2015

ANNUAL REPORT

FRIULADRIA
CRÉDIT AGRICOLE

Banca Popolare FriulAdria S.p.A. Annual Report and Financial Statements for 2015

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Letter from the Chairwoman

FriulAdria Crédit Agricole closed the financial year 2015 reporting a profit and once again proved to be one of the soundest and best performing banks in Northeast Italy.

Finally, in 2015 the economic recovery began to take hold. Supported by favourable economic conditions, exports by local enterprises drove the productive system, with some sectors, such as the agri-food one and some segments of the manufacturing sector that succeeded in reasserting the value added of made-in-Italy products.

Even though turbulence on the markets is not over yet, we have come out of a period that has changed our way of life for ever and we have already entered a new season full of opportunities.

In this scenario, FriulAdria Crédit Agricole continued to operate in accordance with the logic of a bank that puts Customers and the community at the center of its way of doing business, with a strong focus on innovation of products and of its service model. Again in 2015, the Bank was a constant and reliable reference point for many households and young couples in the realization of important life projects, first of all the project of a home, a scope where our home loans are with no doubt among the most effective and good value ones. We also assisted and supported the enterprises of the Friuli Venezia Giulia and Veneto Regions, both through credit supply and through the provision of managerial skills and specialist advisory services to contribute to their growth. In this regard, FriulAdria's belonging to the Crédit Agricole Group plays a key role, because it allows our Bank to adequately respond also to the requirements of the most structured and international industrial entities, to provide high net with individuals with safe and profitable wealth management, as well as to ensure good services to craftsmen, traders, self-employed professionals and micro-enterprises. In the banking field, the federal model of the French Parent Company is looked at as a winning one and looked up to as an inspiration for the balance it has achieved between the community-focused vocation of its subsidiaries and the supranational operations of a leading player.

Once again, social and cultural matters were a priority as they have always been in our way of doing banking business. This was due to the awareness and sensitivity of the Management, the Employees and the Shareholders, who believe in value sharing and, therefore, every year, allocate a part of the retained earnings to this kind of projects.

The transition to digital is of key importance. It amounts to a cultural revolution that has taken over all the rooms in our home, all workplaces, all aspects of corporate and social life. This is going to be the mode in years to come, when we will be always connected, smarter and smarter, but also – hopefully – more and more focused on the environmental, economic and social sustainability of every one of our actions. FriulAdria has already taken big steps forward. We have welcomed with enthusiasm and far-sight this wave of innovation, through the start-up of about forty state-of-the-art branches, the *Agenzie per Te*, and the inclusion of high-technology content products. The centrality of Customers and People is the compass that guides us to every change, every investment, every action.

Ultimately, our Bank is a company up to date, which has been able to interpret the economic changes underway and has invested in human capital and technological innovation. Today FriulAdria is ready to write other pages in its success story and to acquire new market shares, especially in the Veneto Region, where we have big potential for growth.

Therefore, I am proud to submit this Annual Report that is evidence of the excellent performance achieved thanks to effective strategy, openness to change and focus on the community.

The Chairwoman
Chiara Mio

Corporate Offices and Independent Auditors

Board of Directors

CHAIRWOMAN

Chiara Mio(*)

DEPUTY-CHAIRMAN

Ariberto Fassati(*)

CONSIGLIERI

Jean-Yves Barnavon

Michel Benassis(1)

Gianpietro Benedetti(°)

Hugues Brasseur(*)

Jean-Louis Delorme

Jean-Philippe Laval(*)

Giampiero Maioli(*)

Daniele Marini(°)

Andrea Oddi(°)(2)

Antonio Paoletti(°)

Giovanni Pavan(°)

(*) Members of the Executive Committee
(°) Independent
(1) In office since 25 June 2015 in place of Guy Proffit
(2) In office since 12 March 2015 in place of Antonio Scardaccio
(3) In office since 18 May 2015 in place of Carlo Crosara

Board of Auditors

CHAIRMAN

Giampaolo Scaramelli

STANDING AUDITORS

Roberto Branchi

Alberto Guiotto

Andrea Martini

Antonio Simeoni

ALTERNATE AUDITORS

Ilario Modolo

Andrea Babuin

Top Management

GENERAL MANAGER

Roberto Ghisellini(3)

VICE GENERAL MANAGER

Gérald Grégoire

Independent Auditors

Reconta Ernst & Young S.p.A.

Key figures

Income Statement data (thousands of Euro)	2015	2014	2013
Net operating revenues	310,232	311,480	308,316
Operating margin	122,540	132,996	121,060
Profit for the period	34,249	32,380	28,504

Balance Sheet data (thousands of Euro)	2015	2014	2013
Loans to Customers	6,603,173	6,380,612	6,325,422
Funding from Customers	6,198,946	6,074,939	5,991,917
Indirect funding from Customers	6,382,883	6,132,554	5,876,214

Operating structure	2015	2014	2013
Number of employees	1,471	1,566	1,672
Average number of employees	1,362	1,437	1,563
Number of branches	187	191	199

Profitability, efficiency and credit quality ratios	2015	2014	2013
Cost(°)/Income ratio	57.8%	57.3%	60.7%
Net income/Average equity (ROE)	4.8%	4.6%	4.2%
Net income/Average Tangible Equity (ROTE)	5.8%	5.6%	5.2%
Net non-performing loans/ Net loans to Customers	7.7%	8.5%	6.2%
Adjustments of non-performing loans/Gross non-performing loans	44.3%	42.3%	46.3%

Capital ratios	2015	2014	2013(*)
Common Equity Tier 1 ratio	11.9%	11.2%	10.7%
Tier 1 ratio	11.9%	11.2%	10.7%
Total capital ratio	11.9%	11.2%	10.7%

(*) Basel II-compliant data as at 31 December 2013

(°) Net of contributions to SRF/DGS/SPS

Significant events

FEB

For the seventh year in a row, the Cariparma CA Group was awarded the 2015 Top Employers Italia official certification for its excellent work conditions and for optimization of the Best Practices in the field of Human Resources.

At the 11th *Cerchio d'Oro dell'Innovazione Finanziaria* (Innovation Golden Circle) contest, organized by AIFIn, the Italian Association for Financial Innovation, the Group was given 4 awards, namely Special Mentions, in the Communication, Non-Life Insurance Products and Services, Credit Products and Services and Assistance Services categories.

MAY

The BoD of Banca Popolare FriulAdria appointed Roberto Ghisellini as its new General Manager.

Roberto Saviano won the FriulAdria 2015 prize in the XI° "Giovani" – èStoria 2015" International History Festival – Gorizia.

JUNE

Became the only Italian Bank with the A3 rating (the best rating in the Italian Banking System)

Ferruccio de Bortoli won the IV FriulAdria Prize "Testimoni della Storia 2015", promoted by the Marco Lucchetta International Press Award, with the sponsorship of Banca Popolare FriulAdria and in agreement with the *Pordenonelegge* and è*Storia* Festivals

AUG

The Individuals Nowbanking and Corporate Nowbanking were completed by the Nowpay new app, which makes micro-payments very easy.

SEPT

Credit Agricole Group Solutions was incorporate, of which FriulAdria is a shareholder, as the "Consortium Company" of the Cariparma Crédit Agricole Group in charge of Operations and Processes, Information Systems, Technical and Logistics, Security, Business Continuity, Purchasing and Property Management, HR Administration. FriulAdria contributed by transferring a business unit to the newly-incorporated company, consisting, among other things, of back office activities and 93 resources.

FriulAdria sat on the promoting committee and was a project partner of the 2015 *Pordenonelegge* Festival.

The Cariparma Crédit Agricole Group offered a new issue of Covered Bonds for €1 billion.

OCT

For the second year in a row, the Cariparma CA Group was conferred the Green Globe Banking Award. The Group also obtained the "Italian Green Bank" award for the "Agri-Food Horizon" project and the "Award of Distinction" for the Gran Mutuo Green project.

FriulAdria signed the sponsorship agreement to support the Benetton Rugby team.

NOV

Italian Legislative Decrees No. 180 and 181 of 16 November 2015 implemented Directive 2014/59/EU (the so-called Banking Resolution and Recovery Directive, "BRRD") in the Italian legislation; the EU Directive established a harmonized framework for the recovery and resolution of credit institutions and investment firms

With Italian Decree Law No. 183 of 22 November 2015 (the so-called "Bank Rescue" decree), four Italian banks were bailed-out: CariFerrara, Banca Marche, Banca Etruria and CariChieti.

The Cariparma Crédit Agricole Group started the environmental regeneration project associated to *Gran Mutuo Green*, the promotion of home mortgage loans which provides for a tree to be planted in areas affected by major environmental deterioration and at risk of hydrogeological instability for every home loan taken out. Thanks to this promotion, 500 new trees were planted in the green area next to the kindergarten of the Villanova district in Pordenone, which will contribute to its regeneration.

DEC

The Cariparma CA Group made the top of the Banca Finanza classifications, ranking second in the overall super classification of Banking Groups in Italy, in the "Leading Groups" segment. In specific classifications, it ranked 1st by soundness, 2nd by profitability and 3rd by productivity.

CRÉDIT AGRICOLE S.A. A UNIVERSAL BANKING GROUP

The Crédit Agricole Group is the leading partner to the French economy and one of the largest banking groups in Europe. It is the leading retail bank in Europe, as well as the first European asset manager, the first bancassurer in Europe and the third European player in project finance.

Built on its strong cooperative and mutual roots, its 140,000 employees and the 31,500 directors of its Local and Regional Banks, the Crédit Agricole Group is a responsible and responsive bank serving 52 million customers, 8.8 million mutual shareholders and 1 million individual shareholders.

Thanks to its universal customer-focused retail banking model – based on the cooperation between its retail banks and their related business lines, the Crédit Agricole Group supports its customers' projects in France and around the world providing specialized services: retail banking, insurance, real estate, payments, asset management, leasing and factoring, consumer finance, corporate and investment banking.

Crédit Agricole also stands out for its dynamic, innovative corporate social responsibility policy, for the benefit of the economy. This policy is based on a pragmatic approach which permeates across the Group and engages each employee.

52
The Countries it operates in

52
Mln Customers worldwide

140 000
Staff

€ 6.0 Bln
Net income
Group share

€ 92.9 Bln
Equity
Group share

13.7 %
Core Tier I ratio
fully loaded

The Group's organization

8.8 million mutual shareholders are the base of Crédit Agricole cooperative structure. They hold shares in the capital of the **2,476 Local Banks** and, every year, appoint their representatives: **31,150 Directors**, who bring their interests to the Group's attention.

The Local Banks hold the majority of the share capital of the **39 Regional Banks.**

The Regional Banks are cooperative regional banks providing their Customers with a full range of products and services. The Regional Banks' steering body is the Fédération nationale du crédit agricole (the National Federation of Agricultural Credit- FNCA), which defines and sets the main strategies of the Group.

Through the **SAS Rue La Boétie,** the Regional Banks are the controlling shareholder of Crédit Agricole S.A, with a 56.7% shareholding. Together with the specialist companies, Crédit Agricole S.A. coordinates the strategies for the various business lines in France and abroad.

CUSTOMER-FOCUSED BANK

Universal Customer-focused Bank

SPECIALIZED BUSINESS LINES

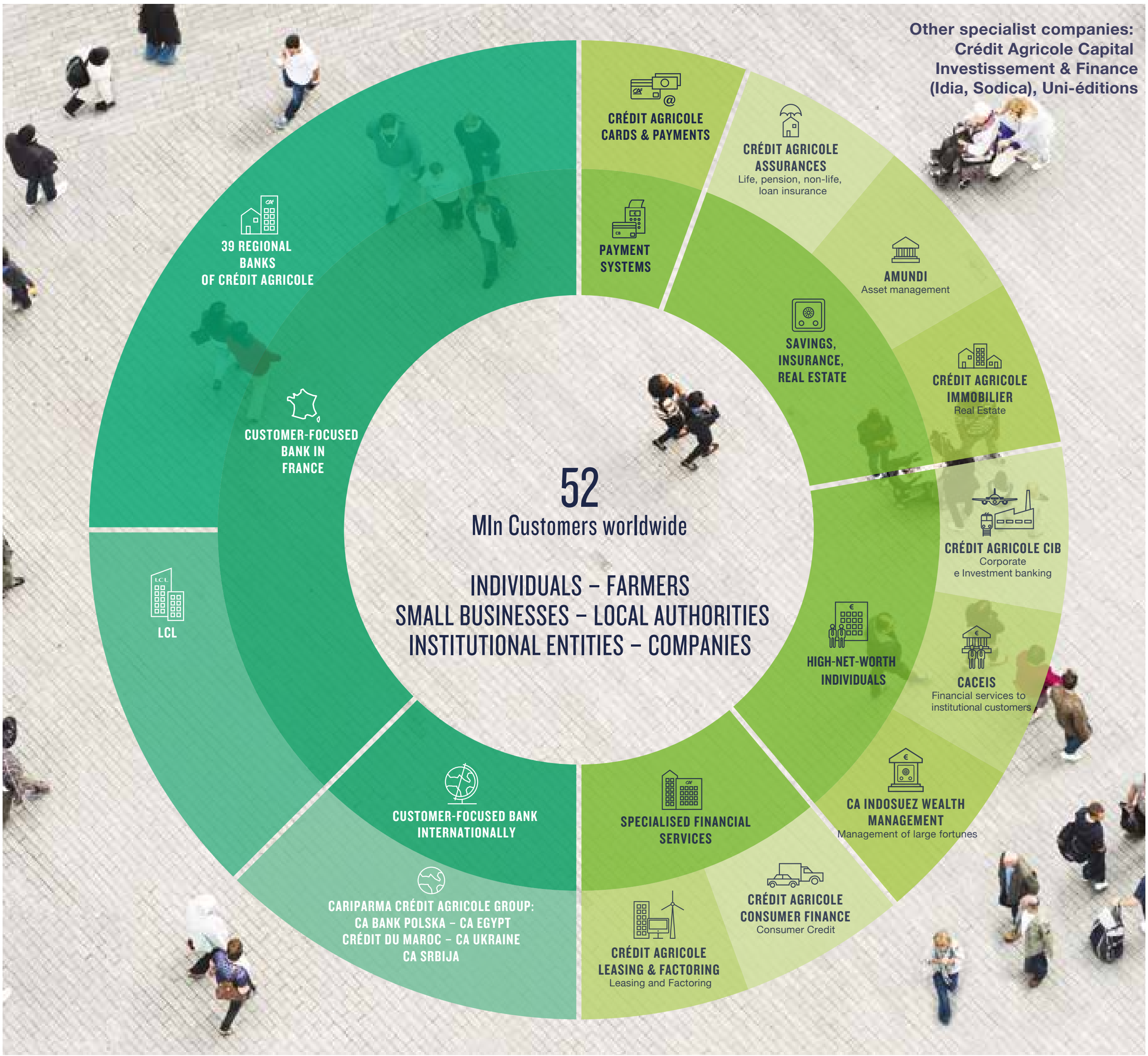


Photo : Getty Images/George Clerk

1° Financial partner of the French economy

1° Bancassurer in Europe

1° European Asset Manager

UNIVERSAL CUSTOMER-FOCUSED BANK IN ITALY

The Crédit Agricole Group has been operating in Italy for over 40 years, since the ‘70s, when it acquired Banque Indosuez. Its operations later developed covering the commercial banking, consumer credit, corporate and investment banking, asset management, and insurance segments, up to completing the range of provided services with private banking ones.

That of a **Universal Customer-focused Bank** is the organizational model that Crédit Agricole has designed to offer a range of banking products and specialized services, able to meet the requirements of all Customer segments. This model is up and running also in Italy.

Close cooperation between the Banks' distribution network and the business lines ensures that Crédit Agricole can operate in Italy providing a wide and integrated range of products and services, fit to meet the requirements of all economic players.

THE ORGANIZATIONAL MODEL INCLUDES:

CORPORATE AND INVESTMENT BANKING
for financial institutions and large companies

COMMERCIAL BANK
for individuals and businesses

FINANCIAL SERVICES
consumer credit, vehicle financing, leasing and factoring for businesses and individuals

INSURANCE AND ASSET MANAGEMENT SERVICES
for the Customers of the Group Banks and of independent networks

PRIVATE BANKING AND ASSET SERVICES
specialised services for private and institutional Customers

THE IMPORTANCE OF ITALY TO CRÉDIT AGRICOLE

KEY FIGURES IN 2015

61 Bln € Loans to the economy

3.3 Bln € Revenues

123 Bln € Deposits and Customers' funds under management(*)

in Italia

12,000 Staff

3.5 Mln Customers

(*) including "out-of-Group" AuM Amundi and Assets CACEIS (Depositary and Custody Bank).

COMMERCIAL BANK

GRUPPO CARIPARMA CRÉDIT AGRICOLE
CARISPEZIA | FRIULADRIA | CARIPARMA

CORPORATE AND INVESTMENT BANKING

CRÉDIT AGRICOLE CORPORATE & INVESTMENT BANK

CAPITAL FOR DEVELOPMENT

IDIA CAPITAL INVESTISSEMENT

FINANCIAL SERVICES

AGOS
FCA BANK
CRÉDIT AGRICOLE LEASING
CRÉDIT AGRICOLE EUROFACTOR

SERVICES

CRÉDIT AGRICOLE GROUP SOLUTIONS

INSURANCE

CRÉDIT AGRICOLE VITA
CRÉDIT AGRICOLE ASSICURAZIONI
CRÉDIT AGRICOLE CREDITOR INSURANCE

ASSET MANAGEMENT

Amundi ASSET MANAGEMENT

WEALTH MANAGEMENT

INDOSUEZ WEALTH MANAGEMENT
INDOSUEZ FIDUCIARIA

ASSET SERVICES

caceis INVESTOR SERVICES

PROFILE OF THE CARIPARMA CRÉDIT AGRICOLE GROUP

7th player in the Italian banking sector by assets under management

889 points of sale

8,200 Employees

Over 1,700,000 Customers

CAPITAL SOUNDNESS AS AT 31 December 2015: CET 1 11.4% (TOTAL CAPITAL RATIO 13.5%)

The **Cariparma Crédit Agricole Group** is part of the French Group Crédit Agricole and consists of: Cassa di Risparmio di Parma e Piacenza S.p.A. (Cariparma), Banca Popolare FriulAdria S.p.A. (FriulAdria), Cassa di Risparmio della Spezia S.p.A. (Carispezia), Crédit Agricole Leasing S.r.l. (Calit), Crédit Agricole Group Solutions.

The **Cariparma Crédit Agricole Group,** through the commercial Banks **Cariparma, FriulAdria and Carispezia,** operates in the 10 Italian Regions that account for 71% of the national population and generate 79% of the Italian GDP, with mid-corporate, large-corporate and private banking centers in the main cities. Its strong bonds with the communities it operates in, its focus on Customers and its widely acknowledged soundness are the Group's main strengths.

The Group's range of products and services covers all market segments:

RETAIL with 834 branches and 13 Small Business centers
PRIVATE BANKING with 21 Private Banking markets
CORPORATE BANKING with 20 mid-corporate markets and 1 large-corporate area

CARIPARMA CRÉDIT AGRICOLE

Parent Company of the Cariparma Crédit Agricole Group, it is strongly rooted in the communities it operates in and originated from local banks. In addition to its provinces of origin, Parma and Piacenza, it **operates in Italy's most productive cities**: Turin, Milan, Florence, Bologna, Rome and Naples.

595 points of sale in total **27.4 Bln €** worth of loans **81.2 Bln €** worth of total funding

FRIULADRIA CRÉDIT AGRICOLE

In 2007, FriulAdria became part of the new Cariparma Crédit Agricole Group, with the objective of **expanding its operations to cover the entire Triveneto Region**. It has **15,000 mutual shareholders** that give evidence of its strong bond with the local fabric; today, it is a reference point for households and businesses in North-eastern Italy and is implementing a significant **plan to expand operations to the Veneto Region.**

200 points of sale in total **6.6 Bln €** worth of loans **12.6 Bln €** worth of total funding

CARISPEZIA CRÉDIT AGRICOLE

Carispezia, one of the oldest savings banks in Italy, joined the Cariparma Crédit Agricole Group in 2011. It is the market leader in the original provinces of operation, La Spezia and Massa Carrara; in 2014, it started to implement a project to expand operation to the western part of the Liguria Region and began operations in the Genova, Savona and Imperia markets. Today, it is the **5th banking player** in the Liguria Region.

94 points of sale in total **2.5 Bln €** worth of loans **6,0 Bln €** worth of total funding

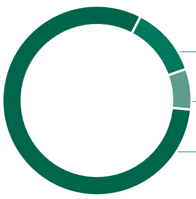
CRÉDIT AGRICOLE LEASING

Crédit Agricole Leasing ranks15th in the Italian lease sector, with a 2.45% market share, and in operates in the property, equipment, vehicle and energy leasing segments. At the end of 2015, the loan portfolio amounted to Euro 2Bln.

CRÉDIT AGRICOLE GROUP SOLUTIONS

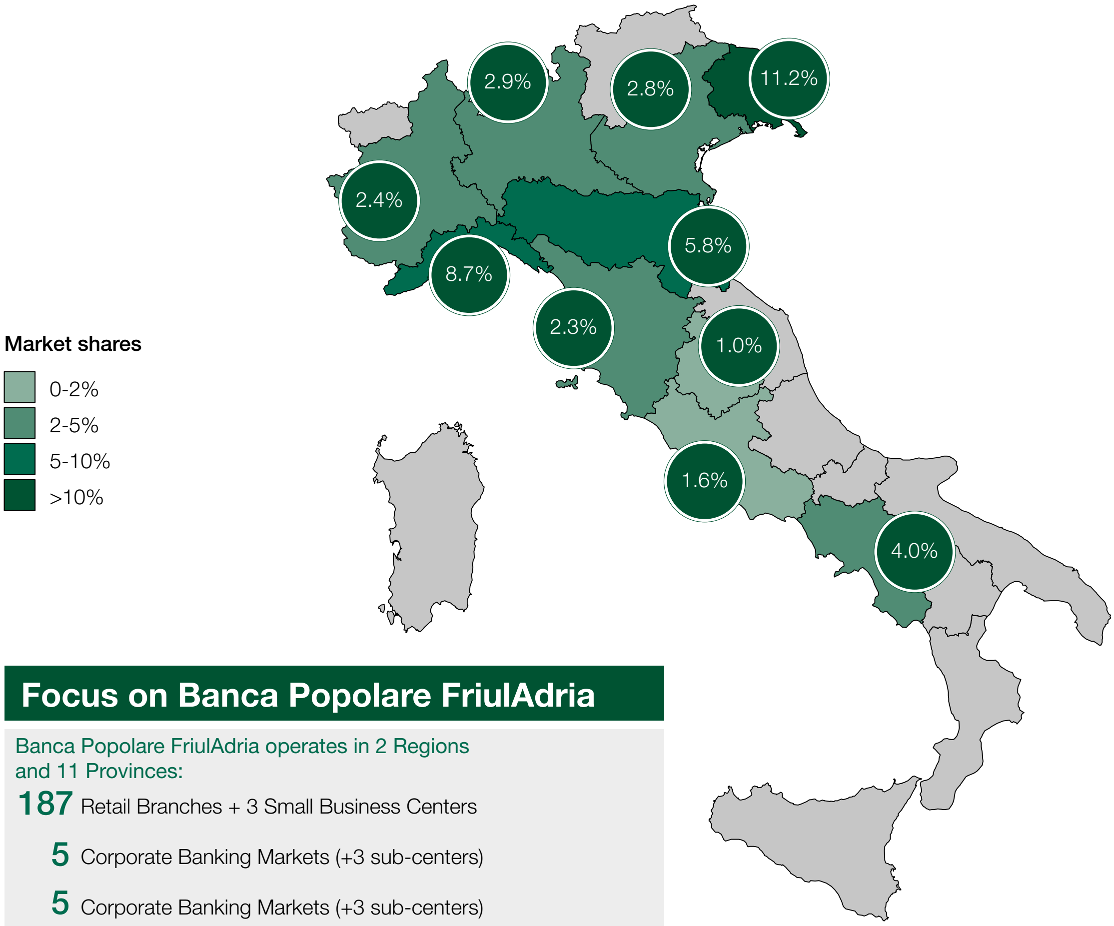
CAGS is the consortium company of the Cariparma Crédit Agricole Group in charge of all activities relating to Operational Processes, Information Systems, Technical Logistics, Safety and Security, Business Continuity, Purchases and Real Estate Management, as well as Human Resources Administration.

GEOGRAPHICAL DISTRIBUTION



Central Italy 108 points of sale
12%
Southern Italy 63 points of sale
7%
Northern Italy 744 points of sale
81%

GEOGRAPHICAL DISTRIBUTION OF MARKET SHARES BY BRANCHES OF THE CARIPARMA CRÉDIT AGRICOLE GROUP



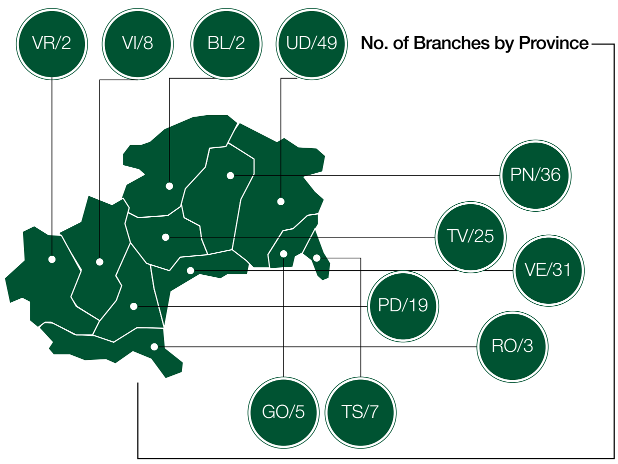
Focus on Banca Popolare FriulAdria

Banca Popolare FriulAdria operates in 2 Regions and 11 Provinces:

187 Retail Branches + 3 Small Business Centers

5 Corporate Banking Markets (+3 sub-centers)

5 Corporate Banking Markets (+3 sub-centers)



Province	Branches	MS
Venice	31	6.4%
Treviso	25	4.4%
Padua	19	3.2%
Vicenza	8	1.4%
Rovigo	3	2.0%
Belluno	2	1.2%
Verona	2	0.3%
TOT Veneto	90	2.8%
Pordenone	36	17.8%
Udine	49	10.9%
Gorizia	5	5.4%
Trieste	7	5.9%
TOT Friuli	97	11.2%

NOTES
- System data – source: Bank of Italy, 30 September 2015
- Banca Popolare FriulAdria data as at 31 December 2015

Annual Report and Financial Statements of Banca Popolare FriulAdria

Financial highlights and ratios

Income Statement highlights(°) (in thousands of Euro)	31.12.2015	31.12.2014	Changes	
			Absolute	%
Net commission income	176,747	176,217	530	0.3
Dividends	134,650	129,471	5,179	4.0
Profit (loss) from banking activities	248	142	106	74.6
Other operating income (expenses)	1,188	8,612	-7,424	-86.2
Net operating revenues	-2,601	-2,962	-361	-12.2
Operating expenses	310,232	311,480	-1,248	-0.4
Operating margin	-187,692	-178,484	9,208	5.2
Provisions for risks and charges	122,540	132,996	-10,456	-7.9
Net value adjustments of loans	-3,021	-4,081	-1,060	-26.0
Net profit for the period	-67,504	-78,812	-11,308	-14.3
Utile d'esercizio	34,249	32,380	1,869	5.8

Balance Sheet highlights(°) (thousands of Euro)	31.12.2015	31.12.2014	Changes	
			Absolute	%
Loans to Customers	6,603,173	6,380,612	222,561	3.5
Net financial assets/liabilities held for trading	268	17,301	-17,033	-98.5
Financial assets available for sale	1,003,982	996,105	7,877	0.8
Equity investments	3,500	5,000	-1,500	-30.0
Property, plant and equipment and intangible assets	185,777	187,972	-2,195	-1.2
Total net assets	8,177,811	8,018,965	158,846	2.0
Funding from Customers	6,198,946	6,074,939	124,007	2.0
Indirect funding from Customers	6,382,883	6,132,554	250,329	4.1
of which: asset management	4,677,431	4,166,900	510,531	12.3
Net due to banks	741,821	587,060	154,761	26.4
Equity	726,887	707,801	19,086	2.7

Operating structure	31.12.2015	31.12.2014	Changes	
			Absolute	%
Number of employees	1,471	1,566	-95	-6.1
Average number of employees(§)	1,362	1,437	-75	-5.2
Number of branches	187	191	-4	-2.1

(°) Income statement and balance sheet data are those restated in the reclassified financial statements shown on pages 26 and 35.

(§) The average number has been calculated as the weighted average of employees and atypical workers, where the weight is the number of months worked in the year; part-time staff is conventionally weighted at 50%.

Structure ratios(°)	31.12.2015	31.12.2014
Loans to customers /Total net assets	80.7%	79.6%
Direct funding from Customers/Total net assets	75.8%	75.8%
Asset management/Total indirect funding from Customers	73.3%	67.9%
Loans to Customers/ Direct funding from Customers	106.5%	105.0%
Total assets/Equity	11.9	11.8

Profitability ratios(°)	31.12.2015	31.12.2014
Net interest income/Net operating revenues	57.0%	56.6%
Net commissions income/Net operating revenues	43.4%	41.6%
Cost(*) /income ratio	57.8%	57.3%
Net income/Average equity (ROE)(a)	4.8%	4.6%
Net income/Average Tangible Equity (ROTE)(a)	5.8%	5.6%
Net income/Total assets (ROA)	0.4%	0.4%
Net income/Risk-weighted assets	0.9%	0.8%

Risk ratios(°)	31.12.2015	31.12.2014
Gross bad debts/Gross loans to Customers	7.7%	7.4%
Net bad debts/Net loans to Customers	3.2%	2.9%
Net value adjustments of loans/Net loans to Customers	1.0%	1.2%
Cost of risk(b)/Operating margin	57.6%	62.3%
Net bad debts/ Total Capital(c)	45.9%	41.9%
Net non-performing loans/ Net loans to Customers	7.7%	8.5%
Total value adjustments of non-performing loans/ Gross non-performing loans	44.3%	42.3%

Productivity ratios(°) (in income terms)	31.12.2015	31.12.2014
Operating expenses/No. of Employees (average)	137.8	124.2
Operating revenues/No. of Employees (average)	227.8	216.8

Productivity ratios(°) (in financial terms)	31.12.2015	31.12.2014
Loans to customers/No. of Employees (average)	4,848.1	4,440.2
Direct funding from Customers/No. of Employees (average)	4,551.4	4,227.5
Gross banking income(f) /No. of Employees (average)	14,085.9	12,935.4

Capital ratios	31.12.2015	31.12.2014
Common Equity Tier 1(d) /Risk-weighted assets (CET 1 ratio)	11.9%	11.2%
Tier 1(e) /Risk-weighted assets (Tier 1 ratio)	11.9%	11.2%
Total Capital(c) /Risk-weighted assets (Total capital ratio)	11.9%	11.2%
Risk-weighted assets (Euro thousands)	3,824,138	3,951,934

(°) The Ratios are based on the balance sheet and income statement data of the reclassified financial statements shown on pages 26 and 35.
(*) Net of contributions to SRF/DGS/SPS
(a) Ratio of net earnings to equity weighted average (for ROTE net of intangibles).
(b) Total risk cost includes the provision for risks and charges as well as net value adjustments of loans.
(c) Total Capital: total regulatory own funds.
(d) Common Equity Tier 1: Common Equity Tier 1
(e) Tier 1: Tier 1 Capital.
(f) Loans to Customers + Direct Funding + Indirect Funding

Management Report

THE MACROECONOMIC SCENARIO AND THE BANKING SYSTEM IN 2015

The macroeconomic scenario in 2015

In 2015, the world economy continued to grow (2015 GWP: up by +2.9% YOY[1]), even though at a rate below expectations, in a situation still featuring instability factors and high volatility of the financial markets.

The world economic cycle continues to perform unevenly in the various geographical areas, specifically with a slowdown in the economies of emerging Countries, which was offset by the growth in advanced economies:

- The United States economy posted the GDP increasing by +2.4%[1] YOY in 2015, with better employment figures and consumptions on the increase, driven by low inflation and by still low interest rates; moreover, in December 2015, the Fed announced the first increase in the policy rate after seven years of interest rates at zero;
- the main emerging economies continue to perform unevenly: the weakness of the Chinese economy, stagnation in South Africa and the deep recession in Brazil and Russia are impacting global trade, while the economy of India is performing well;
- In the Euro Area, the economy continued to grow at a modest rate, up by +1.5% YOY[1], with a good performance of household consumption throughout all European Countries, while investments are still stagnating and imports are growing at a higher rate than exports. Within the Euro Area, Germany GDP held steady (up by +1.7% YOY[1]) despite the Volkswagen scandal and the concerns about possible repercussions of the Chinese economy slowdown; higher increases in GDP were recorded in France (up by +1.1% YOY[1]) and in Spain (up by +3.5% YOY[1]). The Euro to Dollar exchange rate came to 1.089 on average in December 2015, down by -11.6% vs. the previous year[8]. In December 2015, the oil price came to USD 39.1 per barrel, decreasing by -39% YOU[8], with a concomitant decrease in the prices of commodities. Such low prices of commodities reflected downstream entailing lower prices of goods and this caused inflation in Europe to remain at very low levels, close to zero[1]. In this scenario featuring slow growth and consumer prices still well below the set target of 2%, the European Central Bank continued to implement expansive monetary policy measures.

As regards Italy, the recovery, which started in the first quarter of 2015, continued with the GDP increasing by +0.8%[2] YOY, driven by the good performance of domestic demand; on the other hand, the contribution of foreign demand was negative, being impacted by the decrease in international trade. As regards the GDP of Northeast Italy, it grew by +1%[2]: after the 8.4 percentage points lost from the beginning of the crisis to this day, this area started a marked upturn. In Veneto and Friuli Venezia Giulia the increase came to +0.7%, while in Trentino Alto Adige to +0.9%.

Consumption started to grow at a faster rate in the third quarter of 2015, driven by improvements in consumers' confidence, purchasing power and employment rate. All components of households' spending posted an increase, especially those relating to semi-durable goods. Consumption of durable goods continued t benefit from low interest rates, from the need to renew existing stocks and from tax incentives.

1 Source: Prometeia Update to the Forecast Report January 2016
2 Source: ISTAT (the Italian National Institute of Statistics)

Positive signals have come from progressive improvement in the **confidence of consumers and businesses**[3]: in December, the Consumer Confidence Index came to 117.6 vs. 97.4 in December 2014, and the Business Confidence Index came to 105.8 vs. 93.3 in December 2014.

As regards the labour market, **unemployment** decreased vs. 2014 across all age classes, at a higher rate for young people (15-24 years of age). This decreasing trend started in July and, in December, resulted in an employment rate[4] of 11.4%, down by -8.1% YOY, i.e. 254 thousand fewer people looking for a job. For Northeast Italy, the unemployment rate came in line with the same figure for 2014: 7.1%[2]: specifically, in Veneto it decreased to 7.2%, whereas in Friuli Venezia Giulia the unemployment rate increased to 7.9%.

The weight of young Italian unemployed between 15 and 24 years of age over the total number of individuals in the same age class was 9.8% (that is to say, close to one out of ten is unemployed). Good signs arrived also in terms of **employment rate**[4]: the number of employed increased by +0.5% vs. December 2014 (+109 thousand people), coming to 56.4% in December 2015. Compared to December 2014, the number of employees increased by 1.5% (up by +247 thousand people), fully accounting for the increase in the employment rate over the year.

In accordance with the final data published by ISTAT (the Italian National Institute of Statistics), in 2015,**the Consumer Price Index** decreased for the third year in a row, coming to an annual average of +0.1% vs. +0.2% for 2014[5], in a scenario featuring deflationary pressures on energy products and restraint in most of the main spending items. Local data for Northeast Italy show that prices posted no annual increase: specifically, in Veneto and Friuli Venezia Giulia, the trend rate was negative, at -0.1%[5].

The expansionary phase of economic activity is continuing, with **industrial production that increased** by +1.0% YPY on average in 2015[6]. While, on the one hand, **investments** in machinery and means of transport overall performed well, investments in buildings continued to decrease, even though slightly improving vs. the previous year. Finally, as regards **public finance**, also thanks to the acceleration in the reform process set by the Italian Government, total general government expenditure came to Euro 60 billion in December 2015[7], decreasing vs. 2014 (by approximately Euro -15 billion), especially thanks to lower interest expenses.

The Banking System in 2015

The gradual improvement in the economy reflected on the accounts of Italian Banks, which reported profits for the year, after having reported significant losses from 2011 on. However, the Italian banking scenario continues to be complex and heavily affected by the developments in the regulatory framework, with intermediated assets growing at a modest pace in 2015 and credit risk being still high.

In December 2015, **bank loans** to the private sector posted a modest increase (up by +0.1% YOY)[7]. Loans to **households** showed an increasing trend (up by +0.8% YOY in December 2015), driven by the significant performance of home mortgage loans, which was partly due to the renegotiation of existing loans (subrogation/moving accounts for 31.6% of new loans paid out in the January-December period). Lending to **businesses** still posted a slight decrease, down by -0.7% YOY in December 2015. Positive signals came from new loans to businesses in 2015, which increased by approximately +11.6% vs. the same period in the previous year.

Also in Northeast Italy, lending was still weak: specifically, in Friuli Venezia Giulia, loans decreased by -0.6% YOY in 2015, while in Veneto, loans to Customers came in line with the previous year (down by -0.3% YOY)[8].

3 Source: CGIA Mestre [Association of Mestre Small Businesses], Northeast Italy returns to grow, February 2016
4 Source: ISTAT (the Italian National Institute of Statistics) Employed and unemployed (data of December 2015)
5 Source: ISTAT (the Italian National Institute of Statistics) Consumer prices (final data December 2015)
6 Source: ISTAT (the Italian National Institute of Statistics) Industrial production (data of December 2015)
7 Source: ABI Monthly Outlook
8 Source: Prometeia Provincial Forecasts January 2016

The credit supply by the banking system is still penalized by **high credit risk:** According to the latest data, **gross bad debts** in the Italian banking system were over Euro 200 billion in December 2015, increasing vs. the previous year by +9% (i.e. Up by Euro +17 billion in absolute value)[9]. **Bad debts net of write-downs** amounted to Euro 89.0 billion in December 2015[7], increasing by about +4.5 billion vs. the previous year (€84.5 billion). The ratio of net bad debts to total loans came to 4.94% in December 2015[7], increasing both vs. the previous month (4.89%) and vs. December 2014 (4.64%).

In December 2015, **bank funding from resident Customers** came to Euro 1,697,4 billion[7] (up by Euro +184.7 billion from the end of 2007 to this date), of which Euro 1,000.5 billion worth of Customers' deposits and Euro 512.2 billion worth of bonds. The difference in the performance of the various components continues to show the marked gap between short-term sources and medium-/long-term ones[7]: in December 2015, **deposits from resident Customers** posted an annual increase of +3.7%, i.e. of Euro +47.3 billion in absolute value, whereas **bonds** decreased by -13% YOY, i.e. down by Euro 57.5 billion in absolute value.

Similar changes were recorded in the Veneto and Friuli Venezia Giulia Regions, with a significant decrease in the bond component (down by -34% YOY in Veneto and down by -33% YOY in Friuli Venezia Giulia), and an increase in Customers' deposits (up by +6.3% YOY in Veneto and up by +6.8% YOY in Friuli Venezia Giulia)[8].

As regards interest rates, in December 2015, **the average interest rate on bank funding**[7] came to1.19%: a slight decrease was recorded both in the interest rate applied to deposits from households and non-financial corporations (0.52% in December 2015 and 0.73% in December 2014), and in the interest rate on bonds (2.94% in December 2015 and 3.16% in December 2014).

Interest rates on loans have continued to be low. The **average rate on total loans to households and businesses** came to 3.26%[7]. The interest rate on loans to households for home purchase came to 2.51%, the lowest value since July 2010.

The **spread** between the average rate on loans to and the average rate on deposits from households and non-financial corporations has remained, in Italy, at very low levels; in December 2015 it came to 207 basis points, well below the figure of 329 basis points at the end of 2007, before the beginning of the crisis. In 2015, the process continued for the recomposition of funding from Customers both towards short-term deposits, especially current accounts, and towards asset management and insurance products, responding to the modest yields of bonds.

In terms of income, in 2015 the **net interest income** of the Italian Banking System decreased by -3.6% YOY[10]; this decrease was offset by the good performance of **net income from services** (up by +7.3% YOY), specifically commission income from intermediation and asset management, driven by the Italian banks' offer focusing on asset management products. In December 2015, the **asset management** industry reported over +140 billion Euro worth of total net funding from the beginning of the year.

In 2015, **operating expenses** increased (up by +3.8% YOY), since the positive effect of cost management actions that were implemented to improve operational efficiency was more than offset by the non-recurring impact of the contribution to the Resolution Fund, which was recognized in 2015.

Effective from 2015, all banks shall contribute to the Deposit Guarantee Scheme and to the National Resolution Fund (which will gradually be transferred to the Single Resolution Fund), as provided for by the EU Bank Recovery and Resolution Directive (BRRD). In addition to the ordinary contributions made in the year, in the last quarter Italian banks were asked for extraordinary contributions to rescue four banks in distress: CariFerrara, Banca Marche, Banca Etruria and CariChieti. At the end of November 2015, the Italian Government approved he program for the resolution of the 4 Banks, which provides for their losses to be absorbed by shareholders, holders of subordinated bonds and, then, by the Resolution Fund; it also provides for the incorporation of four "Bridge Banks", to which all assets have been transferred, net of all bad debts that have been transferred to a single "Bad Bank". The Resolution Fund has the purpose of covering the losses of the original banks, of recapitalizing the "Bridge Banks" and to provide the "Bad Bank" with the capital it requires to operate.

In 2015, as ordinary and extraordinary contributions, the Italian Banking system had to pay a total of Euro 2.35 billion to the National Resolution Fund and Euro 206 million to the Deposit Guarantee Scheme[11].

9 Source: Money and Banking – Bank of Italy
10 Source: Prometeia Bank Financial Statement Forecast (January 2016)
11 Source: Mediobanca Securities

On top of this, a “Solidarity Fund” is to be added, amounting to Euro 100 million and fully funded by the Italian Banking System to compensate the holders of subordinated loans issued by the four banks under resolution or recovery procedures.

As regards the cost of credit, after the extraordinary provisioning in the last few years, for the Italian Banking System, in 2015 **adjustments of loans** started to progressively decrease (down by -25.3% YOY[10]), even though provisions remained considerable in order to maintain the required high coverage ratios.

Despite the above non-recurring items, in 2015 the Italian Banking System made profits, thus going back to profitability after the losses made for four years in a row.

Moreover, the leading Italian Banks have shown improving **capitalization levels,** thanks to the profits and to the capital increases carried out in the year. The annual Supervisory Review and Evaluation Process, **SREP**), which was carried out in November 2015 by the Supervisory Authority covered by the European Single Supervisory Mechanism, further confirmed the soundness of the system.

In the year, the tax legislation had important developments applying to the banking sector. Specifically, Italian Decree Law implemented new provisions on taxation of value adjustments of loans to customers, setting down their full deductibility in the year of accrual, for purposes both of the Italian corporate income tax (IRES) and the Italian Regional Tax on Productive Activities (IRAP). The same Decree Law provides for changes in the timeframe for the deduction of adjustments that have not yet been deduced and of part of 2015 ones. The Italian “Stability Law” for 2016 has provided for a decrease in the IRES rate from 27.5% to 24% effective from 2017, while concomitantly setting down, effective from the same year, an additional corporate income tax (IRES) rate for financial intermediaries of 3.5%. Moreover, the so-called “internationalization decree” extended the right to opt for the tax consolidation regime, in terms of IRES, to international groups.

The local economy in Northeast Italy

The economy of Northeast Italy has always proved a driver for the Italian national economy, thanks to a number of manufacturing chains that have always been able to adapt and respond to the requirements of international markets.

The 2008 crisis generated deep changes to the local productive system, widening the gap between the performance of the players that are able to meet the market challenges and the performance of players that cannot fully cope with the pressure of international competition. The traditional manufacturing industry and the building one have experienced a deep decrease in the number of enterprises and in employment. On the contrary, the manufacturing industry in Northeast Italy has shown signs of recovery and regeneration through a combination of technology and innovation.

In 2015, the economy of this community posted a rate of recovery higher than the national average one (GDP: up by +1.0% in 2015[12]), benefiting from the recovery in households’ consumption, which increased in the year, driven especially by the increase in the demand for durable goods (the number of new vehicles registered increase by one fifth in the first nine months of 2015[13]). The growth in business operations has mainly regarded manufacturing and service enterprises; on the other hand, recovery in the building sector is not yet widespread.

In 2015, the confidence of manufacturing enterprises in Northeast Italy posted a general improvement, going back to levels that had last been recorded at the beginning of 2011[14].

12 Source: Prometeia Scenarios for Local Economies October 2015
13 Source Bank of Italy, Regional economies, recent changes and structural aspects
14 Source: ISTAT (the Italian National Institute of Statistics)

Foreword to the Financial Statements by the General Manager

The financial highlights and ratios reported in these financial statements are evidence of a bank that has been able to keep faithful to its role in and commitment to the community and, at the same time, to understand and be up to the epoch-making changes underway in our society, embracing them, adapting to them and changing its way of doing business. Its belonging to the Cariparma Crédit Agricole Group has allowed FriulAdria to be able to meet the innovation challenge and, thus, to be able to invest in evolved technologies, in human capital and in the quality of its service to its Customers, which has always been and shall always be the priority of the Bank's strategy.

Evidence of the Bank's focus on Customers is given by the performance it achieved in 2015. When we speak of significant growth in mortgage loans, loans to businesses, services provided to the agri-food chain, in asset management and wealth management services, we are speaking of a Bank that can interpret the traditional mission to serve its Customers and to support the real economy in a up-to-date way. The satisfaction of Customers that choose our services and rely on the support provided by our account managers in the realization of important projects in their business and personal life is, for us, the most rewarding result.

If some merit is to be acknowledged to our Bank, it would certainly be the merit of having made brave and farsighted choices at the right time, which are the base of its present distinctive positioning. Today, FriulAdria is no longer one of the many local banks in Northeast Italy. It is a sound and competitive lender that belongs to a Banking Group with the highest rating, that, in spite of the most severe economic crisis after WW II, has continued to post gradual growth, to make profits, to distribute dividends and to supply credit. This is no small thing, if we look around.

Even though good news never makes the headlines, we shall continue with pride in our way that is based on soundness, transparency, quality and values shared with a team of 1,500 staff and a population of over 15 thousand shareholders, who bear testimony of FriulAdria's strong bonds with the Friuli Venezia Giulia and Veneto communities.

In this virtuous path, we were lucky enough to find a partner such as Crédit Agricole, that is to say the highest expression of the cooperative and federal model in the banking world. What does this mean? First of all, opportunities for development, both for the Bank and for its communities. Crédit Agricole has identified FriulAdria as the bank in which to invest to strengthen the Group's operations in Northeast Italy, one of the areas with development potential higher than the Italian national average. As FriulAdria people, we are proud to have been chosen by a leading international player. In management terms, we are fully aware of the subsequent responsibility but we are also aware of the subsequent benefits and advantages for our Customers and for the communities the Bank operates in.

Therefore, we look at the future, at new development projects and at new investments in technology and training that have been planned, being confident that we have taken a path that is the right one for us, for our Employees and their families, for our Shareholders, our Customers and for the Communities we operate in.

The General Manager
Roberto Ghisellini

PROFIT OR LOSS

In 2015, Banca Popolare FriulAdria succeeded in seizing the first signs of recovery and in consolidating a positive trend in most of the income statement and balance sheet aggregates.

Indeed, 2015 closed with a profit of Euro 34.2 million, increasing by +5.8% vs. the same figure for the previous year, thanks to stronger core business operations.

Income Statement reclassification

In order to present performance more effectively, a summary income statement has been prepared with appropriate reclassifications so as to report the various items on the basis of consistent operational standards.

The reclassifications concerned the following:

- The recovery of the time value component on loans has been reported under "Net Interest Income" rather than under "Net Value Adjustments of Loans", since it results directly from applying the amortized cost method when there are no changes in expected future cash flows;
- Net Profit (Loss) on trading activities, Net Profit (Loss) on hedging activities and Net Profit (Loss) on financial assets and liabilities designated at fair value have been reported under Profit (Loss) on Banking Activities;
- Gains and losses from disposal or repurchase of financial assets available for sale and financial liabilities have been reallocated to Profit (Loss) on Banking Activities;
- Gains (Losses) on the disposal of debt securities classified as loans have been reported under Profit (Loss) on Banking Activities, rather than being allocated to Net value adjustments of loans;
- Expenses, taxes and levies recovered have been reported as a direct decrease in Administrative Expenses, rather than being recognized under Other operating income/expenses;
- Expenses for the management of non-performing loans and the relevant recoveries have been reclassified as Net Value Adjustments of Loans;
- Commission income for fast loan application processing has been taken to Commission Income rather than being recognized under Other operating income/expenses;
- Net adjustments/writebacks on impairment of available-for-sale financial assets have been reclassified under Other Operating Income/Expenses;
- Net adjustments on impairment of other financial transactions, mainly relating to guarantees and commitments, have been reclassified under Net value adjustments of loans.

The figures reported below are expressed in thousands of Euros.

Reclassified Income Statement

	31.12.2015	31.12.2014	Changes	
			Absolute	%
Net interest income	176,747	176,217	530	0.3
Net commission income	134,650	129,471	5,179	4.0
Dividends	248	142	106	74.6
Profit (loss) from banking activities	1,188	8,612	-7,424	-86.2
Other operating income (expenses)	-2,601	-2,962	-361	-12.2
Net operating revenues	**310,232**	**311,480**	**-1,248**	**-0.4**
Personnel expenses	-101,339	-103,550	-2,211	-2.1
Administrative expenses	-79,374	-67,754	11,620	17.2
Depreciation of Property, plant and equipment and amortization of intangible assets	-6,979	-7,180	-201	-2.8
Operating expenses	**-187,692**	**-178,484**	**9,208**	**5.2**
Operating margin	**122,540**	**132,996**	**-10,456**	**-7.9**
Net provisions for risks and charges	-3,021	-4,081	-1,060	-26.0
Net value adjustments of loans	-67,504	-78,812	-11,308	-14.3
Gain (loss) from Financial assets held to maturity and other investments	-568	233	-801	
Profit before taxes on continuing operations	**51,447**	**50,336**	**1,111**	**2.2**
Income tax for the period on continuing operations	-17,198	-17,956	-758	-4.2
Net profit for the period	**34,249**	**32,380**	**1,869**	**5.8**

Reconciliation between the Official Income Statement and the Reclassified Income Statement

	31.12.2015	31.12.2014
Net interest income	176,747	176,217
30. Net interest income	163,175	162,902
130. Net losses on impairment of: a) loans of which time value on non-performing loans	13,572	13,315
Net commission income	**134,650**	**129,471**
60. Net commission income	128,741	123,021
190. Other operating expenses/income: of which Commission income from Fast Loan Application Processing	5,909	6,450
Dividends = item 70	**248**	**142**
Profit (loss) on banking activities	**1,188**	**8,612**
80. Net gains (losses) on trading activities	1,866	1,855
90. Net gains (losses) on hedging activities	-1,527	-220
100. Gains (losses) on disposal or repurchase of: a) loans of which debt securities classified as loans	82	-
100. Gains (losses) on disposal or repurchase of: b) financial assets available for sale	1,125	7,509
100. Gains (losses) on disposal or repurchase of: d) financial liabilities	-358	-532
Other operating income (expenses)	**-2,601**	**-2,962**
190. Other operating expenses/income	53,148	48,611
130. Net impairment adjustments of: d) other financial transactions of which adjustments/writebacks relating to FITD (Italian Interbank Deposit Protection Fund) actions	568	-657
to deduct: expenses recovered	-48,897	-6,450
to deduct: recovered expenses for the management of non-performing loans	-760	-987
to deduct: Commission income from Fast Loan Application Processing	-128,741	-43,348
130. Net value adjustments on impairment of: b) financial assets available for sale	-183	-131
Net operating revenues	310,232	311,480
Staff expenses = item 150 a)	**-101,339**	**-103,550**
Administrative expenses	**-79,374**	**-67,754**
150. Administrative expenses: b) other administrative expenses	-131,483	-112,689
190. Other operating expenses/income: of which expenses recovered	48,897	43,348
150. Administrative expenses: b) other administrative expenses: of which expenses for the management of non-performing loans	3,212	1,587
Depreciation of Property, plant and equipment and amortization of intangible assets	**-6,979**	**-7,180**
170. Net adjustments to/recoveries on property, plant and equipment	-4,766	-4,967
180. Net adjustments to/recoveries on intangible assets	-2,213	-2,213
Operating expenses	-187,692	-178,484
Operating margin	122,540	132,996
Goodwill value adjustments = item 230	-	-
Net provisions for risks and charges = Item 160	-3,021	-4,081
Net value adjustments of loans	**-67,504**	**-78,812**
100. Gain/loss on disposal of: a) loans	**-937**	**-**
to deduct: gain (loss) on disposal or repurchase of debt securities classified as loans	-82	-
130. Net losses on impairment of: a) loans	-50,555	-63,654
130. Net losses on impairment of: a) loans of which time value on non-performing loans	-13,572	-13,315
150. Administrative expenses: b) other administrative expenses: of which expenses for the management of non-performing loans	-3,212	-1,587
to deduct: recovered expenses for the management of non-performing loans	760	657
130. Net losses on impairment of: d) other financial transactions	94	-1,900
to deduct: adjustments/writebacks relating to FITD (Italian Interbank Deposit Protection Fund) actions	-	987
Gains (losses) on Financial assets held to maturity and other investments	**-568**	**233**
210. Gains (losses) on equity investments	-568	233
240. Gains (losses) on disposal of investments	-	-
Profit before taxes on continuing operations	51,447	50,336
Income taxes for the period on continuing operations = item 260	**-17,198**	**-17,956**
Profit for the year	**34,249**	**32,380**

Net operating revenues

Net operating revenues came to Euro 310.2 million, slightly decreasing by Euro 1.2 million vs. the previous year, affected by lower gains from transactions on the portfolio of financial assets available for sale, but with a significant increase in revenues from business with Customers.

Net interest income

Items	31.12.2015	31.12.2014	Changes	
			Absolute	%
Business with Customers	162,152	176,152	-14,000	-7.9
Business with banks	-6,061	-5,196	865	16.6
Debt securities issued	-24,382	-40,181	-15,799	-39.3
Spreads on hedging derivatives	24,581	18,791	5,790	30.8
Financial assets held for trading	728	742	-14	-1.9
Financial assets available for sale	19,729	25,917	-6,188	-23.9
Other net interest income	-	-8	-8	
Net interest income	**176,747**	**176,217**	**530**	**0.3**

Net interest income came to Euro 176.7 million, posting, in a scenario of all-time low interest rates and still weak economic growth, an increase vs. the previous year (up by +0.5 million, i.e. up by +0.3%). The performance of the intermediation activity was stable; in this scope, the decrease in the business with Customers component (down by Euro -14.0 million, i.e. -7.9%), which was impacted by the drop in interest rates on loans, was offset by lower interest expenses paid on securities issued (down by Euro -15.8 million, i.e. -39.3%). Interest income from financial assets available for sale also decreased vs. the previous year (down by Euro -6.2 million, i.e. -23.9%); this decrease was due to the reduction in yields on the proprietary security portfolio. Conversely, the income component from macro-hedges reported in the “Spreads on hedging derivatives” improved (up by Euro +5.8 million, i.e. +30.8%).

Dividends

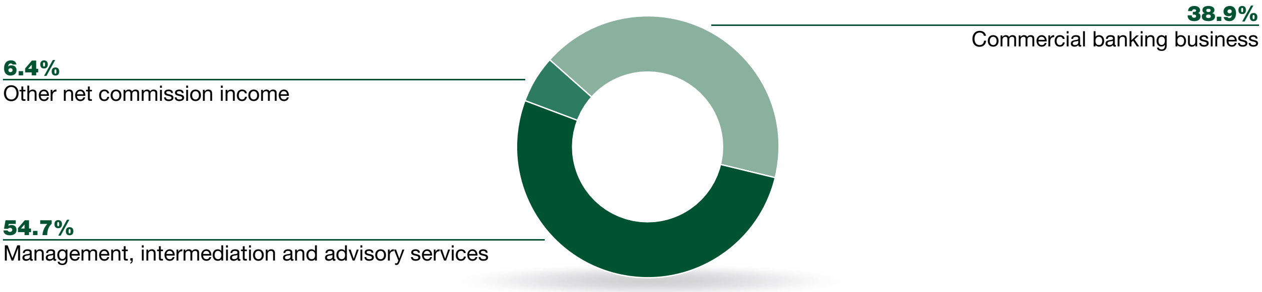
Dividends from equity investments and equity securities recognized as financial assets available for sale came to Euro 0.2 million.

Net commission income

Items	31.12.2015	31.12.2014	Changes	
			Absolute	%
- guarantees issued	1,758	1,528	230	15.1
- collection and payment services	7,624	7,952	-328	-4.1
- current accounts	37,251	39,186	-1,935	-4.9
- debit and credit card services	5,745	5,647	98	1.7
Commercial banking business	**52,378**	**54,313**	**-1,935**	**-3.6**
- securities intermediation and placement	32,723	31,665	1,058	3.3
- intermediation in foreign currencies	672	635	37	5.8
- asset management	1,172	988	184	18.6
- distribution of insurance products	36,093	33,085	3,008	9.1
- other intermediation/management commission income	3,037	1,107	1,930	
Management, intermediation and advisory services	**73,697**	**67,480**	**6,217**	**9.2**
Other net commission income	**8,575**	**7,678**	**897**	**11.7**
Total net commission income	**134,650**	**129,471**	**5,179**	**4.0**

Net commission income, which accounted for 43% of operating revenues, came to Euro 134.7 million, increasing by Euro 5.2 million (up by +4.0%) vs. the previous year. This performance resulted from a considerable development in management, intermediation e advisory services; commission income from this aggregate came to Euro 73.7 million, increasing by Euro 6.2 million (up by +9.2%). The contribution of insurance products was significant, with generated revenues increasing by Euro 3.0 million (i.e. up by +9.1%). The performance of income from other intermediation and/ or management commissions was also very good, which, increasing by Euro +1.9 million, more than doubled vs. the previous year, as was the performance of income from securities intermediation and placement commissions, increasing by Euro 1.1 million (+3.3%). Both items benefited from both the placement of products having higher profitability vs. 2014, and, especially, from a higher flow of recurring commission income.

On the other hand, income from commercial banking commissions decreased by Euro 1.9 million (i.e. down by -3.6%).



Net gains (loss) on financial activities

Items	31.12.2015	31.12.2014	Changes	
			Absolute	%
Interest rates	398	147	251	
Activities on Stocks	-1	-20	19	95.0
Foreign exchange	1,193	1,196	-3	-0.3
Total gains (losses) on financial assets held for trading	**1,590**	**1,323**	**267**	**20.2**
Total gains (losses) on assets held for hedging	**-1,527**	**-220**	**-1,307**	
Gains (losses) on disposal of financial assets available for sale	**1,125**	**7,509**	**-6,384**	**-85.0**
Net gain (loss) on banking activities	**1,188**	**8,612**	**-7,424**	**-86.2**

The profit from banking activities came to Euro 1.2 million, decreasing vs. the previous year by Euro 7.4 million, essentially due to the decrease in gains from disposal of financial assets available for sale.

Other operating income (expenses)

The “Other operating expenses” item came to Euro 2.6 million, decreasing by Euro 0.4 million vs. the previous year. This item reports expenses for leasehold improvement (costs met for the upgrading to the Bank’s operating requirements of real estate units held under lease agreements) amounting to Euro 1.3 million.

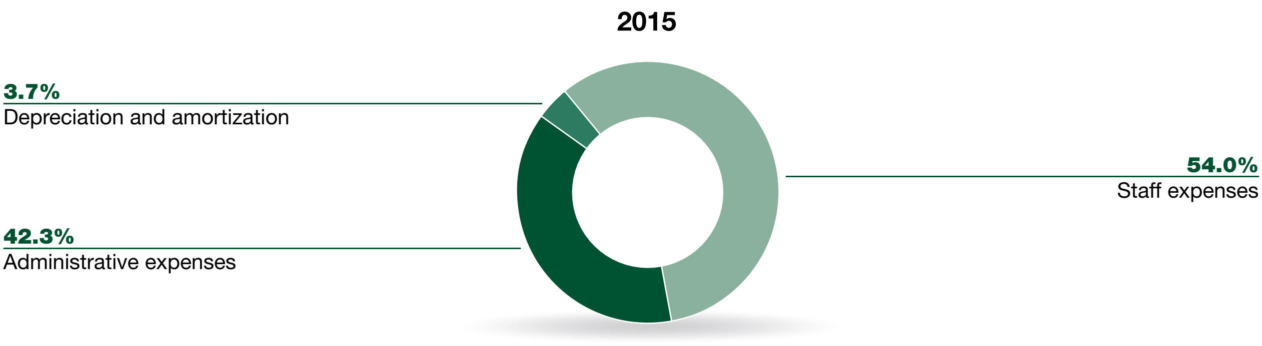
Operating expenses

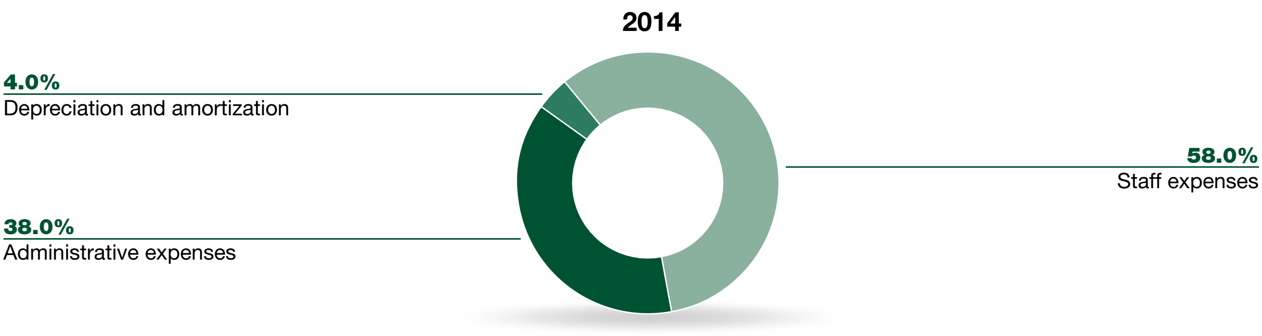
Items	31.12.2015	31.12.2014	Changes	
			Absolute	%
- wages and salaries	-75,062	-75,552	-490	-0.6
- social security contributions	-19,846	-19,507	339	1.7
- other staff expenses	-6,431	-8,491	-2,060	-24.3
Staff expenses	**-101,339**	**-103,550**	**-2,211**	**-2.1**
- general operating expenses	-13,785	-17,879	-4,094	-22.9
- IT services	-13,997	-9,751	4,246	43.5
- direct and indirect taxes	-18,955	-19,222	-267	-1.4
- property management	-7,569	-9,195	-1,626	-17.7
- legal and other professional services	-2,115	-1,705	410	24.0
- advertising and promotion expenses	-1,586	-1,279	307	24.0
- indirect staff expenses	-1,254	-1,274	-20	-1.6
- contributions to SRF/DGS/SPS	-8,309	-	8,309	
- other expenses	-60,701	-50,797	9,904	19.5
- expenses and charges recovered	48,897	43,348	5,549	12.8
Administrative expenses	**-79,374**	**-67,754**	**11,620**	**17.2**
- intangible assets	-2,212	-2,213	-1	-
- property, plant and equipment	-4,767	-4,967	-200	-4.0
Depreciation and amortization	**-6,979**	**-7,180**	**-201**	**-2.8**
Operating expenses	**-187,692**	**-178,484**	**9,208**	**5.2**

Operating expenses came to Euro 187.7 million, increasing by Euro 9.2 million vs. the previous year. This performance reports also the recognition of Euro 8.3 million worth of ordinary and extraordinary contributions to the Single Resolution Fund (SRF), to the Deposit Guarantee Schemes (DGS) and to the Bank and Small Investors Rescue schemes (Italian acronym SBPR).

This item is broken down below:

- **Staff expenses** came to Euro 101.3 million, decreasing by Euro 2.2 million (down by -2.1%) vs. 2014 subsequent to the decrease in the average number of resources (down by -75 people), essentially resulting from the transfer of a business unit to Crédit Agricole Group Solutions, the service provider of the Cariparma Crédit Agricole Group, as well as from the new corporate reorganization that has entailed the centralization of part of the staff in the Parent Company. The benefits, resulting from the decrease in the number of resources (down by Euro -3.5 million for minus 135 resources), more than offset the increase in labour cost subsequent to the renewal of the applicable Italian National Collective Bargaining Agreement (up by Euro +1.3 million);
- **Administrative expenses** came to Euro 79.4 million, increasing by Euro 11.6 million (up by +17.2%) vs. the previous year. This increase was due to both the above-mentioned contributions to the Deposit Guarantee Scheme, the Single Resolution Fund and the Bank and Small Investors Rescue scheme (Euro +8.3 million), and to the increase in service costs associated to the incorporation of the consortium (Euro +2.1 million), subsequent to the centralization of activities in the Parent Company (Euro +1.4 million). Net of the above non-recurring effects, administrative expenses came essentially stable vs. the previous year (down by Euro -0.2 million). However, it is difficult to carry out a year-on-year analysis of the individual administrative expenses, since the incorporation of the consortium entailed a different classification of direct costs that were reported as service costs. The “Expenses and charges recovered” item reports insurance premiums and indirect taxes and levies charged to the Customers;
- **Depreciation and amortization** came to Euro 7.0 million, essentially in line with the same figure for 2014 (down by -0.2 million).





Operating margin

The operating margin came to Euro 122.5 million, decreasing by Euro 10.5 million vs. the same figure for the previous year. This change was mainly due to the recognition of the above-mentioned contributions for the recovery and resolution of banks (Euro 8.3 million). Net of the above impacts, the cost/income ratio came to 57.8% increasing vs. 57.3% for the previous year.

Provisions and other components

Net provisions for risks and changes

In 2015, provisions came to Euro 3.0 million and referred to legal disputes with the Bank as the defendant for Euro 2.6 million and to revocatory actions for Euro 0.4 million.

Net value adjustments of loans

Items	31.12.2015	31.12.2014(*)	Changes	
			Absolute	%
- bad debts	-41,563	-33,032	8,531	25.8
- Unlikely to Pay	-22,458	-48,306	-25,848	-53.5
- past-due loans	-297	-404	-107	-26.5
- Performing loans	-828	4,773	5,601	
Net losses on impairment of loans	**-65,146**	**-76,969**	**-11,823**	**-15.4**
Expenses/recovered expenses for loan management	-2,452	-930	1,522	
Net adjustments for guarantees and commitments	94	-913	1,007	
Net value adjustments of loans	**-67,504**	**-78,812**	**-11,308**	**-14.3**

(*) The “Unlikely to Pay” item reports “former substandard loans” and “former restructured loans”.

Net value adjustments of loans came to Euro 67.5 million, decreasing by Euro 11.3 million (down by -14.3%) vs. the previous year. The ratio that expresses the cost of credit risk, i.e. the ratio of the relevant adjustments taken to the Income Statement to net loans to Customers, decreased to 102 bps vs. 124 bps in the previous year.

Write-downs of bad loans, net of writebacks, came to Euro 41.6 million, increasing by Euro 8.5 million (up by +25.8%) vs. 2014; whereas, write-down referring to Unlikely to Pay came to Euro 22.5 million, decreasing by Euro 25.8 million (i.e. down by -53.5%) vs. the same figure for the previous year. Write-downs of performing loans were essentially in line with the previous year, with collective provisions for performing loans amounting to Euro 0.8 million, vs. Euro 4.8 million worth of writebacks in the previous year.

Expenses, net of recovered ones, for loan management came to Euro 2.5 million, increasing by Euro 1.5 million. Finally, a writeback, even though a modest one, on guarantees and commitments, a component that, in 2014, reported Euro 0.9 million worth of provisions.

Gains (losses) on financial assets held to maturity and other investments

This item reports a loss of Euro 0.6 million subsequent to the sale of the equity investment in CA AgroAlimentare S.p.A.

Profit before taxes on continuing operations

Profit before taxes on continuing operations came to Euro 51.4 million, increasing by Euro 1.1 million (up by +2.2%) vs. the previous year, thanks to effective management of credit risk, which allowed the non-recurring negative impacts for the period to be absorbed.

Income taxes for the period on continuing operations

Current and deferred taxes came to Euro 17.2 million, decreasing by approximately Euro 0.8 million vs. the previous year.

The tax rate had favourable changes vs. 2014, subsequent to amendments to the legislation that, effective from 2015, provides for full deductibility of the costs of staff with open-end employment contracts in terms of Italian Regional Tax on Productive Activities (IRAP); the tax burden was also positively impacted by excess provisions allocated in previous years amounting to Euro 1 million.

Net of this component, in percentage terms, the tax burden came to approximately 35.3%, decreasing by about 5.1 percentage points vs. the 2014 figure.

Net profit (loss) and comprehensive income

Net profit (loss)

The net profit for the period came to Euro 34.2 million, increasing by Euro 1.9 million (up by +5.8%) vs. the same figure for the previous year. Excluding the contributions to the Deposit Guarantee Scheme, the Single Resolution Fund and the Bank and Small Investors Rescue scheme, the net profit for 2015 would have come to Euro 40 million, increasing by Euro +7.5 million (i.e. up by +23.0%) vs. the same figure for 2014.

Redditività complessiva

Items	31.12.2015	31.12.2014
10. Profit (Loss) for the period	**34,249**	**32,380**
Other income components after taxes with no reversals to Income Statement	**-**	
20. Property, plant and equipment	-	-
30. Intangible Assets	-	-
40. Actuarial gains (losses) on defined-benefit plans	1,096	-1,998
50. Non-current assets held for sale	-	-
60. Share of Valuation Reserves on equity investments measured using the equity method	-	-
Other income components after taxes with reversal to Income Statement	**-**	
No. 70. Hedging of foreign investments	-	-
80. Exchange rate differences	-	-
90. Cash flow hedges	-	-
100. Financial assets available for sale	13,023	8,379
110. Non-current assets held for sale	-	-
120. Share of Valuation Reserves on equity investments measured using the equity method	-	-
130. Total other income components after taxes	**14,119**	**6,381**
140. Comprehensive income (Item 10+130)	**48,368**	**38,761**

Comprehensive income consists of the gains for the period and of the changes in value of the assets directly recognized in equity reserves. Comprehensive income came to Euro 48.4 million, increasing by Euro 9.6 million vs. the previous year, thanks to the contribution of the net profit, of actuarial gains on the provision for severance benefits and of the valuation reserve on financial assets available for sale.

The inclusion in comprehensive income of the item reporting financial assets available for sale entails strong volatility that must be taken into account when analysing the table.

THE PERFORMANCE OF BALANCE SHEET AGGREGATES

Balance Sheet Reclassification

In order to provide a more direct representation of the Company's balance sheet and financial position, a summary balance sheet was prepared by suitably aggregating balance-sheet items. Such grouping concerned:

- Presentation of Financial Assets/Liabilities held for trading on a net basis;
- Presentation of Loans to banks/Due to banks on a net basis;
- Inclusion of the value of hedging Derivatives and of the Value Adjustment of financial assets/liabilities subject to macro-hedging in the Other Assets/Other Liabilities items;
- Grouping of Intangible Assets and Property, Plant and Equipment into a single aggregate;
- Inclusion of the item "Cash and cash equivalents" in the "Other Assets" residual item;
- Grouping in the "Funding from customers" item of the "Due to customers" and "Debt securities issued" items;
- Grouping of specific-purpose provisions (i.e. employee severance benefits and provisions for risks and charges) into a single aggregate.

Reclassified Balance Sheet

Assets	31.12.2015	31.12.2014	Changes	
			Absolute	%
Net financial assets/liabilities held for trading	268	17,301	-17,033	-98.5
Financial assets available for sale	1,003,982	996,105	7,877	0.8
Loans to Customers	6,603,173	6,380,612	222,561	3.5
Equity investments	3,500	5,000	-1,500	-30.0
Property, plant and equipment and intangible assets	185,777	187,972	-2,195	-1.2
Tax assets	125,987	128,074	-2,087	-1.6
Other assets	255,124	303,901	-48,777	-16.1
Total net assets	**8,177,811**	**8,018,965**	**158,846**	**2.0**

Liabilities	31.12.2015	31.12.2014	Changes	
			Absolute	%
Net due to banks	741,821	587,060	154,761	26.4
Funding from Customers	6,198,946	6,074,939	124,007	2.0
Tax liabilities	37,068	40,328	-3,260	-8.1
Other liabilities	431,997	559,475	-127,478	-22.8
Specific-purpose provisions	41,092	49,362	-8,270	-16.8
Capital	120,689	120,689%	-	-
Reserves (net of treasury shares)	556,300	553,202	3,098	0.6
Valuation reserves	15,649	1,530	14,119	
Profit (Loss) for the period	34,249	32,380	1,869	5.8
Total equity and net liabilities	**8,177,811**	**8,018,965**	**158,846**	**2.0**

Reconciliation of the Official Balance Sheet and reclassified Balance Sheet

Activity	31.12.2015	31.12.2014
Net financial assets/liabilities held for trading	**268**	**17,301**
20. Financial assets held for trading	7,729	28,601
40. Financial liabilities held for trading	-7,461	-11,300
Financial assets available for sale	**1,003,982**	**996,105**
40. Financial assets available for sale	1,003,982	996,105
Loans to Customers	**6,603,173**	**6,380,612**
70. Loans to Customers	6,603,173	6,380,612
Equity investments	**3,500**	**5,000**
100. Equity investments	3,500	5,000
Property, plant and equipment and intangible assets	**185,777**	**187,972**
110. Property, plant and equipment	61,247	61,229
120. Intangible Assets	124,530	126,743
Tax assets	**125,987**	**128,074**
130. Tax assets	125,987	128,074
Other assets	**255,124**	**303,901**
10. Cash and cash equivalents	46,387	51,078
150. Other assets	70,420	90,445
80. Hedging derivatives	135,647	159,866
90. Value adjustment of financial assets subject to macro hedging	2,670	2,512
Total assets	**8,177,811**	**8,018,965**

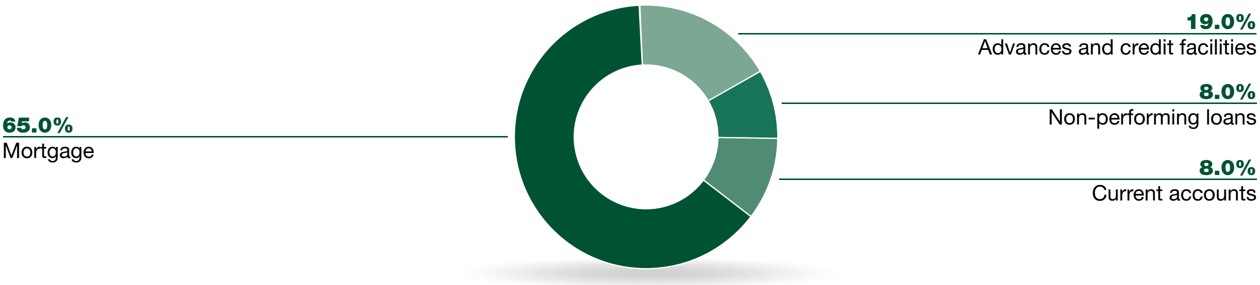
Liabilities	31.12.2015	31.12.2014
Net due to banks	**741,821**	**587,060**
10. Due to banks	1,236,440	928,473
60. Loans to banks	-494,619	-341,413
Funding from Customers	**6,198,946**	**6,074,939**
20. Due to Customers	4,967,519	4,652,485
30. Debt securities issued	1,231,427	1,422,454
Tax liabilities	**37,068**	**40,328**
80. Tax liabilities	37,068	40,328
Other liabilities	**431,997**	**559,475**
100. Other liabilities	194,652	293,106
60. Hedging derivatives	132,100	139,891
No. 70. Fair value change of financial liabilities in macro-hedge portfolios (+/-)	105,245	126,478
Specific-purpose provisions	**41,092**	**49,362**
110. Employees' severance benefits	21,203	24,890
120. Provisions for risks and charges	19,889	24,472
Share Capital	**120,689**	**120,689**
180. Share Capital	120,689	120,689
Reserves (net of treasury shares)	**556,300**	**553,202**
160. Reserves	84,543	81,445
170. Share premium reserve	471,757	471,757
Valuation reserves	**15,649**	**1,530**
130. Valuation reserves	15,649	1,530
Profit (Loss) for the period	**34,249**	**32,380**
200. Net Profit (loss) for the period	34,249	32,380
Total liabilities and equity	**8,177,811**	**8,018,965**

Operations with Customers

Loans to Customers

Items	31.12.2015	31.12.2014	Changes	
			Absolute	%
- Current accounts	536,334	645,299	-108,965	-16.9
- Mortgage loans	4,326,082	4,069,652	256,430	6.3
- Advances and credit facilities	1,229,653	1,122,799	106,854	9.5
- Net non-performing loans	511,104	542,352	-31,248	-5.8
Loans	**6,603,173**	**6,380,102**	**223,071**	**3.5**
Loans represented by securities	-	510	-510	
Loans to Customers	**6,603,173**	**6,380,612**	**222,561**	**3.5**

Loans to Customers came to Euro 6,603 million, increasing by 3.5% from Euro 6,381 million as at 31 December 2014. This performance was driven by mortgage loans that increased by Euro 256 million (up by +6.3%) and by advances and credit facilities that increased by Euro 107 million (up by +9.5%). On the other hand, current account had a negative performance, decreasing by Euro 109 million (down by -16.9%). Evidence of the improvement in the cost of credit risk is given also by the fact that non-performing loans decreased by Euro 31 million (down by -5.8%) coming to Euro 511 million.



Credit quality

Items	31.12.2015			31.12.2014(*)		
	Gross exposure	Total adjustments	Net exposure	Gross exposure	Total adjustments	Net exposure
- Bad debts	538,706	328,835	209,871	502,991	318,905	184,086
- Unlikely to Pay(*)	371,541	77,403	294,138	414,620	78,303	336,317
- Past-due/overlimit loans	7,594	499	7,095	22,720	771	21,949
Non-performing loans	**917,841**	**406,737**	**511,104**	**940,331**	**397,979**	**542,352**
Performing loans	**6,113,342**	**21,273**	**6,092,069**	**5,858,960**	**20,700**	**5,838,260**
Total	**7,031,183**	**428,010**	**6,603,173**	**6,799,291**	**418,679**	**6,380,612**

(*) The “Unlikely to Pay” item reports “former substandard loans” and “former restructured loans”.

Items	31.12.2015			31.12.2014(*)		
	Gross/total exposure	Net/total exposure	Coverage ratio	Gross/total exposure	Net/total exposure	Coverage ratio
- Bad debts	7.7%	3.2%	61.0%	7.4%	2.9%	63.4%
- Unlikely to Pay(*)	5.3%	4.5%	20.8%	6.1%	5.3%	18.9%
- Past-due/overlimit loans	0.1%	0.1%	6.6%	0.3%	0.3%	3.4%
Non-performing loans	**13.1%**	**7.7%**	**44.3%**	**13.8%**	**8.5%**	**42.3%**
Performing loans	**86.9%**	**92.3%**	**0.3%**	**86.2%**	**91.5%**	**0.4%**
Total	**100.0%**	**100.0%**	**6.1%**	**100.0%**	**100.0%**	**6.2%**

(*) The "Unlikely to Pay" item reports "former substandard loans" and "former restructured loans".

Net of adjustments, non-performing loans decreased to Euro 511 million from Euro 542 million in the previous year, and, more importantly, the coverage ratio posted a marked improvement, increasing from 42.3% in the previous year to 44.3% in the reporting year.

Net bad debts came to Euro 210 million, confirming their weight on total loans at 3%, with the coverage ratio coming to 61%.

The Unlikely to Pay item increased coming to Euro 294 million (up by Euro +43 million vs. 2014), with a coverage ratio of 20.8%, vs. 18.9% in the previous year.

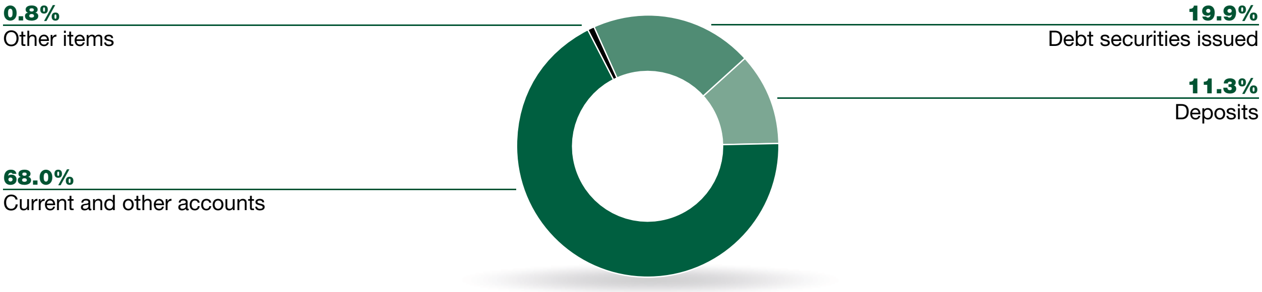
On the other hand, the amount of past-due/overlimit loans posted a significant decrease coming to Euro 7 million (i.e. down by Euro -14.9 million), with a coverage ratio of 6.6% vs. 3.4% in 2014.

Finally, net performing loans came to approximately Euro 6,092 million, with a coverage ratio of 0.3%.

Funding from Customers

Items	31.12.2015	31.12.2014	Changes	
			Absolute	%
- Deposits	699,755	632,311	67,444	10.7
- Current and other accounts	4,219,012	3,915,422	303,590	7.8
- Other items	47,752	49,200	-1,448	-2.9
- Repurchase agreements	1,000	55,552	-54,552	-98.2
Due to Customers	**4,967,519**	**4,652,485**	**315,034**	**6.8**
Debt securities issued	**1,231,427**	**1,422,454**	**-191,027**	**-13.4**
Total direct funding	**6,198,946**	**6,074,939**	**124,007**	**2.0**
Indirect funding	**6,382,883**	**6,132,554**	**250,329**	**4.1**
Total funding	**12,581,829**	**12,207,493**	**374,336**	**3.1**

Total funding, which is the aggregate of all sources of funding from Customers, came to over Euro 12,582 million, increasing vs. the previous year by Euro 374 million (i.e. up by +3%).

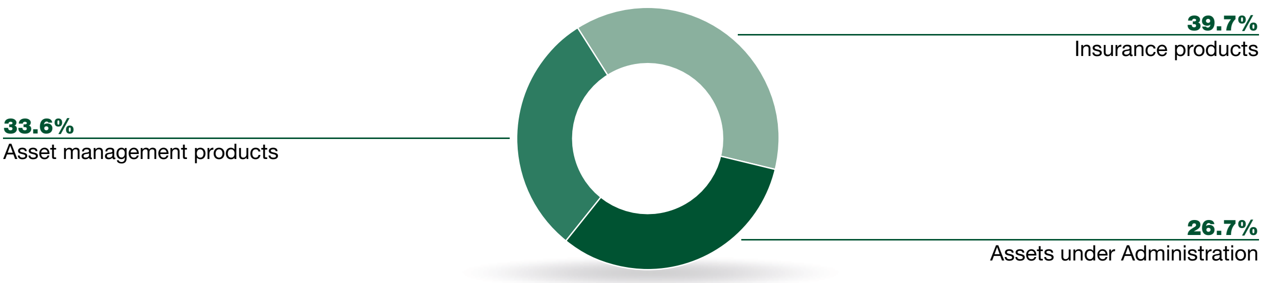


Specifically, direct funding came close to Euro 6,200 million, vs. Euro 6,075 million as at 31 December 2014 (+2%). This growth mainly referred to current accounts, with funds increasing to Euro 4,219 million (up by Euro +304 million vs. 2014). Conversely, the value of the securities issued by the Bank decreased to Euro 1,231 million vs. Euro 1,422 million in the previous year, giving evidence of the Customers' preference for more liquid investments or investments with higher returns, such as asset management products.

Indirect Funding

Items	31.12.2015	31.12.2014	Changes	
			Absolute	%
- Asset management products	2,145,740	1,860,910	284,830	15.3
- Insurance products	2,531,691	2,305,990	225,701	9.8
Total assets under management	**4,677,431**	**4,166,900**	**510,531**	**12.3**
Assets under administration	**1,705,452**	**1,965,654**	**-260,202**	**-13.2**
Indirect funding	**6,382,883**	**6,132,554**	**250,329**	**4.1**

The value of indirect funding in terms of assets under administration and under management on behalf of Customers increased, coming to over Euro 6,382 million (up by Euro +250 million, i.e. up by +4.1% vs. 2014), with an increase in asset management products, both traditional and insurance ones. Specifically: asset management products came to Euro 2,146 million (increasing vs. 2014 by Euro 285 million, i.e. up by +15.3%) and insurance products came to Euro 2,532 million (increasing by Euro +226 million, i.e. up by +9.8%). Conversely, assets under administration decreased to Euro 1,705 million vs. Euro 1,966 million for the previous year.



Other investments

Financial assets available for sale

Items	31.12.2015	31.12.2014	Changes	
			Absolute	%
- Bonds and other debt securities	975,098	969,627	5,471	0.6
- Equity securities and units of collective investment undertakings	459	871	-412	-47.3
Securities available for sale	**975,557**	**970,498**	**5,059**	**0.5**
- Equity investments	28,425	25,607	2,818	11.0
Shareholdings available for sale	**28,425**	**25,607**	**2,818**	**11.0**
Financial assets available for sale	**1,003,982**	**996,105**	**7,877**	**0.8**

Financial assets available for sale, consisting almost entirely of government securities, amounted to Euro 1,004 million increasing by Euro 8 million (up by +0.8%) vs. 2014.

The table below shows the composition of the Government Securities held by Banca Popolare FriulAdria, which are almost totally classified in the "Financial assets available for sale" category and are exclusively Italian Government securities.

Government securities held

	31.12.2015		
	Nominal Value	Book value	Revaluation reserve
FVTPL			
Argentinian Government securities	21	2	X
AFS			
Italian Government securities	781,500	953,467	19,090
Total	**781,521**	**953,469**	**19,090**

Equity investments

Items	31.12.2015	31.12.2014	Changes	
			Absolute	%
- Subsidiaries	-	-	-	-
- Joint ventures	-	-	-	-
- Companies subject to significant influence	3,500	5,000	-1,500	-30.0
Total	**3,500**	**5,000**	**-1,500**	**-30.0**

Equity investments came to Euro 3.5 million, decreasing vs. the previous year by Euro 1.5 million, subsequent to the sale of the equity investment held in CA Agro-Alimentare S.p.A.

● *Property, plant and equipment and intangible assets*

In 2015, Property, plant and equipment and intangible assets posted a decrease, coming to Euro 186 million (vs. Euro 188 million in 2014), due to depreciation and amortization for the year.

This item reports the goodwill and intangible assets that were recognized subsequent to the transfers from Intesa Sanpaolo of 29 branches in 2007 and of 15 branches in 2011.

As at the reporting date, the intangible assets relating to the above business combinations were tested for impairment and the consistency of the values as recognized was confirmed.

■ Specific-purpose provisions

Items	31.12.2015	31.12.2014	Changes	
			Absolute	%
Employee severance benefits	**21,203**	**24,890**	**-3,687**	**-14.8**
Provisions for risks and charges	**19,889**	**24,472**	**-4,583**	**-18.7**
- other provisions	19,889	24,472	-4,583	-18.7
Total specific-purpose provisions	**41,092**	**49,362**	**-8,270**	**-16.8**

Specific-purpose provisions came to Euro 41 million, decreasing by Euro 8 million (down by -16.8%) vs. 2014. This decrease was mainly due, as regards employees' severance benefits, to the staff of the business unit transferred to Crédit Agricole Group Solutions, whereas, as regards the other provisions for risks and charges, it was due to the payments made to the Italian National Social Security Agency of the amounts referring to the voluntary redundancy plan with incentives implemented in 2012.

■ Equity and Regulatory Capital

● *Equity*

Items	31.12.2015	31.12.2014	Changes	
			Absolute	%
Share capital	120,689	120,689	-	-
Share premium reserve	471,757	471,757	-	-
Retained earnings	83,883	80,785	3,098	3.8
Other reserves	660	660	-	-
Reserves from valuation of financial assets available for sale	20,116	7,093	13,023	183.6
Reserves from valuation of actuarial gains (losses) relating to defined-benefit pension plans	-4,467	-5,563	-1,096	-19.7
Net profit for the period	34,249	32,380	1,869	5.8
Total (book) equity	**726,887**	**707,801**	**19,086**	**2.7**

Equity, including the net profit for the period, increased to Euro 727 million, vs. the same figure for the previous year which was Euro 708 million. The main change concerned financial assets available for sale (up by Euro +13 million).

Own Funds

Regulatory Capital and capital ratios	31.12.2015	31.12.2014	Changes	
			Absolute	%
Common Equity Tier 1 (CET1)	**456,846**	**442,341**	**14,505**	**3.3**
Additional Tier 1 (AT1)	-	-	-	-
Tier 1 (T1)	**456,846**	**442,341**	**14,505**	**3.3**
Tier 2 (T2)	-	-	-	-
Total Capital (Own Funds)	**456,846**	**442,341**	**14,505**	**3.3**
Risk-weighted assets	**3,824,138**	**3,951,934**	**-127,796**	**-3.2**
of which by credit and counterparty risks and by the risk of value adjustment of the loan	3,367,387	3,482,196	-114,809	-3.3
CAPITAL RATIOS				
Common Equity Tier 1 ratio	**11,9%**	**11,2%**	**0,7%**	
Tier 1 ratio	**11,9%**	**11,2%**	**0,7%**	
Total Capital ratio	**11,9%**	**11,2%**	**0,7%**	

Capital ratios as at 31 December 2015 came to 11.9%, increasing vs. the previous year (11.2% as at 31 December 2014).

In calculating Own Funds, the developments in the transitional provisions set down by the supervisory regulation for banks (Regulation (EU) No. 575/2013; Circular No. 285 of the Bank of Italy).

The increase in Own Funds was mainly due to the allocation of the net profit, in accordance with the proposal made by the Board of Directors to the Shareholders' General Meeting, and to lower deductions associated with the shortfall (down by Euro -7 million).

As at 31 December 2015, RWAs came to Euro 3,824 million, decreasing by Euro 128 million (down by -3.2%) vs, the previous year, due to the changes in lending volumes and the relevant change in loan internal composition, to the exit from the portfolio of an equity investment in a financial company and to the decrease in the book value of other assets.

CORPORATE DEVELOPMENT LINES

Retail and Private Banking Channel

Retail Commercial Channel

Again in 2015, the Retail Banking Channel of Banca Popolare FriulAdria reasserted the Bank's role as customer-focused universal bank, thanks to its ability to develop innovation and business relations, also in a still uncertain economic situation.

In the year, over 19,800 new Customers were acquired and close to 4,300 home loans were paid out to households, posting a +46.5% increase vs. the previous year; with consumer credit to be specifically mentioned, Euro 35 million worth of loans were paid out by Agos Ducato, increasing by +137% vs. 2014.

In the asset management segment, a significant performance was achieved in terms of funding, with over Euro 1.1 billion worth of placed products.

Thanks to the enhancement of business with Customers and the above-reported commercial activities, the Retail Banking Channel of Banca Popolare FriulAdria achieved a net increase in assets under management of +2.2% vs. the previous year, with, at the same time, a significant increase in its Customer satisfaction index. Total direct funding came to Euro 4.59 billion, essentially in line with the previous year, while total loans increased by 2.5%, coming to Euro 4.56 billion.

The above performances were achieved thanks to the value of the products and services provided and to several commercial actions, based on the analysis of the requirements and needs detected through effective relations with Customers, as well as on the requirements and suggestions expressed by the Distribution Network

Mortgage loans and other loans

Demand for flexibility and affordability, a relative increase in purchase and sale arrangements, a strong increase in requests for subrogation – consistently with households' requirements to adjust their borrowing costs – were the features of the market for home loans in 2015.

Environmental sustainability was the theme of the 2015 commercial campaign. Thus, thanks to the "*Gran Mutuo Green*" home loan promotion, 500 trees were planted in the green area adjoining the kindergarten of the Villanova district in Pordenone, which will contribute to the regeneration of the area. Moreover, thanks to the Bank's partnership with Edison, the Customers that have taken out a "*Gran Mutuo Green*" home loan could choose to receive an actual benefit: a discount equal to the expense for one year relating to the energy component of the price of electricity, i.e. the portion of the bill referring to consumption, net of charges and taxes.

Thanks to its acknowledged advisory skills on mortgage loans, together with product innovation, the Bank achieved a significant performance, that is to say a 46.5% increase in mortgage loans paid out vs. the previous year.

In 2015, the partnership with some leading loan brokers was strengthened, in addition to the main portals. Agreements with regional players, such as the Finint Group, GruppoDieci and CrediPass were also strengthened.

Finally, it is pointed out that Banca Popolare FriulAdria has adopted the First Home Guarantee Fund ABI-MEF convention, to foster access to credit on a priority basis by young people buying their first home, including those with "atypical" work contracts.

Banca Popolare FriulAdria has increased its operations in the consumer credit market, also thanks to the recent commercial agreement with Agos Ducato, which became fully operational and has led to increase experience in the segment and the range of products supplied through cyclical promotional actions.

Wealth management

New and important changes were implemented on the service model based on the portfolio recommendation, in order to provide Customers with the best possible asset allocation in accordance with the risk profile and with marker conditions.

To achieve this objective, a portfolio recommendation, which was already required to subscribe all the products issued by the Group and for all asset management products, gas become required also to buy Government Securities.

In 2015, advisory services on complementary pension schemes could rely on new tools, with the release of a simulator able to provide Customers with a complete view of their future pension position. Thanks to this release, Banca Popolare FriulAdria has confirmed its mission to provide full-range advisory services in order to be close to its Customers in all the phases of life and to always provide them with the best solutions to meet their requirements.

In 2015, the asset management segment proved very interesting, with a 10% increase in volumes vs. the previous year. Given their diversification and delegated management features, these products were considered by Customers the best response to the variability in market conditions and to the ongoing scenario of rates close to zero.

● *Small Business and Agri-Food*

Banca Popolare FriulAdria confirmed its mission of proximity banking and its closeness to the entrepreneurial fabric of Northeast Italy, carrying out targeted actions to support local economies. Specifically, funds were allocated for preauthorized loans intended to be used to grant both short- and medium-/long-term credit lines, as well as funds for loans on very easy terms in order to support, with fast and transparent tools, investments in the most deserving businesses.

As always, the range of products and services provided was structured and complete thanks to the important synergies with the various product companies of the Group; specifically, important commercial actions were carried out to propose lease products, and such actions were very appreciated by Customers that could fully understand the tax advantages entailed by the products. The performance of sales (up by +24.4% vs. the previous year) is evidence of the Customers’ appreciation.

The commitment to the Agri-Food sector continued for the development of the agri-food business line: close bonds with the areas of production and with the sector players, specialist approach based on advisory services and supply-chain vision.

The Bank strategy took the form of a dedicated service model, which provides for 67 dedicated Managers throughout the network under the coordination of 3 Specialists and the advisory contribution given by 1 Department Coordinator. All the people in the above roles are provided with training courses to give them knowledge and insights of the sector, both through lectures with direct contributions of Customer businesses and through experience on the field.

The efficiency of the lending service model was confirmed, with a dedicated decision-making body that ensures fast response.

● *Women Entrepreneurship*

In the reporting year, the development of the “DonnAzienda” project continued. This project was designed in cooperation with the “Valore D” Association. As at 31 December 2015, the Customers relating to this project were 7,652 and increased by over 500 in the year.

Started at the end of 2013 in order to support businesses led by women, also thanks to the proactive involvement of many employees of the Group, of women entrepreneurs and trade associations (through exchange meetings and one-to-one interviews), this project has allowed the specific requirements of women that do business to be detected and, at the same time, the main action scopes to be identified.

The new range of products and services has been designed specifically based on the knowledge acquired through the exchange meetings and includes not only banking products but also non-banking services, namely welfare and advisory ones.

The “*Scelgo Io – Imprenditoria Femminile*” product is our loan for enterprises led by women which provides our Customers with 3 flexibility options, upon the occurrence of events in their private life which may impact the business, whether these are happy ones, such as the birth or the adoption of a child or in trying times, such as one’s illness or that of a living-in family member: total suspension of the instalment payment for 12 months, suspension of principal repayment up to 18 months or change in the amount of the instalment. In 2015, loans of this type were paid out for over Euro 22 million.

● *Non-Life Bancassurance*

In the reporting year, Banca Popolare FriulAdria once again posted a significant increase in the Non-Life Bancassurance segment, with a good performance in terms of both new Customers taking out insurance policies and of retention of already acquired Customers.

The new range of motor vehicle liability insurance products is more flexible and modular than the previous one and has proven even more suitable to meet Customers' different protection requirements.

Again in the reporting year, our complete proposals for protection of personal property (home) and health (accidents) of the insured party were very appreciated by Customers, as were the new ranges "*Protezione Mobile*" that protects the portable electronic devices of the entire family, "*Protezione Mezzi di Pagamento*" that provides coverage against fraudulent use of credit cards, debit cards and cheques and "*Protezione Interventi Chirurgici*", a personal health insurance policy covering surgical procedures.

The growth of the credit protection segment was also very good, as regards coverage related to mortgage loans and to other loans, in cooperation with Crédit Agricole Creditor Insurance (CACI).

Moreover, the recent product "*Protezione Affidamenti*" was included in our product range as a product intended for businesses having short-term credit lines.

In 2015, once again the insurance supply to FriulAdria Shareholders was distinctive since, thanks to the synergies with Crédit Agricole Assicurazioni, exclusive and very competitive prices could be offered to the Bank's Shareholders for motor vehicle civil liability, Home and Accident insurance, the basic components of the *Soci d'Oro* package that consisted in a special set of banking and non-banking products.

● *E-money*

In the year, a partnership with American Express started, in order to extend the range of products dedicated to the Group Customers and to meet also the "travel & entertainment" requirements of the most demanding Customers, offering a Card with many customized services and with high value added. At the same time, the cooperation with MasterCard and CartaSì continued, which has been going on for years and which, this year, provided support to the commercial action with dedicated initiatives such as "*Promozione 10-20- 30*" and other initiatives aimes at rewarding Customers that use these credit instruments to a large extent.

All the products in the CartaConto "family" (CartaConto, CartaConto Pay- smart and CartaConto Personalizzata) continued perform well; this range combines the main services of a current account with the functions of a prepaid payment card.

● *Mo.Ser. (Service Model)*

Banca Popolare FriulAdria continued to implement its strategy for the review of its service model, combining innovation with the enhancement of the Bank-Customer relation.

In 2015, new branches were opened based on the *Agenzie per Te* model, which is the new generation branch model launched in 2013, coming to 40 branches in the roll out phase.

The classic "counter" is replaced by a new and innovative concept of branch, where reception of Customers, safe and user-friendly tools improve response time and Customers' satisfaction.

Consistently with the *Agenzie per Te* model, a Change Management project was started, with which the Bank has redesigned, and enhanced the quality of, the logics at the basis of relations with Customers, where the priority is welcoming and knowing the Customers, in order to focus even further on the Customer centrality.

● *Off-premises Account Managers Project*

The Off-premises Account Managers Project is the result of the Group's will to acquire new Customers and increase funding through a new service model that is more suitable to respond to the requirements of more evolved Customers.

In order to meet the requirements of this increasing number of Customers and to more effectively support the strategies for growth of the Bank and of the Group, this project was started on FriulAdria Network, which will contribute to innovate and evolve the Bank's business model.

The pilot project started in February 2015 and its initial phase involved ten FriulAdria employees that became 12 at the end of 2015.

An Off-premises Account Manager is a full-range advisor, with specific focus on financial advisory services and on investment products and services.

Considerable training has been planned to support the staff members taking this new role: a training course started for preparation to sit the exam to be entered in the Register of Financial Planners; meetings were held with the leading asset management companies (Italian acronym SGR) and training was provided also in conduct and relational terms.

Given he good performance in terms of acquisition of Customers and funding, it was decided to dedicated other resources to this project, in order to deploy a considerable number of Account Managers able to compete in the reference market.

● *Community-focused activities*

In line with its vocation as a Bank focusing on the Communities it operates in, several initiatives and actions were carried out in the year, among which:

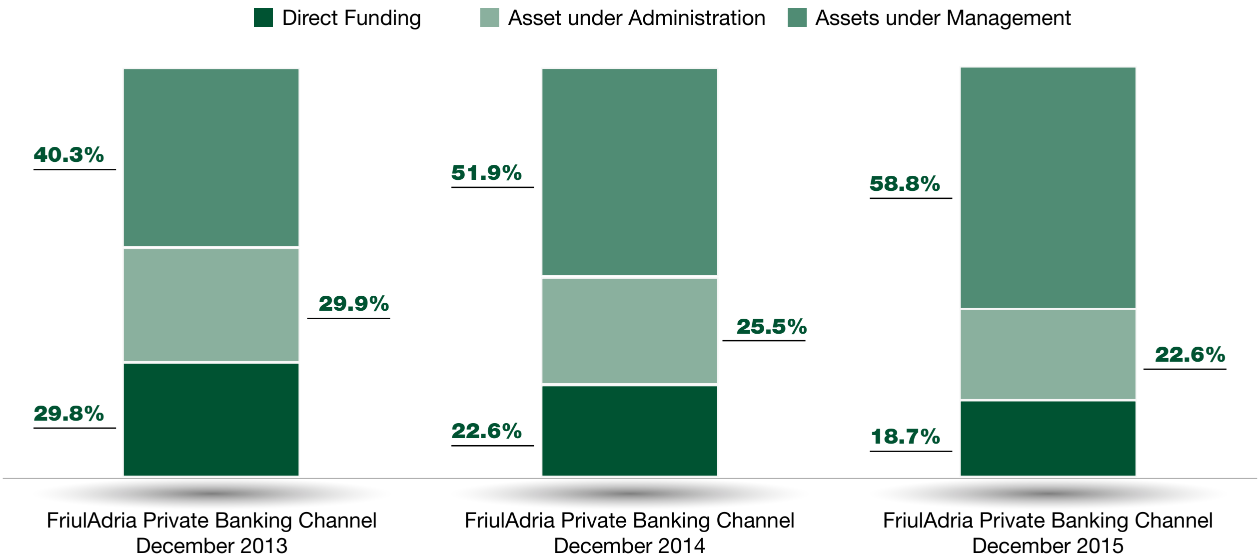
- The "*Semplice e Rapido*" agreement with Cofidi Veneziano (Italian mutual loan-guarantee consortium): €15,000,000 worth of funds for loans intended for investments or to support the enterprise liquidity, with dedicates terms and conditions and response to loan application within a maximum number of days, where the loan application was processed by the Confidi;
- Agreements for credit lines to support investments of their member companies with:
  - Artigianfidi Vicenza
  - Consorzio Regionale di Garanzia per l'Artigianato Veneto
  - *Confidimprese FVG*
  - *Confidi Friuli*;
- "Anti-crisis" agreement with *Confidimprese FVG* and *Confidi Friuli,* to support Enterprises hit by unpaid accounts receivable or with bankrupt customers;
- "*Speciale Inverno*" agreement with *Fidi Impresa* and *Turismo Veneto*, to support liquidity of enterprises operating in the seaside tourist resorts in winter;
- Adoption of the "*Protocollo Polesine*" of the local Chamber of Commerce, Industry, Craft Trade and Agriculture, to support Enterprises based in the Province of Rovigo;
- Agreement with the "*Consorzio di Promozione Turistica del Tarvisiano, di Sella Nevea e di Passo Pramollo*" and signing of the "*Protocollo d'Intesa per il Territorio di Pordenone*" with the Municipality of Pordenone, both with funds amounting to
- €5,000,000, to support local enterprises in their investments as provided for by the *PISUS Regione FVG*;
- Extension to Enterprises led by Women and Young People, as well as to Start-Ups, of the "Fund to Support Credit Supply to the Enterprises based in the Isonzo Valley".

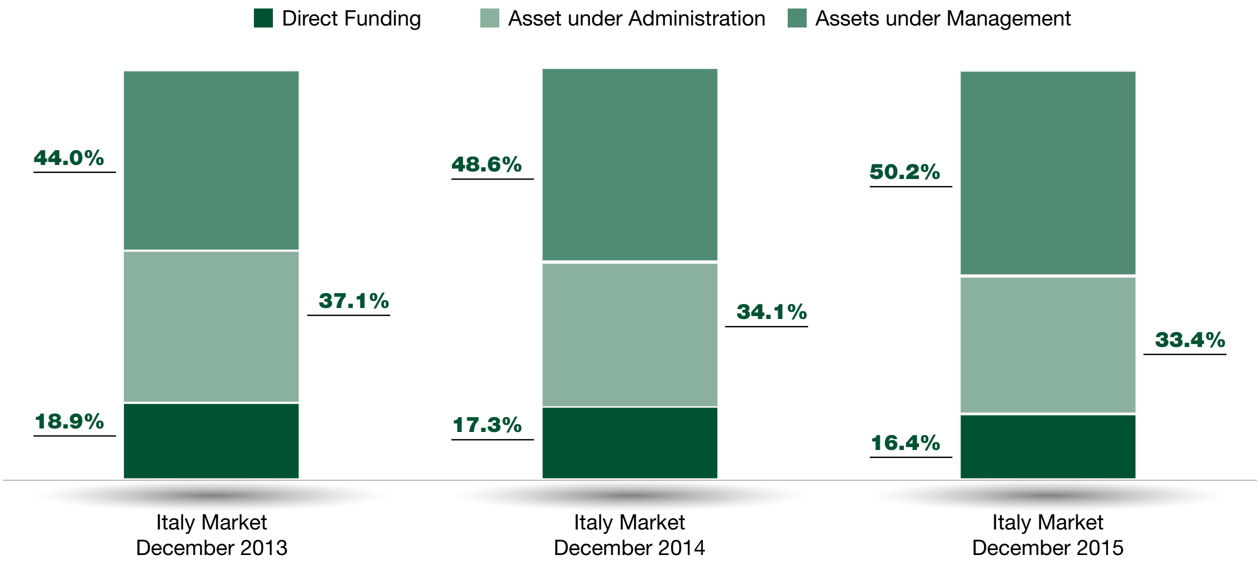
In cooperation with Amundi, meetings with the Group's Premium Customers and Prospects were organized in our areas of operation, called "Amundi Rendez Vous". At these meetings, various financial and behavioural finance topics were dealt with, in order to help Customers to better understand and respond to the present macro-economic scenario.

In order to provide support to the employees of companies experiencing difficulties, our Bank entered into agreements with the Veneto Region to advance the payments of the wage guarantee fund. This agreement provides for the advance of 3 to 9 monthly pays, after INPS (Italian National Social Security Institute) has channelled the flows relating to the payment of social shock absorbers to our Bank.

● *Private Banking Commercial Channel*

In this market scenario, the recomposition of portfolios in terms of assets and the upgrading of Assets Under Management led to quite good performances in the placing of asset management core products, which, over the years, has reached and exceeded the Private Banking figure in Italy (Assets under management up by +14% vs. 2014), generating an improvement in the asset mix of the Private Banking Channel of Banca Popolare FriulAdria, whose asset management figure is higher than the market one.





SOURCE: Served Market Analysis Italian Private Banking Association (AIPB)

The performance of volumes and their upgrading contributed to the improvement of the quality and diversification of the Customers' portfolios, thanks to commercial actions focused on products with high advisory content:

- Wealth Management products up by + 30% vs. 2014
- Insurance Products up by + 26% vs. 2014

In this segment, total revenues increased by +5.8% vs. the previous year, mainly in terms of Wealth Management revenues (up by +14% vs. 2014), about 80% of which consisting of recurring revenues.

Parallel to the above actions for the upgrading of Customers' portfolios, the Private Banking Channel of Banca Popolare FriulAdria carried out development activities that led to increases in both the customer base (up by +2.7% vs. 2014) and total funding (up by +1.0% vs. 2014); these performance were achieved in a very competitive environment.

In 2015, important projects were started and continued:

- The definition of a growth strategy for the acquisition of new Customers and new funding source, as well as for the development of potential of the existing Customers. In this scope, the development of a new CRM approach dedicated to the Private Banking Channel of Banca Popolare FriulAdria was completed, including the creation of portal that will be available as early as in the first months of 2016;
- The range of core products and services of the Private Banking Channel of Banca Popolare FriulAdria evolved: review of the Wealth Management range and product innovation with new management lines (new *Gestioni Patrimoniali Flessibili*, – flexible wealth management lines); extension and implementation of the range of Insurance Products (Multi-line and Unit-linked); improvement of the range of Funds and multibrand SICAVs in a best-in-class logic; new advisory services (tax and inheritance planning, trust and fiduciary services).

These important projects have their strategic value in the achievement of the Channel objectives and have also led to the professional growth of the Private Banking staff of Banca Popolare FriulAdria.

Corporate Banking Commercial Channel

As at 31 December 2015, the point-in-time value of loans (net of bad debts) referring to the Corporate Banking Channel came to Euro 1,862 million, up by +0.54% vs. 31 December 2014, with Euro 254 million worth of outstanding medium/long-term loans. The point-in-time value of funding as at 31 December 2015 referring to the Corporate Banking Channel came to Euro 1,290 million (up by +18.41% vs. 31 December 2014).

In 2015, the Corporate Banking Channel, i.e. the commercial division dedicated to the corporate segment, again contributed, as in the previous years, to support growth and investments by offering products and services that fully meet the requirements and behaviour trends of the different Customer segments.

In accordance with the Service Model – which was developed in 2014, implemented in 2015 and which is based on specialist advisory services, on prompt response to the Customers and on the synergies with the other entities of the Group (CACIB Italy through the MidCorp Project, Crédit Agricole Leasing and Crédit Agricole Factoring) – Customers have been fully focused on and immediate commercial and lending control has been carried out from the very beginning of negotiations.

In the year, several actions were implemented by the Corporate Banking Department in the communities it operates in, such as:

- The consolidation of the partnership with SACE, through which support was provided to small, medium and large Italian enterprises intending to invest in internationalization projects;
- The enhancement of the cooperation with Euler Hermes, which, thanks to the supply of insurance products, allowed companies to hedge trade risks;
- New partnerships with other trade associations in geographical areas where the Group has planned development;
- Adoption of the ABI (Italian Banking Association) MEF (Italian Ministry of the Economy and Finance) moratorium for the renegotiation of medium-term loans (extension or suspension);
- The action to mitigate credit risk by acquiring the guarantee provided by the Guarantee Fund for SMEs, was strengthened in order to mitigate the risk linked to the granting of new loans;
- "Preauthorized loans" initiative dedicated to the best Customer companies in strategic target industries giving the possibility to immediately obtain the liquidity required to make investments, promote innovation and develop exports.

Thanks also to the cooperation with the Network and to the synergy with the product companies of the Group, as well as with the other Channels, significant performances were achieved in terms of commission income and acquisition of Customers through supported and shared cross-selling strategies. Specifically, good performances were achieved both in Corporate Finance (confirming the role of the Cariparma Crédit Agricole Group in the Structured Finance scenario) with good commission income, and in acquisition terms, thanks to the close cooperation with the Private Banking channel, which allowed full management of the acquired Customers, from a both corporate and private banking standpoint.

In this regard, the products launched in 2014 and appropriately used in 2015, such as the Cash Management Value Proposition forms (bilateral agreements in force with 50 foreign countries) and the Misys Trade Portal, allowed better management of both the treasury and the commercial transactions with foreign countries.

The Corporate Banking objective for 2016 is:

- To continue to grow in terms of loans through the acquisition of “core” and export-oriented Customers, increasing the market share on the best Customers and improving the quality of its loan portfolio;
- To further increase its focus on internationalization by implementing the “International Desk” Project, which provides for the Creation of a Center intended to assist and support enterprises in their
- international business, using the international network of the Crédit Agricole Group and fostering business operations by foreign players in Italy;
- To propose new high-value-added solutions and products to our Customers, in various fields, such as corporate finance, collection & payments, desk and international business, especially through the MidCorp Project in synergy with CACIB, with which the Services and Products of the CA Group in Italy for the Large Corporate segment will be improved;
- To enhance cross-selling activities with the product companies of the Group and with the Private Banking Channel.

The workforce

As at 31 December 2015, the Bank’s Employees on staff were 1,471 (of whom 82 seconded to Cariparma), with an average age of 46 years and 3 months, average seniority in service of 20 years and 6 month and women accounting for 43.1% of total Employees. 99.5% of the Bank’s staff consists of employees with a permanent employment contract, 35.7% consists of University graduates and 23.1% of the manager positions is held by women. The portion of staff with a part-time job was 14.9%.

In 2015, 21 employees were recruited and 116 terminated, of which 93 were transfers of contracts to Crédit Agricole Group Solutions made on 1 September 2015.

Training was focused on, with 6,405 days of training provided in 2015 involving 89% of the Bank’s Employees. Investments in training aimed at the improvement of the Resources’ effectiveness, at their assuming responsibilities, at their technical training on compliance, lending, finance and occupational safety, in line with the latest development in the applicable legislation and the obligations set down by the Regulators. Moreover, significant investments were made in conduct training (Change Management) provided to Area Managers and Branch Managers.

As regards safety and the environment, the activities provided for by Italian Legislative Decree No. 81/2008 continued, by evolving the model for the delegation of decision-making powers, implementing the corporate policies on compliance with the Risk Measurement Document, training the Staff and by removing/mitigating the residual risk factors.

The guidelines and directions at the basis of the Group remuneration policy are set by the Parent Company Crédit Agricole in order to ensure shared and consistent management at a global level; such guidelines and directions are then adopted by the Cariparma Crédit Agricole Group, who adjusts them to its own reference scope and submits them to the Board of Directors of each Company and, finally, to the individual General Meetings of Shareholders for final approval.

Projects were implemented for staff enhancement, also at Group level (Open Talent and Moving Energy) and at Bank level (High Flyers) aimed at crosswise and interfunctional development of the Bank’s young talents. A coaching project was started for some top managers of the Bank. Moreover, in November, an event was dedicated to the Bank’s young employees, with training and motivational objectives.

The structured initiative for open and constructive dialogue with all the Bank’s employees continued, supporting and incentivizing exchange of ideas and listening, as well as investing in the improvement of internal communication processes. In this regard, continuing to implement a yearly action that was successfully started in 2010, in June and July 8 meetings were held between the General Manager and all the Bank’s Employees, in order to promote awareness and change.

In July, at a Group level, a climate survey was carried out, in order to identify strong points and areas for improvement, also based on benchmarks, both Group’s and external ones, and to define a plan of targeted actions.

In the field of Corporate Social Responsibility and specifically within the FRED Project, which is based on three pillars, namely Confidence (respect for Customers), Respect (respect for the people and the area of operation) and Demetra (respect for the environment), some actions continued to be implemented, such as the “payroll giving” (donation of the fraction in cents of the individual monthly pay with a contribution given by the Bank to take such fraction to 1 Euro), the PSYA service (anonymous and free listening and phone psychological counselling for the Bank's Employees and their families) and, for the third consecutive year, the social corporate prize (payment of the corporate prize in "cash" and/ or "welfare benefits" consisting of additional healthcare, complementary pension, education and training of children). In 2015, FriulAdria participated for the first time with its own specific initiative called "Together to work! Small steps towards a more sustainable future", which consisted in a survey of the Staff's mobility habits, in their home-work way, in order to collect information useful to implement sustainable mobility projects.

In 2015, FriulAdria started the "Maam Project" that is intended to accompany and support the Bank's female employees in maternity, enhancing their sense of belonging to the Company and ensuring smooth return to work by providing support and listening.

In the year, the level of the services provided by the Group Central Departments, i.e. the "Internal Customer Satisfaction", continued being measured, with surveys carried out on a half-year basis and, thus, with the possibility to monitor the results achieved over time. Again in 2015, Banca Popolare FriulAdria, like the Parent Company, achieved overall positioning well above the adequacy threshold.

Moreover, in order to extend and enrich the Bank's service model, FriulAdria started an experimental project for the creation of a network of "Off-premises Account Managers", with qualified resources, both internal and external, appropriately selected and trained with dedicated initiatives.

Social Responsibility

Social responsibility is an increasingly integral part of the corporate culture of the Cariparma Crédit Agricole Group and is developing in line with the economic, environmental and social expectations of the Group's Stakeholders in order to generate a long-term competitive advantage for the Bank.

The Group pursues the creation of economic and social value, also through a strategy aimed at supporting the communities it operates in, which provides for the importance of maintaining fruitful relations with the Bank's main stakeholders.

Corporate Social Responsibility (CSR) also contributes to the development of corporate strategies, fostering the creation of value for the Group's stakeholders through business initiatives, actions for the support to the communities and for the prevention and management of reputational risks.

Some of FriulAdria's main projects for sustainability are "**Together to work – Small steps towards a more sustainable future**", which was implemented 2015 to detect the mobility habits of its staff to go from home to work through an electronic survey that allowed important information to be collected with the objective of more sustainable mobility.

Moreover, "Together to work" aimed at promoting awareness of virtuous behaviours that everyone can adopt when going to work to protect the environment.

One of the main initiatives that FriulAdria s going to start in 2016 is "**Valuable Volunteers – Together to help. Together to share**", on the conceiving, design, scheduling and implementation of an initiative of corporate volunteer work, aimed at fostering, supporting and organizing proactive participation, on a voluntary basis, of the Bank's staff in the life of the local community.

Finance

The directions followed by the Cariparma Crédit Agricole Group concerning financial balances rest of three main guidelines:

- the management of interest rate risk;
- the management of liquidity risk;
- capital management.

The objectives regarding the management of interest rate risk, consistently with the past, concerned the hedging of the Bank cumulative exposure. The exposure was kept at modest levels and the implementation of this policy allowed significant protection of profitability, as substantiated, also for 2015, by the contributions to the Income Statement of the hedges made in the reporting year and in previous ones.

As regards liquidity, in the reporting year, the financial system recorded a progressive stabilization of liquidity cost spreads, with further decreases in interest rates, which, along the short-term portion of the curve, have long been negative.

At the beginning of September 2015, a new issue of Covered Bonds on the market was made subsequent to further transfer of loans as a guarantee. This issue received a favourable feedback from institutional investors and

Euro 1 billion worth of bonds were successfully placed, thus allowing funding to be stabilized at modest costs and with longer maturities (8 years) than those that can normally be obtained with Customers.

Other elements that characterized the period are the reduction, consistently with the limits agreed on with Crédit Agricole and Cariparma, of the reserve portfolios in Government Securities held for LCR purposes.

Based on the measurements linked to the regulatory implementations in accordance with Basel III requirements and based on the directions subsequent to the entry into force, in January 2016, of the Bank Recovery and Resolution Directive (BRRD), which sets down the “Bail-in” principles, capital management focused on prospective actions relating to the structure of liabilities.

Risk management

Objectives and policies on risk taking, management and hedging

1. SUMMARY OF THE SYSTEM, PERIMETER AND ROLES

The Cariparma Crédit Agricole Group attaches great importance to the measurement, management and control of risks, in order to achieve sustainable growth in a political-economic situation, such as the present one, featuring high complexity and evolving rapidly.

Within the Cariparma Crédit Agricole Group, the Parent Company Cariparma is responsible for overall steering, managing and controlling risks at a Group level, triggering operating action plans that allow reliable control on all risk situations. In turn, the system set by Cariparma is based on the Supervisory regulations and on the directions issued by Credit Agricole S.A. concerning its subsidiaries. Since 2015, the Risk Management and Permanent Controls Department (Italian acronym DRPC) of Cariparma has been carrying out the activities for risk management and control for all the Companies of the Cariparma Crédit Agricole Group.

The founding principles informing all activities for risk management and control are the following:
- clear identification of risk-taking responsibilities;
- measurement and control systems that are compliant with the Supervisory instructions and in line with the solutions more frequently adopted at an international level;
- organizational separation between operating and control functions.

The perimeter of detected, monitored and integrated risks (taking account of diversification advantages) in the economic capital includes:
- credit and counterparty risks; this category also includes concentration risk;
- market risk of the Trading Book;
- price risk of the Banking Book;
- interest rate risk of the Banking Book;
- liquidity risk;
- exchange rate risk of the Banking Book;
- operational risk.

The Cariparma Crédit Agricole Group updates, normally on a yearly basis, its Risk Strategy, which sets the levels of risk (credit, financial, market and operational risks) which the Group deems adequate to its development strategy. Based on the Strategy, which is submitted to the Risk Committee of Crédit Agricole S.A. for its approval, global limits are set (alert thresholds) and are appropriately integrated with operational limits that are specific to each single Entity in the Group. This system, consisting of limits and/or alert thresholds, is submitted to the Boards of Directors of the Parent Company Cariparma and of the single Entities in the Group for their approval.

Within the process for upgrading to the Supervisory regulations, in 2015 the Cariparma Crédit Agricole Group also completed a process for the definition of its Risk Appetite Framework (RAF), consistently with the guidelines and with the strategic plan of the Parent Company.

In 2015, an action started for the review and rationalization of the Group Committees, in order to improve monitoring and control of the specific risk scopes. The main Committees include:

- The Internal Control Committee that coordinates the control departments (Audit, Compliance, Risk Management and Permanent Controls), as well as the internal control system as a whole, in accordance with the procedures implemented by Crédit Agricole at Group level;
- The Risk Management Committee (which was set up in 2015 by merging the Operational Risks Committee, the Credit Risk Committee and the Financial Risks Committee) which examines and approves the guidelines for risk management, gives opinions on the specific Risk Policies submitted for approval to the Board of Directors and resolves on any proposals made by the operational working groups, which all matters that are specific to the different risks are referred to;
- The Compliance Management Committee that analyzes the status of the applicable regulations and makes proposals for corrective actions, where needed.

In accordance with their respective responsibilities, the Departments engaged in control functions sit also on other management Committees, including the New Activities and New Products Committee (Italian acronym NAP), the ALM Committee, the Investment Committee, the Loan Committee and the Loan Monitoring Committee.

Finally, the Departments engaged in control functions participate in and report to the Audit Committee for Internal Control; this is a Board Committee set up by the Board of Directors in order to have support in ensuring the effectiveness of the internal control system, pursuant to the "Supervisory provisions concerning banks' organization and corporate governance" issued by the Bank of Italy on 4 March 2008, which recommend that Board Committees be set up within entities that are large-sized or feature high complexity.

The Audit Committee for Internal Control also verifies whether the incentive system implemented by the Bank is consistent with the applicable regulatory provisions.

2. RISK MANAGEMENT AND HEDGING

Credit Risk

In the Cariparma Crédit Agricole Group, the lending process (strategies, decision-making powers, rules for the authorization and management of loans) has been developed in accordance with the guidelines issued by the Parent Company Crédit Agricole S.A and aims at:

- Achieving an objective that is sustainable and consistent with its risk appetite and with the creation of value of the Group, ensuring and improving the quality of lending assets;
- Diversifying the portfolio, by limiting the concentration of exposures by counterparty/group, economic activity sector or geographical area;
- Efficiently selecting the economic groups and single borrowers, by means of thorough analysis of credit worthiness in order to mitigate the risk of default;
- Favouring, in the present economic situation, lending actions that support households, the real economy and the productive system, steering appropriate lending measures aimed at selectively developing and supporting business with the worthiest Customers.
- Constant control of accounts and relating exposures, both through IT procedures and through systemic monitoring of less than fully performing positions, in order to promptly detect any signs of impairment.

This process is regulated based on different phases, in order to identify the risk management standards, the actions to implement for the proper application of such standards, the units responsible for carrying out the above activities and the procedures supporting them. The subdivision into phases and the assignment of tasks to the different organizational structures are made focussing on the process operativeness, that is to say its fitness to achieve the set objectives (effectiveness) and its ability to achieve then at consistent costs (efficiency).

In the present economic situation, the Cariparma Crédit Agricole Group has reasserted its systematic control on the developments in the quality of the Loans-to Customers Portfolio, with the objective of making the monitoring on riskiest exposures even more selective, from early warnings on, to promptly detect any sign of their being non-performing, and to take more and more effective action to control credit risk.

Also in 2015, the constant monitoring of the loan portfolio quality was pursued by adopting precise operating procedures in all phases of the loan position management, in order to ensure preventive management of default risk. The set of loans is subject to thorough and constant monitoring by means of a pre-set control system based on rating, performance monitoring, and early warning indicators that allow prompt management of positions at the very earliest warning and interact with the processes and procedures for loans management and control.

The organizational structure, the procedures and tools supporting the system for the management of problem loans ensure prompt triggering of the actions and measures required to restore the position to a performing status, or prompt triggering of the most appropriate recovery actions, where the conditions rule out any continuance of the business relation.

The Group has implemented a wide set of tools for the measurement and management of credit risks, which can ensure control on an individual basis of the quality of its loan portfolio.

The Group pursues the mitigation of credit risk by entering into ancillary agreements or by adopting tools and techniques that ensure actual mitigation of this risk. Particular attention is given to securing and managing guarantees through the definition of and compliance with general and specific requirements, and to updating the value of the guarantees.

After the loan authorization and disbursement, the position is assessed on a time basis (fixed deadlines or set frequency) or upon reporting/initiative of structures engaged in the review of credit lines, in order to verify that:

- The borrower and the relevant guarantors remain solvent;
- The requirements of the guarantees remain complied with (legal certainty, prompt realization and value consistency with the exposure).

IRB/Basel II advanced approach

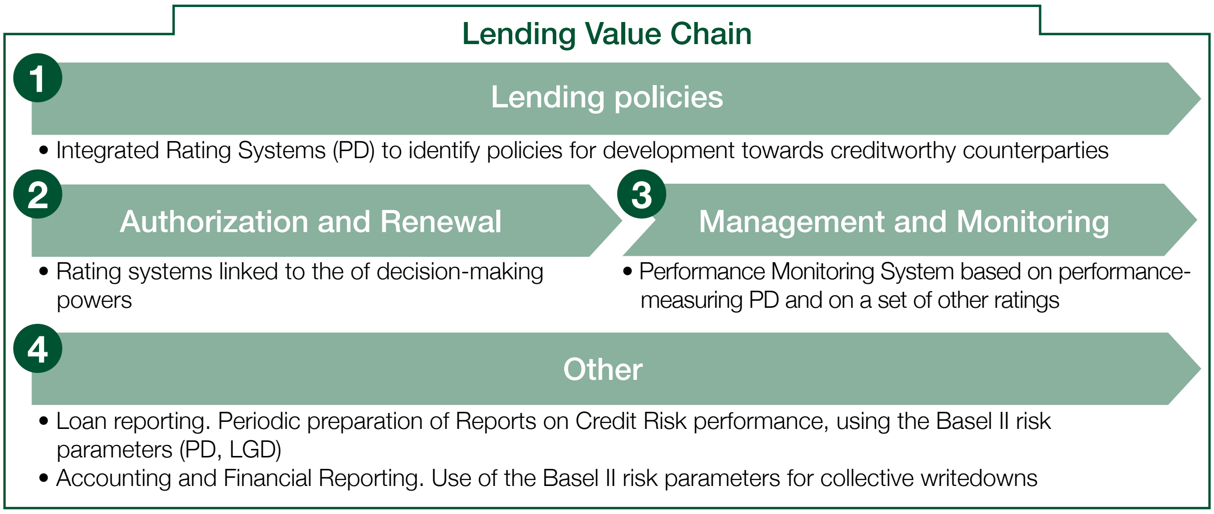
For determining its capital requirement for credit risk ("Retail Loan Exposure" asset class – the so-called "Retail portfolio" – on Probability of Default (PD) and Loss Given Default (LGD) models, the Cariparma Crédit Agricole Group has been using (since December 2013) internal ratings with an advanced approach (Internal Rating Based – Advanced), for Cariparma and Banca Popolare FriulAdria.

As regards the "Exposures to Corporate Customers" portfolio, in line with the strategic directions issued by the Parent Company Crédit Agricole S.A., the Cariparma Crédit Agricole Group has started the methodological, organizational and technological actions required to obtain the validation also for this exposure class

The risk measurement system is fully integrated in the decision-making processes and in the management of corporate operations: the rating system has long played an essential role in loan authorization, risk management, internal allocation of capital and in the Bank governance functions, as well as in contributing to ensure risk prevention and mitigation. In order to ensure that lending processes and credit risk measurement are homogeneous, the internal models are used by all the entities of the Cariparma Crédit Agricole Group including FriulAdria.

The rating systems are used within the main phases in the lending value chain. With specific reference to loan authorization and monitoring, the management use of the rating system results in:

- (lending policies) the set lending policies govern the procedures through which the Banks and the Companies of the Cariparma Crédit Agricole Group authorize loans and manage credit risk;
- (loan authorization): the assessment of the creditworthiness upon the first authorization and upon review of/change in credit lines, as well as for determination of decision-making powers in terms of loan authorization;
- (loan monitoring) the use of the performance-measuring PD, combined with other variables, for performance monitoring, in order to detect and correct non-performing positions before they are classified as in default;
- (collective write-down): the approach for the collective write-down of Performing Loans implemented by the Bank uses the Basel metrics to determine the amount of the provision (PD and LGD), as well as to identify sensitive loans subject to write-down;
- (Bank reporting): the use of risk measures produced by the Bank's reporting model.



Such full integration in the loan management processes allows the creation and development of internal models that support the measurement of creditworthiness and can be used to assess, with statistical objectivity, the probability that the (Retail) counterparties default.

The calculation of the mandatory capital requirements using internal rating-based approaches allows optimal management of the regulatory capital, as it also allows a “weighted” analysis of the loan portfolio, “aware” lending development considering the risks taken and, thus, better planning of loans and of credit risk over the medium-/long-term.

Finally, more effective detection and measurement of risks allows better disclosure and subsequent enhanced transparency in reporting, which is a key element to meet the requirements of the Bank’s various Stakeholders.

Interest Rate risk and Price risk of the Banking Book

The measurement, management and control of financial balance (ALM) concern the Banking Book positions. The Banking Book consists of typical positions in banking operations, which are lending and funding without trading objectives. Interest rate risk, therefore, is measured with reference to all on-balance-sheet and off-balance-sheet transactions, excluding the supervisory trading book.

The Governance model adopted by the Cariparma Crédit Agricole Group assigns the responsibility for the measurement and management of interest rate risk to the CFO, who, through the Financial Management Division of Cariparma, performs centralized management of this risk at single entity level, in accordance with the guidelines set down by Crédit Agricole S.A. The Risk and Permanent Controls Department is responsible for independent control of the interest rate risk management system, by verifying its compliance with the risk measurement model.

The global limits to the price risk of the Banking Book price are defined on the basis of the type of instruments that can be held (Italian, German, and French Government Securities) and are expressed with reference to the maximum nominal value that can be held by every Bank of the Group.

The Group has also implemented a stress analysis method to be used on the prices of the assets falling within this scope, setting a system of limits in force at Group level and of alert thresholds that are consistent with the standards set by Crédit Agricole S.A.

In 2015, no global and no operational limits were exceeded. Moreover, the hedging of interest rate risk continued with the purchase of derivatives, namely Interest Rate Swaps and Interest Rate Options. Fixed-rate debenture loans have been hedged (micro-hedging), mortgage loans with cap to Customers (macro-hedging) and fixed-rate gaps detected by the internal model, which have been subject to macro hedging

Liquidity risk

For Banks, liquidity risk, both short-term and medium-/long-term, is the risk of not being able to promptly meet their payment obligations, due to the fact that they cannot obtain funding on the market (funding liquidity risk) and cannot sell their assets on the market (market liquidity risk).

The Governance model adopted by the Cariparma Crédit Agricole Group assigns the responsibility for the measurement and management of liquidity risk to the CFO, who, through the Financial Management Division of Cariparma, performs the centralized management of this risk at Group level, in accordance with the guidelines set down by Crédit Agricole S.A. The Risk Management and Permanent Controls Department is tasked with the monitoring of liquidity risk, again in accordance with the guidelines set down by the Crédit Agricole S.A. Group.

The management of short-term liquidity, that is to say, the management of events impacting on the liquidity position of the Cariparma Crédit Agricole Group in a time horizon from over-night to 12 months, has the main objective of maintaining the Group's ability to meet its recurring and non-recurring payment obligations, minimizing the relevant costs.

In order to monitor short-term liquidity management, the Cariparma Crédit Agricole Group has implemented a system of limits in accordance with the provisions set down by the Crédit Agricole SA Group, which is based on stress scenarios in order to ensure surplus liquidity on various time horizons and in increasingly stressful scenarios. The stress assumptions used cover idiosyncratic crises, systemic crises and global crises.

Medium-/long-term liquidity management entails the identification of alert thresholds by determining the *Position en Ressources Stables* (PRS) and *Coefficient en Ressources Stables* (CRS) indicators. They aim at ensuring the Group financial balance between stable resources (medium-/long-term market resources, resources from Customers, own funds) and long-term uses (non-current assets, loans to Customers and Customers' securities). PRS and CRS positive levels substantiate the Bank's ability to support its assets during a crisis. In 2015, in compliance with the Basel III regulatory framework, the Group reported its LCR (liquidity coverage ratio) indicator to the Supervisory Bodies on a regular basis. The Group liquidity position is good, as substantiated by the LCR regulatory indicator coming to 114% as at 31 December 2015.

Market risk of the Trading Book;

Market risk is generated by the position of the Banks that make up the Cariparma Crédit Agricole Group limited to the Trading Book for supervisory purposes. . The Group does not carry out significant proprietary trading activities in financial and capital markets; the positions reported are exclusively those resulting from placing and trading operations performed to meet Customers' requirements.

Consistently with the Group policy, the Bank sells "over-the-counter" (OTC) derivatives to the various Customer segments, through a specialist team supporting its intermediation activities. Intermediated derivatives are hedged back-to-back in order to be immunized from market risk. Credit Support Annex (CSA) agreements have been signed with the market counterparties, in order to mitigate total exposure, whereas counterparty risk on Customers has not been mitigated.

The Group aims at meeting the financial requirements of Customers that use derivative instruments for their own purposes, mostly to hedge interest rate risk (Retail and Corporate mortgage loans) and exchange rate risk (Corporate). In this regard, the Risk Strategy provides for a limit in terms of mark-to-market at Group level, as well as limits in terms of nominal/notional value at single Bank level. In 2015, the Cariparma Crédit Agricole Group upgraded it operational process, being a subsidiary of the Crédit Agricole SA Group, in order to comply with the Volcker Rule and the "*Loi francaise de séparation et de régulation des activitès bancaires*" (LBF). The above regulations have applied to the Cariparma Crédit Agricole Group since July 2015. In 2015, no global limits, no operational limits and no alert thresholds were exceeded.

Operational risks

The definition of operational risk adopted by the Group is the one set down in the document "Basel II – International Convergence of Capital Measurement and Capital Standards" prepared by the Basel Committee on Banking Supervision, which reads "*Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes,*

People and systems or from external events". This definition includes *legal* risk, which covers but is not limited to, exposure to fines, penalties, or punitive damages resulting from supervisory actions, as well as private settlements.

To consolidate and enhance control of operational risks, the Group has set some macro-objectives:
- Constant full compliance with the regulatory requirements for the use of the Traditional Standardised Approach (TSA) for the calculation of the Regulatory Capital as provided for by the Basel standards, except CALIT (an intermediary pursuant to Article 107 of the Italian Consolidated Banking Act – TUB), which uses the base approach;
- Monitoring of risks and losses, in order to allow a management-oriented approach, especially in terms of risk mitigation and prevention initiatives, as well as risk culture dissemination;
- Fine-tuning of the permanent controls systems and extension of the coverage of the same controls within the company perimeter;
- Being fully compliant with the regulatory requirements for the use of AMA (Advanced Measurement Approaches) for the calculation of Regulatory Capital.

The Risk Management and Permanent Controls Department of Cariparma is the reference structure in the management of operational risks at Group level and is responsible for ensuring the existence, completeness and relevance of the permanent controls implemented by the Group, by means of a structured and traceable control plan, as well, consequently, for assuring the General Management and the Boards of Directors that the various types of risks are actually under control.

In this regard, the Risk Management and Permanent Controls Department of Cariparma proactively participates in the most important corporate projects, especially those with high organizational impact, in order to provide its contribution, from the earliest phases, for consistent and complete preparation of the mechanisms for the management of the risks that are inherent in each project.

The management of operational risks requires sharing and proactivity also by all corporate structures; therefore, within the scope of permanent controls and operational risks, in order be at all times fully aware of the risk issues associated to the different corporate processes, both specific control roles within the corporate departments, and mechanisms that are functional to the set targets are operating:
- Operational Risk Manager (ORM or with the Italian acronym MRO), who is responsible for reporting the presence of actual and potential risks in the various corporate structures and for coordinating the implementation of permanent controls;
- Security Control and Business Continuity Plan (BCP or with the Italian acronym PCO), with the task of coordinating and monitoring the actions concerning security problems (physical and IT) and the Business Continuity Plan;
- CISO (Chief Information Security Officer), who is responsible for monitoring and controlling all aspects concerning IT security, from the relevant policy to risk analysis and action plans;
- Business Continuity Manager (BCM), who is responsible for the Business Continuity Plan;
- Persons in charge of Controls, within the Distribution Network structures, with the task of performing 2nd degree 1st level permanent controls;
- Fraud Prevention Unit (FPU or with the Italian acronym NAF), having the task of monitoring and making decisions on fraud-related problems;
- structures and tools, instrumental for proper risk control and for the management of mitigation/improvement actions, including:
  - the Risk Management Committee, which is described above;
  - the system of remote controls for the Distribution Network, together with early warning indicators, aimed at detecting any irregular situations;
  - Improvement Work Groups, meetings with the Branches that showed problems in the outcomes of permanent controls, of inspections carried out by the Internal Audit Department and in other verifications; during such meetings, together with the heads of the Retail Banking Areas, the problems detected are analyzed and an action plan for improvement is prepared.
  - the interfunction Work Group on Outsourced Important Operational Functions/Provision of Outsourced Essential Services (Italian acronyms FOIE/PSEE), having the task of monitoring and making decisions on any problems regarding the contracting out of functions that are defined as “essential or important” in accordance with the applicable corporate and Supervisory rules;

As regards the activities that are outsourced and contracted out to external providers, they are always governed by a service agreement that, in addition to regulating the provision of the service, provides for a system of controls on the set qualitative and quantitative levels. In accordance with the various scopes, internal reference roles are identified within the Bank's structures, who report to the competent Departments of the Parent Company on the general reliability of the contract agreement.

Finally, special controls are triggered where the activities outsourced can be defined as "important/essential operational functions" (Italian acronym FOI), pursuant to the Bank of Italy – CONSOB (Italian Securities and Exchange Commission) joint regulation and to the 15th update of Bank of Italy Circular No. 263/2006; in this regard, the main corporate regulatory reference, consisting of a specific Group policy that implements the Supervisory provisions, organically defines the system of controls as required in case of outsourcing of important operational functions.

3. INTERNAL CONTROL SYSTEM

The Cariparma Crédit Agricole Group has progressively upgraded its internal control system to the applicable Supervisory provisions (Bank of Italy Circular No. 285/2013) and to the model implemented by the Controlling Company Crédit Agricole S.A.; therefore, it implements a system aimed at:

- constant control of risks;
- adequacy of the control activities to its organizational structure;
- ensuring reliability, accuracy and promptness of reporting.

The internal control system provides for the involvement:

- of the Collective Bodies,
- of the Departments engaged in control functions,
- of the Supervisory Body,
- of the Independent Auditors,
- of the Banks' Top Management;
- of all Staff Members.

The analysis and monitoring of risks are carried out based on Group references, which provide for verification of abidance by the regulatory terms, of the reliability of process and their exercise, security and compliance.

The control system provides also for the implementation of a mechanism of:

- permanent control, which comprises:
  - 1st degree controls, exercised on a continuous basis, at the start-up of an operation and during the process for its validation, by the employees performing it, by the persons they report to on solid line, or executed by the automated systems for operation processing; the activities for the production of accounting data and for the preparation of the Annual Report and Financial Statements are subject to specific first-degree controls that are carried out within the accounting units;
  - 2nd degree/first level (2.1) controls, which are carried out by persons engaged in operating tasks, but other than those involved in making the decisions on the transactions subject to control; specifically, within the central administrative structures, controls are performed to monitor all departments and roles that can access the accounting information system
  - 2nd degree/second level (2.2) controls, which are carried out by staff who is engaged in specialist functions for top level permanent controls and is not authorized to take risks, i.e. staff engaged in Compliance, Risk Management and Permanent Controls functions.
- periodic control, consisting of a 3rd degree control, which is performed by the Internal Audit Department on a periodic basis through remote verifications, on-site inspections and audits of documents.

The updating of the regulatory system is also constantly focused on and, in addition to the upgrading to the regulations already implemented, also entails a coverage extension through specific policies that are in force for the Group as a whole.

The Departments, Divisions and Services engaged in 2n degree/2nd level (2.2) and 3rd degree controls report to the Board of Directors and to Crédit Agricole S.A. on:

- activities carried out;
- main risks detected;
- identification and implementation of the mitigation mechanisms and the effects of their implementation.

Activities of the Validation Unit

The activities of the Validation Unit are governed by the specific Policy that was approved by the Board of Directors of Cariparma in February 2015. This document specifically sets down its work approaches, scopes of action and any significance thresholds for its verifications, as well as the reporting process and the control of evidence and of the relevant corrective actions. The regulation of the validation process is also exhaustively described in the methodological document published in December 2015, in accordance with the Guidelines issued by the "*Validation Modèles Internes*" Unit of Crédit Agricole SA.

The Validation Unit, which is provided for by the supervisory regulations, is responsible, among other things, for verifying:

- The accuracy and predictivity of the internal estimates of risk parameters;
- Proper use of the internally estimated risk parameters within management processes;
- Compliance with regulatory provisions of the governance model and of the features of the internal rating system;
- Compliance with the regulatory standards governing the architecture and operation of the information systems supporting the risk measurement process;
- The completeness, accuracy, consistency and integrity of the information used within the process to estimate risk parameters.

The Validation Unit of the Cariparma CA Group reports on a solid line to the Executive at the head of the Risk Management and Permanent Controls Department of Cariparma and on a dotted line to the "*Validation Modèles Internes*" Unit of Crédit Agricole SA.; it operates independently of the departments and roles that are responsible for the rating process and for loan authorization. All validation activities are certified on a yearly basis by the Internal Audit Department.

Other information

Italian National Tax Consolidation Regime

In 2013, the option to adopt the tax consolidation scheme between the Group Companies was exercised, pursuant to Article 117 and following ones of Italian Presidential Decree No. 917/86, by the Group Companies, in order to obtain the advantages, also economic ones, both actual and potential, resulting from the adoption of this scheme.

Tax-related disputes

The dispute with the *Agenzia delle Entrate* (Italian Inland Revenue Service) is still pending in relation to two Notices of Settlement regarding Registration Taxes that are allegedly due since the *Agenzia* requalified – as sale of a company – the transactions carried out in 2007 for the transfer of branches from Intesa SanPaolo and the subsequent transfer of the relevant shares by the transferor to Cariparma. The dispute, for all parties involved on various grounds, also other than Banca Popolare FriulAdria, amounts to Euro 4.1 million, plus interest. On this dispute, a favourable decision was issued by the competent Court of second instance, against which the *Agenzia delle Entrate* filed appeal with the Italian Court of Cassation. Considering the above favourable Court decision and in the light of specific opinions from important legal counsels, no provision has been made for the above dispute.

In 2014, a dispute started, again on registration taxes and based on the same grounds, regarding a similar transaction carried out in 2011, once again with the Intesa Sanpaolo Group. This dispute entails a request to pay taxes for a total amount of approximately Euro 2.05 million, plus interest. The considerations set forth above cannot but apply also to this latest dispute.

In 2013, Banca Popolare FriulAdria was subject to a general audit by the *Agenzia delle Entrate*, which was followed by a Verification Report (Italian acronym PVC). Based on the allegations made in the Verification Report, in order to reduce the dispute cost, the case was resolved in the past years, within a specific settlement with acceptance petition, thus reducing the subsequent liability to an amount close to Euro 0.1 million. The petition did not include the allegations relating to transfer prices applied in transactions with foreign companies and contained in the verification report; these could led to an assessment in terms of taxes amounting to approximately Euro 0.5 million, plus penalties and interest. The allegations are deemed groundless, since there are valid arguments supporting the Bank's conduct. Consequently, no provision was allocated for this reason.

RESEARCH AND DEVELOPMENT

No research and development activities were performed in the year.

RISKS AND UNCERTAINTIES

The policies for the monitoring, management and control of risks remain key and priority pillars based of which the Banks will have to measure, both against one another and against domestic and international markets.

Reference is made to other sections of the Note to the Financial Statements for exhaustive reporting on the risks and uncertainties which the Group is exposed to (and on the techniques implemented for their mitigation), while it cannot but be emphasized once more the constant focus that the Group and its Management have kept on the monitoring of risks and uncertainties, also to comply with the countless recommendations that the national and international Authorities have been issuing on this topic

Indeed, the Bank's governance bodies are fully aware that sustainable development and growth absolutely require also an effective analysis of the risks which the Bank is exposed to and of the relating uncertainties, in terms of impacts that these risks could have on the Group's financial position, cash flows and performance. Effective management and mitigation of the same risks to acceptably low levels are another crucial requirement for sustainable growth, also in order to protect savings (and, with them, Customers' confidence) on the one hand, and loans (healthy and drivers of growth) on the other.

The Management believes that the present overall performance of the domestic and international economies (financial and real) is such as to require, in addition to monetary and real policy measures to be adopted by supranational and national bodies (with the purpose of boosting the present weak recovery), also appropriate policies for constant enhancement of the monitoring of risks and uncertainties, such as the ones implemented by the Bank.

The Management is indeed fully aware that financial players must constantly implement growth and development policies that, at the same time, focus on the safeguarding and protection of the interests of all Stakeholders, without shirking, because of this very reason, the institutional role that the Bank as such plays both in terms of support to the economic and social fabric of its Customer Enterprises, and in terms of enhancement of that key factor for development and success which consists in effective and prudential management of savings.

RELATIONS WITH GROUP COMPANIES

The Parent Company Cariparma performs strategic management, direction and control functions, i.e. in Governance functions, as well as activities directly or indirectly supporting the business.

In order to pursue industrial synergies, in 2015 the Cariparma Crédit Agricole Group incorporated a *società consortile per azioni* (Italian consortium company limited by shares) called Crédit Agricole Group Solutions S.C.p.A., to which the Group Operations and Information Technology functions and structures were transferred, with specific regard to Information Systems, Real Estate and Technical/Logistic Management, Back Office, Demand Management, Security and Purchasing.

The objective of the Consortium Company is to improve the effectiveness of the Operations and Information Technology structures, through increased focus on and standardization of the model and relevant activities, as well as to be a single platform for the provision of specific services, in order to achieve economies of scale.

The relations and transactions with the Parent Company Cariparma, with Crédit Agricole Group Solutions and with the other companies of the Banking Group, given the reciprocal advantage and concrete interest of both parties, also in terms of return, are governed by specific service agreements, in accordance with the international accounting standards and with the tax regulations, ensuring the protection of minority Shareholders and combining effectiveness and efficiency in the synergic governance of intra-group relations.

The provision of the single services is governed by "Service Level Agreements" (SLAs), which set down the general principles and regulate the provision of "services" and the relevant transactions in terms of prices. All such relations and transactions have been assessed also in terms of potential conflicts on interest. The prices applied for such transactions are set through a specific procedure that calculates the relevant values based on the costs of the resources used, on ancillary costs and such values are always comparable to market standards, in accordance with the range, nature, promptness and quality of the overall services provided.

The Bank has also cooperation relations with Crédit Agricole product companies in the fields of insurance, asset management, specialized financial services, lending and investment banking services.

The qualitative and quantitative analysis of the transactions carried out in the period with parties falling within the definition of related party, in accordance with the definition of related parties set down by the Regulation for the management of transactions with Related Parties of Banca Popolare FriulAdria and Parties associated to the Cariparma Crédit Agricole Group, is reported in Part H of the Note to the Financial Statements, to which reference is made.

In the year, no atypical or unusual transactions were carried out whose size or features might have jeopardized or affected the protection of corporate assets and the interests of shareholders.

The Italian Code for Responsible Payments (CPR)

In January 2015, the Bank signed the *Codice Italiano Pagamenti Responsabili* (CPR) the Italian Code for Responsible Payments, launched by Assolombarda, the Employers' Association of the Lombardy Region; by signing the Code, the Bank formalized its commitment to comply with the payment terms agreed on with its suppliers/providers and to promote efficient, punctual and fast payment practices. By signing the Code, the Bank has given evidence of its focus on and awareness of payment fairness and transparency, which is a key topic for the economic and financial balance, as well as for the development of the business system. The average time for payment to suppliers/providers is 60 days, as provided for by the relevant agreements.

Outlook

General aspects

SIGNIFICANT EVENTS OCCURRED AFTER THE REPORTING DATE

As regards Banca Popolare FriulAdria, it is reported that, from 31 December 2014 to the date of approval of this Report, no events occurred which could generate significant changes in the Bank's structure and in its profit (loss) for 2015.

MACROECONOMIC AND BANKING OUTLOOK FOR 2016

The sharp slowdown in **world trade** occurred in 2015, which initially seemed due to contingent factors, later proved persistent and this cannot but mean deep and long-lasting causes. In the opinion of the Managing Director of the International Monetary Fund[15], one of the reasons why the global economy is still so slow is that, seven years after the collapse of Lehman Brothers, financial stability has not yet been ensured: the financial sectors of many Countries continue to be weak and financial risks are mounting in emerging Countries.

Based on the latest estimates[16], the **medium-term growth prospects of the global economy** have wakened (gross world product: +2.9% in 2016) since potential growth is expected to be hindered by low productivity, population ageing and by the aftermath of the global financial crisis. International trade is expected to remain weak but, however, to increase (up by +2.1% in 2016[16]), mainly due to the reduction in the purchasing power of emerging Countries. This scenario is being heavily impacted by some important economic transitions, which are causing ups and downs, especially China transaction towards a new growth model and the normalization of the United States monetary policy. Weak demand from emerging Countries, especially from China, will continue in 2016 since it results from the natural loss of momentum after the initial boosting effect of rapid industrialization. China has launched deep structural reforms aiming at higher salaries and better quality of life, trying to achieve a slower, more certain and sustainable growth that relies more on services and consumption and to a lesser extent on investments in commodities and on manufacture.

China is the focal point of concerns in world markets for 2016: on top of macroeconomic weakness, the stock markets have crashed several times in the first months of 2016 and the Yuan has been depreciated. Moreover, the performance of oil prices has been contributing to the unrest in global financial markets (oil prices came to a relative minimum under 30$/brl at the end of January 2016[16]). Its negative effects can already be seen in many net exporting countries, while positive effects for net importers have not yet become actual fact. However, analysts expected oil prices to recover in the second half of the year (to date, oil price is forecast at 40-45 USD at the end of the year).

The second major transition is the Federal Reserve's determination to raise interest rates. Even though the Fed has stated that interest rates are going to remain low for quite some time, this transition reflects the better economic conditions of the United States, which is a positive factor also for the global economy. Low interest rates have contributed to the search for returns by investors, which has driven the taking of financial risks, higher prices of stocks and government securities, as well as credit supply to businesses. Therefore, also the Fed has to try and find a balance of opposites: normalization of interest rates and minimization of the risk of disruption in financial markets[17].

One of the factors that are favourable for a new start in **global trade** is certainly the recovery of important advanced economies, more robust in the United States (+2.1% in 2016) and in the United Kingdom, weaker in the Euro Area (+1.4% in 2016). On the other hand, downside risks are coming from the worsening geopolitical instability in Ukraine (and its impacts on Russia) and, even more so, in North Africa and in the Middle East, which is holding back activities in these economies and is causing world uncertainty to increase. The low prices of oil are also reducing demand for goods from oil-exporting countries, which heavily depend on foreign countries to procure products.

In 2016, the rate of growth in the **Euro Area** is expected to be the same as in 2015 (the GDP of the EMU up by +1.4% [16]), with consumption remaining the main driver. The risks associated with this scenario go in two opposite directions: for possible underestimate of the positive effects of the decrease in the prices of commodities and of the negative ones linked to the loss of competitiveness for the actual appreciation of the Euro. Moreover, the Greek situation

15 Christine Lagarde – Managing Director of the International Monetary Fund, editorial of 30 December 2015 on an Italian national newspaper
16 Macroeconomic data: source Prometeia, Update to the Forecast Report of February 2016; Actual data: source ISTAT (the Italian National Institute of Statistics)
17 See Christine Lagarde editorial of 30 December 2015 on an Italian national newspaper

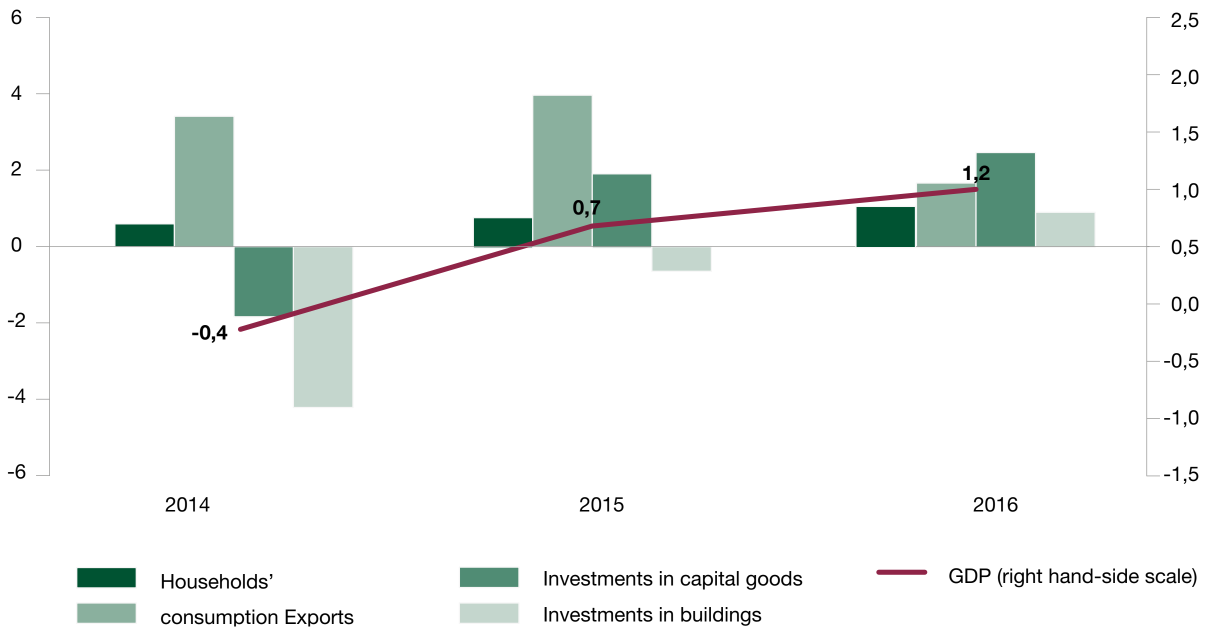
is keeping the whole of Europe in suspense. Indeed, Athens debt problem could transmit the contagion to other European countries and threaten the very existence of Europe single currency.

On top of this, there is the risk of the possible exit of Great Britain from the European Union. Analysts have estimated that “Brexit” could generate impacts, in terms of lower growth of the European Union GDP, ranging between 0.1% and 0.25% a year for ten years, since the United Kingdom accounts for 2.5% of Euro Area exports (as a percentage of the 2014 GDP), while China for 1.3% only[18].

The uncertainties in the global scenario are also impacting the yields of Government securities: in the first months of the year, the Italian BTP-German Bund spread returned to grow due to the combined effect of the decrease in German Government securities and the concomitant increase in Italian ones.

In 2016 the **Italian economy** will show no higher rate of growth than in 2015 (Italy GDP: +1.1% in 2016[16]). The performance as expected for the 2016-17 two-year period is mainly linked to the strengthening of domestic demand, driven by improved confidence of businesses and households and by budgetary policies supporting growth. Moreover, oil prices, which are expected to remain low for quite some time, even with a gradually increasing trend, and interest rates at their all-time low will continue to generate positive effects on the disposable income of households and businesses.

Italy: GDP components[19] (YOY %)



Higher spending for consumption in the next two years will also be driven by the increase in the employment rate, by the progressive recovery in credit supply to households, by tax cuts and, for 2016, by the favourable trend in real income (up by +0.2%[19]). On the other hand, consumption may be restrained by the will to reconstitute higher savings, to before-crisis levels: households’ propensity to save (measured by the portion of gross savings on disposable income) returned to increase over the last three years and came to 8.7%19 in the third quarter of 2015. However, the gap vs. the 2000-2007 average (12.1%) remains wide.

18 Société Générale Analysts, Brexit impact in five points on a national newspaper
19 Source Study Center of Confindustria (the main organization representing Italian manufacturing and service companies), Economic scenarios December 2015

In 2016, the **ongoing propensity to save of households** will lead to the increase in wealth invested in medium- and long-term financial instruments: the investors' allocation choices will increasingly go towards fixed deposit forms that can give higher returns than more liquid forms of deposit. Specifically, in the next few years, the weight of **asset management** will increase, even though at a lesser rate than in 2013-2015, driven by supply policies implemented by banks aimed at increasing profitability shifting towards a business model more focused on service provision.

Based on the latest estimates[20], in 2016 **bank lending** is expected to slowly increase, driven also by stronger economic recovery. However, lending to households and businesses will increase very gradually, also due to the banks' obligation to comply with more and more stringent regulatory and supervisory requirements.

In Italy **lending riskiness** will remain high also in 2016: the management of over Euro 200 billion worth of gross bad loans of the banking system, amounting to Euro 89 billion net of write-downs (figure of December 2015), will be one of the key issues to solve in order for Italian banks to return to supply credit and to grow. In this regard, Italy has been working for over a year to implement tools allowing banks to dispose of bad debts.

Since the beginning of the year, bank stock prices have been very volatile, especially for some Italian intermediaries, and such volatility has been fuelled by the uncertainties about the international scenario, about the quality of bank assets and, more in general, about the possible effects of the implementation of the bail-in rules that entered into force on 1 January 2016.

In terms of income of the Italian banking system, in 2016 **net interest income** is expected to return to grow, even though it will still be penalized by a net interest spread well below before-crisis levels and by a still modest growth in lending volumes. **Commission** income will continue to support the development of revenues even though to a lesser extent than in the 2014-2015 two-year period.

The implementation of strategies to enhance **operational efficiency** will remain key for lenders; however, margins for further reduction of costs will be limited, also considering the developments in regulatory requirements – contributions to the Deposit Guarantee Scheme and to the National Resolution Fund – as well as the investments required to complete the development of the new business models.

The **flow of adjustments of loans** will continue to progressively decrease, even though remaining considerable due to the requirement to ensure adequate coverage ratios and will come to approximately Euro 44 billion worth of accumulated adjustments for 2016-2018.

The **Italian Banking System** is expected to generate **profits** also in 2016 and the sector **ROE** will come to approximately 2.7%, vs. 0.7% in 2015.

Northeast Italy

The latest estimates expect an increase in the GDP of Northeast Italy in 2016, from +1.0% YOY in 2015 to +1.4% YOY in 2016. Among domestic demand components, private consumption is expected to increase at a higher rate (+1.4% YOY), driven by higher purchasing power. As regards investments (+3.3% YOY), starting from 2016, the building sector is expected to return to grow and progressive acceleration is expected in the capital assets component thanks to the improvement in the demand outlook and lending conditions. In 2016, the good performance of demand for workforce is expected to generate a decrease in the unemployment rate to 6.3% (vs. 7.1% in 2015).

20 Dati settore bancario: fonte Prometeia, Analisi e previsione dei bilanci bancari gennaio 2016

Proposal to the Shareholders' General Meeting

Dear Shareholders,

The Annual Report and Financial Statements for the period from 1 January to 31 December 2015, submitted for your examination, consist of the Balance Sheet, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows, the Note to the Financial Statements, the relevant Annexes and the Management Report.

The proposal for the allocation of the net profit amounting to Euro 34,249,237 is as follows:

To the fund for charity and support to social and cultural initiatives	800,000
To the shareholders in the amount of €1.248 to each of the 24,137,857 ordinary shares	30,124,046
To extraordinary reserve	3,325,191

It is proposed that no distribution be made to the treasury shares that the Bank may hold as at the ex-coupon date. In accordance with the applicable legislation provision, the dividend shall be payable effective from 29 April 2016 and with ex-coupon date on 25 April 2016.

Pordenone, Italy, 10 March 2016

The Chairwoman of the Board of Directors

Chiara Mio

Financial Statements

BALANCE SHEET

Items		31.12.2015	31.12.2014
10.	Cash and cash equivalents	46,386,967	51,078,448
20.	Financial assets held for trading	7,728,848	28,601,488
30.	Financial assets designated at fair value	-	-
40.	Financial assets available for sale	1,003,981,510	996,104,762
50.	Financial assets held to maturity	-	-
60.	Loans to banks	494,619,082	341,412,932
70.	Loans to Customers	6,603,172,829	6,380,612,262
80.	Hedging Derivatives	135,646,813	159,865,933
90.	Fair value change of financial assets in macro-hedge portfolios (+/-)	2,669,708	2,511,842
100.	Equity investments	3,500,000	5,000,000
110.	Property, plant and equipment	61,246,548	61,228,851
120.	Intangible Assets	124,530,483	126,743,130
	of which: goodwill	106,075,104	106,075,104
130.	Tax assets	125,986,096	128,074,267
	(a) current	46,712,586	46,811,477
	(b) deferred	79,273,510	81,262,790
	b1) pursuant to Italian Law No. 214/2011	70,220,598	69,472,443
140.	Non-current assets held for sale and discontinued operations	-	-
150.	Other assets	70,419,903	90,445,493
Total assets		**8,679,888,787**	**8,371,679,408**

Liabilities and Equity		31.12.2015	31.12.2014
10.	Due to banks	1,236,440,280	928,472,950
20.	Due to Customers	4,967,519,119	4,652,484,918
30.	Debt securities issued	1,231,426,598	1,422,453,919
40.	Financial liabilities held for trading	7,461,198	11,300,317
50.	Financial Liabilities designated at fair value	-	-
60.	Hedging derivatives	132,100,436	139,890,539
70.	Fair value change of financial liabilities in macro-hedge portfolios (+/-)	105,245,026	126,478,313
80.	Tax liabilities	37,067,276	40,327,855
	(a) current	21,545,614	27,655,543
	b) deferred	15,521,662	12,672,312
90.	Non-current liabilities held for sale and discontinued operations	-	-
100.	Other liabilities	194,649,646	293,106,125
110.	Employees' severance benefits	21,202,998	24,890,432
120.	Provisions for risks and charges	19,889,138	24,472,421
	a) post-employment and similar obligations	-	-
	b) other provisions	19,889,138	24,472,421
130.	Valuation reserves	15,648,636	1,529,749
140.	Redeemable shares	-	-
150.	Equity instruments	-	-
160.	Reserves	84,542,618	81,445,183
170.	Share premium reserve	471,757,296	471,757,296
180.	1Share Capital	120,689,285	120,689,285
190.	Treasury shares (-)	-	-
200.	Profit (Loss) for the period (+/-)	34,249,237	32,380,106
Total liabilities and equity		**8,679,888,787**	**8,371,679,408**

INCOME STATEMENT

Items		31.12.2015	31.12.2014
10.	Interest income and similar revenues	207,863,465	230,313,739
20.	Interest expense and similar charges	(44,687,811)	(67,411,729)
30.	**Net interest income**	**163,175,654**	**162,902,010**
40.	Commission income	132,644,703	126,666,564
50.	Commission expense	(3,903,650)	(3,646,227)
60.	**Net commission income**	**128,741,053**	**123,020,337**
70.	Dividends and similar revenues	247,975	141,853
80.	Net gains (losses) on trading activities	1,865,802	1,855,156
90.	Net gains (losses) on hedging activities	(1,527,097)	(219,859)
100.	Gains (losses) on disposal or repurchase of:	(169,200)	6,976,487
	a) loans	(937,161)	-
	b) financial assets available for sale	1,125,584	7,508,313
	c) financial assets held to maturity	-	-
	d) financial liabilities	(357,623)	(531,826)
110.	Net gain (loss) on financial assets and liabilities designated at fair value	-	-
120.	**Net interest and other banking income**	**292,334,187**	**294,675,984**
130.	Net losses/recoveries on impairment of:	(50,644,006)	(65,684,676)
	a) loans	(50,554,896)	(63,654,162)
	b) financial assets available for sale	(182,683)	(130,970)
	c) financial assets held to maturity	-	-
	d) other financial transactions	93,573	(1,899,544)
140.	**Net income from banking activities**	**241,690,181**	**228,991,308**
150.	Administrative expenses:	(232,821,235)	(216,239,271)
	a) Staff expenses	(101,338,608)	(103,550,298)
	b) other administrative expenses	(131,482,627)	(112,688,973)
160.	Net provisions for risks and charges	(3,020,865)	(4,081,385)
170.	Net adjustments to/recoveries on property, plant and equipment	(4,766,905)	(4,967,044)
180.	Net adjustments to/recoveries on intangible assets	(2,212,646	(2,212,646
190.	Other operating expenses/income	53,146,774	48,611,791
200.	**Operating expenses**	**(189,674,877)**	**(178,888,555)**
210.	Gains (losses) on equity investments	(568,400)	233,047
220.	Net gains (losses) from property, plant and equipment and intangible assets designated at fair value	-	-
230.	Impairment on goodwill	-	-
240.	Gains (losses) on disposal of investments	-	-
250.	**Profit (loss) before taxes on continuing operations**	**51,446,904**	**50,335,800**
260.	Income taxes for the period on continuing operations	(17,197,667)	(17,955,694)
270.	**Profit (loss) after taxes on continuing operations**	**34,249,237**	**32,380,106**
280.	Profit (loss) after taxes from discontinued operations	-	-
290.	**Profit (loss) for the period**	**34,249,237**	**32,380,106**

STATEMENT OF COMPREHENSIVE INCOME

Items		31.12.2015	31.12.2014
10.	**Profit (Loss) for the period**	**34,249,237**	**32,380,106**
	Other income components after taxes with no reversal to Income Statement	**-**	**-**
20.	Property, plant and equipment	-	-
30.	Intangible Assets	-	-
40.	Defined-benefit plans	1,095,364	(1,997,533)
50.	Non-current assets held for sale	-	-
60.	Share of Valuation Reserves on equity investments measured using the equity method	-	-
	Other income components after taxes with reversal to Income Statement		
70.	Hedging of foreign investments	-	-
80.	Exchange rate differences	-	-
90.	Cash flow hedges	-	-
100.	Financial assets available for sale	13,023,523	8,378,208
110.	Non-current assets held for sale	-	-
120.	Share of Valuation Reserves on equity investments measured using the equity method	-	-
130.	**Total other income components after taxes**	**14,118,887**	**6,380,675**
140.	**Comprehensive income (Item 10+130)**	**48,368,124**	**38,760,781**

STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2015

	Capital: Ordinary shares	Share premiums	Reserves:		Valuation reserves	Profit (Loss) for the period	Equity
			Retained earnings	other			
EQUITY AS AT 31.12.2014	**120,689,285**	**471,757,296**	**80,784,722**	**660,461**	**1,529,749**	**32,380,106**	**707,801,619**
ALLOCATION OF THE PROFIT FOR THE PREVIOUS PERIOD							
Reserves	-	-	3,097,435	-	-	-3,097,435	-
Dividends and other allocations	-	-	-	-	-	-29,282,671	-29,282,671
CHANGES FOR THE PERIOD							
Change in reserves	-	-	-	-	-	-	-
Equity transactions							-
Issue of new shares	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-
Extraordinary dividend distribution	-	-	-	-	-	-	-
Change in equity instruments	-	-	-	-	-	-	-
Derivatives on treasury shares	-	-	-	-	-	-	-
Shares and rights on shares of the Parent Company							
assigned to Employees and Directors	-	-	-	-	-	-	-
Comprehensive income	-	-	-	-	14,118,887	34,249,237	48,368,124
EQUITY AS AT 31.12.2015	**120,689,285**	**471,757,296**	**83,882,157**	**660,461**	**15,648,636**	**34,249,237**	**726,887,072**

STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2014

	Capital: Ordinary shares	Share premiums	Reserves:		Valuation reserves	Profit (Loss) for the period	Equity
			Retained earnings	other			
EQUITY AS AT 31.12.2013	**120,689,285**	**471,757,296**	**77,460,261**	**660,461**	**-4,850,926**	**28,503,697**	**694,220,074**
ALLOCATION OF THE PROFIT FOR THE PREVIOUS PERIOD							
Reserves	-	-	3,324,461	-	-	-3,324,461	-
Dividends and other allocations	-	-	-	-	-	-25,179,236	-25,179,236
CHANGES FOR THE PERIOD							
Change in reserves	-	-	-	-	-	-	-
Transactions on equity							-
Issue of new shares	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-
Extraordinary dividend distribution	-	-	-	-	-	-	-
Change in equity instruments	-	-	-	-	-	-	-
Derivatives on treasury shares	-	-	-	-	-	-	-
Shares and rights on shares of the Parent Company							
assigned to Employees and Directors	-	-	-	-	-	-	-
Comprehensive income	-	-	-	-	6,380,675	32,380,106	38,760,781
EQUITY AS AT 31.12.2014	**120,689,285**	**471,757,296**	**80,784,722**	**660,461**	**1,529,749**	**32,380,106**	**707,801,619**

STATEMENT OF CASH FLOWS

Items	31.12.2015	31.12.2014
A. OPERATING ACTIVITIES		
1. Operations	**166,508,587**	**206,808,248**
- Profit (Loss) for the period (+/-)	34,249,237	32,380,106
- gains (losses) on financial assets held for trading and financial assets/liabilities designated at fair value (-/+)	-957,091	-1,336,206
- gains/losses on hedging activities (-/+)	148,783	2,576,952
- Net losses/recoveries on impairment (+/-)	51,212,406	62,381,948
- net adjustments to/recoveries on property, plant and equipment and intangible assets (+/-)	6,979,551	7,179,690
- net provisions for risks and charges and other expenses/revenues (+/-)	3,020,865	4,081,385
- unpaid taxes and levies (+)	17,197,667	17,955,694
- other adjustments (+/-)	54,657,169	81,588,679
2. Liquidity generated/absorbed by financial assets	**-393,051,737**	**-415,179,432**
- financial assets held for trading	21,829,731	6,229,243
- financial assets available for sale	5,566,129	-145,788,204
- loans to banks: demand	145,111,442	-159,035,741
- loans to banks: other loans	-298,317,592	32,646,594
-loans to customers	-273,115,463	-116,761,025
- other assets	5,874,016	-32,470,299
3. Liquidity generated/absorbed by financial liabilities	**261,571,199**	**224,195,137**
- due to banks: demand	-169,833,591	-181,794,051
- due to banks: other due	477,800,921	266,587,931
- due to customers	315,034,201	489,922,846
- debt securities issued	-190,512,828	-412,665,439
- financial liabilities held for trading	-3,839,119	-3,259,716
- other liabilities	-167,078,385	65,403,566
Net liquidity generated/absorbed by operating activities	**35,028,049**	**15,823,953**
B. INVESTMENT ACTIVITIES		
1. Liquidity generated by	**-5,339,762**	**724,900**
- sales of equity investments	4,431,600	583,047
- dividends collected on equity investments	247,975	141,853
- sale of financial assets held to maturity	-	-
- sales of property, plant and equipment	-	-
- sales of intangible assets	-	-
- sales of business units	-10,019,337	-
2. Liquidity absorbed by	**-5,097,097**	**-4,510,626**
- purchases of equity investments	-	-
- purchases of financial assets held to maturity	-	-
- purchases of property, plant and equipment	-5,097,097	-4,510,626
- purchases of intangible assets	-	-
- purchases of business units	-	-
Net liquidity generated/absorbed by investment activities	**-10,436,859**	**-3,785,726**
C. FUNDING		
- issues/purchases of treasury shares	-	-
- issues/purchases of equity instruments	-	-
- dividend distribution and other	-29,282,671	-25,179,236
Net liquidity generated/absorbed by funding	**-29,282,671**	**-25,179,236**
NET LIQUIDITY GENERATED/ABSORBED IN THE PERIOD	**-4,691,481**	**-13,141,009**

RECONCILIATION

Financial Statement items	31.12.2015	31.12.2014
Opening cash and cash equivalents	51,078,448	64,219,457
Total net liquidity generated/absorbed in the period	-4,691,481	-13,141,009
Closing cash and cash equivalents	**46,386,967**	**51,078,448**

KEY: (+) generated (–) absorbed

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Phone: +390434,233111
Entered in the Business Register of Pordenone, Italy Tax ID and VAT registration no.01369030935
Share Capital: €120,689,285.00 fully paid-up
Registered in the Register of Banks at no. 5391
Member of the Interbank Deposit Protection Fund and of National Guaranty Fund
Subject to the direction and coordination of Cassa di Risparmio di Parma e Piacenza S.p.A.
and member of the Cariparma Crédit Agricole banking Group registered with the Register of banking Groups at no. 6230,7