactions in currencies, securities, goods and precious metals. An embedded derivative is recognised separately from the host contract when all of the following conditions are satisfied:
- its economic characteristics and risks are not closely related to those of the "host" contract;
- the separated embedded instrument meets the definition of a derivative;
- the hybrid instrument is not measured at fair value through the income statement.

Financial instruments are designated as financial assets held for trading upon initial recognition, except if former hedging derivatives with a positive fair value at the reporting date are reclassified as "financial assets held for trading" after a hedging relationship has become ineffective.

Recognition

The initial recognition of financial assets held for trading takes place: i) on the settlement date for debt securities, equity instruments and units in mutual funds and sicavs; ii) on the subscription date for derivative contracts.

Financial assets held for trading are initially recognised at their fair value, whereas transaction costs or income are written off immediately, even if directly attributable to the instrument concerned.

The initial fair value of a financial instrument is usually the cost incurred in buying it.

Measurement and recognition of income and expense

After initial recognition, financial assets held for trading are stated at fair value through the income statement.

For details on the methods used to identify fair value, see paragraph 17.3 below, entitled "Criteria for determining the fair value of financial instruments", of "Other information" in part A.2. of this document.

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(1) Positions held for trading are those intentionally acquired for the purpose of sale in the near term and/or to benefit, in the near term, from differences between the purchase and sale price, or from other changes in price or interest rates. "Positions" are those held on own account and those arising from customer services or from market making.

Gains and losses realised on sale or redemption and unrealised gains and losses deriving from changes in the fair value of financial assets held for trading are booked to “net trading income” in the income statement, except for any gains or losses on rating or valuation relating to derivative contracts linked to the “fair value option”, which are booked to “net change in financial assets and liabilities at fair value”.

The profits and losses recognised in “Net trading income” in the income statement also include the differentials collected and paid on trading derivatives, and those accruing up to the reporting date, while differentials relating to derivative contracts associated with financial assets and liabilities at fair value and/or with financial assets and liabilities classified in the trading book are recognised in “interest income” or “interest expense” depending on whether they are positive or negative, respectively.

Derecognition
Financial assets held for trading are derecognised when the contractual rights over the related cash flows expire or when the financial asset is transferred together with substantially all the contractual risks and benefits associated with its ownership.

2. Financial assets available for sale

Classification

This line item comprises monetary financial instruments that are not classified in the other categories envisaged by IAS 39. It nonetheless includes:
- debt securities and loans for which the holder may not recover substantially all the initial investment, other than because of deterioration in the issuer’s creditworthiness;
- equities not listed in an active market;
- unharmonised mutual funds;
- junior asset-backed debt securities (ABS) issued by SPVs as part of securitisations by the Group or by third parties, unless classified as “Financial assets at fair value”;
- securities repurchased from customers following complaints/litigation.

Financial instruments are designated to this category upon initial recognition, or following reclassifications allowed by paragraphs 50 to 54 of IAS 39, as amended by Regulation (EC) 1004/2008 of the European Commission issued on 15 October 2008.

Recognition

Financial assets available for sale (AFS) are initially recognised on the settlement date, on the basis of their fair value, as uplifted by any directly-attributable acquisition costs/revenues. Costs and revenues with the above characteristics are excluded if they are reimbursable by the borrower or represent normal internal administrative costs.

The initial fair value of a financial instrument is usually the cost incurred in buying it.

Measurement and recognition of income and expense

Subsequent to initial recognition, AFS financial assets are stated at fair value; the profits or losses deriving from any changes in fair value are recorded in a specific equity reserve, recognised in the statement of comprehensive income, until the financial assets concerned are derecognised or a permanent impairment of value is recognised.

For details on the methods used to identify fair value, see paragraph 17.3 below, entitled "Criteria for determining the fair value of financial instruments", of "Other information" in part A.2. of this document.

These assets are reviewed at the end of each reporting period for objective evidence of any impairment in accordance with paragraph 58 et seq. of IAS 39. Such objective evidence in the case of equities quoted in an active market includes a significant or prolonged reduction in fair value below acquisition cost. In particular, as stated in the Bank's policy for identifying evidence of impairment of securities classified as financial assets available for sale, a significant reduction in fair value is defined as more than 50% and a prolonged reduction in fair value is defined as an unbroken period of more than 30 months. Any losses identified are charged to the income statement as "net impairment adjustments to financial assets available for sale". This amount also includes reclassification to the income statement of fair value gains/losses previously recognised in the specific equity reserve. If, in a subsequent period, the fair value of the financial instrument should increase and the increase could be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss must be reversed, with the amount of the reversal recognised in the same line of the income statement as the original impairment in the case of monetary items (e.g. debt securities) or in equity in the case of non-monetary items (e.g. equities). Write-backs cannot exceed the cost/amortised cost that the instrument would have had in the absence of earlier write-downs.

If a financial asset classified in this line item has been reclassified to another category, the related reserve accumulated up to the date of the reclassification is maintained in equity until such time that the financial instrument in question is sold, if a non-monetary item is involved; on the other hand, if a monetary item is involved, the reserve is amortised in the income statement (as "interest income and similar revenues") over the residual useful life of the financial instrument to which it refers.

The interest income on these financial assets is calculated using the effective interest method, with the associated income recognised in "interest income and similar revenues" in the income statement.

Gains and losses on the disposal or redemption of such financial assets are booked to the income statement as "gains (losses) on disposal or repurchase of: Financial assets available for sale" and include any reversal to profit or loss of fair value gains/losses previously recognised in the specific equity reserve.

Derecognition

Financial assets available for sale are derecognised when the contractual rights over the related cash flows expire or when the financial asset is transferred together with substantially all the contractual risks and benefits associated with its ownership.

3. Financial assets held to maturity

Classification

This line item reports non-structured debt securities, listed in an active market, with fixed maturity and fixed or determinable payments, which the Bank has the positive intention and ability to hold until maturity.

Financial instruments are designated as financial assets held to maturity upon initial recognition or following reclassification in accordance with paragraphs 50 to 54 of IAS 39, as amended by Regulation (EC) 1004/2008 of the European Commission issued on 15 October 2008.

Recognition

Financial assets held to maturity are initially recognised on the settlement date, on the basis of their fair value, as uplifted by any directly-attributable acquisition costs/revenues. Costs and revenues with the above characteristics are excluded if they are reimbursable by the borrower or represent normal internal administrative costs.

The initial fair value of a financial instrument is usually the cost incurred in buying it.

Measurement and recognition of income and expense

Subsequent to initial recognition, financial assets held to maturity are measured at amortised cost. The interest income on these financial assets is calculated using the effective interest method, with the associated income recognised in "interest income and similar revenues" in the income statement.

Gains and losses on the disposal or redemption of such financial assets are booked to the income statement as "gains (losses) on disposal or repurchase of: Financial assets held to maturity".

An impairment test is carried out at the reporting date to check for objective evidence of any loss in value. Any losses identified are charged to the income statement as "net impairment adjustments to financial assets held to maturity". If the reasons for such losses cease to apply due to events arising subsequent to the write-down, the related write-backs are credited to the same income statement line item. Write-backs cannot exceed the cost/amortised cost that the instrument would have had in the absence of earlier write-downs.

Derecognition
Financial assets held to maturity are derecognised when the contractual rights over the related cash flows expire or when the financial asset is transferred together with substantially all the contractual risks and benefits associated with its ownership.

Criteri di cancellazione

Le attività finanziarie detenute sino a scadenza vengono cancellate quando scadono i diritti contrattuali sui flussi finanziari ad esse connessi o quando l'attività finanziaria è oggetto di cessione con trasferimento sostanziale di tutti i rischi ed i diritti contrattuali connessi alla proprietà dell'attività finanziaria.

4. Loans and receivables

4.1. Loans and advances to banks

Classification

This line item comprises monetary financial assets with banks, whether disbursed directly or purchased from third parties, which carry fixed or determinable payments and are not listed in an active market (current accounts, guarantee deposits, debt securities, etc.).
This balance also includes amounts due from Central Banks, other than unrestricted deposits which are classified as "cash and cash equivalents".

Details of the recognition, measurement, derecognition and recording of these loans can be found in the subsequent note 4.2 on "loans and advances to customers".

4.2. Loans and advances to customers

Classification

Loans and advances to customers include non-structured monetary financial assets with customers, whether disbursed directly or purchased from third parties, which carry fixed or determinable payments and are not listed in an active market (current accounts, mortgage loans, other kinds of loans, debt securities etc.).

Financial instruments are designated as loans and advances to customers upon initial recognition, or following reclassifications allowed by paragraphs 50 to 54 of IAS 39, as amended by Regulation (EC) 1004/2008 of the European Commission issued on 15 October 2008.

Recognition
The initial recognition of a loan takes place on the grant date or, in the case of debt securities, on the settlement date, with reference to the fair value of the financial instrument, increased by any directly-attributable acquisition costs/revenues.
Costs and revenues with the above characteristics are excluded if they are reimbursable by the borrower or represent normal internal administrative costs.

The initial fair value of a financial instrument is usually equal to the amount disbursed or the cost incurred in buying it.

Measurement and recognition of income and expense

Subsequent to initial recognition, loans and advances to customers are measured at amortised cost. This is their initially-recorded value as decreased/increased by repayments of principal, write-downs/write-backs and the amortisation – determined using the effective interest method – of the difference between the amount paid out and that repayable on maturity, which typically represents costs/income directly attributable to the individual loans.

The effective interest rate is the rate that discounts the flow of estimated future payments over the expected duration of the loan so as to obtain exactly the net book value at the time of initial recognition, which includes directly-related transaction costs/revenues and all fees paid or received between the contracting parties. This financial method of accounting distributes the economic effect of costs/income over the expected residual life of each loan.
Estimates of the flows and the contractual duration of the loan take account of all contractual clauses that could influence the amounts and due dates (such as early repayments and the various options that can be exercised), but without considering any expected losses on the loan.

The amortised cost method is not applied to short-term loans, since the discounting effect would be negligible, and these are therefore stated at cost. The same measurement criterion is applied to loans without a fixed repayment date or which are repayable upon demand.

At every reporting date an analysis is performed to identify any problem loans for which there is objective evidence of possible impairment. This category includes loans classified as "non-performing", "watchlist", "restructured" or "past due", as defined by the supervisory regulations.
The adjustment to the value of each loan represents the difference between its amortised cost (or cost for short-term and demand loans) at the time of measurement and the discounted value of the related future cash flows, determined using the original effective interest rate.

Key elements in determining the present value of future cash flows comprise the estimated realisable value of loans, also taking account of any available guarantees, the expected timing of recoveries and the forecast loan-recovery costs. Cash flows relating to loans due to be recovered in the short term (12/18 months) are not discounted.

The approach taken for case-by-case determination of the recoverable value of non-performing loans depends on their amount, applying the following criteria:

- up to Euro 25,000: the positions are analysed case-by-case but are not discounted, since they are frequently not taken to court, but sold after the usual attempts to obtain recovery on an amicable basis; these loans generally remain in this category for not more than 12/18 months, representing the short term;
- from Euro 25,000 to Euro 150,000: the positions are analysed on a case-by-case basis to estimate the amount recoverable, which is discounted over the average recovery period, based on past experience and statistics;
- amounts exceeding Euro 150,000 are analysed on a case-by-case basis to estimate the amount recoverable, which is discounted over the likely recovery period, as determined by the competent corporate functions.

Watchlist loans exceeding Euro 150,000 are analysed on a case-by-case basis to estimate the amount recoverable, which is discounted over the likely average recovery period, based on past experience and statistics. The remaining positions are assessed on a collective basis using Probability of Default (PD) and Loss Given Default (LGD) parameters (which differ according to the amounts concerned), with the related future nominal cash flows discounted over the estimated average recovery period, based on past experience and statistics.

Restructured loans are valued on a case-by-case basis, also recognising any "implied" loss arising from the restructuring of the position. If no evidence of loss is revealed by the case-by-case analyses, the exposures are assessed collectively using PD and LGD parameters, calculated on the basis of past experience and statistics that are intended to estimate the latent loss. The related estimated future cash flows are discounted over the estimated average recovery period, as determined with reference to past experience and statistics. If, instead, the case-by-case analysis shows evidence of an impairment loss, the restructured loans are classified either in the watchlist or as non-performing and valued in accordance with the rules applying to these categories.

Past due exposures are written down on a collective basis. This test is performed by grouping loans into categories that reflect a similar degree of credit risk. The related loss percentages are then estimated with reference to past experience and statistics, in order to measure the inherent loss for each category of loan. Estimated future cash flows are determined using PD and LGD parameters by technical form and the resulting flows are discounted on the basis of average recovery times, determined with reference to past experience and statistics.

Loans for which no objective evidence of loss has been individually identified, i.e. performing loans, are tested for impairment on an overall basis. This test is performed by grouping loans into categories that reflect a similar degree of credit risk. The related loss percentages are then estimated with reference to past records, in order to measure the inherent loss for each category of loan. Estimated future cash flows are determined using PD and LGD parameters by technical form and the resulting flows are discounted on the basis of average recovery times, determined with reference to past experience and statistics.

For performing loans only, the expected loss (equal to gross value x PD x LGD) is adjusted for the Loss Confirmation Period (LCP), which expresses the average delay between the deterioration of the debtor's financial conditions ("incurred loss") and the actual classification of individual exposures as defaulted, for various categories of homogeneous loans; its purpose is to "adjust" PD, which is typically expressed on an annual time span.

The PD, LGD, LCP parameters, and the average recovery period used to estimate future nominal cash flows are updated once a year when preparing the financial statements for the year.

No write-downs are recorded in relation to loans represented by “repurchase agreements” and “securities lending”, or to loans to non-profit organisations, local and public administrations and Cassa di Compensazione e Garanzia (Italy’s securities clearing house).

Provisions made for an impaired loan are only reversed if the credit quality has improved to the extent that timely recovery of the principal and interest, with respect to the original terms for the loan contract, is reasonably certain, or if the amount actually recovered exceeds the recoverable amount estimated previously. Only for non-performing loans, write-backs also include the positive effect of discounting adjustments made due to the progressive reduction in the estimated time required to recover the related loans.

Adjustments, net of previous provisions and the partial or total recovery of amounts previously written down or derecognised, are recorded in the “net impairment adjustments to: loans and advances” line item of the income statement.

Derecognition

Loans and advances are derecognised as assets when they are deemed to be unrecoverable or are transferred together with substantially all the related risks and benefits.

5. Financial assets at fair value

Classification

This line item comprises monetary financial instruments of a structured kind (meaning that one or more embedded derivatives is present) and/or those related to trading derivatives entered into with an external counterparty for the purposes of transferring the risks of the financial asset held (under the so-called “fair value option”, or FVO), unless classified as “Financial assets held for trading”.

In particular, the FVO is used when it eliminates or significantly reduces accounting imbalances deriving from the inconsistent recognition of financial instruments that are related (natural hedges) or covered by derivative contracts which, due to difficulties and complexities, cannot be recognised as hedges.

Financial instruments are designated as financial assets at fair value upon initial recognition. They cannot be reclassified subsequently.

Recognition, measurement, derecognition and recording of income and expense

The principles applying to the recognition, measurement, derecognition and recording of income and expense relating to financial assets at fair value are the same as those relating to “financial assets held for trading”.

Gains and losses realised on sale or redemption and unrealised gains and losses deriving from changes in the fair value of financial assets/liabilities at fair value are classified as “net change in financial assets and liabilities at fair value” in the income statement.

6. Hedging transactions

Classification

Hedging transactions are intended to neutralise possible losses on certain elements or groups of elements due to a given risk (e.g. a rise in interest rates), via the generation of profits from the hedging instruments if the events associated with that risk should actually occur.

Hedging transactions are conducted solely in the form of derivative contracts with counterparties outside of the Group to whom the risk is transferred. The use of internal deals is therefore not permitted.

At the time that a hedging transaction is arranged, it is classified as one of the following types of hedge:
- fair value hedge of a given asset or liability: the objective is to hedge the exposure to changes in fair value of an item caused by one or more risks;
- cash flow hedge attributable to a particular asset or liability: the objective is to hedge the exposure to changes in the future cash flows associated with an item caused by given risks;
- hedge of the effects of an investment denominated in foreign currency: the objective is to hedge the risks associated with investing in a foreign operation denominated in foreign currency.

Hedging transactions can refer to individual financial instruments and/or groups of financial assets/liabilities.

The transaction is classified as a hedge if it has been formally designated as such, there is a documented relationship between the hedged instrument and the hedging instrument, and it is highly effective both at the start of the hedge and throughout its life.

A hedge is considered highly effective if changes in the fair value of the instrument being hedged or of the related expected cash flows are offset by those of the hedging instrument. More precisely, the hedge is effective when changes in the fair value (or cash flows) of the hedging instrument neutralise the changes in the hedged instrument, deriving from the risk being hedged, within an interval of 80%-125%.
The effectiveness of the hedge is assessed at the start of the hedge and throughout its life and, in particular, on each reporting date, using:
- prospective tests that justify the adoption of hedge accounting by showing the expected effectiveness of the hedge in future periods;
- retrospective tests that show the effectiveness of the hedge during the reference period.

If the tests do not confirm the effectiveness of the hedge, the hedge accounting described above is terminated and the related derivative contract is reclassified among the "financial assets (liabilities) held for trading". In addition, hedging transactions are no longer classified as such if:
- the hedge ceases;
- the transaction expires, is sold, terminated or exercised;
- the hedged item is sold, expires or is redeemed;
- the hedge no longer meets the criteria to qualify for hedge accounting.

Recognition

Hedging derivatives are initially recognised at fair value on their subscription date.

Measurement and recognition of income and expense

Subsequent to initial recognition, hedging derivatives are stated at fair value on the basis described below:

- in the case of fair value hedges, changes in the value of the hedged item (but only for the portion attributable to the hedged risk) and the hedging instrument are reflected in the income statement. In this way, changes in the fair value of the hedged item are substantially offset against the opposite changes in the fair value of the hedging instrument. Any difference, representing the ineffective portion of the hedge, therefore represents the net effect of the hedge on profit or loss, which is booked to "Net hedging gains (losses)";
- in the case of cash flow hedges, changes in the fair value of the hedging transaction are recorded in equity, to the extent that the hedge is effective, and are only released to the income statement when the related cash flows are actually generated by the hedged item. If the hedge is not effective, changes in the fair value of the hedging instrument are recorded in the income statement as "other operating charges/income";
- hedges of investments denominated in foreign currency are recorded in the same way as cash flow hedges.

Hedging contract differentials are booked to "interest income" or "interest expense" depending on whether they are positive or negative.

Derecognition

Hedging transactions are derecognised on disposal if all the risks and benefits associated with them are substantially transferred as a result.

7. Equity investments

Classification

This line item reports investments in subsidiary companies, associated companies and joint ventures.

Recognition

Equity investments are recorded in the financial statements at their acquisition cost.

Measurement

Equity investments are tested for impairment by estimating their recoverable amount, which takes account of the present value of the future cash flows to be generated by them, including their final disposal value and/or other factors.

Any resulting impairment adjustments, being the difference between the carrying amount of the investments concerned and their recoverable value, are charged to "Profit (loss) from equity investments" in the income statement.

If the reasons for such impairment cease to apply due to events subsequent to its recognition, the write-down is reversed through the income statement in the same line item as above, but for no more than the amount of the original impairment loss.

Derecognition

Equity investments are derecognised on expiry of the contractual rights over the related financial flows, or when the investment is sold with the transfer of substantially all the related risks and benefits of ownership.

Recognition of income and expense

Consistent with IAS 18, dividends are recorded when the stockholders' right to receive them is established, which is therefore subsequent to the date of the related resolution adopted by the stockholders of the declaring company.

8. Property, plant and equipment

Classification

This line item comprises the fixed assets held for the generation of income, for rent or for administrative purposes, such as land, business property, investment property, installations, furniture, furnishings, all types of equipment and works of art.

Property, plant and equipment also include leasehold improvements, if they can be separated from the related assets. If these items are expected to generate future benefits, but are not functionally and operationally independent, they are classified as "other assets" and depreciated over the expected useful life of the improvements or the residual lease period, whichever is shorter.

Amounts paid in advance to acquire and restructure assets not yet used for productive purposes are capitalised, but not depreciated.
Property, plant and equipment held "for business purposes" is defined as that held for supplying services or for administrative purposes, while "investment property" is defined as that held to earn rentals and/or for capital appreciation.

Recognition

Property, plant and equipment are initially recorded at cost, including all directly attributable costs of bringing them to working condition.
Expenditure that improves an asset or increases the future economic benefits expected from the asset is allocated to the asset concerned and depreciated over its remaining useful life.

Measurement and recognition of income and expense

Subsequent to initial recognition, property, plant and equipment held "for business purposes" are stated at cost, net of accumulated depreciation and any impairment losses, consistent with the "cost model" described in paragraph 30 of IAS 16. More specifically, property, plant and equipment are systematically depreciated over their useful lives on a straight-line basis, except for:

- land, whether acquired separately or included in the value of buildings, which is not depreciated since it has an indefinite useful life. With regard to free-standing properties, the value of the land is separated from the value of the related buildings by reference to internal and/or independent expert appraisals, unless this information is directly available from the purchase contract;
- works of art, which are not depreciated since they normally have an indefinite useful life and their value is likely to increase over time;
- investment properties, which are stated at fair value in accordance with IAS 40.

The depreciation charge for assets acquired during the period is determined on a daily basis from the time they enter into service. The depreciation charge for assets sold and/or disposed during the period is determined on a daily basis up to the date of transfer and/or disposal.

At each reporting date, if there is evidence that the value of an asset, other than investment property, may be impaired, its carrying value is compared with its recoverable value, being either its fair value net of any selling costs or its value in use, represented by the present value of the future cash flows to be generated by the asset, whichever is greater. Any adjustments are recorded as "net adjustments to property, plant and equipment" in the income statement.

If the reasons for recognising an impairment loss cease to apply, the consequent write-back cannot cause the value of the asset to exceed its net book value (after depreciation) had no impairment losses been recognised in prior periods.

"Investment properties" covered by IAS 40 are stated at the market value determined by independent appraisals, with changes in their fair value recorded in "net gains (losses) arising on fair value adjustments to property, plant and equipment and intangible assets" in the income statement.

Derecognition

Property, plant and equipment are derecognised upon disposal or when they are retired from use on a permanent basis and no economic benefits are expected from their disposal.

9. Intangible assets

Classification

This line item reports non-monetary assets without physical form that have the following characteristics:
- identifiability;
- control over the assets concerned;
- existence of future economic benefits.

If any one of these characteristics is absent, the related purchase or internally-generated cost is expensed in the period incurred.

Intangible assets include, in particular, applications software used over a number of years, "intangibles" associated with the valuation of customer relationships identified on allocation of the purchase price paid for lines of business, and other identifiable intangible assets representing legal or contractual rights.

This line item also includes goodwill, representing the positive difference between the purchase cost and the fair value of assets and liabilities acquired as a result of business combinations. In particular, an intangible asset is recorded as goodwill when the positive difference between the fair value of the net assets acquired and their purchase cost (including related charges) represents their ability to generate future earnings. If this difference is negative (badwill) or if the goodwill is not justified by the ability of the acquired assets/liabilities to generate future earnings, the difference is recorded directly in the income statement.

Recognition

Intangible assets are initially recorded at cost, including any directly-related charges.

Measurement

Subsequent to initial recognition, intangible assets are stated at cost, net of accumulated amortisation and any impairment losses, in accordance with the "cost model" described in paragraph 74 of IAS 38.

Intangible assets with a <u>finite useful life</u> are amortised systematically on a straight-line basis over their estimated useful lives.

The amortisation charge for assets acquired during the period is determined on a daily basis from the time they enter into service. The amortisation charge for those sold and/or disposed during the period is determined on a daily basis up to the date of transfer and/or disposal.

If there is evidence that the value of an intangible asset may be impaired, its carrying amount is compared with its recoverable value. Any adjustments are recorded in "net adjustments to intangible assets" in the income statement.

If the reasons for such impairment losses cease to apply due to events arising subsequent to the write-down, the appropriate write-backs are credited to the same income statement line item. Such write-backs cannot cause the value of the asset to exceed its net book value (after amortisation) had no impairment losses been recognised in prior periods.

Assets with an indefinite useful life, such as goodwill, are not amortised but their carrying value is tested periodically for impairment, as required by IAS 36. Any impairment losses, representing the difference between the carrying value of the asset and its recoverable value, are charged to "adjustments to goodwill" in the income statement. Impairment losses recognised for goodwill cannot be reversed in later periods.

Derecognition

Intangible assets are derecognised from the statement of financial position if no future economic benefits are expected, or on disposal.

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

Classification

These line items comprise all non-current assets/liabilities and discontinued operations held for sale, as defined by IFRS 5, i.e. those individual assets/liabilities or groups of assets/liabilities held for sale whose carrying amount will be recovered principally via sale rather than continuous use. This category also includes "discontinued operations" which, by convention, are also referred to as "groups of assets/liabilities held for sale".

Measurement

Non-current assets/liabilities (or discontinued operations) held for sale are measured at the lower of their carrying amount or their fair value, net of selling costs, except for the following assets which continue to be valued in accordance with the related accounting policies:
- deferred tax assets;
- assets deriving from employee benefits;
- financial instruments;
- investment property.

Recognition of income and expense

Income (interest income, dividends, etc.) and charges (interest expense, depreciation, etc.) relating to individual non-current assets (or discontinued operations) held for sale and the related liabilities are classified in the normal line items, while the income (interest income, dividends, etc.) and charges (interest expense, depreciation, etc.) relating to discontinued operations are classified, net of the related current and deferred taxation, in "profit (loss) from non-current assets held for sale, net of tax" in the income statement.
The depreciation of depreciable assets ceases in the period in which they are classified as non-current assets held for sale.

11. Current and deferred taxation

Income taxes, calculated in accordance with current fiscal legislation, are recorded in the income statement on an accruals basis in line with the costs and revenues that generated them, except for those relating to items debited or credited directly to equity; for consistency, the tax on such items is also booked to equity.

Income taxes reported in the income statement represent a prudent estimate of the current tax charge and the related changes in deferred tax assets and liabilities. In particular, deferred tax assets and liabilities are determined with reference to temporary differences between the book value of assets and liabilities and their tax bases. Deferred tax assets are recognised if they are likely to be recoverable, determined with reference to the Bank's ongoing ability to generate taxable income.

Deferred tax assets and liabilities are recorded in the statement of financial position as, respectively, "Tax assets" and "Tax liabilities", on an open account basis without offset.

In the case of current taxes, payments on account for individual taxes are offset against the related tax payable, with positive balances reported as "current tax assets" and negative balances as "current tax liabilities".

In accordance with paragraph 52b of IAS 12, no provision for deferred taxation has been recorded in relation to the reserves and revaluation surpluses that are in suspense for tax purposes, since their distribution is not envisaged; in this regard, the Bank has not carried out, and has no short or medium-term plans to carry out, any activities which could give rise to the payment of deferred taxes.

LIABILITIES AND EQUITY

12. Provisions for risks and charges

12.1 Pensions and similar commitments

IAS 19 classifies pension funds as post-employment benefits, making a distinction between defined contribution plans and defined benefit plans. The company pension fund for employees of the former subsidiary Cariprato (absorbed into the Parent Bank Banca Popolare di Vicenza effective 1 January 2010) is split into two sections:

3) a capitalisation section, qualifying as a defined contribution plan, for which the Bank only has the obligation to pay an annual amount calculated on the basis of salary paid to fund participants. This section is not recognized in the statement of financial position, in compliance with IAS 19. The costs of the annual payment by the Bank are recognized in the income statement;
4) a supplementary section, qualifying as a defined benefit plan, which is recognised in provisions for risks and charges in the statement of financial position. The benefits are assured by the return on the investments and by the mathematical reserve, calculated annually by an independent actuary.

12.2 Other provisions

In accordance with IAS 37, the provisions for risks and charges reflect known obligations (legal or constructive) deriving from past events, the settlement of which is likely to involve the use of economic resources whose timing and extent are uncertain, on condition that a reliable estimate can be made of the amount needed to settle them at the end of the reporting period. Where the effect of the time value of money is material because the liability's settlement date is deferred, the provisions are discounted using current market rates.

Provisions are re-examined at each reporting period and adjusted to reflect the best current estimate. These are recorded in the appropriate line items of the income statement, depending on the "nature" of the expense. In particular, provisions for future personnel expenses in connection with bonuses and other incentive schemes are classified in "payroll" costs, provisions for tax risks and charges are classified in "income taxes" and provisions for potential losses not directly attributable to specific line items in the income statement are reported in "net provisions for risks and charges".

13. Payables and debt securities in issue

Classification

Amounts due to banks and amounts due to customers include the various forms of interbank and customer funding (current accounts, restricted and unrestricted deposits, loans, repurchase agreements, etc.), while debt securities in issue report all the liabilities in respect of the Group's own issues (savings certificates, certificates of deposit, bonds not classified as "financial liabilities at fair value", etc.).

All the financial instruments issued are reported in the financial statements net of any amounts repurchased and that those which have expired at the reporting date but which have not yet been repaid.

Recognition

These financial liabilities are initially recorded on receipt of the amounts collected or on the issue of the debt securities.
They are initially recognised at the fair value of the liabilities, as uplifted for any directly-attributable acquisition costs/revenues. Costs and revenues with the above characteristics are excluded if they are reimbursable by the borrower or represent normal internal administrative costs.
The initial fair value of a financial liability usually corresponds to the amount received.

If the conditions set out in IAS 32 and 39 are satisfied, any derivatives embedded in the above financial liabilities are separated and accounted for separately.

Measurement

Following initial recognition, the above financial liabilities are stated at amortised cost using the effective interest method, except that short-term liabilities continue to be stated at nominal value since the effect of discounting is negligible.

Derecognition

Financial liabilities are derecognised when they expire or are settled. Derecognition also applies when issued securities are repurchased, even if such acquisition is only temporary. Any differences between the book value of the derecognised liability and the amount paid are recorded as "gains (losses) on disposal or repurchase of financial liabilities" in the income statement. If, subsequent to repurchase, the securities are placed back in the market, this transaction is treated as a new issue and the liabilities are recorded at the new placement price.

14. Financial liabilities held for trading

Classification

This line item reports short positions arising from trading activities and derivatives not designated as effective hedging instruments that have a negative fair value.

Derivative contracts include embedded derivatives which are attached to a primary financial instrument, known as the "host contract" when they have been recognized separately from the host and forward transactions in currencies, securities, goods and precious metals. An embedded derivative is recognised separately from the host contract when all of the following conditions are satisfied:

- its economic characteristics and risks are not closely related to those of the "host" contract;
- the separated embedded instrument meets the definition of a derivative;
- the hybrid instrument is not measured at fair value through the income statement.

If the fair value of a derivative contract subsequently becomes positive it is recorded as a financial asset held for trading.

Financial instruments are designated as financial liabilities held for trading upon initial recognition, except if former hedging derivatives with a negative fair value at the reference date are reclassified as "financial liabilities held for trading" after a hedging relationship has become ineffective. They cannot be reclassified subsequently.

Recognition, measurement, derecognition and recording of income and expense

The recognition, measurement, derecognition and recording of the effects on the income statement of the above financial liabilities are described in the earlier paragraph on "financial assets held for trading".

15. Financial liabilities at fair value

Classification

This line item reports bonds issued that are related to trading derivatives entered with an external counterparty for the purposes of transferring one or more risks associated with the liability issued (fair value option).

Financial instruments are designated as financial liabilities at fair value upon initial recognition. They cannot be reclassified subsequently.

Recognition, measurement, derecognition and recording of income and expense

The recognition, measurement, derecognition and recording of the effects on the income statement of the above financial liabilities are described in the earlier paragraph on "financial assets at fair value".

16. Transactions in foreign currency

Foreign currency assets and liabilities include not only those denominated in a currency other than the euro, but also those that carry financial indexation clauses linked to the euro exchange rate against a specific currency or a specific basket of currencies.

Foreign currency assets and liabilities are split between monetary and non-monetary items for currency translation purposes.

Recognition

Foreign currency transactions are initially recognised in euro, by translating the foreign currency amount using the spot exchange rate prevailing on the date of the transaction.

Measurement

At the end of each reporting period:
- foreign currency monetary items are translated using the year-end closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction;
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising from the settlement of monetary items or from the translation of monetary items using rates other than the initial translation rate, or the closing rate at the end of the prior period, are recorded in the income statement for the period under "net trading income", or if such differences relate to financial assets/liabilities accounted for under the fair value option permitted by IAS 39, under "net changes in financial assets and liabilities at fair value".

When gains or losses on non-monetary items are recognised in equity, the exchange differences on them are also recognised in equity in the same period. Similarly, when gains or losses on non-monetary items are recognised in the income statement, the exchange differences on them are also recognised in the income statement in the same period.

17. Other information

17.1. Provision for severance indemnities

According to IFRIC, the provision for severance indemnities is a “post-employment benefit” qualifying as a “defined benefit plan”, the value of which according to IAS 19 must be determined on an actuarial basis. As a consequence, the year-end actuarial valuation of this line item is carried out with reference to earned benefits using the Projected Unit Credit Method. This method involves the projection of future payments with reference to past trends and statistical analyses and probabilities, adopting suitable demographic techniques. This makes it possible to calculate the severance indemnities accruing at a specific date on an actuarial basis, distributing the cost over the entire remaining service of the current workforce, and no longer presenting them as a cost payable as if the business were to cease trading on the reporting date.

The provision for severance indemnities has been valued by an independent actuary using the method outlined above.

17.2. Repurchase agreements and securities lending

“Repurchase agreements”, which obligate the buyer to resell/repurchase the assets of the transaction (e.g., securities) and “securities lending” wherein the collateral is represented by cash that returns to be fully available to the lender, are treated as loans against securities and, therefore, the amounts received and paid are recorded as payables and loans. In particular, the aforesaid “repurchase agreements” and “securities loans” completed for funding purposes are recognised in the financial statements as payables for the amount received, while when completed for lending purposes they are recognised as receivables for the amount paid. These transactions do not determine movements in the securities portfolio. Accordingly, the cost of borrowing and income from lending are recorded as interest in the income statement.

17.3. Methods for determining the fair value of financial instruments

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the conditions, at current market conditions (i.e. a closing price), irrespective of whether the price is directly observable or is estimated using a valuation technique.

In the case of financial instruments listed in active markets, the fair value is determined on the basis of the most advantageous market prices to which the Bank has access (using the official or other equivalent price on the last trading day of the year in question). In this regard, a financial instrument is considered to be listed in an active market if the transactions related to the financial instruments take place often and frequently enough to provide information useful to determine the price on a continuous basis.

In the absence of an active market, fair value is determined using valuation techniques generally accepted in financial practice aimed at estimating the price at which an orderly sale or transfer of a liability between market participants would take place at the measurement date, at current market conditions. In the hierarchical order in which they are reported, these valuation techniques call for the use of:

1. the latest NAV (Net Asset Value) published by the management companies of harmonised funds (UCITS - Undertakings for Collective Investment in Transferable Securities), Hedge Funds and SICAVs;

2. listed prices for the assets or liabilities in inactive markets (e.g., those obtainable from external info providers such as Bloomberg and/or Reuters or provided by electronic-trading platforms not definable as active markets) or prices of similar assets or liabilities listed in active markets;
3. fair value obtained from valuation models (e.g. Discounted Cash Flow Analysis, Option Pricing Models), which estimate all of the possible factors that condition the fair value of a financial instrument (cost of money, credit risk, liquidity risk, volatility, exchange rates, early repayment, etc.) based on observable market data, also for similar instruments, at the valuation date. If there are not market references for one or more risk factors, we use internal parameters based on past experience and statistics (the valuation models are reviewed periodically to ensure that they are still completely reliable);
4. price indications provided by the issuer, adjusted if necessary to take account of counterparty and/or liquidity risk (e.g. the unit value communicated by the management company for closed-end funds reserved for institutional investors or other kinds of mutual funds other than those mentioned in point 1, the redemption value determined according to the issue regulations for insurance contracts);
5. for equity instruments, where the valuation techniques mentioned above are not applicable: i) the transaction prices directed on the same security or on similar securities observed within in a reasonable timescale with respect to the valuation date; ii) the value shown in independent appraisals, if available; iii) the value corresponding to the portion of net equity held as shown in the company's latest approved financial statements; iv) the cost, adjusted if necessary to take account of material impairment, where the fair value cannot be reliably determined.

If it is assumed that the initial fair value of a financial instrument is always equal to the price incurred to purchase the asset or to the price received for the transfer of the liabilities, therein including the accessory costs/revenues. Nevertheless, when in particular and specifically documented situations there is a substantial deviation between the transaction price and the related fair value, the financial instrument must be posted at a value (the fair value) other than the transaction price.

Given these considerations and in compliance with IFRS 13, the Bank classifies fair value measurements according to a hierarchy (the Fair Value Hierarchy) that reflects the reliability of the inputs on which the measurements are based. This hierarchy consists of the following levels:

- Level 2 - inputs other than listed prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. This level also includes the valuation techniques based on market approaches that mainly use data observable on the market, prices obtained from external info providers and the valuations of mutual funds based on the NAV communicated by the management company, the value of which is updated and published periodically (at least once a month) and represents the amount at which the position can be wholly or partially liquidated on the investor's initiative;
- Level 3 - inputs that are unobservable for the asset or liability but that reflect the assumptions that market participants would use when pricing the asset or liability. This level includes prices provided by the issuer counterparty or derived from independent appraisals, and those obtained with valuation models that do not use data observable in the market to estimate significant factors affecting the fair value of the financial instrument. These also include valuations of unlisted equities corresponding to the fraction of equity held in the company or derived from direct transactions observed in a reasonable timescale. Also included are the financial instruments kept at cost.

A.3 - INFORMATION ABOUT TRANSFERS BETWEEN FINANCIAL-ASSET PORTFOLIOS

A.3.1 – Reclassified financial assets: book value, fair value and effect on comprehensive income

There are no reclassified financial assets.

A.3.2 – Reclassified financial assets: effect on comprehensive income prior to transfer

No financial assets were reclassified during the year. The disclosures required by paragraph 12A d) of IFRS 7 are therefore omitted.

A.3.3 – Transfer of financial assets held for trading

No financial assets were reclassified during the year. The disclosures required by paragraph 12A c) of IFRS 7 are therefore omitted.

A.3.4 – Effective interest rate and forecast cash flows from reclassified assets

No financial assets were reclassified during the year. The disclosures required by paragraph 12A f) of IFRS 7 are therefore omitted.

A.4 - INFORMATION ABOUT FAIR VALUE

Qualitative information

A.4.1 Levels of fair value 2 and 3; valuation techniques and inputs used

The Bank gives the maximum priority to listed prices in active markets(2) .
If prices directly observable in active markets are not available, valuation techniques that maximise recourse to information available in the market and that are influenced as least as possible by subjective valuations or internal assumptions. The valuation techniques and the inputs used for the various types of financial instruments measured/not measured at fair value on a recurrent basis and for the other assets/liabilities stated at fair value on a recurrent basis for which listed prices in active markets are not available are described below.
To determine the fair value of the debt securities not listed in an active market, the Bank makes recourse, where available, to prices observed in inactive markets and/or to recent transactions that took place with similar instruments in active markets (the so-called comparable approach). For example, the price indications that can be inferred from the info providers such as Bloomberg and Reuters, the "exchange" prices listed in Markets or electronic-trading platforms that cannot be deemed to be active markets, or quotations of individual contributors specialised in trading financial instruments subject to valuation are taken into consideration. Fair value determinations made this way are assigned a Fair Value Hierarchy level 2.
If no source of information as described above is available or the Bank deems that the available sources do not reflect the real fair value of the financial instrument, valuation techniques (the so-called model valuation approach) that predominately use inputs observable in the market to estimate possible factors that affect the fair value of a financial instrument, are used. Fair values determined this way are also assumed to be at Fair Value Hierarchy level 2. If it is impossible to refer to market input data for one or more risk factors, we use internal parameters based on past experience and statistics which, when material, entail the assignment of Fair Value Hierarchy level 3.
On 31 December 2014, the only instance of debt securities stated at fair value on a recurrent basis classified in level 3 regards the junior notes subscribed by the Bank as a result of the sole securitisation transaction originated by the Bank not "reinstated " in the financial statements, being arranged prior to 1 January 2004. In this specific case, the valuations are based on the actual data of the transaction at the reference date of the financial statements. Similar techniques are used for the correlated "back to back swap" derivative.
As regards instead debt securities not stated at fair value on a recurrent basis classified in level 3, these instances refer to the senior and mezzanine notes subscribed as part of the third-party securitisations in which the Bank played the role of arranger, for which specific analyses are carried to determine the likelihood of repayment by the SPV. The overall valuation of the financial instruments never exceeds the related book value in so far that it refers to highly illiquid securities with implicit surpluses very difficult to achieve.

(2) The Bank considers as "active markets" the List of Regulated Italian Markets authorised by Consob, in the List of Regulated Markets related to foreign regulated markets recognised pursuant to the European Community law recognised pursuant to art. 67.1 of Legislative Decree 58/98 and with the List of Regulated Markets recognised pursuant to art. 67.2 of Legislative Decree 58/98 with the exclusion of the Luxembourg market. This decision was made in consideration of the fact that these markets should ensure volumes so as to minimise the so-called bid-ask spreads.

To determine the fair value of Equities not listed in an active market, the bank makes recourse to:
- transaction prices directed on the same security or on similar securities observed within in a reasonable timescale with respect to the valuation date;
- the value shown in independent appraisals, if available;
- the value corresponding to the portion of net equity held as shown in the company's latest approved financial statements.

No adjustments are made to the above values. Fair value determinations made this way are assigned a Fair Value Hierarchy level 3.

In case of equities with fair value that cannot be reliably determined as described above and that have an individually immaterial exposure (less than Euro 500 thousand), the decision was made to present them at cost, adjusted if necessary to take into account impairment write-downs.
It should be noted that the Bank classified certain equity investments not listed in active markets but for which observable "prices" are available such as, for example, the value of shares established by the Stokeholders' Meeting for co-operative banks or the Bank of Italy's valuation determined by law, at fair value level 2.

To determine the fair value of mutual funds not listed in an active market, the bank uses the NAV reported by the management company without making any adjustment to it.
Mutual funds' investments, the NAV of which is periodically updated and published (at least once a month) and that represents the amount at which the position can be liquidated on the investor's initiative, are classified at Fair Value Hierarchy level 2. In contrast, investments such as those characterised by material levels of illiquidity (e.g., hedge funds, private equity funds and more generally closed-end real estate funds) are assigned Fair value Hierarchy level 3. A similar classification is used also for the capitalisation certificates held and measured based on the redemption value reported by the issuer.

To measure own bond issues, special Discounting Cash Flow-type models are used that call for the discounting of expected cash flows through the use of a discount curve representing both the funding spread, established by the issuer in the primary market, and any change in the issuer's creditworthiness during the life of the loan.
The funding spread is made equal to the cost of the borrowing determined with the activation of the "hedge" or, in want thereof, based on the spread with which the "hedge" could have been stipulated when the bond was issued.

The spread representative of the change in creditworthiness is determined only if a specialised agency reports a change the Bank's rating after the issue date of the individual bond. This change is assumed to be equal to the average cumulative probabilities of default for issuers in the financial sector having the same rating as the Bank (pre- and post-downgrade) identifiable from the report published annually by the rating agency Standard & Poor's. The change of the above PD is then converted into a credit spread equivalent and applied to the individual bond issues.
This valuation technique (Fair value level 2) is consistent with the quantification of the bond's initial fair value that is always recognised in financial statements at the price received for the transfer of the liability.

To determine the fair value of the OTC derivatives, the valuation techniques employed use predominately material inputs based on observable market parameters (Interest rate curve, Volatilities, Credit curve, Spot price, etc.) derived in a sterilised manner every day from the Reuters info provider.

An adjustment determined on the basis of the so-called EL (Expected Loss) obtained multiplying the probability of default associated with the counterparty based on the internal rating system and estimated on a time horizon equal to the residual life of each individual derivative, by the LGD (Loss Given Default) of the on-demand loans is applied to outstanding contracts with (Corporate and Retail) customers that present a positive market value for the Bank.

No adjustment of value attributable to counterparty risk arising from a market value positive for the Bank (CVA) or arising from a market value negative for the Bank (DVA), is instead made to the OTC derivative instruments traded with market counterparties with which specific bilateral offsetting agreements collateralised by "credit support annex" contracts which govern the financial cash collateral have been stipulated. A similar treatment is also observed for the transactions entered into materially with investee companies of the Bank that result in exclusive control, a situation of significant influence or of joint ventures.

For "Loans and advances to banks" and for the "Amounts due to banks" of short duration (coming due within 12 months), by convention, the book value is assumed to be the fair value, whereas the corresponding medium-long term items are measured based on the discounted cash flow technique prescribed by contract through the use of risk free curves adjusted if necessary to take into account the credit risk of the counterparty or of the bank itself. Fair value determinations made this way are assigned a Fair Value Hierarchy level 3.

For the "Loans and advances to customers" of short duration (coming due within 12 months), by convention, the book value is assumed to be the fair value. The valuation of medium term loans and advances corresponds to the sum of the future cash flows prescribed by contract, including interest, discounted with reference to a risk-free rate curve. The expected nominal cash flows are adjusted for expected losses using the probability of default (PD) within one year and of loss-given-default (LGD) parameters attributed to the specific class of risk and determined with reference to past experience and statistics. Fair value determinations made this way are assigned a Fair Value Hierarchy level 3.

For the "amounts due to customers" of short duration (coming due within 12 months) by convention, the book value is assumed to be the fair value. The measurement of the medium-long term liabilities other than bonds issued already illustrated are measured based on the discounted cash flow technique prescribed by contract, adjusted to take into account the banks own credit risk if necessary. Fair value determinations made this way are assigned a Fair Value Hierarchy level 3.

Finally, the fair value investment property is derived from appraisals performed by outside companies. Fair value determinations made this way are assigned a Fair Value Hierarchy level 3.

A.4.2 Valuation processes and sensitivity

Based on the above, the financial instruments stated at fair value on a recurrent basis and classified in level 3 of the hierarchy provided for by IFRS 13 are almost wholly measured based on "passive" techniques predominantly based on information, non-adjusted, derived from third parties, (e.g., NAV) or however in any case valuations made based on public information from the financial statements).

Thus, any sensitivity analysis would have little meaning. In this regard, the table below provides indications regarding the valuation techniques used for the Group financial instruments stated at fair value on a recurrent basis and classified in the Fair Value Hierarchy level 3.

Assessment techniques used (in thousands of euro)	Total	*Assessment techniques*					
		Internal model	Net Assets Value	Recent transactions	Equity	External appraisals	Cost
Financial assets held for trading	340	340	-	-	-	-	-
- Derivatives (back to back swap)	340	340	-	-	-	-	-
Financial assets available for sale	306,096	10,619	110,027	140,829	33,794	10,140	687
- Debt securities (Asset Backed Securieties - tranche junior)	10,664	10,619	-	-	-	-	45
- Equities unlisted	208,625	-	23,220	140,829	33,794	10,140	642
- Mutual funds	59,784	-	59,784	-	-	-	-
- Loans (capitalization certificates)	27,023	-	27,023	-	-	-	-

In this regard, under the term "Net Asset Value" a similar classification is also used for the capitalisation certificates held and measured based on the redemption value reported by the issuer as well as certain equity investments in vehicle companies purposely formed to manage private equity investments. Recent transactions include both transactions carried out by investee companies and trading of equities between stockholders observed in a reasonable period of time.

A.4.3 Fair value hierarchy

The techniques for determining fair value for the various types of financial instruments and for investments properties are the same as those used in previous years also and did not result in transfers between the various levels of the Fair value hierarchy provided for by IFRS 13.
The only exception is an equity investment for a trivial amount that was reclassified from level 1 to level 3 following the delisting of the security.

A.4.4 Other information

There is no other information worthy of disclosure.

Quantitative information

A.4.5 Fair value hierarchy

A.4.5.1 Financial assets and liabilities at fair value on a recurrent basis: breakdown by levels of fair value

Financial assets/liabilities at fair value	31/12/2014			31/12/2013		
	L 1	L 2	L 3	L 1	L 2	L3
1. Financial assets held for trading	1,005,954	6,471,712	340	69,356	1,981,598	836
2. Financial assets at fair value	-	4,260	-	-	-	-
3. Financial assets available for sale	3,822,854	230,427	306,069	2,910,625	259,885	312,679
4. Hedging derivatives	-	94,881	-	-	74,060	-
5. Property, plant and equipment	-	-	7,973	-	-	7,973
6. Intangible assets	-	-	-	-	-	-
Total	**4,878,808**	**6,801,280**	**314,409**	**2,979,981**	**2,315,543**	**321,488**
1. Financial liabilities held for trading	68,563	5,879,937	-	52,999	1,667,702	-
2. Financial liabilities at fair value	-	1,425,310	-	-	1,602,284	-
3. Hedging derivatives	-	458,932	-	-	365,837	-
Total	**68,563**	**7,764,179**	**-**	**52,999**	**3,635,823**	**-**

Key:
L1= Level 1
L2= Level 2
L3= Level 3

During the year no financial instruments were transferred between fair value levels 1 and 2. The disclosures required by paragraph 27B b) of IFRS 7 are therefore omitted.

Level 3 financial assets mainly refer to:
- junior notes (Euro 10,619 thousand) and the related back-to-back swaps (Euro 340 thousand) originating from the securitisation transaction called "Berica Residential Mbs1", measured based on a capital model directed at quantifying the expectations that the special purpose vehicle will pay;
- capitalisation certificates (Euro 27,023 thousand), for which the fair value is taken to be the redemption value reported by the management company;
- equity interests not listed in an active market and of material amounts (a total of Euro 184,793 thousand) for which the fair value is determined based on the value deriving from recent transactions between stockholders, from internal and/or external appraisals or, as a last resort, the corresponding portion of equity held. For those whose individual amount is immaterial (a total of Euro 642 thousand), the fair value is equal to the cost, adjusted, if necessary, to take material impairment into account;
- mutual funds (Euro 59,784 thousand) and similar investments (Euro 23,191 thousand), whose fair value is determined based on the latest NAV reported by the management company;
- debt securities in default amounting to Euro 44 thousand;
- investment property (buildings and land) the fair value of which is determined on the base of independent appraisals.

Given the above, for most of the financial instruments classified at level 3 in the hierarchy set forth by IFRS 7 "passive" measurement techniques were used (NAV or redemption values reported by the various management companies, values derived from the company's equity or from independent appraisals obtained by the Bank, etc.) which do not use financial models based on market data and, therefore, any fair value sensitivity breakdown (IFRS 7, par. 27 e) would have little meaning.

A.4.5.2 – Annual changes in financial assets at fair value on a recurring basis (level 3)

	Financial assets held for trading	Financial assets at fair value al fair value	Financial assets available for sale	Hedging	Property plant and equipment	Intangible assets
1. Opening balance	**836**	**-**	**312,679**	**-**	**7,973**	**-**
2. Increases	**-**	**-**	**61,597**	**-**	**-**	**-**
2.1. Purchases	-	-	37,332	-	-	-
- of which: business combinations	-	-	-	-	-	-
2.2. Profits booked to:	-	-	24,265	-	-	-
2.2.1. Income statement	-	-	4,304	-	-	-
- of which: capital gains	-	-	3,467	-	-	-
2.2.2. Equity	X	X	19,961	-	-	-
2.3. Transfers from other levels	-	-	-	-	-	-
2.4. Other increases	-	-	-	-	-	-
3. Decreases	**496**	**-**	**68,180**	**-**	**-**	**-**
3.1. Sales	-	-	24,292	-	-	-
3.2. Reimbursements	-	-	-	-	-	-
3.3. Losses booked to:	496	-	43,551	-	-	-
3.3.1. Income statement:	496	-	31,684	-	-	-
- of which: losses	496	-	31,684	-	-	-
3.3.2. Equity	X	X	11,867	-	-	-
3.4. Transfers to other levels	-	-	-	-	-	-
3.5. Other decreases	-	-	337	-	-	-
4. Closing balance	**340**	**-**	**306,096**	**-**	**7,973**	**-**

With reference to financial assets held at year end and in compliance with paragraph 27B d) of IFRS 7, the following is reported:

- Financial assets held for trading: losses recognised in the income statement all refer to measurement losses on back-to-back swaps associated with the "Berica Residential MBS 1" securitisation, recognised in "Net trading income" (income statement line item 80);
- Financial assets available for sale: profits and losses recognised in equity all refer to fair value changes recorded in the year and recognised, net of tax, in line item 100 "Financial assets available for sale" of the statement of comprehensive income. Profits and losses recognised in the income statement refer to changes in values recognised according to IAS 39 recorded in income statement line item 130 "Net impairment adjustments to financial assets available for sale" and to the trading income and losses recorded in income statement line item 100 "Gains (losses) on disposal or repurchase".

A.4.5.3 – Annual changes in financial liabilities at fair value on a recurring basis (level 3)

During the year there were no changes in financial liabilities at fair value level 3. Therefore, the related table is omitted.

A.4.5.4 – Assets and liabilities not stated at fair value or stated at fair value on a non-recurring basis: breakdown by levels of fair value

	31/12/2014				31/12/2013			
Financial assets/liabilities not valued at fair value or at fair value on a non- recurring basis	Book value	L1	L2	L3	Book value	L1	L2	L3
1. Financial assets held to maturity	-	-	-	-	-	-	-	-
2. Loans and advances to banks	3,308,250	-	610,000	2,598,285	3,835,792	-	652,493	3,173,463
3. Loans and advances to customers	25,148,703	-	154,537	26,691,521	27,333,429	-	15,626	28,927,948
4. Investiment property	-	-	-	-	-	-	-	-
5. Non-current assets held for sale	-	-	-	-	-	-	-	-
Total	**28,456,953**	**-**	**764,537**	**29,289,806**	**31,169,221**	**-**	**668,119**	**32,101,411**
1. Due to banks	4,887,363	-	-	4,879,714	7,357,675	-	-	7,312,729
2. Due to customers	19,175,427	-	-	19,175,640	20,174,268	-	-	20,172,673
3. Debt securities	6,886,347	-	7,183,599	92,797	6,627,062	-	6,564,518	93,699
4. Liabilities associated with assets held for sale	-	-	-	-	-	-	-	-
Total	**30,949,137**	**-**	**7,183,599**	**24,148,151**	**34,159,005**	**-**	**6,564,518**	**27,579,101**

A.5 – "DAY ONE PROFIT/LOSS" DISCLOSURE

The Bank did not undertake any transactions during the year involving the recognition of "day one profit/loss".

PART B – INFORMATION ON THE STATEMENT OF FINANCIAL POSITION

ASSETS

SECTION 1

Cash and cash equivalents – Line item 10

1.1 Cash and cash equivalents: breakdown

	31/12/2014	31/12/2013
a) Cash	155,791	146,926
b) Unrestricted deposits with central banks	-	2,200,000
Total	**155,791**	**2,346,926**

Line b) "Unrestricted deposits with central banks" of 31 December 2013 referred to an overnight deposit made for day to day liquidity management needs within the period of maintenance of the mandatory reserve, extinguished in 2014.

SECTION 2

Financial assets held for trading – Line item 20

2.1 Financial assets held for trading: breakdown by type

Items/Amounts	31/12/2014			31/12/2013		
	L 1	L 2	L 3	L 1	L 2	L3
A. Cash assets						
1. Debt securities	1,033,390	93,446	-	49,831	44,733	-
1.1 Structured securities	9,707	77,266	-	-	28,907	-
1.2 Other debt securities	1,023,683	16,180	-	49,831	15,826	-
2. Equities	22,535	-	-	19,525	-	-
3. Mutual funds	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	**1,055,925**	**93,446**	**-**	**69,356**	**44,733**	**-**
B. Derivatives						
1. Financial derivatives	29	6,378,266	340	-	1,936,865	836
1.1 dealing	29	6,271,572	340	-	1,790,810	836
1.2 connected with the fair value option	-	106,694	-	-	146,055	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 dealing	-	-	-	-	-	-
2.2 connected with the fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total B	**29**	**6,378,266**	**340**	**-**	**1,936,865**	**836**
Total (A+B)	**1,055,954**	**6,471,712**	**340**	**69,356**	**1,981,598**	**836**

Structured securities mainly refer to bonds with payoffs linked to the performance of equity indexes or specific baskets of shares.

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

Items/Amounts	31/12/2014	31/12/2013
A. CASH ASSETS		
1. Debt securities	**1,126,836**	**94,564**
a) Governments and central banks	1,010,808	49,831
b) Other public entities	-	-
c) Banks	63,588	26,183
d) Other issuers	52,440	18,550
2. Equities	**22,535**	**19,525**
a) Banks	3,184	70
b) Other issuers:	19,351	19,455
- insurance companies	1,161	970
- financial companies	952	-
- non-financial companies	17,238	18,485
- other	-	-
3. Mutual funds	**-**	**-**
4. Loans	**-**	**-**
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other issuers	-	-
Total A	**1,149,371**	**114,089**
B. DERIVATIVES		
a) Banks		
- fair value	5,230,232	1,474,598
b) Customers		
- fair value	1,148,403	463,103
Total B	**6,378,635**	**1,937,701**
Total (A+B)	**7,528,006**	**2,051,790**

There are no “Equities” issued by parties classified as non-performing or watchlist.

The Bank uses bilateral offsetting arrangements relating to operations in over-the-counter derivatives with principal market counterparties, giving the option to offset creditor positions against debtor positions in the event of counterparty default. For the purpose of mitigating credit risk further, specific Credit Support Annex contracts have been entered with the Bank’s most frequent counterparties with the aim of regulating the provision of cash collateral financial guarantees.

Exposures in derivatives towards customers also include transactions carried out with financial companies, habitual market counterparties of the Bank in these transactions.

2.3 Cash financial assets held for trading: annual changes

	Debt securities	Equities	Mutual funds	Loans	Total
A. Opening balance	**94,564**	**19,525**	**-**	**-**	**114,089**
B. Increases	**3,281,477**	**132,753**	**-**	**-**	**3,414,230**
B1. Purchases	3,185,786	129,787	-	-	3,315,573
B2. Positive changes in fair value	4,015	555	-	-	4,570
B3. Other changes	91,676	2,411	-	-	94,087
C. Decreases	**2,249,205**	**129,743**	**-**	**-**	**2,378,948**
C1. Sales	2,144,521	125,622	-	-	2,270,143
C2. Redemptions	35,821	-	-	-	35,821
C3. Negative changes in fair value	1,913	1,925	-	-	3,838
C4. Transfers to other asset portfolios	-	-	-	-	-
C5. Other changes	66,950	2,196	-	-	69,146
D. Closing balance	**1,126,836**	**22,535**	**-**	**-**	**1,149,371**

The "Other changes" of line B3. of "Debt securities" include the trading profit (Euro 22,150 thousand, of which Euro 14,128 thousand relating to short positions) recorded in the income statement line 80 "Net trading income", the differential between opening and closing coupons (Euro 575 thousand), the issue discounts for the year (Euro 387 thousand) and for the remainder to "short positions" (on securities) existing at the end of the year.

The "Other changes" of line C5., of "Debt securities" refer to the trading loss (Euro 13,952 thousand, of which Euro 13,896 thousand relating to short positions) recorded in the income statement line item 80 "Net trading income", and for the remainder to initial balances of "short positions" (on securities) existing at 31 December 2013.

"Other changes" in lines B.3 and C.5 pertaining to "Equities" report trading profits and losses respectively, recognised in "Net trading income" (income statement line item 80).

SECTION 3

Financial assets at fair value – Line item 30

3.1 Financial assets at fair value: breakdown by type

Items/Amounts	31/12/2014			31/12/2013		
	L 1	L 2	L 3	L 1	L 2	L3
1. Debt securities	-	4,260	-	-	-	-
1.1 Structured securities	-	4,260	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equities	-	-	-	-	-	-
3. Mutual funds	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Structured	-	-	-	-	-	-
4.1 Structured	-	-	-	-	-	-
Total	**-**	**4,260**	**-**	**-**	**-**	**-**
Cost	**-**	**-**	**-**	**-**	**-**	**-**

The item refers to a bond convertible to shares for which the Bank applied the fair value option.

3.2 Financial assets at fair value: breakdown by debtor/issuer

Items/Amounts	31/12/2014	31/12/2013
1. Debt securities	4,260	-
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other issuers	4,260	-
2. Equities	-	-
a) Banks	-	-
b) Other issuers:	-	-
- insurance companies	-	-
- financial companies	-	-
- non-financial companies	-	-
- other	-	-
3. Mutual funds	**-**	**-**
4. Loans	**-**	**-**
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other issuers	-	-
Total	**4,260**	**-**

3.3 Financial assets at fair value: changes during the year

	Debt securities	Equities	Mutual funds	Loans	Total
A. Opening balance					
B. Increases	**4,653**	**-**	**-**	**-**	**4,653**
B1. Purchases	4,609	-	-	-	4,609
B2. Positive changes in fair value	-	-	-	-	-
B3. Other changes	44	-	-	-	44
C. Decreases	**393**	**-**	**-**	**-**	**393**
C1. Sales	-	-	-	-	-
C2. Redemptions	-	-	-	-	-
C3. Negative changes in fair value	393	-	-	-	393
C4. Other changes	-	-	-	-	-
D. Closing balance	**4,260**	**-**	**-**	**-**	**4,260**

Line C.3 refers to the negative change in fair value" reported in "Net change in financial assets and liabilities at fair value" (income statement line item 110).

SECTION 4

Financial assets available for sale – Line item 40

4.1 Financial assets available for sale: breakdown by type

Items/Amounts	31/12/2014			31/12/2013		
	L 1	L 2	L 3	L 1	L 2	L3
1. Debt securities	3,733,144	6,106	10,664	2,843,732	41,108	8,543
1.1 Structured securities	-	-	-	-	5,958	-
1.2 Other debt securities	3,733,144	6,106	10,664	2,843,732	35,150	8,543
2. Equities	87,968	21,808	208,625	65,118	20,855	216,387
2.1 Carried at fair value	87,968	21,808	207,983	65,118	20,855	213,017
2.2 Carried at cost	-	-	642	-	-	3,370
3. Mutual funds	1,742	202,513	59,784	1,775	197,922	61,494
4. Loans	-	-	27,023	-	-	26,255
Total	**3,822,854**	**230,427**	**306,096**	**2,910,625**	**259,885**	**312,679**

Line 1. includes debt securities temporarily sold under funding repurchase agreements.

Level 2 "Equities" include (Euro 17,175 thousand) the shares hold in the capital of the Bank of Italy.

"Equities carried at cost" refer to certain individually immaterial equity interests, whose fair value cannot be reliably or verifiably determined and so are reported at cost, as adjusted for any impairment.

Line 4. "Loans" consists of the capitalisation certificates.

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

Items/Amounts	31/12/2014	31/12/2013
1. Debt securities	**3.749,914**	**2,893,383**
a) Governments and central banks	3,733,170	2,844,802
b) Other public entities	-	-
c) Banks	483	34,433
d) Other issuers	16,261	14,148
2. Equities	**318,401**	**302,360**
a) Banks	119,971	120,514
b) Other issuers:	198,430	181,846
- insurance companies	-	-
- financial companies	49,783	50,004
- non-financial companies	148,647	131,842
- other	-	-
3. Mutual funds	**264,039**	**261,191**
4. Loans	**27,023**	**26,255**
a) Governments and central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other issuers	27,023	26,255
Total	**4,359,377**	**3,483,189**

"Debt securities" are mainly connected to the Bank's investments in Italian government securities, some of which are backed by micro hedges against interest rate risk and inflation, both as fair value hedges and cash flow hedges.

"Equities" include Euro 1,062 thousand in equity interests issued by parties classified as watchlist and Euro 7,193 thousand in equity interests issued by parties classified as restructured.

Mutual funds mainly refer to investments in funds with underlying fund units (Euro 202,263 thousand) in real estate funds (Euro 19,145 thousand), in closed-end mutual funds (Euro 42,381 thousand) and for the remainder to closed-end funds reserved for private equity institutional investors, which mainly invest in non-financial companies and companies not listed on active markets.

4.3 Financial assets available for sale with micro hedges

Items/Amounts	31/12/2014	31/12/2013
1. Debt securities	3,131,355	2,116,812
2. Equities	-	-
3. Mutual funds	-	-
4. Loans	-	-
Total	**3,131,355**	**2,116,812**

Assets hedged refer to government securities for a nominal Euro 300 million (BTP and BTP inflation linked) that had been micro hedged against interest rate and inflation risk, and for a nominal Euro 2,495 million that had been micro hedged against cash flows.

The tests carried out at year end confirmed the effectiveness of the hedges. The net effect of changes in the fair value of the hedged assets, limited to the hedged risks under fair value hedging, and of the related hedging derivatives, was a positive amount of Euro 949 thousand, recorded under "Net hedging gains (losses)" of the income statement.

4.4 Financial assets available for sale: annual changes

	Debt securities	Equities	Mutual funds	Loans	Total
A. Opening balance	**2,893,383**	**302,360**	**261,191**	**26,255**	**3,483,189**
B. Increases	**6,623,699**	**111,125**	**19,979**	**899**	**6,755,702**
B1. Purchases	6,164,681	94,814	3,785	899	6,264,179
B2. Positive changes in fair value	409,484	11,556	9,531	-	430,571
B3. Writebacks	3,467	3,145	5,946	-	12,558
- booked to income statement	3,467		-	-	3,467
- booked to equity	-	3,145	5,946	-	9,091
B4. Transfers from other asset portfolios	-	-	-	-	-
B5. Other changes	46,067	1,610	717	-	48,394
C. Decreases	**5,767,168**	**95,084**	**17,131**	**131**	**5,879,514**
C1. Sales	5,761,119	61,387	1,023	-	5,823,529
C2. Redemptions	3,332	-	-	-	3,332
C3. Negative changes in fair value	497	14,650	3,022	-	18,169
C4. Impairment writedowns	821	19,047	13,078	-	32,946
- booked to income statement	821	18,776	13,078	-	32,675
- booked to equity	-	271	-	-	271
C5. Transfers to other asset portfolios	-	-	-	-	-
C6. Other changes	1,399	-	8	131	1,538
D. Closing balance	**3,749,914**	**318,401**	**264,039**	**27,023**	**4,359,377**

The positive and negative changes in fair value in lines B2. and C3. include the net changes in fair value (positive by Euro 111,523 thousand) referring to the securities that are subject to micro hedging, recorded under "Net hedging gains (losses)" (line item 90 in the income statement). "Write-backs - recognised in the income statement" of line B3. and "Impairment write-downs" in line C4. refer to write backs and impairment losses recognised under IAS 39 on some of the financial instruments held by the Bank.

"Other changes" in lines B5. and C6. report the profits and losses respectively arising on reimbursement/disposal of financial assets available for sale, recognised in "Gains (losses) on disposal or repurchase" (income statement line item 100) along with the reversal to income of the related "Valuation reserves" from equity.

"Other changes" in line B5. also include the exchange rate differences on mutual funds denominated in foreign currencies amounting to Euro 27 thousand, and the differential between opening and closing coupons (Euro 2,266 thousand for "debt securities").

"Other changes" in line C6. also include the adjustment for amortized cost relating to the year (Euro 395 thousand) recognized in the income statement as a reduction from coupon interest income, the issue discounts during the year (Euro 107 thousand) and the differential between opening and closing coupons (Euro 131 thousand) for "loans".

SECTION 5

Financial assets held to maturity – Line item 50

Nothing has been classified in this line item because the Bank does not hold any financial assets in this category.

SECTION 6

Loans and advances to banks – Line item 60

6.1 Loans and advances to banks: breakdown by type

Type of transaction/Amounts	31/12/2014				31/12/2013			
	VB	FV			VB	FV		
		Livello 1	Livello 2	Livello 3		Livello 1	Livello 2	Livello 3
A. Deposits with central banks	**183,188**				**406,432**			
1. Time deposits	-	X	X	X	-	X	X	X
2. Compulsory reserve	183,188	X	X	X	406,432	X	X	X
3. Repurchase agreements	-	X	X	X	-	X	X	X
4. Other	-	X	X	X	-	X	X	X
B. Loans and advances to banks	**3,125,062**				**3,429,360**			
1. Loans:								
1.1 Current accounts and sight deposits	376,022	X	X	X	275,921	X	X	X
1.2. Time deposits	194,220	X	X	X	153,736	X	X	X
1.3 Other loans	1,937,525	X	X	X	2,337,375	X	X	X
- Repurchase agreements	923,498	X	X	X	1,383,857	X	X	X
- Finance leases	-	X	X	X	-	X	X	X
- Other	1,014,027	X	X	X	953,518	X	X	X
2. Debt securities	617,295				662,328			
2.1 Structured securities	-	X	X	X	-	X	X	X
2.2 Other debt securities	617,295	X	X	X	662,328	X	X	X
Total	**3,308,250**	**-**	**610,000**	**2,598,285**	**3,835,792**	**-**	**652,493**	**3,173,463**

Key:

FV= fair value, VB= book value

Net impaired loans to banks amount to Euro 298 thousand at 31 December 2014, all of which relate to a loan to a Russian bank, classified as non-performing.

Line A.2. shows the balance of the "management account" with Bank of Italy and includes the reserve subject to maintenance and the "mobilisable" part of this reserve.

Line B.1.1.2. includes the "compulsory reserve" satisfied indirectly on behalf of the banking subsidiaries for a total of Euro 22,015 thousand.

For the determination of the fair value of loans and advances to banks, please see the previous Section A.4 - "Information about fair value".

6.2 Loans and advances to banks with micro hedges

There are no loans and advances to banks with micro hedges.

6.3 Finance leases

There are no finance leases with banks.

SECTION 7

Loans and advances to customers – Line item 70

7.1 Loans and advances to customers: breakdown by type

Type of transaction/Amounts	31/12/2014						31/12/2013					
	Book value			Fair value			Book value			Fair value		
	Performing loans	Impaired loans		L1	L2	L3	Performing loans	Impaired loans		L1	L2	L3
		Purchased	Other					Purchased	Other			
Loans												
1. Current accounts	3,552,291	-	777,062	X	X	X	3,642,743	-	771,062	X	X	X
2. Repurchase agreements	844,050	-	-	X	X	X	2,216,789	-	-	X	X	X
3. Mortgages	12,769,313	-	2,394,004	X	X	X	13,718,647	-	2,164,419	X	X	X
4. Credit cards, personal loans and assignments of one-fifth of salary	111,362	-	6,581	X	X	X	121,830	-	6,614	X	X	X
5. Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
7. Other loans	3,952,009	-	551,979	X	X	X	4,109,376	-	525,779	X	X	X
Debt securities	185,670	-	4,382				51,998	-	4,172			
8. Structured securities	-	-	4,382	X	X	X	-	-	4,172	X	X	X
9. Other debt securities	185,670	-	-	X	X	X	51,998	-	-	X	X	X
Total	**21,414,695**	**-**	**3,734,008**	**-**	**154,582**	**26,691,521**	**23,861,383**	**-**	**3,472,046**	**-**	**15,626**	**28,927,948**

Loans and advances to customers are reported in the financial statements at amortised cost, less specific and portfolio write-downs recognised in accordance with IAS 39.

Line 2. "Repurchase agreements" relates to transactions carried out mainly with Cassa di Compensazione e Garanzia (Italy's securities clearing house).

Line 3. "Mortgages" includes Euro 6,075.4 million, of which impaired assets amounting to Euro 253 million, assets sold but not derecognised relating to the mortgages sold as part of certain securitisations originated by the Bank which, since they do not satisfy the IAS 39 requirements for derecognition, have been "reinstated" in the financial statements.

"Other loans" in line 7. report Euro 143,782 thousand for the difference between the reinstatement of assets sold under self-securitisations and the accompanying elimination of the corresponding liability for the asset-backed securities subscribed under these loans.
The same line also includes operating receivables from customers for the performance of financial services (Euro 23,693 thousand) and guarantee deposits (Euro 31,269 thousand) carried out within the scope of certain securitisations originated by Bank.

For the determination of the fair value of loans and advances to customers, please see the previous Section A.4 - "Information about fair value".

7.2 Loans and advances to customers: breakdown by debtor/issuer

Type of transaction/Amounts	31/12/2014			31/12/2013		
	Performing loans	Impaired loans		Performing loans	Impaired loans	
		Purchased	Other		Purchased	Other
1. Debt securities	**185,670**	**-**	**4,382**	**51,998**	**-**	**4,172**
a) Governments	-	-	-	-	-	-
b) Other public entities	-	-	-	-	-	-
c) Other issuers	185,670	-	4,382	51,998	-	4,172
- non-financial companies	45,776	-	4,382	-	-	4,172
- financial companies	139,894	-	-	51,998	-	-
- insurance companies	-	-	-	-	-	-
- other	-	-	-	-	-	-
2. Loans to:	**21,229,025**	**-**	**3,729,626**	**23,809,385**	**-**	**3,467,874**
a) Governments	1	-	-	2	-	-
b) Other public entities	43,967	-	49,323	38,817	-	52,517
c) Other issuers	21,185,057	-	3,680,303	23,770,566	-	3,415,357
- non-financial companies	10,703,392	-	2,808,585	12,512,409	-	2,508,257
- financial companies	2,488,456	-	94,759	3,605,146	-	67,911
- insurance companies	6,774	-	-	2,491	-	516
- other	7,986,435	-	776,959	7,650,520	-	838,673
Total	**21,414,695**		**3,734,008**	**23,861,383**	**-**	**3,472,046**

7.3 Loans and advances to customers with micro hedges

La Banca ha posto in essere, allo scopo di contenere/ridurre l'esposizione al rischio di tasso The Bank, in order to contain/reduce exposure to the interest rate risk of the value of the banking book, activated hedges of the cash flows of some portfolios of floating rate mortgages linked to the three-month Euribor, for a total amount of Euro 2,250 million at 31 December 2014. At the same date, moreover, hedges of fixed rate mortgages and of floating rate mortgages with maximum rate were implemented for a total amount of Euro 929 million.

7.4 Finance leases

There are no finance leases with customers.

SECTION 8

Hedging derivatives – Line item 80

8.1 Hedging derivatives: analysis by type of hedge and level

	Fair Value 31/12/2014			VN	Fair Value 31/12/2013			VN
	L1	L2	L3	31/12/2014	L1	L2	L3	31/12/2013
A. Financial derivatives	**-**	**94,881**	**-**	**5,615,839**	**-**	**74,060**	**-**	**3,772,007**
1) Fair value	-	44,589	-	1,115,839	-	69,562	-	1,722,007
2) Cash flows	-	50,292	-	4,500,000	-	4,498	-	2,050,000
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**94,881**	**-**	**5,615,839**	**-**	**74,060**	**-**	**3,772,007**

Key
NV = notional value
L1: Level 1
L2: Level 2
L3: Level 3

This line item reports derivatives with a positive fair value, taken out to hedge interest rate risk relating to specific fixed-rate and floating-rate with maximum rate mortgage books recorded under "Loans and advances to customers" and individual own bond issues classified as "Debt securities in issue". This line item also reports derivatives with a positive fair value, taken out to hedge cash flows relating to specific floating-rate mortgage books recorded under "Loans and advances to customers".

The underlying assets of cash flow hedging derivatives for mortgages refer both to interest rate swaps and to the related swaption collars that enable to limit the consequences of any sudden changes in the interest rate curve.

8.2 Hedging derivatives: analysis by hedged portfolio and type of hedge

Transactions/Type of hedge	Fair Value						Cash flows		Foreign invest-ments
	Micro					Macro	Micro	Macro	
	Interest rate risk	Ex-change risk	Credit risk	Price risk	Multi-ple risk				
1. Financial assets available for sale	-	-	-	-	-	X	-	X	X
2. Loans and advances	11,084	-	-	X	-	X	50,292	X	X
3. Financial assets held to maturity	X	-	-	X	-	X	-	X	X
4. Portfolio	X	X	X	X	X	-	X	-	X
5. Other transactions	-	-	-	-	-	X	-	X	-
Total assets	**11,084**	**-**	**-**	**-**	**-**	**-**	**50,292**	**-**	**-**
1. Financial liabilities	33,505	-	-	X	-	X	-	X	X
2. Portfolio	X	X	X	X	X	-	X	-	X
Total liabilities	**33,505**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Expected transactions	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	-	X	-	-

To represent the aforesaid hedging transactions, the Bank opted for the “Micro Fair Value Hedge” accounting model for those relating to own-issue bonds and to investments in government bonds, while it used the “Macro Fair Value Hedge” model for those relating to mortgage loans, with the consequent recognition of the revaluations of the hedged assets in Asset line item 90 “Remeasurement of financial assets backed by macro hedges”.

SECTION 9

Remeasurement of financial assets backed by macro hedges – Line item 90

9.1 Remeasurement of hedged assets: analysis by hedged portfolio

Type of transaction/Amounts	31/12/2014	31/12/2013
1. Positive fair value	**67,361**	**41,429**
1.1 in specific portfolios:	67,361	41,429
a) loans and advances	67,361	41,429
b) financial assets available for sale	-	-
1.2 aggregate	-	-
2. Negative fair value	**(10,844)**	**(22,822)**
2.1 in specific portfolios:	(10,844)	(22,822)
a) loans and advances	(10,844)	(22,822)
b) financial assets available for sale	-	-
2.2 aggregate	-	-
Total	**56,517**	**18,607**

This line item reports fair value changes in fixed-rate mortgages and floating-rate mortgages with maximum rates classified as “Loans and advances to customers” that are hedged by Interest Rate Swaps and Interest Rate Caps in order to limit/reduce exposure to interest rate risk of the banking book value.

The Bank has accounted for these hedges in the financial statements using the Macro Fair Value Hedging accounting model. Consequently, the write-back/write-down of hedged assets in compliance with IAS 39 is reported in this line item, with the matching entry recognized in “Net hedging gains (losses)” (income statement line item 90), together with the results of measuring the associated hedging derivatives.

9.2 Assets backed by macro hedges of interest rate risk

Hedged assets	31/12/2014	31/12/2013
1. Loans and advances	929,247	821,687
2. Financial assets available for sale	-	-
3. Portfolio	-	-
Total	**929,247**	**821,687**

The amounts shown in the table above refer to the remaining balance of principal due to expire of the hedged assets.

SECTION 10

Equity investments – Line item 100

10.1 Equity investments: disclosures

Name	Registered Office	Headquarters	% held	Voting rights %
A. SUBSIDIARY COMPANIES				
1. BANCA NUOVA SpA Capital Stock Euro 206,300,000 in shares of par value Euro 1.0	PALERMO	PALERMO	100.00	100.00
2. IMMOBILIARE STAMPA S.c.p.a. Stock Euro 214,400,000 in shares of par value Euro 500	VICENZA	VICENZA	99.92	99.92
3. BPV FINANCE INTERNATIONAL Plc Stock Euro 103,291 in shares of par value Euro 1	DUBLINO	DUBLINO	99.99	99.99
4. PRESTINUOVA S.p.a. Euro 25,263,160 in shares of par value Euro 10	ROMA	ROMA	100.00	100.00
5. FARBANCA S.p.a. Capital Stock Euro 35,308,150 in shares of par value Euro 10	BOLOGNA	BOLOGNA	70.29	70.29
6. MONFORTE 19 S.r.l. Stock Euro 10,000 in shares of par value Euro 1	VICENZA	VICENZA	100.00	100.00
7. NEM SGR S.p.a. Stock Euro 1,200,000 in shares of par value Euro 1	VICENZA	VICENZA	100.00	100.00
8. SERVIZI BANCARI S.c.p.a. Capital Stock Euro 120,000 in shares of par value Euro 60	VICENZA	VICENZA	96.00	96.00
9. POPOLARE DI VICENZA ASSESSORIA E CONSULTORIA LTDA Capital Stock 23,000 in shares of par value Real 1	BRASILE	BRASILE	99.00	99.00
10. NEM IMPRESE Equity Euro 30.000.000 in shares of nominal Euro 250.000	VICENZA	VICENZA	95.00	95.00
11. NEM IMPRESE II Equity Euro 115.675.000 in shares of nominal Euro 25.000	VICENZA	VICENZA	99.42	99.42

12. INDUSTRIAL OPPORTUNITY FUND Equity Euro 71.000.000 in shares of nominal Euro 500.000	VICENZA	VICENZA	98.59	98.59
13. BPVI MULTICREDITO - Agenzia in attività finanziaria S.p.a. Capital Stock Euro 12,000 in shares of par value Euro 1	VICENZA	VICENZA	100.00	100.00

Name	Registered Office	Headquarters	% held	Voting rights %
C. Associated Companies				
1. SOCIETÀ CATTOLICA DI ASSICURAZIONE S.c.p.a. Capital Stock Euro 522,881,778 in shares of par value Euro 3.00	VERONA	VERONA	15.07	1
2. BERICA VITA S.p.a. Stock Euro 31.000.000 in shares of par value Euro 10.00	VICENZA	VICENZA	40.00	40.00
3. SEC SERVIZI S.c.p.a. Stock Euro 25.000.000 in shares of par value Euro 1.00	PADOVA	PADOVA	47.95	47.95
4. CATTOLICA LIFE LTD Capital Stock Euro 634.850 in shares of par value Euro 1.00	DUBLINO	DUBLINO	40.00	40.00
5. ABC ASSICURA S.p.a. Capital Stock Euro 8.925.000 in shares of par value Euro 0.51	VERONA	VERONA	40.00	40.00
6. GIADA EQUITY FUND Equity Euro 75.000.000 in shares of nominal Euro 250.000	TREVISO	TREVISO	56.67	56.67
7. MAGAZZINI GENERALI MERCI E DERRATE S.p.a. Capital Stock Euro 1.241.317 in shares of par value Euro 5.17	VICENZA	VICENZA	25.00	25.00
8. SAN MARCO S.r.l. Capital Stock Euro 15.080 in shares of par value Euro 1.00	CORTINA D'AMPEZZO (BL)	CORTINA D'AMPEZZO (BL)	46.00	46.00

The equity percentage interest also reflects the voting rights at stockholders' meetings, except in the case of Società Cattolica di Assicurazione – Società Cooperativa, under whose by-laws each member has just one vote regardless of the size of holding (principle of the "per capita voting"). At 31 December 2014 the equity investment held in the company Magazzini Generali Merci e derrate SpA in liquidation was fully written down. Said equity investment is classified among non-performing exposures.

10.2 Significant equity investments: book value, fair value and collected dividends

Name		Book Value Fair value	Fair value	Dividends received
A. SUBSIDIARY COMPANIES				
1.	BANCA NUOVA S.p.a.	316,300	n.d.	1,939
2.	IMMOBILIARE STAMPA S.c.p.a.	215,707	n.d.	-
3.	BPV FINANCE INTERNATIONAL Plc	93,418	n.d.	22,208
4.	FARBANCA S.p.a.	43,709	n.d.	2,360
5.	MONFORTE 19 S.r.l.	13,734	n.d.	1,638
6.	NEM SGR S.p.a.	2,400	n.d.	1,152
7.	PRESTINUOVA S.p.a.	35,007	n.d.	1,011
8.	SERVIZI BANCARI S.c.p.a.	435	n.d.	-
9.	POPOLARE DI VICENZA ASSESSORIA E CONSULTORIA Ltda	10	n.d.	-
10.	NEM IMPRESE	8,670	n.d.	-
11.	NEM IMPRESE II	51,250	n.d.	-
12.	INDUSTRIAL OPPORTUNITY FUND	39,988	n.d.	-
13.	BPVI MULTICREDITO- Financial Agency Spa	120	n.d.	-
TOTAL SUBSIDIARY COMPANIES		**820,748**		**30,308**
B. COMPANIES UNDER JOINT CONTROL		-	-	-
C. ASSOCIATED COMPANIES				
1.	SOCIETÀ CATTOLICA DI ASSICURAZIONE S.c.p.a.	367,879	150,260	3,813
2.	BERICA VITA S.p.a.	33,618	n.d.	4,315
3.	SEC SERVIZI S.c.p.a.	12,654	n.d.	-
4.	CATTOLICA LIFE Ltd	8,072	n.d.	-
5.	ABC ASSICURA S.p.a.	5,444	n.d.	490
6.	GIADA EQUITY FUND	4,667	n.d.	857
7.	SAN MARCO S.r.l.	154	n.d.	-
8.	MAGAZZINI GENERALI MERCI E DERRATE S.p.a.	-	n.d.	-
TOTAL SUBSIDIARY COMPANIES		**432,488**	**150,260**	**9,475**

10.3 Significant equity investments: accounting information

10.4 Non significant equity investments: accounting information

In accordance with the provisions of Bank of Italy Circular no. 262, the information per the present items is not provided in the individual financial statements of the Bank because it is disclosed in the consolidated Financial Statements thereof, to which reference is therefore made.

10.5 Equity investments: changes during the year

	31/12/2014	31/12/2013
A. Opening balance	**1,166,630**	**1,102,629**
B. Increases	96,307	110,907
B.1 Purchases	77,083	18,903
- of which : business combination	-	-
B.2 Writebacks	-	-
B.3 Revaluations	-	-
B.4 Other changes	19,224	92,004
C. Decreases	9,701	46,906
C.1 Sales	-	19
C.2 Adjustments	6,859	205
C.3 Other changes	2,842	46,682
D. Closing balance	**1,253,236**	**1,166,630**
E. Total revaluations	**-**	**-**
F. Total adjustments	**39,508**	**32,649**

"Purchases" reported in line B.1 refer mainly to:

- Euro 75,627 thousand for the subscription of the capital increase resolved by Società Cattolica Assicurazioni S.c.a.r.l. within the limit of the Bank's pre-emptive share;
- Euro 1,458 thousand to acquire an additional 3.44% interest in Farbanca S.p.A.

The "Other changes" of line B.4 and of line C.3 indicate the value increases and decreases, as a result of additional investments or divestments, of the funds reclassified from Financial assets available for sale to Equity investments as a result of the entry into force of the new IFRS 10 accounting standard.

In addition, the interest held in Interporto della Toscana Centrale SpA dropped below the threshold of 20% subsequent to the Bank's non-participation in the share capital increase that the investee carried out in 2013. Not recognising other elements that, pursuant to IAS 28, prove the existence of a significant influence over the company, it was reclassified among "Financial assets available for sale".
"Adjustments" in line C.2 relating to the write-downs due to impairment losses, recorded in the income statement based on IAS 36, refer to:

- Euro 6,004 thousand to the Giada di 21 Investimenti S.G.R. fund;
- Euro 746 thousand to the equity investment in San Marco Srl;
- Euro 109 thousand to the investee Magazzini Generali Merci e Derrate SpA. in liquidation.

It should be pointed out that the information and parameters used to evaluate the equity investments are influenced by the uncertainty of the macroeconomic and market environment, which may evolve in unforeseen ways.

10.6 Commitments relating to equity investments in companies under joint control

There are no commitments relating to equity investments in companies under joint control.

10.7 Commitments relating to equity investments in companies subject to significant influence

There are no commitments relating to equity investments in companies subject to significant influence.

10.8 Significant restrictions

10.9 Other information

In accordance with the provisions of Bank of Italy Circular no. 262, the information per the present items is not provided in the individual financial statements of the Bank because it is disclosed in the consolidated Financial Statements thereof, to which reference is therefore made.

SECTION 11

Property, plant and equipment – Line item 110

11.1 Property, plant and equipment used for business purposes: analysis of assets carried at cost

Assets/Values	31/12/2014	31/12/2013
1. Owned asstes	**117,861**	**115,576**
a) land	6,765	6,765
b) buildings	18,838	19,645
c) furniture	16,796	17,746
d) IT equipment	4,167	4,939
e) other	71,295	66,481
2. Purchased under finance leases	**-**	**-**
a) land	-	-
b) buildings	-	-
c) furniture	-	-
d) IT equipment	-	-
e) other	-	-
Total	**117,861**	**115,576**

Property, plant and equipment for business purposes are systematically depreciated in each year on a straight-line basis using rates that reflect the residual useful lives of the related assets, as follows:

	%
Buildings	3
Furnishings	15
Furniture and ordinary office machines	12
Vehicles	25
Lifting equipment	7,5
Miscellaneous equipment	15
Electronic/electromechanical machines	20
Filming equipment/allarms	30
Temporary buildings	10
Communications equipment	25
Armoured counters	20
Lifting trucks	20

The value of land associated with free-standing property has been separated from the value of the building and is not depreciated since it has an indefinite useful life, as do works of art.

11.2 Investment property: analysis of assets carried at cost

There is no investment property carried at cost.

11.3 Property, plant and equipment used for business purposes: breakdown of the revalued assets

There is no property, plant and equipment used for business purposes

11.4 Investment property: analysis of assets carried at cost

Assets/Values	31/12/2014			31/12/2013		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. owned	**-**	**-**	**7,973**	**-**	**-**	**7,973**
a) land	-	-	1,955	-	-	1,955
b) buildings	-	-	6,018	-	-	6,018
2. Purchased under finance leases	**-**	**-**	**-**	**-**	**-**	**-**
a) land	-	-		-	-	-
b) buildings	-	-		-	-	-
Total	**-**	**-**	**7,973**	**-**	**-**	**7,973**

11.5 Property, plant and equipment used for business purposes: changes during the year

	Land	Buildings	Furniture	IT equipment	Other	Total
A. Opening gross amount	**6,765**	**44,826**	**65,169**	**53,558**	**121,542**	**291,860**
A.1 Total net reductions in value	-	25,181	47,423	48,619	55,061	176,284
A.2 Opening net amount	**6,765**	**19,645**	**17,746**	**4,939**	**66,481**	**115,576**
B. Increases	**-**	**22**	**2,639**	**1,700**	**8,439**	**12,800**
B.1 Purchases	-	22	2,638	1,700	8,416	12,776
- of which: business combination	-	-	450	362	51	863
B.2 Capitalized improvement expenditure	-	-	-	-	-	-
B.3 Writebacks	-	-	-	-	-	-
B.4 Fair value increases booked to:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
B.5 Positive exchange rate adjustments	-	-	-	-	-	-
B.6 Transfers from investment property	-	-	-	-	-	-
B.7 Other changes	-	-	1	-	23	24
C. Decreases	**-**	**829**	**3,589**	**2,472**	**3,625**	**10,515**
C.1 Sales -	-	2	1	41	44	
C.2 Depreciation	-	829	3,587	2,471	3,582	10,469
C.3 Impairment writedowns booked to:						
da deterioramento imputate a:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.4 Fair value increases booked to:	-	-	-	-	-	-
a) equity	-	-	-	-	-	-
b) income statement	-	-	-	-	-	-
C.5 Negative exchange rate adjustments	-	-	-	-	-	-
C.6 Transfers to:	-	-	-	-	-	-
a) investment property	-	-	-	-	-	-
b) assets held for sale	-	-	-	-	-	-
C.7 Other changes	-	-	-	-	2	2
D. Closing net amount	**6,765**	**18,838**	**16,796**	**4,167**	**71,295**	**117,861**
D.1 Total net reductions in value	-	26,010	50,708	50,288	57,672	184,678
D.2 Closing gross amount	**6,765**	**44,848**	**67,504**	**54,455**	**128,967**	**302,539**
E. Carried at cost	-	-	-	-	-	-

11.6 Investment property: changes during the year

Assets/Values	Total	
	Land	Buildings
A. Opening balance	**1,955**	**6,018**
B. Increases	**-**	**-**
B.1.Purchases	-	-
B.2 Capitalized improvement expenditure	-	-
B.3 Positive changes in fair value	-	-
B.4 Writebacks	-	-
B.5 Positive exchange rate adjustments	-	-
B.6 Transfers from property, plant and equipment used for business purposes	-	-
B.7 Other changes	-	-
C. Decreases	**-**	**-**
C.1 Sales	-	-
C.2 Depreciation	-	-
C.3 Negative changes in fair value	-	-
C.4 Impairment writedowns	-	-
C.5 Negative exchange rate adjustments	-	-
C.6 Transfers to:	-	-
a) investment property	-	-
b) non-current assets held for sale	-	-
C.7 Other changes	-	-
D. Closing balance	**1,955**	**6,018**
E. Measurement at fair value	-	-

11.7 Commitments to purchase property, plant and equipment (IAS 16/74 c.)

There are no commitments at the reporting date for the purchase of property, plant and equipment that warrant disclosure.

SECTION 12

Intangible assets – Item 120

12.1 Intangible assets: analysis by type of asset

ASSETS/VALUES	31/12/2014		31/12/2013	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	X	218,152	X	890,915
A.2 Other intangible assets	17,004	-	19,223	-
A.2.1 Carried at cost:	17,004	-	19,223	-
a) Other intangible assets: generated internally	-	-	-	-
b) Other assets	17,004	-	19,223	-
A.2.2 Carried at fair value:	-	-	-	-
a) Other intangible assets: generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**17,004**	**218,152**	**19,223**	**890,915**

With reference to line A.1 "Goodwill", the Bank took up the option allowed by IFRS 1 on first-time adoption of IFRS by retaining at the transition date of 1.1.2004 the residual value of goodwill reported under Italian GAAP.

At 31 December 2014 this line comprises:

- Euro 168,922 thousand from the merger deficit arising following the merger by incorporation of Cassa di Risparmio di Prato Spa into Banca Popolare di Vicenza, finalised during 2010. The goodwill was written down due to impairment by a total amount of Euro 39,658 thousand;
- Euro 36,591 thousand in residual goodwill of the 26 bank branches acquired in 2001 from certain banks in the Intesa Group;
- Euro 4,121 thousand in goodwill referring to the purchases of business lines from other banks by the former subsidiary Cariprato Spa, acquired following the aforementioned merger by incorporation;
- Euro 4,177 thousand in residual goodwill paid to acquire the branch network of the former subsidiary Banca Idea SpA in 2003;
- Euro 2,500 thousand in goodwill referred to the purchase of a business line consisting of 16 branches from Cassa di Risparmio di Ferrara under extraordinary Administration;
- Euro 1,482 thousand from the merger deficit arising following the merger by incorporation of the former subsidiary BPVi Fondi SGR SpA into Banca Popolare di Vicenza, finalised during the year;
- Euro 176 thousand from the merger deficit arising following the merger by incorporation of the former subsidiary Nordest Merchant SpA into Banca Popolare di Vicenza, finalised during the year;
- Euro 144 thousand in residual goodwill paid to acquire the Call Centre from the former subsidiary Banca Idea SpA in 2002;
- Euro 38 thousand in goodwill paid to acquire the ICT unit from Servizi Bancari on 1 March 2009.

Since the carrying value of this goodwill represents an intangible asset with an indefinite useful life, it has been tested for impairment in accordance with IAS 36, which led to a write-down of the recorded goodwill by a total amount of Euro 675,263 thousand (i.e., 75% thereof).

The results of these tests are discussed in the specific paragraph later on in this section.

"Other intangible assets" (line A.2) includes Euro 12,578 thousand in intangibles identified as part of the purchase price allocation process relating to the acquisition of 61 branches from the UBI Group at the end of 2007. In fact, IFRS 3 states that the cost of a business combination (such as the acquisition of the 61 UBI branches) must be accounted for using the purchase method and that the price paid be allocated to the assets acquired and liabilities assumed as measured at their respective fair values. The "intangibles" which express the value of customer relationships acquired are being amortised over the period they are expected to benefit (the average life is estimated as 17 years for intangibles relating to individual customers and as 12 years for corporate customers, corresponding to the related retention rates). The annual amortisation charge is Euro 1,646 thousand.

The other intangible assets classified in line A.2 "Other intangible assets" mainly refer to capitalized software and user licenses.

Disclosure about impairment testing of goodwill and intangible assets with an indefinite useful life (IAS 36, par. 134-137)

The CGU (Cash Generating Unit) tested to verify the book value of its goodwill is the Banca Popolare di Vicenza CGU (referring to the legal entity Banca Popolare di Vicenza net of its equity investments and consequent effects on equity and income).
The values of the goodwill allocated to the BPVI CGU are shown below:

CGU	Goodwill
Banca Popolare di Vicenza	218,152

For the purposes of identifying the CGU with the legal entity, reference was made to the principles set out in IAS 36; the consistency of this decision was supported by the fact that the long-term and annual system of financial reporting to the Board of Directors is organised by legal entity, that bank branches acquired in the past are now part of the bank and there is such a significant loss of income streams in those branches that the earnings of individual business units acquired in the past are no longer autonomous and perfectly independent of those from other groups of assets.

In general, the different valuation techniques fall into the following core categories:
- analytical methods (for determining value in use);
- market methods (for determining fair value).

Analytical methods

In compliance with recent valuation practice, the adoption of value in use as the measure for determining recoverable amount involves using methods based on estimating future income or cash flow, such as for example, the dividends that a CGU is able to produce in the future (Dividend Discount Model - DDM, with reference to "Excess Capital").

The Dividend Discount Model is a variation on the cash flow method. In particular, this method, in its "Excess Capital" variant, establishes that the economic value of a financial company is given

by discounting a stream of dividends determined on the basis of minimum capital requirements dictated by the Supervisory Authority.
Value in use has therefore been determined using methods currently adopted by sector players (Dividend Discount Model).

Market methods

The two principal market methods are:
- the stock market quotations/market multiples method;
- the comparable transactions method.

The stock market quotations/market multiples method is based on analysing listed companies similar to the one being valued and particularly the relationship between the market value of such companies and their statement of financial position and profit indicators.
The comparable transactions method adopts a similar approach to that of the market multiples method and involves analysing the relationship between prices reported for company/business acquisitions and the statement of financial position and profit indicators of such companies.
In relation to the multiples of Italian listed banks, in recent years they have been highly volatile. Consistently with the impairment analysis carried out since 2008, therefore, the fair value was not determined using the stock market multiples method.
It should be pointed out that there has been an insignificant number of acquisitions in the banking sector during recent years in Italy, and for this reason, the appointed Company, while mentioning it, decided not to use the value obtained from the application of the comparable transaction multiples. For the sake of complete disclosure, it should be specified that, were these parameters applied for Banks, values higher than those resulting from the application of value in use would be obtained.

As regards the CGU Banca Popolare di Vicenza, the value in use was determined, while market value was not taken into consideration for the reasons previously explained.

Analytical methods: recoverable value estimation and sensitivity analysis

The method adopted for determining value in use (specifically DDM), is based on constructing the economic and financial projections needed to determine the estimated dividends that the CGU is able to produce in the future.

The plan's projections were made with reference to the Group's structure at 31 December 2014. With reference to the annual impairment test on the goodwill recognised in the financial statements of Banca Popolare di Vicenza, in relation to value in use, the income and financial projections for the years 2015-2019 were calculated.

PriceWaterhouseCoopers Advisory was appointed to carry out the impairment test activity on the Banca Popolare di Vicenza CGU (in addition to the other CGUs). Additionally, a review of the 2015-2019 projections was requested in accordance with the procedures set out in the International Standard on Assurance Engagements (ISAE) 3400 "The Examination of Prospective Financial Information" issued by the IFAC (International Federation of Accountants).

The decision to engage the services of a third party evaluator with reference to all CGUs stems the results of a preliminary analysis that highlighted general impairment presumptions, which can be summarised in the persistence of a challenging macroeconomic environment and in the change of the regulatory framework (of note, inter alia, are the introduction of the "Basel 3" regulations and the shift to European Supervision).

The Terminal Value was determined assuming the 2019 net income, increased by 2% (long-term growth rate of the model) as the reference net income. Risk-weighted assets have also been determined assuming a 2% growth rate.

In an environment characterised by uncertainties connected with the actual level of future capital targets with respect to the minimum values prescribed by Basel 3, taking into account that a new Supervisory Authority has been in place since 4 November 2014; therefore, for the purposes of the impairment test, the minimum CET1 ratio was set to 10.5% for the entire explicit period (2014-2019). The CET1 for the Terminal Value was maintained (as in 2013) at 8% with Tier 1 at 8.5%. CET1 at 8% is a higher value than the regulatory limits, but consistent with the threshold rate set by the Supervisory Authority for the Comprehensive Assessment exercise.

Consistently with the regulatory provisions, the evaluations were subjected to specific sensitivity analysis with respect to the impacts deriving from changes in determined parameters in the income and financial forecasts, in the cost of capital and in the supervisory ratios (mentioned above). The sensitivity of the results was then tested, as in previous years, for the cost of capital – Ke (+/- 0.25%), the growth rate – g (+/- 0.25%), the change in the cost of credit (+/- 5 basis points) in 2019 and in the average annual growth rate in 2014/2019 of net interest and other banking income (+/- 0.5%), on the 2019 result (and hence on Terminal Value). Additionally, a sensitivity analysis was performed on the cost of credit in the 2014-2019 time interval, assuming a minimum cost of credit equal to 0.7 % and 1.0% within the time interval of the Plan. The aforementioned level of the cost of credit was maintained throughout the time interval of the projections.

Summary of the assumptions used for deriving terminal value:

CGU	Approach for calculating the terminal value	Growth rate (g)	Average rate of discount, net of taxes
Banca Popolare di Vicenza	Perpetuity a stable growth rate	2.0%	8.5%

The average discount rate used was a cost of capital estimated on the basis of the Capital Asset Pricing Model (CAPM) according to the following formula:

Ke = i + ß * MRP

where:

i: risk free rate, assumed to be equal to the return of ten-year Italian Treasury Notes at the date of assessment (average of six previous months, hence matching the 1 July 2014 - 31 December 2014 time interval);

ß: beta, determined as the average of the fluctuations, relative to market fluctuations, historically underwent by banking securities identified as comparable;
MRP: Market Risk Premium, i.e. the compensation for an investment whose risk exceeds the one expressed by a risk-free asset.

The determining factors of cost of capital used for the Banca Popolare di Vicenza CGU are shown below:

	Net free risk rate	Beta	*Premium risk*	Cost of equity (Ke)
CGU BPVi	2.40%	1.12	5.0%	8.00%(1)

(1) For the BPVi CGU, a cost of capital of 8.5% was used

Taking into account the uncertain environment linked to future capital targets with respect to the minimums prescribed by Basel 3, the awareness that, while macroeconomic scenarios are partially recovering, the extent and the timeline of their still appear uncertain, and the latest forecast report issued by Prometeia in February, the cost of capital was raised by 0.5%, bringing it to 8.5% (as opposed to 8%, as calculated according to the aforesaid method).

General approach used for making forecasts

Upon carrying out the impairment tests for the 2014 financial statements, the income and financial projections for the years 2015-2019 were calculated.

The new income and financial projections were made with reference to the Group's structure at 31 December 2014, and implementing, for the first year, the objectives of the 2015 budget and, for each year after that, the most recent estimates by Prometeia. These projections take into account a market rate scenario that is consistent with the forecasts published by Prometeia for the 2015-2017 three-year period (October 2014 Forecast Report) and the annual spreads implicit in the yield curve surveyed at the end of 2014, for the two subsequent years.

The assumptions for the operating volumes for the forecast years (2016-2019) are that:

- the commercial network loans will grow, taking Prometeia's assumption into consideration, at a rate differentiated both in terms of segmentation and in terms of technical form;
- gross non-performing loans will grow by a slightly higher rate than forecast by Prometeia for 2016 and 2017 (i.e., +12.2% vs. Prometeia's +7.2% in 2016 and +9.0% vs. Prometeia's +5.3% in 2017), and a declining trend in the following two years, with a growth rate of +6.8% in the final year of the plan, slightly higher than the lower growth rates indicated for the last forecast year of the Report (+5.3% in 2017);
- the 2014-2017 CAGR of the loans stock will be 1.7%, prudentially lower than Prometeia's forecasts (CAGR +3.0%);

- the average change in direct funding in the 2014-2017 time interval will be +3.0%, higher than the stable forecast proposed by Prometeia (CAGR +0.0%). However, it should be stressed that this growth, net of repurchase agreements with Cassa Compensazione e Garanzia (CCG), is actually +0.3%, more closely aligned with the indications provided by the Forecast Report;
- the 2014-2017 CAGR of indirect funding will be 9.5%. This growth is supported not only by a market effect, but also by the commercial networks' continued effort to place products of the asset management and pension segments, valuing also the partnerships with Cattolica Assicurazioni and Arca, with a view to gradually fill the gap with respect to peers in terms of productivity per employee. For this purpose, actions have already been taken, concurrently with the revision of the managerial segmentation for the 2015 budget, to strengthen the network of affluent and private managers, in order to develop the sector.

With regard to income statement line items:

- net interest income was determined based on the expected growth of lending and deposit volumes. Rates and spreads were estimated on the basis of the rate scenario used. With specific reference to "on-demand items", the evolution takes into account the breakdown between fixed-rate components and the historical experience in terms of elasticity of the conditions applied to the customers with respect to market performance. For medium-long term issues, spreads were assumed to be in line with budget forecasts. With respect to bond funding, instead, a gradual increase of the spreads was assumed, reflecting the need to assure an adequate level of medium-long term retail funding, able fully to cover maturities along the time interval of the plan;
- with regard to the trends of the securities portfolio, the budgeted level for the end of 2015 was used as a reference value. It should be specified that the budget calls for the gradual reconstruction of the portfolio of AFS Government bonds in the 1st half of the year, with a total increase by Euro 2.0 billion compared to the end of 2014, mainly financed through repurchase agreements with CCG. Moreover, with respect to the end of 2014, investments in Italian Treasury Bonds, made at the end of the year and amounting to Euro 1 billion, will reach maturity;
- the evolution in net fee and commission income was computed using as a reference base the 2015 budget, which forecasts a significant improvement compared to 2014 (+21.6% vs. Prometeia's +6%). This change is influenced, first of all, by the discontinuation, from July 2014, of the costs incurred for State guarantees on own bonds. Net of this effect and of the expenses paid to customers for securities lending and borrowing, net fee and commission income are still expected to increase by +14.4%, i.e. Euro +47.1 million. It should also be specified that a part of this increase is connected to new businesses/products launched by the Bank in recent years, such as commissions on minibonds, equity capital market activities and third party securitisations, resulting from the activity of specialist organisations. The main factors determining this growth are: increases in the margin on assets under management, in commissions for Minibond and equity capital market transactions, revenues for foreign, parabanking and insurance services due to higher placements of CPI policies as a consequence of the increases in home mortgages issued;
- concerning adjustments to Banca Popolare di Vicenza loans, with respect to the 2015 budget target, a gradual convergence towards a cost of credit of approximately 0.6%, was assumed, consistently with the analysts' forecasts for the Italian banking system (approximately 0.7% in 2017, last available forecast year);
- payroll costs were estimated assuming that the number of employees would remain stable at the budgeted levels for late 2015 and a CAGR for 2014-2017 of +0.9% (Prometeia -0.1%).
- the other administrative costs record an overall CAGR for 2014-2017 of +1.0% (Prometeia -0.3%). This growth is mainly due to the new projects envisaged in the 2015 budget and regulatory compliance;
- functional depreciation was determined assuming the inertial development of depreciation on assets existing in December 2014 and considering a level of investments for each year of

the forecast time interval equal to the 2015 budget forecast minus any extraordinary items;
- income taxes were calculated according to current tax laws and regulations.

Upon construction of the projections of individual CGUs, a check was conducted to verify that, at the consolidated level, the minimum capital ratios (CET1 ratio) amounted to 11%.

With the full awareness that although the macroeconomic indicators are showing signs of partial recovery, there is still much uncertainty, and as required by regulations, the results, as previously stated, were tested for their sensitivity to changes in specific parameters in the economic and financial forecasts.

Impairment test results summary

The Banca Popolare di Vicenza CGU expressed a value in use with a negative differential relative to the value to be tested, calculated according to the parameters and methods described above, of Euro 600 million.

The impairment loss of Euro 600 million was determined applying a cost of capital (Ke) of 8.5%, higher by 0.5% than the cost of capital calculated according to the CAPM method used in previous years, in order to take into account the uncertainties of the macroeconomic and regulatory scenario.

In light of the above, taking as reference only the Ke/g parameters, sensitivity analyses were carried out, obtaining a range of values with a differential varying between Euro - 724.2 million and Euro – 448.9 million with respect to the value to be tested.

The negative differential of Euro 600 million compared to the value to be tested entail the recognition of an impairment loss by the same amount at the consolidated level and of Euro 675.263 million at the individual level.

The rationale for the different value of the impairment recognised in the Separate Financial Statements of the Parent Bank, relative to the value recognised in the Consolidated Financial Statements, stems from the differences between the goodwill values recorded in the Separate Financial Statements of BPVi and the corresponding values in the Consolidated Financial Statements related to the goodwill deriving from the acquisitions of Banca Popolare di Treviso, Banca Popolare della Provincia di Belluno, Banca Popolare di Trieste, C. Piva, Banca Popolare Udinese which incurred impairment losses.

Moreover, the assessments were made particularly complex by the current macroeconomic and market environment, by the new regulatory framework and standards, and by the consequent difficulty and uncertainty tied to long-term income forecasts. Therefore, the information and parameters used for the impairment tests could evolve in different directions from those of the assumptions.

12.2 Intangible assets: changes during the year

	Goodwill	Other intangible assets: generate internamente		Other intangible assets: other		Total
		FIN	IN DEF	FIN	IN DEF	
A. Opening balance	**1,165,689**	**-**	**-**	**36,300**	**-**	**1,201,989**
A.1 Total net reductions in value	274,774	-	-	17,077	-	291,851
A.2 Opening net amount	**890,915**	**-**	**-**	**19,223**	**-**	**910,138**
B. Increases	**2,500**	**-**	**-**	**1,879**	**-**	**4,379**
B.1 Purchases	2,500	-	-	1,879	-	4,379
- of which: business combination	*2,500*	-	-	*661*	-	*3,161*
B.2 Increases in internally generated intangible assets	X	-	-	-	-	-
B.3 Writebacks	X	-	-	-	-	-
B.4 Fair value increases booked to:	-	-	-	-	-	-
a) equity	X	-	-	-	-	-
b) income statement	X	-	-	-	-	-
B.5 Positive exchange rate adjustments	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**675,263**	**-**	**-**	**4,098**	**-**	**679,361**
C.1 Sales	-	-	-	-	-	-
C.2 Adjustments	675,263	-	-	4,098	-	679,361
- Amortization	X	-	-	4,098	-	4,098
- Writedowns	675,263	-	-	-	-	675,263
+ equity	X	-	-	-	-	-
+ income statement	675,263	-	-	-	-	675,263
C.3 Fair value increases booked to:	-	-	-	-	-	-
a) equity	X	-	-	-	-	-
b) income statement	X	-	-	-	-	-
C.4 Transfers to discontinued operations due for disposal	-	-	-	-	-	-
C.5 Negative exchange rate adjustments	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
- of which: business combinations	-	-	-	-	-	-
D. Closing net amount	**218,152**	**-**	**-**	**17,004**	**-**	**235,156**
D.1 Total net value adjustments	950,037	-	-	15,839	-	965,876
E. Closing gross amount	**1,168,189**	**-**	**-**	**32,843**	**-**	**1,201,032**
F. Carried at cost	-	-	-	-	-	-

Legenda
DEF: a durata definita
INDEF: a durata indefinita

The opening balance of "Other intangible assets" does not include those assets which had been fully depreciated at the end of the prior year.

The "Adjustments" of line C.2 refer to the impairment on the goodwill recognised in the income statement under "Adjustments to goodwill", for which please refer to the specific paragraph contained in this Section.

12.3 Other information

It is reported that:
- no intangible assets have been revalued under paragraph 124 b) of IAS 38;
- there are no intangible assets that have been acquired under government concession;
- no intangible assets have been given as security against the Bank's debts;
- there are no commitments for the purchase of intangible assets that warrant disclosure;
- there are no intangible assets under finance leases.

As for the allocation of goodwill between cash-generating units, reference should be made to the information contained in the specific paragraph earlier in the present section.

SECTION 13

Tax assets and liabilities – Asset line item 130 and Liability line item 80

13.1 Deferred tax assets: breakdown

DEFERRED TAX ASSETS	31/12/2014	31/12/2013
Deferred tax assets through the income statement	**703,294**	**397,091**
- Tax losses	8,507	-
- of which DTA convertible Law 214/2011	8,507	-
- Goodwill subject to impairment and franking	305,701	200,773
- of which DTA convertible Law 214/2011	*305,701*	*200,773*
- Adjustments to loans to costomers	361,788	175,093
- of which DTA convertible Law 214/2011	*361,230*	*174,515*
- Provisions for risks and charges	15,897	11,676
- Other	11,401	9,549
Deferred tax assets through equity	**92,707**	**68,685**
- Revalutations of financial asset available for sale	26,104	48,111
- Hedging derivatives Cash Flow Hedge	63,554	17,967
- Actuarial valuation of the defined benefit pension plans	1,548	219
- Other	1,501	2,388
Total	**796,001**	**465,776**

13.2 Deferred tax liabilities: breakdown

DEFERRED TAX ASSETS	31/12/2014	31/12/2013
Deferred tax liabilities through the income statement	**31,076**	**108,309**
- Goodwill (depreciation)	12,188	93,137
- Gains in installments	5,033	1,568
- Other	13,855	13,604
Deferred tax liabilities through equity	**117,070**	**12,106**
- Revalutations of financial asset available for sale	92,029	9,929
- Revalutation of Hedging derivatives cash flow hedge	25,041	2,134
- Other	-	43
Total	**148,146**	**120,415**

13.3 Change in deferred tax assets (through the income statement)

	31/12/2014	31/12/2013
1. Opening balance	**397,091**	**309,476**
2. Increases	**353,846**	**111,731**
2.1 Deferred tax assets recorded during the year	351,057	111,399
a) relating to prior years	930	-
b) due to changes in accounting policies	-	-
c) writebacks	-	-
d) other	350,127	111,399
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	2,789	332
- of which: business combinations	*-*	*312*
3. Decreases	**47,643**	**24,116**
3.1 Deferred tax assets reversing during the year	43,107	23,645
a) reversals	43,107	23,645
b) written down as no longer recoverable	-	-
c) due to changes in accounting policies	-	-
d) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	4,536	471
a) transformation in tax credits of which Law 214/2011	4,468	-
b) other	68	471
4. Closing balance	**703,294**	**397,091**

Deferred tax assets were recognised in relation to the tax loss recorded during the year, i.e. Euro 8,507 thousand, which fulfil the requirements of Italian Law 214/2011 for transformation into tax receivables.

13.3.1 Change in deferred tax assets per Italian Law 214/2011 (through the income statement)

	31/12/2014	31/12/2013
1. Opening balance	**375,288**	**250,738**
2. Increases	**340,730**	**137,289**
- of which: business combinations	*-*	*188*
3. Decreases	**40,580**	**12,739**
3.1 Reversals	36,082	12,739
3.2 Transformation in tax credits	4,468	-
a) resulting from operating losses	4,468	-
b) resulting from tax losses	-	-
3.3 Other decreases	30	-
4. Closing balance	**675,438**	**375,288**

13.4 Change in deferred tax liabilities (through the income statement)

	31/12/2014	31/12/2013
1. Opening balance	**108,309**	**95,034**
2. Increases	**19,863**	**15,297**
2.1 Deferred tax liabilities recorded during the year	15,244	15,297
a) relating to prior years	-	-
b) due to changes in accounting policies	-	-
c) other	15,244	15,297
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	4,619	-
3. Decreases	**97,096**	**2,022**
3.1 Deferred tax liabilities eliminated during the year	97,096	1,055
a) reversals	97,096	1,055
b) due to changes in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	967
4. Closing balance	**31,076**	**108,309**

13.5 Change in deferred tax assets (through equity)

	31/12/2014	31/12/2013
1. Opening balance	**68,685**	**125,160**
2. Increases	**67,323**	**20,248**
2.1 Deferred tax assets recorded during the year	67,323	20,160
a) relating to prior years	-	-
b) due to changes in accounting policies	-	-
c) other	67,323	20,160
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	88
- of which: business combinations	-	15
3. Decreases	**43,301**	**76,723**
3.1 Deferred tax assets reversing during the year	42,417	76,723
a) reversals	42,417	76,723
b) written down as no longer recoverable	-	-
c) due to changes in accounting policies	-	-
d) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	884	-
4. Closing balance	**92,707**	**68,685**

13.6 Change in deferred tax liabilities (through equity)

	31/12/2014	31/12/2013
1. Opening balance	**12,106**	**20,364**
2. Increases	**110,663**	**5,952**
2.1 Deferred tax liabilities recorded during the year	110,611	5,413
a) relating to prior years	-	-
b) due to changes in accounting policies	-	-
c) other	110,611	5,413
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	52	539
- of which: business combinations	-	537
3. Decreases	**5,699**	**14,210**
3.1 Deferred tax liabilities eliminated during the year	5,657	13,435
a) reversals	5,657	13,435
b) due to changes in accounting policies	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	42	775
4. Closing balance	**117,070**	**12,106**

13.7 Other information

"Tax assets: a) current" are broken down as follows:

	31/12/2014	31/12/2013
1. Direct tax assets - IRES	37,626	-
2. Credits for reimbursement claims for direct taxes - IRES	21,340	21,338
3. Direct tax assets - IRAP	11,171	9,297
Total	**70,137**	**30,635**

In compliance with the Bank of Italy Circular no. 262 of 22 December 2005 as amended, "Tax assets" (asset line item 130) and "Tax liabilities" (liability line item 80) in the statement of financial position only include those tax assets and liabilities (current and deferred) recognised in accordance with IAS 12 (governing income taxes), while other tax credit/debit balances are reported in "Other assets" (asset line item 150) and "Other liabilities" (liability line item 100) of the statement of financial position.

In compliance with IAS 12, payments on account for individual taxes have been offset against the related tax payable, with net positive balances reported as "Tax assets: current" and net negative balances as "Tax liabilities: current".
With respect to the Bank's tax position regarding both direct income tax and VAT, the last year closed is 2009.

As far as regional business tax (IRAP) is concerned, in previous years the Italian tax authorities sent the Bank two assessments for alleged irregularities in calculating and paying the tax due in relation to fiscal years 2003 and 2004, against which the Bank duly appealed. The Veneto regional tax commission ruled fully in favour of the Bank, annulling the two assessments in full. For both fiscal years, the Italian tax authorities submitted an appeal to the supreme Court of Cassation, in relation to which the Bank shall file an appearance before the Court. The Supreme Court of Cassation rejected the appeal filed by the Italian Tax Authorities for the year 2003, confirming the upper court's decision that had been fully favourable to the Bank, whereas it has not yet decided with reference to the assessment pertaining to the year 2004.

In the second half of 2011 the Italian Tax Authorities served the Bank with a Report on Findings (Processo Verbale di Constatazione, PVC) upon completion of a tax audit for income taxes and VAT for the 2006 tax year. The inspection by the Large Taxpayers Office of the Italian Tax Authorities – Veneto Regional Office, is part of the annual plan of audits on taxpayers of significant size. Additionally, in December 2012 the Tax Authorities served the Bank with a Report on Findings referring to 2007, pertaining to certain transactions on listed securities that generated tax-exempt dividends in accordance with Article 89 of the Consolidated Income Tax Act (TUIR).
All the claims contained in the aforesaid PVCs, pertaining to the 2006 and 2007 tax years, were closed in early 2015, through the tax assessment settlement procedure set out by Italian Legislative Decree no. 218/97. The related total expense for taxes, penalties and interest was entirely covered using the provisions for risks and charges allocated in previous year.

With regard, instead, to VAT findings, it should be noted that Tax Authorities issued two notices of assessment for the failure to subject to VAT the remuneration received by the Bank in 2006 and 2007 for the custodian bank service performed in favour of asset management companies. The Bank duly appealed the above notices before the competent Tax Commission. The appeals were settled in court, according to Article 48 of Italian Legislative Decree no. 546/92, according to the instructions provided by the Resolution of the Italian Tax Authorities no. 97/E of 17/12/2013 which, subsequent to the technical analysis conducted on the nature of custodian bank services, deemed that the remuneration in question is taxable for VAT purposes to the extent of 28.30% without applying sanctions. For complete disclosure, it should be pointed out that in 2014 the Italian Tax Authorities claimed that there had been an omission to subject to VAT the compensation for the custodian bank service received in the years from 2008 to 2009. All these claims were closed in 2014 according to the indications provided by the aforesaid Resolution of the Italian Tax Authorities no. 97/E of 2013.

With reference to the tax position of the merged company Cassa di Risparmio di Prato Spa, based on the ordinary statute of limitations of the assessment, both for value added tax purposes and for direct tax purposes, the last year closed is 2009.

As far as regional business tax (IRAP) of the merged company Cariprato is concerned, litigation is still ongoing with regard to an assessment pertaining to the year 2006, for alleged irregularities in calculating and paying the tax due, against which the Bank promptly appealed. The first level Tax Commission recognised the payable tax striking down the penalties. An appeal against this decision was filed with the competent Regional Tax Commission, whose decision confirmed the first level ruling. The Italian Tax Authorities submitted an appeal against this ruling with the supreme Court of Cassation.

With reference to the tax position of the merged company Banca Nuova Spa, based on the ordinary statute of limitations of the assessment, both for value added tax purposes and for direct tax purposes, the last year closed is 2009.

Lastly, the Bank has renewed the option under art. 117 et seq. of the Consolidated Income Tax Act to file for tax on a group basis, together with its subsidiaries Immobiliare Stampa and Prestinuova SpA, for the three-year period 2012-2014. It also exercised the same option for the three-year period 2012-2014 with the subsidiaries Farbanca and Banca Nuova, and for the three-year period 2014-2016 with the subsidiary Nem Sgr SpA. Concerning the subsidiary Monforte 19 S.r.l., the tax consolidation option was exercised for the three-year period 2008-2010 and subsequently renewed for the three-year periods 2011-2013 and 2014-2016.

SECTION 14

Non-current assets held for sale and associated liabilities – Asset line item 140 and liability line item 90

This section has not been completed since the Bank does not have any non-current assets held for sale within the meaning of IFRS 5.

SECTION 15

Other assets – Line item 150

15.1 other assets: breakdown

	31/12/2014	31/12/20123
1. Miscellaneous debits in transit	10,139	12,564
2. Miscellaneous security transactions	581	3,719
3. Amounts recorded on the last day of the year	171,380	98,634
4. Checks drawn on third parties sent for collection	4,515	4,337
5. Adjustments to non-liquid portion of notes discounted with recourse	-	59,076
6. Accrued income and prepaid expenses not allocated to specific accounts	3,033	2,135
7. Leasehold improvements	11,470	13,619
8. Items awaiting allocation	743	682
9. Other fiscal items	60,016	37,972
10. Other miscellaneous items	24,194	41,606
Total	**286,071**	**274,344**

"Leasehold improvements" consist of improvement expenditure that cannot be separated from the assets themselves, meaning that it cannot be separately recognised in property, plant and equipment. These costs are amortised over the period they are expected to benefit or the residual duration of the lease, whichever is shorter.

"Amounts recorded on the last day of the year" refer to items almost all of which settled in the first few days of the new year.

In compliance with the Bank of Italy Circular no. 262 of 22 December 2005 as amended, line 9. reports the tax liabilities that do not fall under the scope of IAS 12 (governing income taxes).

LIABILITIES AND EQUITY

SECTION 1

Due to banks – Line item 10

1.1 Due to banks: breakdown by type

Type of transaction/Members of the group	31/12/2014	31/12/2013
1. Due to central banks	1,749,074	3,344,626
2. Due to other banks	3,138,289	4,013,049
2.1 Current accounts and sight deposits	572,131	798,605
2.2 Time deposits	1,013,072	1,313,464
2.3 Loans	1,174,271	1,784,383
2.3.1 repurchase agreements	834,764	1,409,906
2.3.2 other	339,507	374,477
2.4 Payables for commitments to repurchase own equity instruments	-	-
2.5 Other payables	378,815	116,597
Total	**4,887,363**	**7,357,675**
Fair value - level 1	**-**	**-**
Fair value - level 2	**-**	**-**
Fair value - level 3	**4,879,714**	**7,312,729**
Total fair value	**4,879,714**	**7,312,729**

Line item 1. “Due to central banks” includes the Target Longer Term Refinancing Operations – TLTRO completed with the ECB, totalling Euro 1,249 million.

Line 2.2 “Time deposits” also includes the “compulsory reserve” of Euro 22,015 thousand received from other group banks to satisfy their obligations indirectly.

Line 2.3.1 also includes funding “repurchase agreements” using securities obtained under lending “repurchase agreements”.

For the determination of the fair value of due to banks, please see Section A.4 - “Information about fair value”.

1.2 Details of the Line item 10 “Due to banks”: subordinated debt

There is no subordinated debt with banks.

1.3 Details of the Line item 10 “Due to banks”: structured debt

There is no structured debt with banks.

1.4 Due to banks with micro hedges

There are no amounts due to banks with micro hedges.

1.5 Finance lease payables

There are no finance leases with banks.

SECTION 2

Due to customers – Line item 20

2.1 Due to customers: breakdown by type

Type of transaction/Members of the group	31/12/2014	31/12/2013
1. Current accounts and sight deposits	11,727,841	11,263,240
2. Time deposits	2,381,706	3,653,136
3. Loans	2,437,389	2,811,587
3.1 repurchase agreements	1,759,760	2,468,593
3.2 other	677,629	342,994
4. Payables for commitments to repurchase own equity instruments	-	-
5. Other payables	2,628,491	2,446,305
Total	**19,175,427**	**20,174,268**
Fair value - level 1	-	-
Fair value - level 2	-	-
Fair value - level 3	**19,175,640**	**20,172,673**
Total fair value	**19,175,640**	**20,172,673**

Line 3.1 also includes funding repurchase agreements using securities obtained under lending repurchase agreements almost entirely related to transactions negotiated over the EuroMTS market, managed by Cassa di Compensazione e Garanzia.
"Other payables" at 31 December 2014 include Euro 2,351.9 million (Euro 2,219.9 million at 31 December 2013) in liabilities for assets sold but not derecognised, as the matching entry to the mortgages sold under certain securitisations originated by the Bank which do not qualify for derecognition under IAS 39 and so have been "reinstated" in the statement of financial position in "Loans and advances to customers" (asset line item 70).
For the determination of the fair value of payables due to customers, please see Section A.4 - "Information about fair value".

2.2 Details of the Line item 20 "Due to customers": subordinated debt

There is no subordinated debt with customers.

2.3 Details of the Line item 20 "Due to customers": subordinated debt

There is no structured debt with customers.

2.4 Due to customers with micro hedges

There are no amounts due to customers with micro hedges.

2.5 Finance lease payables

There are no finance leases with customers.

SECTION 3

Debt securities in issue – Line item 30

3.1 Debt securities in issue: breakdown by type

Type of security/ Amounts	31/12/2014				31/12/2013			
	Book value	Fair value			Book value	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
A. Securities	**6,886,347**	**-**	**7,183,599**	**92,797**	**6,627,062**	**-**	**6,564,518**	**93,699**
1. Bonds	6,793,550	-	7,183,599	-	6,533,363	-	6,564,518	-
1.1 structured	342,681	-	373,224	-	349,024	-	350,428	-
1.2 other	6,450,869	-	6,810,375	-	6,184,339	-	6,214,090	-
2. other securities	92,797	-	-	92,797	93,699	-	-	93,699
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	92,797	-	-	92,797	93,699	-	-	93,699
Total	**6,886,347**	**-**	**7,183,599**	**92,797**	**6,627,062**	**-**	**6,564,518**	**93,699**

The Item 1.1 "Structured bonds" is related to bond issues convertible into Bank shares.

Line 1.2 "Bonds" also includes repurchase agreement with underlying own issue securities amounting to Euro 301,119 thousand.

Line item 2.2 “Other securities” comprises certificates of deposit and own cheques in circulation.

For the determination of the fair value of debt securities in issue, please see Section A.4 - “Information about fair value”.

3.2 *Details of line item 30 “Debt securities in issue”: subordinated securities*

	31/12/2014	31/12/2013
Debt securities in issue	751,030	825,078

More information about subordinated liabilities can be found in Part F, Section 2 of these explanatory notes.

3.3 *Debt securities in issue with micro hedges*

Type of security/Amounts	31/12/2014	31/12/2013
A. Securities		
1. Bonds	400,124	757,447
1.1 structured	-	-
1.2 other	400,124	757,447
2. other securities	-	-
2.1 structured	-	-
2.2 other	-	-
Total	**400,124**	**757,447**

The amounts shown in the table above refer to the nominal value of fixed-rate bonds subject to micro hedges.

SECTION 4

Financial liabilities held for trading – Line item 40

4.1 Financial liabilities held for trading: breakdown by type

Type of transaction/ Members of the group	31/12/2014					31/12/2013				
	NV	FV			FV*	NV	FV			FV*
		L1	L2	L3			L1	L2	L3	
A. Cash liabilities										
1. Due to other banks	-	-	-	-	-	50,000	52,999	-	-	52,999
2. Due to customers	65,106	68,563	-	-	68,563	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1. Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total A	**65,106**	**68,563**	**-**	**-**	**68,563**	**50,000**	**52,999**	**-**	**-**	**52,999**
B. Derivatives										
1. Financial derivatives	-	-	5,879,937	-	-	-	-	1,667,702	-	-
1.1 Dealing	X	-	5,877,638	-	X	X	-	1,640,030	-	X
1.2 Connected with fair value option	X	-	2,299	-	X	X	-	27,672	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	X	-	-	-	X	X	-	-	-	X
2.1 Dealing	X	-	-	-	X	X	-	-	-	X
2.2 Connected with fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	**X**	**-**	**5,879,937**	**-**	**X**	**X**	**-**	**1,667,702**	**-**	**X**
Total (A+B)	**X**	**68,563**	**5,879,937**	**-**	**68,563**	**X**	**52,999**	**1,667,702**	**-**	**52,999**

Key:
FV = Fair value
FV* = Fair value calculated excluding the differences in value due to changes in the issuer's credit rating since the issue date
NV = Nominal or notional value
L1 = Level 1
L2 = Level 2
L3 = Level 3

"Cash liabilities" refer to short positions on Italian Government bonds existing at 31 December 2014.

There are no derivatives with underlying own liabilities.

4.2 Details of the Line item 40 "Financial liabilities held for trading": subordinated liabilities

There are no subordinated liabilities.

4.3 Details of the Line item 40 "Financial liabilities held for trading": structured debt

There is no structured debt.

4.4 Cash financial liabilities held for trading (excluding "technical mismatches): changes during the year

No changes have taken place in the year in cash financial liabilities held for trading (other than "short positions") relating to amounts due to banks, amounts due to customers and debt securities in issue. The related table has therefore not been prepared.

SECTION 5

Financial liabilities at fair value – Line item 50

5.1 Financial liabilities at fair value: breakdown by type

Type of transaction/ Amounts	31/12/2014					31/12/2013				
	NV	*Fair value*			FV*	NV	*Fair value*			FV*
		L1	L2	L3			L1	L2	L3	
1. Due to banks	-	-	-	-		-	-	-	-	
1.1 Structured	-	-	-	-	X	-	-	-	-	X
1.2 Other	-	-	-	-	X	-	-	-	-	X
2. Due to customers	-	-	-	-		-	-	-	-	
2.1 Structured	-	-	-	-	X	-	-	-	-	X
2.2 Other	-	-	-	-	X	-	-	-	-	X
3. Debt securities	**1,376,790**	**-**	**1,425,310**	**-**	**1,615,083**	**1,567,093**	**-**	**1,602,284**	**-**	**1,615,083**
3.1 Structured	29,847	-	30,260	-	X	52,415	-	53,805	-	X
3.2 Other	1,346,943	-	1,395,050	-	X	1,514,678	-	1,548,479	-	X
Total	**1,376,790**	**-**	**1,425,310**	**-**	**1,615,083**	**1,567,093**	**-**	**1,602,284**	**-**	**1,615,083**

Key:
FV = Fair value
FV* = Fair value calculated excluding the differences in value due to changes in the issuer's credit rating since the issue date
NV = Nominal value
L1 = Level 1, L2 = Level 2, L3 = Level 3

This line item includes own bonds correlated with derivative contracts that hedge interest rate risk, valued by applying the fair value option, as allowed by IAS 39 (natural hedges).

Structured securities relate to liabilities containing an optional part linked to the performance of interest rates.

5.2 Details of line item 50 "Financial liabilities at fair value": subordinated liabilities

	31/12/2014	31/12/2013
Debt securities	107,452	113,444

More information about subordinated liabilities can be found in Part F, Section 2 of these explanatory notes.

5.3 Financial liabilities at fair value: changes during the year

	Due to banks	Due to customers	Debt securities in issue	Total
A. Opening balance	**-**	**-**	**1,602,284**	**1,602,284**
B. Increases	**-**	**-**	**312,311**	**312,311**
B1. Issues	-	-	251,795	251,795
B2. Disposals	-	-	28,063	28,063
B3. Positive changes in fair value	-	-	20,593	20,593
B4. Other changes	-	-	11,860	11,860
C. Decreases	**-**	**-**	**489,285**	**489,285**
C1. Purchases	-	-	101,391	101,391
C2. Redemptions	-	-	373,497	373,497
C3. Negative changes in fair value	-	-	10,654	10,654
C4. Other changes	-	-	3,743	3,743
D. Closing balance	**-**	**-**	**1,425,310**	**1,425,310**

The "Positive and negative changes in fair value" (lines B.3 and C.3) relating to "Debt securities in issue" are reported in "Net change in financial assets and liabilities at fair value" (income statement line item 110).

Line B.4 refers (euro 8,379 thousand) to the issue discounts during the year and (euro 3,481 thousand) to the losses recorded under income statement line item 110 "Net change in financial assets and liabilities at fair value", realised through the buy-back of own bonds, and for the remainder to differentials between opening and closing accruals.

Line C.4 refers (euro 2,885 thousand) to the profit, recorded under income statement line item 110 "Net change in financial assets and liabilities at fair value", realised through the buy-back of own bonds and for the remainder to differentials between opening and closing accruals.

SECTION 6

Hedging derivatives - Line item 60

6.1 Hedging derivatives: analysis by type of hedge and fair value level

	Fair Value 31/12/2014			VN 31/12/2014	*Fair Value* 31/12/2013			VN 31/12/2013
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives	**-**	**458,932**	**-**	**5,301,597**	**-**	**365,837**	**-**	**7,317,287**
1) Fair value	-	214,201	-	556,597	-	307,459	-	3,117,287
2) Cash flows	-	244,731	-	4,745,000	-	58,378	-	4,200,000
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**458,932**	**-**	**5,301,597**	**-**	**365,837**	**-**	**7,317,287**

Key:
NV = nominal value
L1 = Level 1, L2 = Level 2, L3 = Level 3

This line item reports derivatives with a negative fair value, taken out to hedge interest rate risk on specific fixed-rate mortgage portfolios classified as "Loans and advances to customers" and on specific debt securities classified as "Financial assets available for sale".

This line item also reports derivatives with a negative fair value, taken out to hedge cash flows relating to specific floating-rate mortgage hedging books recorded under "Loans and advances to customers" and inflation-indexed debt securities recorded under "Financial assets available for sale".

6.2 Hedging derivatives: analysis by hedged portfolio and type of hedge

Transactions/Type of hedge	*Fair value*						Cash flows		Foreign investments
	Micro					Macro	Micro	Macro	
	Interest rate risk	Exchange risk	Credit risk	Price risk	Multiple risk				
1. Financial assets available for sale	138,397	-	-	-	-	X	201,737	X	X
2. Loans and advances	75,804	-	-	X	-	X	42,994	X	X
3. Financial assets held to maturity	X	-	-	X	-	X	-	X	X
4. Portfolio	X	X	X	X	X	-	X	-	X
5. Other transactions	-	-	-	-	-	X	-	X	-
Total assets	**214,201**	**-**	**-**	**-**	**-**	**-**	**244,731**	**-**	**-**
1. Financial liabilities	-	-	-	X	-	X	-	X	X
2. Portfolio	X	X	X	X	X	-	X	-	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Expected transactions	X	X	X	X	X	X	-	X	X
2. Portfolio of financial assets and liabilities	X	X	X	X	X	-	X	-	-

To represent the aforesaid hedging transactions, the Bank opted for the "Micro Fair Value Hedge" accounting model for those relating to investments in debt securities, while it used the "Macro Fair Value Hedge" model for those relating to mortgage loans, with the consequent recognition of the revaluations of the hedged assets in Asset line item 90 "Remeasurement of financial assets backed by macro hedges".

SECTION 7

Remeasurement of financial liabilities backed by macro hedges - Line item 70

7.1 Remeasurement of hedged financial liabilities

Fair value adjustment of hedged financial liabilities	31/12/2014	31/12/2013
1. Positive changes to financial liabilities	-	-
2. Negative changes to financial liabilities	-	3,215
Total	**-**	**3,215**

7.2 Financial liabilities backed by macro hedges of interest rate risk: breakdown

Hedged liabilities	31/12/2014	31/12/2013
1. Due to customers	-	1.782.513
Total	**-**	**1.782.513**

SECTION 8

Tax liabilities – Line item 80

8.1 Current tax liabilities: breakdown

	31/12/2014	31/12/2013
1. Direct tax liabilities previous years - IRAP	-	2,559
2. Liability for substitute tax	-	1,237
3. Direct tax liabilities - IRES	-	37,856
Total	**-**	**41,652**

Deferred tax liabilities are discussed in asset Section 13.

The same section also contains information about the Bank's tax position.

In compliance with IAS 12, payments on account for individual taxes have been offset against the related tax payable, with net positive balances reported as "Tax assets: current" and net negative balances as "Tax liabilities: current".

It should be noted that, in compliance with the Bank of Italy Circular no. 262 of 22 December 2005 as amended, "Tax assets" (asset line item 130) and "Tax liabilities" (liability line item 80) in the statement of financial position only include those tax assets and liabilities (current and deferred) recognised in accordance with IAS 12 (governing income taxes), while other tax credit/debit balances are reported in "Other assets" (asset line item 150) and "Other liabilities" (liability line item 100) of the statement of financial position.

SECTION 9

Liabilities associated with non-current assets held for sale – Line item 90

This section has not been completed since the Bank does not have any liabilities associated with non-current assets held for sale.

SECTION 10

Other liabilities – Line item 100

10.1 Other liabilities: breakdown

	31/12/2014	31/12/2013
1. Miscellaneous security transactions	19,661	37,037
2. Employee salaries and contributions	20,456	23,402
3. Due to suppliers	22,416	30,662
4. Transactions in transit	148,614	131,359
5. Adjustments for non-liquid balances relating to the portfolio	266,239	-
5. Allowance for risks on guarantees and commitments	19,983	9,587
6. Accrued expenses and deferred income not allocated to specific accounts	6,636	6,974
7. Other fiscal items	37,077	35,222
8. Other miscellaneous items	196,953	46,532
Total	**738,035**	**320,775**

"Transactions in transit" refer to positions taken in the last few days of the year, almost all of which settled in the first few days of the new year.

In compliance with the Bank of Italy Circular no. 262 of 22 December 2005 as amended, line 8. reports the tax assets that do not fall under the scope of IAS 12 (governing income taxes).

SECTION 11

Provision for severance indemnities – Line item 110

11.1 Provision for severance indemnities: changes during the year

	31/12/2014	31/12/2013
A. Opening balance	**60,857**	**63,907**
B. Increases	**7,005**	**2,326**
B.1 Provisions	1,462	1,366
B.2 Other increases	5,543	960
- of which: business combinations	*695*	*483*
C. Decreases	**1,674**	**5,376**
C.1 Payments made	1,469	2,362
C.2 Other decreases	205	3,014
D. Closing balance	**66,188**	**60,857**
Total	**66,188**	**60,857**

According to IFRIC, the provision for severance indemnities is a "post-employment benefit" qualifying as a "defined benefit plan", the value of which according to IAS 19 must be determined on an actuarial basis. As a consequence, the year-end valuation of this amount was carried out by an independent actuary using the projected unit credit method with reference to earned benefits. This method involves the projection of future payments with reference to past trends and statistical analyses and probabilities, adopting suitable demographic techniques. This makes it possible to calculate the severance indemnities accruing at a specific date on an actuarial basis, distributing the cost over the entire remaining service of the current workforce, and no longer presenting them as a cost payable as if the business were to cease trading on the reporting date.

Line B.1 "Provisions" includes, in addition to the actual provisions for the year determined in accordance with current laws and with the National Collective Labour Agreement, also the adjusting effect of the actuarial measurement recognised in the income in accordance with IAS 19.

Line B.2 "Other increases" includes the effect of the actuarial measurement, recognised as a balancing entry of the specific equity valuation reserve, in accordance with IAS 19.

The actuarial valuation of the employee severance indemnities performed in accordance with the method indicated above, brought to light a deficit of euro 6,437 thousand in the payable, determined in accordance with current laws and with the National Collective Labour Agreement, compared to the result of the actuarial valuation.

11.2 Other information

The demographic and financial assumptions used by the actuary to value the provision for severance indemnities at 31 December 2014 are as follows:

Demographic assumptions	31/12/2014
Mortality rate	RG48
Disability	INPS tables by age and gender
Age of retirement	Achievement of compulsory general insurance requirements

Financial assumptions	31/12/2014
Annual discounting rate	1.54%
Annual inflation rate	0.60% 2015
	1.20% 2016
	1.50% 2017 - 2018
	2.00% 2019
Rate of severance indemnity increase	1.95% 2015
	2.40% 2016
	2.625% 2017 - 2018
	3.00% 2019

Annual frequency of turnover and severance indemnity advances	31/12/2014
Advances (BPVi)	1.00%
Turnover (BPVi)	1.00%

SECTION 12

Provision for risks and charges – Line item 120

12.1 Provisions for risks and charges: breakdown

Items/Amounts	31/12/2014	31/12/2013
1. Post-retirement benefits	5,253	5,682
2. Other provisions for risks and charges	44,092	42,212
2.1 legal disputes	34,370	29,894
2.2 personnel expenses	2,311	2,429
2.3 other	7,411	9,889
Total	**49,345**	**47,894**

"Post-retirement benefits" refer to the Supplementary Section of the pension fund, a defined benefit plan of the former subsidiary Cariprato, merged into Banca Popolare di Vicenza on 31 December 2010, more details of which can be found in note 12.3 below. The Capitalisation Section of this fund is a defined contribution plan and so is not reported in the statement of financial position, in compliance with IAS 19.

12.2 Provisions for risks and charges: changes during the year

	Post-retirement benefits	Other provisions	Total
A. Opening balance	**5,682**	**42,212**	**47,894**
B. Increases	**219**	**14,782**	**15,001**
B.1 Provisions	211	11,791	12,002
B.2 Changes due to the passage of time	-	-	-
B.3 Changes due to variations in the discount rate	-	2,491	2,491
B.4 Other increases	8	500	508
- of which: business combinations	-	-	-
C. Decreases	**648**	**12,902**	**13,550**
C.1 Utilizations during the year	648	12,282	12,930
C.2 Changes due to variations in the discount rate	-	-	-
C.3 Other decreases	-	620	620
D. Closing balance	**5,253**	**44,092**	**49,345**

Line B.1 "Provisions" in "Other provisions" comprises:

- euro 12,975 thousand in provisions relating to bankruptcy claims, legal disputes and sundry charges, the matching entry to which is reported in "Net provisions for risks and charges" (income statement line item 160);
- euro 1,000 thousand in net provisions for future payroll expenses, the matching entry to which is reported in "Payroll" (income statement line item 150a);
- euro 2,184 thousand in releases to income of provisiuons booked in previous years, now regarded as surplus, relating to sundry risks and charges.

Line B.3 relates to the effect of changes during the year in the interest rate curve used to discount provisions for risks and charges on bankruptcy claims and litigation.

Line C.1 “Utilizations during the year” in “Other provisions” comprises:
- euro 10,725 thousand in utilisations for settling certain legal disputes, bankruptcy claims and/or customer complaints;
- euro 1,118 thousand in utilisations for prior year bonuses paid during the year under the employee incentive scheme;
- euro 157 thousand in utilisations relating to the reserve for fiscal disputes;
- euro 282 thousand in utilisations for other charges.

“Other increases” reported in line B.4 “Other provisions” reflect euro 500 thousand for the portion of the reserve called “former Provision for General Banking Risks” allocated to the provision for charitable donations and other good causes, in the absence of distributable profit, in accordance with the resolution of the Stokeholders’ Meeting of 26 April 2014.

Utilisations of the provision for charitable donations and other good causes, amounting to euro 620 thousand, are included in “Other decreases” in line C.3.

12.3 Defined benefit pension funds

1. Illustration of the characteristics of the provisions and of the related risks

The Bank operates a supplementary pension fund for employees under an agreement signed on 30 June 1998 between Cariprato, merged into BPVi in December 2010, and the employees’ unions. This Fund, restricted under article 2117 of the Italian Civil Code and governed by specific regulations, is divided into two Sections:

- the Capitalisation Section, which guarantees supplementary pension benefits on a defined contribution basis, requiring the Bank to pay an annual amount calculated with reference to the taxable base used for determining severance indemnities;

- the defined benefit Supplementary Section, which is described in this note.

The Supplementary Section represents the continuation, under current rules, of the original Fund set up under an in-house agreement dated 27 June 1972 to supplement the benefits payable by INPS. Its participants comprise personnel of the former subsidiary Cariprato who were already pensioners at 1 July 1998, as well as the employees of the bank at 1 May 1981 who opted to remain in the Supplementary Section on 1 July 1998.
The Fund guarantees pension benefits to members that supplement those paid by INPS under the obligatory national scheme. These benefits can represent up to 75% of the last pensionable salary received (after 35 years of service).
At 31 December 2014, the Supplementary Section’s participants comprise 2 employees still in service and 58 entitled to supplementary or substitute benefits greater than zero.

2. Change in the year of the net defined benefit liabilities (assets) benefits defined and of the rights to reimbursement

The opening and closing balances of the present value of the defined benefit obligation are reconciled below, indicating the effects of changes during the year:

Description	"Mathematical reserve"
Mathematical reserve at 31.12.13	**5,682**
Net earnings of the Fund	199
Pension cost	(648)
Payments made	6
Actuarial profit (loss) - 2014	14
Reserve at 31.12.14	**5,253**

At 31 December 2014, the size of the Fund was aligned to the mathematical reserve calculated on the same date, since the Bank, in accordance with Article 8 of the Fund Regulations, had settled the deficit of euro 211 thousand (versus a deficit of euro 414 thousand the previous year) resulting from the actuarial valuation.

The Fund's assets, all invested in cash and cash equivalents with Banca Popolare di Vicenza, decreased from euro 5,682 thousand at 31 December 2013 to euro 5,253 thousand at 31 December 2014. The decreases during the year derive from the payment of euro 648 thousand in pensions, whilst the increases comprise euro 8 thousand from interest income for the remuneration of the invested cash and euro 211 thousand from the payment made to settle the Fund deficit and make its size match the mathematical reserve.

3. Disclosures on the fair value of plan assets

The present value of the defined benefit obligation and the fair value of the plan assets and the plan's surplus or deficit are presented for the current year and four previous ones:

	Present value	Fair value of assets	Surplus or (Deficit)
2010	6,839	7,149	310
2011	6,361	6,505	144
2012	5,923	5,838	(85)
2013	5,682	5,268	(414)
2014	5,253	5,042	(211)

At 31 December 2014, the Bank allocated a provision of euro 211 thousand to make the size of the Fund match the Mathematical Reserve.

There are no differences between the present value of plan assets and the assets and liabilities reported in the statement of financial position since all the fund's resources are invested in liquid assets.

4. Description of principal actuarial assumptions

The amount of the supplementary Fund in relation to the obligations to its participants is reviewed once a year by an independent actuary.
The principal actuarial assumptions adopted for the latest calculation of the mathematical reserve at 31 December 2014 are set out below.
This valuation was made using the demographic, economic and financial assumptions described below.

Demographic assumptions

The following criteria were adopted:
- probability of death of current employees and pensioners: mortality rates applying to the Italian population published by ISTAT in 2007 were assumed; the probability of cases of underage orphans was assumed to be zero;
- probability of termination of service for absolute and permanent disability: probabilities adopted by the Treasury Ministry's Pension Institutes, published in the report for 1969, reduced to 75% of the original amount;
- age of retirement: it was assumed that active employees who do not "die in service" or "retire for intervening disability" stop working as soon as they reach the minimum pensionable age/length of service established by current retirement legislation in Italy. No person may receive benefits unless they also qualify for a pension payable by INPS;
- calculation of indirect expenses and of reversibility: the calculation refers to the composition of the average surviving family unit, depending on the employee's sex and age on death, and the number of years since death. The probabilities of marriage (by sex and age) and the probabilities of fertility (by age of the female and by order of birth of the children) were taken from the ISTAT "Marriage tables" (1971) and from the ISTAT "Female fertility survey" (1974), with appropriate adjustments to take account of social changes in the past twenty years. In order to take account of the changes introduced by Law 335/1995 on the accumulation of surviving spouse pensions and beneficiary income, the pension payable by INPS to surviving spouses has been reduced to 66% (based on information obtained in relation to a major bank);
- types of remuneration: these were taken, with suitable standardisation, from actual statistics relating to the staff of a bank at 31 December 1995, split between the four categories: managers and officials, male middle managers and clerical staff, female middle managers and clerical staff, subordinate and auxiliary staff. Due to the limited number of employees of Cassa, the data which can be directly identified by examining its experience is immaterial.

Economic and financial assumptions

The following rates have been adopted:
- technical discounting rate: 3.5%;
- annual inflation rate: 2%;
- annual rate of salary increases: 2.25%;
- annual growth in nominal GDP (Art. 1.9 of Italian Law no. 335/1995): 3%.

5. Information on amount, timing and uncertainty of cash flows

On the basis of assumptions reported in the earlier paragraph, the calculation of charges the Fund must deal with in the future gave the following results.

Average present value of integrated pension (euro)	M	F	Total
direct	22,350,605	-	22,350,605
ind. e di rev.	-	4,545,822	4,545,822
total	22,350,605	4,545,822	26,896,427

Average present value of INPS pension (euro)	M	F	Total
direct	18,345,143	-	18,345,143
ind. e di rev.	-	3,363,429	3,363,429
total	18,345,143	3,363,429	21,708,572

Average present value of supplementary pension (euro)	M	F	Total
direct	4,005,462	-	4,005,462
ind. e di rev.	-	1,182,393	1,182,393
total	4,005,462	1,182,393	5,187,855

Average present value of treatments accrued (euro)

integrated pension	pension INPS	supplementary pension
1,250,227	1,185,264	64,963

As regards timing, for the 58 pensioners, the average age is around 77 years for males and 80 years for females.

As regards current employees, it was assumed they will continue to keep up the same percentage of work activity in future as they have done up till now.

6. Multi-employer plans

This paragraph has not been completed since there is just one employer.

7. Defined benefit plans that spread risks among entities under common control

This paragraph has not been completed since there are no risks spread among entities under common control.

12.4 Provisions for risks and charges – other provisions

Items/Amounts	31/12/2014	31/12/2013
1. Legal disputes	**34,370**	**29,894**
1.1 Civil litigation	25,678	20,738
1.2 Bankruptcy claims	8,692	9,156
2. Personnel expenses	**2,311**	**2,429**
2.1 Bonus system	2,311	2,429
3. Other	**7,411**	**9,889**
3.1 Complaints and other	-	120
3.2 Other	7,411	9,769
Total	**44,092**	**42,212**

The provision for legal disputes relates to contingencies associated with claims against the Bank and from the liquidators of bankrupt companies.

The provision for employment costs refers to the contingent liabilities connected with the employee incentive scheme.

The other provisions for risks and charges relate to customer complaints, fiscal disputes and other sundry charges.

The contingent liability for bankruptcy claims and litigation against the Bank has been discounted to present value, while the other provisions refer to contingencies that are likely to be settled within the next 12/18 months. Consequently, these liabilities have not been discounted since the effect would not be significant.

SECTION 13

Redeemable shares – Line item 140

This section has not been completed because the Bank has not issued any redeemable shares.

SECTION 14

Equity - Line items 130, 150, 160, 170, 180, 190 and 200

14.1 "Capital stock" and "Treasury shares": breakdown

Items/Amounts	31/12/2014	31/12/2013
- Treasury shares	93,832,032	83,658,475
- Nominal value	euro 3.75	euro 3.75

14.2 Capital stock - Number of shares: changes during the year

Items/Amounts	Ordinary	Other
A. Treasury shares at the beginning of the year	**83,658,475**	**-**
- fully paid	83,658,475	-
- not fully paid	-	-
A.1 Treasury shares (-)	124,039	-
A.2 Outstanding shares: opening balance	**83,534,436**	**-**
B. Increases	**15,828,284**	**-**
B.1 New issues	11,453,042	-
- payment:	11,453,042	-
- business combinations	-	-
- conversion of bonds	210	-
- exercise of warrant	-	-
- other	11,452,832	-
- bonus:	-	-
- to employees	-	-
- to directors	-	-
- other	-	-
B.2 Sale of treasury shares	4,375,242	-
B.3 Other changes	-	-
C. Decreases	**5,944,890**	**-**
C.1 Elimination	1,279,485	-
C.2 Purchase of treasury shares	4,665,405	-
C.3 Disposal of companies	-	-
C.4 Other changes	-	-
D. Outstanding shares: closing balance	**93,417,830**	**-**
D.1 Treasury shares (+)	414,202	-
D.2 Treasury shares at the end of the year	**93,832,032**	**-**
- fully paid	93,832,032	-
- not fully paid	-	-

14.3 Capital stock: other information

As a result of bonus issues in previous years, capital stock includes the following revaluation reserves in suspense for tax purposes:

- Reserve under Law 74 dated 11.02.1952 for euro 24 thousand;
- Reserve under Law 72 dated 19.03.1983 for euro 13,005 thousand;
- Reserve under Law 576 dated 02.12.1975 foreuro 553 thousand;
- Reserve under Law 218 dated 30.07.1990 for euro 30,582 thousand;
- Reserve under Law 408 dated 29.12.1990 for euro 12,834 thousand;
- Reserve under Law 413 dated 30.12.1991 for euro 28,054 thousand.

14.4 Reserves from earnings: other information

As required by art. 2427, par. 1 no. 7-bis of the Italian Civil Code, the following table analyses the equity accounts according to their permitted uses and distribution:

Description	Amount	Permitted uses	Unrestricted portion	Uses in past three years	
				To cover losses	For other reasons
Capital stock	351,870		-		
Treasury shares	(25,888)		-	-	-
Capital reserves					
- additional paid-in capital	3,365,095	a,b,c	3,292,617	-	109,869
Equity instruments	3,195		-	-	-
Valutation reserves					
- art. 6.1 b) Decree 38/2005 (financial assets available for sale and cash flow hedge derivatives valuation)	56,095		-	-	-
- art. 7.6 Decree 38/2005	1,756	a,b	1,756	-	-
- riserve ex Law 413/91	344	a,b,c	344	-	
- riserve ex Law 342/00	173	a,b,c	173		
- riserve ex Law 576/75	61	a,b,c	61	-	-
- Valuation reserve actuarial gains defined benefit plans	(8,521)				
Profit reserves					
- legal reserve	135,776	b	70,374	-	-
		a,b,c	65,402	-	-
- Statutory reserve	239,253	a,b,c	239,253	-	-
- reserve for treasury shares (restricted portion)	25,888			-	-
- reserve for treasury shares (unrestricted portion)	214,112	a,b,c	214,112	-	-
- reserve Law 153/99	27,037	a,b,c	27,037	-	-
- reserve ex art. 2349 Civil Code	1,902	a	1,902	-	1,146
- art. 6.1a) Decree 38/2005	2,696	b	2,696	-	-
- reserve ex Law 124/93	489	a,b,c	489	-	-
- reserve ex Law 218/90	1,586	a,b,c	1,586	-	-
- other reserves	58,584	a,b,c	58,584	-	-
- other reserves	10,806	a,b,c	10,806		
Net loss for 2013					
	(823,682)	a,b,c	-	-	-
		b	-		
		d	-	-	-
TOTAL	**3,638,627**		**3,987,192**	-	**140,585**
Undistributable portion			76,728		
Remaining distributable portion			3,910,464		

Key: "a": for capital increases; "b": for covering losses; "c": for distribution at stockholders; "d": for other purposes.

The table above classifies the reserves according to the permitted uses specified in the Italian Civil Code and in special laws governing such reserves.
The permitted use and unrestricted portion do not take account of any restrictions imposed

by tax laws.

Attention is drawn to the fact that the Supervisory Instructions for Banks lay down minimum capital requirements which place limits on the actual possibility of distributing reserves.

14.5 Equity instruments: breakdown and annual changes

“Equity instruments”, amounting to euro 3,195 thousand at 31 December 2014, reflect the equity component embedded in the convertible subordinated bonds “BPVi 15^ Emissione 2009-2016” and “BPVi 5% 2013-2018”, which is reported separately in accordance with IAS 32.

14.6 Other information

There is no other information worthy of disclosure.

OTHER INFORMATION

1. Guarantees given and commitments

Operations	31/12/2014	31/12/2013
1) Financial guarantees	875,564	845,871
a) Banks	43,763	24,795
b) Customers	831,801	821,076
2) Commercial guarantees	609,556	799,851
a) Banks	68,922	107,915
b) Customers	540,634	691,936
3) Irrevocable commitments to make loans	1,057,425	1,060,567
a) Banks	35	2,378
i) certain to be called on	35	2,378
ii) not certain to be called on	-	-
b) Customers	1,057,390	1,058,189
i) certain to be called on	1,073	4,138
ii) not certain to be called on	1,056,317	1,054,051
4) Commitments underlying credit derivatives: protection sold	-	-
5) Assets lodged to guarantee the commitments of third parties	-	-
6) Other commitments	26,531	40,636
Total	**2,569,076**	**2,746,925**

2. Assets pledged to guarantee own liabilities and commitments

Portfolio	31/12/2014	31/12/2013
1. Financial assets held for trading	730.424	-
2. Financial assets at fair value	-	-
3. Financial assets available for sale	2.107.230	3.939.405
4. Financial assets held to maturity	-	-
5. Loans and advances to banks	903.150	764.532
6. Loans and advances to customers	6.360.326	1.392.997
7. Property, plant and equipment	-	-

The assets pledged as security shown in the table refer mainly:

- for assets held for trading, to securities transferred in the pooling of assets pledged as security for refinancing operations with the ECB;
- for financial assets available for sale, to own securities pledged in repurchase agreements or securing own liabilities;
- for loans and advances to banks, to cash collaterals in view of the exposures deriving from operations involving OTC derivatives and/or Repo;
- for loans and advances to customers, to securities receivables whose amount is equal to the ABS securities placed on the market or subscribed by the Bank and re-employed in financing operations, to eligible loans transferred in the pooling of assets pledged to guarantee refinancing operations with the ECB and to a ceiling of receivables connected with financing obtained from institutional counterparties.

The pool of assets lodged to guarantee refinancing operations with the ECB also includes assets not recorded in the financial statements and referred to guarantees received within security lending and repurchase agreement transactions for a total value of euro 0.7 billion.

3. Information on operating leases

There are no operating leases worthy of disclosure.

4. Administration and trading on behalf of third parties

The Bank is authorised to trade in securities in accordance with article 1.5 letters a), b), c) and e) of Legislative Decree 58 dated 24 February 1998.

Type of service	31/12/2014	31/12/2013
1. Orders executed on behalf of customers	**528,129**	**684,177**
a) purchases	437,473	526,398
1. settled	436,471	523,748
2. unsettled	1,002	2,650
b) sales	90,656	157,779
1. settled	89,475	157,043
2. unsettled	1,181	736
2. Portfolio management	**93,185**	**138,670**
a) individual	93,185	138,670
b) collective	-	-
3. Custody and administration of securities	**28,713,950**	**33,869,437**
a) third-party securities on deposit: associated with activities as a custodian bank (excluding portfolio management)	-	-
1. securities issued by consolidated companies	-	-
2. other securities	-	-
b) third party securities in custody (excluding portfolio management): other	17,488,204	19,436,536
1. securities issued by consolidated companies	5,661,357	6,160,423
2. other securities	11,826,847	13,276,113
c) third-party securities on deposit with third parties	16,902,327	18,744,318
d) own securities on deposit with third parties	11,225,746	14,432,901
4. Other transactions	**-**	**-**

5. Financial assets offset in the financial statements, or subject to framework offsetting agreements or similar agreements

6. Financial assets offset in the financial statements, or subject to framework offsetting agreements or similar agreements

The Bank has no outstanding financial assets and liabilities that are offset in accordance with IAS 32.42. The related tables are therefore omitted.

It should be noted that The Bank uses bilateral offsetting arrangements relating to operations in over-the-counter derivatives with principal market counterparties, giving the option to offset creditor positions against debtor positions in the event of counterparty default. These agreements have not entailed the offsetting of assets against liabilities in the financial statements.

7. Securities lending

The fair value at 31 December 2014 of the securities received in securities loans with customers is set out below. The transactions are without cash guarantee or with cash guarantee that is not within the full availability of the lender. Therefore, they are not included among the assets and liabilities of the statement of financial position.

Type of financial instruments	Financial companies *Fair Value*	Non-financial companies *Fair Value*
Debt securities	120,849	341,414
Bank securities	5,000	3,497
Total	**125,849**	**344,911**

All borrowed securities were pledged to guarantee own financing transactions of the Eurosystem.

8. Disclosure on joint operations

The Bank does not own any joint operations.

PART C - INFORMATION ON THE INCOME STATEMENT

SECTION 1

Interest – Line items 10 and 20

1.2 Interest income and similar revenues: breakdown

Items/technical forms	Debt securities	Loans	Other transactions	31/12/2014	31/12/2013
1. Financial assets held for trading	3,803	-	41,002	44,805	53,076
2. Financial assets available for sale	88,803	841	-	89,644	138,874
3. Financial assets held to maturity	-	-	-	-	-
4. Loans and advances to banks	30,412	11,516	-	41,928	40,986
5. Loans and advances to customers	3,955	820,081	-	824,036	842,584
6. Financial assets at fair value	44	-	-	44	-
7. Hedging derivatives	X	X	33,621	33,621	54,369
8. Other assets	X	X	91	91	56
Total	**127,017**	**832,438**	**74,714**	**1,034,169**	**1,129,945**

The line item in question includes late-payment interest on loans relating to non-performing loans to customers for euro 34 thousand.

1.2 Interest income and similar revenues: differentials relating to hedging transactions

	31/12/2014	31/12/2013
A. Positive differentials relating to hedging transactions	71,089	120,444
B. Negative differentials relating to hedging transactions	(37,468)	(66,075)
C. Balance (A-B)	**33,621**	**54,369**

1.3 Interest income and similar revenues: other information

1.3.1 Interest income on foreign currency financial assets

	31/12/2014	31/12/2013
a) on foreign currency assets	6,975	9,169

1.3.2 Interest income on finance leases

There are no finance leases.

1.4 Interest expense and similar charges: breakdown

Items/technical forms	Payables	Securities	Other transactions	31/12/2014	31/12/2013
1. Due to central banks	(4,936)	X	-	(4,936)	(18,959)
2. Due to banks	(76,301)	X	-	(76,301)	(86,049)
3. Due to customers	(231,523)	X	-	(231,523)	(285,963)
4. Debt securities in issue	X	(264,089)	-	(264,089)	(250,327)
5. Financial liabilities held for trading	-	(10,575)	-	(10,575)	(3,354)
6. Financial liabilities at fair value	-	(57,124)	-	(57,124)	(65,547)
7. Other liabilities and provisions	X	X	-	-	-
8. Hedging derivatives	X	X	-	-	-
Total	**(312,760)**	**(331,788)**	**-**	**(644,548)**	**(710,199)**

1.5 Interest income and similar revenues: differentials relating to hedging transactions

There are no net negative differentials relating to hedging transactions.

1.6 Interest expense and similar charges: other information

1.6.1 Interest expense on foreign currency liabilities

	31/12/2014	31/12/2013
a) on foreign currency liabilities	(1,507)	(3,156)

1.6.2 Interest expense on finance leases

There are no finance leases.

SECTION 2

Commissions – Line items 40 and 50

2.1 Fee and commission income: breakdown

Type of service/Amounts	31/12/2014	31/12/2013
a) guarantees given	13,163	15,948
b) credit derivatives	-	-
c) management, dealing and consultancy services:	107,324	112,535
1. trading in financial instruments	725	350
2. foreign currency trading	1,538	12,769
3. portfolio management	1,146	3,943
3.1. individual	1,146	3,943
3.2. collective	-	-
4. custody and administration of securities	2,495	2,501
5. custodian bank	-	64
6. placement of securities	42,067	39,306
7. acceptance and transmission of orders	9,141	7,859
8. advisory services	5,044	1,567
8.1. for investments	-	-
8.2. for financial structure	5,044	1,567
9. distribution of third party services	45,168	44,176
9.1. portfolio management	291	203
9.1.1. individual	-	-
9.1.2. collective	291	203
9.2. insurance products	26,975	24,087
9.3. other products	17,902	19,886
d) collection and payment services	35,443	30,931
e) servicing for securitization transactions	678	714
f) services for factoring transactions	-	-
g) tax collection services	-	-
h) multilateral trading systems management	-	-
i) provision and management of current accounts	113,807	111,833
j) other services	32,085	25,922
Total	**302,500**	**297,883**

With reference to the change in line item c) 2. "currency trading", it should be specified that it was affected by the refinement of the procedures to account for foreign currency transactions as a result of the introduction of the new foreign trading procedure.

Details of "Other services"

	31/12/2014	31/12/2013
1. Fees and commissions on loans	13,745	9,517
2. Commissions on debit/credit cards	15,533	14,808
3. Other services	2,807	1,597
Total	**32,085**	**25,922**

2.2 Fee and commission income: product and service distribution channels

Services/Amounts	31/12/2014	31/12/2013
a) At own branches:	**82,430**	**82,846**
1. portfolio management	1,114	3,913
2. placement of securities	40,112	38,428
3. third-party products and services	41,204	40,505
b) Door-to-door:	**5,951**	**4,579**
1. portfolio management	32	30
2. placement of securities	1,955	878
3. third-party products and services	3,964	3,671
c) Other distribution channels:	**-**	**-**
1. portfolio management	-	-
2. placement of securities	-	-
3. third-party products and services	-	-

2.3 Fee and commission expense: breakdown

Type of service/Amounts	31/12/2014	31/12/2013
a) Guarantees received	(15,337)	(25,277)
b) Credit derivatives	-	-
c) Management and dealing services	(9,753)	(6,842)
1. trading in financial instruments	(2,353)	(2,496)
2. trading in foreign currency	(164)	(239)
3. portfolio management:	(306)	(1,575)
3.1 own portfolio	(306)	(1,575)
3.2 third-party portfolio	-	-
4. custody and administration of securities	-	-
5. placement of financial instruments	(719)	(73)
6. door-to-door distribution of financial instruments, products and services	(6,211)	(2,459)
d) Collection and payment services	(9,294)	(9,103)
e) Other services	(14,190)	(29,127)
Total	**(48,574)**	**(70,349)**

Line a) includes the cost of the guarantee received from the State for the possibility of lodging own liabilities with the ECB (Article 8 of Law Decree 201/2011). This guarantee was extinguished during the year.

Details of line "Other services"

	31/12/2014	31/12/2013
1. Commissions on debit/credit cards	(80)	(99)
2. Commissions on financial instruments	(9,720)	(21,975)
3. Other services	(4,390)	(7,053)
Total	**(14,190)**	**(29,127)**

SECTION 3

Dividend and similar income – Line item 70

3.1 Dividend and similar income: breakdown

Items/Income	31/12/2014		31/12/2013	
	Dividends	Income from mutual funds	Dividends	Income from mutual funds
A. Financial assets held for trading	534	-	941	-
B. Financial assets available for sale	10,770	3,488	10,586	136
C. Financial assets at fair value	-	-	-	-
D. Equity investments	39,783	X	36,464	X
Total	**51,087**	**3,488**	**47,991**	**136**

SECTION 4

Net trading income – Line item 80

4.1 Net trading income: breakdown

Transactions/Income items	Gains (A)	Trading profits (B)	Losses (C)	Trading losses (D)	Net profit (loss) [(A+B)-(C+D)]
1. Financial assets held for trading	**4,570**	**10,433**	**(3,146)**	**(2,252)**	**9,605**
1.1 Debt securities	4,015	8,022	(1,221)	(56)	10,760
1.2 Equities	555	2,411	(1,925)	(2,196)	(1,155)
1.3 Mutual funds	-	-	-	-	-
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	**-**	**14,128**	**(692)**	**(13,896)**	**(460)**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	14,128	(692)	(13,896)	(460)
2.3 Other	-	-	-	-	-
3. Other assets and financial liabilities: exchange differences	**X**	**X**	**X**	**X**	**3,545**
4. Derivatives	**5,258,932**	**3,363,089**	**(5,087,808)**	**(3,455,455)**	**81,983**
4.1 Financial derivatives:	5,258,932	3,363,089	(5,087,808)	(3,455,455)	81,983
- On debt securities and interest rates	5,258,918	3,354,195	(5,087,728)	(3,447,849)	77,536
- On equities and equity indices	14	8,894	(80)	(7,606)	1,222
- On currency and gold	X	X	X	X	3,225
- Other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
Total	**5,263,502**	**3,387,650**	**(5,091,646)**	**(3,471,603)**	**94,673**

Trading profits (losses) and valuation gains (losses) relating to financial derivatives are presented on a gross basis for each individual financial instrument.

SECTION 5

Net hedging gains (losses) – Line item 90

5.1 Net hedging gains (losses): breakdown

Income items/Amounts	31/12/2014	31/12/2013
A Income relating to:		
A.1 Fair value hedges	341,823	320,775
A.2 Hedged financial assets (fair value)	145,490	60,424
A.3 Hedged financial liabilities (fair value)	2,772	29,398
A.4 Cash-flow hedges	-	-
A.5 Foreign currency assets and liabilities	-	-
Total income from hedging activities (A)	**490,085**	**410,597**
B. Charges from:		
B.1 Fair value hedges	(391,224)	(80,438)
B.2 Hedged financial assets (fair value)	-	(277,572)
B.3 Hedged financial liabilities (fair value)	(46,837)	-
B.4 Cash-flow hedges	-	-
B.5 Foreign currency assets and liabilities	-	-
Total charges from hedging activities (B)	**(438,061)**	**(358,010)**
C. Net hedging gains (losses) (A - B)	**52,024**	**52,587**

At 31 December 2014, there are hedges of interest rate risk on specific fixed-rate and floating rate with maximum rate mortgage portfolios classified as “Loans and advances to customers”, on certain debt securities classified as “Financial assets available for sale” and on individual own-issue bonds recorded among “Securities in issue”.

The measurements carried out at the end of the year, in accordance with IAS 39, confirmed the effectiveness of existing hedges and led to the recording, in the line item in question, of a net expense of euro 9,697 thousand, which represents partial ineffectiveness, which in any case remains within the range allowed by IAS 39.

The item also includes euro 66,040 thousand in net income mainly connected to the early termination of certain hedges on debt securities recorded among “Financial assets available for sale” and net expenses of euro 4,320 thousand relating to the early termination of the hedges of on-demand items recorded among amounts “Due to customers”.

SECTION 6

Gains (losses) on disposal or repurchase – Line item 100

6.1 Gains (losses) on disposal or repurchase: breakdown

Items/Income Items	31/12/2014			31/12/2013		
	Profits	Losses	Net profit (loss)	Profits	Losses	Net profit (loss)
Financial assets						
1. Loans and advances to banks	-	-	-	-	-	-
2. Loans and advances to customers	172	(1)	171	32	(3)	29
3. Financial assets available for sale	34,188	(44)	34,144	80,923	(3,560)	77,363
3.1 Debt securities	31,888	(37)	31,851	61,163	-	61,163
3.2 Equities	1,610	-	1,610	18,450	(3,554)	14,896
3.3 Mutual funds	690	(7)	683	1,310	(6)	1,304
3.4 Loans	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-
Total assets	**34,360**	**(45)**	**34,315**	**80,955**	**(3,563)**	**77,392**
Financial liabilities						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	458	-	458
3. Debt securities in issue	1,485	(2,962)	(1,477)	3,224	(1,599)	1,625
Total liabilities	**1,485**	**(2,962)**	**(1,477)**	**3,682**	**(1,599)**	**2,083**

The gains and losses from “Financial assets available for sale” include the “release” to income of the positive and negative valuation reserves, recorded separately under equity at 31 December 2013, as a result of selling assets during the year.

SECTION 7

Net change in financial assets and liabilities at fair value – Line item 110

7.1 Net change in financial assets and liabilities at fair value: breakdown

Transactions/Income items	Gains (A)	Gains on disposals (B)	Losses (C)	Losses on disposals (D)	Net profit (loss) [(A+B)-(C+D)]
1. Financial assets	**-**	**-**	**(393)**	**-**	**(393)**
1.1 Titoli di debito	-	-	(393)	-	(393)
1.2 Equities	-	-	-	-	-
1.3 Mutual funds	-	-	-	-	-
1.4 Loans -	-	-	-	-	
2. Financial liabilities	**10,654**	**2,885**	**(20,593)**	**(3,481)**	**(10,535)**
2.1 Debt securities	10,654	2,885	(20,593)	(3,481)	(10,535)
2.2 Due to banks	-	-	-	-	-
2.3 Due to customers	-	-	-	-	-
3. Foreign currency financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	
4. Credit and financial derivatives	**35,176**	**2,751**	**(29,690)**	**(5,690)**	**2,547**
Total liabilities	**45,830**	**5,636**	**(50,676)**	**(9,171)**	**(8,381)**

Trading profits (losses) and valuation gains (losses) relating to financial derivatives are presented on a gross basis for each individual financial instrument.

The net losses recorded in the line item in question on financial liabilities include the pull to par effect connected to the reduction, due to the passing of time, in profits deriving from the change in the Bank's creditworthiness recorded in previous years on its bonds measured at fair value.

SECTION 8

Net impairment adjustments – Line item 130

8.1 Net impairment adjustments to loans and advances: breakdown

Transactions/Income items	Adjustments (1)			Writebacks (2)				31/12/2014	31/12/2013
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Other		A	B	A	B		
A. Due from banks	-	(2)	-	-	-	-	-	(2)	(2)
- Loans	-	(2)	-	-	-	-	-	(2)	(2)
- Debt securities	-	-	-	-	-	-	-	-	-
B. Loans to customers	(14,999)	(782,588)	(75,230)	36,510	30,982	-	-	(805,325)	(390,797)
Impaired loans	-	-	-	-	-	-	-	-	-
- Loans	-	-	x	-	-	x	x	-	-
- Debt securities	-	-	x	-	-	x	x	-	-
Other loans	(14,999)	(782,588)	(75,230)	36,510	30,982	-	-	(805,325)	(390,797)
- Loans	(14,999)	(781,884)	(69,931)	36,510	30,982	-	-	(799,322)	(390,797)
- Debt securities	-	(704)	(5,299)	-	-	-	-	(6,003)	-
C. Total	**(14,999)**	**(782,590)**	**(75,230)**	**36,510**	**30,982**	**-**	**-**	**(805,327)**	**(390,799)**

Key:
A = interest B = other

The increase in the item is mainly due to the adjustments emerged from the Asset Quality Review carried out by the European Central Bank.

8.2 Net impairment adjustments to financial assets available for sale: breakdown

Transactions/Income items	Adjustments (1)		Writebacks (2)		31/12/2014	31/12/2013
	Specific		Specific			
	Write-offs	Other	A	B		
A. Debt securities	-	(821)	-	3,467	2,646	(1,298)
B. Equities	-	(18,776)	X	X	(18,776)	(10,836)
C. Mutual funds	-	(13,078)	X	-	(13,078)	(870)
D. Loans to banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	**-**	**(32,675)**	**-**	**3,467**	**(29,208)**	**(13,004)**

Key:
A = interest B = other

Impairment adjustments to equities relate to stocks listed on an active market which exceeded the materiality and/or durability threshold set forth in the internal policy for "identifying impairment losses on financial assets available for sale" and to certain equity interests held in unlisted companies for which an impairment loss was deemed to exist.

Impairment adjustments to mutual fund refer (euro 3,557 thousand) to a real estate fund and (euro 9,521 thousand) to a private equity fund.

8.3 Net impairment adjustments to financial assets held to maturity: breakdown

This table has not been completed because the Bank did not reveal impairment losses on financial assets held to maturity.

8.4 Net impairment adjustments to other financial transactions: breakdown

Transactions/Income items	Adjustments (1)			Writebacks (2)				31/12/2014	31/12/2013
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Other		A	B	A	B		
A. Guarantees given	(942)	(12,000)	(1,130)	-	-	-	-	(14,072)	(5,062)
B. Derivatives on loans	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	-	-	-	-	-	-	-	-
D. Other transactions	-	-	-	-	-	-	-	-	-
E. Total	**(942)**	**(12,000)**	**(1,130)**	**-**	**-**	**-**	**-**	**(14,072)**	**(5,062)**

Key:
A = interest B = other

The “write-offs” refer to the Bank’s share of the actions authorised by the Interbank Deposit Protection Fund (F.I.T.D.) Management Committee in favour of certain participant banks, whereas the “others” column includes the provisions prudentially allocated in view of possible interventions by the Fund in favour of certain participating entities undergoing hardship, not yet authorised by the Management Committee.

SECTION 9

Administrative costs – Line item 150

9.1 Payroll: breakdown

Type of expense/Segments	31/12/2014	31/12/2013
1. Employees	**(320,217)**	**(302,903)**
a) wages and salaries	(228,461)	(213,592)
b) social security contributions	(58,118)	(57,178)
c) severance indemnities	(6)	(16)
d) pension costs	(395)	(444)
e) provision for severance indemnities	(1,462)	(1,366)
f) provision for pensions and similar commitments:	(805)	(819)
- defined contribution	(608)	(612)
- defined benefit	(197)	(207)
g) payments to external supplementary pension funds:	(17,630)	(17,345)
- defined contribution	(17,630)	(17,345)
- defined benefit	-	-
h) costs deriving from equity-settled payment arrangements"	(465)	(465)
i) other personnel benefits	(12,875)	(11,678)
2. Other personnel	**(1,713)**	**(1,341)**
3. Directors and Statutory Auditors	**(5,049)**	**(5,507)**
4. Retired personnel	**(357)**	**(4,157)**
5. Recharge of costs of employees seconded to other companies	**4,469**	**4,420**
6. Reimbursement of costs of third-party employees seconded to the company	**(1,094)**	**(1,319)**
Total	**(323,961)**	**(310,807)**

9.2 Average number of employees by grade

	31/12/2014	31/12/2013
1. Employees	**4,212**	**4,173**
a) Managers	75	80
b) Middle managers	1,849	1,843
c) Other employees	2,288	2,250
2. Other personnel	**17**	**21**
Total	**4,229**	**4,194**

The average number of employees is calculated as the weighted average number of employees (with permanent and other employment contracts, including staff from other companies seconded to the Bank and excluding Bank staff seconded to other companies), where the weighting is given by the number of months worked in the year.

The calculation of the average number of employees at 31 December 2014 included the employees deriving from the acquisitions of the business units of Banca Popolare di Spoleto and of Cassa di Risparmio di Ferrara.

"Other employees" include staff working under contracts other than permanent employment ones, such as temporary or project contracts.

9.3 Defined benefit pension funds: costs and revenues

At 31 December 2014, the Parent Bank, in accordance with Article 8 of the Fund Regulations, had settled the deficit of euro 211 thousand resulting from the actuarial valuation, realigning the size of the Fund to the mathematical reserve calculated on the same date.

The above mentioned cost has been recorded (euro 197 thousand) under income statement line item 150 a) "Payroll" and (euro 211 thousand) under line item 90 "Actuarial gains and losses on defined-benefit plans" of the statement of comprehensive income.

9.4 Other employee benefits

There are no other employee benefits worthy of disclosure under paragraphs 131, 141 and 142 of IAS 19.

9.5 Other administrative costs: breakdown

	31/12/2014	31/12/2014
1. Indirect taxes	**(61,068)**	**(52,824)**
2. Non-professional products and services	**(86,354)**	**(85,323)**
2.1. postage, telephone and data trasmission charges	(10,322)	(10,963)
2.2. security and valuables transportation	(6,274)	(7,473)
2.3. electricity, heating and water	(7,626)	(8,174)
2.4. transport	(2,390)	(2,517)
2.5. hire of programs and microfiches	(1,626)	(1,581)
2.6. data processing	(52,618)	(49,086)
2.7. stationery and printing	(1,760)	(1,680)
2.8. cleaning of premises	(3,738)	(3,849)
3. Professional services	**(26,284)**	**(23,220)**
3.1. fees paid to professionals	(8,649)	(6,672)
3.2. legal, survey and search fees	(17,635)	(16,548)
4. Rentals	**(47,606)**	**(46,527)**
4.1. rent of buildings	(46,757)	(45,365)
4.2. machine lease installments	(849)	(1,162)
5. Maintenance of furniture and installations	**(8,527)**	**(8,949)**
6. Insurance premiums	**(2,562)**	**(2,957)**
7. Other expenses	**(46,605)**	**(46,238)**
7.1. surveys, searches and subscriptions	(5,613)	(5,188)
7.2. meal vouchers	(2,339)	(2,230)
7.3. advertising and entertainment	(10,224)	(9,730)
7.4. other miscellaneous expenses	(28,429)	(29,090)
Total	**(279,006)**	**(266,038)**

SECTION 10

Net provisions for risks and charges – Line item 160

10.1 Net provisions for risks and charges: breakdown

	31/12/2014	31/12/2013
a) Net provisions for risks and charges for litigation	(15,160)	(11,198)
b) Net provisions for risks and charges	(121)	389
Total	**(15,281)**	**(10,809)**

More details on provisions for risks and charges can be found in Part B, Section 12 of these explanatory notes.

SECTION 11

Net adjustments to property, plant and equipment – Line item 170

11.1 Net adjustments to property, plant and equipment: breakdown

Assets/Income items	Depreciation (a)	Impairment adjustments (b	Writebacks (c)	Net result (a+b-c)
A. Property, plant and equipment				
A.1 Owned	(10,469)	-	-	(10,469)
- for business purposes	(10,469)	-	-	(10,469)
- for investment purposes	-	-	-	-
A.2 Held under finance leases	-	-	-	-
- for business purposes	-	-	-	-
- for investment purposes	-	-	-	-
Total	**(10,469)**	**-**	**-**	**(10,469)**

SECTION 12

Net adjustments to intangible assets – Line item 180

12.1 Net adjustments to intangible assets: breakdown

Assets/Income items	Amortization (a)	Impairment adjustments (b	Writebacks (c)	Net result (a+b-c)
A. Intangible assets				
A.1 Owned	(4,098)	-	-	(4,098)
- internally generated	-	-	-	-
- other	(4,098)	-	-	(4,098)
A.2 Held under finance leases	-	-	-	-
Total	**(4,098)**	**-**	**-**	**(4,098)**

SECTION 13

Other operating charges/income – Line item 190

13.1 Other operating charges: breakdown

	31/12/2014	31/12/2013
1. Amortization of leasehold improvements	(4,994)	(5,934)
2. Other charges	(2,290)	(5,608)
Total	**(7,284)**	**(11,542)**

The amount in line 1. relates to the amortisation of leasehold improvements that cannot be separated from the related assets and which, accordingly, are not reported separately under property, plant and equipment. These costs are amortised over the period they are expected to benefit or the residual duration of the lease, whichever is shorter.

13.2 Other operating income: breakdown

	31/12/2014	31/12/2013
1. Expenses recovered from third parties on current and savings accounts	22,290	26,816
2. Property rental income	1,154	1,122
3. Recovery of stamp duty and other indirect taxes	55,859	48,012
4. Recovery of intercompany service costs	2,582	2,405
5. Other income	15,168	14,373
Total	**97,053**	**92,728**

SECTION 14

Profit (loss) from equity investments – Line item 210

14.1 Profit (loss) from equity investments: breakdown

Income item/Segments	31/12/2014	31/12/2013
A. Income	**-**	**5**
1. Revaluations	-	-
2. Profit from disposals	-	5
3. Writebacks	-	-
4. Other income	-	-
B. Charges	**(6,859)**	**(1,850)**
1. Writedowns	-	-
2. Impairment writedowns	(6,859)	(1,850)
3. Loss from disposals	-	-
4. Other charges	-	-
Net profit (loss)	**(6,859)**	**(1,845)**

"Adjustments" in line B.2 relating to the write-downs due to impairment losses, recorded in the income statement based on IAS 36, refer to:

- euro 6,004 thousand to the Giada di 21 Investimenti S.g.r. fund;
- euro 746 thousand to the equity investment in San Marco S.r.l.;
- euro 109 thousand to the investee Magazzini Generali Merci e Derrate S.p.a. in liquidation.

SECTION 15

Net gains (losses) arising on fair value adjustments to property, plant and equipment and intangible assets – Line item 220

Nothing has been classified in this line item because there were no fair value differences on property, plant and equipment and intangible assets.

SECTION 16

Adjustments to goodwill – Line item 230

	31/12/2014	31/12/2013
a) Adjustments to goodwill	(675,263)	(15,225)

"Adjustments to goodwill" refer to the impairment determined as a result of the impairment test on the carrying amount in accordance with the provisions of IAS 36. The results of these tests are discussed in the specific paragraph in Section 12 "Intangible assets" of the Statement of Financial Position.

SECTION 17

Gains (losses) on disposal of investments – Line item 240

17.1 Gains (losses) on disposal of investments: breakdown

Income item/Segments	31/12/2014	31/12/2013
A. Buildings	**-**	**-**
- Profit from disposals	-	-
- Loss from disposals	-	-
B. Other assets	**22**	**(1,168)**
- Profit from disposals	24	49
- Loss from disposals	(2)	(1,217)
Net profit (loss)	**22**	**(1,168)**

SECTION 18

Income taxes on current operations – Line item 260

18.1 Income taxes on current operations: breakdown

Income item/Segments	31/12/2014	31/12/2013
1. Current income taxes (-)	(14,565)	(59,559)
2. Change in prior period income taxes (+/-)	5,560	2,099
3. Reduction in current taxes (+)	-	-
3 bis. Reduction in current taxes for tax credits pursuant to Law 214/2011	4,468	-
4. Change in deferred tax assets (+/-)	303,482	87,754
5. Change in deferred tax liabilities (+/-)	81,852	(14,242)
6. Income taxes for the year (-) (-1+/-2+3+3bis/-4+/-5)	**380,797**	**16,052**

"Current taxes" include taxes paid abroad totalling euro 28 thousand and the increase in the substitute tax, prescribed by Italian Law Decree no. 66/2014, equal to euro 1,443 thousand, due on the revaluation of interests held in the Bank of Italy, made in 2013, as prescribed by Article 1, Paragraph 148 of Italian Law no. 147/2013.

The positive change in current taxes of the earlier years refers to surplus provisions set aside for fiscal disputes in earlier years and to the surplus allocations for income taxes.

18.2 Reconciliation between theoretical tax charge and actual tax charge reported in the financial statements

	IRES	% (1)
IRES with application at nominal rate	**330,956**	**-27.50**
Disallowable portion of interest expense	(6,051)	0.50
Disallowable writedowns and losses on equities	(1,686)	0.14
Disallowable costs	(1,389)	0.12
Impairment of goodwill	(10,906)	0.91
Total tax effect of add-backs	**(20,032)**	**1.67**
Dividends	12,756	-1.06
Share Irap allowable	3,562	-0.30
Changes in prior year taxes	4,858	-0.40
Gains and revaluations of exempt equity investments	112	-0.01
Other changes	225	-0.02
Total tax effect of deductions	**21,513**	**-1.79**
IRES recognized in the income statement	**332,437**	**-27.62**

	IRAP	% (1)
IRAP with application at nominal rate	**55,962**	**-4.65**
Payroll	(11,571)	0.96
Disallowable costs	(8,587)	0.74
Disallowable provisions	(1,372)	0.11
Higher rates approved by the regions	(350)	0.03
Total tax effect of add-backs	**(21,880)**	**1.84**
Change in prior period income taxes	700	-0.06
Increases in rates made by the regions	11,072	-0.92
Non-taxable income	1,582	-0.13
Portion of dividends non-taxable	1,399	-0.12
Other changes	968	-0.08
Total tax effect of deductions	**15,721**	**-1.31**
IRAP recognized in the income statement	**49,803**	**-4.12**
Flat tax for gain on the equities exchange Bankit	**(1,443)**	**0.12**

(1) The percentage weight is calculated using the ratio of taxes (with the related algebraic sign) to profit on current operations before income taxes (income statement line item 250).

SECTION 19

Profit (loss) from disposal groups, net of tax – Line item 280

19.1 Profit (loss) from disposal groups, net of tax: breakdown

Income item/Segments	31/12/2014	31/12/2013
1. Income	-	21,000
2. Charges	-	-
3 Result of valuations of disposal groups of assets and related liabilities	-	-
4. Gains (losses) on disposal	-	-
5. Taxation	-	(5,775)
Net profit (loss)	**-**	**15,225**

19.2 Details of income taxes relating to disposal groups of assets/liabilities

Income item/Segments	31/12/2014	31/12/2013
1. Current income taxes (-)	-	(5,775)
2. Change in deferred tax assets (+/-)	-	-
3. Change in deferred tax liabilities (+/-)	-	-
4. Income taxes for the year (-1+/-2+/-3)	**-**	**(5,775)**

SECTION 20

Other information

There is no other information worthy of disclosure in addition to that established by international financial reporting standards and by the instructions in Bank of Italy Circular 262 of 22 December 2005 and subsequent revisions.

SECTION 21

Earnings per share

The disclosure required by IAS 33 (paragraphs 68, 70 a), b), c), and d) and 73 will now be provided.

21.1 Average number of ordinary shares on dilution of capital stock

	31/12/2014	31/12/2013
Weighted average number of ordinary shares	85,155,806	79,561,089
Dilution adjustment	-	
Weighted average number of ordinary shares (fully diluted)	85,155,806	79,561,089

The weighted average number of ordinary shares outstanding is calculated with reference to the number of ordinary shares outstanding at the start of the year, as adjusted by the number of ordinary shares cancelled or issued during the year multiplied by the number of days such shares were in circulation in proportion to the total number of days in the year. Treasury shares are not included in the total number of shares outstanding.

At 31 December 2014 there are no dilution adjustments. In this regard, it should be noted that the potential dilutive effects associated with the "Loyalty Bonus" provided as part of the capital increases made by the Bank in 2013 and 2014 were not considered.

The weighted average number of ordinary shares (fully diluted) is calculated by adding to the weighted average number of ordinary shares outstanding the additional ordinary shares that would have been outstanding had all potential ordinary shares with a dilutive effect been converted. Since at 31 December 2014 there are no dilution adjustments, the weighted average of ordinary shares on dilution of capital stock matches the weighted average of ordinary shares.

21.2 Other information

	31/12/2014			31/12/2013		
	Share of profit (euro)	Weighted average number of ordinary shares	EPS (euro)	Share of profit (euro)	Weighted average number of ordinary shares	EPS (euro)
Basic Earning/Loss per share	(823,681,554)	85,155,806	(9.673)	(44,625,431)	79,561,089	(0.561)
Diluted earnings/loss per share	(823,681,554)	85,155,806	(9.673)	(44,625,431)	79,561,089	(0.561)

The Basic earnings per share are determined by dividing the results attributable to the holders of the Parent Bank's ordinary equity instruments (the numerator) by the weighted average number of ordinary shares outstanding during the year (the denominator).

Diluted earnings/loss per share are determined by adjusting both the results attributable to the holders of the Parent Bank's ordinary equity instruments and the weighted average number of shares outstanding to take account of the potential dilution associated with the convertible bond: "Banca Popolare di Vicenza 13^ emissione subordinato convertibile 2007-2015" issued on 20/12/2007.

Since at 31 December 2014 there are no dilutive effects, the diluted earnings per share coincide with the basic earnings per share.

PART D – COMPREHENSIVE INCOME

Statement of comprehensive income

Line items		Gross amount	Income tax	Net amount
10.	**Net income (loss) for the year**	**(1,204,478)**	**380,797**	**(823,682)**
	Other components of income without release to the income statement			
20.	Property, plant and equipment	-	-	-
30.	Intangible assets	-	-	-
40.	Defined-benefit plans	(4,832)	1,329	(3,503)
50.	Non-curent assets held for sale and discontinued operations	-	-	-
60.	Portion of valuation reserves of equity investments carried at equity	-	-	-
	Other components of income with release to the income statement			
70.	Hedges of foreign investments:	-	-	-
	a) changes in fair value	-	-	-
	b) release to the income statement	-	-	-
	c) other changes	-	-	-
80.	Exchange differences:	-	-	-
	a) changes in fair value	-	-	-
	b) release to the income statement	-	-	-
	c) other changes	-	-	-
90.	Cash-flow hedges:	(137,851)	45,587	(92,264)
	a) changes in fair value	(94,774)	31,342	(63,432)
	b) release to the income statement	(43,077)	14,245	(28,832)
	c) other changes	-	-	-
100.	Financial assets available for sale:	320,744	(104,163)	216,581
	a) changes in fair value	300,879	(104,360)	196,519
	b) release to the income statement	19,792	175	19,967
	- impairment writedowns	8,820	-	8,820
	- profits/losses on disposals	10,972	175	11,147
	c) other changes	73	22	95
	- of which: business combination	-	-	-
110.	Non-current assets held for sale and discontinued operations:	-	-	-
	a) changes in fair value	-	-	-
	b) release to the income statement	-	-	-
	c) other changes	-	-	-
120.	Portion of valuation reserves of equity investments carried at equity	-	-	-
	a) changes in fair value	-	-	-
	b) release to the income statement	-	-	-
	- impairment writedowns	-	-	-
	- gains/losses on disposal	-	-	-
	c) altre variazioni	-	-	-
130.	**Total other components of income**	**178,061**	**(57,247)**	**120,814**
140.	**Comprehensive income (Lines 10+130)**	**(1,026,417)**	**323,550**	**(702,868)**

Introduction

The current regulations for internal controls define the Internal Control System (ICS) as a fundamental element of the comprehensive bank governance system; it assures that activities are carried in accordance with corporate strategies and policies and in compliance with the standards of sound and prudent management.

The controls involve, with different roles, the Corporate bodies, the Governance Committees and all Group personnel and they are an integral part of day to day activities. These "controls" must be identified with the goal of mitigating the inherent risks existing in corporate processes and, consequently, assuring the correct execution of corporate operations.
The Internal Controls structure comprises the following three tiers:

- line controls, whose purpose is to ensure the correct execution of operations, also by applying a control involving a check of the regular execution of the processes. They are carried out by the operating structures themselves (e.g. hierarchical, system-wide and sampling controls) also through different units reporting to the heads of the operating structures, or performed within the back office activities; insofar as possible, they are included in IT procedures. Line controls, be they carried out by real persons or through IT procedures, can be further distinguished into:

a) First level line controls: these are carried out directly by those who perform a certain activity, or by the IT procedures supporting that activity;
b) Second level line controls: they are carried out by persons who do not actually perform the operations but are tasked with supervising them ("risk owners"). In particular, the latter are divided into:
   - Second level - functional controls: carried out by corporate structures separate from the operating structures; they include the functional controls carried out within the scope of specialist back-office or support activities (e.g., controls carried out by back office units on Network operations;
   - Second level - hierarchical controls: carried out by corporate roles hierarchically above those responsible for the operation (e.g. controls carried out by Network Managers on operations carried out by the operators reporting hierarchically to them).

- <u>risk management controls</u> serve the purpose of ensuring, inter alia:
  a) the correct implementation of the risk management process;
  b) compliance with the operating limits assigned to the various Functions;
  c) the corporate operations' compliance with regulations.
  The Functions tasked with performing these controls are separate from the productive functions; they contribute to the definition of the risk governance policies and of the risk management process. Specifically, these controls are carried out by the Corporate risk management Control Functions, as defined by Bank of Italy (Compliance, Risk Management, Anti Money Laundering and Validation) and by the Functions that, according to provisions of law, regulations, bylaws or self-regulation, have prevalent control duties (Financial Reporting Manager).
  These controls have the following objectives:
  - to contribute to the definition of methodologies for the measurement of risk, check compliance with the limits assigned to the various operational functions and check the consistency of the transactions carried out by each production unit with the assigned risk/return targets (**Risk Management**),
  - to concur in monitoring the performance and stability of the first pillar internal risk management systems used to calculate capital requirements (**Validation**);
  - to concur in the definition of methods for measuring/assessing the risk of non compliance with regulations, verifying that corporate processes are capable of preventing the violation of externally imposed regulations (laws, regulations, etc.) and voluntarily adopted regulations (codes of conduct, codes of ethics, etc.) (**Compliance**);

- o to concur in the prevention of risks connected with use of the financial system for the purpose of laundering the revenues from criminal activities and financing terrorism, in accordance with the reference regulations (Italian Legislative Decree no. 231/07) (**Anti-money laundering**);
- o certify corporate accounting information in accordance with legal requirements (**Financial Reporting Manager**);

- the Internal Audit activity serves the purpose of identifying violations of procedures and regulations, as well as periodically assessing the completeness, functionality, adequacy (in terms of efficiency and effectiveness) and the reliability of the Internal Control System. Another purpose of the activity, performed by the Internal Audit Function, is to bring potential improvements to the attention of the corporate Bodies, with particular reference to risk governance policies, to the risk management process and to risk measurement and control instruments. Based on the results of its own controls, the Internal Audit Function submits intervention requests to corporate structures.

The aforesaid levels of control (line, risk management, internal audit) constitute a single integrated system activated by different Functions, but complementary in its aims, in the characteristics of its approach and in the operating rules.

There is a significant link between the risk management and internal audit Functions, which must have an integrated vision of all corporate operations, recognising, with shared and complementary assessment criteria, the issues connected with correct control of corporate risks and with the effective and efficient operation of the "operating machine", in relation to the evolving external and internal context.

With particular reference to the Risk Management Function, it should be pointed out that, in compliance with the model applied by the Banca Popolare di Vicenza Group, the Parent Bank's Risk Management Offices carries out these activities centrally on a Group level. This Function reports hierarchically to the General Manager of the Parent Bank and functionally to the Board of Directors of the Parent Bank through the Audit Committee. It is the duty of the Risk Management Function, ***inter alia***, to:

- develop and/or maintain, in a systematic and continuous way, the risk management models and instruments used also in light of regulatory changes and indications having an impact on risk management activities;

- define and develop models and tools for the measurement and control of risks at Group level, including those connected with advanced approaches;

- coordinate the collection of the information necessary to feed the Group's risk management system from all Group Banks and Companies, overseeing and promoting the actions aimed at filling any gaps noted;

- measure the Group's exposure to the different risk profiles, verifying their compliance with the limits established by the Body with management function, providing the corporate Bodies and Functions with reports about the different risk profiles;

- propose to the Parent Bank's strategic supervision Body the Risk Appetite Framework parameters (objectives, tolerance and capacity), continuously verifying its adequacy after its passage through the Control Committee and coordinating, when necessary, with other competent functions;

- participate in the internal committees that involve risk assumption/management processes at the individual level and at the Group level.

In addition, the Risk Management Function is responsible for managing the assessment of the internal capital levels adapted to handle all the risks associate with the activities carried out (ICAAP), observing the legislation that came into force on 1 January 2007, originated in the Second Pillar of Basel II. It should be emphasised that the preparation of the ICAAP Report is one of the best opportunities to disseminate the risk culture within the Group, starting with the Board of Directors, that approves the Report itself and that every quarter receives updates on the main content thereof, and continuing on to the various functional units, involved in risk self-assessment focused on creating the so-called "Risk Map" compiled on a Group level.

Another opportunity to disseminate the risk culture occurs when defining the so-called Risk Appetite Framework in a Statement, approved as a minimum on an annual basis by the Board of Directors and continuously monitored by the competent structures. It should be emphasised that most of the Group's activity, from the process of defining operational and strategic planning goals to daily operations, takes place in compliance with the systems of risk objectives (appetite), limits (tolerance, capacity) and attention thresholds defined within the Risk Appetite Framework. In 2014, the definition of the Risk Appetite Statement saw an even closer cooperation of the Risk Management Function with the Strategic Planning Division and the operating functions with competence for each individual aspect; moreover, the results were also endorsed by the subsidiaries, which during the year implemented the risk management regulations, each with reference to significant risk profiles, as obtained through the ICAAP process. Further confirming the importance of the Risk Appetite Framework, certain operating limits / attention thresholds are used as key variables for implementing the Group's incentive scheme.

Consistently with the above described approach, staff training also gives due consideration to risk-associated issues: the number of training days dedicated to risk in 2014 (including issues such as security, transparency, anti-money laundering, protecting investors), also including the issues regarding credit in general, represented almost one third (29%) of the total. One of the most significant initiatives of 2014 was the continuation of the training plan laid out in A-IRB (Advanced Internal Rating Based) Project with the goal of introducing internal models in determining requirements related to credit risk.

SECTION 1

Credit risk

QUALITATIVE INFORMATION

1. General aspects

Credit Risk is the risk of losses due to non-performance by the counterparty (specifically the obligation to repay loans) or, more broadly, the failure of customers or their guarantors to meet their obligations.

Credit risk also usually includes "Country risk", being the risk that public and private borrowers in a country might be affected by the political, economic and financial situation there. In such cases, the failure to meet their obligations may depend on external factors beyond their control (political and economic risks, currency controls etc.) that relate to the country in which they are resident.

Lending by the Bank has always aimed to support both the borrowing needs of households and the development and consolidation of businesses, especially small and medium-sized firms, which typify the local economies where the Bank operates.

In keeping with prior years, the lending policy adopted by the Bank sought to respond to the needs of individuals and firms, while paying particular attention to the difficult economic situation, credit risk and an adequate level of guarantees.

With reference to "individual" customers, the development of activities has focused on the longer-term segment with the granting and/or renegotiation of home mortgages and personal loans either directly via the Group's banks or via other companies.

As regards the economic situation with the goal of providing a breath of fresh air to struggling households, the banks within the BPVI Group have adopted the "Household Plan", that is to say the agreement between the Italian Banking Association and the Consumers' Associations signed on 18 December 2009, which calls for the suspension of instalment payments on mortgage loans for 12/18 months. This agreement was renewed several times in subsequent years, until the definitive deadline of 31 March 2013. After this date, it was replaced by the Ministry of Finance's Solidarity Fund, initially funded with euro 20 million, and again in September of last year with an additional 40 million (of which 20 for 2014 and the same amount for 2015).

Development activities in relation to "small businesses" have mainly focused on short-term lending, where the risk is spread widely, using technical forms that are supported by underwriting syndicates wherever possible. Medium-term lending has been expanded to medium and large businesses, with a special focus on those with secured guarantees. In all cases, special care has been taken in the selection of economic sectors from which borrowers come, in order to give preference to lower risk activities. Sector analysis has become increasingly important in the credit management process and involves the examination of internal data and external data provided by specialist Italian companies, in order to maximise their significance in view of the characteristics of the different banks and areas in which they operate.

The Bank has complied with the "Common Opinion" issued on 3 August 2009 by the Ministry of the Economy and Finance, the Italian Banking Association and business associations, aimed at giving struggling companies some financial respite, and renewed several times in subsequent years.

The Bank is not active in the field of credit derivatives.

Lastly, the Pillar 3 disclosures are published in the "Corporate Documents" section of Banca Popolare di Vicenza's website (www.popolarevicenza.it).

2. Credit risk management policies

2.1 Organisational aspects

The Bank's Regulations for the Management of Credit, contained in its Credit Manual, establish a prudent approach to risk assessment. At the preliminary stage, borrowers are required to provide all the documentation needed for an adequate assessment of their credit rating. Such documentation must allow assessment of whether the amount requested, the technical form of the loan and the project to be financed are all consistent; it must also allow the characteristics and qualities of borrowers to be identified, having regard for all forms of relationship with them.

The risks associated with individual customers from the same Group must be considered separately. If there are legal or economic relations between individual customers, these parties form a unit in risk terms and represent a Group (economic group or risk group).

When granting and/or renewing lines of credit, it is necessary to verify the exposure by the entire BPVI Group to borrowers and that to any groups to which they belong.
Pricing and/or income from the relationship cannot be a factor when evaluating credit rating and agreeing a loan.

The preliminary process depends on the type of customer concerned. For "individual" customers and small businesses, the granting or otherwise of credit for relatively small amounts is dealt with at branch or Area level. This follows a simplified process using internal rating models, an IT tool that checks credit rating at the time new lines of credit are granted, using both internal and external sources of information. For better control over the process of granting credit to "individual" customers and small businesses, stricter limits have been introduced on decision-making powers, identified on the basis of the risk profile attributed to the counterparty by the internal scoring system.

The granting of credit to companies/entities follows a more complex process: proposed lending to such customers must be supported by a technical opinion from Area or Head Office credit analysts depending on the amount of credit requested.

Account managers monitor and administer loans day by day and are responsible for their granting. If customer risk increases, the operating objective is to contain the bank's risk by promptly adopting all the necessary measures.

In light of the "New prudential supervisory instructions for banks" (Bank of Italy Circular 263/06 as amended), the Bank has adopted a process which, as far as property securing loans is concerned, constantly checks and updates its estimated value, also by using statistical methods based on geo-referenced systems.

2.2 Management, measurement and monitoring systems

The credit process is organised as follows:

- Granting of credit, which involves: investigation, assessment, decision, formalisation of the credit and any guarantees;
- Management of credit, which involves: uses, monitoring, facility revision, management of anomalies;
- Management of non-performing loans and recovery of loans.

Since 2008, the BPVi Group has implemented an internal rating system, which is used for assessing customer ratings and for granting and monitoring credit.

The rating models were then developed primarily with reference to the types of counterparties with whom the Group structurally operates, namely:

- Individuals and Small Businesses;
- Small Corporate (with between Euro 517 thousand and Euro 2.5 million in turnover);
- Mid Corporate (with between Euro 2.5 and Euro 50 million in turnover);
- Corporate (with more than Euro 50 million in turnover).

In January 2013, the Board of Directors of the Bank decided to launch the initiative to adopt advanced credit risk measurement methods ("**Advanced Internal Ratings Based" system - AIRB**). The rating models were revised as part of this initiative. In particular, they cover the following counterparty-types:

- Individuals
- Small Business segments (sole proprietorships, non-commercial partnerships, partnerships with turnover less than 700,000 Euro and exposure less than 1 million Euro)
- SME Retail (Joint-stock companies with less than Euro 2.5 million of turnover and exposure less than Euro 1 million, Partnerships with turnover between Euro 700,000 and Euro 2.5 million and exposure less than Euro 1 million);
- SME Corporate (corporations and partnerships with turnover less than 2.5 million Euro and exposure above 1 million Euro, partnerships and corporations with turnover between 2.5 and 150 million Euro);
- Large Corporate (Companies with more than Euro 150 million in turnover).

After introducing such internal ratings into the credit management process, a series of "Credit Policies" were defined and approval limits were revised according to the level of counterparty risk.

The "Credit Policies" govern the way in which the Group means to assume credit risk with customers, by fostering balanced growth in loans to counterparties with higher "credit ratings" and regulating/limiting the grant of credit to riskier customers.

This also includes the regulations for "critical sectors", i.e. the sectors that, based on assessments made on data outside and inside the Bank, exhibit such systemic risk elements that companies in the sectors should be more carefully scrutinised when granting credit and managing. Credit to companies in these sectors is regulated by more stringent limits than ordinary ones. The definition of the scope of critical sectors is revised annually.

The Credit Management application (GdC) plays an important role in the monitoring and management of borrowers, allowing account managers to check on changes in the credit status of customers and quickly identify any deterioration in the standing of borrowers. This instrument was developed with the objective of implementing an advanced credit portfolio management model based on predefined strategies (objectives, actions and timelines) that are consistent with the customer's risk level.

There is a Credit Surveillance unit within the Loans Department for improving the management of customers showing initial signs of distress; the unit's specific tasks involve providing support to account managers for specific anomalous positions, reviewing the effectiveness of actions taken and spreading a general culture focused on safeguarding against credit risk and reducing it.

As required by the Supervisory Instructions (Part IV, Chapter 11, Section II), suitable systems for the identification, measurement and control of risks have been adopted in order to manage credit in a proper and prudent manner.

Controls form an integral part of the daily activities of the Bank. There are four types:

- Line controls: these are performed at organisational level (e.g. hierarchical controls) or are built into procedures or carried out as part of back-office work;
- Risk management controls: these contribute to defining risk measurement methods, check compliance with the limits established for the various functions and monitor the consistency of operations; they are carried out by structures other than the production structures. They include the II level credit performance monitoring controls, carried out by the Risk Management function to implement the indications contained in Bank of Italy Circular no. 263, 15th Revision;
- Internal audit: the purpose of this activity is to reassess the credit rating of individual borrowers, at predetermined intervals.
- Inspections: these are carried out by the audit function both on-site and on a remote basis, in order to verify the quality of loans and the support for decisions taken by the functions responsible for granting and administering credit.

Within the scope of the credit risk monitoring and management activity, management reporting is carried out; in particular, on a quarterly basis the loans portfolio's risk Profile Report is prepared; it provides fundamental information support for the Control Committee: the reporting contains detailed credit risk reports at the consolidated and individual level (portfolio distribution by administrative statuses, rating classes and expected loss, transition matrices, deterioration rates), with analyses differentiated by management segment, industry and geographic area.

Also available is an instrument for reporting to the network, characterised by various views of the loans portfolio, with different hierarchical levels of aggregation (branch, area, general Management, bank, group) and visibility.

Lastly, in compliance with the Bank of Italy's instructions relating to Basel 2 and "groups of connected customers", the Bank introduced a number of rules relating to the management of economic groups to increase the level of objectivity and process repetition regarding their composition.

2.3 Credit risk mitigation techniques

The credit risk associated with individual counterparties or groups in mitigated by obtaining, security (pledges, mortgages and special privileges) and/or personal guarantees (sureties, endorsements, credit mandates and letters of padronage)
The degree of mitigation attributed to each guarantee is governed by specific regulations that take account of the varying nature of the guarantees obtained.

The value of property is periodically reassessed and updated on the basis of statical databases of primary operator in the industry and the initiatives directed at renewing the appraisals are activated.

Analysis of these guarantees does not reveal a special degree of concentration within the various technical forms of cover/guarantee since, except with regard to general sureties, they are essentially "specific" to each position. In addition, overall, there are no contractual restrictions that might undermine the legal validity of the guarantees obtained.

2.4 Impaired financial assets

Anomalous loans not classified as non-performing are monitored not only by the commercial network but also by specific organisational units, whose mission is to "prevent default". These units, which report hierarchically and functionally to the Loans Division, operate at Head Office and in the Area offices responsible for the branch network.

Account managers are required to adopt an operational approach aimed at eliminating anomalies and limiting risks.

In the case of "Restructured" loans which are identified and managed in compliance with the supervisory rules ("Cash and off-balance sheet exposures (...) for which a bank, due to deterioration in the borrower's economic and financial status, allows the original contractual conditions to be revised (...) giving rise to a loss"), their management involves checking observance of the agreed restructuring plan and the fact that they may qualify for other internal classifications, such as that of "Watchlist" loans.

With regard to positions involved in debt restructuring in its various forms, including restructuring agreements under art. 67 or art. 182 of the bankruptcy law, the Parent Bank has increased the number of staff working on anomalous loans to ensure the precise, professional management of such agreements, thus creating a specialist team devoted to this activity.

Activities relating to "watchlist loans" give priority to friendly, even if gradual, recovery of credit or at least to the mitigation of any negative effects in the event of default.

The classification of loans as "non-performing" is based on the criteria laid down in the supervisory regulations. Accordingly, this category comprises loans to parties that are insolvent or in similar circumstances, even if not confirmed by a judge, the recovery of which is the subject of court action or other suitable measures.

Management of non-performing loans and recovery of loans is the responsibility of specific units within the Loans Department.
These units consist of internal lawyers and personnel who carry out administrative and accounting

activities in relation to the non-performing loans concerned. The accounting processes adopt an IT procedure used by all the companies belonging to the Sec Servizi consortium.

Recovery activities are carried out on a pro-active basis, with a view to optimizing the legal procedures and maximizing the outcome in economic and financial terms. In particular, when evaluating the steps to take, internal lawyers prefer to take out-of-court action with recourse to settlements that accelerate recoveries and contain the level of costs incurred. Where this route is not applicable, and especially with regard to larger amounts and when higher recoveries can be expected, external lawyers are instructed to take legal action since this represents both a method of putting legitimate pressure on the debtor and a way to resolve disputes.

Small loans that are uncollectible or difficult to collect are generally grouped together and sold without recourse, given that legal action would be uneconomic in cost/benefit terms.

For financial reporting purposes, non-performing loans are analysed on a case-by-case basis to determine the provisions required to cover expected losses. The extent of the loss expected from each relationship is determined with reference to the solvency of the debtor, the nature and value of the guarantees obtained and the progress made by recovery procedures. Estimates are made on a prudent basis, including by discounting to present value, as required by the applicable accounting standards.

This complex evaluation process is facilitated by subdividing the total loan book into similar categories and years of origin, taking account of the realisable value of the personal and/or corporate assets of the debtor and the guarantors.

Lastly, the proper performance of the task of administering and evaluating non-performing loans is assured by both periodic Internal Audit Department and by external verification activities, carried out by the Board of Statutory Auditors and the Independent Auditors.

QUANTITATIVE INFORMATION

A. CREDIT QUALITY

A.1 IMPAIRED AND PERFORMING EXPOSURES: SIZE, ADJUSTMENTS, TRENDS, ECONOMIC AND TERRITORIAL DISTRIBUTION

A.1.1 Distribution of financial assets by portfolio and credit quality (book values)

Portfolio/Quality	Non-performing loans	Watchlist loans	Restructured exposures	Impaired exposures past due	Not impaired exposures past due	Other assets	Total
1. Financial assets held for trading	-	4.840	577	2.002	-	7.498.052	**7.505.471**
2. Financial assets available for sale	-	-	-	-	-	3.776.937	**3.776.937**
3. Financial assets held to maturity	-	-	-	-	-	-	**-**
4. Loans and advances to banks	298	-	-	-	12.449	3.295.503	**3.308.250**
5. Loans and advances to customers	1.530.386	1.518.659	424.405	260.558	1.029.867	20.384.828	**25.148.703**
6. Financial assets at fair value	-	-	-	-	-	4.260	**4.260**
7. Financial assets being sold	-	-	-	-	-	-	**-**
8. Hedging derivatives	-	-	-	-	-	94.881	**94.881**
Total at 31/12/2014	**1.530.684**	**1.523.499**	**424.982**	**262.560**	**1.042.316**	**35.054.461**	**39.838.502**
Total at 31/12/2013	**1.404.424**	**1.151.379**	**499.907**	**419.398**	**1.089.870**	**31.630.206**	**36.195.184**

A.1.2 Distribution of financial assets by portfolio and credit quality (gross and net values)

Portfolio/Quality	Impaired assets			*Performing assets*			**Total (net exposure)**
	Gross exposure	Specific adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
1. Financial assets held for trading	7,419	-	7,419	X	X	7,498,052	**7,505,471**
2. Financial assets avaible for sale	-	-	-	3,776,937	-	3,776,937	**3,776,937**
3. Financial assets held to maturity	-	-	-	-	-	-	**-**
4. Loans and advances to banks	616	(318)	298	3,307,952	-	3,307,952	**3,308,250**
5. Loans and advances to customers	5,757,327	(2,023,319)	3,734,008	21,567,753	(153,058)	21,414,695	**25,148,703**
6. Financial assets at fair value	-	-	-	X	X	4,260	**4,260**
7. Financial assets being sold	-	-	-	-	-	-	**-**
8. Hedging derivatives	-	-	-	X	X	94,881	**94,881**
Total at 31/12/2014	**5,765,362**	**(2,023,637)**	**3,741,725**	**28,652,642**	**(153,058)**	**36,096,777**	**39,838,502**
Total at 31/12/2013	**4,756,049**	**(1,280,941)**	**3,475,108**	**30,694,863**	**(78,351)**	**32,720,076**	**36,195,184**

Impaired loans included in the “Financial assets held for trading” portfolio, all related to derivative contracts with customers, have been adjusted for a total of Euro 5,264 thousand to reflect their credit risk. These adjustments relate for Euro 3,504 thousand to watch list loans, for Euro 1,363 thousand to past due loans and for Euro 397 thousand to restructured loans.

Breakdown of non impaired loans

The following is a breakdown for the “Loans and advances to customers” portfolio of “performing loans”, distinguished between exposures subject to renegotiation under collective Agreements and other exposures, and their seniority expired.

Portfolios/age of the past-due exposures	Non past-due exposures			Exposures past-due until 30 days			Exposures past-due/overlimit for more 30 days until 60 days		
	Gross exposure	Portfolio adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure
Loans and advances to customers	**20,528,882**	**144,054**	**20,384,828**	**247,135**	**(3,264)**	**243,871**	**154,568**	**(965)**	**153,604**
- subject to renegotiation under collective agreements	152,319	(278)	152,041	1,281	(4)	1,277	4,811	(14)	4,797
- other exposures	20,376,563	(143,776)	20,232,787	245,854	(3,260)	242,594	149,757	(951)	148,807

Portfolios/age of the past-due exposures	Exposures past-due/overlimit for more 60 days until 90 days			Exposures past-due/overlimit for more 90 days until 180 days			Exposures past-due/overlimit for more 180 days until 1 year		
	Gross exposure	Portfolio adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	Gross exposure	Portfolio adjustments	Net exposure
Loans and advances to customers	**196,154**	**(1,530)**	**194,623**	**231,890**	**(1,622)**	**230,268**	**186,346**	**(1,500)**	**184,846**
- subject to renegotiation under collective agreements	3,184	(10)	3,172	5,733	(22)	5,711	1,760	(8)	1,752
- other exposures	192,970	(1,520)	191,451	226,157	(1,600)	224,557	184,586	(1,492)	183,094

Portfolios/age of the past-due exposures	Exposures past-due/overlimit for more than 1 year		
	Gross exposure	Portfolio adjustments	Net exposure
Loans and advances to customers	**22,779**	**(123)**	**22,655**
- subject to renegotiation under collective agreements	286	(1)	285
- other exposures	22,493	(122)	22,370

Performing loans of other portfolios do not include exposures subject to renegotiation under collective agreements and/or past due.

A.1.3 Cash and off-balance sheet exposures to banks: gross and net values

Type of exposure/Amounts	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure
A. CASH EXPOSURES				
a) Non-performing loans	616	(318)	X	298
b) Watchlist loans	-	-	X	-
c) Restructured exposures	-	-	X	-
d) Past due exposures	-	-	X	-
e) Other assets	3,372,023	X	-	3,372,023
Total A	**3,372,639**	**(318)**	**-**	**3,372,321**
B. OFF-BALANCE SHEET EXPOSURES				
a) Impaired assets	-	-	X	-
b) Other	1,207,238	X	-	1,207,238
Total B	**1,207,238**	**-**	**-**	**1,207,238**
Total (A + B)	**4,579,877**	**(318)**	**-**	**4,579,559**

A.1.4 Cash exposures to banks: changes in gross impaired loans

Categories	Non-performing loans	Watchlist loans	Restructured exposures	Exposures past due
A. Opening gross exposure	**616**	**-**	**-**	**-**
of which: sold but not derecognized	-	-	-	-
B. Increases	**-**	**-**	**-**	**-**
B.1 transfers from performing loans	-	-	-	-
B.2 transfers from other categories of impaired exposure	-	-	-	-
B.3 other increases	-	-	-	-
C. Decreases	**-**	**-**	**-**	**-**
C.1 transfers to performing loans	-	-	-	-
C.2 write-offs	-	-	-	-
C.3 collections	-	-	-	-
C.4 proceeds from disposals	-	-	-	-
C.4 bis losses from disposals	-	-	-	-
C.5 transfers to other categories of impaired exposure	-	-	-	-
C.6 other decreases	-	-	-	-
D. Closing gross exposure	**616**	**-**	**-**	**-**
of which: sold but not derecognized	-	-	-	-

A.1.5 Cash exposures to banks: changes in total write-downs

Categories	Non-performing loans	Watchlist loans	Restructured exposures	Exposures past due
A. Opening total adjustments	**315**	**-**	**-**	**-**
of which: sold but not derecognized	-	-	-	-
B. Increases	**3**	**-**	**-**	**-**
B.1 adjustments	2	-	-	-
B.1.bis loss from disposals	-	-	-	-
B.2 transfers from other categories of impaired exposure	-	-	-	-
B.3 other increases	1	-	-	-
C. Decreases	**-**	**-**	**-**	**-**
C.1 writebacks on valuation	-	-	-	-
C.2.bis profit from disposals	-	-	-	-
C.2 writebacks due to collections	-	-	-	-
C.3 write-offs	-	-	-	-
C.4 transfers to other categorie of impaired exposure	-	-	-	-
C.5 other decreases	-	-	-	-
D. Total closing adjustments	**318**	**-**	**-**	**-**
of which: sold but not derecognized		-	-	-

A.1.6 Cash and off-balance sheet exposures to customers: gross and net values

Type of exposure/Amounts	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure
A. CASH EXPOSURES				
a) Non-performing loans	3,058,428	(1,528,042)	X	1,530,386
b) Watchlist loans	1,950,595	(431,936)	X	1,518,659
c) Restructured exposures	457,244	(32,839)	X	424,405
d) Past due exposures	291,060	(30,502)	X	260,558
e) Other assets	26,411,715	X	(153,058)	26,258,657
TOTAL A	**32,169,042**	**(2,023,319)**	**(153,058)**	**29,992,665**
B. Off-balance sheet exposures				
a) Impaired assets	169,733	(4,719)	X	165,014
b) Other	3,007,239	X	(1,394)	3,005,845
Total B	**3,176,972**	**(4,719)**	**(1,394)**	**3,170,859**
Total A+B	**35,346,014**	**(2,028,038)**	**(154,452)**	**33,163,524**

For complete disclosure, cash exposure to customers classified as non-performing loans including partial write-offs for bankruptcy proceedings in progress at the reporting date ("memorandum accounts") is set out below.

Type of exposure/Amounts	Gross exposure	Specific adjustments	Portfolio adjustments	Net exposure
A. CASH EXPOSURES				
a) Non-performing loans	3,320,487	(1,790,101)	X	1,530,386

A.1.7 Cash exposures to customers: changes in gross impaired loans

Categories	Non-performing loans	Watchlist loans	Restructured exposures	Exposures past due
A. Opening gross exposure	**2,448,290**	**1,352,007**	**517,989**	**434,386**
of which: sold but not derecognized	85,224	93,581	27,640	41,982
B. Increases	**744,003**	**1,432,790**	**318,922**	**842,891**
B.1 transfers from performing loans	26,436	522,507	116,988	713,992
"B.2 transfers from other categories of impaired exposure"	618,159	796,289	160,750	5,260
B.3 other increases	99,408	113,994	41,184	123,639
- of which: busines combination	-	10,354	2,536	2,829
C. Decreases	**133,865**	**834,202**	**379,667**	**986,217**
C.1 transfers to performing loans	-	82,780	19,788	315,330
C.2 write-offs	34,511	9,778	1,356	180
C.3 collections	72,587	81,877	75,484	33,055
C.4 proceeds from disposals	26,767	-	-	-
C.4 bis losses from disposals	-	-	-	-
C.5 transfers to other categorie of impaired exposure	-	659,767	283,039	637,652
C.6 other decreases	-	-	-	-
D. Closing gross exposure	**3,058,428**	**1,950,595**	**457,244**	**291,060**
of which: sold but not derecognized	131,712	141,480	18,437	18,866

A.1.8 Cash exposures to customers: changes in total write-downs

Categories	Non-performing loans	Watchlist loans	Restructured exposures	Exposures past due
A. Opening total adjustments	**1,044,335**	**202,225**	**18,137**	**15,929**
of which: sold but not derecognized	26,405	2,728	175	2,284
B. Increases	**571,139**	**304,566**	**16,061**	**15,754**
B.1 adjustments	464,943	302,346	14,770	15,528
B.1.bis losses on disposal	-	-	-	-
B.2 transfers from other categories of impaired exposure	51,510	-	-	-
B.3 other increases	54,686	2,220	1,291	226
- of which: business combination	-	2,219	1,291	225
C. Decreases	**87,432**	**74,855**	**1,359**	**1,181**
C.1 writebacks on valuation	49,304	13,387	3	1,001
C.2 writebacks due to collections	3,617	180	-	-
C.2.bis profit from disposals	-	-	-	-
C.3 write-offs	34,511	9,778	1,356	180
C.4 transfers to other categories of impaired exposure	-	51,510	-	-
C.5 other decreases	-	-	-	-
D. Total closing adjustments	**1,528,042**	**431,936**	**32,839**	**30,502**
of which: sold but not derecognized	44,535	10,403	399	2,198

A.2 CLASSIFICATION OF EXPOSURES BASED ON EXTERNAL AND INTERNAL RATINGS

A.2.1 Distribution of cash and "off-balance sheet" exposures by external rating class

Exposures	External rating class						Unrated	**Total**
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Cash exposures	**-**	**1,215,621**	**4,691,553**	**3,899,113**	**597,361**	**404,736**	**22,820,641**	**33,629,025**
B. Derivatives	**-**	**14,838**	**14,775**	**22,852**	**1,410**	**1,706**	**734,470**	**790,051**
B.1 Financial derivatives	-	14,838	14,775	22,852	1,410	1,706	734,470	790,051
B.2 Credit derivatives	-	-	-	-	-	-	-	-
C. Guarantees given	**-**	**287,588**	**58,912**	**147,541**	**14,185**	**1,533**	**975,361**	**1,485,120**
D. Commitments to grant finance	**-**	**50,891**	**44,287**	**144,371**	**66,909**	**39,602**	**1,152,123**	**1,498,183**
E. Other	**-**	**136,577**	**2,097**	**-**	**-**	**-**	**466,069**	**604,743**
Total	**-**	**1,705,515**	**4,811,624**	**4,213,877**	**679,865**	**447,577**	**26,148,664**	**38,007,122**

For classifying customers by external ratings, the Bank uses:

- the ratings provided by DBRS Ratings Limited with regard to the supervisory portfolio "Exposures to or guaranteed by central governments and central banks";
- the ratings supplied by Standard & Poor's Rating Services, Moody's and Fitch Ratings with regard to the supervisory portfolio "Securitisations";
- the ratings provided by Cerved Group with regard to the "Exposures to companies and other parties".

The mapping tables for the rating classes published by each of the above rating agencies are provided below (source: Bank of Italy).

Credit class	Risk weighting coefficients				
	Central governments and banks	Supervised intermediaries, public sector entities, territorial entities	Multi-lateral development banks	Companies and other issuers	DBRS Ratings Limited
1	0%	20%	20%	20%	from AAA to AAL
2	20%	50%	50%	50%	from AH to AL
3	50%	100%	50%	100%	from BBBH to BBBL
4	100%	100%	100%	100%	from BBH to BBL
5	100%	100%	100%	150%	from BH to BL
6	150%	150%	150%	150%	CCC

In accordance with the Circular entitled "New prudential supervisory instructions for banks", the categories "Supervised intermediaries", "Public-sector entities" and "Territorial entities" must make reference to the credit class in which exposures to "Central government" are classified in the country in which these parties are headquartered.

Credit class	Securitizations	**Ecai**		
		Standard & Poor's	Fitch Ratings	Moody's
1	20%	from AAA to AA-	from AAA to AA-	from Aaa to Aa3
2	50%	from A+ to A-	from A+ to A-	from A1 to A3
3	100%	from BBB+ to BBB-	from BBB+ to BBB-	from Baa1 to Baa3
4	350%	from BB+ to BB-	from BB+ to BB-	from Ba1 to Ba3
5	1250%	B+ and below	B+ and below	B1 and below

Credit class	Companies and other parties	Cerved Group
1	20%	-
2	50%	from A1.1 to A3.1
3	100%	B1.1
4	100%	from B1.2 to B.2.2
5	150%	C1.1
6	150%	from C1.2 a C2.1

A.2.2 Distribution of cash and "off-balance sheet" exposures by internal rating class

Exposures					
	Class 1	Class 2	Class 3	Class 4	Class 5
A. Cash exposures	**176,190**	**719,924**	**266,710**	**1,498,320**	**2,677,506**
B. Derivatives	**191**	**104**	**6,459**	**1,855**	**4,209**
B.1 Financial derivatives	191	104	6,459	1,855	4,209
B.2 Credit derivatives	-	-	-	-	-
C. Guarantees given	**24,553**	**14,763**	**38,409**	**87,214**	**154,278**
D. Commitments to grant finance	**9,633**	**15,551**	**7,526**	**43,832**	**25,072**
E. Other	**-**	**-**	**-**	**-**	**-**
Total	**210,567**	**750,342**	**319,104**	**1,631,221**	**2,861,065**

The Bank uses internal ratings, split into 13 classes of decreasing credit quality (with class 1 representing the least risky customers and class 13 the most risky), solely for managing customer credit risk. Impaired assets are all classified as "Unrated".

The models developed by the Bank cover the types of counterparty with whom it operates structurally and to whom it is most exposed (Individuals, Small Business, Small Corporate, Mid Corporate and Corporate). This table therefore does not include exposures arising from treasury activity (loans and advances to Banks) or investment activity (debt securities, equities, mutual funds, derivatives with institutional counterparties).

The internal ratings are not used for calculating capital adequacy requirements.

Internal rating classes								Unrated	Total
Class 6	Class 7	Class 8	Class 9	Class 10	Class 11	Class 12	Class 13		
2,786,612	**2,181,092**	**2,007,267**	**1,879,094**	**1,118,922**	**299,491**	**742,001**	**894,158**	**7,738,387**	**24,985,674**
11,328	**6,629**	**8,654**	**4,743**	**2,199**	**218**	**728**	**1,844**	**467,681**	**516,842**
11,328	6,629	8,654	4,743	2,199	218	728	1,844	467,681	516,842
-	-	-	-	-	-	-	-	-	-
99,999	**70,871**	**62,772**	**70,650**	**58,256**	**13,822**	**16,156**	**7,665**	**653,027**	**1,372,435**
62,029	**40,713**	**59,236**	**48,090**	**38,390**	**2,483**	**64,501**	**44,575**	**198,554**	**660,185**
-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2,959,968	**2,299,305**	**2,137,929**	**2,002,577**	**1,217,767**	**316,014**	**823,386**	**948,242**	**9,057,649**	**27,535,136**

A.3 DISTRIBUTION OF GUARANTEED EXPOSURES BY TYPE OF GUARANTEE

A.3.1 Guaranteed "off-balance sheet" exposures to banks

	Amount of net exposure	Secured guarantees (1)				
		Buildings	Buildings financial leasing	Securities	Other secured guarantees	CLN
"1. Guaranteed cash exposures:"	**929,334**	**-**	**-**	**1,066,989**	**301**	**-**
1.1 fully guaranteed	929,334	-	-	1,066,989	301	-
- of which: impaired exposure	-	-	-	-	-	-
1.2 partially guaranteed	-	-	-	-	-	-
- of which: impaired exposure	-	-	-	-	-	-
2. Guaranteed ""off-balance sheet"exposures:"	**445,054**	**-**	**-**	**-**	**392,336**	**-**
2.1 fully guaranteed	8,890	-	-	-	5,052	-
- of which: impaired exposure	-	-	-	-	-	-
2.2 partially guaranteed	436,164	-	-	-	387,284	-
- of which: impaired exposure	-	-	-	-	-	-

A.3.2 Guaranteed "off-balance sheet" exposures to customers

	Amount of net exposure	Secured guarantees (1)				
		Buildings	Buildings financial leasing	Securities	Other secured guarantees	CLN
"1. Guaranteed cash exposures:"	**17,624,404**	**29,312,772**	**-**	**1,388,043**	**265,028**	**-**
1.1 fully guaranteed	16,605,179	29,124,201	-	1,281,781	217,660	-
- of which: impaired exposure	2,711,765	5,394,195	-	112,454	35,548	-
1.2 partially guaranteed	1,019,225	188,571	-	106,262	47,368	-
- of which: impaired exposure	273,164	122,924	-	23,085	10,494	-
2. Guaranteed ""off-balance sheet"exposures:"	**460,931**	**12,343**	**-**	**30,880**	**209,379**	**-**
2.1 fully guaranteed	219,424	12,343	-	21,563	47,162	-
- of which: impaired exposure	22,048	1,700	-	172	15,123	-
2.2 partially guaranteed	241,507	-	-	9,317	162,217	-
- of which: impaired exposure	798	-	-	59	401	-

Unsecured guarantees (2) – Credit derivatives – Other derivatives – Govern-ments and central banks	Other public entities	Banks	Other issuers	Guarantees – Govern-ments and central banks	Other public entities	Banks	Other issuers	Total (1)+(2)
-	**-**	**-**	**-**	**-**	**-**	**5,535**	**-**	**1,072,825**
-	-	-	-	-	-	5,535	-	1,072,825
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	**-**	**-**	**-**	**-**	**-**	**3,838**	**-**	**396,174**
-	-	-	-	-	-	3,838	-	8,890
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	387,284
-	-	-	-	-	-	-	-	-

Unsecured guarantees (2) – Credit derivatives – Other derivatives – Govern-ments and central banks	Other public entities	Banks	Other issuers	Guarantees – Govern-ments and central banks	Other public entities	Banks	Other issuers	Total (1)+(2)
-	**-**	**-**	**-**	**2,563**	**70,636**	**5,806**	**2,536,268**	**33,581,116**
-	-	-	-	2,489	31,621	5,003	2,249,490	32,912,245
-	-	-	-	-	2,018	54	467,152	6,011,421
-	-	-	-	74	39,015	803	286,778	668,871
-	-	-	-	-	7,725	290	87,935	252,453
-	**-**	**-**	**-**	**-**	**-**	**7,101**	**165,117**	**424,820**
-	-	-	-	-	-	2,330	146,750	230,148
-	-	-	-	-	-	-	6,118	23,113
-	-	-	-	-	-	4,771	18,367	194,672
-	-	-	-	-	-	-	314	774

B. DISTRIBUTION AND CONCENTRATION OF CREDIT

B.1 Distribution by sector of cash and "off-balance sheet" exposures to customers (book value)

Exposures/Counterparts	Governments			Other public entities			Financial companies	
	Net exposure	Specific adjustments	Portfolio adjustments	Net exposure	Specific adjustments	Portfolio adjustments	Net exposure	Specific adjustments
A. Cash exposures								
A.1 Non-performing loans	-	-	X	-	-	X	16,872	(46,407)
A.2 Watchlist loans	-	-	X	49,323	(4,463)	X	41,362	(28,812)
A.3 Restructured exposures	-	-	X	-	-	X	10,420	(20,503)
A.4 Past due exposures	-	-	X	-	-	X	26,105	(2,506)
A.5 Other exposures	4,743,978	X	-	43,967	X	-	2,674,743	X
TOTAL A	**4,743,978**	**-**	**-**	**93,290**	**(4,463)**	**-**	**2,769,502**	**(98,228)**
B. "Off-balance sheet" exposures								
B.1 Non-performing loans	-	-	X	-	-	X	-	-
B.2 Watchlist loans	-	-	X	-	-	X	-	(564)
B.3 Other impaired assets	-	-	X	-	-	X	570	-
B.4 Other exposures	403,700	X	-	2,151	X	(3)	711,649	X
TOTAL B	**403,700**	**-**	**-**	**2,151**	**-**	**(3)**	**712,219**	**(564)**
Total at 31/12/2014	**5,147,678**	**-**	**-**	**95,441**	**(4,463)**	**(3)**	**3,481,721**	**(98,792)**
Total at 31/12/2013	**2,898,748**	**-**	**-**	**95,464**	**(637)**	**(6)**	**4,379,093**	**(51,153)**

	Insurance companies			Non-financial institutions			Other issuers		
Portfolio adjustments	Net expo-sure	Specific adjustments	Portfolio adjustments	Net exposure	Specific adjustments	Portfolio adjustments	Net expo-sure	Specific adjustments	Portfolio adjustments
X	-	-	X	1,155,233	(1,156,781)	X	358,281	(324,854)	X
X	-	-	X	1,146,868	(341,720)	X	281,106	(56,941)	X
X	-	-	X	314,330	(11,493)	X	99,655	(843)	X
X	-	-	X	196,536	(24,128)	X	37,917	(3,868)	X
(7,059)	33,797	X	(2)	10,775,736	X	(114,726)	7,986,436	X	(31,271)
(7,059)	**33,797**	**-**	**(2)**	**13,588,703**	**(1,534,122)**	**(114,726)**	**8,763,395**	**(386,506)**	**(31,271)**
X	-	-	X	5,820	(1,270)	X	14	-	X
X	-	-	X	107,246	(2,860)	X	1,159	(24)	X
X	-	-	X	50,075	(1)	X	130	-	X
(41)	16,774	X	(25)	1,356,907	X	(1,277)	512,649	X	(48)
(41)	**16,774**	**-**	**(25)**	**1,520,048**	**(4,131)**	**(1,277)**	**513,952**	**(24)**	**(48)**
(7,100)	**50,571**	**-**	**(27)**	**15,108,751**	**(1,538,253)**	**(116,003)**	**9,277,347**	**(386,530)**	**(31,319)**
(1,865)	**46,626**	**(210)**	**(29)**	**16,762,167**	**(954,011)**	**(61,225)**	**8,971,606**	**(277,885)**	**(16,930)**

B.2 Geographical distribution of cash and "off-balance sheet" exposures to customers (book value)

Exposures/Geographical area	ITALY		OTHER EU COUNTRIES	
	Net exposure	Total adjustments	Net exposure	Total adjustments
A. Cash exposures				
A.1 Non-performing loans	1,528,870	(1,518,264)	767	(6,971)
A.2 Watchlist loans	1,517,670	(425,041)	984	(6,891)
A.3 Restructured exposures	416,346	(32,768)	8,059	(71)
A.4 Past due exposures	259,718	(30,371)	676	(88)
A.5 Other exposures	25,396,735	(152,384)	808,261	(366)
TOTAL	**29,119,339**	**(2,158,828)**	**818,747**	**(14,387)**
B. "Off-balance sheet" exposures				
B.1 Non-performing loans	5,834	(1,270)	-	-
B.2 Watchlist loans	108,405	(3,448)	-	-
B.3 Other impaired assets	50,775	(1)	-	-
B.4 Other exposures	2,329,954	(1,394)	673,876	-
TOTAL	**2,494,968**	**(6,113)**	**673,876**	**-**
Total at 31/12/2014	**31,614,307**	**(2,164,941)**	**1,492,623**	**(14,387)**
Total at 31/12/2013	**32,163,082**	**(1,354,115)**	**949,000**	**(8,006)**

B.3 Geographical distribution of cashand "off-balance sheet" exposure to banks (book value)

Exposures/Geographical area	ITALY		OTHER EU COUNTRIES	
	Net exposure	Total adjustments	Net exposure	Total adjustments
A. Cash exposures				
A.1 Non-performing loans	-	-	298	(318)
A.2 Watchlist loans	-	-	-	-
A.3 Restructured exposures	-	-	-	-
A.4 Past due exposures	-	-	-	-
A.5 Other exposures	1,945,720	-	1,391,612	-
TOTAL	**1,945,720**	**-**	**1,391,910**	**(318)**
B. "Off-balance sheet" exposures				
B.1 Non-performing loans	-	-	-	-
B.2 Watchlist loans	-	-	-	-
B.3 Other impaired assets	-	-	-	-
B.4 Other exposures	154,707	-	408,628	-
TOTAL	**154,707**	**-**	**408,628**	**-**
Total at 31/12/2014	**2,100,427**	**-**	**1,800,538**	**(318)**
Total at 31/12/2013	**2,288,800**	**-**	**1,712,008**	**(315)**

AMERICA		ASIA		REST OF THE WORLD	
Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
145	(601)	604	(2,206)	-	-
4	(3)	-	-	1	(1)
-	-	-	-	-	-
-	-	164	(43)	-	-
29,981	(90)	6,282	(66)	17,398	(152)
30,130	**(694)**	**7,050**	**(2,315)**	**17,399**	**(153)**
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	**-**	**-**	**-**	**-**	**-**
30,130	**(694)**	**7,050**	**(2,315)**	**17,399**	**(153)**
20,323	**(647)**	**3,459**	**(1,106)**	**17,840**	**(77)**

AMERICA		ASIA		REST OF THE WORLD	
Net exposure	Total adjustments	Net exposure	Total adjustments	Net exposure	Total adjustments
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
7,266	-	23,272	-	4,153	-
7,266	**-**	**23,272**	**-**	**4,153**	**-**
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
9,191	-	22,362	-	9,705	-
9,191	**-**	**22,362**	**-**	**9,705**	**-**
16,457	**-**	**45,634**	**-**	**13,858**	**-**
136,982	**-**	**63,474**	**-**	**15,332**	**-**

B.4 Significant exposures

	31/12/2014
a) Book value	13,298,261
b) Value weighted	807,408
c) Number	9

On the basis of current supervisory instructions, a "significant exposure" is one whose amount is equal or greater than 10% of the admissible Capital.
The above table includes intra-group exposures and exposures to the Ministry of the Treasury, whose book value amounts, respectively, to Euro 3,960 million and Euro 5,010.3 million. These exposures, consistent with the provisions of the prudential rules, have a weighting factor of zero percent.
The table also includes exposures to the Cassa di Compensazione e Garanzia with a book value of Euro 2,214.5 million and a weighted value of Euro 148 thousand.

C. SECURITISATIONS AND DISPOSAL OF ASSETS

C.1 SECURITISATIONS

Qualitative information

Objectives, strategies and processes underlying securitisations

The Banca Popolare di Vicenza Group has identified securitisations as the main source of collection to meet funding requirements. All these securitisations form a strategic part of the Group's expectations of further growth in the mortgage sector and the general process of expanding bank lending, which requires adequate liquidity to be raised in advance to meet future loan applications. More specifically, the securitisations carried out met the following objectives:
- to free up resources on the asset-side of the statement of financial position, whilst improving the treasury position;
- to reduce maturity mismatching between deposits and long-term lending;
- to reduce the ratio of long-term lending to total lending.

These are also the purposes of "self-securitisations", carried out with the intent of having available usable securities for funding activities with the European Central Bank or with major market counterparties.

At the date of the financial statements, the following eight securitisations existed:
- Berica Residential MBS 1 S.r.l.;
- Berica 5 Residential MBS S.r.l.;
- Berica 6 Residential MBS S.r.l.;
- Berica 8 Residential MBS S.r.l.;
- Berica 9 Residential MBS S.r.l.;
- Berica 10 Residential MBS S.r.l.;
- Berica ABS S.r.l.;
- Berica ABS 2 S.r.l.;
- Berica PMI S.r.l.;
- Piazza Venezia S.r.l.:
- Berica ABS 3 S.r.l.

The securitisations, all of which are multioriginator, were carried out in accordance with Italian Law 130/1999.
The last securitisation was completed during the year with the transfer of performing mortgage loan portfolios granted to individuals by the Bank and by the subsidiary Banca Nuova with the simultaneous subscription, by the same originators, of the junior securities issued in proportion to the transferred receivables.

In the case of the Piazza Venezia securitisation, the originator banks have subscribed to the associated asset-backed securities in proportion to the size of the loan portfolio sold ("self-securitisations") . Therefore, this securitisation does not fall under the disclosure requirements applying to the present Section.

For complete disclosure, the details of the last securitisation originated by the Bank in 2014 are provided below.

- Vehicle company:	**Berica ABS 3 S.r.l.**
- Date of sale of loans:	01/04/2014
- Type of loans sold:	Mortgage loans
- Quality of loans sold:	Performing loans
- Guarantees on loans sold:	First Mortgage
- Geographical area of loans sold:	Italy
- Economic status of debtors sold:	Individuals
- Number of loans sold:	**9,016**
of which: Banca Popolare di Vicenza	8,109
of which: Banca Nuova	907
- Price of loans sold:	**1,044,738,132**
of which: Banca Popolare di Vicenza	952,957,489
of which: Banca Nuova	91,780,644
- Value of loans sold:	**1,044,311,996**
of which: Banca Popolare di Vicenza	952,578,016
of which: Banca Nuova	91,733,980
- Interest accrued on loans sold:	**426,136**
of which: Banca Popolare di Vicenza	379,473
of which: Banca Nuova	46,663

With the aforesaid securitisation, the ABS 3 set out below were issued; they were subscribed by the originators in proportion to the transferred receivables portfolio. In detail:

- Euro 835,400 thousand in senior notes with an external rating from Fitch ("AA+") and DBRS ("AAA") with a yield tied to the 3-month Euribor plus 105 bps;
- Euro 93,900 thousand in mezzanine notes with an external rating from Fitch ("A") and DBRS ("A-") with a yield tied to the 3-month Euribor plus 225 bps;
- Euro 115,012 thousand in unrated junior notes (Euro 104,909 thousand subscribed by the Bank) with yield tied to the 3-month Euribor.

For each own securitisation, the originator Banks have signed specific servicing contracts with the respective vehicle companies for the coordination and supervision of the management, administration and collection of the securitised loans, as well as for recovery activities in the event of borrower default. These contracts require the payment of an annual servicing fee as well as recompense for each position requiring recovery activities. The function of servicer is carried out by specific structures within the company, whose work has been duly organised and is checked by the Bank's internal auditors, who verify the propriety and conformity of its conduct with respect to the terms of the servicing contract.

Servicer and arranger activities

For all the securitisations, the Bank has signed specific servicing contracts with the respective vehicle companies for the coordination and supervision of the management, administration and collection of their specific securitised loans, as well as for recovery activities in the event of borrower default. These contracts require the payment of an annual servicing fee as well as recompense for each position requiring recovery activities. The function of servicer is carried out by specific specially organised structures within the company, whose work is subject to control by the Bank's internal auditors, who verify the propriety and conformity of their conduct with respect to the terms of the servicing contract.

Lastly, Banca Popolare di Vicenza also acts as the administrative servicer for all the above securitisations, receiving a contractually-agreed fee from the special purpose vehicles for providing this service.

Accounting treatment of outstanding positions relating to securitisations

With regard to the first four securitisations, set up before 1 January 2004, the securitised assets were not reinstated on the first-time adoption of IAS-IFRS, as allowed by par. 27 of IFRS 1.
The other five securitisations, arranged subsequent to 1 January 2004, do not meet the derecognition requirements of IAS 39. Accordingly, the portion of residual securitised assets relating to loans sold was reinstated at the statement of financial position date and the corresponding asset-backed securities were eliminated.

In particular, residual portion of the securitised loans at that date were reported in "Loans and advances to customers" and the associated liabilities were reported in "Due to customers", while the corresponding portion of ABS relating to these securitisations were derecognised from the Bank's portfolio. If said elimination results in a negative imbalance, said amount is recorded under "Loans and advances to customers".

Interest income and similar revenues" and "interest expense and similar charges" arising during the year in relation to the above assets and liabilities have been recognised, and an overall assessment of the reinstated securitised loans has also been performed with any write-downs reported in "net impairment adjustments to: loans and receivables".

The securitised assets reported in the statement of financial position have been valued using the same principles as for the Bank's own assets.

Internal systems for the measurement and control of risk and hedging policies

The residual risk for the Bank in relation to the total insolvency of borrowers represents, for the own securitisations not reinstated, the value of the junior notes (highest degree of subordination) held.
The Bank periodically monitors changes in the key credit and financial variables relating to each securitisation.
With a view to controlling risk, special attention is focused on the performance of the trigger ratios, of performance indicators on default and delinquent loans, as well as the performance of the excess spread that represents the return on the junior notes held by the Bank. The Board of Directors receives a summary and detailed statement about the securitisations at least every six months.
Concurrently with the issue of the ABS, several back-to-back swaps were arranged in the form of Interest Rate Swaps (IRS), in order to shield the special purpose vehicle (SPV) from interest rate risk.

These instruments are measured at fair value, as discussed below, and are included in the periodic Asset & Liability Management (ALM) analysis which is performed every quarter.
With regard to the organisation that oversees securitisations, the Bank, through a dedicated operating unit, monitors the performance of the securitisations originated by the Banca Popolare di Vicenza Group.

Results from positions relating to securitisations

Information about the results from positions relating to securitisations is provided below, with the distinction between the securitisations reinstated in the financial statements and those not reinstated.

Securitizations reinstated	Interest income	Interest expense	Servicing for transactions	Positive (Negative) differential	Write-backs (writedowns) of loans
Berica 5	3,221	(644)	(165)	(87)	(4,820)
Berica 6	7,698	(935)	(181)	(105)	(3,271)
Berica 8	17,695	(14,148)	(158)	(299)	(2,870)
Berica 9	16,321	(2,857)	(191)	(331)	(514)
Berica 10	13,479	(1,970)	(226)	(428)	(483)
Berica abs	21,693	(19,768)	(226)	(639)	(1,383)
Berica abs 2	16,132	(11,711)	(196)	(472)	(869)
PMI	29,284	(13,196)	(224)	(723)	(3,881)
Berica abs 3	22,050	(5,910)	(84)	(227)	(1,641)
Total	**147,573**	**(71,139)**	**(1,651)**	**(3,311)**	**(19,732)**
Total reported in balance sheet	1,034,169	(644,548)	253,926	94,673	(805,327)
% incidence	14.3%	11.0%	-0.7%	3.5%	2.5%

Securitizations not reinstated	Interest income	Servicing for transactions	Positive (Negative) differential	Gains (losses) on valutation	Other income (expenses)
Berica Residential MBS 1	-	233	(295)	(495)	2,646
Total	**-**	**233**	**(295)**	**(495)**	**2,646**
Total reported in balance sheet	1,034,169	253,926	94,673	94,673	(29,208)
% incidence	0.0%	0.1%	0.3%	-0.5%	-9.1%

The above table does not report the results of the self-securitisations, because they do not fall under the disclosure requirements applying to the present section.

This table also includes the changes in the fair value of junior notes arising from the securitisation Berica Residential MBS 1, classified as “financial assets available for sale”, which entailed write-back of Euro 2,646 thousand.

Rating agencies

The following rating agencies were engaged to perform due diligence work on the above transactions and assign ratings to the related Asset-Backed Securities:

- Berica Residential MBS 1 Srl: Standard & Poor’s and Fitch Ratings;
- Berica 5 Residential MBS Srl: Standard & Poor’s and Fitch Ratings;
- Berica 6 Residential MBS Srl: Standard & Poor’s, Fitch Ratings and Moody’s Investors Service Inc.;
- Berica 8 Residential MBS Srl: Fitch Ratings and Moody’s;
- Berica 9 Residential MBS Srl: Fitch Ratings and Moody’s;

- Berica 10 Residential MBS Srl: Moody's and DBRS;
- Berica ABS Srl: Moody's and DBRS;
- Berica ABS 2 Srl: Fitch Ratings and DBRS;
- Berica PMI Srl: Fitch Ratings and DBRS;
- Piazza Venezia Srl: Fitch Ratings;
- Berica ABS 3 Srl: Fitch Ratings and DBRS.

Third party securitisations

The Bank subscribed a senior tranche of asset-backed securities (ABS) issued under securitisations carried out in accordance with Law 130/1999 and originated by Consorzio Stabile Infrastrutture (Stable Infrastructures Consortium) owned by Impresa S.p.a. and Maltauro S.p.a. operating with government agencies, recorded in the line items "Loans and advances to customers" for a total value of Euro 35.8 million, on which no impairments requiring recognition in the income statement under IAS 39 were noted.
In 2014, the Bank also subscribed the ABS issued in a single tranche within the securitisation carried out by Banca della Nuova Terra and recorded under "Loans and advances to customers" with a total value of Euro 80.4 million. In this regard, it should be pointed out that the security was subjected to specific write-downs totalling Euro 4,754 thousand.

Cod Isin	Description	Tranche	Maturity date	*Originator*	Geographical distribution	Type of asset securitized	Rating	Captions	Book value
IT0004841372	AQUARIUS 3,20% CL. A	senior	30/07/30	CONSVIF srl	Italy	Technical reserves	n.a.	Loans and advances to customers	18.605
IT0004843253	AUSTRALE F. 3,7% CL. A	senior	30/01/16	Maltauro Spa	Italy	Technical reserves	n.a.	Loans and advances to customers	17.215
IT0005022915	BNT PORTFO-LIO TV 42	senior	42/02/09	Banca Nuova Terra	Italy	Loans and advances to customers	n.a.	Loans and advances to customers	80.374
Total									**116.194**

QUANTITATIVE INFORMATION

C.1 Exposures deriving from securitisations analysed by quality of the underlying assets

"Quality of underlying assets/Exposures"	Cash exposures							
	Senior		Mezzanine		Junior		Senior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. Own securitized underlying assets:	**44,109**	**44,109**	**878,152**	**878,152**	**1,500,087**	**1,499,255**	**-**	**-**
a) Impaired assets	-	-	-	-	-	-	-	-
b) Other	44,109	44,109	878,152	878,152	1,500,087	1,499,255	-	-
B. Third-party securitized underlying assets:	**126,251**	**121,452**	**186,975**	**186,975**	**295,843**	**295,796**	**-**	**-**
a) Impaired assets	-	-	-	-	-	-	-	-
b) Other	126,251	121,452	186,975	186,975	295,843	295,796	-	-

C.2 Exposures deriving from the principal "own" securitisations analysed by type of asset securitised and type of exposure

"Type of asset securitized/Exposure"	Cash exposures							
	Senior		Mezzanine		Junior		Senior	
	Book value	Write-downs/ writebacks	Book value	Write-downs/ writebacks	Book value	Write-downs/ writebacks	Book value	Write-downs/ writebacks
"A. Fully derecognized"								
A.1 Berica MBS S.r.l. residential mortgage loans	2,800	-	-	-	10,668	(832)	-	-
B. Partially derecognized								
C. Not derecognized								
C.1 Berica 5 Residential MBS S.r.l. residential mortgage loans	40,995	-	3,740	-	26,222	-	-	-
C.2 Berica 6 Residential MBS S.r.l. residential mortgage loans	-	-	176,221	-	690	-	-	-
C.3 Berica 8 Residential MBS S.r.l. residential mortgage loans	-	-	-	-	100,288	-	-	-
C.4 Berica 9 Residential MBS S.r.l. residential mortgage loans	-	-	315,080	-	159,388	-	-	-
C.5 Berica 10 Residential MBS S.r.l. residential mortgage loans	-	-	299,685	-	159,604	-	-	-
C.6 Berica abs S.r.l. residential mortgage loans	-	-	83,344	-	307,369	-	-	-
C.7 Berica abs 2 S.r.l. residential mortgage loans	-	-	82	-	147,688	-	-	-
C.8 Berica PMI S.r.l. Unsecured loans and mortgage loans in favor of small and medium-size companies	314	-	-	-	466,233	-	-	-
C.9 Berica abs 3 S.r.l. residential mortgage loans	-	-	-	-	121,105	-	-	-

Guarantees given				Credit lines					
Mezzanine		Junior		Senior		Mezzanine		Junior	
Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-

Guarantees given				Credit lines					
Mezzanine		Junior		Senior		Mezzanine		Junior	
Book value	Write-downs/ writebacks	Book value	Write-downs/ writebacks	Book value	Write-downs/ writebacks	Book value	Write-downs/ writebacks	Book value	Write-downs/ writebacks
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-

C.3 Exposures deriving from the principal "third-party" securitisations analysed by type of asset securitised and type of exposure

Type of asset securitized/Exposure	Cash exposures							
	Senior		Mezzanine		Junior		Senior	
	Book value	Write-downs/ writebacks	Book value	Write-downs/ writebacks	Book value	Write-downs/ writebacks	Book value	Writedow writebac
A.1 Berica Residential MBS 1 S.r.l.								
residential mortgage loans	157	-	-	-	564	(47)	-	-
A.2 Berica Residential MBS 5 S.r.l.								
residential mortgage loans	5,046	-	460	-	3,227	-	-	-
A.3 Berica Residential MBS 6 S.r.l.								
residential mortgage loans	-	-	36,306	-	142	-	-	-
A.4 Berica Residential MBS 8 S.r.l.								
residential mortgage loans	-	-	-	-	47,462	-	-	-
A.5 Berica Residential MBS 9 S.r.l.								
residential mortgage loans	-	-	68,620	-	34,712	-	-	-
A.6 Berica Residential MBS 10 S.r.l.								
residential mortgage loans	-	-	69,115	-	36,809	-	-	-
A.7 Berica abs S.r.l.								
residential mortgage loans	-	-	12,456	-	45,937	-	-	-
A.8 Berica abs 2 S.r.l.								
residential mortgage loans	-	-	18	-	33,479	-	-	-
A.9 Berica PMI S.r.l.								
Unsecured loans and mortgage loans in favor of small and medium- size companies	55	-	-	-	81,708	-	-	-
A.10 Berica abs 3 S.r.l.								
residential mortgage loans	-	-	-	-	11,756	-	-	-
A.11 Aquarius Finance S.r.l.								
technical reserves arising from contracts originated by the public administration	18,605	-	-	-	-	-	-	-
A.12Australe Finance S.r.l.								
technical reserves arising from contracts originated by the public administration	17,215	-	-	-	-	-	-	-
A.13 BNT Portfolio SPV S.r.l.								
residential mortgage loans	80,374	(4,799)	-	-	-	-	-	-

As prescribed by Bank of Italy's Circular no. 262 of 22 December 2005 as amended, in the case of multi originator own securitisations in which the assets sold remained fully intact within the assets of the statement of financial position, in the table above, the third-party exposures are determined in proportion to the weighting those same assets have in relation to the securitised assets.

Guarantees given					Credit lines					
	Mezzanine		Junior		Senior		Mezzanine		Junior	
ns/ ks	Book value	Write-downs/ writebacks	Book value	Write-downs/ writebacks	Book value	Write-downs/ writebacks	Book value	Write-downs/ writebacks	Book value	Write-downs/ writebacks
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-

C.4 Exposures to securitisations analysed by portfolio and by type

Exposure/Portfolio	Financial assets held for trading	Financial assets at fair value	Financial assets available for sale	Financial assets held to maturity	Loans and advances	31/12/2014	31/12/2013
1. Cash exposures	**-**	**-**	**376,716**	**-**	**240,975**	**617,691**	**528,896**
- Senior	-	-	116,194	-	8,058	124,252	50,424
- Mezzanine	-	-	-	-	186,975	186,975	189,579
- Junior	-	-	260,522	-	45,942	306,464	288,893
2. "Off-balance sheet" exposures	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Senior	-	-	-	-	-	-	-
- Mezzanine	-	-	-	-	-	-	-
- Junior	-	-	-	-	-	-	-

C.5 Total amount of securitised assets underlying the junior securities or other forms of credit instrument

Assets/Values	Traditional securitizations	Synthetic securitizations
A. Own underlying assets:	**4,623,470**	**-**
A.1 Fully derecognized	108,417	-
1. Non-performing loans	12,308	X
2. Watchlist loans	4,897	X
3. Restructured exposures	403	X
4. Exposures past due	-	X
5. Other assets	90,809	X
A.2 Partially derecognized	-	-
1. Non-performing loans	-	X
2. Watchlist loans	-	X
3. Restructured exposures	-	X
4. Exposures past due	-	X
5. Other assets	-	X
A.3 Not derecognized	4,515,053	-
1. Non-performing loans	57,984	-
2. Watchlist loans	98,779	-
3. Restructured exposures	11,270	-
4. Exposures past due	6,156	-
5. Other assets	4,340,864	-
B. Third-party underlying assets:	**956,130**	**-**
B.1 Non-performing loans	12,584	-
B.2 Watchlist loans	22,520	-
B.3 Restructured exposures	2,378	-
B.4 Past due exposures	1,202	-
B.5 Other assets	917,446	-

C.6 Special purpose vehicles for securitisation

S.P.V.	Registered office	Consolidation
Berica Residential MBS 1 S.r.l.	Via BTG Framarin 18, 36100 Vicenza	No
Berica 5 Residential MBS S.r.l.	Via BTG Framarin 18, 36100 Vicenza	No
Berica 6 Residential MBS S.r.l.	Via BTG Framarin 18, 36100 Vicenza	No
Berica 8 Residential MBS S.r.l.	Via BTG Framarin 18, 36100 Vicenza	No
Berica 9 Residential MBS S.r.l.	Via BTG Framarin 18, 36100 Vicenza	No
Berica 10 Residential MBS S.r.l.	Via BTG Framarin 18, 36100 Vicenza	No
Berica ABS S.r.l.	Via BTG Framarin 18, 36100 Vicenza	No
Berica ABS 2 S.r.l.	Via BTG Framarin 18, 36100 Vicenza	No
Berica PMI S.r.l.	Via BTG Framarin 18, 36100 Vicenza	No
Berica ABS 3 S.r.l.	Via BTG Framarin 18, 36100 Vicenza	No
Australe Finance S.r.l.	Via San Prospero, 4 - 20121 Milano	No
Aquarius SPV S.r.l.	Via V. Alfieri, 1 - 31015 Conegliano (TV)	No
BNT Portfolio SPV S.r.l.	Via V. Alfieri, 1 - 31015 Conegliano (TV)	No

C.7 Non consolidated special purpose vehicles for securitisation

In accordance with Circular no. 262 of 22 December 2005 as amended, for information about this item please refer to the disclosure provided in the consolidated Financial Statements at 31 December 2014 of the Banca Popolare di Vicenza Group.

Assets			Liabilities		
Loans and advances	Debt securities	Other	Senior	Mezzanine	Junior
118,412	-	16,818	73,455	35,308	10,526
204,245	-	20,180	133,327	43,932	34,293
492,481	-	116,797	419,652	54,741	1,000
723,968	-	93,165	544,987	-	174,950
770,819	-	61,996	106,625	461,800	193,200
699,027	-	41,473	447,000	42,133	184,382
998,318	-	45,426	495,145	110,000	327,468
713,687	-	45,444	232,357	280,100	179,959
1,015,441	-	106,258	451,791	461	588,027
973,729	-	39,780	858,386	-	115,012
23,663	-	1,346	16,947	-	10,650
18,150	-	1,991	18,484	-	4,366
356,697	-	24,491	397,800	-	-

C.8 Servicer activities - collection of securitised loans and redemption of securities issued by the vehicle company

Vehicle company	Securitized assets 31/12/2014		Loans collected during the year		Percentage of securities redeemed 31/12/2014					
	Impaired loans	*Perfor-ming loans*	Impaired loans	*Perfor-ming loans*	Senior		Mezzanine		Junior	
					Impaired assets	Performing assets	Impaired assets	Performing assets	Impaired assets	Perfor-ming assets
Berica Residential MBS 1 S.r.l.	-	107.829	-	14.066	0.00%	86.72%	0.00%	0.00%	0.00%	60.49%
Berica 5 Residential MBS S.r.l.	-	174.274	-	10.629	0.00%	78.90%	0.00%	0.00%	0.00%	3.13%
Berica 6 Residential MBS S.r.l.	-	408.774	-	28.950	0.00%	100.00%	0.00%	62.50%	0.00%	78.26%
Berica 8 Residential MBS S.r.l.	-	492.364	-	59.985	0.00%	55.33%	0.00%	0.00%	0.00%	0.00%
Berica 9 Residential MBS S.r.l.	-	634.625	-	67.610	0.00%	39.00%	0.00%	0.00%	0.00%	0.00%
Berica 10 Residential MBS S.r.l.	-	569.471	-	62.609	0.00%	32.65%	0.00%	0.00%	0.00%	0.00%
Berica ABS S.r.l.	-	867.192	-	92.384	0.00%	42.37%	0.00%	0.00%	0.00%	0.00%
Berica ABS 2 S.r.l.	-	582.178	-	69.504	0.00%	25.45%	0.00%	0.00%	0.00%	0.00%
Berica PMI S.r.l.	-	864.318	-	220.570	0.00%	48.33%	0.00%	0.00%	0.00%	0.00%
Berica ABS 3 S.r.l.	-	887.614	-	63.661	0.00%	8.49%	0.00%	0.00%	0.00%	0.00%
Australe Finance S.r.l.	-	23.663	-	5.988	0.00%	32.00%	0.00%	0.00%	0.00%	0.00%

D. DISCLOSURE ON STRUCTURED ENTITIES NOT CONSOLIDATED FOR ACCOUNTING PURPOSES (OTHER THAN SPECIAL PURPOSE VEHICLES FOR SECURITISATION)

In accordance with Circular no. 262 of 22 December 2005 as amended, for information about this item please refer to the disclosure provided in the consolidated Financial Statements at 31 December 2014 of the Banca Popolare di Vicenza Group.

E. DISPOSALS

A. Financial assets sold but not derecognised in full

QUALITATIVE INFORMATION

Financial assets sold but not derecognised and all liabilities relating to assets sold but not derecognised in the tables set out in this section mainly refer to receivables reinstated in the financial statements relating to securitisations transactions set up by the Group, outlined in the previous section C.1 “Securitisations”, as well as to repurchase agreements carried out on property securities.

QUANTITATIVE INFORMATION

E. 1 Financial assets sold but not derecognized: book value and whole value

Technical forms/Portfolio	Financial assets held for trading			Financial assets at fair value			Financial assets available for sale		
	A	B	C	A	B	C	A	B	C
A. Cash assets	**-**	**-**	**-**	**-**	**-**	**-**	**1,747,211**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	1,747,211	-	-
2. Equities	-	-	-	-	-	-	-	-	-
3. Mutual funds	-	-	-	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-	-	-	-
B. Derivatives	-	-	-	X	X	X	X	X	X
Total at 31/12/2014	**-**	**-**	**-**	**-**	**-**	**-**	**1,747,211**	**-**	**-**
of which: impaired exposure	-	-	-	-	-	-	-	-	-
Total at 31/12/2013	**-**	**-**	**-**	**-**	**-**	**-**	**1,455,441**	**-**	**-**
of which: impaired exposure	-	-	-	-	-	-	-	-	-

Key:
A = Financial assets sold and recognised in full (book value)
B = Financial assets sold and recognised in part (book value)
C = Financial assets sold and recognised in part (full value)

Financial assets held to maturity			Loans and advances to banks			Loans and advances to customers			Total	
A	B	C	A	B	C	A	B	C	31/12/2014	31/12/2013
-	**-**	**-**	**-**	**-**	**-**	**5,506,012**	**-**	**-**	**7,253,223**	**6,733,677**
-	-	-	-	-	-	-	-	-	1,747,211	1,455,441
X	X	X	X	X	X	X	X	X	-	-
X	X	X	X	X	X	X	X	X	-	-
-	-	-	-	-	-	5,506,012	-	-	5,506,012	5,278,236
X	X	X	X	X	X	X	X	X	-	-
-	**-**	**-**	**-**	**-**	**-**	**5,506,012**	**-**	**-**	**7,253,223**	**X**
-	-	-	-	-	-	204,042	-	-	204,042	X
-	**-**	**-**	**-**	**-**	**-**	**5,278,236**	**-**	**-**	**X**	**6,733,677**
-	-	-	-	-	-	211,617	-		X	211,617

E. 2 Financial liabilities relating to financial assets sold but not derecognized: book value

Liabilities/Assets portfolio	Financial assets held for trading	Financial assets at fair value	Financial assets available for sale	Financial assets held to maturity	Loans and advances to banks	Loans and advances to customers	Total
1. Due to customers	**-**	**-**	**1,759,760**	**-**	**-**	**2,351,972**	**4,111,732**
a) for assets recognized in full	-	-	1,759,760	-	-	2,351,972	4,111,732
b) for assets recognized in part	-	-	-	-	-	-	-
2. Due to banks	**-**	**-**	**180,167**	**-**	**-**	**654,597**	**834,764**
a) for assets recognized in full	-	-	180,167	-	-	654,597	834,764
b) for assets recognized in part	-	-	-	-	-	-	-
Total at 31/12/2014	**-**	**-**	**1,939,927**	**-**	**-**	**3,006,569**	**4,946,496**
Total at 31/12/2013	**-**	**-**	**1,632,383**	**-**	**-**	**3,449,651**	**5,082,034**

The amounts "Due to customers" in respect of "Loans and advances to customers" refer to the liabilities associated with mortgages sold under certain securitisations, which do not qualify for derecognition under IAS 39 and so are "reinstated" in the financial statements, and to repurchase agreements extant at the date of the financial statements with Cassa di Compensazione e Garanzia.

E.3 Sales with liabilities having recourse exclusively on the sold assets: fair value

The fair value of sales with liabilities having recourse exclusively on the sold assets does not have substantial differences from the book value. Therefore, the table has not been completed.

B. Financial assets sold and fully derecognised, with recognition of ongoing involvement

The Bank has no financial assets sold and fully derecognised, with recognition of ongoing involvement.

E.4 Covered bond transactions

The Bank has not carried out any covered bond transactions.

F. MODELS USED FOR MEASURING CREDIT RISK

Since the end of April 2008, new internal rating models for retail customers (individuals and small businesses), small corporate customers (turnover from euro 517 thousand to euro 2.5 million), and mid corporate customers (turnover from euro 2.5 to euro 50 million) have been adopted by Banca Popolare di Vicenza; in June 2009, these models were followed by the corporate module, directed at assigning ratings not only to companies with turnover above euro 50 million, but also to Financial and investment Holding companies (regardless of turnover) and to parent companies with group turnover above euro 50 million.

It will be recalled that the SGR monitoring system (Sistema di Gestione dei Rischi or risk management system) has been in use at the Bank since October 2004. It is used mainly to provide early warnings to alert account managers of the existence of problems with certain customers and to make them take corrective action against the higher risk situations, in accordance with precisely defined procedures.
The system underwent a revision in 2009 to make this monitoring tool still more effective in quickly identifying anomalies, and involved the definition of a new model and calculation algorithm for performance scoring (called EW = Early Warning), as well as interfacing the system with the internal ratings models.

In January 2013, the Board of Directors of the Bank decided to launch the initiative to adopt advanced credit risk measurement methods (“**Advanced Internal Ratings Based” system - AIRB**) as prescribed by the supervisory regulations in compliance with Basel 2 principles. The purpose of the initiative is further to strengthen and integrate, through the development of processes, procedures and models for credit risk control, the company processes and controls pertaining to credit management, monitoring and granting and the strategic and operational planning processes.

In this regard, in January 2014 new rating models became operational for the segments of the following types of enterprises:

d) SME[(1)] Retail (Joint-stock companies with less than euro 2.5 million of turnover and exposure less than euro 1 million, Partnerships with turnover between euro 700,000 and euro 2.5 million and exposure less than euro 1 million);
e) SME Corporate (Corporations with turnover less than euro 2.5 million and exposure above euro 1 million, Partnerships and corporations with turnover between euro 2.5 and 150 million),
f) Large Corporate (Companies with more euro 150 million in turnover).

In the first half of 2014, the models for the individual and Small Business segments (sole proprietorships, non-commercial partnerships, partnerships with turnover less than euro 700,000 and exposure less than euro 1 million) were activated.

The early warning instrument (EW) was reviewed within the scope of the AIRB Project during 2014, to adjust it to new rating models and, especially, to give greater significance to the latter by means of appropriate risk indicators, in monitoring borrowers.

(1) Acronym of Small & Medium Enterprises

SECTION 2

Market risk

2.1 INTEREST RATE RISK AND PRICE RISK – TRADING BOOK FOR SUPERVISORY PURPOSES

QUALITATIVE INFORMATION

A. General aspects

Interest rate risk represents the risk of incurring losses due to adverse trends in the rates of return on debt securities and other interest rate related instruments.

Three types of interest rate risk can be identified:
- level. The risk associated with an absolute change in the forward structure of risk-free interest rates (parallel shifts in the yield curve);
- curve and fundamental. The first identifies the risk deriving from a relative change in the structure of interest rates. The second derives from the imperfect correlation of the elements of a position, particularly with reference to hedging strategies;
- credit spread. Risk deriving from changes in the prices of bonds and credit derivatives associated with unexpected changes in the issuer's credit rating.

Price risk represents the risk associated with changes in the value of equity portfolios due to fluctuations in market prices. This risk is distinguished between:
- generic risk. Change in the price of an equity instrument following fluctuations in the market concerned;
- specific risk. Change in the market price of a specific equity instrument due to revised market expectations about the financial strength or prospects of the issuer.

The investment policy adopted by the Group focuses on optimizing operating results and on reducing their volatility.

B. Management and measurement of interest rate risk and price risk

The Board of Directors of the Parent Company is responsible for defining propensity to market risk and the guidelines for the management of such risk, with the support of the Finance and ALMs Committee and the corporate divisions in charge of operational and strategic management of risk. Specifically, for market risk management:
- as part of its consulting functions, the Finance and ALMs Committee proposes risk management guidelines to the Board of Directors;
- the Finance Division has operational management duties, and assigns powers to the Global Markets Department the performance of activities regarding trading in financial instruments, in compliance with the risk limits and powers assigned;
- the Risk Management Department monitors risk limits and, with the support of the Finance Division (Financial Monitoring & Documentation Office), operating and stop-loss limits.

The Board of Directors of the Parent Bank approved the "*Investment policy: Investment guidelines for 2014*" already discussed by the Finance and ALMs Committee.

The Board of Directors has resolved that investment strategies must be conducted in compliance with propensity for risk and the risk/return targets agreed in the budget and that the consequent operating limits must be approved on a general or specific basis by the bodies or persons so authorised.

Briefly, these guidelines establish that the trading book investment strategy for 2014 will be conducted through market-making and trading by the Finance Division; this activity primarily translates into the process of managing financial instruments held for trading and treasury purposes, also in support of the branch Network's flow business (positions held to create the underlying for repo transactions with customers, secondary markets for issues by the Bank or placed by the Bank etc.).

The control of financial risk management is, therefore, centralised under the Parent Bank's Risk Management Department. This activity involves the daily monitoring of the observance of the VaR limits approved by the Board of Directors.

Operating and stop loss limits are also used to guide the activity of individual desks, with responsibility for monitoring and controlling these limits lying with the Financial Control office in the Finance Division of Banca Popolare di Vicenza.

Monitoring of market risk of the BPVi Group is based on:
- defining a system for delegating powers in line with the risk limits and identifying the related escalation procedures in the event of overruns of these limits;
- controlling observance of the limits and powers.

For the Group's book (HFT), the BPVi Group has defined a risk-based system for delegating powers in line with the risk-appetite targets resolved by the Board of Directors. Specifically, the Board may delegate powers to the General Manager of the Parent Company, on hearing the opinion of the Finance and ALMs Committee, for the definition of operating powers of the Finance Division, as follows:
- VaR limits broken down by individual desk (or strategy);
- monthly and cumulative stop-loss limits broken down by individual desk (or strategy);
- operating limits.

The Board of Directors approved the following limits for 2014:
- VaR limit: measure of the maximum potential loss over a given period of time for a predefined confidence level;
- monthly and yearly stop-loss limit: measure of the maximum accumulated loss over a specified period of time, allowed at a given level in the hierarchy without the need to take specific action.

As part of the "Operating limits of the Global Markets Department - Finance Division", issued by the General Manager under the authority of the Board of Directors, a set of operating limits will be monitored for BPVi based on the following indicators:
- Sensitivity (interest rate risk): change in profit or loss that would occur in the event of a parallel shift in the reference curve by one basis point);
- Vega (Interest rate risk): change in profit or loss that would occur in the event of a 1% change in volatility (or in the volatility curves) for the financial instrument;
- Vega (equity risk): change in profit or loss that would occur in the event of a 1% change in volatility (or in the volatility curves) for the financial instrument;
- Vega (Exchange rate risk): change in profit or loss that would occur in the event of a 1% change in the volatility of the exchange rate;
- Delta in cash terms (exchange rate risk): cash equivalent position for spot, forward and exchan-

ge rate derivative portfolios;
- Delta equivalent (equity risk): market value of shares and cash equivalent position for equity and stock index derivatives;
- Maximum invested amount (position): book value of cash securities/funds (gross of the derivatives' delta) to ensure that assets and liabilities are balanced within the assigned budget limits;
- Concentration: maximum limit, in percentage or absolute terms, on an asset that can be held in the portfolio (by instrument or issuer);
- Credit Risk Sensitivity (credit risk): change in profit or loss that would occur in the event of a shift in the reference credit curve by one basis point.

Additionally, operating limits were defined with respect to transactions in options with underlying BTP/BTPei Government bonds (both outright and in asset swap) which are monitored by the Risk Management Department that also carries out a reporting activity to the Finance and ALMs Committee on a weekly basis.

Value at Risk (VaR) is a statistical measure that indicates the maximum potential loss on an investment in a given period of time. VaR is calculated by simulating past trends and estimates portfolio risks on the basis of:
- past market movements;
- holding period of 1 day;
- 99% confidence level.

The VaR limit refers to overall operations of the Global Markets aggregate, but it entails monitoring the level of risk applying to the individual strategies (desks) identified by the portfolio tree in the Murex application and resolved by the Parent Bank's Board of Directors.

The Parent Bank's Risk Management Department is responsible for reporting VaR. This analysis is performed on a daily basis, partly to check that the VaR remains within the parameters established and defined by the Board of Directors in line with the propensity to risk resolved by the Board.

The calculation of VaR extends to the trading book reported for supervisory purposes.

For the purposes of having a standard representation of the underlying risk factors and a consistent method of calculation, the Group uses a single risk calculation system based on the VaR program by Murex. This has the benefit not only of being able to use the same system of position keeping as for managing and measuring risks, but also of producing important operational synergies. In addition, operational risks have also been reduced as a result of no longer having to replicate in an external system the positions and deals contained in the Group's official system.

In addition to monitoring VaR limits, the Risk Management Department carries out back-testing and stress testing on a daily basis.

As regards back-testing the model's results, a clean back-testing approach was used, which compares the VaR calculated at time t for estimating the expected loss in time t+1 , with the profit & loss change computed using market parameters between time t and time t+1 for the same portfolio.

The stress test, instead, measures potential vulnerability upon the occurrence of exceptional events that are nonetheless possible. The analysis is carried out on a daily basis and the scenarios used represent 8 levels of extreme, symmetrical variations regarding stock markets, parallel shifts in rate curves, trends in exchange rates, volatility and credit spreads.

In defining stress scenarios, the following assumptions have been made regarding correlation between risk factors:

- rises in the stock market are accompanied by downward movements in government securities, meaning that shares and risk-free rates rise at the same time;
- declines in the stock market are followed by a collapse in the corporate bond market (high correlation between equities and credit spreads), meaning credit spreads rise when stock markets fall.

Apart from the scenarios just described - which simulate a specifically defined hypothetical market situation - two stress tests are also conducted based on actual market crashes in the past, involving the reproduction:

- of the market shifts reported after the World Trade Center Attack on 11 September 2001;
- of the market shifts reported after Lehman Brothers filed for bankruptcy under Chapter 11 on 15 September 2008.

The VaR models are used solely for management control purposes and are not used for the calculation of capital adequacy requirements. The trends in VaR for the Group's trading book are described in point 2 below.

QUANTITATIVE INFORMATION

1. Trading book for supervisory purposes: distribution by residual maturity (repricing date) of cash financial assets and liabilities and financial derivatives

Currency: EURO

Type/Residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets	**-**	**26,977**	**41,207**	**1,022,155**	**27,597**	**201**	**6,473**	**-**
1.1 Debt securities	-	26,977	41,207	1,022,155	27,597	201	6,473	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	26,977	41,207	1,022,155	27,597	201	6,473	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	**-**	**-**	**-**	**-**	**(56,320)**	**(11,776)**	**-**	**-**
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	(56,320)	(11,776)	-	-
3. Financial derivatives	**(12,051)**	**35,226,344**	**(9,791,388)**	**(24,580,280)**	**(2,041,895)**	**(560,421)**	**1,793,168**	**-**
3.1 With underlying security	-	33,588	(168)	-	(1,147)	(178)	-	-
- Options	-	(339)	(150)	-	-	-	-	-
+ long positions	-	114	184,662	-	-	-	-	-
+ short positions	-	(453)	(184,812)	-	-	-	-	-
- Other	-	33,927	(18)	-	(1,147)	(178)	-	-
+ long positions	-	34,525	-	-	456	5	-	-
+ short positions	-	(598)	(18)	-	(1,603)	(183)	-	-
3.2 Without underlying security	(12,051)	35,192,756	(9,791,220)	(24,580,280)	(2,040,748)	(560,243)	1,793,168	-
- Options	(388,384)	(28,366)	16,074	72,954	252,860	83,872	45,876	-
+ long positions	755,569	5,592,822	1,729,946	3,513,861	18,743,274	6,685,354	5,995,564	-
+ short positions	(1,143,953)	(5,621,188)	(1,713,872)	(3,440,907)	(18,490,414)	(6,601,482)	(5,949,688)	-
- Other	376,333	35,221,122	(9,807,294)	(24,653,234)	(2,293,608)	(644,115)	1,747,292	-
+ long positions	376,333	65,135,929	2,683,170	2,725,408	20,881,626	17,563,200	22,541,365	-
+ short positions	-	(29,914,807)	(12,490,464)	(27,378,642)	(23,175,234)	(18,207,315)	(20,794,073)	-

Currency: USD

Type/Residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets	**-**	**-**	**-**	**-**	**787**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	787	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	787	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**26,690**	**2,940**	**(11,639)**	**(32)**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	26,690	2,940	(11,639)	(32)	-	-	-
- Options	-	85,815	(5,151)	(11,608)	-	-	-	-
+ long positions	-	201,500	2,581	4,863	-	-	-	-
+ short positions	-	(115,685)	(7,732)	(16,471)	-	-	-	-
- Other	-	(59,125)	8,091	(31)	(32)	-	-	-
+ long positions	-	231,007	28,760	23,155	2,528	-	-	-
+ short positions	-	(290,132)	(20,669)	(23,186)	(2,560)	-	-	-

Currency: GBP

Type/Residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**(2,528)**	**(104)**	**531**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	(2,528)	(104)	531	-	-	-	-
- Options	-	-	-	529	-	-	-	-
+ long positions	-	-	-	529	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other	-	(2,528)	(104)	2	-	-	-	-
+ long positions	-	2,696	642	899	385	-	-	-
+ short positions	-	(5,224)	(746)	(897)	(385)	-	-	-

Currency: CHF

Type/Residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**(2,583)**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	(2,583)	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other	-	(2,583)	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	(2,583)	-	-	-	-	-	-

Currency: JPY

Type/Residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**(542)**	**40**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	(542)	40	-	-	-	-	-
- Options	-	(19,717)	-	-	-	-	-	-
+ long positions	-	23,485	-	-	-	-	-	-
+ short positions	-	(43,202)	-	-	-	-	-	-
- Other	-	19,175	40	-	-	-	-	-
+ long positions	-	23,448	2,186	-	-	-	-	-
+ short positions	-	(4,273)	(2,146)	-	-	-	-	-

Currencies

Type/Residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. Cash liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repurchase agreements	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**(441)**	**4,418**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	(441)	4,418	-	-	-	-	-
- Options	-	(93,770)	4,418	-	-	-	-	-
+ long positions	-	17,800	4,418	-	-	-	-	-
+ short positions	-	(111,570)	-	-	-	-	-	-
- Other	-	93,329	-	-	-	-	-	-
+ long positions	-	101,553	-	-	-	-	-	-
+ short positions	-	(8,224)	-	-	-	-	-	-

2. Trading book for supervisory purposes: distribution of the exposures in equities and stock indices by principal Country and market of listing

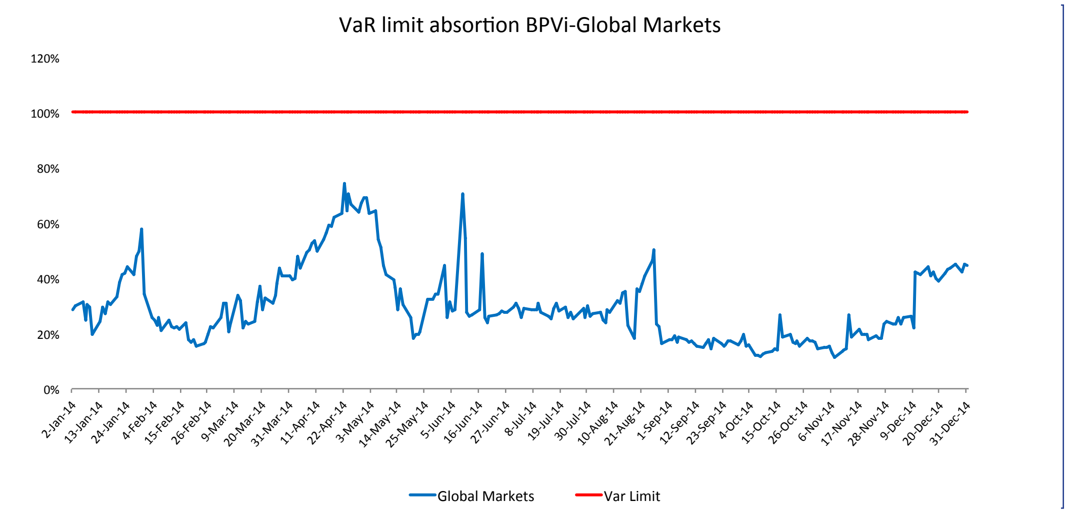
Type of transaction/Listing index	Listed					Unlisted
	ITALY	FRANCE	GREAT BRITAIN	GERMANY	LUXEMBOURG	
A. Equities	**20,753**	**333**	**-**	**1,280**	**169**	**-**
- long positions	20,753	333	-	1,280	169	-
- short positions	-	-	-	-	-	-
B. Transactions not yet settled on equities	**-**	**-**	**-**	**-**	**-**	**-**
- long positions	-	-	-	-	-	-
- short positions	-	-	-	-	-	-
C. Other derivatives on equities	**316**	**(31)**	**(6,303)**	**-**	**-**	**-**
- long positions	370	26	-	-	-	-
- short positions	(54)	(57)	(6,303)	-	-	-
D. Derivatives on equity indices	-	-	-	-	-	-
- long positions	-	-	-	-	-	-
- short positions	-	-	-	-	-	-

3. Trading book for supervisory purposes: internal models and other methods of sensitivity analysis

Trends in VaR and the results of Stress Tests and Back-testing for Banca Popolare di Vicenza's trading book in 2014 are shown below.

VaR of the book as whole

During the period examined, the 1-day 99% Value at Risk of BPVi's Global Markets aggregate averaged euro 1.21 million. In terms of limit absorption, set at euro 4 million, this averaged 30.13% (at 31 December 2014, the 1-day 99% VaR of the book analysed amounted to euro 1.79 million, with limit absorption of approximately 44.71%).



The Global Markets aggregate excludes Covered Call operations, pertaining to sales of bond options and equity options with underlying securities in the banking book. In 2014, these operations had an average VaR of euro 3.31 million (euro 1.39 million at 31 December 2014).

Stress Test Scenario

During 2014 the maximum theoretical loss of the Global Markets aggregate under stress would have been Euro 10.98 million, while the maximum loss at 31 December 2014 would have reached Euro 7.49 million.

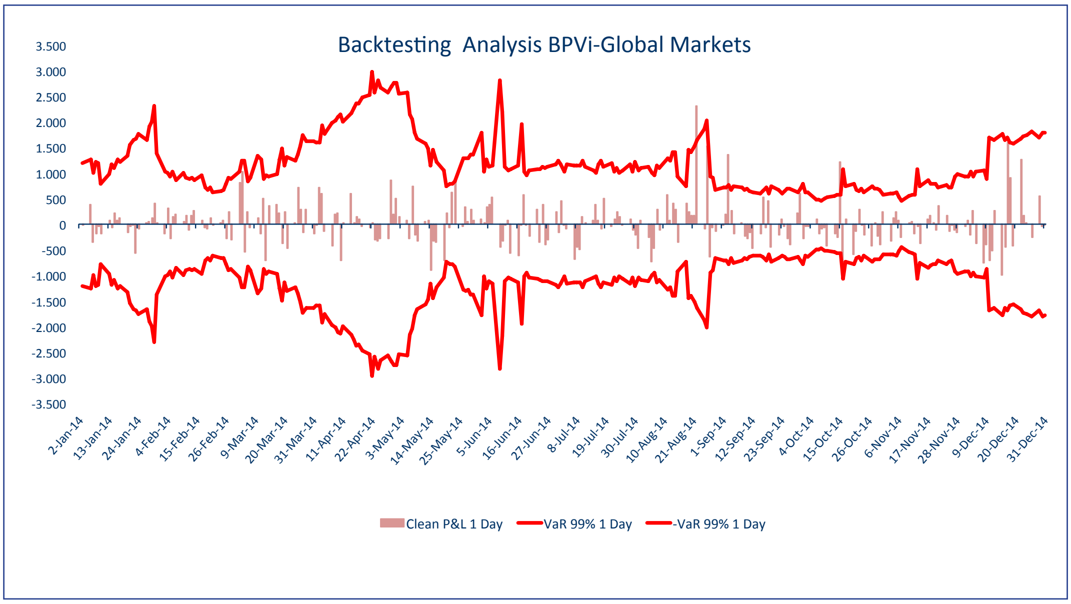
GLOBAL MARKETS - 2014

	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6	Scenario 7	Scenario 8	Scenario 9	Scenario 10
Max	262,658	163,069	88,259	32,397	14,845	28,640	40,436	52,211	1,796	59
Min	-9,574	-10,979	-9,754	-5,411	-2,049	-5,257	-7,351	-6,521	-5,684	-5,939
Media	43,071	23,882	10,675	3,211	1,738	2,478	4,084	7,280	-2,590	-1,615
30/12/2014	-6,092	-7,493	-7,069	-4,182	4,464	8,470	11,890	14,577	-5,188	-1,722

Euro/thousand

Back-testing

The following chart presents the results of back-testing with reference to the Global Markets aggregate during 2014.



During 2014, there were no cases of negative P&L exceeding VaR.

2.2 INTEREST RATE RISK AND PRICE RISK – BANKING BOOK

QUALITATIVE INFORMATION

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

The banking book comprises all the positions other than those included in the trading book for supervisory purposes.

The interest rate risk incurred by the Bank in relation to the banking book mainly derives from the activity of transforming maturities. It particularly arises from the mismatch of interest-bearing assets and liabilities in terms of amount, due date and interest rates.
As regards price risk, the banking book comprises minority holdings in equities classified as available for sale (AFS) and mutual funds. Investments in associates and subsidiaries are also included.
The process of measuring and controlling interest rate risk on the banking book, with the aim of effectively managing the medium/long-term economic and financial equilibrium of the Bank and the Group, is governed by a specific policy which defines:

- the principles and methods of managing risk with reference to the roles and responsibilities of corporate Bodies and Functions;
- the methods of measuring risk, of defining operating limits and of structuring the risk management process;
- the principles and methods used for conducting stress tests;
- the Management Reporting System.

Responsibility for managing interest rate risk lies with the Board of Directors, which uses the Finance and ALMs Committee and relevant company functions for the strategic and operational management of the same both at the level of the Group and of individual legal entities. In particular, the governance of interest rate risk involves the following bodies:

- the Board of Directors approves the strategic guidelines and operating limits proposed by the Finance and ALMs Committee, and is periodically informed (at least once a quarter) about changes in exposure to interest rate risk and its operational management;
- the Finance and ALMs Committee proposes strategic guidelines in its consultative capacity to the Board of Directors;
- the General Manager of the Parent Bank, having heard the opinion of the Finance and ALMs Committee, having assessed the potential impacts on the Group's multi-year net interest income deriving from the proposed strategies for managing the interest rate risk, formally defines the actions which the Finance Division implements in matters of interest rate risk both in the short and in the medium to long term, observing the guidelines defined by Board of Directors;
- the Risk Management Department is responsible for reporting and monitoring operating limits, and prepares the topics of discussion in meetings of the Finance and ALMs Committee;
- the Finance Division has direct responsibility for the operational management of interest rate risk.

The Asset & Liability Management methods adopted by the Bank largely respond to the need to monitor exposure of all interest-earning assets and interest-bearing liabilities to interest rate risk when market conditions change. A report is produced once a month for the purpose of analysing interest rate exposure of both net interest income and the economic value of the banking book.

Interest rate risk is monitored using the following models:

- repricing gap analysis: estimates repricing mismatches and expected change in net interest income following a sudden, parallel shock to rate curves (+50 bps and +100 bps);
- refixing gap analysis: estimates refixing mismatches (split by benchmark, such as to ensure

monitoring of lags and basis risks) for floating-rate positions;
- maturity gap analysis fixed rate: estimates mismatches between fixed-rate statement of financial position items in the banking book, and the corrective effects of any hedging strategies;
- duration gap analysis and sensitivity analysis: estimates market value, duration, sensitivity, bucket sensitivity of the economic value of the banking book following a sudden, parallel shock to rate curves of +100 bps and +200 bps.

The analyses performed are static and therefore exclude assumptions about future changes in the structure of assets and liabilities, in terms of volumes and product mix. Sight positions with customers are managed using a specific internal model, which makes it possible to take account of the stickiness of the rate applied to such transactions when market rates change, as well as of the duration of such positions. The inclusion of this "behavioural" model in static ALM analyses completes the collection of methods used to estimate the interest rate risk of the banking book, thereby going beyond the assumption of full and immediate repricing of such positions when market rates change and of the assumptions of the Bank of Italy's simplified model.

For 2014, the BPVi Group defined a system of internal limits for monitoring the interest rate risk of the banking book, consistently with the risk-appetite targets set by the Board of Directors.

The variables to be monitored are those generated by the static Asset & Liability Management analyses with the "outlook for current profits" and with the "outlook for market values" approach. The system of limits for 2014 approved by the Board of Directors is organised to identify percentage thresholds, i.e. the change in the economic value of assets and liabilities following an immediate parallel shock to the rate curves of +200 basis points (with respect to the inertia situation), as a percentage of the regulatory capital at the measurement date. Furthermore, "attention thresholds" are envisaged for the expected change of the net interest income over a time span of one year following of a parallel and sudden shock of the rate curves of +100 basis points and regarding the representation of bucket sensitivity +100 bps (with declining thresholds for each significant time bucket interval)

Strategic and operating decisions regarding the banking book by the Finance and ALMs Committee aim to minimise the volatility in net interest income expected in the gapping period (12 months) or rather to minimise the volatility in total economic value when interest rates change.

B. Fair value hedges

The Bank has arranged specific hedges for fixed-rate or fixed step up multicallable bonds, which are reported using the fair value option. The strategy underlying the hedge is to reduce the duration of the liability. It should be noted that during the first half of 2008 instruments and processes were defined for hedge accounting for specific clusters of similar fixed-rate medium to long-term loans (fair value hedge - group micro hedges). All the Bank's hedges of fixed-rate loans were unwound in October 2009 and then opened again in June 2010 with forward start hedges from July 2012. In June 2010 the above fixed-rate loans were hedged again, with forward-start hedges from July 2012. In June, as a result of the changed market conditions, a part of these hedges were renegotiated with forward starting in July 2013. Starting from January 2010, the same type of hedge (Fair Value Hedge) was also applied to BTP and inflation linked BTP. In the first half of 2014, the Parent Bank unwound most of the aforesaid Fair Value Hedges and at the same time it opened Cash Flow Hedges. After extending hedge accounting to interest-bearing liabilities, some of the fixed-rate bonds not hedged under the Fair Value Option were hedged since March 2010 in application of hedge accounting (fair value hedge – specific micro hedges). Starting from the second half of 2010, floating-rate loans with embedded interest rate caps were subjected to Fair Value Hedge (Group micro hedges); these hedges were then extended from the Individuals segment to the Small Business and Corporate segment. Since July 2013, the core inelastic slight deposit component with customers, whose amounts are estimated through the internal statistical model, was subjected to Fair Value Hedging. In September 2014, all the aforesaid hedges were unwound.

C. Cash flow hedges

During the first half of 2011 instruments and processes were defined for hedge accounting for specific clusters of similar floating-rate loans (macro cash flow hedge). From July 2011 onwards, the Bank has arranged cash flow hedges for loans of this kind. Additionally, starting in May 2012, to mitigate the asset side interest rate risk thus generated, ancillary swaption collars were also entered into; they were systematically renewed in correspondence with their expiry. Starting from January 2013, the Bank extended the Cash Flow Hedge to floating-rate and inflation linked treasury bonds (BTP) held in portfolio.

D. Hedges of foreign investments

The Bank does not undertake hedges of foreign investments.

QUANTITATIVE INFORMATION

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

Currency: EURO

Type/Residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets	**8,789,454**	**17,553,113**	**1,018,357**	**416,393**	**2,519,184**	**395,529**	**1,220,135**	**-**
1.1 Debt securities	25	3,273,896	201,395	44	533,360	31,585	520,778	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	25	3,273,896	201,395	44	533,360	31,585	520,778	-
1.2 Loans to banks	1,180,610	726,786	279,859	28,409	370,589	-	-	-
1.3 Loans to customers	7,608,819	13,552,431	537,103	387,940	1,615,235	363,944	699,357	-
- current accounts	3,986,198	97,526	9,577	23,365	211,131	-	-	-
- other loans	3,622,621	13,454,905	527,526	364,575	1,404,104	363,944	699,357	-
- with early redemption option	1,798,326	12,008,669	405,525	260,409	594,511	353,953	526,992	-
- other	1,824,295	1,446,236	122,001	104,166	809,593	9,991	172,365	-
2. Cash liabilities	**(15,739,267)**	**(7,438,013)**	**(1,511,277)**	**(1,725,263)**	**(5,013,515)**	**(597,984)**	**(5,369)**	**-**
2.1 Due to customers	(14,894,685)	(3,122,989)	(435,575)	(420,474)	(145,445)	-	-	-
- current accounts	(11,460,487)	-	-	-	-	-	-	-
- other payables	(3,434,198)	(3,122,989)	(435,575)	(420,474)	(145,445)	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	(3,434,198)	(3,122,989)	(435,575)	(420,474)	(145,445)	-	-	-
2.2 Due to banks	(841,856)	(2,477,965)	(579,459)	(455,570)	(415,964)	-	-	-
- current accounts	(56,807)	-	-	-	-	-	-	-
- other payables	(785,049)	(2,477,965)	(579,459)	(455,570)	(415,964)	-	-	-
2.3 Debt securities	(2,726)	(1,837,059)	(496,243)	(849,219)	(4,452,106)	(597,984)	(5,369)	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	(2,726)	(1,837,059)	(496,243)	(849,219)	(4,452,106)	(597,984)	(5,369)	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**314,806**	**(4,752,734)**	**(66,298)**	**(208,627)**	**2,243,305**	**1,433,696**	**1,035,852**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	314,806	(4,752,734)	(66,298)	(208,627)	2,243,305	1,433,696	1,035,852	-
- Options	314,806	(8,678)	(8,777)	(17,860)	(155,577)	(15,631)	(108,283)	-
+ long positions	341,848	2,137,395	352,591	694,137	4,130,849	3,296,789	3,300,870	-
+ short positions	(27,042)	(2,146,073)	(361,368)	(711,997)	(4,286,426)	(3,312,420)	(3,409,153)	-
- other	-	(4,744,056)	(57,521)	(190,767)	2,398,882	1,449,327	1,144,135	-
+ long positions	-	747,097	587,438	452,911	3,199,338	1,517,623	1,375,888	-
+ short positions	-	(5,491,153)	(644,959)	(643,678)	(800,456)	(68,296)	(231,753)	-
4. Other off-balance sheet	**(978,700)**	**13,320**	**12,653**	**32,079**	**227,153**	**370,160**	**323,334**	**-**
+ long positions	44,522	13,320	12,653	32,079	227,153	370,160	323,334	-
+ short positions	(1,023,222)	-	-	-	-	-	-	-

Currency: USD

Type/Residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets	**83,439**	**172,646**	**17,588**	**1,388**	**6,076**	**450**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	438	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	438	-	-
1.2 Loans to banks	57,104	17,881	627	1,226	845	-	-	-
1.3 Loans to customers	26,335	154,765	16,961	162	5,231	12	-	-
- current accounts	1,938	-	-	-	1	-	-	-
- other loans	24,397	154,765	16,961	162	5,230	12	-	-
- with early redemption option	24,115	148,613	16,436	68	5,043	12	-	-
- other	282	6,152	525	94	187	-	-	-
2. Cash liabilities	**(218,281)**	**(9,710)**	**(4,104)**	**(592)**	**-**	**-**	**-**	**-**
2.1 Due to customers	(104,198)	(7,626)	(4,104)	(592)	-	-	-	-
- current accounts	(104,198)	(7,626)	(4,104)	(592)	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Due to banks	(114,083)	(2,084)	-	-	-	-	-	-
- current accounts	(2,783)	-	-	-	-	-	-	-
- other payables	(111,300)	(2,084)	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	6,467	-	-	-	-	-	-	-
+ short positions	(6,467)	-	-	-	-	-	-	-

Currency: GBP

Type/Residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets	**1,846**	**8,101**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	1,833	-	-	-	-	-	-	-
1.3 Loans to customers	13	8,101	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other loans	13	8,101	-	-	-	-	-	-
- with early redemption option	13	1,931	-	-	-	-	-	-
- other	-	6,170	-	-	-	-	-	-
2. Cash liabilities	**(8,005)**	**(257)**	**-**	**(257)**	**-**	**-**	**-**	**-**
2.1 Due to customers	(8,005)	(257)	-	(257)	-	-	-	-
- current accounts	(8,005)	(257)	-	(257)	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

Currency: CHF

Type/Residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspe-cified dura-tion
1. Cash assets	**2,927**	**3,105**	**53**	**-**	**66**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	1,614	-	-	-	-	-	-	-
1.3 Loans to customers	1,313	3,105	53	-	66	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other loans	1,313	3,105	53	-	66	-	-	-
- with early redemption option	1,313	3,105	53	-	66	-	-	-
- other	-	-	-	-	-	-	-	-
2. Cash liabilities	**(4,693)**	**(51)**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Due to customers	(4,693)	(51)	-	-	-	-	-	-
- current accounts	(4,693)	(51)	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

Currency: JPY

Type/Residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspe-cified dura-tion
1. Cash assets	**3,502**	**1,673**	**330**	**14**	**147**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	3,237	-	-	-	-	-	-	-
1.3 Loans to customers	265	1,673	330	14	147	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other loans	265	1,673	330	14	147	-	-	-
- with early redemption option	265	1,673	330	14	147	-	-	-
- other	-	-	-	-	-	-	-	-
2. Cash liabilities	**(2,495)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Due to customers	(2,495)	-	-	-	-	-	-	-
- current accounts	(2,495)	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Due to banks	-	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-

Currency: other currencies

Type/Residual duration	Sight	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	5 to 10 years	Over 10 years	Unspecified duration
1. Cash assets	**22,277**	**108**	**249**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Loans to banks	20,335	-	-	-	-	-	-	-
1.3 Loans to customers	1,942	108	249	-	-	-	-	-
- current accounts	1,942	-	-	-	-	-	-	-
- other loans	-	108	249	-	-	-	-	-
- with early redemption option	-	108	249	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2. Cash liabilities	**(13,747)**	**(925)**	**-**	**(430)**	**-**	**-**	**-**	**-**
2.1 Due to customers	(13,666)	(624)	-	(430)	-	-	-	-
- current accounts	(13,666)	(624)	-	(430)	-	-	-	-
- other payables	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.2 Due to banks	(81)	(301)	-	-	-	-	-	-
- current accounts	(81)	-	-	-	-	-	-	-
- other payables	-	(301)	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
+ long positions	206,934	-	-	-	-	-	-	-
+ short positions	(206,934)	-	-	-	-	-	-	-

2. Banking book: internal models or other methods of sensitivity analysis

As mentioned earlier, the Bank uses a static ALM model to measure the sensitivity of the banking book's financial and economic equilibrium to changes in interest rates.

The effects of interest rate fluctuations on expected profitability are estimated using the classic textbook approaches:
- the "outlook for current profits" approach estimates the impact of interest rate fluctuations on net interest income for the year, over a short-term period;
- the "outlook for market values" approach estimates the impact of interest rate fluctuations on the banking book's economic value, over a long-term period.

Stress testing represents the set of qualitative and quantitative techniques used by the Bank to assess its vulnerability to adverse market conditions. The Bank periodically carries out stress tests to measure and control the interest rate risk of the banking book. Stress tests look at target variables with a view to the "outlook for current profits" and the "outlook for market values".

Stress tests are conducted for the following purposes:
- to highlight the risk generated by any mismatches between interest-earning assets and interest-bearing liabilities, and so clearly define what actions are needed to mitigate and keep interest rate risk within the established limits;
- to produce measures of sensitivity to monitor the operating limits on interest rate risk.

The scenarios used to measure the exposure of the banking book's economic value to risk assume that rate curves shift by +50 basis points and +100 basis points. The scenarios used to measure the exposure of the banking book's economic value to risk assume that rate curves shift by +100 basis points and +200 basis points. In each of these scenarios, all the risk factors experience the same shock.

As stated before, the estimates are made under the assumption that the structure of the statement of financial position remains unchanged in terms of volumes and product mix. The stickiness and persistency of sight positions with customers are managed using a specific internal model.

The principal indicators of the banking book's interest rate risk at 31 December 2014 are set out below (in Euro).

Δ MI +50 bp	euro	26,736,720
	% MI	6.9%

ΔVA +100 bp	euro	-207,334,586
	% PV	-6.0%

Δ MI +100 bp	euro	44,367,407
	% MI	11.4%

ΔVA +200 bp	euro	-328,000,528
	% PV	-9.5%

The need to assess the Bank's vulnerability to exceptional but plausible events has involved developing more complex, detailed scenarios than the shift ones. Twist scenarios respond to this requirement: the construction of such scenarios (involving curve steepening, flattening and inversion) requires the shocks to be initially applied to specific points of the curves, and that the resulting shock differential be transferred to all other points. The use of these scenarios helps estimate sensitivity indicators for many risk factors, represented by individual points on the rate curves.

Unlisted equities are currently not subject to specific sensitivity analysis.

2.3 EXCHANGE RATE RISK

QUALITATIVE INFORMATION

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

Exchange rate risk represents the risk associated with changes in the value of positions denominated in foreign currencies deriving from unexpected variations in the cross rates. Exchange rate risk is principally generated by the support provided for commercial activity in foreign currencies and by trading in foreign securities.

Automatic network systems interfaced with a single position-keeping system enable the Finance Division to monitor constantly, in real time, the currency flows that are processed instantaneously on the interbank forex market. In addition, a specific unit within the Finance Division is responsible for managing own account positions and products relating to the exchange derivatives needed to meet the various investment and hedging requirements of Group customers.

An advanced position keeping system assures the efficient management of spot and forward flows within a specific framework of limits set by the competent corporate bodies.

During the year currency positions generated by the Group's other Banks also started to be managed by these same systems.

B. Hedging of exchange rate risk

Currency investment and hedging of exchange rate risk involve transactions that minimise currency exposure (purchase and sale of currency on the interbank market) as well as management of the derivatives book within predetermined risk limits in terms of underlying spot positions (delta) and of volatility (vega).

QUANTITATIVE INFORMATION

1. Breakdown by currency of assets, liabilities and derivatives

Line items	Currency					
	US Dollars	Japanese Yen	Rand South Africa	Hungarian Forint	Polish Zloty	Other currencies
A. Financial assets	**282,687**	**5,666**	**1,438**	**2,226**	**1,919**	**33,152**
A.1 Debt securities	1,225	-	-	-	-	-
A.2 Equities	316	-	-	-	-	-
A.3 Loans to banks	77,682	3,237	1,438	2,226	1,919	18,200
A.4 Loans to customers	203,464	2,429	-	-	-	14,952
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**2,899**	**224**	**-**	**50**	**55**	**3,837**
C. Financial liabilities	**(232,687)**	**(2,495)**	**(3,899)**	**(20)**	**(12)**	**(24,434)**
C.1 Due to banks	(116,167)	-	-	-	-	(382)
C.2 Due to customers	(116,520)	(2,495)	(3,899)	(20)	(12)	(24,052)
C.3 Debt securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**(3,706)**	**-**	**-**	**-**	**-**	**(556)**
E. Financial derivatives	**(53,714)**	**(502)**	**3,544**	**567**	**(932)**	**(3,884)**
- Options	69,055	(19,717)	(28,517)	(22,455)	(10,712)	(27,138)
+ long positions	208,944	23,485	4,616	7,203	4,712	6,216
+ short positions	(139,889)	(43,202)	(33,133)	(29,658)	(15,424)	(33,354)
- Other derivatives	(122,769)	19,215	32,061	23,022	9,780	23,254
+ long positions	290,122	25,634	32,775	25,179	12,122	35,972
+ short positions	(412,891)	(6,419)	(714)	(2,157)	(2,342)	(12,718)
Total assets	**784,652**	**55,009**	**38,829**	**34,658**	**18,808**	**79,177**
Total liabilities	**(789,173)**	**(52,116)**	**(37,746)**	**(31,835)**	**(17,778)**	**(71,062)**
Net balance (+/-)	**(4,521)**	**2,893**	**1,083**	**2,823**	**1,030**	**8,115**

2. Internal models and other methods of sensitivity analysis

The exchange rate risk generated by the trading book and the banking book is monitored using the VaR model described in detail in section 2.1 “Interest rate risk and price risk - Trading book for supervisory purposes”, to which reference is made. With regard to the estimation of exchange rate risk, reference is made to the tables included in the quantitative information for that section.

2.4 FINANCIAL DERIVATIVES

A. FINANCIAL DERIVATIVES

A.1 Trading book for supervisory purposes: period-end and average notional amounts

Underlyings/Type of derivatives	31/12/2014		31/12/2013	
	OTC	Central counter-parties	OTC	Central counter-parties
1. Debt securities and interest rates	**150,695,205**	**670,100**	**119,114,879**	**632,418**
a) Options	19,718,514	-	22,131,461	-
b) Swaps	130,976,691	-	96,983,418	-
c) Forward	-	-	-	18
d) Futures	-	670,100	-	632,400
e) Other	-	-	-	-
2. Equities and equity indices	**23,508**	**8,292**	**29,080**	**7,535**
a) Options	23,508	1,990	29,080	-
b) Swaps	-	-	-	-
c) Forward	-	-	-	480
d) Futures	-	6,302	-	7,055
e) Other	-	-	-	-
3. Currency and gold	**1,551,495**	**-**	**842,973**	**-**
a) Options	970,335	-	263,491	-
b) Swaps	-	-	-	-
c) Forward	496,475	-	464,702	-
d) Futures	-	-	-	-
e) Other	84,685	-	114,780	-
4. Commodities	**-**	**-**	**-**	**-**
5. Other underlyings	**-**	**-**	**-**	**-**
Total	**152,270,208**	**678,392**	**119,986,932**	**639,953**
Averages	**136,128,570**	**659,173**	**98,873,200**	**622,962**

A.2 Banking book: period-end and average notional amounts

A.2.1 For hedging

Underlyings/Type of derivatives	31/12/2014		31/12/2013	
	OTC	Central counter-parties	OTC	Central counter-parties
1. Debt securities and interest rates	**10,917,436**	**-**	**14,139,294**	**-**
a) Options	5,213,464	-	6,675,150	-
b) Swaps	5,703,972	-	7,464,144	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equities and equity indices	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currency and gold	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**
5. Other underlyings	**-**	**-**	**-**	**-**
Total	**10,917,436**	**-**	**14,139,294**	**-**
Averages	**12,528,365**	**-**	**7,069,647**	**-**

A.2.2 Other derivatives

Underlyings/Type of derivatives	31/12/2014		31/12/2013	
	OTC	Central counter-parties	OTC	Central counter-parties
1. Debt securities and interest rates	**2,436,362**	**-**	**2,438,296**	**-**
a) Options	260,040	-	60,040	-
b) Swaps	2,176,322	-	2,378,256	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equities and equity indices	**2,250**	**-**	**2,250**	**-**
a) Options	2,250	-	2,250	-
b) Swaps	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Currency and gold	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**
5. Other underlyings	**-**	**-**	**-**	**-**
Total	**2,438,612**	**-**	**2,440,546**	**-**
Averages	**2,439,579**	**-**	**2,205,453**	**-**

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

Portfolio/Type of derivatives	31/12/2014		31/12/2013	
	OTC	Central counter-parties	OTC	Central counter-parties
A. Trading book	**6,271,912**	**29**	**1,791,646**	**-**
a) Options	121,030	29	81,724	-
b) Interest rate swaps	6,139,225	-	1,699,165	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward	11,478	-	5,580	-
f) Futures	-	-	-	-
g) Other	179	-	5,177	-
B. Banking book - hedging	**94,881**	**-**	**74,060**	**-**
a) Options	11,920	-	26,223	-
b) Interest rate swaps	82,961	-	47,837	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking book - other derivatives	**106,694**	**-**	**146,055**	**-**
a) Options	1,595	-	-	-
b) Interest rate swaps	105,099	-	146,055	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**6,473,487**	**29**	**2,011,761**	**-**

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

Portfolio/Type of derivatives	31/12/2014		31/12/2013	
	OTC	Central counter-parties	OTC	Central counter-parties
A. Trading book	**(5,877,638)**	**-**	**(1,640,030)**	**-**
a) Options	(151,488)	-	(77,199)	-
b) Interest rate swaps	(5,713,909)	-	(1,555,932)	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward	(10,460)	-	(5,772)	-
f) Futures	-	-	-	-
g) Other	(1,781)	-	(1,127)	-
B. Banking book - hedging	**(458,932)**	**-**	**(365,837)**	**-**
a) Options	(42,993)	-	(730)	-
b) Interest rate swaps	(415,939)	-	(365,107)	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking book - other derivatives	**(2,299)**	**-**	**(27,672)**	**-**
a) Options	(4)	-	-	-
b) Interest rate swaps	(2,295)	-	(27,672)	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward	-	-	-	-
f) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**(6,338,869)**	**-**	**(2,033,539)**	**-**

A.5 OTC financial derivatives: trading book for supervisory purposes: notional values, gross positive and negative fair values by counterparty – contracts not forming part of clearing agreements

Contracts not forming part of clearing agreements	Governments and central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial institutions	Other issuers
1. Debt securities and interest rates							
- Notional value	-	-	7,533,154	262,375	82,830	1,161,212	406,233
- Positive fair value	-	-	686	29,068	-	58,707	644
- Negative fair value	-	-	(687)	-	(3,450)	(118)	(942)
- Future exposure	-	-	20,541	939	-	5,648	58
2. Equities and equity indices							
- Notional value	-	-	258	-	-	-	-
- Positive fair value	-	-	-	-	-	-	-
- Negative fair value	-	-	-	-	-	-	-
- Future exposure	-	-	9	-	-	-	-
3. Currencies and gold							
- Notional value	-	-	26,231	2,237	-	424,100	5,807
- Positive fair value	-	-	109	84	-	23,964	29
- Negative fair value	-	-	(356)	(31)	-	(2,734)	(108)
- Future exposure	-	-	262	86	-	4,080	58
4. Other instruments							
- Notional value	-	-	-	-	-	-	-
- Positive fair value	-	-	-	-	-	-	-
- Negative fair value	-	-	-	-	-	-	-
- Future exposure	-	-	-	-	-	-	-

A.6 Trading book for supervisory purposes: notional values, gross positive and negative fair values by counterparty – contracts forming part of clearing agreements

Contracts not forming part of clearing agreements	Governments and central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial institutions	Other issuers
1. Debt securities and interest rates							
- Notional value	-	-	118,101,430	23,147,971	-	-	-
- Positive fair value	-	-	5,119,577	1,032,798	-	-	-
- Negative fair value	-	-	(5,013,066)	(841,302)	-	-	-
2. Equities and equity indices							
- Notional value	-	-	23,250	-	-	-	-
- Positive fair value	-	-	269	-	-	-	-
- Negative fair value	-	-	(233)	-	-	-	-
3. Currencies and gold							
- Notional value	-	-	809,035	284,085	-	-	-
- Positive fair value	-	-	2,897	3,080	-	-	-
- Negative fair value	-	-	(12,156)	(2,455)	-	-	-
4. Other instruments							
- Notional value	-	-	-	-	-	-	-
- Positive fair value	-	-	-	-	-	-	-
- Negative fair value	-	-	-	-	-	-	-

A.7 OTC financial derivatives: banking book: notional values, gross positive and negative fair values by counterparty – contracts not forming part of clearing agreements

This table has not been completed since the Bank does not have contracts forming part of clearing agreements.

A.8 OTC financial derivatives: banking book: notional values, gross positive and negative fair values by counterparty – contracts forming part of clearing agreements

Contracts not forming part of clearing agreements	Governments and central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial institutions	Other issuers
1. Debt securities and interest rates							
- Notional value	-	-	13,328,798	25,000	-	-	-
- Positive fair value	-	-	201,574	-	-	-	-
- Negative fair value	-	-	(448,233)	(12,998)	-	-	-
2. Equities and equity indices							
- Notional value	-	-	2,250	-	-	-	-
- Positive fair value	-	-	-	-	-	-	-
- Negative fair value	-	-	-	-	-	-	-
3. Currencies and gold							
- Notional value	-	-	-	-	-	-	-
- Positive fair value	-	-	-	-	-	-	-
- Negative fair value	-	-	-	-	-	-	-
4. Other instruments							
- Notional value	-	-	-	-	-	-	-
- Positive fair value	-	-	-	-	-	-	-
- Negative fair value	-	-	-	-	-	-	-

A.9 life residual of the OTC financial derivatives: notional values

Underlyings/residual value	Within 12 months	1 to 5 years	Over 5 years	Total
A. Trading book for supervisory purposes	**30,931,271**	**42,288,742**	**79,050,195**	**152,270,208**
A.1 Financial derivatives on debt securities and interest rates	29,362,226	42,282,784	79,050,195	150,695,205
A.2 Financial derivatives on equities and equity indices	23,408	100	-	23,508
A.3 Financial derivatives on exchange rates and gold	1,545,637	5,858	-	1,551,495
A.4 Financial derivatives on other instruments	-	-	-	-
B. Banking book	**5,941,034**	**3,557,626**	**3,857,388**	**13,356,048**
B.1 Financial derivatives on debt securities and interest rates	5,941,034	3,557,626	3,855,138	13,353,798
B.2 Financial derivatives on equities and equity indices	-	-	2,250	2,250
B.3 Financial derivatives on exchange rates and gold	-	-	-	-
B.4 Financial derivatives on other instruments	-	-	-	-
Total at 31/12/2014	**36,872,305**	**45,846,368**	**82,907,583**	**165,626,256**
Total at 31/12/2013	**43,994,604**	**34,613,810**	**57,958,358**	**136,566,772**

A.10 OTC financial derivatives: counterparty risk/financial risk – Internal models

The Bank does not use EPE (expected positive exposure) internal models to define counterparty risk/financial risk.

B. CREDIT DERIVATIVES

The Bank has not entered any transactions involving credit derivatives.

C. FINANCIAL AND CREDIT DERIVATIVES

C.1 OTC financial and credit derivatives: net fair values and future exposure by counterparty

	Governments and central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial institutions	Other issuers
1. Bilateral financial derivative agreements							
- Positive fair value	-	-	490,621	186,192	-	-	-
- Negative fair value	-	-	(639,992)	(7,069)	-	-	-
- Future exposure	-	-	541,707	102,067	-	-	-
- Net counterparty risk	-	-	1,032,328	288,259	-	-	-
2. Bilateral credit derivative agreements							
- Positive fair value	-	-	-	-	-	-	-
- Negative fair value	-	-	-	-	-	-	-
- Future exposure	-	-	-	-	-	-	-
- Net counterparty risk	-	-	-	-	-	-	-
3. "Cross product" agreements							
- Positive fair value	-	-	-	-	-	-	-
- Negative fair value	-	-	-	-	-	-	-
- Future exposure	-	-	-	-	-	-	-
- Net counterparty risk	-	-	-	-	-	-	-

The Bank uses bilateral offsetting arrangements relating to operations in over-the-counter derivatives with principal market counterparties, giving the option to offset creditor positions against debtor positions in the event of counterparty default.

SECTION 3

Liquidity risk

QUALITATIVE INFORMATION

A. General aspects, management and measurement of liquidity risk

Liquidity risk is the risk of being unable to meet payment obligations caused by inability to obtain funding (funding liquidity risk) and/or the presence of restrictions on the ability to sell assets (market liquidity risk). This risk can also take the form of a loss relative to fair value deriving from a forced sale, or more generally, of a loss in terms of reputation or business opportunities.

Funding liquidity risk is incurred in banking activities when institutional counterparties withdraw their usual funding, or request a significantly higher return than in normal circumstances.

The policy for managing liquidity risk of the Banca Popolare di Vicenza Group lays down the following fundamental principles for governing this risk:

- liquidity is managed centrally by the Parent Bank, Banca Popolare di Vicenza;
- responsibility for defining the propensity to liquidity risk and the guidelines on managing that risk rests with the Parent Bank's Board of Directors;
- the Liquidity Funding Plan (for ordinary liquidity management) and the Contingency Funding Plan (for contingency management) are developed and managed by the Parent Bank for the entire BPVi Group.

The Parent Bank's Board of Directors uses the Finance and ALMs Committee and relevant company functions for the operational and strategic management of this risk. In particular:

- the Finance and ALMs Committee proposes strategic guidelines in its consultative capacity to the Parent Bank's Board of Directors;
- the General Manager of the Parent Bank, having consulted the Finance and ALMs Committee, manages situations of liquidity stress, proposes possible corrective measures within the scope of the powers assigned to him by the Board of Directors, and submits proposals for action, that lie beyond his delegated powers, to the competent Bodies;
- the Risk Management Department monitors the risk limits, the results of the stress testing, the early warning indicators, and, more generally, the liquidity of the Group and of the individual Subsidiaries. Also, with the support of the Finance Division and of the Reporting and Planning Division, he regularly audits and updates the Contingency Funding Plan based on the results of the stress test;
- the Reporting and Planning Division, jointly with the Finance Division and the Risk Management Department, defines how the transfer price system operates within funds;
- the Finance Division has operational management duties.

Short-term liquidity management (within a 12-month horizon) uses an Operating Maturity Ladder, which identifies mismatches between expected cash inflows and outflows for each time period (liquidity gaps on precise dates). The cumulative mismatches (cumulative liquidity gaps) are used for calculating the net cash requirement/surplus for the different time horizons considered.
Medium/long-term liquidity management (beyond 12 months) uses a Structural Maturity Ladder, which identifies the balance between assets and liabilities by matching them not only in terms of cash flows but also in terms of statement of financial position ratios. The objective is to ensure that the profile of structural liquidity is sufficiently balanced, with restrictions on the possibility of financing medium/long-term assets with liabilities of a different duration.

Following activation of the ALMPro ERMAS software at the start of 2010, an integrated liquidity risk monitoring process has been developed as part of the Risk Management and Treasury functions. The high level of automation in terms of both database input and report production fosters early monitoring of the risk/operating limit indicators.

As part of overall risk management, the Board of Directors establishes the Group's propensity to liquidity risk on an annual basis, by defining the system of operational limits and "attention thresholds" for monitoring.

A comprehensive system of limits and "attention thresholds" illustrated below is functional to the daily monitoring of the intra-day operational liquidity position and the monthly monitoring of the structural liquidity position by the Risk Management Function.

In particular, during 2011 the Group initiated a project aimed at gradually approaching the production of Basel 3 compliant liquidity ratios. This activity has allowed to formalise periodic reporting addressed to the top management of the Group.
In detail, some of the reference indicators are:
- Liquidity Coverage Ratio;
- Net Stable Funding Ratio.

The reference indicator selected for monitoring short-term liquidity is the Liquidity Coverage Ratio, determined using static, not stressed, logic. This indicator identifies, at Group level, the stock of not committed high quality liquid assets held by the Bank, which can be used to cover net cash outflows, which the Bank might need to cover in the event of a short-term liquidity crisis.

The reference indicator selected for monitoring medium/long-term liquidity is the Net Stable Funding Ratio, determined using static, not stressed, logic. This indicator identifies, at Group level, the ratio of available stable funding to required stable funding, which are both calculated as the sum of capital cash flows in the banking book expiring starting from the time bucket of 1 year, exclusive, up to the end of the time bucket in which the Group operates.

Since 30 June 2014, the Group has prepared its monthly Supervisory Reports on the basis of the LCR (Liquidity Coverage Ratio) indicator and the quarterly reports on the SFR (Stable Funding Ratio) indicator, as defined in Regulation no. 575/2013 (CRR).
- In addition to the indicators described above, the Group has defined early warning indicators, which are used, *inter alia*, to identify and recognise an "early warning" state of liquidity within the Contingency Funding Plan. They are divided into the following categories: structural early warning indicators which provide evidence of the potential presence of stress or a liquidity crisis, based on Group's structure of assets and liabilities (bank specific);
- early warning alert indicators which provide alerts on the potential presence of stress or a liquidity crisis, based on indices and market variables.

Following the indications provided by the Basel Committee on diversifying funding sources, a specific "attention threshold" is defined for the level of concentration of funding from single counterparties, for the following two types of funding:
- wholesale sight deposits, including time deposits;
- deposits on the non-collateralised euro interbank market.

The contribution of individual counterparties must not exceed a pre-set threshold of the total specific type of funding. Said attention threshold is monitored on a monthly basis, and monthly reports are provided in the Finance and ALMs Committee meeting.

During the second half of 2013, monitoring of the liquidity risk originated from intra-day operations began. Every day, the monitoring anticipates an ex-post analysis of the entire trend for cash flows entering and leaving the Group, identifying the minimum intra-day financial position. The analysis is performed in both ongoing terms and relating to specific stress scenarios. Furthermore, the timing at which "time critical" payments (i.e. of the payments that must be made within determined cut-off periods) is also monitored.

The trend in the Group's liquidity situation is reported monthly to the Parent Bank's Board of Directors and weekly to the Finance and ALMs Committee. The Top Management is informed on the Group's exposure to liquidity risk on a daily basis. Lastly, the Group's liquidity profile is monitored on a weekly basis by the European Central Bank and by the Bank of Italy.

In 2014, liquidity generally improved in both monetary and senior and collateralised markets thanks to the ECB's confirmation of an accommodating monetary policy that had positive repercussions most of all on the yields of the Sovereign debt of the peripheral Countries of the Euro Area and, with regard to Italy, on the ten-year spread between BTP and Bund.

The contraction of spreads on the secondary market of senior and ABS issues, associated with the limited volumes of new issues in the 2011-2013 three-year time interval, led to renewed interest on the part of domestic and international investors and the return to the primary market by bank issuers who had "waited on the sidelines" in recent years.

On the front of the ECB's accommodating monetary policy, the main actions taken by the Central Bank to sustain the economic recovery, achieve the target levels of inflation and exchange rate and stimulate the recovery of credit to the real economy were:

- cutting the rate for refinancing operations with the European Central Bank (completed with two initiatives that took place in June 2014 and in September 2014) from 0.25% to 0.05%;
- announcing the Targeted Longer Term Refinancing Operations (TLTRO) connected to the levels of lending by the European banking system;
- starting a two-year Programme for the purchase of ABS and Covered Bonds (the purchases were started on the last Quarter of 2014).

On the monetary market, a situation of "scarce liquidity" persists on maturities exceeding one week: the characteristis of uncertainly and volatility are confirmed, expecially in terms of "liquidity" and "depht" on the trades, as recorded in recent years.

In this environment, the Group pursued the policy of focused, diversified funding implemented in past years, consistently with the capital rebalancing goals prescribed by the Business Plan and with the standards that are about to be introduced with regard to the measurement and management of the liquidity risk, prescribed by the Prudential Supervisory Regulations.

The Group also continued its issuing activity on both the senior and collateralised primary market, exploiting the favourable conditions and the consolidated relationships with domestic and international investors. In particular, of note are the funding operations completed by the Finance Division of the Parent Bank, including: the new 3-year senior issue completed in January 2014, the new Berica ABS 3 securitisation placed on the market in June 2014 and a series of senior private placement issues completed throughout the year.

These operations allowed to increase direct funding, to improve the liquidity indicators and, at the same time, to improve the "transforming maturities" profile.

QUANTITATIVE INFORMATION

1. Distribution of financial assets and liabilities by residual maturity

Currency: EURO

Type/Residual duration	Sight	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Unspecified duration
Cash assets	**5,476,491**	**557,433**	**385,501**	**1,656,966**	**1,964,125**	**1,381,850**	**2,609,562**	**10,904,050**	**8,438,751**	**205,203**
A.1 Government securities	30	-	-	-	-	6,090	1,009,090	2,887,150	505,001	-
A.2 Other debt securities	63	3,197	-	-	15,220	50,518	26,430	316,806	546,305	-
A.3 Mutual funds	263,815	-	-	-	-	-	-	-	-	-
A.4 Loans	5,212,583	554,236	385,501	1,656,966	1,948,905	1,325,242	1,574,042	7,700,094	7,387,445	205,203
- banks	1,187,070	1,998	3,017	256,914	229,647	267,253	36,571	404,575	-	205,203
- customers	4,025,513	552,238	382,484	1,400,052	1,719,258	1,057,989	1,537,471	7,295,519	7,387,445	-
Cash liabilities	**(12,784,898)**	**(2,409,801)**	**(115,135)**	**(1,042,721)**	**(1,829,331)**	**(1,500,132)**	**(1,996,788)**	**(7,229,783)**	**(3,201,277)**	**-**
B.1 Deposits and current accounts	(12,142,070)	(149,224)	(112,931)	(505,444)	(896,551)	(670,171)	(873,350)	(137,190)	-	-
- banks	(537,728)	(109,000)	-	(66,515)	(138,900)	(237,350)	(455,000)	-	-	-
- customers	(11,604,342)	(40,224)	(112,931)	(438,929)	(757,651)	(432,821)	(418,350)	(137,190)	-	-
B.2 Debt securities	(73,733)	(780)	(2,204)	(118,475)	(932,774)	(438,352)	(1,087,884)	(4,921,622)	(683,019)	-
B.3 Other liabilities	(569,095)	(2,259,797)	-	(418,802)	(6)	(391,609)	(35,554)	(2,170,971)	(2,518,258)	-
Off-balance sheet transactions	**356,028**	**(47,246)**	**21,124**	**11,649**	**(161,057)**	**(253,256)**	**(48,160)**	**183,413**	**371,503**	**-**
C.1 Financial derivatives with exchange of capital	-	(39,934)	21,115	5,522	12,578	(7,273)	10,397	(1,199)	(177)	-
- long positions	-	37,957	98,840	120,075	115,370	24,644	38,747	3,241	5	-
- short positions	-	(77,891)	(77,725)	(114,553)	(102,792)	(31,917)	(28,350)	(4,440)	(182)	-
C.2 Financial derivatives without exchange of capital	396,188	2,379	-	-	7,422	26,980	-	-	-	-
- long positions	6,253,912	3,153	-	-	45,123	36,892	-	-	-	-
- short positions	(5,857,724)	(774)	-	-	(37,701)	(9,912)	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to make loans	(40,160)	(9,691)	9	6,127	(181,057)	(272,963)	(58,557)	184,612	371,680	-
- long positions	43,532	-	9	6,127	3,555	12,403	27,757	184,612	371,680	-
- short positions	(83,692)	(9,691)	-	-	(184,612)	(285,366)	(86,314)	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

The unspecified duration of line A.4 “Loans to banks” includes the compulsory reserve deposit (both direct and indirect).

Among loans to customers are the loans securitised in the so-called “Piazza Venezia” self-securitisations, in which the originator Banks subscribed all Asset-Backed Securities issued, in proportion to the transferred portfolio. Residual loans amount to euro 569,337 thousand, of which impaired positions of euro 48,918 thousand.

The nominal quantities of ABS held by the Bank and issued under the aforementioned self-securitisations are summarised below:

- euro 165,024 thousand in senior notes with an external rating from Fitch (“A+”) with a yield tied to the 6-month Euribor plus 85 bps;
- euro 143,400 thousand in mezzanine notes with external rating assigned by Fitch (“A+”) with yield tied to the 6-month Euribor plus 105 bps for class A2 and external rating assigned by Fitch (“A-”) with yield tied to the 6-month Euribor plus 125 bps for class A3;
- euro 383,121 thousand in unrated junior notes subscribed by the Bank with yield tied to the 6-month Euribor.

Currency: USD

Type/Residual duration	Sight	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Unspecified duration
Cash assets	**83,145**	**7,023**	**30,273**	**21,480**	**115,173**	**17,762**	**1,431**	**7,191**	**737**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	40	824	725	-
A.3 Mutual funds	224	-	-	-	-	-	-	-	-	-
A.4 Loans	82,921	7,023	30,273	21,480	115,173	17,762	1,391	6,367	12	-
- banks	57,134	159	14,867	718	2,136	627	1,226	845	-	-
- customers	25,787	6,864	15,406	20,762	113,037	17,135	165	5,522	12	-
Cash liabilities	**(218,201)**	**(3,171)**	**(1,343)**	**(3,193)**	**(1,965)**	**(4,095)**	**(591)**	**-**	**-**	**-**
B.1 Deposits and current accounts	(138,132)	(3,171)	(1,343)	(3,193)	(1,965)	(4,095)	(591)	-	-	-
- banks	(33,934)	(2,059)	-	-	-	-	-	-	-	-
- customers	(104,198)	(1,112)	(1,343)	(3,193)	(1,965)	(4,095)	(591)	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	(80,069)	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	**-**	**3,331**	**(46,564)**	**78,612**	**(8,687)**	**2,940**	**(11,638)**	**(32)**	**-**	**-**
C.1 Financial derivatives with exchange of capital	-	3,331	(46,564)	78,612	(8,687)	2,940	(11,638)	(32)	-	-
- long positions	-	94,503	39,391	186,173	112,441	31,341	28,018	2,528	-	-
- short positions	-	(91,172)	(85,955)	(107,561)	(121,128)	(28,401)	(39,656)	(2,560)	-	-
C.2 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to make loans	-	-	-	-	-	-	-	-	-	-
- long positions	5,326	616	-	-	-	-	-	-	-	-
- short positions	(5,326)	(616)	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

Currency: GBP

Type/Residual duration	Sight	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Unspecified duration
Cash assets	**1,846**	**15**	**6,523**	**185**	**1,389**	**-**	**-**	**-**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Mutual funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	1,846	15	6,523	185	1,389	-	-	-	-	-
- banks	1,833	-	-	-	-	-	-	-	-	-
- customers	13	15	6,523	185	1,389	-	-	-	-	-
Cash liabilities	**(8,005)**	**(257)**	**-**	**-**	**-**	**-**	**(257)**	**-**	**-**	**-**
B.1 Deposits and current accounts	(8,005)	(257)	-	-	-	-	(257)	-	-	-
- banks	-	-	-	-	-	-	-	-	-	-
- customers	(8,005)	(257)	-	-	-	-	(257)	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	**2**	**(143)**	**(2,333)**	**-**	**(53)**	**(104)**	**531**	**-**	**-**	**-**
C.1 Financial derivatives with exchange of capital	-	(143)	(2,333)	-	(53)	(104)	531	-	-	-
- long positions	-	-	-	2,439	128	642	1,428	385	-	-
- short positions	-	(143)	(2,333)	(2,439)	(181)	(746)	(897)	(385)	-	-
C.2 Financial derivatives without exchange of capital	2	-	-	-	-	-	-	-	-	-
- long positions	2	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to make loans	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

Currency: CHF

Type/Residual duration	Sight	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Unspecified duration
Cash assets	**2,935**	**109**	**710**	**1,694**	**586**	**54**	**-**	**72**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Mutual funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	2,935	109	710	1,694	586	54	-	72	-	-
- banks	1,614	-	-	-	-	-	-	-	-	-
- customers	1,321	109	710	1,694	586	54	-	72	-	-
Cash liabilities	**(4,693)**	**-**	**-**	**-**	**(51)**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts	(4,693)	-	-	-	(51)	-	-	-	-	-
- banks	-	-	-	-	-	-	-	-	-	-
- customers	(4,693)	-	-	-	(51)	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	**-**	**(88)**	**(2,495)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C.1 Financial derivatives with exchange of capital	-	(88)	(2,495)	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	(88)	(2,495)	-	-	-	-	-	-	-
C.2 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to make loans	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

Currency: JPY

Type/Residual duration	Sight	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Unspecified duration
Cash assets	**3,504**	**-**	**-**	**-**	**1,679**	**331**	**14**	**169**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Mutual funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	3,504	-	-	-	1,679	331	14	169	-	-
- banks	3,237	-	-	-	-	-	-	-	-	-
- customers	267	-	-	-	1,679	331	14	169	-	-
Cash liabilities	**(2,495)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts	(2,495)	-	-	-	-	-	-	-	-	-
- banks	-	-	-	-	-	-	-	-	-	-
- customers	(2,495)	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	**-**	**17,975**	**(87)**	**(15,442)**	**(2,989)**	**40**	**-**	**-**	**-**	**-**
C.1 Financial derivatives with exchange of capital	-	17,975	(87)	(15,442)	(2,989)	40	-	-	-	-
- long positions	-	21,749	-	23,485	1,699	2,186	-	-	-	-
- short positions	-	(3,774)	(87)	(38,927)	(4,688)	(2,146)	-	-	-	-
C.2 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to make loans	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

Currency: other

Type/Residual duration	Sight	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Unspecified duration
Cash assets	**22,315**	**-**	**37**	**1**	**71**	**253**	**-**	**-**	**-**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Mutual funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	22,315	-	37	1	71	253	-	-	-	-
- banks	20,335	-	-	-	-	-	-	-	-	-
- customers	1,980	-	37	1	71	253	-	-	-	-
Cash liabilities	**(13,747)**	**(439)**	**(301)**	**-**	**(183)**	**-**	**(427)**	**-**	**-**	**-**
B.1 Deposits and current accounts	(13,747)	(439)	(301)	-	(183)	-	(427)	-	-	-
- banks	(81)	-	(301)	-	-	-	-	-	-	-
- customers	(13,666)	(439)	-	-	(183)	-	(427)	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	**-**	**24,859**	**31,155**	**(56,453)**	**-**	**4,418**	**-**	**-**	**-**	**-**
C.1 Financial derivatives with exchange of capital	-	24,859	31,155	(56,453)	-	4,418	-	-	-	-
- long positions	-	52,502	60,684	1,269	4,899	4,418	-	-	-	-
- short positions	-	(27,643)	(29,529)	(57,722)	(4,899)	-	-	-	-	-
C.2 Financial derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be received	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to make loans	-	-	-	-	-	-	-	-	-	-
- long positions	5,185	-	-	-	-	-	-	-	-	-
- short positions	(5,185)	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

2. Disclosure on committed assets recorded in the financial statements

Technical forms	Engaged		Not engaged		31/12/14	31/12/13
	VB	FV	VB	FV		
1. Cash and cash equivalents	-	X	155,791	X	155,791	2,346,926
2. Debt securities	2,837,654	2,837,654	2,850,703	2,833,699	5,688,357	3,706,445
3. Equities	-	-	340,936	340,936	340,936	321,885
4. Loans	8,893,645	X	18,782,984	X	27,676,629	30,476,978
5. Other financial assets	-	X	8,049,067	X	8,049,067	3,453,060
6. Non-financial assets	-	X	1,511,440	X	1,511,440	1,806,191
31/12/2014	**11,731,299**	**2,837,654**	**31,690,921**	**3,174,635**	**43,422,220**	**X**
31/12/2013	**9,171,387**	**2,848,710**	**32,940,098**	**1,170,494**	**X**	**42,111,485**

Among the committed loans are all assets transferred to the special purpose vehicle within the own securitisations, not subjected to cancellation.

3. Informativa sulle attività di proprietà impegnate non iscritte in bilancio

Technical forms	Engaged	Not engaged	Totale al 31/12/2014	Totale al 31/12/2013
1. Financial assets	2,574,936	3,821,331	6,396,267	10,918,948
- Securities	2,574,936	3,821,331	6,396,267	10,918,948
- Others	-	-	-	-
2. Non-financial assets	-	-	-	-
31/12/2014	**2,574,936**	**3,821,331**	**6,396,267**	**X**
31/12/2013	**4,867,039**	**6,051,909**	**X**	10,918,948

The committed securities include the securities issued by the special purchase vehicle acquired by the Bank and re-employed in financing operations.Uncommitted securities also include the bonds issued by the Bank and bought back.

SECTION 4

Operational risk

QUALITATIVE INFORMATION

A. General aspects, management and measurement of operational risk

Operational risk is defined as the risk of losses deriving from inadequate or dysfunctional procedures, human resources or internal systems, or external events.
This category includes, *inter alia*, losses deriving from fraud, human error, the interruption of operations, the malfunction and non-availability of systems, contractual non-performance and natural catastrophes. Operational risk also includes legal risk, but excludes strategic and reputation risk.

Operational risks are "monitored" by the Operational Risk and IT Risk Unit within the Risk Management Department.

For the purposes of the prudential capital requirements in view of operational risks, the Group uses the so-called basic approach or BIA (Basic Indicator Approach), whereby the capital requirement is equal to the average over the last 3 years of the net interest and other banking income (Income Statement line item 120) multiplied by a fixed coefficient of 15%.

The core principles of the operational risk governance model of the BPVi Group, developed according to a logic consistent with the roles and responsibilities defined in the ICAAP prescribe that:
- responsibility for defining the guidelines on managing operational risks rests with the Body with strategic supervision function of the Parent Bank;
- riskiness is monitored centrally by the Parent Bank with reference to the individual legal entities and to the Group as a whole;
- individual legal entities must comply with the guidelines defined by the Parent Company for risk and capital management.

The operational risk management framework of the BPVi Group is based:

- on the assessment of the 1st and 2nd level organisational controls and on the construction of the so-called Risk Map, which is the method used by the Group to conduct its risk self-assessment;
- on operational Loss Data Collection.

During 2014 the Internal Audit Department carried out remote and on-site checks in relation to the distribution network in order to verify compliance with company standards (essentially: correct application of regulations and correct performance of line controls).

The audit of processes rather than of their central owners also examined regulatory, procedural and organisational structure in order to assess the adequacy of controls over operational risks in terms of compliance with corporate strategy, of achieving process effectiveness and efficiency, of protecting the value of assets and protecting against losses, of the reliability and completeness of accounting and management information, and the compliance of transactions with the law, supervisory requirements and internal instructions.
The results attest the existence and adequacy of the system of controls protecting against such risks, and as far as distribution processes are concerned, are based on the compliance observed during audit activities within the Network.
With regard to the monitoring of operational risks, the Bank was a founding member in 2002 of DIPO, the interbank consortium promoted by ABI that maintains an Italian database of operational losses. As a consequence, the Group gathers regular information about its operational losses.

On 12 December 2014, the operational risk management policy was submitted to the Parent Bank's Board of Directors. Said policy describes:

- the steps and structure of the operational risk management process;
- the roles and responsibilities of the company Bodies and Functions within the operational risk management process;
- the reporting system addressed to company Bodies and Functions (Management Reporting System);

The policy describes the flow of information to the Bodies and Committees and in particular it prescribes that the dynamics of operational risks shall be submitted to the Control Committee and to the Parent Bank's Body with strategic supervision function on a quarterly basis, with specific reference to loss data (Loss Data Collection).

QUANTITATIVE INFORMATION

In 2014, the Bank continued to gather data on operational losses for reporting to the Italian Operating Losses Data Base (DIPO), which was more complete thanks to the more structured approach used after adopting the manual, which was also adopted by the subsidiary Banca Nuova in June 2008. The manual, updated in January 2014, was further extended to the subsidiary Servizi Bancari.

The events have been divided by type and line of business according to the categories envisaged in the New Capital Accord (Basel 2).

Of the events identified in the Bank in 2014 involving an increase in operating losses, 51.02% were attributable to errors in “execution, delivery and process management”, 27.57% to “customers, products and business practice”, another 10.98% to “external fraud”, 6.31% to “employment practices and workplace safety”, 3.27% to “damage from external events” and 0.86% to “internal fraud”.

The “retail” line of business accounted for the largest share of operating losses, i.e. 63.91%. This is followed by the “commercial” business line with 31.66%, “retail intermediation” with 4.04% and the “trading and sales”, which accounted for 0.39%.

PART F – INFORMATION ON EQUITY

SECTION 1

Equity

A. QUALITATIVE INFORMATION

Definition of equity

The definition of equity used by the Bank corresponds to the sum of the following equity accounts: 130 “Valuation reserves”, 140 “Redeemable shares”, 150 “Equity instruments”, 160 “Reserves”, 170 “Additional paid-in capital”, 180 “Capital stock”, 190 “Treasury shares” and 200 “Net income (loss) for the year”.

Management of equity

Information about the way in which the Bank pursues its capital management objectives is provided in section 2.2 below.

Nature of the capital adequacy requirement

Since the Bank carries out lending activities, it is subject to the requirements of art. 29 et seq. of Decree 385 dated 1 September 1993 “Consolidated law on banking and lending” or “TUB”. Accordingly, the Bank must comply with the capital adequacy requirements detailed in the above legislation.

Changes in disclosure requirements

The disclosure requirements relating to capital have not undergone any changes compared with the prior year.

B. QUANTITATIVE INFORMATION

B.1 Equity: breakdown by type of company

Equity line items	31/12/2014	31/12/2013
1. Capital stock	351,870	313,719
2. Additional paid-in capital	3,365,095	2,767,383
3. Reserves	718,128	717,509
- from earnings	707,322	706,702
a) legal	135,776	135,776
b) statutory	239,253	279,851
c) treasury shares	240,000	240,000
d) other	92,293	51,075
- other	10,806	10,807
4. Equity instruments	3,195	3,332
5. (Treasury shares)	(25,887)	(7,752)
6. Valuation reserves	49,908	(70,906)
- Financial assets available for sale	184,720	(31,860)
- Property, plant and equipment	-	-
- Intangible assets	-	-
- Hedges of foreign investments	-	-
- Cash-flow hedges	(128,625)	(36,362)
- Exchange differences	-	-
- Non-current assets held for sale and discontinued operations	-	-
- Actuarial gains (losses) on defined-benefit pension plans	(8,521)	(5,018)
- Portion of valuation reserves of equity investments carried at equity	-	-
- Special revaluation laws	2,334	2,334
7. Net income (loss) for the year (+/-)	(823,682)	(44,625)
Equity	**3,638,627**	**3,678,660**

B.2 Valuation reserves - AFS financial assets: breakdown

Assets/Values	31/12/2014		31/12/2013	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	166.365	(42.691)	4.396	(87.226)
2. Equities	71.723	(11.487)	61.561	(3.044)
3. Mutual funds	7.991	(7.181)	2.052	(9.599)
4. Loans	-	-	-	-
Total	**246.079**	**(61.359)**	**68.009**	**(99.869)**

This table reports the positive and negative reserves, net of tax, arising on the fair value measurement of financial assets available for sale. In particular, of the negative reserves of debt securities Euro 63,783 thousand refer to Italian government securities.

B.3 Valuation reserves - AFS financial assets: changes during the year

	Debt securities	Equities	Mutual funds	Loans
1. Opening balance	**(82,830)**	**58,517**	**(7,547)**	**-**
2. Positive changes	**318,537**	**16,685**	**15,544**	**-**
2.1 Increases in fair value	302,636	11,556	9,531	-
2.2 Release negative reserves to income statement	15,901	3,145	5,946	-
- from impairment	-	3,145	5,946	-
- from disposals	15,901	-	-	-
2.3 Other changes	-	1,984	67	-
3. Negative changes	**112,033**	**14,966**	**7,187**	**-**
3.1 Decreases in fair value	5,172	14,650	3,022	-
3.2 Impairment writedowns	-	271	-	-
3.3 Release positive disposal reserves to income statement	4,848	45	36	-
3.4 Other changes	102,013	-	4,129	-
4. Closing balance	**123,674**	**60,236**	**810**	**-**

B.4 Valuation reserves related to defined benefit plans: changes during the year

	Defined-benefit plan
Opening balance	**(5,018)**
Positive changes	**-**
Positive changes on actuarial gains and losses	-
Negative changes	3,503
Negative changes on actuarial gains and losses	3,503
Closing balance	**(8,521)**

SECTION 2

Own funds and capital adequacy ratios

2.1 Own funds

The Bank's Own funds and the prudential ratios at 31 December 2014 were determined in accordance with the new regulatory framework of Basel 3, including the transitory provisions and the national discretionary powers, that came into effect starting from 1 January 2014 subsequent to the issuing of the Regulation (EU) 575/2013 dated 26 June 2013 (CRR) and the Directive 2013/36/EU dated 26 June 2013 (CRD IV). Therefore, the comparison with the figures at the end of 2013 is not homogeneous, inasmuch as they had been determined with the previous Basel 2 rules.

A. QUALITATIVE INFORMATION

1. Common Equity Tier 1 (CET 1) capital

At 31 December 2014, Common Equity Tier 1 capital consists of the various items of the Bank's Equity, with the sole exception of "equity instruments".
The financial instruments computed in common equity tier 1 capital relate to the ordinary shares issued by the Bank. In this regard, it should be specified that the shares issued within the capital increase operations reserved for new stokeholders completed in 2013 and in 2014, totalling euro 200 million, were excluded from the aggregate for the portion (euro 61.9 million) financed by the issuer, as allowed by the regulations of the aforesaid operations.
"Prudential filters" include the DTAs connected to multiple frankings of the same goodwill, the accumulated net gains recorded in the income statement on investment property, the valuation reserves referred to hedges on the cash flows of assets and liabilities not measured at fair value and, lastly, "prudent valuation" whose amount was determined in accordance with the simplified approach.
"Deductions" from common equity tier 1 capital pertain to the intangible assets recorded in the financial statements, including the differences in equity recorded in the Group's consolidated financial statements to increase the book value of the equity investments held in associated companies, and to the common equity instruments issued by entities in the financial sector in which the Bank holds a significant investment and whose amount exceeds the thresholds prescribed by current regulations, taking into account the transitional provisions on this matter.
Lastly, the Bank exercised its right to sterilize the valuation reserves relating to debt securities issued by central governments of European Union countries held in the "Financial assets available for sale" portfolio, including the related cash flow hedge reserve on the same securities.

2. Additional Tier 1 (AT1) capital

The Bank has not issued any financial instruments that can be computed in additional tier 1 capital.

3. Tier 2 (T2) capital

Tier 2 capital comprises certain subordinated bonds issued by the Bank which were computed net of any buy-backs and taking into account the transitional provisions.
The principal contractual characteristics of the subordinated liabilities issued are presented below.

ISIN code	Issue date	Maturity	Balance sheet item(1)	Interest rate	Nominal value	Book value	Portion included in Tier 2 Capital (7)
XS0210870415 (2)(3)	03/02/2005	03/02/2015	30 P.P.	Euribor3m + 0,45	200,000	200,361	3,726
XS0336683254 (2)(3)	20/12/2007	20/12/2017	30 P.P.	Euribor3m + 2,35	200,000	199,969	118,904
IT0004548258 (2)(3)(4)	31/12/2009	31/12/2016	30 P.P.	3.70%	88,006	87,307	23,412
IT0004657471 (2)(3)(6)	15/12/2010	15/12/2017	30 P.P.	4.60%	149,986	157,385	119,989
IT0004724214 (2)(5)	24/06/2011	24/06/2018	30 P.P.	6.65%	52,984	43,503	-
IT0004781073 (2)(3)(6)	28/12/2011	28/12/2018	30 P.P.	8.50%	62,298	62,505	49,838
IT0004424351 (2)	15/12/2008	15/12/2015	50 P.P.	5.00%	103,948	107,452	10,538
				Total	**857,222**	**858,482**	**326,407**

(1) 30 P.P = Debt securities in issue; 50 P.P.= Financial liabilities at fair value.
(2) The bonds with a subordination clause whereby, if the Bank were to be wound up, they would be redeemed only after all other creditors, not subordinated to the same extent, have been satisfied.
(3) The bonds with an early redemption clause, whereby the Bank reserves the right to repay it early, not less than 18 months after the final date of placement, with the prior authorisation of the Bank of Italy and giving at least one month's notice.
(4) Bond convertible into Banca Popolare di Vicenza ordinary shares according from 1 November 2016 to 30 November 2016, in a ratio of 1 share of par value euro 3.75 each for every bond of nominal value euro 64.50.
Bondholders are entitled to convert early in the event of extraordinary operations involving capital, except for mergers with other companies in the Banca Popolare di Vicenza Group or with companies controlled by the Issuer.
(5) Zero coupon bond, issued under the Exchange Tender Offer promoted during the year on index linked policies issued by the affiliates Berica Vita and Cattolica Life, placed with Group clients and having as underlying assets securities issued by Icelandic banks in default. This liability is not included in the calculation of Own Funds as it does not meet all the conditions required by regulatory provisions for the inclusion.
(6) Starting in 2014, admissibility in Own Funds is limited to the "grandfathering" clauses that regulate the gradual shift from the previous Basel 2 rules to the current Basel 3 rule.
(7) The included portion is net of buy-backs.

B. QUANTITATIVE INFORMATION

	31/12/2014	31/12/2013
A. CET1 before the application of prudential filters	**3,573,534**	**2,809,527**
of which CET1 instruments object of transitional disposals	-	-
B. Prudential filters of Tier 1 capital	(63,519)	(30,958)
C. CET1 before deductions and transitional arrangements effects (A+/-B)	3,510,015	2,778,569
D. Deductions from CET1	382,499	48,751
E. Transitional arrangements - Impact on CET1 (+/-), minority interests object of transitional disposal included	(17,175)	-
F. Total Common Equity Tier 1 - CET1 (C-D+/-E)	**3,110,341**	**2,729,818**
G. Additional Tier 1 - AT1 before deductions and transitional arrangements effects	-	-
of which AT1 instruments object of transitional disposals	-	-
H. Deductions from AT1	-	-
I. Transitional arrangements - Impact on AT1 (+/-), minority interests object of transitional disposal included	-	-
L. Total Additional Tier 1 (AT1) (G-H+/-I)	**-**	**-**
M. Tier 2 - T2 before deductions and transitional arrangements effects	326,407	678,520
of which T2 instruments object of transitional disposals	169,827	-
N. Deductions from T2	-	48,751
O. Transitional arrangements - Impact on T2 (+/-), minority interests object of transitional disposal included	5,306	-
P. Total Tier 2 - T2 (M-N+/-O)	**331,713**	**629,769**
Q. Total Own Funds (F+L+P)	**3,442,054**	**3,359,587**

The figures at 31 December 2013 were determined with the prudential supervisory rules of Basel 2 previously in force.

2.2 CAPITAL ADEQUACY

A. QUALITATIVE INFORMATION

The capital management policies adopted by the Banca Popolare di Vicenza Group are intended to ensure that Tier 1 capital is consistent with the overall level of risk accepted and the plans for the expansion of the Group, as well as to optimise the composition of capital by recourse to various financial instruments that minimise the related cost.

B. QUANTITATIVE INFORMATION

Categories/Amounts	Unweighted amounts		Weighted amounts/ Requirements	
	31/12/2014	**31/12/2013**	**31/12/2014**	**31/12/2013**
A. RISK ASSETS				
A.1 Credit and counterparty risk	**41,763,541**	**44,403,115**	**23,577,646**	**23,148,328**
1. Standard methodology	41,633,112	44,349,710	23,363,229	23,013,303
2. Methodology based on internal ratings	-	-	-	
2.1 Basic	-	-	-	
2.2 Advanced	-	-	-	
3. Securitizations	130,429	53,405	214,417	135,025
B. CAPITAL ADEQUACY REQUIREMENTS				
B.1 Credit and counterparty risk			**1,886,212**	**1,851,866**
B.2 Adjustment credit valuation risk			56,755	-
B.3 Regulamentary risk			-	-
B.4 Market risks			56,575	29,838
1. Standard methodology			56,575	29,838
2. Internal models			-	-
3. Concentration risk			-	-
B.5 Operational risks			**122,064**	**126,434**
1. Basic method			122,064	126,434
2. Standard method			-	-
3. Advanced method			-	-
B.6 Other elements of calculation			**-**	**(502,034)**
B.7 Total prudential requirements			**2,121,606**	**1,506,104**
C. RISK ASSETS AND CAPITAL RATIOS				
C.1 Risk-weighted assets			26,520,080	18,826,295
C.2 CET1 capital/ Risk-weighted assets (CET1 capital ratio)			11,73%	14,50%
C.3 Tier 1 capital/ Risk-weighted assets (Tier 1 capital ratio)			11,73%	14,50%
C.4 Regulatory capital including TIER 3/Risk-weighted assets (Total capital ratio)			12,98%	17,85%

The figures at 31 December 2013 were determined with the prudential supervisory rules of Basel 2 previously in force.

Prudential requirements were quantified using the prudential rules of Basel 3. In particular:

- risk-weighted assets used for determining the credit and counterparty risk requirement were quantified using the standard method and credit risk mitigation (CRM), by adopting unsolicited external ratings provided by the ECAI DBRS for the supervisory portfolio "Exposures to or guaranteed by Central governments and central banks" by ECAI Moody's, S&P and Fitch for the supervisory portfolio "Elements that represent positions relating to securitisations" and unsolicited ratings by the ECAI Cerved Group for the supervisory portfolio "Exposures to Companies";
- the market risk requirement was determined using the standard method, wherein sensitivity models were used to represent derivatives and other off-balance sheet transactions involving interest rates and debt securities;
- the operational risks requirement was determined using the basic method, whereby the calculation of the reference aggregate was aligned to the new supervisory provisions.

PART G – BUSINESS COMBINATIONS

SECTION 1

Transactions during the year

In line with the provisions of Bank of Italy Circular no. 262 of 22 December 2005 as amended, the information required by IFRS 3, paragraphs 59.a, 60 and 63 is provided below. This information conventionally also includes business combinations between entities under common control.

1.2. Business combinations

On 1 January 2014, the agreement came into force for the sale to the Bank, by Banca Popolare di Spoleto in Extraordinary Administration, of the business unit comprising the Turin branch.

The accounting position of the business unit at the disposal date is provided below.

Business Line "Torino branches"

Accounting position as at 1st January 2014			
Assets		**Equity and Liabilities**	
- Cash and cash equivalents	165	- Due to customers	31,135
- Loans and advances to customers	8,921	- Debt securities in issue	3,620
- Property, plant and equipment	425	- Other liabilities	2
- Attività immateriali	258		
- Other assets	284		
- Interbank loans and advances	24,704		
Total Assets	**34,757**	**Total equity and liabilities**	**34,757**

Since the consideration paid for the purchase of the above-mentioned branch was equal to euro 1, and the fair value of the assets and liabilities is aligned with their carrying value, the transaction generated no goodwill requiring recognition based on IFRS 3.

The transfer agreement for the transfer of the business unit comprised of 16 bank branches, of which 2 in Emilia Romagna and 14 in Lazio, from Cassa di Risparmio di Ferrara under Special Management to the Bank also became effective on 1 June 2014. The accounting position of the business unit at the disposal date is provided below.

Business Line "Carife branches"

Accounting position as at 1st January 2014			
Assets		**Equity and Liabilities**	
- Cash and cash equivalents	980	- Due to customers	167,567
- Loans and advances to customers	114,437	- Debt securities in issue	71
- Property, plant and equipment	438	- Other liabilities	1,631
- Attività immateriali	403	- TFR	695
- Other assets	5,773		
- Interbank loans and advances	47,933		
Total Assets	**169,964**	**Total Equity and Liabilities**	**169,964**

The consideration paid for the purchase of the above-mentioned business unit amounted to euro 2.5 million which, pending completion of the Purchase Price Allocation process, was recorded among goodwill.

SECTION 2

Operations carried out after the end of the year

The Bank has not carried out any business combinations involving companies or business units after 31 December 2014.

SECTION 3

Retrospective adjustments

In accordance with IFRS 3, paragraphs 61, 62 and 63, we point out that no changes have occurred during year 2014 on goodwill.

1. Information on the remuneration of key management personnel

The following table reports the remuneration paid to key management personnel during the year 2014.

	Managers with strategic responsibilities
a) Short-term benefits	9,816
b) Post-employment benefits	373
c) Other long-term benefits	-
d) Indemnities due on termination of employment	-
e) Share-based payments	-
Total	**10,189**

Key management personnel comprise members of General Management, as defined in the Bank's Articles of Association, as well as its serving directors and statutory auditors of Banca Popolare di Vicenza.

The remuneration categories included in the above table comprise:

f) Short-term benefits: the item includes: *i)* for General Management members: wages, salaries and related social security contributions, payment in lieu of vacation and sick leave, incentives and benefits in kind, such as medical assistance, housing, company cars and goods or services provided free or at reduced cost; *ii)* for Directors and Statutory Auditors: attendance fees, remuneration for the performance of their duties;

g) Post employment benefits: these include the company contributions to pension funds (pension and retirement plans, life insurance and health care subsequent to termination) and the provision for severance indemnities recorded on the basis required by law and in-house agreements;

h) Other long-term benefits: there are no other long-term benefits worthy of mention (such as leave of absence or sabbaticals related to length of service, bonuses linked to anniversaries, other benefits linked with length of service, disability benefits and, if due more than twelve months after the reporting date, profit share, incentives and deferred remuneration);

i) Indemnities due on termination of employment: these include the amounts paid for early termination prior to pensionable age, incentives for voluntary redundancy and incentives for early retirement;

j) Share-based payments: these include the cost of shares assigned on achieving a certain length of service or specific objectives.

2. Information on related-party transactions

“Related-party transactions” are defined as all transactions with parties defined as such in IAS 24.

More specifically, with reference to the Bank organisation and governance, the following parties are deemed to be “related parties”:

- *subsidiary companies*: companies belonging to the Banca Popolare di Vicenza Group over which the Parent Bank Banca Popolare di Vicenza exercises direct or indirect control;
- *companies under joint control*: companies over which the Group exercises joint control, whether directly or indirectly;
- *associated companies*: companies over which the Group exercises significant influence, whether directly or indirectly;
- *key management personnel*, i.e. members of General Management and the Directors and Statutory Auditors of the Bank;
- *"close relatives" of key management personnel*;
- *companies controlled by, jointly controlled by or associated with key management personnel or their close family;*
- *parties that manage pension plans for the Bank's employees and any other parties related to the Bank*.

“Close relatives” are deemed to be: (a) the partner and children of the related party; (b) the children of the partner; (c) the dependents of the related party or his/her partner.

The following tables summarise the balances and transactions with related parties during the year and their impact on cash flow, according to their classification at 31 December 2014.

Statement of financial position

Related parties	Loans and advances to banks	Loans and advances to customers	Other assets(1)	Due to banks	Due to customers	Other liabilities(2)	Guarantees and commitments
- Subsidiary companies	1,116,167	1,366,907	76,625	1,305,159	17,411	15,147	465,597
- Associated companies	-	39,179	1,003	-	89,103	322,130	14,943
- Companies under joint control	-	-	-	-	-	-	-
- Managers with strategic responsibilities	-	8,920	-	-	3,344	1,631	-
- Other related parties(3)	-	59,346	9,124	-	20,907	3,641	40,227
Total	**1,116,167**	**1,474,352**	**86,752**	**1,305,159**	**130,765**	**342,549**	**520,767**
Total reported in balance sheet	**3,308,250**	**25,148,703**	**12,177,714**	**4,887,363**	**19,175,427**	**14,998,192**	**2,569,076**
% incidence	33.74	5.86	0.71	26.70	0.68	2.28	20.27

(1) Asset line items 20, 30, 40, and 150 from the statement of financial position.
(2) Liability line items 30, 40, 50 and 100 from the statement of financial position.
(3) Include the close family of key management personnel, companies controlled by, jointly controlled by or associated with key management personnel or their close family, and parties that manage pension plans for the Bank's employees and any other parties related to the Bank.

Income statement

Related parties	Interest income	Interest expense	Net fee and commission income	Dividend	Other costs / other revenues[1]
- Subsidiary companies	59,617	(48,539)	(1,429)	30,308	(31,868)
- Associated companies	1,218	(15,094)	26,685	9,475	(44,858)
- Companies under joint control	-	-	-	-	-
- Managers with strategic responsibilities	107	(79)	37	-	(10,189)
- Other related parties [2]	2,379	(317)	632	-	(77)
Total	**63,321**	**(64,029)**	**25,925**	**39,783**	**(86,992)**
Total reported in balance sheet	**1,034,169**	**(644,548)**	**253,926**	**54,575**	**(513,199)**
% incidence	6.12	9.93	10.21	72.90	16.95

(1) Line items 150 and 190 from the income statement. These include the remuneration paid to key management personnel.
(2) Include the close family of key management personnel, companies controlled by, jointly controlled by or associated with key management personnel or their close family, and parties that manage pension plans for the Bank's employees and any other parties related to the Bank.

Cash flows

Cash flows	31/12/2014
Loans and advances to banks	6,128
Loans and advances to customers	(478,816)
Other assets [1]	45,228
Total cash flows with related parties	**(427,460)**
Total liquidity absorbed by financial assets	**684,976**
% incidence	-62.41

1 Asset line items 20, 30, 40 and 150 from the statement of financial position.

Cash flows	31/12/2014
Due to banks	150,572
Due to customers	8,299
Other liabilities [2]	(40,064)
Total cash flows with related parties	**118,807**
Total liquidity generated by financial liabilities	**(3,311,679)**
% incidence	-3.59

2 Liability line items 30, 40, 50 and 100 from the statement of financial position.

Cash flows	31/12/2014
Interest income and similar revenues	63,321
Interest expense and similar charges	(64,029)
Net fee and commission income	25,925
Other income/other costs (3)	(86,992)
Total cash flows with related parties	**(61,775)**
Total cash flow from operations	**(109,469)**
% incidence	56.43

(3) Line items 150 and 190 from income statement.

Cash flows	31/12/2014
Dividend	39,783
Total cash flows with related parties	**39,783**
Total liquidity generated by investing activities	**40,471**
% incidence	98.30

Transactions with Group companies - which represent most of the related-party transactions - are of a commercial and financial nature.

Such commercial and financial transactions with Group companies reflect a multifunctional organisational and strategic model, involving on the one hand centralisation under the Parent Bank of the key activities of governance and control and assistance in legal, economic, organisational and personnel management matters and on the other, outsourcing of back office and support services to some of the Group's support companies. In particular, intra-group transactions are based on rules that define contractual formats and principles for determining and recharging costs for the services provided. The contractual formats involve master agreements and specific service level agreements (SLAs), which define the level of service and applicable economic terms and conditions. The consideration agreed for services under such agreements is determined with reference to specific quantitative criteria and conditions judged to be in line with market ones, or if no suitable external parameters are available, on the basis of the cost incurred. However, there is no guarantee that if such transactions had been entered between or with third parties, such parties would have negotiated the related contracts, or carried out the same transactions, under the same conditions or in the same way.

The following tables detail year-end asset and liability balances with companies in the Banca Popolare di Vicenza Group, as well as the related income and expenses during the year.

Asset and liability balances with subsidiaries

Related parties	Loans and advances to banks	Loans and advances to customers	Other assets[(1)]	Due to banks	Due to customers	Other liabilities[(2)]	Guarantees and commitments
Banca Nuova SpA	831,162	-	55,112	1,293,483	-	8,114	1,700
BPV Finance International PLC	-	758,431	18,941	-	-	-	463,000
Immobiliare Stampa SCpA	-	131,493	-	-	6,736	571	692
Nem SGR	-	-	-	-	2,720	-	-
PrestiNuova SpA	-	355,005	-	-	-	-	-
Servizi Bancari SCpA	-	-	2,572	-	4,281	5,497	-
Farbanca SpA	285,005	-	-	11,676	-	-	-
Monforte 19 Srl	-	105,988	-	-	3,356	4	205
BPVi Multicredito - Agenzia in attività finanziaria SpA	-	-	-	-	318	961	-
Industrial Opportunity Fund	-	15,990	-	-	-	-	-
Total	**1,116,167**	**1,366,907**	**76,625**	**1,305,159**	**17,411**	**15,147**	**465,597**

(1) Asset line items 20, 40, and 150 from the statement of financial position.
(2) Liability line items 30, 40, 50 and 100 from the statement of financial position.

The assets and liabilities presented above mostly refer to financial relationships forming part of normal banking activities, associated with the need to ensure rational, effective management of liquidity at a Group level.

In particular, the amounts due to and from banks relate to loans granted and received, as well as the balance on correspondent accounts with Group banks.

Income and expenses with subsidiaries

Related parties	Interest income	Interest expense	Net fee and commission income	Dividend	Other costs / other revenues [1]
Banca Nuova SpA	27,974	(48,068)	(66)	1,939	2,735
BPV Finance International PLC	5,380	(4)	21	22,208	12
Immobiliare Stampa SCpA	2,538	-	19	-	(18,311)
Nem SGR	-	(18)	1	1,152	425
PrestiNuova SpA	15,220	(8)	2,130	1,011	624
Servizi Bancari SCpA	-	(220)	5	-	(16,301)
Farbanca SpA	7,060	(220)	-	2,360	588
Monforte 19 Srl	1,135	(1)	7	1,638	(1,953)
BPVi Multicredito - Agenzia in attività finanziaria SpA	-	-	(3,656)	-	313
Industrial Opportunity Fund	310		110	-	-
Total	**59,617**	**(48,539)**	**(1,429)**	**30,308**	**(31,868)**

(1) Line items 150 and 190 from income statement. Do not include profits and losses on trading in securities, currency and other instruments between Group companies, settled under market rates.

Interest income and expense represents the remuneration, at market rates, on loans granted and received or on bonds subscribed and issued. Net fee and commission income comprises the remuneration earned by the Bank's commercial network for placing the products of Group companies, net of the costs incurred for services provided by the various Group companies to the Bank. Dividends refer to the Bank's interests in the various Group companies. Lastly, other revenues/other costs refer to the recharge of Bank personnel seconded to Group companies or to other services provided/received.

PART I – EQUITY-SETTLED PAYMENT ARRANGEMENTS

There are no outstanding equity-settled payment arrangements.

PART L – SEGMENT INFORMATION

In accordance with par. 4 of IFRS 8, this part is not supported on the grounds that such information is stated in the 2014 consolidated financial statements of the Banca Popolare di Vicenza Group.

CERTIFICATION OF THE FINANCIAL REPORTING MANAGER
(SEPARATE FINANCIAL STATEMENTS)

CERTIFICATION OF THE SEPARATED FINANCIAL STATEMENTS
PURSUANT TO ART. 81-TER OF CONSOB REGULATION NO.11971 OF MAY 14, 1999, AS AMENDED AND UPDATED

1. The undersigned

– Cav. Lav. Dott. Giovanni Zonin, as Chairman of the Board of Directors, and
– Dott. Massimiliano Pellegrini, as Financial Reporting Manager of Banca Popolare di Vicenza S.c.p.A., taking into account of the provisions of Article 154-bis, paragraphs 3 and 4 of Legislative Decree No. 58 of 24 February 1998, do hereby certify:

- the adequacy in relation to the enterprise's characteristics and
- the effective application

of the administrative and accounting procedures for preparing the separated financial statements, during 2014.

2. The adequacy of the accounting and administrative processes for preparing the separated financial statements at 31 december 2014 has been evaluated on the basis of an internal procedure established by Banca Popolare di Vicenza S.c.p.a. in compliance with the Internal Control - Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), which are internationally accepted frameworks for internal control system.

3. It's also certified that:

3.1 The separated financial statements as at 31 December 2014:

a) have been prepared in compliance with applicable international accounting standards recognized by the European Community pursuant to European Parliament and Council Regulation no. 1606/2002 of 19 July 2002;
b) correspond to the results of the book and accounts;
c) give a true and fair presentation of the balance sheet, profit and loss and financial position of the issuer.

3.2 The report on operations contains a reliable analysis of the business trends and results, as well as the general situation of the issuer, together with a description of the main risks and uncertainties to which it is exposed.

Vicenza, March 03, 2015

The Chairman of the Board of Directors	Financial Reporting Manager
Cav. Lav. Dott. Giovanni Zonin	Dott. Massimiliano Pellegrini

INDIPENDENT AUDITORS' REPORT ON THE SEPARATE FINANCIAL STATEMENTS

KPMG S.p.A.
Revisione e organizzazione contabile
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(Translation from the Italian original which remains the definitive version)

Report of the auditors in accordance with articles 14 and 16 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
Banca Popolare di Vicenza S.C.p.A.

1 We have audited the consolidated financial statements of the Banca Popolare di Vicenza Group as at and for the year ended 31 December 2014, comprising the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes thereto. The parent's directors are responsible for the preparation of these financial statements 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. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

The consolidated financial statements present the prior year corresponding figures for comparative purposes. As disclosed in the notes, the parent's directors restated some of the corresponding figures included in the prior year consolidated financial statements. We audited such consolidated financial statements and issued our report thereon on 2 April 2014. We have examined the methods used to restate the prior year corresponding figures and related disclosures for the purposes of expressing an opinion on the consolidated financial statements at 31 December 2014.

3 In our opinion, the consolidated financial statements of the Banca Popolare di Vicenza Group as at and for the year ended 31 December 2014 comply with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Therefore, they are clearly stated and give a true and fair view of the financial position of the Banca Popolare di Vicenza Group as at 31 December 2014, the results of its operations and its cash flows for the year then ended.

4 The directors of Banca Popolare di Vicenza S.C.p.A. are responsible for the preparation of a report on operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and its specific section on corporate governance and shareholding structure, to the extent of the information required by article 123-bis.2.b of Legislative decree no. 58/98 with the financial statements to which they refer, as required by the law. For this purpose, we have performed the procedures required by the Italian Standard on Auditing 001 issued by the Italian Accounting Profession and recommended by Consob. In our opinion, the report on operations and the information required by article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the specific section of such report are consistent with the consolidated financial statements of the Banca Popolare di Vicenza Group as at and for the year ended 31 December 2014.

Verona, 18 March 2015

KPMG S.p.A.

(signed on the original)

Vito Antonini
Director of Audit

FINANCIAL STATEMENTS OF SUBSIDIARY COMPANIES

BANCA NUOVA S.P.A.

BALANCE SHEET AS OF 31 DECEMBER 2014

	ASSETS		31/12/2014		31/12/2013
10.	Cash and balances with central banks		36,925,129		42,165,999
20.	Financial assets held for trading		10,761,512		11,397,898
40.	Financial assets available for sale		121,120,710		162,896,308
60.	Loans and advances to banks		1,330,057,073		1,173,592,167
70.	Loans and advances to customers		3,010,758,222		3,139,203,467
80.	Hedging derivatives		2,978,558		873,466
90.	Fair value change of assets in hedged portfolios (+/-)		30,930,188		19,457,448
100.	Equity investments		531,447		531,447
110.	Property, plant and equipment		9,208,759		10,557,784
120.	Intangible assets		110,546,018		110,755,204
	of which: - goodwill	*110,000,000*		*110,000,000*	
130.	Tax assets		68,345,716		62,456,960
	a) current	*4,413,707*		*7,109,265*	
	b) deferred	*63,932,009*		*55,347,695*	
	of which: - L.214/2011	*56,043,994*		*46,771,739*	
150.	Other assets		85,850,004		81,246,401
	Total Assets		**4,818,013,336**		**4,815,134,549**

BANCA NUOVA S.P.A.

BALANCE SHEET AS OF 31 DECEMBER 2014

EQUITY AND LIABILITIES			31/12/2014		31/12/2013
10.	Deposits from banks		476,565,082		483,048,355
20.	Due to customers		2,906,352,878		2,758,921,432
30.	Debt securities in issue		865,191,757		1,028,517,139
40.	Financial liabilities held for trading		8,013,511		12,445,908
50.	Financial liabilities at fair value		122,036,503		109,915,307
60.	Hedging derivatives		47,314,965		44,366,024
70.	Fair value adjustment of financial liabilities subject to macro hedge (+/-)		-		391,493
80.	Tax liabilities:		9,384,187		1,275,062
	b) deferred	*9,384,187*		*1,275,062*	
100.	Other liabilities		54,561,839		49,119,111
110.	Provision for severance indemnities		9,312,727		9,686,494
120.	Provisions for risks and charges		5,742,647		7,393,421
	b) other provisions	*5,742,647*		*7,393,421*	
130.	Valuation reserves		1,516,619		(10,675,254)
160.	Reserves		9,198,606		2,388,480
170.	Additional paid-in capital		110,000,000		110,000,000
180.	Capital stock		206,300,000		206,300,000
200.	Net income (loss) for the year (+/-)		**(13,477,985)**		2,041,577
	Total Equity and Liabilities		**4,818,013,336**		**4,815,134,549**

BANCA NUOVA S.P.A.

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

(in euro)

			31/12/2014		31/12/2013
10.	Interest income and similar revenues		172,441,253		172,541,408
20.	Interest expense and similar charges		(82,362,135)		(92,420,654)
30.	**Net interest income**		**90,079,118**		**80,120,754**
40.	Fee and commission income		50,539,784		52,981,977
50.	Fee and commission expense		(6,354,505)		(6,534,865)
60.	**Net fee and commission income**		**44,185,279**		**46,447,112**
70.	Dividend and similar income		150,002		23
80.	Net trading income		558,279		172,181
90.	Fair value adjustments in hedge accounting		1,878,012		11,637,138
100.	Gains (losses) on disposals/repurchases of:		(870,533)		1,174,657
	a) loans and advances	*127,586*		*27,770*	
	b) financial assets available for sale	*13,456*		*2,009,770*	
	d) financial liabilities	*(1,011,575)*		*(862,883)*	
110.	Net change in financial assets and liabilities at fair value		11,159		38,039
120.	**Net interest and other banking income**		**135,991,316**		**139,589,904**
130.	Net impairment adjustments to:		(62,345,629)		(38,435,445)
	a) loans and advances	*(59,854,487)*		*(37,771,002)*	
	b) financial assets available for sale	*(5,000)*		*-*	
	d) other financial transactions	*(2,486,142)*		*(664,443)*	
140.	**Net income from financial activities**		**73,645,687**		**101,154,459**
150.	Administrative costs:		(97,703,221)		(100,785,123)
	a) payroll	*(48,839,670)*		*(51,003,401)*	
	b) other administrative costs	*(48,863,551)*		*(49,781,722)*	
160.	Net provisions for risks and charges		(2,575,087)		(1,335,766)
170.	Net adjustments to property, plant and equipment		(3,199,253)		(3,190,702)
180.	Net adjustments to intangible assets		(343,727)		(324,648)
190.	Other operating charges/income		13,366,316		11,960,553
200	**Operating costs**		**(90,454,972)**		**(93,675,686)**
240.	Gains (losses) on disposal of investments		(11,729)		(169)
250.	**Profit (loss) from current operations before tax**		**(16,821,014)**		**7,478,604**
260.	Income taxes on current operations		3,343,029		(5,437,027)
270.	**Profit (loss) from current operations after tax**		**(13,477,985)**		**2,041,577**
290.	**Net income (loss) for the year**		**(13,477,985)**		**2,041,577**

FARBANCA S.P.A.

BALANCE SHEET AS OF 31 DECEMBER 2014

(in euro)

ASSETS			31/12/2014		31/12/2013
10.	Cash and balances with central banks		36,912		61,847
20.	Financial assets held for trading		-		154
40.	Financial assets available for sale		110		110
60.	Loans and advances to banks		11,675,935		10,962,447
70.	Loans and advances to customers		472,758,089		467,202,281
100.	Equity investments		40,988		40,988
110.	Property, plant and equipment		86,548		97,194
120.	Intangible assets		9,354		17,122
130.	Tax assets		2,426,943		1,930,791
	a) current	*247,843*		*140,357*	
	b) deferred	*2,179,100*		*1,790,434*	
	of which: - L.214/2011	*1,978,332*		*1,565,439*	
150.	Other assets		13,138,459		14,412,739
	Total Assets		**500,173,338**		**494,725,673**

FARBANCA S.P.A.

BALANCE SHEET AS OF 31 DECEMBER 2014

(in euro)

EQUITY AND LIABILITIES			31/12/2014		31/12/2013
10.	Deposits from banks		109,651,942		94,098,961
20.	Due to customers		141,186,011		105,782,918
30.	Debt securities in issue		186,424,415		228,616,301
80.	Tax liabilities:		559,695		1,668,294
	a) current	559,695		1,668,294	
100.	Other liabilities		1,648,789		3,345,055
110.	Provision for severance indemnities		190,042		165,660
120.	Provisions for risks and charges		299,956		463,937
	b) other provisions	299,956		463,937	
130.	Valuation reserves		(35,671)		(26,194)
160.	Reserves		8,556,084		7,086,572
170.	Additional paid-in capital		13,215,691		13,215,691
180.	Capital stock		35,308,150		35,308,150
200.	Net income (loss) for the year (+/-)		3,168,234		5,000,328
	Total Equity and Liabilities		**500,173,338**		**494,725,673**

FARBANCA S.P.A.

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

(in euro)

			31/12/2014		31/12/2013
10.	Interest income and similar revenues		19,781,706		18,829,226
20.	Interest expense and similar charges		(9,722,940)		(9,827,241)
30.	**Net interest income**		**10,058,766**		**9,001,985**
40.	Fee and commission income		2,603,207		2,579,099
50.	Fee and commission expense		(399,354)		(337,843)
60.	**Net fee and commission income**		**2,203,853**		**2,241,256**
70.	Dividend and similar income		-		2
80.	Net trading income		(106,813)		(68,019)
100.	Gains (losses) on disposals/repurchases of:		(1,131)		2,725,800
	b) financial assets available for sale	-		2,724,670	
	d) financial liabilities	(1,131)		1,130	
120.	**Net interest and other banking income**		**12,154,675**		**13,901,024**
130.	Net impairment adjustments to:		(2,669,991)		(3,391,259)
	a) loans and advances	(2,658,189)		(3,362,985)	
	d) other financial transactions	(11,802)		(28,274)	
140.	**Net income from financial activities**		**9,484,684**		**10,509,765**
150.	Administrative costs:		(5,405,468)		(5,247,862)
	a) payroll	(2,581,725)		(2,598,339)	
	b) other administrative costs	(2,823,743)		(2,649,523)	
160.	Net provisions for risks and charges		163,980		(62,000)
170.	Net adjustments to property, plant and equipment		(29,358)		(33,341)
180.	Net adjustments to intangible assets		(7,768)		(7,174)
190.	Other operating charges/income		555,973		404,197
200.	**Operating costs**		**(4,722,641)**		**(4,946,180)**
240.	Gains (losses) on disposal of investments		2,050		-
250.	**Profit (loss) from current operations before tax**		**4,764,093**		**5,563,585**
260.	Income taxes on current operations		(1,595,859)		(563,257)
270.	**Profit (loss) from current operations after tax**		**3,168,234**		**5,000,328**
290.	**Net income (loss) for the year**		**3,168,234**		**5,000,328**

PRESTINUOVA S.P.A.

BALANCE SHEET AS OF 31 DECEMBER 2014

(in euro)

ASSETS			31/12/2014		31/12/2013
60.	Loans and advances		398,805,150		414,182,634
90.	Equity investments		34,528		34,528
100.	Property, plant and equipment		77,240		110,559
110.	Intangible assets		4,000,054		4,000,256
120.	Tax assets		2,478,190		2,556,321
	a) current	*343,292*		*389,186*	
	b) deferred	*2,134,898*		*2,167,135*	
	of which: - L.214/2011	*976,407*		*961,456*	
140.	Other assets		204,074		235,048
	Total Assets		**405,599,236**		**421,119,346**

PRESTINUOVA S.P.A.

BALANCE SHEET AS OF 31 DECEMBER 2014

(in euro)

EQUITY AND LIABILITIES			31/12/2014		31/12/2013
10.	Payables		353,100,668		371,856,899
70.	Tax liabilities:		1,119,590		438,708
	a) current	*1,093,041*		*403,310*	
	b) deferred	*26,549*		*35,398*	
90.	Other liabilities		13,565,599		13,063,901
100.	Provision for severance indemnities		113,884		281,159
110.	Provisions for risks and charges		232,102		344,547
	b) other provisions	*232,102*		*344,547*	
120.	Capital stock		25,263,160		25,263,160
150.	Additional paid-in capital		7,401,387		7,401,387
160.	Reserves		1,493,302		1,132,963
170.	Valuation Reserve		(37,242)		(34,244)
180.	Net income (loss) for the year		3,346,786		1,370,866
	Total Equity and Liabilities		**405,599,236**		**421,119,346**

PRESTINUOVA S.P.A.

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

(in euro)

			31/12/2014		31/12/2013
10.	Interest income and similar revenues		26,160,515		26,689,400
20.	Interest expense and similar charges		(15,219,818)		(17,329,183)
	Net interest income		**10,940,697**		**9,360,217**
30.	Fee and commission income		2,334,454		2,119,292
40.	Fee and commission expense		(2,859,993)		(2,413,849)
	Net fee and commission income		**(525,539)**		**(294,557)**
	Net interes and other banking income		**10,415,158**		**9,065,660**
100.	Net impairment adjustments to:		(536,471)		(604,053)
	a) loans and advances	(536,471)		(604,053)	
110.	Administrative costs:		(4,488,475)		(5,388,225)
	a) payroll	(1,449,909)		(3,142,998)	
	b) other administrative costs	(3,038,566)		(2,245,227)	
120.	Adjustments to property, plant and equipment		(27,349)		(39,497)
130.	Adjustments to intangible assets		(202)		(2,543)
150.	Net provisions for risks and charges		(5,200)		(60,494)
160.	Other operating expenses and income		105,822		(135,716)
	Net profit from operating activities		**5,463,283**		**2,835,132**
180.	Gains (losses) from sale of investments		675		166,686
	Profit (loss) from current operations before tax		**5,463,959**		**3,001,819**
190.	Income taxes on current operations		(2,117,173)		(1,630,953)
	Profit (loss) from current operations after tax		**3,346,786**		**1,370,866**
	Net income (loss) for the year		**3,346,786**		**1,370,866**

BPV FINANCE (INTERNATIONAL) PLC

BALANCE SHEET AS OF 31 DECEMBER 2014

(in euro)

ASSETS	31/12/2014	31/12/2013
Cash and cash equivalents	4,795,172	8,603,932
Financial assets	897,824,460	476,201,622
-Held to maturity investments	*42,448,101*	*47,611,128*
-Held for trading investments	*39,963,958*	*5,869,681*
-Available for sale investments	*815,412,401*	*422,720,813*
Loans and advances	463,374,144	460,306,856
Trade and other receivables	5,683,471	4,180,398
Deferred tax assets	-	924,327
Property, plant and equipment	13,878	11,045
Total Assets	**1,371,691,125**	**950,228,180**

BPV FINANCE (INTERNATIONAL) PLC

BALANCE SHEET AS OF 31 DECEMBER 2014

(in euro)

LIABILITIES	31/12/2014	31/12/2013
Interest bearing loans and borrowing	1,195,583,350	811,495,934
Trade and other payables	2,206,049	1,904,988
Derivative liabilities	18,765,228	627,181
Deferred tax liabilities	1,669,296	-
Total Liabilities	**1,218,223,923**	**814,028,103**
Net Assets	**153,467,202**	**136,200,077**
CAPITAL AND RESERVES		
Called up share capital	103,291	103,291
Capital contribution	113,619,364	113,619,364
Available for sale reserve	15,242,778	(833,209)
Other reserves	(3,546,608)	(5,629,210)
Accumulated surplus/(deficit)	28,048,377	28,939,841
Shareholders' funds - equity	**153,467,202**	**136,200,077**

BPV FINANCE (INTERNATIONAL) PLC

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

(in euro)

	31/12/2014	31/12/2013
Interest receivable and similar income	28,751,347	27,372,027
Interest payable and similar charges	(18,323,977)	(18,137,424)
Net interest income	**10,427,370**	**9,234,603**
Trading (expense)/income	14,872,725	26,216,538
Other income/expense	992,659	1,103,752
Administrative expenses	(1,927,097)	(1,970,117)
Foreign exchange gains	(19,789)	7,101
Profit on ordinary activities before taxation	**24,345,868**	**34,591,876**
Tax on profit on ordinary activities	(3,029,767)	(4,497,066)
Profit for the financial year	**21,316,101**	**30,094,810**

BPVI MULTICREDITO S.P.A.

BALANCE SHEET AS OF 31 DECEMBER 2014

(in euro)

ASSETS			31/12/2014		31/12/2013
10.	Cash and balances with central banks		457		135
60.	Loans and advances		1,226,711		771,223
100.	Property, plant and equipment		35,882		-
120.	Tax assets		223,255		11,000
	a) current	138,212		-	
	b) deferred	85,043		11,000	
140.	Other assets		29,878		36,212
	Total Assets		**1,516,183**		818,570

BPVI MULTICREDITO S.P.A.

BALANCE SHEET AS OF 31 DECEMBER 2014

(in euro)

EQUITY AND LIABILITIES			31/12/2014		31/12/2013
10.	Deposits		-		108,039
70.	Tax liabilities:		26,201		51,039
	a) current	26,201		51,039	
90	Other liabilities		729,595		440,472
110	*Provisions for risks and charges*		307,714		20,000
	b) other provisions	307,714		20,000	-
120	Capital stock		120,000		120,000
160.	Reserves		79,020		-
180.	Net income (loss) for the year (+/-)		253,653		79,020
	Total Equity and Liabilities		**1,516,183**		818,570

BPVI MULTICREDITO S.P.A.

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

(in euro)

			31/12/2014		31/12/2013
10.	Interest income and similar revenues		184		39
20.	Interest expense and similar charges		(372)		(46)
	Net interest income		**(188)**		**(7)**
30.	Fee and commission income		5,754,269		804,949
40.	Fee and commission expense		(4,415,668)		(437,313)
	Net fee and commission income		**1,338,601**		**367,636**
	Net interest and other banking income		**1,338,413**		**367,629**
110.	Administrative costs:		(665,651)		(228,570)
	a) payroll	(285,036)		(98,734)	
	b) other administrative costs	(380,615)		(129,836)	
120.	Adjustments to property, plant and equipment		(6,425)		
150.	Net provisions for risks and charges		(287,714)		(20,000)
160.	Other operating expenses and income		(9,217)		-
	Net profit from operating activities		**369,406**		**119,059**
	Profit (loss) from current operations before tax		**369,406**		**119,059**
190.	"Income taxes on current operations "		(115,753)		(40,039)
	"Profit (loss) from current operations after tax"		**253,653**		**79,020**
	Net income (loss) for the year		**253,653**		**79,020**

NEM SGR S.P.A.

BALANCE SHEET AS OF 31 DECEMBER 2014

(in euro)

ASSETS			31/12/2014		31/12/2013
10.	Cash and balances with central banks		2,114		2,302
40.	Financial assets available for sale		798,627		736,531
60.	Loans and advances		2,854,012		3,210,075
	b) other loans and advances	2,854,012		3,210,075	
100.	Property, plant and equipment		17,384		20,999
120.	Tax assets		175,347		135,325
	a) current	149,253		57,666	
	b) deferred	26,094		77,659	
140.	Other assets		440,116		312,946
	Total Assets		**4,287,600**		**4,418,178**

NEM SGR S.P.A.
BALANCE SHEET AS OF 31 DECEMBER 2014

EQUITY AND LIABILITIES

			31/12/2014		31/12/2013
70.	Tax liabilities:		-		10,900
	a) current	-		*10,900*	
90.	Other liabilities		286,200		261,835
100.	Provision for severance indemnities		197,738		46,671
110.	Provisions for risks and charges		-		210,000
	b) other provisions	-		*210,000*	
120.	Capital stock		1,200,000		1,200,000
160.	Reserves		1,580,546		1,569,555
170.	Valuation reserves		(70,777)		(43,773)
180.	Net income (loss) for the year (+/-)		1,093,893		1,162,990
	Total Equity and Liabilities		**4,287,600**		**4,418,178**

NEM SGR S.P.A.

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

(in euro)

			31/12/2014		31/12/2013
10.	Fee and commission income		3,676,786		3,728,100
20.	Fee and commission expense		(1,339)		(1,197)
	Net fee and commission income		**3,675,447**		**3,726,903**
40.	Interest income and similar revenues		17,732		23,162
	Net interest and other banking income		**3,693,179**		**3,750,065**
100.	Net impairment adjustments to:		(27,179)		(16,228)
	a) loans and advances	(27,179)		(16,228)	
110.	Administrative costs:		(2,223,171)		(1,896,769)
	a) payroll	(1,550,959)		(1,390,988)	
	b) other administrative costs	(672,212)		(505,781)	
120.	Net adjustments to property, plant and equipment		(12,196)		(6,326)
150.	Net provisions for risks and charges		-		(60,000)
160.	Other operating expenses		300,993		269,636
	Net profit from operating activities		**1,731,626**		**2,040,378**
	PROFIT (LOSS) FROM CURRENT OPERATIONS BEFORE TAX		**1,731,626**		**2,040,378**
190.	Income taxes on current operations		(637,733)		(877,388)
	Profit (loss) from current operations after tax		**1,093,893**		**1,162,990**
	Net income (loss) for the year		**1,093,893**		**1,162,990**

SERVIZI BANCARI S.C.P.A.

BALANCE SHEET AS OF 31 DECEMBER 2014

(in euro)

ASSETS	31/12/2014	31/12/2013
B) Fixed assts		
I. Intangible fixed assets		
4) Concessions, licenses, trademarks and similar rights	4,828	270
5) Goodwill	175,436	258,591
7) Other	111,260	146,650
Total	**291,524**	**405,511**
II. Tangible fixed assets		
2) Plant and machinery	28,958	16,190
4) Other assets	76,984	100,841
Total	**105,942**	**117,031**
III. Financial fixed assets		
1) Equity investments in::		
d) other companies	102,100	102,100
2) Receivables:		
d) due from third parties	2,973	2,973
3) Other	5,453,982	5,177,873
Total	**5,559,055**	**5,282,946**
Total fixed assets (B)	**5,956,521**	**5,805,488**
C) Current assets		
II. Loans and advances		
1) Due from customers	276,830	237,573
4) Due from parent companies	-	-
4-bis) Due from tax authorities	1,029,086	1,084,868
4-ter) Deferred tax assets	324,782	469,907
within 12 months	15,215	156,763
beyond 12 months	309,567	313,144
5) Due from third parties	123,549	126,774
Total	**1,754,247**	**1,919,122**
IV. Liquid funds		
1) Bank and post office accounts	4,280,652	5,265,868
3)Cash and cash equivalents	453	133
Total	**4,281,105**	**5,266,001**
Total current assets (C)	**6,035,352**	**7,185,123**
Accrued income and prepaid expenses, indicating discounts on loans separately	**118,514**	**118,086**
Total Assets	**12,110,387**	**13,108,697**

SERVIZI BANCARI S.C.P.A.

BALANCE SHEET AS OF 31 DECEMBER 2014

(in euro)

LIABILITIES AND STOCKHOLDERS' EQUITY	31/12/2014	31/12/2013
A) **Stockholders' equity:**		
I. Capital stock	120,000	120,000
IV. Legal reserve	25,144	25,144
VII. Other reserves:	807,600	807,600
- *Other reserves*	*703,663*	*703,663*
- *Other reserves*	*103,937*	*103,937*
Total stockholders' equity (A)	**952,744**	**952,744**
B) Provisions for risks and charges		
3) Other	1,787,343	3,458,991
Total provisions for risks and charges (B)	**1,787,343**	**3,458,991**
C) Provisions for severance indemnities	**2,944,184**	**3,311,051**
D) Payables, indicating amounts due beyond 12 months separately for each payables account:		
7) Due to suppliers	715,390	706,620
11) Due to parent companies	2,571,747	2,682,923
12) Due to tax authorities	672,618	615,026
13) Due to social security and pension institutions	658,034	684,508
14) Other payables	1,756,601	649,097
Total payables (D)	**6,374,390**	**5,338,174**
E) Accrued expenses and deferred income, indicating premiums on loans separately	**51,726**	**47,737**
Total Equity and Liabilities	**12,110,387**	**13,108,697**

SERVIZI BANCARI S.C.P.A.

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

(in euro)

		31/12/2014	31/12/2013
A)	Value of production:		
	1) Revenues from sales and services	22,780,976	21,939,902
	5) Other revenues and income	234,562	128,112
	Total value of production (A)	**23,015,538**	**22,068,014**
B)	Production costs		
	6) Raw, ancillary and consumable materials	86,368	92,667
	7) Services received	4,853,981	4,389,395
	8) Leases and rentals	700,670	582,392
	9) Personnel:		
	a) wages and salaries	11,849,606	11,455,084
	b) social security contributions	3,180,224	3,091,963
	c) severance indemnities	713,943	739,659
	d) pensions and similar commitments	288,763	306,770
	e) other costs	681,318	724,203
	10) Amortization, depreciation and writedowns		
	a) amortization of intangible fixed assets	124,283	163,085
	b) depreciation of tangible fixed assets	39,839	39,072
	d) writedown of current receivables	3,576	-
	13) Other provisions	30,000	-
	14) Other operating expenses	25,844	41,548
	Total production costs (B)	**22,578,415**	**21,625,838**
Difference between value and cost of production (A-B)		**437,123**	**442,176**
C)	Financial income and charges		
	16) Other financial income		
	b) from securities held as fixed assets	219,395	217,331
	- from parent company	262	326
	17) Interest and other financial charges		
	d) charges other than the above	2	3
	- from parent company	1	-
	- other	1	3
	Total financial income and charges (C)	**219,655**	**217,654**
E)	Extraordinary income and charges		
	20) Income		
	- previous exercise tax recalculation	7,379	22,588
	21)Charges		
	- taxes relating to prior years	-	88,213
	- other	18,345	-
	Difference (20-21)	**(10,966)**	**(65,625)**
	Results before taxes (A - B ± C ± D ± E)	**645,812**	**594,205**
	22) Income taxes for the year		
	- current taxes	(500,687)	(628,176)
	- deferred taxes	(145,125)	33,971
	23) Net income (loss) for the year	**-**	**-**

IMMOBILIARE STAMPA S.C.P.A.

BALANCE SHEET AS OF 31 DECEMBER 2014

(in euro)

ASSETS	31/12/2014	31/12/2013
B) Fixed assets, indicating those under finance lease separately:		
I Intangible fixed assets		
1) Start-up and expansion costs	16,852	32,416
3) Industrial patent and intellectual property rights	4,845	2,266
4) Concessions, licenses, trademarks and similar rights	283,589	258,075
5) Goodwill	10,913	19,126
7) Other	97,411	304,087
Total	**413,610**	**615,970**
II. Tangible fixed assets		
1) Land and buildings	336,687,629	333,710,171
2) Plant and machinery	456,623	447,152
4) Other assets	192,703	99,828
5) Assets under construction and advance payments	6,991,689	6,860,499
Total	**344,328,644**	**341,117,650**
III. Financial fixed assets, indicating amounts due within 12 months separately for each receivables account		
2) Receivables:		
d) due from third parties		
- beyond 12 months	4,935	3,792
Total	4,935	3,792
Total fixed assets (B)	**344,747,189**	**341,737,412**
C) Current assets:		
II. Receivables, indicating amounts due within 12 months separately for each receivables account:		
1) Due from customers	540,635	681,675
4) Due from parent companies	571,374	1,046,760
4-bis) Due from tax authorities	110,670	670,786
4- ter) deferred		
within 12 months	15,072	41,848
beyond 12 months	623,631	529,796
5) Due from third parties	72,163	62,690
Total	**1,933,545**	**3,033,555**
IV. Liquid funds:		
1) Bank and post office accounts	6,739,355	6,839,829
3) Cash and cash equivalents	478	429
Total	**6,739,833**	**6,840,258**
Total current assets (C)	**8,673,378**	**9,873,813**
D) Accrued income and prepaid expenses, indicating discounts on loans separately	**159,815**	**217,528**
Total Assets	**353,580,382**	**351,828,753**

IMMOBILIARE STAMPA S.C.P.A.
BALANCE SHEET AS OF 31 DECEMBER 2014

EQUITY AND LIABILITIES

		31/12/2014	31/12/2013
A)	Stockholders' equity:		
	I. Capital stock	214,400,000	214,400,000
	IV. Legal reserve	1,831,369	1,831,369
	VII. Other reserves, indicated separately	431,082	431,082
	- Extraordinary reserve	431,082	431,082
	Total stockholders' equity (A)	**216,662,451**	**216,662,451**
B)	Provisions for risks and charges		
	2) Provision for taxation	2,597,408	2,700,081
	3) Other	70,000	222,174
	Total provisions for risks and charges (B)	**2,667,408**	**2,922,255**
C)	**Provisions for severance indemnities**	**912,034**	**847,308**
D)	Payables, indicating amounts due beyond 12 months separately for each payables account:		
	3) Due to shareholders for loans		
	within 12 months	7,675,855	6,552,736
	beyond 12 months	123,650,021	121,764,466
	4) Due to banks		
	within 12 months	76,811	74,284
	beyond 12 months	945,573	1,022,384
	7) Due to suppliers	213,340	643,741
	11) Due to parent companies	20	336,686
	12) Due to tax authorities	341,166	541,701
	13) Due to social security and pension institutions	144,322	144,990
	14) Other payables		
	within 12 months	232,751	163,105
	beyond 12 months	45,569	44,025
	Total payables (D)	**133,325,428**	**131,288,118**
E)	**Accrued expenses and deferred income, indicating premiums on loans separately**	**13,061**	**108,621**
Total Liabilities and Stockholders' equity		**353,580,382**	**351,828,753**

		31/12/2014	31/12/2013
A)	MEMORANDUM ACCOUNTS		
	Commitments		
	1) Supply contracts	125,787	16,389
	2) Sale of buildings	14,134,000	18,598,000
	7) Assets leasing	3,765,412	4,066,864
Total memorandum accounts		**18,025,199**	**22,681,253**

IMMOBILIARE STAMPA S.C.P.A.

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

(in euro)

			31/12/2014	31/12/2013
A)	**Value of production:**			
	1)	Revenues from sales and services	22,382,639	21,197,753
	5)	Other income and revenues, indicating contributions for operating expenses separately	364,175	535,990
	Total value of production (A)		**22,746,814**	**21,733,743**
B)	**Production costs:**			
	6)	Raw, ancillary and consumable materials	25,110	37,499
	7)	Services received	2,195,399	2,235,683
	8)	Leases and rentals	427,174	469,182
	9)	Personnel:		
		a) wages and salaries	2,165,165	2,207,739
		b) social security contributions	595,325	596,345
		c) severance indemnities	138,906	139,405
		d) pensions and similar commitments	46,413	58,852
		e) other costs	5,534	2,977
	10)	Amortization, depreciation and writedowns		
		a) amortization of intangible fixed assets	59,910	68,398
		b) depreciation of tangible fixed assets	10,376,103	9,744,414
		c) devaluation of tangible assets	9,435	-
		d) writedown of receivables included in current assets and liquid funds	50,000	-
	14)	Other operating expenses	3,053,232	2,959,756
	Total production costs (B)		**19,147,706**	**18,520,250**
Difference between value and cost of production (A-B)			3,599,108	3,213,493
C)	**Financial income and charges:**			
	16)	Other financial income		
		d) income other than the above, indicating that from subsidiary, associated and parent companies separately	497	948
		- from parent company	480	922
		- other	17	26
	17)	Interest and other financial charges, indicating those from subsidiary, associated and parent companies separately	2,550,117	2,215,210
		- due to parent company	2,538,005	2,189,442
		- other	12,112	25,768
	Difference (16-17)		**(2,549,620)**	**(2,214,262)**
E)	**Extraordinary income and charges**			
	20)	**Income, indicating separately gains on disposals not classifiable in line 5)**	653	33,615
	21)	Charges, indicating separately losses on disposals not classifiable in line 14), and taxes relating to prior years:	8,921	12,485
	Difference (20-21)		(8,268)	21,130
	Results before taxes (A - B ± C ± D ± E)		**1,041,220**	**1,020,361**
	22)	Income taxes for the year (current and deferred)	1,041,220	1,020,361
	23)	**Net income (loss) for the year**	**-**	**-**

MONFORTE 19 S.R.L.

BALANCE SHEET AS OF 31 DECEMBER 2014

(in euro)

ASSETS	31/12/2014	31/12/2013
B) Fixed assets, indicating separately:		
I. Intangible fixed assets	48,000	48,000
- (Amortization)	(36,025)	(33,025)
Total	11,975	14,975
II. Tangible fixed assets	**116,196,898**	**116,196,898**
- (Depreciation)	(18,270,554)	(15,443,571)
Total	97,926,344	100,753,327
Total fixed assets (B)	**97,938,319**	**100,768,302**
C) Current assets:		
I. Inventories	7,755,858	6,103,781
Total	7,755,858	6,103,781
II. Receivables, indicating amounts due within months separately for each receivables account:		
- within 12 months	729,361	89,051
- beyond 12 months	14,147	14,147
Total	743,508	103,198
IV. Liquid funds:	**3,356,079**	**3,837,137**
Total	3,356,079	3,837,137
Total current assets (C)	11,855,445	10,044,116
D) Accrued income and prepaid expenses, indicating discounts on loans separately	**12,997**	**5,372**
Total assets	**109,806,761**	**110,817,790**

EQUITY AND LIABILITIES

EQUITY AND LIABILITIES		31/12/2014	31/12/2013
A)	**Stockholders' equity**		
	I. Capital stock	10,000	10,000
	IV. Legal reserve	2,000	2,000
	VII. Other reserves, indicated separately	2,726,978	2,726,978
	- Shareholder payment for future capital increase	2,726,978	2,726,978
	IX. Net income (loss) for the year	331,831	1,637,846
	Total stockholders' equity (A)	**3,070,809**	**4,376,824**
D)	**Payables, indicating amounts due beyond months separately for each payables account:**		
	- within 12 months	21,732,952	417,379
	- beyond 12 months	85,000,000	106,000,000
	Total payables (D)	**106,732,952**	**106,417,379**
E)	**Accrued expenses and deferred income, indicating premiums on loans separately**	**3,000**	**23,587**
	Total accrued expenses and deferred income (E)	**3,000**	**23,587**
Total Equity and Liabilities		**109,806,761**	**110,817,790**

MEMORANDUM ACCOUNTS	31/12/2014	31/12/2013
Commitments		
1) Procurement	362,207	1,622,210
Total memorandum accounts	**362,207**	**1,622,210**

MONFORTE 19 S.R.L.

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

(in euro)

		31/12/2014	31/12/2013
A)	**Value of production:**		
	1) Revenues from sales and services	5,891,259	7,535,180
	2) Change in inventories of goods in process and finished products	1,652,077	-
	5) Other income and revenues, indicating contributions for operating expenses separately	31,670	1,251
	Total value of production (A)	**7,575,006**	**7,536,431**
B)	**Production costs:**		
	7) Services received	1,950,308	268,203
	10) Amortization, depreciation and write-downs		
	a) amortization of intangible fixed assets	3,000	3,000
	b) depreciation of tangible fixed assets	2,826,983	2,826,983
	14) Other operating expenses	850,665	709,210
	Total production costs (B)	5,630,956	3,807,396
Difference between value and cost of production (A-B)		1,944,050	3,729,035
C)	**Financial income and charges:**		
	16) Other financial income		
	d) income other than the above, indicating that from subsidiary, associated and parent companies separately	590	824
	17) Interest and other financial charges, indicating those from subsidiary, associated and parent companies separately	1,135,000	1,061,000
	Total financial income and charges (C)	(1,134,410)	(1,060,176)
E)	**Extraordinary income and charges**		
	20) Income, indicating separately gains on disposals not classifiable in line 5)	-	512
	21)Charges, indicating separately losses on disposals not classifiable in line 14), and taxes relating to prior years:	3,763	146
	Total extraordinary items (E)	(3,763)	366
	Results before taxes (A - B ± C ± D ± E)	805,877	2,669,225
	22) Income taxes for the year (current and deferred)	474,046	1,031,379
	23) Net income (loss) for the year	**331,831**	**1,637,846**

INDUSTRIAL OPPORTUNITY FUND

BALANCE SHEET AS OF 31 DECEMBER 2014

(in euro)

ASSETS		31/12/2014	31/12/2013
A)	**FINANCIAL INSTRUMENTS**	**19,036,546**	**21,787,796**
	Unlisted financial instruments	**19,036,546**	**21,787,796**
	A2. Non-controlling interests	11,393,134	14,243,965
	A3. Other equity	6,000,000	6,000,000
	A4. Debt securities	1,643,412	1,543,831
C)	**LOANS**	**31,012,878**	**29,735,645**
	C2. Other	31,012,878	29,735,645
F)	**NET LIQUIDITY POSITION**	**1,072,965**	**13,054,205**
	F1. Liquidity avalaible	1,072,965	13,054,205
G)	**OTHER ASSETS**	**3,748,228**	**3,695,592**
	G2. Accurred income and prepaid expenses	999,958	947,322
	G3. Tax savings	2,748,270	2,748,270
	TOTAL ASSETS	**54,870,617**	**68,273,238**

INDUSTRIAL OPPORTUNITY FUND

BALANCE SHEET AS OF 31 DECEMBER 2014

(in euro)

EQUITY AND LIABILITIES		31/12/2014	31/12/2013
H)	**FUNDING RECEIVED**	**15,908,579**	**28,408,579**
	H3. Other	15,908,579	28,408,579
M.	**OTHER LIABILITIES**	**332,624**	**548,034**
	M1. Fees and charges accrued but not paid	198,036	417,502
	M3. Accruals and deferred income	134,588	130,532
	TOTAL EQUITY AND LIABILITIES	**16,241,203**	**28,956,613**
	TOTAL NET VALUE OF THE FUND	**38,629,414**	**39,316,625**
	of which: total net value refers to shares of class A	38,085,338	38,762,870
	of which: total net value refers to shares of class B	544,076	553,755
	Units outstanding	**142**	**142**
	of which: shares of class A	140	140
	of which: shares of class B	2	2
	Net assest value of the shares		
	shares of class A	272,038,127	276,877,641
	shares of class B	272,038,127	276,877,641
	Total of the amounts to be called	**8,747,978**	**9,990,478**
	of which: shares of class A	8,624,767	9,849,767
	of which: shares of class B	123,211	140,711
	Net assets value of the units to be recalled		
	shares of class A	61,605,479	70,355,479
	shares of class B	61,605,479	70,355,479

INDUSTRIAL OPPORTUNITY FUND

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

(in euro)

		31/12/2014	31/12/2013
A)	**FINANCIAL INSTRUMENTS**		
	Unlisted financial instruments	**(2,816,181)**	**(3,221,500)**
	A1. EQUITY INVESTMENTS	(2,944,811)	-
	A1.3 gains/losses	(2,944,811)	-
	A2. OTHER UNLISTED FINANCIAL INSTRUMENTS	128,630	(3,221,500)
	A2.1 interests, dividends and other operating income	128,630	120,500
	A2.3 gains/losses	-	(3,342,000)
	Result of financial instruments management	**(2,816,181)**	**(3,221,500)**
C)	**LOANS**		
	C1. Interest income and similar revenues	2,706,300	3,514,011
	Result of credit management	**2,706,300**	**3,514,011**
H)	**BORROWING COSTS**		
	H1. INTERESSI PASSIVI SU FINANZIAMENTI RICEVUTI	(309,743)	(461,342)
	H1.2 on other loans	(309,743)	(461,342)
	H2. OTHER FINANCIAL CHARGES	(181,487)	(180,943)
	Net result of feature management	**(601,111)**	**(349,774)**
I)	**MANAGEMENT CHARGES**		
	I1. Management SGR commission	(1,242,500)	(1,242,500)
	of which: shares of class A	(1,225,000)	(1,225,000)
	of which: shares of class B	(17,500)	(17,500)
	I2. Custodian fees	(16,583)	(17,483)
	I5. Other operating charges	(46,036)	(35,847)
L)	**OTHER REVENUES AND EXPENSES**		
	L1. Interest earned on cash and cash equivalents	10,983	4,106
	L2. Other revenues	-	123
	L3. Other charges	(4,767)	(3,367)
	Result before taxes	**(1,900,014)**	**(1,644,742)**
M)	**TAXES**		
	M3. Other taxes	(29,697)	(24,100)
	of which: shares of class A	(29,279)	(23,761)
	of which: shares of class B	(418)	(339)
	Net income (loss) for the year	**(1,929,711)**	**(1,668,842)**
	of which: shares of class A	(1,902,532)	(1,645,337)
	of which: shares of class B	(27,179)	(23,505)

NEM IMPRESE FUND

BALANCE SHEET AS OF 31 DECEMBER 2014

(in euro)

ASSETS		31/12/2014	31/12/2013
A)	**FINANCIAL INSTRUMENTS**	**8,585,253**	**8,585,253**
	Unlisted financial instruments	**8,585,253**	**8,585,253**
	A2. Non-controlling interests	8,585,253	8,585,253
C)	**LOANS**	**1,250,025**	**1,250,025**
	C2. Other	1,250,025	1,250,025
F)	**NET LIQUIDITY POSITION**	**218,382**	**237,927**
	F1. Liquidity avalaible	218,382	237,927
G)	**OTHER ASSETS**	**392,006**	**294,709**
	G2. Accurred income and prepaid expenses	144,558	47,261
	G3. Tax savings	247,448	247,448
	TOTAL ASSETS	**10,445,666**	**10,367,914**

EQUITY AND LIABILITIES		31/12/2014	31/12/2013
M.	OTHER LIABILITIES	5,712	5,676
	M1. Fees and charges accrued but not paid	5,712	5,676
	TOTAL EQUITY AND LIABILITIES	**5,712**	**5,676**
	TOTAL NET VALUE OF THE FUND	**10,439,954**	**10,362,238**
	Units outstanding	120	120
	Net assest value of the shares	86,999,617	86,351,983
	Refunds or distributed pre-share earnings in the period	-	28,069,074
	Total of the amounts to be called	4,908,355	5,193,979
	Net assets value of the units to be recalled	40,902,958	43,283,158
	Amount of refunds	17,322,798	17,322,798
	Unit value of shares redeemed	144,356,650	144,356,650

NEM IMPRESE FUND

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

(in euro)

		31/12/2014	31/12/2013
A)	FINANCIAL INSTRUMENTS		
	Unlisted financial instruments	**-**	**1,807,810**
	A1. EQUITY INVESTMENTS	-	1,807,810
	A1.1 dividends and other income	-	623,920
	A1.2 profit/loss to perform	-	1,183,890
	Result of financial instruments management	-	**1,807,810**
C)	**LOANS**		
	C1. Interest income and similar revenues	97,296	47,261
	Result of credit management	**97,296**	**47,261**
I)	**MANAGEMENT CHARGES**		
	I1. Management SGR commission	(285,624)	(326,720)
	I2. Custodian fees	(3,255)	(3,088)
	I5. Other operating charges	(15,871)	(4,472)
L)	**OTHER REVENUES AND EXPENSES**		
	L1. Interest earned on cash and cash equivalents	362	586
	L2. Other revenues	-	13
	L3. Other charges	(816)	(127)
	Result before taxes	**(207,908)**	**1,521,263**
M)	**TAXES**		
	M1. Sets the replacement exercise	-	-
	M2. Tax savings	-	-
	M3. Other taxes	-	-
	Net income (loss) for the year	**(207,908)**	**1,521,263**

NEM IMPRESE II FUND

BALANCE SHEET AS OF 31 DECEMBER 2014

(in euro)

ASSETS		31/12/2014	31/12/2013
A)	**FINANCIAL INSTRUMENTS**	**42,927,620**	**30,738,050**
	Unlisted financial instruments	**42,927,620**	**30,738,050**
	A2. Non-controlling interests	28,927,620	16,738,050
	A4. Debt securities	14,000,000	14,000,000
C)	**LOANS**	**154,477**	-
	C2. Other	154,477	-
F)	**NET LIQUIDITY POSITION**	**70,993**	**166,150**
	F1. Liquidity avalaible	70,993	166,150
G)	**OTHER ASSETS**	**532,744**	**464,248**
	G2. Accurred income and prepaid expenses	175,492	106,997
	G3. Tax savings	357,251	357,251
	G4. Other	1	-
	TOTAL ASSETS	**43,685,834**	**31,368,448**

NEM IMPRESE II FUND

BALANCE SHEET AS OF 31 DECEMBER 2014

EQUITY AND LIABILITIES		31/12/2014	31/12/2013
M.	**Other liabilieties**	**63,464**	**46,179**
	M1. Fees and charges accrued but not paid	37,373	38,442
	M3. Accruals and deferred income	26,091	7,737
	TOTAL EQUITY AND LIABILITIES	**63,464**	**46,179**
	TOTAL NET VALUE OF THE FUND	**43,622,370**	**31,322,269**
	of which: total net value refers to shares of class A	43,367,820	31,139,494
	of which: total net value refers to shares of class B	254,550	182,775
	Units outstanding	**4,627**	**4,627**
	of which: shares of class A	4,600	4,600
	of which: shares of class B	27	27
	Net assest value of the shares		
	shares of class A	9,427,787	6,769,455
	shares of class B	9,427,787	6,769,455
	Total of the amounts to be called	**58,288,575**	**76,120,725**
	of which: shares of class A	57,948,443	75,676,537
	of which: shares of class B	340,132	444,188
	Net assets value of the units to be recalled		
	shares of class A	12,597,488	16,451,421
	shares of class B	12,597,488	16,451,421

FONDO NEM IMPRESE

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

(in Euro)

		31/12/2014	31/12/2013
A)	**FINANCIAL INSTRUMENTS**		
	Unlisted financial instruments	**(3,124,081)**	**104,877**
	A1. EQUITY INVESTMENTS	**(3,404,410)**	**-**
	A1.3 gains/losses	(3,404,410)	-
	A2. OTHER UNLISTED FINANCIAL INSTRUMENTS	280,329	104,877
	A2.1 interests, dividends and other operating income	280,329	104,877
	Result of financial instruments management	(3,124,081)	104,877
I)	**MANAGEMENT CHARGES**		
	I1. Management SGR commission	(2,082,150)	(2,082,150)
	of which: shares of class A	(2,070,000)	(2,070,000)
	of which: shares of class B	(12,150)	(12,150)
	I2. Custodian fees	(23,132)	(14,145)
	I5. Other operating charges	(228,292)	(374,260)
L)	**OTHER REVENUES AND EXPENSES**		
	L1. Interest earned on cash and cash equivalents	1,373	1,047
	L2. Other revenues	1	13
	L3. Other charges	(11,233)	(11,303)
	Result before taxes	(5,467,514)	(2,375,921)
M)	**TAXES**		
	M3. Other taxes	(64,535)	(20,975)
	of which: shares of class A	(64,158)	(20,789)
	of which: shares of class B	(377)	(186)
	Net income (loss) for the year	**(5,532,049)**	**(2,396,896)**
	of which: shares of class A	(5,499,767)	(2,382,909)
	of which: shares of class B	(32,281)	(13,987)

Stampa: Rumor Industrie Grafiche, Vicenza

Gruppo Banca
Popolare di Vicenza