ANNUAL REPORT AND FINANCIAL STATEMENTS

TWO THOUSAND 14

FRIULADRIA
CRÉDIT AGRICOLE

Banca Popolare FriulAdria S.p.A. 2014 Annual Report and Financial Statements

Table of Contents

Letter from the Chairwoman

As reported in its Financial Statements, in 2014 Banca Popolare FriulAdria achieved considerable income and financial performances and once again proved to be one of the most important and best performing banks in North-eastern Italy.

Also in 2014, despite a slow-moving, tense and conflicting economic scenario, Banca Popolare FriulAdria continued to provide support to households and businesses, fostering the realization of both personal life and business projects. The Bank posted a significant increase in mortgage loans, which express its long standing positioning and our vision of Customer-focused proximity banking.

A strong focus was also placed on the productive structure of the Friuli Venezia Giulia and Veneto Regions, where Banca Popolare FriulAdria works side by side with businesses in their activities and provides them with a wide range of management skills and products. It has been many years since Banca Popolare FriulAdria identified the agri-food chain as an investment grade sector: also in 2014, our commitment to this sector continued and we received increasingly favourable feedbacks on our Bank's specialization. Obviously, we operate also in other sectors, manufacturing ones and we provide them with effective services and cooperation, also thanks to the fact that we are part of an international Group. This is why we can easily tune with and speak the same language as internationally operating companies.

As regards the domestic market, Banca Popolare FriulAdria succeeded in reorganizing its structure adding many innovation elements: worth mentioning is the "Agenzia Per Te" project; "Agenzia per Te" is a state-of-the-art branch model that is a up-to-date interpretation of the Bank's welcoming and customer-focused spirit, which has been one of its distinctive features in over one hundred years of operation. "Agenzia Per Te" places people at the center, fosters contacts and exchanges between our customers and our staff, and it translates the values we believe in into tangible actions.

Moreover, Banca Popolare FriulAdria has invested and will continue to invest in both its human capital and technology: the two key drivers to respond to the challenges of the digital evolution under way. Indeed, we have innovated in order to better meet the requirements of the communities we operate in (digital signature, apps for smartphones), and we have trained our people to support customers and meet their requirements.

All this is the result of our way of doing banking business, but it is also the result of the synergies existing within the Cariparma Crédit Agricole Group which we belong to. The federal structure of the French Parent Company is today acknowledged as a success and as a model to follow in the banking world, because it has proved to be the perfect combination of the subsidiary Banks' strong bonds with their respective communities, on the one hand, with the international range of operation of a leading player.

In these first eight years it has belonged to the Group, Banca Popolare FriulAdria has continued to grow and to generate value for its Shareholders, Customers, Employees and for the communities it operates in, and now it is ready to catch the opportunities for economic and social recovery that are expected for the next months.

Respectful of the Bank's history, fully aware of the existing challenges and proud of the 2014 performance, I hereby submit the Annual Report and Financial Statements for your approval .

The Chairwoman
Chiara Mio

Corporate Offices and Independent Auditors

Board of Directors

CHAIRWOMAN

Chiara Mio (*)

DEPUTY CHAIRMAN

Ariberto Fassati (*)

DIRECTORS

Jean-Yves Barnavon

Giampietro Benedetti (°)

Hugues Brasseur (*)

Jean-Louis Delorme

Jean-Philippe Laval (*)

Giampiero Maioli (*)

Daniele Marini (°)

Antonio Paoletti (°)

Giovanni Pavan (°)

Guy Proffit

(*) Members of the Executive Committee
(°) Independent

Board of Statutory Auditors

CHAIRMAN

Giampaolo Scaramelli

STANDING AUDITORS

Roberto Branchi

Alberto Guiotto

Andrea Martini

Antonio Simeoni

ALTERNATE AUDITORS

Ilario Modolo

Andrea Babuin

Senior Management

GENERAL MANAGER

Carlo Crosara

DEPUTY GENERAL MANAGER

Gérald Grégoire

Independent Auditors

Reconta Ernst & Young S.p.A.

Key figures

Income Statement data (thousands of Euro)	2014	2013	2012
Net operating revenues	311,480	308,316	306,019
Operating margin	132,996	121,060	87,471
Net gain (loss)	32,380	28,504	18,948

Balance Sheet data (thousands of Euro)	2014	2013	2012
Loans to Customers	6,380,612	6,325,422	6,439,839
Funding from Customers	6,074,939	5,991,917	5,896,328
Indirect funding from Customers	6,132,554	5,876,214	5,625,486

Operating structure	2014	2013	2012
Number of employees	1,566	1,672	1,708
Number of branches	191	199	204

Profitability, efficiency and credit quality ratios	2014	2013	2012
Cost/income ratio	57.3%	60.7%	71.4%
Net income/Average equity (ROE)	4.6%	4.2%	2.9%
Net income/Average Tangible Equity (ROTE)	5.6%	5.2%	3.6%
Net non-performing loans Net loans to Customers	8.5%	6.2%	5.1%
Adjustments of non-performing loans/Gross non-performing loans	42.3%	46.3%	47.1%

Capital ratios	2014	2013(°)	2012(°)
Common Equity Tier 1 ratio	11.2%	10.7%	9.4%
Tier 1 ratio	11.2%	10.7%	9.4%
Total capital ratio	11.2%	10.7%	9.4%

(°) Basel II-compliant data as at 31 December 2012 and 31 December 2013

Significant events

JAN

The new regulation came into force concerning credit institutions and investment firms as provided for in Regulation (EU) No. 575/2013 (the so-called "CRR") and in Directive 2013/36/EU (the so-called CRD IV") of 26 June 2013, which implement - in the European Union - the standards issued by the Basel Committee on Banking Supervision ("Basel 3 framework").

FEB

At the "Financial Innovation Day" Meeting, organized by AIFIn (Italian Association for Financial Innovation), the Cariparma CA Group was acknowledged as leading player in the Banking sector also for its innovative approach to intermediation, ranking first in the category "Financial Intermediary of the year".

MAR

The Cariparma CA Group was acknowledged as Top Employer in Italy for the sixth time in a row. This award was given by the Top Employer Institute and acknowledges the Group's ability to develop an innovative and responsible corporate culture, with an excellent work environment and state-of-the-art policies for HR management, with a specific focus on training.

MAY

Pordenone was the location of the 87th National assembly of the Alpini (an elite mountain warfare military corps of the Italian Army) Banca Popolare FriulAdria was an official partner and supporter of this event, which was deemed a driver for the growth and visibility of the community.

SEP

Within the scope of the Italian National Prize for Innovation ("Prize of Prizes"), the "Orizzonte Agroalimentare" (Agri-food Horizon) Project of the Cariparma Crédit Agricole Group was awarded a prize by the Italian Minister of Education, University and Research for its "Innovativeness of the service model and specialist and advisory approach focussing on and dedicated to the agri-food sector".

OCT

The outcomes of the Comprehensive Assessment were published and rank the Crédit Agricole Group (and, in such Group, the Cariparma CA Group) at the third place among the big significant Banks in Europe, demonstrating the soundness of its financial structure.

The BoD of Banca Popolare FriulAdria appoints Chiara Mio as its Chairwoman.

NOV

Single Supervisory Mechanism entered into force: the Cariparma Crédit Agricole Group (and, therefore, Banca Popolare FriulAdria) became subject to the prudential supervision of exercised directly by the ECB (with the assistance provided by the Bank of Italy).

DEC

The Cariparma Crédit Agricole Group successfully carried out the issue of Covered Bonds carrying a 7-year maturity for Euro 1 billion, in order to support its banking operations, as well as to support its lending to households and businesses. This issue, in which Banca Popolare FriulAdria participated, was carried out at the lowest price ever before obtained by an Italian Bank for a covered bond.

CRÉDIT AGRICOLE S.A.

Crédit Agricole Group is the leading partner of 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, Crédit Agricole Group is a responsible and responsive bank serving 50 million customers, 8.2 million mutual shareholders and 1.1 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 - Crédit Agricole Group supports its customers' projects in France and around the world: 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. The results of the Asset Quality Review (AQR) and the stress tests performed by the Central European Bank give evidence of the solidity of the financial structure of the Crédit Agricole Group which is able to absorb severe stress with no need to supplement its own funds and it
ranks third among the large banks in the European system.

54
THE COUNTRIES IN THE WORLD IT OPERATES IN

50 Mln
CUSTOMERS WORLDWIDE

140,000
STAFF

4.9 Bln
NET INCOME - GROUP SHARE

86.7 Bln
EQUITY - GROUP SHARE

13.1%
CORE TIER ONE RATIO FULLY LOADED

Data as at 31 December 2014

THE GROUP’S ORGANISATION

8.2 million mutual shareholders are the base of Crédit Agricole cooperative structure. They hold stakes in the capital of the **2,489 Local Banks** and, every year, they appoint their representatives: **31,500 Directors,** who bring their interests to the Group's attention.
The Local Banks hold the majority of the 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 Federation, the Regional Banks are the controlling shareholder of Crédit Agricole S.A, with a 56.5% shareholding. Crédit Agricole S.A. holds 25% of the capital of the Regional Banks (except for Corsica); in cooperation with the specialist product companies, it coordinates the strategies for the various business lines in France and abroad.

UNIVERSAL CUSTOMER-FOCUSED BANK

RETAIL BANKING

In France
39 Regional Banks of Crédit Agricole
LCL

In Italy
Cariparma CA Group

In the rest of the world
Crédit du Maroc - CA Egypt
CA Ukraine - CA Srbjia
CA Bank Polska

INDIVIDUALS – FARMERS – SMALL BUSINESSES LOCAL AUTHORITIES – INSTITUTIONALS – CORPORATES

SPECIALISED BUSINESS LINES

Specialised financial services
CA Consumer Finance
CA Leasing & Factoring

Corporate and Investment Banking
CA Corporate & Investment Bank

Real Estate businesses
CA Immobilier

Savings management and Insurance
CA Assurances
Amundi - CACEIS
CA Private Banking

Payment systems
CA Cards & Payments
FIA - NET

LEADING 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 present in Italy for over 40 years since it acquired the Banque Indosuez in the '70s. It has since developed its activities, successively engaging in commercial banking, consumer credit, corporate and investment banking, asset management, insurance, and completed its range of services with private banking.

The **Universal Commercial Banking Model** is the organisational model designed by Crédit Agricole to offer an integrated range of banking products and specialised services for all customer segments. This model has been up and running in Italy since 2014.

Close co-operation between the commercial banking network and the business lines makes it possible for Crédit Agricole to propose a comprehensive, integrated offering, serving all financial players.

THE ORGANIZATIONAL MODEL IS COMPOSED OF:

CORPORATE AND INVESTMENT BANKING
the business segment dedicated to financial institutions and large companies

COMMERCIAL BANKING
for the mid-corporate and retail customers

FINANCIAL SERVICES
consumer credit, car loans, leasing and factoring services, intended for mid-corporate and retail customers

INSURANCE AND ASSET MANAGEMENT SERVICES
intended for the customers of the Group Banks and of independent distribution networks

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

ITALY'S IMPORTANCE FOR CRÉDIT AGRICOLE

2014 FIGURES

61 Bln
worth of loans to the economy

3.3 Bln
worth of revenues

112 Bln
worth of deposits and assets from Customers*

CA in Italy

12,000
employees

3.5 Mln
Customers

*AuM/AuA individuals and institutionals.

COMMERCIAL BANKING

GRUPPO CARIPARMA CRÉDIT AGRICOLE
CARISPEZIA | FRIULADRIA | CARIPARMA

CORPORATE AND INVESTMENT BANKING

CRÉDIT AGRICOLE CORPORATE & INVESTMENT BANK

PRIVATE EQUITY

AGRO-ALIMENTARE S.p.A.
IDIA CAPITAL INVESTISSEMENT

FINANCIAL SERVICES

Agos DUCATO
FCA BANK
CRÉDIT AGRICOLE LEASING
CRÉDIT AGRICOLE COMMERCIAL FINANCE

INSURANCE

CRÉDIT AGRICOLE VITA
CRÉDIT AGRICOLE ASSICURAZIONI
CRÉDIT AGRICOLE CREDITOR INSURANCE

ASSET MANAGEMENT

Amundi ASSET MANAGEMENT

WEALTH MANAGEMENT

INDOSUEZ WEALTH MANAGEMENT
CRÉDIT AGRICOLE FIDUCIARIA

ASSET SERVICING

caceis INVESTOR SERVICES

PROFILE OF THE CARIPARMA CRÉDIT AGRICOLE GROUP

7th player in the italian banking sector in terms of assets under managment	910 points of sale	over 8,000 employees	1,700,000 Customers

CAPITAL SOUNDNESS AS AT 31 DECEMBER 2014: CET 1 11.2% (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).

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 78% of the Italian GDP, with mid-corporate, 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 842 branches
PRIVATE BANKING with 20 Private Banking markets and 11 branch offices
CORPORATE BANKING with 20 mid-corporate markets,16 large corporate centers 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. In addition to its presence in the historical provinces of Parma and Piacenza, it is present in the main production centers of the country, such as Turin, Milan, Florence, Bologna, Rome and Naples.

609 points of sale in total — **€28.3 Bln** worth of loans — **€76.5 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 14,000 mutual shareholders that give evidence of its strong bond with the social and economic fabric; today, it is a reference point for households and businesses in Northeastern Italy and is implementing a significant plan to expand operations to the Veneto Region.

207 points of sale in total — **€6.4 Bln** worth of loans — **€12.2 Bln** worth of total funding

CARISPEZIA CRÉDIT AGRICOLE

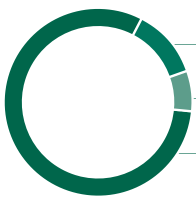
Carispezia, one of the Italy's oldest banks, joined the Cariparma Crédit Agricole Group in 2011. Leader in the historical provinces of La Spezia and Massa Carrara, in 2014 it launched its expansion project to include western Liguria branching out to the markets of Genoa, Savona and Imperia. Today it ranks 5th among financial players in the Liguria region.

94 points of sale in total — **€2.4 Bln** worth of loans — **€5.8 Bln** worth of total funding

CRÉDIT AGRICOLE LEASING

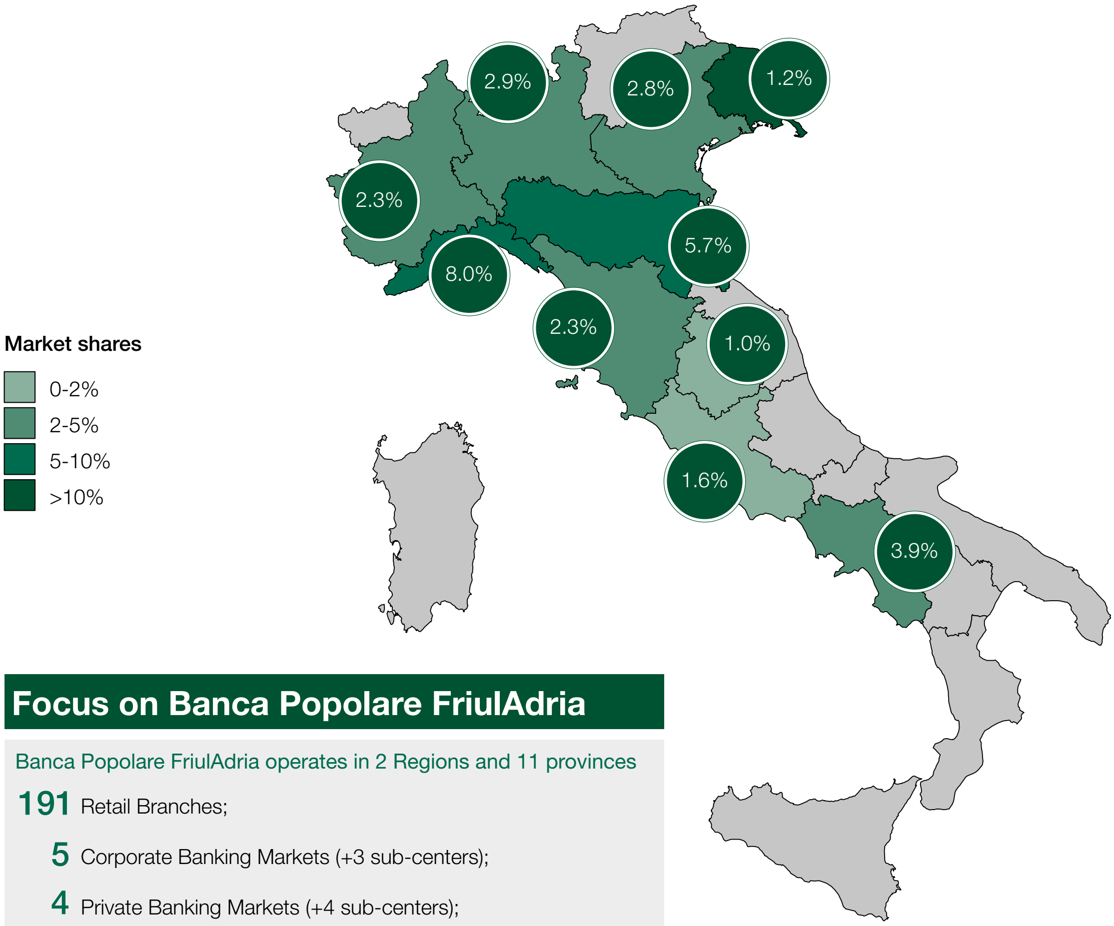
Crédit Agricole Leasing ranks 13th in the Italian lease sector, with a 2% market share, and in operates in the property, equipment, vehicle and energy leasing segments. At the end of 2014, the loan portfolio amounted to Euro 2 Bln.

DISTRIBUTION BY GEOGRAPHICAL AREA



Central Italy 107 points of sale
12%
Southern Italy 62 points of sale
7%
Northern Italy 741 points of sale
81%

GEOGRAPHICAL DISTRIBUTION OF MARKET SHARES IN TERMS OF BRANCHES OF THE CARIPARMA CRÉDIT AGRICOLE GROUP



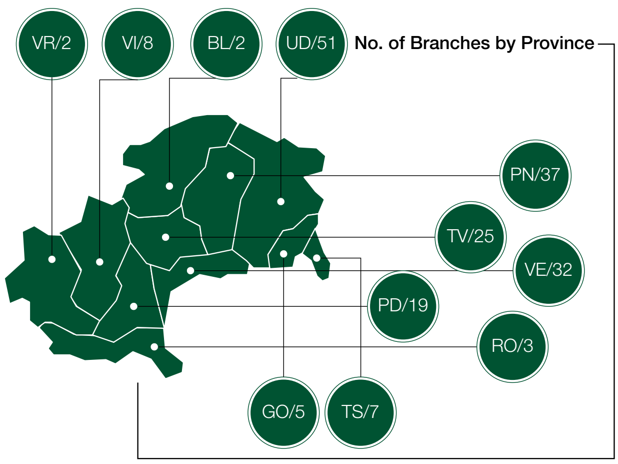
Focus on Banca Popolare FriulAdria

Banca Popolare FriulAdria operates in 2 Regions and 11 provinces

191 Retail Branches;

5 Corporate Banking Markets (+3 sub-centers);

4 Private Banking Markets (+4 sub-centers);



Province	Branches	MS
Venice	32	6.5%
Treviso	25	4.2%
Padua	19	3.2%
Vicenza	8	1.3%
Rovigo	3	1.9%
Belluno	2	1.1%
Verona	2	0.3%
TOT Veneto	91	2.7%
Pordenone	37	17.7%
Udine	51	11.1%
Gorizia	5	5.4%
Trieste	7	5.6%
TOT Friuli	100	11.2%

NOTES
- System data - source: Bank of Italy, 30 September 2014
- Cariparma Crédit Agricole Group data as at 31 March 2015

Annual Report and Financial Statements of Banca Popolare FriulAdria

Financial highlights and ratios

Income Statement highlights (°) (thousands of Euro)	31.12.2014	31.12.2013(*)	Changes	
			Absolute	%
Net interest income	176,217	170,720	5,497	3.2
Net commission income	129,471	120,408	9,063	7.5
Dividends	142	142	-	-
Gain (loss) on financial activities	8,612	19,997	-11,385	-56.9
Other operating revenues (expenses)	-2,962	-2,951	11	0.4
Net operating revenues	311,480	308,316	3,164	1.0
Operating expenses	-178,484	-187,256	-8,772	-4.7
Operating margin	132,996	121,060	11,936	9.9
Net provisions for risks and charges	-4,081	-2,567	1,514	59.0
Net value adjustments of loans	-78,812	-64,649	14,163	21.9
Net profit for the period	32,380	28,504	3,876	13.6

Balance Sheet highlights (°) (thousands of Euro)	31.12.2014	31.12.2013	Changes	
			Absolute	%
Loans to Customers	6,380,612	6,325,422	55,190	0.9
Financial assets available for sale	17,301	18,920	-1,619	-8.6
Equity investments	996,105	807,370	188,735	23.4
Property, plant and equipment and intangible assets	5,000	5,350	-350	-6.5
Total net assets	187,972	190,660	-2,688	-1.4
Funding from Customers	8,018,965	7,746,864	272,101	3.5
Indirect funding from Customers	6,074,939	5,991,917	83,022	1.4
of which: asset management	6,132,554	5,876,214	256,340	4.4
Net due to banks	*4,166,900*	*3,465,546*	*701,354*	*20.2*
Net Financial Assets/Liabilities held for trading	587,060	628,655	-41,595	-6.6
Equity	707,801	694,220	13,581	2.0

Operating structure	31.12.014	31.12.2013	Changes	
			Absolute	%
Number of employees	1,566	1,672	-106	-6.3
Average number of employees (§)	1,437	1,563	-126	-8.1
Number of branches	191	199	-8	-4.0

(°) Income statement and balance sheet data are those restated in the reclassified financial statements shown on pages 24 and 32.

(*) Restated following the reclassification of the expenses for the management of non-performing loans and the relevant recoveries from the “Operating expenses” item to the “Net value adjustments of loans” item.

(§) 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 (°)	31.12.2014	31.12.2013
Loans to customers /Total net assets	79.6%	81.7%
Direct funding from Customers/Total net assets	75.8%	77.3%
Asset management/Total indirect funding from Customers	67.9%	59.0%
Loans to Customers/ Direct funding from Customers	105.0%	105.6%
Total assets/Equity	11.8	11.5

Profitability ratios (°)	31.12.2014	31.12.2013
Net interest income/Net operating revenues	56.6%	55.4%
Net commissions income/Net operating revenues	41.6%	39.1%
Cost (f)/income ratio	57.3%	60.7%
Net income/Average equity (ROE) (a)	4.6%	4.2%
Net income/Average Tangible Equity (ROTE) (a)	5.6%	5.2%
Net profit /Total assets (ROA)	0.4%	0.4%
Net profit/Risk-weighted assets (h)	0.8%	0.7%

Risk ratios (°)	31.12.2014	31.12.2013
Gross bad loans/Gross loans to Customers	7.4%	6.4%
Net bad debt/ Net loans to Customers	2.9%	2.4%
Net value adjustments of loans/ Net loans to Customers	1.2%	1.0%
Cost of risk (b)/Operating profit (loss)	62.3%	55.1%
Net bad debt/Total Capital (c)	41.9%	34.4%
Net Non-performing Loans loans/ Net loans to Customers	8.5%	6.2%
Total value adjustments of Non-performing loans/Gross Non-performing loans	42.3%	46.3%

Productivity ratios (°) (in income terms)	31.12.2014	31.12.2013
Operating expenses (e)(f)/No. of Employees (average)	124.2	119.8
Operating revenues/No. of Employees (average)	216.8	197.3

Productivity ratios (°) (in financial terms)	31.12.2014	31.12.2013
Loans to customers / No of employees (average)	4,440.2	4,047.0
Direct funding from Customers/No. of Employees (average)	4,227.5	3,833.6

Capital ratios	31.12.2014	31.12.2013 (g)
Common Equity Tier 1 (d) / Risk-weighted assets (CET 1 ratio)	11.2%	n,a,
Tier 1 (e) / Risk-weighted assets (Tier 1 ratio)	11.2%	n,a,
Total Capital (c) /Risk-weighted assets (Total capital ratio)	11.2%	n,a,
Risk-weighted assets (thousands of Euro)	3,951,934	n,a,

(°) The Ratios are based on the income statement and balance sheet data of the reclassified financial statements shown on pages 24 and 32.
(a) The ratio of net earnings to the equity weighted average (for ROTE net of intangibles).
(b) Total risk cost includes the provision for contingencies and liabilities as well as net value adjustments of loans.
(c) Total Capital: total regulatory own funds (as at December 2013 Total Regulatory Capital).
(d) Common Equity Tier 1 - CET1
(e) Tier 1: Tier 1 Capital
(f) Restated following the reclassification of the expenses for the management of non-performing loans and the relevant recoveries from the “Operating expenses” item to the “Net value adjustments of loans” item.
(g) The same ratios as at 31 December 2013, although not comparable, came to 10.7%
(h) Data as at 31 December 2013 - Basel II.

Report on Operations

THE MACROECONOMIC SCENARIO AND THE BANKING SYSTEM IN 2014

The macroeconomic scenario in 2014

In 2014, the world economy continued to recover at a modest rate: the latest data show ¬a growth in the gross world product (GWP) of +3.1% YOY1, essentially in line with the previous year and weaker that expected at the beginning of the year.

The expansion in the world economy was different in the various geographical areas: the United States post¬ed good level of growth, whereas the Japanese economy experienced a longer-than-expected phase of negative growth. As to emerging Countries, while the economy of China and India performed well and the economies of the majority of Asian countr¬ies were stable, Brazil economy was weak and the Russian economy experienced recession.

In Europe, the recovery was weak also in the second half of the year, subsequent to the stag¬nation in investments, with weak foreign demand and low household consumption. Due to the above factors, in 2014 the European GDP increased by +0.8% YOY2. Moreover, during 2014 in the Euro Area, inflation decreased to its lowest in December, coming to -0.2%2, main¬ly due to the slump in oil prices.

In this situation, the European Central Bank implemented unconventional measures in order to deal with deflation risks¬, as well as to stimulate recovery in lending to the real economy. The measures implemented by the ECB concerned: the cut in the cost of money (at its all-time low, with refinancing rates at 0.05%; the interest rate on deposits was negative at -0.20%); the provision of Euro 212 billion worth of long-term financing to Euro Area Banks in order for the latter to lend to the real economy (T-LTROs); the start-up of the programme for the purchase of ABSs and Covered Bonds.

In the Euro Area, Italy is one of the Countries experiencing more difficulties in the economic recovery: the latest data show that the recession in the Italian economy continued also in the second half of the year, causing an estimated annual decrease in the GDP of -0.4%2 vs. the previous year.

Except for the slow recovery in households' spending (up by +0.3 % YOY)2, supported also by the "Personal Income Tax bonus" (equal to Euro 80 a month), which was implemented by the Italian Government for incomes below Euro 26 thousand, all the other items in domestic demand gave a negative contribution to the Country's growth. The demand for investment assets decreased significantly (investments in buildings down by -3.3% YOY; investments in machinery and equipment down by -1.6% YOY)2, de¬spite the measures implemented by the Italian Government and the credit conditions becoming progressively less expensive and less strict. In this situation, exports gave a positive contribution to the economic recovery (up by +2.0% YOY)2, despite being affected by the slowdown in the German economy and in the economies of some emerging Countries, and further impacted by the sanctio¬ns enforced by the European Union against Russia.

The progressive fading of recovery expectations during the year impacted also the labour market: the latest data show the unemployment rate at 12.9%3 in December, up by +0.3% vs. the previous year¬, with 42% of young people unemployed.

1 Source: Prometeia Forecast Report January 2015
2 Source: Eurostat
3 Source: ISTAT (the Italian National Institute of Statistics)

The Banking System in 2014

The difficult environment of operations and the ongoing uncertainty on any economic recovery, combined with the applicable regula¬tion that has become more complex and stringent have impacted on the Italian banking system and curbed its development in terms of intermediated assets, with credit risk constantly high.

Lending remained weak also in the second half of 2014, posting a 1.6% decrease4 at the end of the year, vs. the same period of the previous year, mainly due to lacking demand, especially by businesses. However, the supply of loans remained affected by the deterioration in credit quality, which was the main weakness in the Italian Banking System. In December 2014, the ratio of bad debts to total loans came to 9.6%5, which is the highest value since 1996 (this ratio came to 8.1% a year before and 2.8% at the end of 2007, before the crisis started)..

As to funding, in 2014, the difference in the performance of the two components increased: the latest data show a still negative trend in bonds (-18.1% YOY5) due to the low interest rates, while deposits from residing Customers performed well, increasing, on a yearly basis, by +1.9%5.

The recomposition of funding towards less onerous components was also supported using the liquidity issued by the ECB through the two T-LTROs in September and December, within which Italian banks applied for a total of over Euro 49 billion, which also favoured repayment of the previous LTROs.

The net interest spread widened vs. 2013, coming to 200 basis points5 (186 basis points in 2013), subsequent to the improved conditions for access to funding markets and, especially, to the decrease in the interest rate applied to deposits, as well as to the increased focus on less onerous funding components.

In terms of income, the widening in the net interest spread and the funding recomposition towards less onerous components led to a first recovery in net interest income, which increased by +1.8%5 vs. the previous year.

Net income from services was also positive, being driven by intermediation and asset management operations, which benefited from the favourable performance of market rates and from the Banks' supply policy, which favoured asset management products. In 2014, this business line posted a record increase, with comprehen¬sive funding that came to over Euro 129 billion6.

As regards operating expenses, the actions for cost optimization continued being implemented, with significant cuts to the various expense items, which were achieved through corporate reorganization and funds incentivizing voluntary redundancy.

Nevertheless, the profitability of the Italian banking system is still penalized by the high cost of credit: indeed, value adjustments of loans¬, as recognized in 2014, totalled Euro 34 billion, including the additional adjustments required as a result of the Asset Quality Review for the 15 Italian banks that were subject to the Comprehensive Assessment by the European Central Bank.

In 2014, however, the Italian banking system improved its balance sheet position, thanks to the completion¬ of various share capital increase transactions, for over Euro 10 billion in the first nine months of the year. This improvement in the balance sheet position resulted in only two Italian Banking Groups (Monte Paschi di Siena and Carige) that were not compliant with the minimum capital requirements set down within the Stress tests that were carried ¬out by the EBA, in cooperation with the ECB, whose results were published on 26 October 2014.

The local economy

In 2014, the economy of North-eastern Italy posted a slight increase in the GDP that went up by +0.2% YOY, thanks to the higher growth rate in exports (up by +4.2% YOY), which benefited also from the Euro depreciation, and to households' consumption that returned to grow (up by +0.3% YOY); however, the GDP performance continued to be affected by the decrease in investments (down by -1.4% YOY), which were impacted by the persisting weakness in operating assets and by the on¬going crisis in the building component.

The difficulties in the labour market continued, especially in industry and in the building sector, with an unemployment rate that came to 7.7% at the end of 2014 (in line with 2013).

4 Source: ISTAT (the Italian National Institute of Statistics)
5 Source: Prometeia Updated Banking Sector Forecast – February 2015
6 Source: ABI Monthly Outlook – February 2015
7 Source: Assogestioni

Foreword to the Financial Statements by the General Manager

2014 was a very important year for Banca Popolare FriulAdria because, in spite of the ongoing difficulties caused by the recession, the strategy that has long been implemented and the synergies resulting from its belonging to the Crédit Agricole Group have fully yielded their potential and allowed the Bank to once again prove its soundness and ability to be on the market.

Being aware of the deep changes in the market currently under way, we have implemented a program of important organizational developments in out way of doing banking business, aimed not only at effective management of credit quality, which is constantly deteriorating, but also at innovating our service model, pursuing continuous improvement in business with customers and with our communities of operation. The ambitious investment program started by the Group to strengthen its commercial mechanism resulted in progressive improvement in income, as substantiated by its performance in the last three years; this was driven mainly by the increase in commission income, which resulted from improved relation¬al and advisory skills, both with Retail and Corporate Customers.

Growth was one of the main objectives pursued in the year, not only in the new geographical areas of operation in the Veneto Region, but al¬so in the areas of the Friuli Venezia Giulia Region where the Bank has long been operating, with quite satisfactory results; a few yet significant figures substantiate its growth: in the wealth management business, assets under management increased by over Euro 700 million; the number of mortgage loans paid out increased by 36%; business was started with approximately 20,000 new Customers, up by 9%. Despite the weak economic situation, the Bank continued to provide support to the producti¬ve fabric of its communities of operation, with loans further increasing by 0.9%, focusing specifically in the agri-food sector, where the Bank stood out for the dedicated chain and achieved considerable growth (over 650 new Customers were acquired and loans were paid out for over Euro 100 million).

Along with commercial growth, the set objectives included the increase in productivity and structural reduction in costs, which was achieved by enhancing the efficiency of processes and improving the management of available resources; these actions resulted in a appreciable improvement in the operating margin, which increased by 10% and offset the increasing cost of credit. The closing profit for the period thus increased by 14% coming to over Euro 32 million. These actions also achieved a progressive increase in equity soundness, as substantiated by the CET1 in¬creasing to 11.2% and higher than the minimum requirement set by the Supervisory Authorities.

The performances achieved and the investments in innovation planned for the next few years allo¬w confidence for the future, being fully aware of the challenges that are bound to arise; we are also fully a¬ware that belonging to a sound and dynamic Group and being able to rely on Employees that have always proved to be skilled and dedicated are key factors for further success, while remaining faithful to out community banking vocation.

The General Manager
Carlo Crosara

OPERATING PERFORMANCE

2014 was an important year, during which the Bank harvested the fruits of efficiency-enhancement actions that were started in previous years and its intense commercial activity, supported by the increase in volumes and commercial scopes, allowed a considerable growth in income from core business operations.

In a still difficult economic situation, Banca Popolare FriulAdria closed the 2014 period with a gain of Euro 32.4 million (up by +13.6% YOY).

Income Statement reclassification

In order to present performance more effectively, a summary inco¬me 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 amortiz¬ed cost method when there are no changes in expected future cash flows;
- the Net gain (loss) on Trading activities, the Net gain (loss) on hedging activities and the Net gain (loss) on financial asset¬s and liabilities measured at fair value have allocated to Net gain (loss) on Financial Activities;
- Gains and losses on the sale or repurchase of available-for-sale financial assets and financial liabilities have been reallocated to Net gain (loss) on Financial Activities;
- 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 Impairment Adjustments of Loans;
- commissions for fast loan application processing have been taken to Commission Income rather than being recognized under Other operating revenues/expenses;
- Net adjustments/writebacks for impairment of available-for-sale financial assets have been reclassified under Other Operating Income/Expenses;
- net impairment adjustments of other financial transactions (net of the actions in favour of the Deposit Guarantee Schemes, which have been taken to Other operating income/expenses), mainly referr¬ing to guarantees and commitments, have been reclassified under Net value adjustments of loans.

The figures presented below are expressed in thousands of Euros.

Reclassified income statement

	31.12.2014	31.12.2013(*)	Changes	
			Absolute	%
Net interest income	176,217	170,720	5,497	3.2
Net commission income	129,471	120,408	9,063	7.5
Dividends	142	142	-	-
Gain (loss) on financial activities	8,612	19,997	-11,385	-56.9
Other operating revenues (expenses)	-2,962	-2,951	11	0.4
Net operating revenues	**311,480**	**308,316**	**3,164**	**1.0**
Staff expenses	-103,550	-109,982	-6,432	-5.8
Administrative expenses	-67,754	-70,202	-2,448	-3.5
Depreciation and amortization	-7,180	-7,072	108	1.5
Operating expenses	**-178,484**	**-187,256**	**-8,772**	**-4.7**
Operating margin	**132,996**	**121,060**	**11,936**	**9.9**
Goodwill value adjustments	-	-	-	-
Net provisions for risks and charges	-4,081	-2,567	1,514	59.0
Net value adjustments of loans	-78,812	-64,649	14,163	21.9
Gain (loss) from financial assets held to maturity and other investments	233	14	219	
Profit before tax on continuing operations	**50,336**	**53,858**	**-3,522**	**-6.5**
Income tax for the period on continuing operations	-17,956	-25,354	-7,398	-29.2
Gain (loss) after tax of groups of assets/liabilities under disposal before tax	-	-	-	
Net Profit for the period	**32,380**	**28,504**	**3,876**	**13.6**

(*) Restated following the reclassification of the expenses for the management of non-performing loans and the relevant recoveries from the “Operating expenses” item to the “Net value adjustments of loans” item.

Reconciliation between the Official and Reclassified Income Statements

	31.12.2014	31.12.2013(*)
Net interest income	**176,217**	**170,720**
30. Net interest income	162,902	160,433
130. Net impairment adjustments of: a) loans of which time value on non-performing loans	13,315	10,287
Net commission income	**129,471**	**120,408**
60. Net commission income	123,021	111,269
190. Other operating revenues/expenses: of which Commission income from Fast Loan Application Processing	6,450	9,139
Dividend income = item 70	**142**	**142**
Gain (loss) on financial activities	**8,612**	**19,997**
80. Net gain (loss) on trading activities	1,855	2,552
90. Net gain (loss) on hedging activities	-220	2,110
100. Gains (losses) on disposal or repurchase of a) loans of which debt securities classified as loans	-	-
100. Gains (losses) on disposal or repurchase of: b) available-for-sale financial assets	7,509	15,024
100. Gain (loss) on the disposal or repurchase of: d) financial liabilities	-532	311
110. Net gain (loss) of financial assets and liabilities measured at fair value	-	-
Other operating revenues (expenses)	**-2,962**	**-2,951**
190. Other operating expenses/revenues	48,611	44,419
to deduct: recovery of expenses	-43,348	-36,686
to deduct: recovery of expenses for the management of non-performing loans	-657	-632
to deduct: Commission income from Fast Loan Application	-6,450	-9,139
130. Net value adjustments for impairment of: d) other financial transactions of which adjustments/ writebacks relating to FITD (Italian Interbank Deposit Protection Fund) actions	-987	-542
130. Net value adjustments for impairment of: b) available-for-sale financial assets	-131	-371
Net operating revenue	311,480	308,316
Staff expenses = item 150 a)	**-103,550**	**-109,982**
Administrative expensive	**-67,754**	**-70,202**
150. Administrative expenses: b) other administrative expenses	-112,689	-108,577
190. Other operating revenues/expenses: of which recovery of expensive	43,348	36,686
150. Administrative expenses: b) other administrative expenses: of which expenses for the management of non-performing loans	1,587	1,689
Depreciation and amortization	**-7,180**	**-7,072**
170. Net adjustment/writebacks of property, plant and equipment	-4,967	-4,857
180. Net adjuatment/writebacks of intangible assets	-2,213	-2,215
Operating expenses	-178,484	-187,256
Operating margin	132,996	121,060
Goodwill value adjustment = item 230	**-**	**-**
Net provisions for risks and charges = item 160	**-4,081**	**-2,567**
Net value adjustment of loans	-78,812	-64,649
100. Gain/loss on disposal of: a) loans	-	-
less. Gains (losses) on disposal or repurchase of debt securities classified as loans	-	-
130. Net impairment adjustment of: a) loans	-63,654	-52,273
130. Net value adjustments for impairment of: a) loans of which time value on non-performing loans	-13,315	-10,287
150. Administrative expenses: b) other administrative expenses: of which expenses for the management of non-performing loans	-1,587	-1,689
to deduct: recovery of expenses for the management of non-performing loans	657	632
130. Net impairment adjustments of: d) other financial transactions	-1,900	-1,574
less: which adjustments/writebacks relating to FITD (Italian Interbank Deposit Protection Fund) actions	987	542
Gain (loss) from financial assets held to maturity and other investments	**233**	**14**
210. Gain (loss) on equity investments	233	-
240. Gain (loss) on disposal of investments	-	14
Profit before tax on continuing operations	50,336	53,858
Income tax for the period on continuing operations = item 260	**-17,956**	**-25,354**
Net Profit for the period	**32,380**	**28,504**

(*) Restated following the reclassification of the expenses for the management of non-performing loans and the relevant recoveries from the "Operating expenses" item to the "Net value adjustments of loans" item.

Net operating revenues

Net operating revenues came to Euro 311.5 million, increasing by Euro 3.2 million vs. the previous year and substan-tiat¬ing the Bank's ability to perform well in spite of a still complex market situation.

Net interest income

Items	31.12.2014	31.12.2013	Changes	
			Absolute	%
Business with Customers	176,152	175,768	384	0.2
Business with banks	-5,196	-5,698	-502	-8.8
Outstanding securities	-40,181	-48,281	-8,100	-16.8
Spreads on hedging derivatives	18,791	23,607	-4,816	-20.4
Financial assets held for trading	742	726	16	2.2
Financial assets available for sale	-	-	-	
Other net interest income	25,917	24,625	1,292	5.2
Net interest income	-8	-27	-19	-70.4
Interessi netti	**176,217**	**170,720**	**5,497**	**3.2**

Net interest income came to Euro 176.2 million, posting a considerable increase vs. the previous year (up by Euro +5.5 million, i.e. +3.2%). The increase in interest income from investments in securities recognized as available-for-sale financial assets (up by +5.2%) was generated by the increase in the Italian Government securities held. This aggregate was also impacted by the change in interest on outstanding securities, which came to Euro -40.2 million, decreasing by Euro 8.1 million vs. the previous year as a result of the policy on volumes.

Dividend income

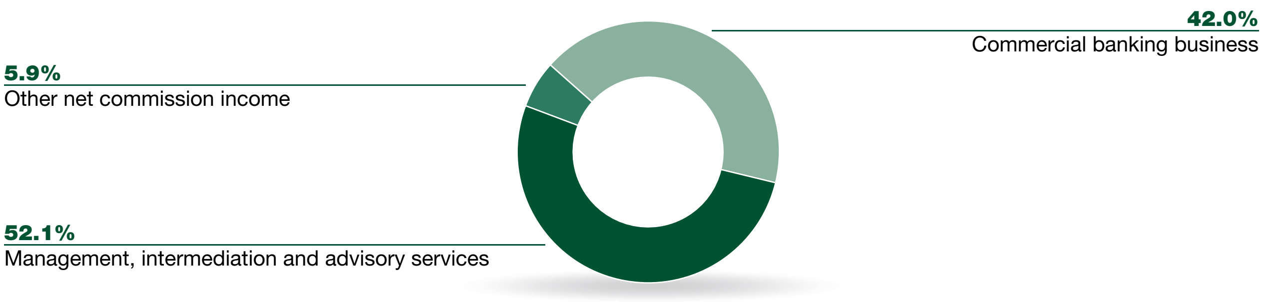
Dividends from equity investments and equity securities recognized as available-for-sale financial assets ca¬me to Euro 142 thousand, in line with the previous year.

Net commission income

Items	31.12.2014	31.12.2013	Changes	
			Absolute	%
- guarantees issued	1,528	2,251	-723	-32.1
- collection and payment services	7,952	8,030	-78	-1.0
- current accounts	39,186	41,313	-2,127	-5.1
- debit and credit card services	5,647	5,555	92	1.7
Commercial banking business	**54,313**	**57,149**	**-2,836**	**-5.0**
- securities intermediation and placement	31,665	26,670	4,995	18.7
- intermediation in foreign currencies	635	643	-8	-1.2
- asset management	988	1,149	-161	-14.0
- distribution of insurance products	33,085	26,713	6,372	23.9
- other intermediation/management commission income	1,107	772	335	43.4
Management, intermediation and advisory services	**67,480**	**55,947**	**11,533**	**20.6**
Tax collection services	**-**	**-**	**-**	
Other net commission income	**7,678**	**7,312**	**366**	**5.0**
Total net commission income	**129,471**	**120,408**	**9,063**	**7.5**

Net commission income, which accounted for 42% of operating revenues, came to Euro 129.5 million, increasing by Euro 9.1 million (up by +7.5%) vs. the previous year. This performance mainly resulted from a considerable development in management, intermediation e advisory services; commission income from this aggregate came to Euro 67.5 million, increasing by Euro 11.5 million (up by +20.6%). Specifically, the contribution from distribution of insurance products posted an increase of Euro 6.4 million (up by +23.9%), while commission income from intermediation and placement of other securities increased by Euro 5.0 million (up by +18.7%).

Conversely, commission income from commercial banking business decreased by Euro 2.8 million (down by -5.0%); this aggregate was more affected by the ongoing weakness in the economy, featuring significant uncertainty with negative impacts on traditional lending



Profit (loss) from financial operations

Voci	31.12.2014	31.12.2013	Changes	
			Absolute	%
Interest rates	147	2,144	-1,997	-93.1
Stocks	-20	-	-20	
Foreign exchange	1,196	718	478	66.6
Total gains (losses) on financial assets held for trading	**1,323**	**2,862**	**-1,539**	**-53.8**
Total gains (losses) on hedging activities	**-220**	**2,111**	**-2,331**	
Gains (Losses) on disposal of financial assets available for sale	**7,509**	**15,024**	**-7,515**	**-50.0**
Gain (loss) on financial activities	**8,612**	**19,997**	**-11,385**	**-56.9**

Profit (loss) from financial operations came to Euro 8.6 million, decreasing by Euro 11.4 million vs. the previous year. This performance was mainly due to the decrease in gains on disposal of available-for-sale financial assets, subsequent to less transactions on the Government securities held. Gains on finan¬cial assets held for trading also decreased by Euro 1.5 million, mainly referring to the activities on interest rates; indeed, in a time of low interest rates, the Customers' requirements for hedging decrease, as did gains on hedging activities, down by Euro 2.3 million; the latter decrease was due to the fact that in 2013 gains were recognized amounting to Euro 1.7 million and resulting from the early settlement of hedging derivatives within the macro-hedging business on funding, following the re-arrangement of maturities of the Bank's assets and liabilities (A.L.M. – Asset Liability Management).

Other operating revenues (expenses)

This item reports Euro 3.0 million worth of operating expenses, in line with 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 1.1 million, slightly increasing vs. the previous year (up by +0.2 million).

Operating expenses

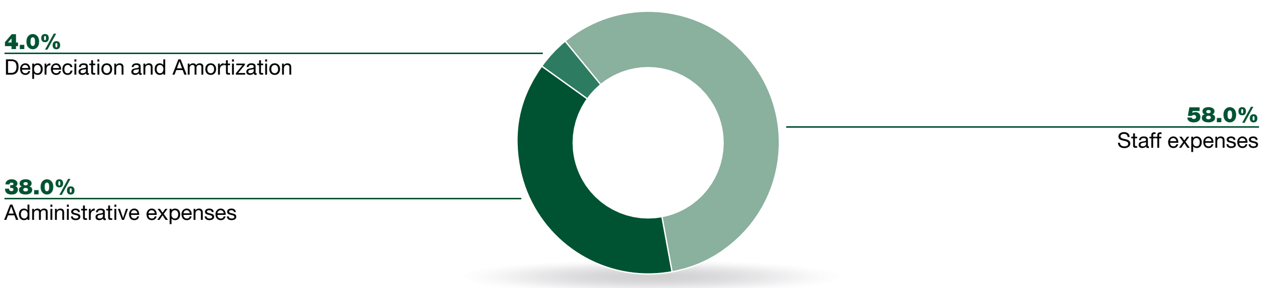
Items	31.12.2014	31.12.2013(*)	Changes	
			Absolute	%
- wages and salaries	-75,552	-80,668	-5,116	-6.3
- social security contributions	-19,507	-20,860	-1,353	-6.5
- other staff expenses	-8,491	-8,454	37	0.4
Staff expenses	**-103,550**	**-109,982**	**-6,432**	**-5.8**
- general operating expenses	-17,879	-18,343	-464	-2.5
- IT services	-9,751	-9,954	-203	-2.0
- direct and indirect taxes	-19,222	-17,383	1,839	10.6
- property management	-9,195	-9,507	-312	-3.3
- legal and other professional services	-1,705	-1,634	71	4.3
- advertising and promotion expenses	-1,279	-1,784	-505	-28.3
- indirect staff expenses	-1,274	-1,536	-262	-17.1
- other expenses	-50,797	-46,747	4,050	8.7
- recovery of expenses and charges	43,348	36,686	6,662	18.2
Administrative expenses	**-67,754**	**-70,202**	**-2,448**	**-3.5**
- intangible assets	-2,213	-2,215	-2	-0.1
- property, plant and equipment	-4,967	-4,857	110	2.3
Depreciation and amortization	**-7,180**	**-7,072**	**108**	**1.5**
Operating expenses	**-178,484**	**-187,256**	**-8,772**	**-4.7**

(*) Restated following the reclassification of the expenses for the management of non-performing loans and the relevant recoveries from the "Operating expenses" item to the "Net value adjustments of loans" item..

Operating expenses came to Euro 178.5 million, decreasing by Euro 8.8 million vs. the previous year.

Specifically:

- Staff expenses came to Euro 103.6 million, decreasing by Euro 6.4 million (down by -5.8%) vs. 2013 due to the decrease in the average number of staff (down by 126 YOY).
- Administrative expenses came to Euro 67.8 million, decreasing by Euro 2.4 million (down by -3.5%) vs. the previous year. Nearly all expense items posted a decrease vs. the previous year. The "Indirect taxes and levies" item performed against the trend increasing by Euro 1.8 million vs. 2013, subsequent to the change in the revenue tax applied to financial products, as did the "Other expenses" item increasing by Euro 4.0 million due to the premiums for the insurance policies taken out by Customers. However, both on taxes and on insurance premiums recoveries were made, by debiting Customers' current accounts, as recognized in the "Recovery of expenses and charges" item (up by Euro +6.7 million vs. the previous year).
- Depreciation and amortization come to Euro 7.2 million, essentially in line with the previous year.



Operating margin

The operating profit came to Euro 133.0 million, increasing by Euro 11.9 million (up by +9.9%) vs. the 2013 figure. The considerable decrease in operating expenses added to the increase in net operating revenues. The contributions of the two core aggregates thus generated a significant performance of income from operations.

The cost/income ratio came to 57.3%, improving by 3.4 percentage points vs. 2013, thanks to the actions implemented by the Bank to enhance operating efficiency.

Goodwill value adjustments

In 2014, the goodwill resulting from the various business combinations that have been carried out by the Bank since 2007 was tested for impairment.

For the Retail/Private Banking Cash Generating Unit, the test did not show any need to recognize impairment.

Net provisions for risks and charges

These provisions came to Euro 4.1 million, increasing by Euro 1.5 million vs. the previous year. Net provisions fo¬r the period referred to the court disputes with the Bank as the defendant for Euro 3.1 million and to other provisions for Euro 0.9 million.

Net value adjustments of loans

Items	31.12.2014	31.12.2013(*)	Changes	
			Absolute	%
- bad debts	-33,962	-34,019	-57	-0.2
- substandard loans	-38,614	-25,115	13,499	53.7
- restructured loans	-9,692	-1,546	8,146	
- past-due loans	-404	-627	-223	-35.6
- performing loans	4,773	-2,310	-7,083	
Net impairment adjustments of loans	**-77,899**	**-63,617**	**14,282**	**22.4**
Net adjustments for guarantees and commitments	-913	-1,032	-119	-11.5
Net value adjustments of loans	**-78,812**	**-64,649**	**14,163**	**21.9**

(*) Restated following the reclassification of the expenses for the management of non-performing loans and the relevant recoveries from the “Operating expenses” item to the “Net value adjustments of loans” item.

Net value adjustments of loans came to Euro 78.8 million, increasing by Euro 14.2 million (up by +21.9%) vs. the previous year, being affected by a still recessive economic situation. 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, ca¬me to 1.2%, vs. 1.0% in 2013. Adjustments of bad debts, net of writebacks, came to Euro 34.0 million, essentially in line with the previous year. Adjustments of substandard positions came to Euro 38.6 million, increasing by Euro 13.5 million (up by +53.7%). As regards performing loans, writebacks amounting to Euro 4.8 million have been reported, vs. Euro 2.3 million worth of adjustments recognised in the previous period. Net adjustments for guarantees and commitments came to Euro 0.9 million, decreasing vs. the previous year.

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

This item reports gains amounting to Euro 233 thousand and resulting from the sale of the equity investment in Greenway.

Profit before taxes on continuing operations

Profit before taxes on continuing operations came to Euro 50.4 million, decreasing by Euro 3.5 million (down by -6.5%) vs. the pre¬vious year, despite the considerable growth in income from operations.

Income tax for the period on continuing operations

Current and deferred taxes came to Euro 17.9 million, decreasing by Euro 7.4 million vs. the previous year.

Compared with 2013, the 2014 tax rate was more favourable thanks to the fact the the additional corporate income tax (IRES) of 8.5%, which impact¬ed on 2013 income for an estimated amount of Euro 3.1 million, did not apply in 2014; this combined with the excess provision for taxes allocated in previous years amounting to Euro 1.7 million and with the effect of the recognition in the Income Statement of taxes previous¬ly recognized in equity amounting to approximately Euro 0.7 million.

Net of these non-recurring components, in percentage terms, the tax burden came to approximately 40.4%, decreas¬ing by about 0.9 percentage point vs. the 2013 figure.

Net profit (loss) and comprehensive income

Net profit (loss)

The profit for the period came to Euro 32.4 million, increasing by Euro 3.9 million (up by +13.6%) vs. the previous year, thanks to the good performance of income from operations and higher tax deductibility of the cost of credit for IRAP (Italian regional tax on productive activities).

Comprehensive income

Items	31.12.2014	31,12.2013
10. Profit (loss) for the period	**32,380**	**28,504**
Other income components after tax with no reversals to Income Statement		
20. Property, plant and equipment	-	-
30. Intangible Assets	-	-
40. Actuarial gains (losses) on defined-benefit plans	-1,998	955
50. Non-current assets being divested	-	-
60. Share of Valuation Reserves on equity investments measured using the equity method	-	-
Other income components after tax with reversals to Income Statement		
70. Hedging of foreign investments	-	-
80. Exchange rate differences	-	-
90. Cash flow hedges	-	-
100. Financial assets available for sale	8,379	11,156
110. Non-current assets being divested	-	-
120. Share of Valuation Reserves on equity investments measured using the equity method	-	-
130. Total other income components after tax	**6,381**	**12,111**
140. Comprehensive income (Item 10+130)	**38,761**	**40,615**

“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 for 2014 generated a profit amounting to Euro 38.8 million, mainly due to the net income for the period but also to the valuation reserve for available-for-sale financial assets, - whose volatility is however to be pointed out - which in 2014 posted a positive change of Euro 8.4 million.

PERFORMANCE OF THE BALANCE SHEET AGGREGATES

Reclassification of the Balance Sheet

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 grouping balance-sheet items. Such grouping concern¬ed:

- 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 subje¬ct 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 "Outstanding securities" items;
- grouping of specific-purpose provisions (i.e. employee severance benefits and provisions for contingencies and liabilities) into a single aggregate.

Reclassified Balance Sheet

Assets	31.12.2014	31.12.2013	Changes	
			Absolute	%
Net Financial Assets/Liabilities held for trading	17,301	18,920	-1,619	-8.6
Financial assets available for sale	996,105	807,370	188,735	23.4
Loans to Customers	6,380,612	6,325,422	55,190	0.9
Equity investments	5,000	5,350	-350	-6.5
Property, plant and equipment and intangible assets	187,972	190,660	-2,688	-1.4
Tax assets	128,074	130,376	-2,302	-1.8
Other assets	303,901	268,766	35,135	13.1
Total net assets	**8,018,965**	**7,746,864**	**272,101**	**3.5**

Liabilities	31.12.2014	31.12.2013	Changes	
			Absolute	%
Net due to banks	587,060	628,655	-41,595	-6.6
Funding from Customers	6,074,939	5,991,917	83,022	1.4
Tax liabilities	40,328	36,642	3,686	10.1
Other liabilities	559,475	336,833	222,642	66.1
Specific-purpose provisions	49,362	58,597	-9,235	-15.8
Capital	120,689	120,689	-	-
Reserves (net of treasury shares)	553,202	549,878	3,324	0.6
Valuation reserves	1,530	-4,851	6,381	
Profit (loss) for the period	32,380	28,504	3,876	13.6
Total net liabilities and equity	**8,018,965**	**7,746,864**	**272,101**	**3.5**

Reconciliation of the official balance sheet and the reclassified balance sheet

Assets	31.12.2014	31.122013
Net Financial Assets/Liabilities held for trading	**17,301**	**18,920**
20. Financial Assets held for trading	28,601	33,480
40. Financial Liabilities held for trading	-11,300	-14,560
Available-for-sale financial assets	**996,105**	**807,370**
40. Available-for-sale financial assets	996,105	807,370
Loans to Customers	**6,380,612**	**6,325,422**
70. Loans to Customers	6,380,612	6,325,422
Equity investments	**5,000**	**5,350**
100. Equity investments	5,000	5,350
Property, plant and equipment and intangible assets	**187,972**	**190,660**
120. Property, plant and equipment	61,229	61,704
120. Intangible Assets	126,743	128,956
Tax assets	**128,074**	**130,376**
130. Tax assets	128,074	130,376
Other assets	**303,901**	**268,766**
10. Cash and cash equivalents	51,078	64,219
80. Hedging derivatives (Assets)	159,866	103,346
90. Value adjustment of financial assets subject to macro hedging	2,512	533
150. Other assets	90,445	100,668
Total net assets	**8,018,965**	**7,746,864**

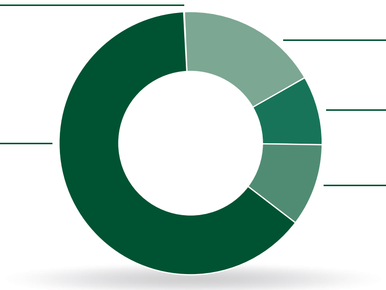
Liabilities	31.12.2014	31.12.2013
Net due to banks	**587,060**	**628,655**
10. Due to banks	928,473	843,679
60. Loans to banks	-341,413	-215,024
Funding from Customers	**6,074,939**	**5,991,917**
20. Due to Customers	4,652,485	4,162,562
30. Outstanding securities	1,422,454	1,829,355
Tax liabilities	**40,328**	**36,642**
80. Tax liabilities	40,328	36,642
Other liabilities	**559,475**	**336,833**
100. Other liabilities	293,106	214,264
60. Hedging derivatives (Liabilities)	139,891	60,130
70. Value adjustment of macro-hedged financial liabilities	126,478	62,439
Specific-purpose provisions	**49,362**	**58,597**
110. Employee severance benefits	24,890	22,232
120. Provisions for contingencies and liabilities	24,472	36,365
Capital	**120,689**	**120,689**
180. Capital	120,689	120,689
Reserves (net of treasury shares)	**553,202**	**549,878**
160. Reserves	81,445	78,121
170. Share premium reserve	471,757	471,757
Valuation reserves	**1,530**	**-4,851**
130. Valuation reserves	1,530	-4,851
Profit (loss) for the period	**32,380**	**28,504**
200. Profit (loss) for the period	32,380	28,504
Total liabilities and equity	**8,018,965**	**7,746,864**

Business with Customers

Loans to Customers

Items	31.12.2014	31.12.2013	Changes	
			Absolute	%
- Current accounts	645,299	731,639	-86,340	-11.8
- Mortgage loans	4,069,652	3,999,652	70,000	1.8
- Advances and other loans	1,122,799	1,203,627	-80,828	-6.7
- Repurchase agreements	-	-	-	
- Non-performing loans	542,352	389,993	152,359	39.1
Loans	**6,380,102**	**6,324,911**	**55,191**	**0.9**
Loans represented by securities	510	511	-1	-0.2
Loans to Customers	**6,380,612**	**6,325,422**	**55,190**	**0.9**

Loans to Customers came to Euro 6,381 million, increasing by 0.9% from Euro 6,325 million as at 31 December 2013. Mortgage loans increased by Euro 70 million, performing against the trend of the other performing loans items; indeed, the decrease in loans to Customers concerned both current account overdrafts, which decreased from Euro 732 million in 2013 to Euro 645 million in 2014 (down by -11.8%), as well as advances and other loans, which decreased by Euro -81 million (down by -6.7%).



Credit quality

Items	31.12.2014			31.12.2013		
	Gross exposure	Total writedowns	Net exposure	Gross exposure	Total writedowns	Net exposure
- Bad debts	502,991	318,905	184,086	429,058	276,814	152,244
- Substandard loans	316,018	65,257	250,761	231,902	55,711	176,191
- Restructured loans	98,602	13,046	85,556	30,521	2,740	27,781
Past-due / overlimit loans	22,720	771	21,949	35,021	1,244	33,777
Non-Performing Loans	**940,331**	**397,979**	**542,352**	**726,502**	**336,509**	**389,993**
Performing loans	**5,858,960**	**20,700**	**5,838,260**	**5,962,550**	**27,121**	**5,935,429**
Total	**6,799,291**	**418,679**	**6,380,612**	**6,689,052**	**363,630**	**6,325,422**

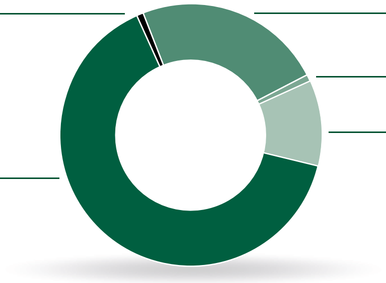
Items	31.12.2014			31.12.2013		
	Gross exposure/ total	Net exposure/ total	Coverage ratio	Gross exposure/ total	Net exposure/ total	Coverage ratio
- Bad debts	7.4%	2.9%	63.4%	6.4%	2.4%	64.5%
- Substandard loans	4.6%	3.9%	20.6%	3.5%	2.8%	24.0%
- Restructured loans	1.5%	1.3%	13.2%	0.5%	0.4%	9.0%
Past-due/overlimit loans	0.3%	0.3%	3.4%	0.5%	0.5%	3.6%
Non-Performing Loans	**13.8%**	**8.5%**	**42.3%**	**10.9%**	**6.2%**	**46.3%**
Performing loans	**86.2%**	**91.5%**	**0.4%**	**89.1%**	**93.8%**	**0.5%**
Total	**100.0%**	**100.0%**	**6.2%**	**100.0%**	**100.0%**	**5.4%**

Net Non-Performing Loans came to Euro 542 million, increasing by Euro152 million (up by +39.1%) vs. the previous year. The accounted for 8.5% of total loans to Customers, vs. 6.2% in 2013. The coverage ratio, i.e. the ratio of total adjustments to the amount of gross non-performing loans, came to 42.3%, decreasing from 46.3% in 2013. Net bad debts increased by Euro 32 million (up by +20.9%) and came to Euro 184 million, equal to 2.9% of total loans (2.4% in 2013). The coverage ratio came to 63.4%, decreasing fro¬m 64.5% in the previous year. Net substandard positions came to Euro 251 million, increasing by Euro 75 million (up by +42.3%). The coverage ratio came to 20.6%, vs. 24.0% in 2013. Net restructured loans came to Euro 86 million, vs. Euro 28 million in 2013, with a coverage ratio of 13.2% (9.0% in 2013). Past-due positions performed against the trend and came to Euro 23 million, decreasing by Euro 12 million (down by -35.0%),, net of write-downs. The coverage ratio also decreased to 3.4% from 3.6% in the previous year. The coverage ratio of performing loans decreased from 0.5% in 2013 to 0.4% in the reporting period, with a decreasing volume of performing loans to Customers (gross performing exposures decreased as did the adjustments to this portfolio).

Funding from Customers

Items	31.12.2014	31.12.2013	Changes	
			Absolute	%
- Deposits	632,311	752,427	-120,116	-16.0
- Current and other accounts	3,915,422	3,293,284	622,138	18.9
- Other items	49,200	45,570	3,630	8.0
- Repurchase agreements	55,552	71,281	-15,729	-22.1
Due to Customers	**4,652,485**	**4,162,562**	**489,923**	**11.8**
Outstanding securities	**1,422,454**	**1,829,355**	**-406,901**	**-22.2**
Total direct funding	**6,074,939**	**5,991,917**	**83,022**	**1.4**
Indirect funding	**6,132,554**	**5,876,214**	**256,340**	**4.4**
Total funding	**12,207,493**	**11,868,131**	**339,362**	**2.9**

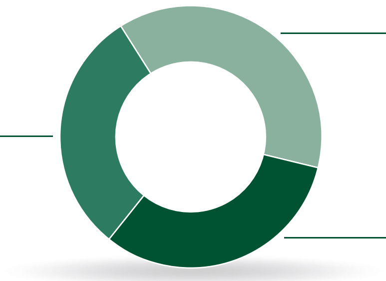
Direct funding came to Euro 6,075 million, increasing by 1.4% vs. Euro 5,992 million in 2013. The increase in this aggregate resulted from liquid funding referring to current accounts, which came to Euro 3,915 million, increas¬ing by Euro 622 million (up by +18.9%), substantiating the Customers' preference for liquid deposit forms. Deposits performed against the above trend, decreasing by Euro 120 million (down by -16.0%) vs. the previous year, as did repurchase agreements, which decreased by Euro 16 million (down by -22.1%). Outstanding securities show¬ed the same trend as in the previous year decreasing by Euro 407 million (down by -22.2%), and came to Euro 1,422 million.



Indirect funding

Items	31.12.2014	31.12.2013	Changes	
			Absolute	%
- Asset management products	1,860,910	1,493,926	366,984	24.6
- Insurance products	2,305,990	1,971,620	334,370	17.0
Total assets under management	**4,166,900**	**3,465,546**	**701,354**	**20.2**
Assets under administration	**1,965,654**	**2,410,668**	**-445,014**	**-18.5**
Indirect funding	**6,132,554**	**5,876,214**	**256,340**	**4.4**

Assets under management increased by 20.2% and, overall, indirect funding at market values came to Euro 6,133 million, increasing by 4.4% vs. Euro 5,876 million in 2013. Weal¬th management (funds and accounts) came to Euro 1,861 million, posting a significant increase of Euro 367 million vs. the previous year (up by +24.6%). Insurance investments showed the same trend, coming to Euro 2,306 million vs. Euro 1,972 million in 2013 (up by +17.0%). Conversely, assets under administration came to Euro 1,966 million and decreased by 18.5%, i.e. by Euro 445 million, substantiating the Customers' recent preference for asset management products with a better risk/return ratio.



Other investments

Financial assets available for sale

Items	31.12.14	31.12.13	Changes	
			Absolute	%
- Bonds and other debt securities	969,627	773,056	196,571	25.4
- Equity securities and units of collective investment undertakings	871	350	521	
Securities available for sale	**970,498**	**773,406**	**197,092**	**25.5**
- Equity investments	25,607	33,964	-8,357	-24.6
Shareholdings available for sale	**25,607**	**33,964**	**-8,357**	**-24.6**
Net value of the related derivative contracts held for fair value hedging	**996,105**	**807,370**	**188,735**	**23.4**

Available-for-sale financial assets came to Euro 996 million, increasing by Euro 189 million (up by +23.4%) from Euro 807 million in 2013. This was due to the increase in the price and nominal value of the Italian Government securities held (of which Euro 170 million for net purchases and Euro 88 million for valuation).

Government securities held

	31.12.2014		
	Nominal Value	Book value	Revaluation reserve
FVTPL			
Italian Government securities	21	1	-
AFS			
Italian Government securities	790,000	948,169	6,703
Total	**790,021**	**948,170**	**6,703**

Equity investments

Items	31.12.2014	31.12.2013	Changes	
			Absolute	%
- Subsidiaries	-		-	-
- Joint-ventures	-	-	-	-
- Associates	5,000	5,350	-350	-6.5
Total	**5,000**	**5,350**	**-350**	**-6.5**

Equity investments came to Euro 5 million, decreasing vs. the previous year by approximately Euro 0.4 million, subsequent to the sale of the equity investment held in Greenway Società Agricola.

Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets came to Euro 1,462 million, slightly decreasing from the Euro 1,463 million figure for the previous 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 abo¬ve business combinations were tested for impairment and the consistency of the values as recognized was confirmed.

Specific-purpose provisions

Items	31.12.2014	31.12.2013	Changes	
			Absolute	%
Employee severance benefits	**24,890**	**22,232**	**2,658**	**12.0**
Provisions for contingencies and liabilities	**24,472**	**36,365**	**-11,893**	**-32.7**
- other provisions	24,472	36,365	-11,893	-32.7
Total specific-purpose provisions	**49,362**	**58,597**	**-9,235**	**-15.8**

Specific-purpose provisions came to Euro 49 million, decreasing by Euro 9 million (down by -15.8%) vs. the prev¬ious year. This change referred to other provisions for contingencies and liabilities, which came to Euro 25 million and included provisions for staff expenses, operational risks and legal disputes.

Equity and Own Funds

Equity

Items	31.12.2014	31.12.2013	Changes	
			Absolute	%
Share capital	120,689	120,689	-	-
Share premium reserve	471,757	471,757	-	-
Profit reserves	80,785	77,461	3,324	4.3
Other reserves	660	660	-	-
Valuation reserves for financial assets available for sale	7,093	-1,286	8,379	651.6
Valuation reserves for actuarial gains (losses) relating to defined-benefit pension plans	-5,563	-3,565	1,998	56.0
Net profit for the period	32,380	28,504	3,876	13.6
Total (book) equity	**707,801**	**694,220**	**13,581**	**2.0**

Equity, including earnings for the period, came to Euro 708 million, increasing by Euro 14 million (up by +2.0%) from Euro 694 million in the previous year.

Own Funds

Regulatory Capital and capital ratios	31.12.2014	31.12.2013	Changes	
			Absolute	%
Common Equity Tier 1 – CET1	**442,341**	**n,a,**	**n,a,**	**n,a,**
Additional Tier 1 – AT1	-	n,a,	n,a,	n,a,
Tier 1 – T1	**442,341**	**n,a,**	**n,a,**	**n,a,**
Tier 2 – T2	-	n,a,	n,a,	n,a,
Total Capital (Own Funds)	**442,341**	**n,a,**	**n,a,**	**n,a,**
Risk-weighted assets	**3,951,934**	**n,a,**	**n,a,**	**n,a,**
of which by credit and counterparty risks and by the risk of value adjustment of the loan	3,482,196	n,a,	n,a,	n,a,
Common Equity Tier 1 ratio				
Tier 1 ratio	**11.2%**	**n,a,**	**n,a,**	
Total capital ratio	**11.2%**	**n,a,**	**n,a,**	
Total Capital ratio	**11.2%**	**n,a,**	**n,a,**	

On 1 January 2014, the new regulation for banks and investment firms (Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013; Circular No. 285 of the Bank of Italy) entered into force and significantly affected capital ratios, generating impacts both on the calculation of Own Funds and on the calculation of risk-weighted assets (RWA) and making any comparison to 2013 non-significant.

As at 31 December 2014, capital ratios came to 11.2%. As at 31 December 2014, RWAs came to Euro 3,952 million.

Other information

Italian National Tax Consolidation Regime

In 2013, the option for the Italian national tax consolidation regime was exercised, pursuant to Article117 et seq. 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 Re¬gistration 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 consideration set forth above cannot but apply also to this late¬st 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 settled 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.

CORPORATE DEVELOPMENT LINES

Strategic plan and corporate development lines

The development lines of Banca Popolare FriulAdria are an integral part of the OPERA Strategic Plan, which was launched by th¬e Cariparma Crédit Agricole Group in 2011 and whose actions were reasserted in 2014, consistently with the new Medium-Term Plan to 2016 as prepared by the Parent Company Crédit Agricole S.A.

The OPERA Plan reasserts the objective of an organic growth, based on an innovative strategy that, by adopting a clear and efficient business model, aims at increasing profitability in a sustainable way, while maintaining a sound financial position and remaining faithful to the strong community banking vocation of all the Banks of the Group to provide support to households, businesses and associations.

The OPERA Plan is implemented based on 3 pillars:

- customer centrality, which is pursued by innovating the Retail Service Model and by concomitantly enhancing skills and specialist advisory services, as well as by fully integrating the different access channels (Multichannel mode) and evolving the service to Mid-corporate Customers;
- efficiency and soundness of the model, by optimizing the organizational structure and the Operating Machine, by controlling risks and managing lending operations;
- the distinctiveness of the Group Values, which is ensured by its proximity and support to the communities it operates in and enhanced by the cooperative nature of Banca Popolare FriulAdria.

In 2014, the various Project Sites continued operation.

As regards the main lines of action on the new Retail Service Model, the activities continued fo¬r the implementation of the Moser Project within Banca Popolare FriulAdria, by:

- launching the Branch groups on 100% of Banca Popolare FriulAdria's Network, which have a Manager that is responsible for the objectives and for the coordination of the Branches included in the Group. Overall, within Banca Popolare FriulAdria's Network there are 34 Branch Groups, 12 large ones (consisting on average of 9 Branches) and 22 small ones (consisting on average of 4 Branches);
- implementing 3 Small Business Centers (located in Pordenone, Udine and Venezia Mestre), dedicated to Retail Small Businesses;
- starting-up the "Agenzia per Te" new Branch model, (5 of such Branches were opened in 2013 and 20 in 2014), which embodies full integration of the physical network with the Direct Channels, with increased focus on the provision of advisory services to Customers.

Within the service model dedicated to top end Private Banking Customers, a project was started which aims at improving the service level through higher specialization in financial advice and within which the Network and Resources of Banca Popolare FriulAdria will be the players in the pilot phase for the entire Group. The pilot perimeter is managed by a project structure that is coordinated by the Parent Company, with Banca Popolare FriulAdria directly controlling the resources assigned to the project and the commercial activities carried out.

In the year, the development lines of the Multichannel Strategy were set, which provide for the repositioning of the Group Banks towards distinctive and leading digital banking services dedicated to digital-oriented Customers, leveraging on the expertise of the Crédit Agricole Group in order to:

- innovate the "Banca Telefonica" (Phone Bank) tools;
- complete the range of products that can be sold remotely;
- strengthen its presence on the social networks.

As regards multichannel innovation, the continuous evolution is also to be reported, which led to the launch of the new Nowbanking App and the opening of the "Conto Adesso" online current account.

In order to ensure higher and higher service levels for the Corporate segment the following actions were implemented:

- the reorganization of the Mid-Corporate and Large-Corporate commercial Channels and the subsequent creation of the Corporate Banking structure, aimed at increasing the service level along with a better product range model, focus¬ing on products with higher value added;

- the start-up of a project dedicated to the Mid-Corporate segment through a specific service model, by creating a dedicated structure and the launch of targeted actions, thanks to a close cooperation with Crédit Agricole Corporate & Investment Bank, in order to meet the requirements of sophisticated Customers;
- the continuing implementation of the Agri-Food Project that, consistently with Banca Popolare FriulAdria's strong bonds with its geographical areas of operations, is based on a development strategy focusing on the specific requirements of each supply chain: specifically, in 2014, in addition to the start-up of the grains and fruit&vegetable chains, the Customers of Banca Popolare FriulAdria could benefit from various initiatives on the wine-making and dairy supply chains and, in terms of research, the start-up of the 'Monitor for agri-food industry players in Northern Italy' in cooperation with the University of Padua. The Agri-Food events and initiatives implemented by Ban¬ca Popolare FriulAdria amounted to significant legs on the way to Expo 2015 for the companies in its areas of operations.

As regards the Lending Process, in 2014, a project was launched, which aims at enhancing the operation mod¬el, by comparing it to the market best practices and focusing the priority actions on the main geographical areas where the cost of credit is generated. Specifically, this project comprises three actions, whose effects will be implemented also in the organizational structure, in the processes and tools available to Banca Po¬polare FriulAdria:

- the review of the organizational model and of responsibilities;
- the enhancement of the processes for the recovery of substandard positions and bad debts;
- top quality of the supporting tools, industrializing the tools for the monitoring of recove¬ry activities and reporting.

In order to ensure better and better services to Customers, investments continued in the upgrading of the Operating Machine by releasing the Branch New Platform and the Digital Signature on the entire Distrib¬ution Network of Banca Popolare FriulAdria.

Moreover, the Cost Excellence Project continued to be implemented pursuing the rationalization and control of operating cost structure, with excellent results for Banca Popolare FriulAdria.

The relevant organizational structures of the of the Cariparma Crédit Agricole Group are constantly involved and engaged in the actions for the implementation of the Strategic Plan, with the support provided by the specialists of the Banque de Proximité à l'International, the structure of the Controlling Company Crédit Agricole S.A. dedicated to the Banks based outside France, in constant cooperation with the Senior Management structures of all the Banks of the Group.

Retail and Private Banking Commercial Channel

Retail Commercial Channel

In 2014, the Retail Channel of Banca Popolare FriulAdria reasserted its vocation in proximity bank¬ing, synergically combining innovation and development, in spite of the widespread uncertainty throughout the Country, which was caused by ongoing stagnation in the economy.

This is the reason why, in 2014, more than 19,400 new Customers were acquired (over 42% of whom below 35 years of age) and 2,900 home loans paid out to households, posting a +37% increase vs. the previous year¬; in the asset management segment, a significant performance was achieved in terms of funding, with over Euro 1.2 billion worth of placed products (up by +30% vs. 2013).

The considerable commercial actions implemented, combined with the enhancement of relations with Customers, allowed the Retail Channel of Banca Popolare FriulAdria to achieve a net increase in assets under administration of 2% vs. 2013, with a concomitant increase in the Customers' satisfaction with the services, across all segments.

The above performances were achieved thanks to several marketing and product innovation actions¬, based on thorough analysis of the requirements and needs that were found in the customer satisfaction surveys, as well as on the requirements and suggestions expressed directly by the Distribution Network.

● *Mortgage loans and other loans*

The supply of home loans in 2014 followed the structural changes underway in the credit market; specifically, flexibility and multichannel mode have become an essential combination.

Indeed, the inclusion of options for the suspension of instalment payment and for the flexibility of the amortiza-tion schedule has become a structural feature of the “Gran Mutuo Casa Semplice” range: a token of the Group’s proximity to households and young people in a still uncertain economic situation.

Again in this direction, specifically for the first-home purchase, Banca Popolare FriulAdria has adopted the ABI-MEF Protocol – First-Home Guarantee Fund, to favour access to credit by young people, including “atypical” workers, on a priority basis.

Banca Popolare FriulAdria’ proximity to people was substantiated also by the start-up of the “Linea Diretta Gran Mutuo” project: it is a dedicated section of its website, which provides remote advisory services that are constantly evolving in order to reinterpret the ways to interact with people looking for a home loan.

The 2014 commercial campaign included several promotions, concerning both fixed and floating rates, which allowed important performances to be achieved, with loans granted in 2014 increasing by approximately 37% vs. the previous year.

Moreover, in 2014 the cooperation with traditional credit brokerage partners, such as Kiron, Auxilia, Mediofimaa, as well as with on-line credit brokers, such as MutuiOnline, MutuiSuperMarket and Telemutuo, became even closer. Agree-ments with regional players, such as the Finint Group, Euro-ansa, GruppoDieci and CrediPass were also strengthened.

Banca Popolare FriulAdria increased its operations in the consumer credit market and its support to households in their requirements, through a number of promotional actions aimed at supporting households’ consumption, with a significant increase in the loans granted vs. the previous year (up +45%).

To this end, a new strategic commercial agreement was signed with Agos Ducato that, thanks to its skills as one of the most experienced companies in the sector, will allow innovative products and services to be developed.

● *Wealth Management*

Also the Wealth Management business line was subject to important actions. The implemented commercial actions focused on advisory services aimed at providing Customers with the best possible portfolio asset allocation based on the market condi¬tions and on the specific risk profile of every Customer. Significant evolution in business rela¬tions was supported by continuous development of the Personal Financial Planning platform, implementing a new metho-dological approach based on Investment Recommendations.

The Asset Management line of the Retail Channel of Banca Popolare FriulAdria achieved over Euro 1.2 billion worth of placed products, thanks to important actions of sales-focused entertainment. Many actions were implemented – both in terms of training and sales-focused – which were designed to enhance the partnership with product companies, both the Group’s ones and others, thus substantiating the multi-manager connotation of the value proposition.

The Asset Management line gave a key contribution to the sales achieved, with over Euro 800 million worth of placed products and a net increase in the portfolio of approximately Euro 300 million. Again for the Retail Channel of Banca Popolare FriulAdria, just as god was the performance on insurance products: approximately Euro 395 million worth of placed products with an increase in the relevant portfolio of nearly Euro 150 million.

The activities concerning Supplementary Pension schemes are also to be reported, which aimed at the sale of specific pro¬ducts and included considerable training provided to all sales roles in the Retail Network.

● *Small Business*

In 2014, the activities dedicated to the entrepreneurial fabric of the communities we operate in were strengthened with the alloca¬tion of an amount for pre-authorized loans aimed at granting both short-term and medium-/long-term credit lines (over Euro 212 million). By doing this, Banca Popolare FriulAdria reasserted its vocation to promote the best entrepreneurial initiatives by supplying financial resources and skills, in a fast and transparent way, to the most dynamic and deserving businesses.

In this perspective, important actions were implemented, which resulted in a considerable contribution to the manage¬ment of Small Business Customers and to their enhancement: the Small Business Project and other actions allowed short-terms loans to the Small Business segment to be revived, as well as the relevant Customer base to be increased, thanks to specific commercial actions.

Significant commercial actions were dedicated to the agri-food world, reasserting the important partnership and the strategic commitment undertaken with Creditagri-Coldiretti and Confagricoltura.

To complete the value proposition intended for small businesses and freelancers, the range of lea¬ses is to be reported, which resulted from the synergy between the Cariparma Crédit Agricole Group and the product company CALIT. In this scope, excellent performances were achieved, which substantiate the fact that Small Business Customers appreciate the supplied products.

● *Women Entrepreneurship*

“DonnAzienda” is a system project that was started at the end of 2013 and is the result of the cooperation between the Group Retail Central Department, the Università Cattolica of Piacenza and the “Valore D” Association; it aims at promoting women’s entrepreneurial initiatives and businesses lead by women, which are increasingly seen as a winning development model and driver for Italy. This project was finalized thanks to the proactive involvement of many employees of the Group, of women entrepreneurs and trade associations, through exchange meetings - one of which was started up in Pordenone in April 2014 - and one-to-one interviews; this allowed the specific requirements of women that do business to be detected and, at the same time, the main action scopes to be identifi¬ed with their essential contribution.

The preliminary phase of exchange allowed a range of specific products and services to be designed and prepared¬, which, in addition to banking products, include a set of non-banking services, specifically welfare and advisory ones:

- in 2014, a business financing product was launched, with purposes and flexibility options linked to the different phases in the woman entrepreneur personal life (such as the maternity leave of the owner/partner or the illness of a live-in family member) and the ABI (Italian Banking Association) Protocol was entered into for the development and growth of businesses mainly held by women and women freelancers, allocating Euro 8 million worth of funds (and providing for more purposes and flexibility options than required by the Protocol¬).

This project was presented at Fondazione Ca’ Foscari Venezia, during the periodic meeting of the Innovation Board, which was held on 25 September 2014;

- in 2015, a network of services intended for businesses and families will be launched. It will be a true novelty in the market and it will focus on reconciling work times and personal life times, with solutions that can provide support to both the business and the family.

● *Non-Life Bancassurance*

In 2014, the Non-Life Bancassurance business line also increased and achieved signifi¬cant performances compared to the market.

The upgrading to the Customers’ increasing requirement for protection led to the widening of the product range, with three new Non-Life Insurance policies and a new¬ Credit Protection policy. The latest products, which were designed in cooperation with Crédit Agricole Assicurazioni, offer significant coverage for the insured party’s personal property and health: “Protezione Mobile” is a product providing insurance coverage for the portable electronic devices of the entire household, “Protezione Mezzi di Pagamento” provides protection against fraudulent use of credit and debit cards and cheques, “Protezione Interventi Chirurgici” is a product providing health insurance coverage. In cooperation with Crédit Agricole Creditor Insurance (CACI), “Protezione Affidamenti” has been designed as a product intended for businesses having short-term credit lines. Banca Popolare FriulAdria once again proved its focus on product innovation, which is deemed a key strategy to stand out and to be a reference point in the banking and insurance markets.

As to Shareholders, the synergies with the Company allowed exclusive and very competitive prices to be applied to the Bank’s Shareholders for motor vehicle civil liability, home and accident insurance, which were the basis of a special package including a set of banking and non-banking products.

● *E-money*

Promotions on e-money products proved a strategic driver for growth and for the acquisition of new Customers, in cooperation with MasterCard and CartaSi.

Good performances were achieved also in this business line, especially as regards CartaConto and CartaConto Paysmart, (up by +77% vs. 2013), with the support of a number of development and retention actions.

● *New Service Model: Mo.Ser.*

In 2014 an effective strategy was implemented to review and differentiate the types of services provided to Customers by Banca Popolare FriulAdria, by which innovation could be combined with the enhancement of Bank-Customers relations.

Indeed, this was the very principle on which “Agenzia per Te” was designed. “Agenzia per Te” is a new-generation branch model where the traditional “counter” concept is replaced by a distinctive and innovative mode of receiving Customers, who are focused on in order to meet their requirements by making available safe and user-¬friendly tools that, at the same time, optimize response times.

In the new “Agenzia Per Te” Branches, all traditional transactions can be carried out and the technology is made available to Customers in this perspective, to establish a new cultural approach, which is full in line with the welcoming reception concept and the value resulting therefrom.

The “Agenzia per Te” model, which allows the expediency and value of technology to combine with that of human relations, is proving a win. Indeed, aware of the favourable feedback from Customers, 20 “Agenzia per Te” Branches were opened in the year (in addition to the 5 other ones opened in 2013) and as challenging a number has been planned also for the next years.

Based on this logic, a partnership agreement with Microsoft was signed, under which our Customers can buy Microsoft tablets and smartphones, at competitive prices, at home or at our Branches, with the payment terms that are most suitable to their individual requirements and with flexible instalments, without charges or interest.

With this Branch concept, we aim at transforming our Branches into increasingly welcoming and distinguishing places to meet our Customers.

● *Community-focused activities*

In line with its community banking vocation, in 2014 Banca Popolare FriulAdria implemented a number of actions, some of which are reported below:

- it was an official partner of the 87th National Assembly of the Alpini (an elite mountain warfare military corps of the Italian Army), which was held in Pordenone from 9 to 11 May 2014, thus sponsoring a significant event for the growth and visibility of the community: Banca Popolare FriulAdria supported the above event in Pordenone by creating a dedicated range of banking products at very favourable terms for the Alpini and their families: current account, personal loan and, to commemorate the event, a customized “CartaConto” with the Assembly logo.
- In order to stand out for the services it provides, in 2014 Banca Popolare FriulAdria organized meetings with Customers and Prospects, called “Bussola degli Investimenti” (Investment Compass); these meetings allowed

finance, pension, social security and succession topics to be dealt with, fostering better understanding of the present macro-economic situation by the Customers, with a focus also on the importance of complementary pension schemes.

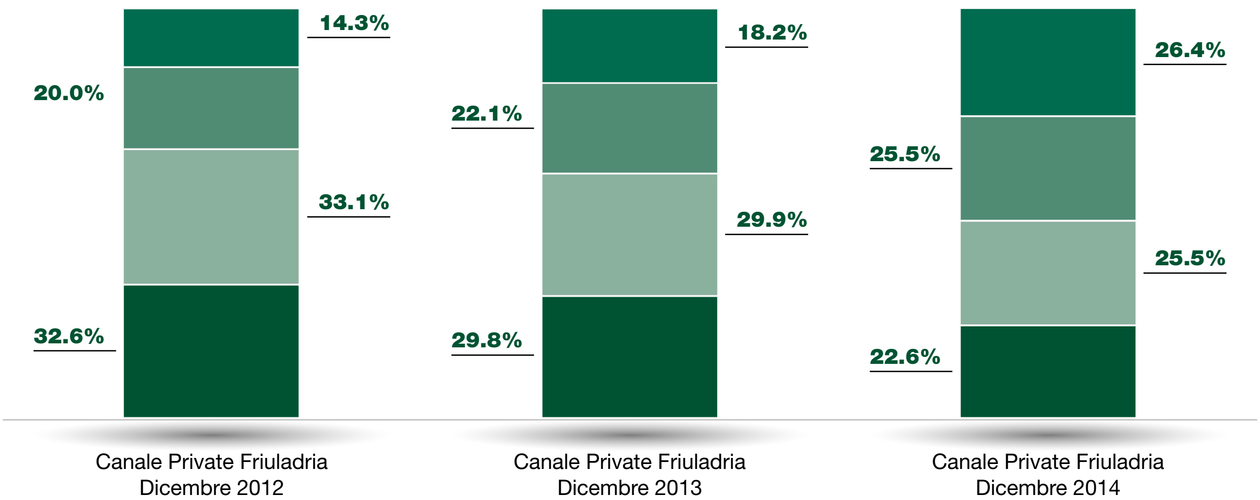
- Customized “CartaConto” for the Veronesi Foundation: Customers can have the card free of charge against a very small donation (Euro 5) and can donate a periodic contribution to the Founda¬tion.
- Instead of the usual Christmas gift (diaries and calendars), the Bank decided to donate the same amount to the “Cen¬tro di Riferimento Oncologico” (Cancer Center) of Aviano, to the Sports, Culture and Solidarity Committee of Udine and to the Down Syndrome, Autism and Intellectual Disabilities (DADI) of Padua.

Private Banking Commercial Channel

In 2014, some of the trends that have prevailed in the last 3 years were continued: the decrease in bond yields and spreads and the positive performance of share prices, driven by the high liquidity on the markets.

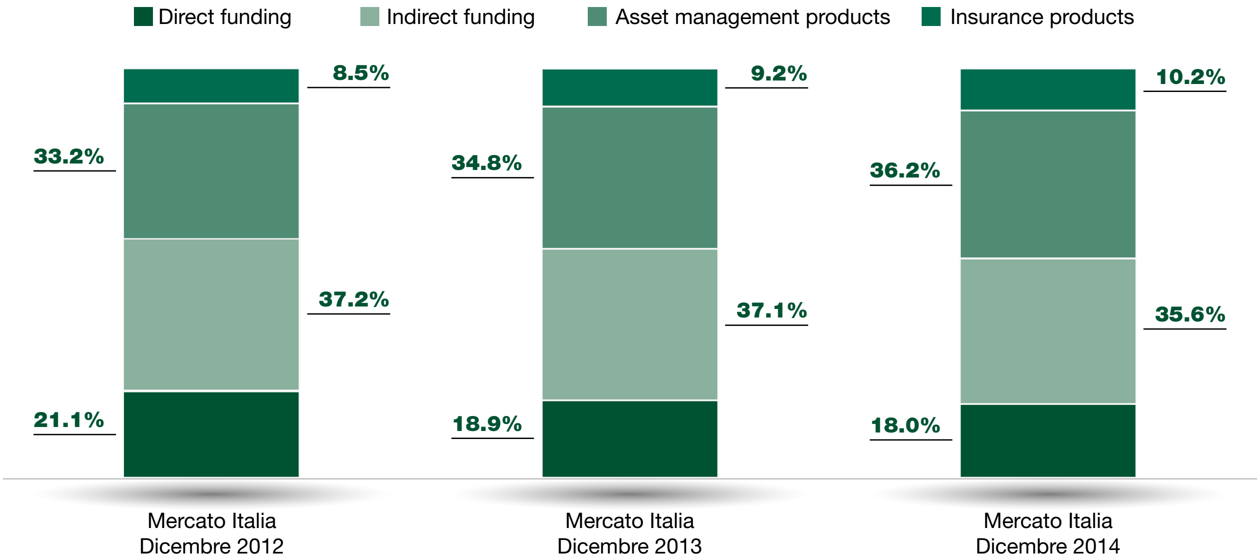
All the above with a modest global growth and differences between the economic growth of the USA and the stagnation in Europe, where fear of deflation and geopolitical crisis were the main concern in the year.

Conflicting macroeconomic data coming one after the other and expectations of measures to be implemented by the wor¬ld Monetary Authorities caused, especially in the second half of the year, high volatility and uncertainty.



SOURCE: Served Market Analysis Italian Private Banking Association (AIPB

In such a difficult market situation, the Private Banking Channel of Banca Popolare FriulAdria succeeded in achieving positive performances thanks to the effective actions for both exogenous and endogenous development, which led to an increase in the Customer base (up by +3% vs. 2013) and a subsequent increase in funding (up by +4% vs. 2013).



SOURCE: Served Market Analysis Italian Private Banking Association (AIPB

Therefore, the performance of volumes and their upgrading generated revenues that significantly increased vs. the previous year (up by +26% vs. 2013).

In 2014, important changes in the Private Banking Distribution Channel of Banca Popolare FriulAdria were fully implemented:

- the change from an “Individual” account management logic to a “Team” management logic, with the provision of train¬ing to all the Network Resources throughout the various phases of the New Organizational Model;
- enhanced cooperation with the staff working in the Corporate Banking channel (Synergies) in order to develop full-range business with entrepreneur Customers;
- evolution of the range of Private Banking core products: review of the range of Asset Management products and product innova¬tion with the inclusion of new management lines; new range of Insurance Products (Multi-line, LTC); enlargement of the range of multibrand SICAVs and Funds with a best-in-class approach.

These important projects played a strategic role in the achievement of the Channel’s objectives and led to the professional growth of Banca Popolare FriulAdria’s staff working in the Private Banking segment, who succeeded in combining commercial effectiveness with efficiency in ensuring regulatory compliance.

Corporate Banking Commercial Channel

The Corporate Banking Channel, i.e. Banca Popolare FriulAdria commercial division dedicated to the corporate segment¬, contributed to support growth and investments by offering products and services in line with the requirements of the marker and of highly sophisticated Customers, thanks also to the progress in the MidCorp Project for the development of synergies with CACIB Italy.

In 2014, in order to provide better and better response to the requirements of the different Customer segments, the Corporate Banking Department implemented a new service model that sets down different distribution models in accordance with different requirements and behaviours of Customers; this model has made the organization better fit to focus on Customers and on the marker, as well as to implement more effective synergies within the Group and to improve control of credit risk starting as early as in the first stage of business 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 companies intending to invest in internationalization projects;

- the enhancement of the cooperation with Euler Hermes, which, thanks to the supply of insurance products, allow¬ed 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 enhancement of relations with Confidi (Italian mutual loan-guarantee consortia) for the acquisition of mutual guarantees to mitigate credit risk;
- the mitigation of credit risk by acquiring the guarantee from the Guarantee Fund for SMEs, was strengthened in order to mitigate the risk associated to the granting of new loans;
- the ABI-CDP (Italian State-owned company) agreement for the “Capital assets Loans” project, which allowed many companies to make new investments specific for their sector of operations;
- a new agreement with the European Investment Bank (EIB), which provides for Euro 80 million for SMEs and Mid Cap, to finance projects having a maximum cost of Euro 25 million each;
- “Preauthorized loans” initiative dedicated to the best Customer companies in strategic target industries giving the possibility to immediate¬ly obtain the liquidity required to make investments, promote innovation and develop exports;
- organization of Trade Workshops, i.e. meetings held locally and open to companies interested in in¬ternational projects, in order to focus on the main opportunities, the main problems and possible solutions.

Again regarding internationalization and in order to improve the synergies with the Credit Agricole Group, in October, a Corporate Banking Team was part of the mission to Morocco “Italian Banks in Morocco with Companies and Institutions to support Italian and Moroccan entrepreneurs and to finance investment projects and new busi¬ness in the local market”, with a double objective: on the one hand, to exhaustively assess the business opportunities for Italian companies in the agri-food, materials and building machinery, automotive and healthcare sectors, and, on the other hand, to introduce the Group to the same Italian companies as a skilled financial partner for their export and internationalization processes.

In the year, the corporate finance division completed a number of transactions, thanks to the strong cooperat¬ion with the Network. . The important role of the Cariparma Crédit Agricole Group was thus reasserted in the structured finance scenario, which led to significant commission income.

In 2014, the Corporate Banking Department won two innovation-based prizes, with “Orizzonte Agroalimentare”, a true service model intended for the supply chain players and providing not only products and services but also fast loan application processing and expert advice.

Several new products were launched, such as the CBI (Italian Interbank Association for Corporate Banking) “Nowbanking Corporate” platform, a new, complete and fully-integrated modular solution for the management of collections and payments, in a both domestic and SEPA perspective. In addition to the Electronic Invoicing Module, the Cash Management Value Proposition (bilateral agreements in force with 50 Countries) and Misys Trade Portal tools allow better management of treasury and foreign trade operations.

The Corporate Banking objective for 2015 is:

- to continue to grow with the best Customers and Prospects, as well as to improve its loan port¬folio;
- to provide its Customers with new solutions and products having high value added in different scopes, such as corporate finance, collections&payments, desk and international transactions ;
- to further progress in the implementation of the MidCorp Project for the enhancement of the synergies with CACIB, in order to increase and improve the Group revenues in Italy and to become one of the leading Banks working with the Mid Corporate segment in Italy;
- to enhance cross-selling activities with its product companies.

● *Main financial ratios*

The synergies with the product companies continued to increase; in the year, operations with Crédit Agricole Leasing Italia posted a volume increase of 21% in new leases vs. 2013. The strong cooperation with Crédit Agricole Commercial Finance led to more scouted Customers and to a subsequent increase in loans and turnover, up by 9% vs. the previous year, coming to over Euro 251 million.

AGRI-FOOD: TOWARDS 2015

In Italy, the agri-food sector is at the heart of the economic and social system, as shown by the figures: 2 million businesses; 9% of the Italian GDP; 3.2 million workers (14% of Italian workers).

Subsequent to the crisis, the strategic value of the agri-food sector increased, with a 6% growth in terms of value added (at present prices) from 2007 to 2013, vs. an 18% decrease in the manufacturing industry.

Sector development driven by exports: with internal consumption decreasing, in 2013 exports came to over Euro 33 billion. Exports of processed products increased by 83% in ten years.

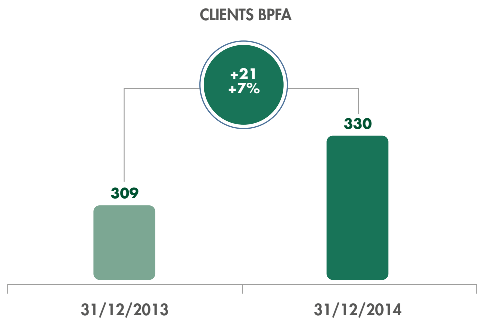
International markets show the best opportunities also for the future, thanks to emerging econo¬mies, where food consumption is increasing at a considerable rate: for instance in China, food consumption is expected to doub¬le in the next ten years.

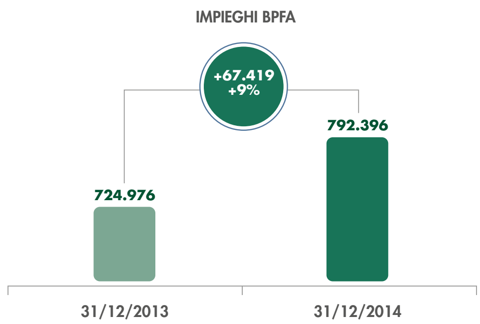
In order to exploit this potential, the Italian agri-food sector can rely on an exclusive competitive advantage: the renown quality of “Made in Italy” products, a value that is the result of the players’ specialization and of the ability to leverage the specific features of the various areas of production.

These are also the pillars which the strategy of the Cariparma Crédit Agricole Group rests on 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 actions that were implemented on such basis allowed the Bank to achieve considerable performances.

Agri-food sector development of the Cariparma Crédit Agricole Group and focus on Banca Popolare FriulAdria





In 2014, the “Orizzonte” approach was reasserted, which is the Group’s value proposal that was conceived and designed based on the requirements of farms and agri-food businesses and comprises:

- a dedicated service model, both in terms of Distribution (260 Managers and 15 Specialists exclu¬sively dedicated to the Agri-Food Business) and in technical-specialist terms (a true Agri-Food Area).
- Certain response times for loan applications (not exceeding 10 working days).
- Training designed to “have the Managers speak the same language as their Customers”.
- A full and complete range of products that are specific to and differentiated by single supply chain.
- A number of local events to fully understand the requirements of local communities and to reassert our proximity banking mission.
- A complete internal and external communication campaign (press releases, editorials, etc.).

● *Focus on Service Model and Training*

Banca Popolare FriulAdria has 65 dedicated Managers at Branches, 3 Agri-Food Specialists (one for every Area Management Department) and a dedicated decision-making Body for the Agri-Food sector within the Loan Authorization Service.

Indeed, in 2014 the Group implemented a dedicated service model for the Agri-Food sector, which is deeply rooted in the relevant geographical areas, features specific specialist skills and a high service level and has a tot¬al of 260 dedicated Managers, who are coordinated by 15 Specialists and provided with advice by 4 Agri-Food Experts working at the Central Department.

In order to achieve all this, the Group focused on training as a tool to get to know the sector and to be able to provide effective advisory services by adequately responding to its Customers’ and its Partners’ requirements.

The training course involved all Agri-Food dedicated staff, both the 15 Specialists and the 260 Managers. In the year, over 3,000 hours of training were provided; the trainers were both specialist Partners, such as the Università Cattolica del Sacro Cuore and Cave Consulting, as well as Customers that are also top players in this sector (Feudi di San Gregorio, UNIPEG, Granarolo, Bellavista, Menz & Gasser) and it included company tours (Prosciuttificio F.lli Galloni).

● *Other enhancement actions*

In order to prove its proximity to its Customers by speaking their language, FriulAdria took part in the Group action that was designed for Vinitaly 2014, in cooperation with CA Grands Crus (a Branch of the Crédit Agricole Group, which has the corporate purpose of developing high-end wineries and owns four wineries in the Bordeaux Region).

At this event, the Group’s skills and expertise on the wine supply chain were appreciated, made it stand out from its competitors and proved very rewarding.

Again with a proximity approach, the Group attended a number of trade fairs with its dedicated Specialists and Experts: Cibus, Cibus Tec, Eima and the International Dairy Cattle Show, as well as other local events.

In 2014, the Group was awarded two important prizes for its operations in the agri-food business: the Italian National Banking Association (ABI) Prize for Innovation in Banking Services and the Prize of Prizes – the Italian National Prize for Innovation.

The agri-food sector was the focus of many local events organized in 2014 by Banca Popolare FriulAdria.

Specifically, Banca Popolare FriulAdria promoted studies and analysis-focused meetings with expert players in North-eastern Italy and some of the most significant ones are: Monitor sulle imprese agroindustriali del Nord Italia (Monitoring on the agri-food businesses in Northern Italy), in cooperation with Community Media Research, as well as its partnerships with renown food and wine events held in its communities of operation, including Ein Prosit 2014 and Cucinare.

After the success of the Orizzonte Vino (Wine Horizon) Project, within the actions started by the Group and based on the relaunch of the specialist services and dedicated credit lines it provides to the supply chain players, Banca Popolare FriulAdria sign¬ed an agreement for the management of the collection of association fees with Consorzio di Tutela del Prosecco Doc, the largest consortium for the protection of one of the best known Italian wines, which has over 11,000 member businesses.

In March, Banca Popolare FriulAdria signed the Memorandum of Understanding with Avepa for the Project “Insieme per l’Agri-coltura” (together for Agriculture): a “streamlined” process for the advance of grants relating to the Common Agricultural Policy, which are channelled through our Bank (certain response times and easy terms).

At the campus of the Oenology School of Conegliano (Treviso), on 25 June 2014, Banca Popolare FriulAdria held a meeting with the Consortia for the protection of the Controlled designation of origin and controlled designation of origin guaranteed wines of the Veneto Region. The objective of this event, which was organi¬zed in cooperation with the Union of the Consortia for the Protection of Controlled Designation of Origin wines of the Veneto Region (Uvive), was to inform the main players in the regional wine sector of the vision, positioning and opportunities supplied by the Bank in this specific sector that, in the Veneto Region only, accounts for, in terms of surplus value, the first agri-food items in the accounts, as well as an important item in terms of exports.

On 31 July 2014, in Fontane di Villorba (Tv), at the Headquarters of A.Pro.La.V. (the Association of Milk Producers of the Veneto Region), the report on the dairy sector was presented, which was prepared by Fondazione Nord Est and promoted by Banca Popolare FriulAdria, in cooperation with Aprolav.

In Castelfranco, on 11 October 2014, Banca Popolare FriulAdria was one of the sponsors of the Festival of Protected Designation of Origin Products of the Veneto Region, in cooperation with the Veneto Regional Government and with Veneto Agricoltura. All the Consortia for the protection of Protected Designation of Origin, Controlled Designation of Origin, Controlled Designation of Origin Guaranteed, Protected Geographical Indication Products and Traditional Specialities Guaranteed attended this event. The Veneto Region has a wide and various range of Protected Designation of Origin and Protected Geographical Indication products, which covers the entire regional territory as a network of top-end products.

In cooperation with the Parent Company, on 5 November, at the Tenute Ugolini in San Pietro in Ca¬riano (Verona), an event was held for in-depth analysis of sector-related topics where the Top Management of the Bank and of the Group met farmers – both Customers and non-Customers – Trade Associations, local Authorities, Universities; moreover, at this event, the Bank’s dedicated range of products and services was presented in two world-famous areas for wine: Amarone and Soave.

At the same time, the Bank undertook research activities; in cooperation with the Regional Governments of the Veneto and Friuli Venezia Giulia Regions, it designed and promoted the “Monitor delle imprese agroindustriali del Nord Italia” (Monitoring on Agri-Food Business Players in Northern Italy), which was carried out by Professor Daniele Marini of the University of Padua on behalf of Community Media Research. The Monitor project was presented at¬ three local events (on 30 May in Treviso, on 14 July in Pordenone and on 4 December on Casier-TV); at such events, the results of the research work carried out were presented and the sector problems and development opportunities were discussed with Regional, National and European Authorities and leading players¬. For businesses in North-eastern Italy, the above events amount also to significant legs on their way to Expo 2015.

■ The Bank’s organization

In line with the governance and development strategies set by the Parent Company, the Bank has strengthened its organizational structure, by implementing and completing two important strategic projects of the Group:

- the streamlining of the Group Model, by reducing the number of hierarchical levels, the merger of small-sized organizational units and the centralisation of control functions at the Parent Company (in compliance with the provisions issued by the Bank of Italy) and of some support/operations functions; this project allowed the business model to be strengthened and optimized, ensuring, on the one hand, that the Subsidiary Banks maintain strong commercial control of their respective areas of operations and, on the other hand, that the Group structures and organizational processes are made more efficient. For Banca Popolare FriulAdria, the centralisation of the above functions entailed the secondment of 42 resources to the Parent Company;
- the reorganization of the Mid-corporate and Large-corporate Channel, with the creation of Geographical Areas and Corporate Banking Markets and with specialized distribution managers that are dedicated to each type of Customers; within Banca Popolare FriulAdria¬, 1 Corporate Banking Geographical Area and 6 Corporate Banking Markets were created.

In the year, the development of the Service Model of the Retail Channel (MoSer), which started in 2013¬, continued with the transformation of other 20 Branches into “Agenzie Per Te” Branches and with the opening of 3 Small Business Centers, ensuring that all activities were carried out as required for communication, training and support to change.

The Network was rationalized by closing 8 structures and by transforming 1 branch into a limited-service branch and of 1 Private Banking Market into a sub-center. As at 31 December 2014, the organizational units within the Distribution Network were a total of 204, of which 191 Retail Branches, 3 Small Business Centers, 6 Corporate Banking Markets, 4 Private Banking Markets.

The workforce

Actions were implemented for the staff enhancement and development and the structured, constructive and open exchange and communication with all the Bank's staff continued¬, by supporting and incentivizing the exchange of ideas and contributions, investing in the improvement of internal communication processes and proactively participating in the Corporate Social Responsibility actions¬, as undertaken at Group level.

In this regard, continuing to implement a yearly action that was successfully started in 2010, in April 8 meetings were held between the General Manager and all the Bank's Employees, in order to promote open and direct communication with all the Staff.

Within the Corporate Social Responsibility actions implemented by the Group, 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 started for the development of corporate welfare, 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 second 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).

The actions for the control and reduction of staff costs continued, which led to positive outcomes in terms of reduction of additional benefits and expenses for mobility. Within this scope, in the light of the agreements signed with the Trade Unions in 2012 and of the applications for the Voluntary Redundancy Fund, in 2014 a significant benefit was obtained for the exit of 88 Employees through the Voluntary Redundancy Fund at the beginning of the year.

As at 31 December 2014, the Bank's Employees on staff were 1,566 (of whom 70 seconded to Cariparma), with an average age of 45 years and 9 months, average seniority in service of 20 years and 1 month and women accounting for 43.4% of total Employees. 99.9% of the Bank's staff consists of employees with a permanent employment contract, 34.4% consists of University graduates and 24.0% of the manager positions is held by women. The portion of staff with a part-time job was 13.9%.

In 2014, net of contracts transferred, 3 Employees were recruited and 108 terminated (of whom 88 through the Voluntary Redundancy Fund).

Training was focused on, with 8,494 days of training provided in 2014 involving 96.7% 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 and finance, in line with the latest development in the applicable legislation and the obligations set down by the Regulators. Moreover, significant investments were made in behavioural training of both the new roles created under the new Retail Service Model MoSer and of the Customers' Assistants.

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.

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 2014, Banca Popolare FriulAdria, as the Parent Company, achieved overall positioning well above the adequacy threshold.

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 Director¬s of each Company and, finally, to the individual General Meetings of Shareholders for final approval

■ 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 report on the financial management activities is submitted to the Board of Directors of Banca Popolare FriulAdria, and, twice a year, in addition to examining it, this Corporate Body is responsible for approving financial management directions.

The objectives regarding the management of interest rate risk, consistently with the past, concerned the hedg¬ing of the Group cumulative exposure. The exposure was kept at very modest levels and the implementation of this policy allowed significant protection of profitability, as substantiated, also for 2014, 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 increase in risk appetite, which entailed continuous reductions in liquidity cost spreads; however, on the domestic market, this cost remained higher than the European average.

The above led to a new issue of Covered Bonds on the market, at the beginning of December, by the Parent Company Cariparma, based on the same pool of loans as a guarantee (to which all the Group Banks contributed) of the self-held security issued in July 2013 after partial buy-back of the previous issue. Since all the Banks of the Group contributed to this pool, the relevant portion of a similar financing line with the same duration and conditions was reserved to Banca Popolare FriulAdria amounting to Euro 73 million and allowing funding to be stabilized at modest costs and with longer maturities (7 years) than those that can usually be obtained from business with Customers.

Another feature of the year is to be reported, i.e. the increase in reserves, which was achieved thanks to the extension of the limit on the LCR portfolio to Government securities, by increasing the BTP Italian Treasury Bonds held. The nominal value of this portfolio came to Euro 790 million, consistently with the new limits set down by Crédit Agricole SA at the French Parent Company level.

At Group level, capital management focused on the measurement of the prospective impacts of regulatory implementations in accordance with Basel III requirements and subsequent directions, taking account of the transition to advanced approaches for Retail Credit Risk for two of the three Banks (Cariparma and Banca Popolare FriulAdria), which took place in 2013, as well as of the uncertainty and implementation times of the new regulatory provisions, including the Single Supervisory Mechanism, in force from 4 November 2014.

● *Codice Italiano Pagamenti Responsabili (CPR) - the Italian Code for Responsible Payments*

In January 2015, the Group signed the Codice Italia¬no 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.

■ 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 over¬all steering, managing and controlling risks at a Group level, triggering operating action plans allowing 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. In 2014, within an organizational re¬structuring action that aimed at rationalizing the Group control structures, the Risk Management Services of the subsidiary Banks were centralized into the Parent Company. Therefore, since July 2014, the Risk Management and Permanent Controls Department (DRCP) has been carrying out the activities for risk management and control for the 3 Banks of the 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 CA 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 appropriately supplemented by operating 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.

While implementing its process for upgrading to the Supervisory regulations, in 2014 the Cariparma Group started also a process for the definition of its Risk Appetite Framework consistently with the guidelines and with the strategic plan of the Parent Company CAsa; such process will be completed in 2015.

This Framework aims at ensuring strict consistency between the business model, the strategic and budget plans, the ICAAP process and the internal controls system, setting the maximum risk that may be taken for the various situations.

The RAF operating structure is based on the global and operational limits set by the Group Risk Strategy; this proces¬s is carried out on a yearly basis.

Moreover, the management of risk is ensured also by dedicated Committees, including:
- the Internal Control Committee that coordinates the control departments (Audit, Compliance, Risk Management and Permanent Control¬s), as well as the internal control system as a whole, in accordance with the procedures implemented by Crédit Agricole at Group level;
- the Operational Risks Committee that approves the guidelines and action plans concerning operational risks (other than Compliance ones), monitors the relevant outcomes and control activities and steers the Business Continuity system for the Group;
- the Credit Risk Committee that carries out analyses and measurements, steers the risk strategy in the management and monitoring of global and operational credit limits;
- the ALM and Financial Risks Committee that is responsible for the monitoring and control of all matters concerning financial risks (market and counterparty risks for liquidity market transactions), interest rate and exchange rate risks;

- the Compliance Management Committee that analyzes the status of the applicable regulations and makes proposals for corrective actions, where needed.

In the first months of 2015, the various Committees dealing with risks will be rationalized by grouping them into a single Risk Management Committee that will ensure integrated control of the various risk profiles.

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 Investment Committee, the Loan Committee and the Loan Monitoring Committee (the latter is not a Group Committee but a single Bank one.

2. RISK MANAGEMENT AND HEDGING CREDIT RISK

The lending process (strategies, decision-making powers, rules for the authorization and management of loans) implemented by the Bank and by the Cariparma Crédit Agricole Group 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 worth-iness in order to mitigate the risk of default;
- prioritizing, in the present economic situation, lending to support the real economy, the productive system and to develop business with 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 prompt¬ly detect any signs of impairment.

The process comprises the following phases:

- definition of risk management criteria;
- identification of the actions to be implemented to correctly apply such criteria;
- identification of the units responsible for carrying out the above activities and the procedures supporting their performance.

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 object¬ives (effectiveness) and its ability to achieve then at consistent costs (efficiency).

The Cariparma Crédit Agricole Group, in its Risk Strategy as updated at the end of the reporting year for 2015, reasserted its priority objective of a controlled growth, which, in the present economic situation, must be focused on less risky Customer segments and aimed at maintaining a balance between funding and lending, as well as at controlling the cost of credit risk.

As regards the implementation of the regulatory requirements set down by the Regulator with the 15th update (Circular No. 263/2006), the Board of Directors of the Parent Company has implemented the new provisions that have been put in practice for the entire Banking Group by the Risk Management and Permanent Controls Department since December.

Also in 2014, 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 problem loans and non-performing loans is subject to specific management processes that entail thorough monitoring by means of a preset control system based on early warnings that allow prompt management of positions at the very earliest warning and inter¬act with the processes and procedures for loans management and control.

The organizational structure, the procedures and tool supporting the system for the management of proble¬m loans ensure prompt triggering of the actions and measures required to restore the position of a performing status, or of recovery actions where the conditions rule out the continuance of the business relation.

With specific reference to the actions implemented for effective mitigation of credit risk, funding and the subsequent management of guarantees were especially focused on¬, with specific reference to the updating of values.

The Bank 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. After the loan authorization and disbursement, the position is assessed on a time basis (fixed deadlines or set frequency) or upon reporting/initiative of dedicated structures (for example, loan monitoring), or subject to a review of the credit facilities, 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 compared to the exposure);
- the concentration limits are complied with and the causes that led to any change in the counterparty's risk profile still exist.

Interest Rate risk and Price Risk of the Banking Book

The measurement, management and control of financial balance (ALM) concern the Banking Book positions, focusing mainly on fixed-rate positions and on base risk. The banking book includes typical positions of banking business 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 the interest rate risk to the CFO, who, through the Financial Management Area 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 and Perma¬nent Controls Department is responsible for an independent control of the interest rate risk management system, by assessing its compliance with the risk measurement model defined with management and regulatory requirements.

Global limits on banking book price risks are defined on the basis of the type of instruments that can be held (Italian, German, and French Government Bonds) and are expressed both with reference to the maximum nominal value that can be held and with reference to the stress test approach on the prices of the relevant assets, setting a system of global limits and alert thresholds in line with the directions of the French Parent Company.

In accordance with the guidelines issued by the Crédit Agricole S.A. Group and with the prudential regulations, the frame¬work system for interest rate risk and price risk of the Banking Book is reviewed normally on a yearly basis within the Group Risk Strategy and is approved by both the Board of Directors of the Banks and by the Group Risks Committee of Crédit Agricole S.A.

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 the liquidity risk to the CFO, who, through the Financial Management Area 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 maintain¬ing the Group 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 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 Resources Stable (PRS) and Coefficient en Resources Stable (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 substantia¬te the Bank's ability to support its assets during a crisis. In 2014, within the Group portfolio of ECB eligible securities, the position of the self-held covered bond was reduced (from Euro 2.3 billion to Euro 1 billion). In December 2014, the Liquidity Reserves held consisted of two internal securitization transactions, one Bank Covered Bond and of an AFS portfolio.

Market risk of the Trading Book

Market risk is generated by the position of the Bank limited to the Trading Book for supervisory purposes. The Bank 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 main market counterparties, in order to mitigate total exposure¬, while 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 and exchange rate risk (companies).

In accordance with the guidelines issued by the Crédit Agricole S.A. Group and with the prudential regulations, the framework system for market risk is reviewed normally on a yearly basis within the Group Risk Strategy and is approved by the Boards of Directors of the Parent Company and of the Bank and by the Group Risks Committee of Crédit Agricole S.A.

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 Basel 3, 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 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 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 provides for the involvement and proactivity of all corporate structures; therefore, within permanent controls and operational risk management, in a perspective of full awareness of the risk problems associate to the various corporate processes, both specific control roles within the corporate departments and mechanisms targeting the previously set objectives are have been implemented:

- 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;
- Person in Charge of IT Systems Security (Italian acronym: RSSI), who is responsible for controlling all aspects concerning IT security, from the relevant policy to risk analysis and action plans;
- Business Continuity Manager (BCM);
- 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/improve¬ment actions, including:
- the Operational Risks Committee, which is described above;
- the interfunction Work Group on the Provision of Essential Services Outsourced (Italian acronym PSEE), having the task of monitoring and mak¬ing decisions on any problems regarding the contracting out of functions that are defined as “essential or important” in accordance with the Supervisory rules;
- the system of remote controls for the Distribution Network, together with the early warning indicators, aim¬ed 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 Area Central Management Departments, the problems detected are analyz¬ed and an action plan for improvement is prepared.

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 in case the services can be defined as “essential¬” pursuant to the Bank of Italy- CONSOB (Italian Securities and Exchange Commission) joint regulation and to the 15th update of Circular No. 263/2006 issued by the Bank of Italy.

3. Internal Control Systemi

The Cariparma Crédit Agricole Group has progressively upgraded its internal control system to the applicable Supervisory provisions (Bank of Italy Circulars No¬. 263/2006 and 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.

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

The controls system consists of the following:
- 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 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 is not authorized to take risks, i.e. staff engaged in Compliance, Risk Management and Permanent Controls¬.
- 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 regulation already implemented, also entails a coverage extension through specific policies that are in force for the Group as a whole.

The Departments 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 a specific Corporate Policy that, after being approved by the BoDs of the Parent Company and of its subsidiaries, sets down its work approaches, scopes of action, any significance thresholds for its verifications, as well as the reporting process and the control of evidence, as well as of the relevant corrective actions.

The Validation Unit, which is provided for by the supervisory regulations, is responsible, among other things, for assessing:
- the development process and the performances of risk measurement systems;
- whether their proper operation is ensured over time;
- whether the systems as defined are actually used within the various management scopes.

The Group Validation Unit is part of the Risk Management and Permanent Controls Department of Cariparma and operates also in cooperation with the relevant Corporate Departments of the French Parent Company Crédit Agricole (CAsa NOP). The independence and objectivity of its assessment are ensured by both its organizational placement reporting directly to the Executive at the Head of the Risk Management and Permanent Controls Department (Italian acronym DRCP), as well as by the auditing actions carried out by the Department in charge of third-level controls.

IRB/Basel II advanced approach

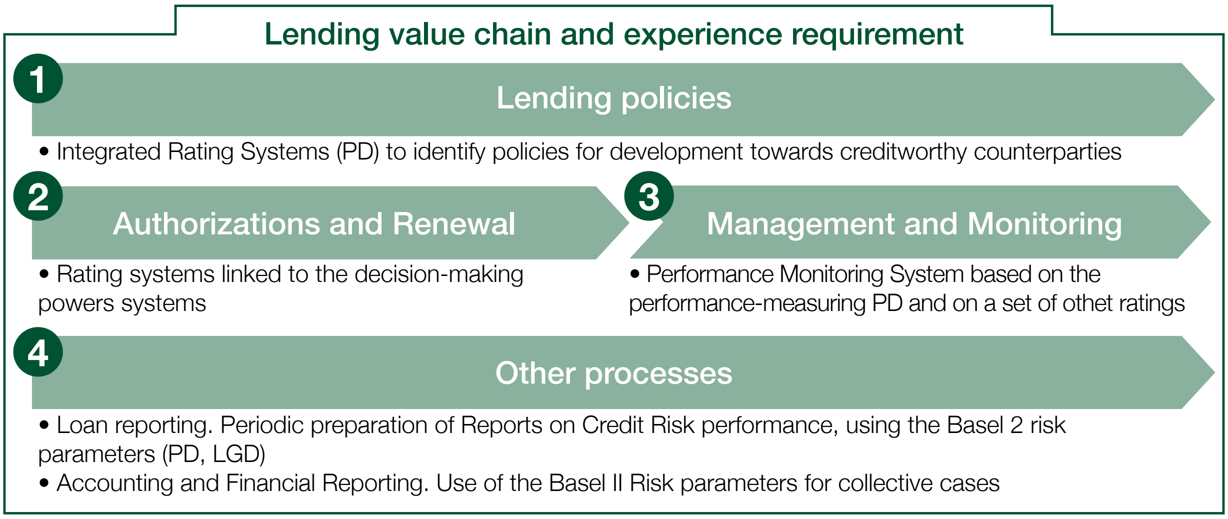
The Cariparma Crédit Agricole Group, to quantify the credit risk capital requirement, has been using (since December 2013) an Internal Rating Based – Advanced approach for Cariparma and Banca Popolare FriulAdria, for “Retail Loan Exposures” (the so-called “Retail portfolio”) in accordance with PD and LGD models”.

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 is assessing the 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 entities in the Cariparma Crédit Agricole Group (that is to say, Cariparma S.p.A., FriulAdria S.p.A., Carispezia S.p.A. and Crédit Agricole Leasing Italia S.r.l.).

The rating systems are used within the main phases in the lending value chain. With specific reference to loan disbursement 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 II metrics to determine the amount of the provision (PD and LGD), as well as to identify sensitive loans subject to write-down;



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.

■ Outlook

(Sources: Prometeia – Local Economic Scenarios)

● *General aspects*

MACROECONOMIC AND BANKING OUTLOOK FOR 2015

Based on the latest estimates1, the gross world product (GWP) is expected to increase by 3.2% YOY in 2015. The United States will be the global growth engine, with an expected increase in the GDP of 3.3% YOY. Japan is expected to grow at more modest rate (GDP up by +1% YOY), whereas the economies of emerging Countries are expected to perform unevenly: specifically¬, China will continue to grow at a good pace (GDP up by +7% YOY), even though slower than in 2014, whereas Russia will still be affected by the present geopolitical tensions.

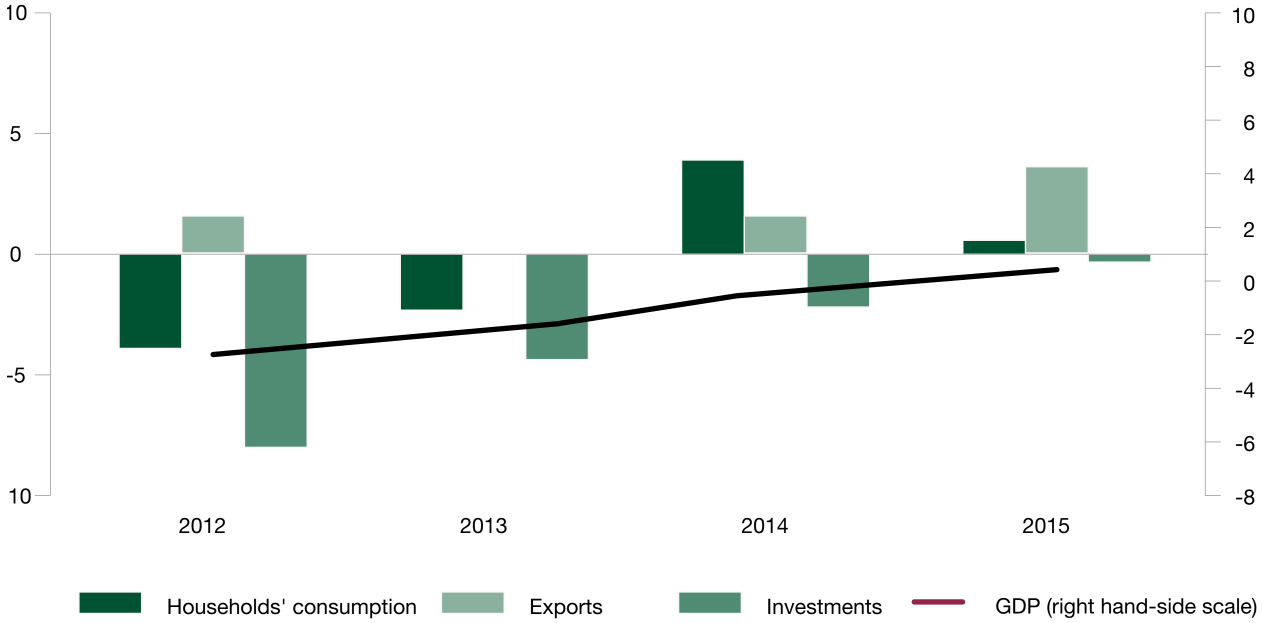
In the Euro Area, recovery is expected to remain modest in 2015, with the GDP expected to increase by approximately 1.2% YOY vs. 0.8% in 2014. Growth will be mainly driven by domestic demand, which in turn is supported by the low prices of energy products that decreased in line with the slump in oil prices. Also for next year, the high unemployment rate and the risk of deflation will affect the rate of growth of the European economy, combined with external factors, such as the developments in the Russia-Ukraine geopolitical tensions and the uncertain situation of Greece.

In this scenario, the ECB will continue to implement expansionary policies, with further unconventional measures aimed at supporting the recovery of the real economy: indeed, in January 2015, a Quantitative Easing Programme was announced¬; it will concern sovereign debt securities, for Euro 60 billion a month worth of purchased securities, starting from March 2015 up to September 2016.

As for Europe, also for Italy the positive results of the Euro depreciation, of the decrease in oil prices and of the expansionary monetary policy will support the economic recovery, combined with the expansionary effects of internal factors, such as less restrictive tax and lending policies. In 2015, the Italian gross domestic product is expected to increase by 0.7% YOY, once again driven by the good performance of exports (up by +4.9% YOY), by gradual recovery in consumptions (up by +1.1%) and by a first increase in productive investments (up by +0.4% YOY), which are expected to grow at a higher rate starting from 2016. Building investments are also expected to return to grow, but not earlier than from 2016.

Employment recovery is expected to remain modest also in 2015 and the unemployment rate to remain at 12.8%, unchanged from its average for 2014. After decreasing to 0.2% in 2014, inflation is expected to return to grow in 2015, however remaining below 2%.

Italy: GDP components (%, YOY)[1]



In a still complex macroeconomic situation, the banking business is expected to grow at still modest rates. Overall¬, bank funding will continue to decrease in the next two years (down by -3.8% YOY in 2015, and by -1.8% YOY in 20164), because of the strong decrease in the bond component. Indeed, the liquidity obtained from the ECB will allow the repayment of maturing securities and part of the remaining LTRO funds, fostering the funding recomposition towards less expensive components and creating new room for growth for the placement of asset management and insurance products.

Along with the slow improvement in the economic situation, lending to the private sector is expected to return to grow in 2015 (up by +2.0% YOY4), both thanks to the improvement in demand by households and businesses, and to the boosting in the supply of loans generated by the ECB funding opportunities.

In income terms, the net interest income is expected to perform well also in 2015, driven by loans returning to grow, even though at a modest rate, as well as by the above reported replacement of the most onerous components of funding. Also in 2015, the most significant contribution to the development in revenues will be generated by the good performance of net commission income (up by +6.0% YOY4), especially in the asset management business line.

The high risk of credit will remain the biggest obstacle to a significant recovery in income from the traditional banking business. The inflows to bad debt status, especially for mid-corporate positions, will remain high, even though slowly decreasing and value adjustments of loans is expected to be significant also in 2015.

n this scenario, where net income from the traditional banking business will prove difficult to expand, actions for the rationalization of the physical structure and of operating costs will be important: also in 2015, operating expenses will decrease as planned (down by -1,6% YOY4), fostering progressive improvement in the cost/income ratio.

Overall, Italian banks are expected to generate profits in 2015, with improv¬ed return on capital (1.9%4), even though well below the pre-crisis figures.

(1) Source: Prometeia Forecast Report January 2015;

(4) Source: Prometeia Updated Banking Sector Forecast - February 2015.

North-eastern Italy

In accordance with the latest estimates, the GDP in North-eastern Italy is expected to post a slight growth increasing by +0.8% YOY in 2015, also thanks to the progressive recovery in the international situation. The above improvement will be driven by the ongoing growth in exports (up by +3.7% YOY) and by the recovery in consumption (up y +0.9% YOY), which will be fostered by the increase in households' spending power¬, while investments are expected to be essentially stable (up by +0.1% YOY). As regards the labour market, for 2015 the unemployment rate is expected to decrease slightly, from 7.7% in 2014 to 7.5% in 2015.

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 2014.

RESEARCH AND DEVELOPMENT

No research and development activities were performed in the period.

RISKS AND UNCERTAINTIES

The policies for the monitoring, management and control of risks, whether operational risks, credit risks and market risks, in the many instances provided for by the primary and secondary legislation and regulations that apply to the Bank as a lender subject to regulatory supervision, remain key and priority pillars based of which the Banks will have to pit their strength, both against one another and against domestic and international markets that are proving increasingly unpredictable and uncertain¬, as well as highly volatile.

Reference is made to other sections of the Note to the Financial Statements for exhaustive reporting on the risks and uncertainties which the Bank is exposed to and on the techniques implemented for their mitigation, in accordance with the legislation provisions, also of the Italian Civil Code at Article 2428, as well as of Bank of Italy Circulars No. 285/2013 and 263/2006 (as updated¬). In this regard, it cannot but be emphasized again, briefly, what was reported in the previous periods, that is to say, the constant focus that, for quite a few years now, the Bank 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.

The Bank's governance bodies are fully aware, now more than ever, that sustainable development and growth absolutely require 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 a precious resource for development and growth, that is to say, savings (and, with them, Customers' confidence) on the one hand, and loans (healthy and drivers of growth) on the other.

Also in compliance with the legislation provisions (specific for the sector the Bank belongs to, as well as of the civil and financial laws), 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 the risks and uncertainties which financial players are exposed to, 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 Service activities directly or indirectly supporting the business. In order to pursue economies of scale for the Group as a whole, Cariparma has identified Banca Popolare FriulAdria as the Company able to carry out certain support/service activities for the Group.

The relations and transactions with the Parent Company, 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.

During 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 minority Shareholders.

Proposal to the Shareholders’ General Meeting

Dear Shareholders,

The Annual Report and Financial Statements for the period from 1 January to 31 December 2014, 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¬, as well as of the annexes, and are accompanied by the Management Report.

The proposal for the allocation of the net profit amounting to Euro 32,380,106 is as follows:

to the provision for charity and support of social and cultural projects	800,000
to the shareholders in the amount of Euro 1.18 for each of the 24,137,857 ordinary shares	28,482,671
to extraordinary reserve	3,097,435

With this allocation of the profit for the period, the Company’s equity, including the income components taken in the period to Valuation Reserves, in compliance with the IAS/ IFRS, would be as follows:

Share capital	120,689,285
Share premium reserve	471,757,296
Ordinary reserve	24,137,857
Extraordinary reserve	49,534,406
Valuation Reserves	1,529,749
Reserve pursuant to Legislative Decree 124/83	19,849
Other reserves	10,850,505
Total capital and reserves	**678,518,948**

Pordenone, Italy, 12 March 2015

The Chairwoman of the Board of Directors

Chiara Mio

Financial Statements

BALANCE SHEETS

Assets		31.12.2014	31.12.2013
10.	Cash and cash equivalents	51,078,448	64,219,457
20.	Financial assets held for trading	28,601,488	33,479,610
30.	Financial assets carried at fair value	-	-
40.	Financial assets available for sale	996,104,762	807,370,403
50.	Financial assets held to maturity	-	-
60.	Loans to banks	341,412,932	215,023,785
70.	Loans to customers	6,380,612,262	6,325,422,210
80.	Hedging derivatives	159,865,933	103,345,927
90.	Value adjustment of financial assets subject to macro hedging (+/-)	2,511,842	533,005
100.	Equity investments	5,000,000	5,350,000
110.	Property, plant and equipment	61,228,851	61,704,304
120.	Intangible assets	126,743,130	128,955,776
	of which: goodwill	106,075,104	106,075,104
130.	Tax assets	128,074,267	130,376,126
	(a) current	46,811,477	48,625,398
	(b) deferred	81,262,790	81,750,728
	b1) of which: Law 214/2011	69,472,443	62,377,021
140.	Non-current assets or groups of assets being divested	-	-
150.	Other Assets	90,445,493	100,666,501
Total assets		**8,371,679,408**	**7,976,447,104**

Liabilities and shareholders' equity		31.12.2014	31.12.2013
10.	Due to banks	928,472,950	843,679,070
20.	Due to customers	4,652,484,918	4,162,562,072
30.	Securities issued	1,422,453,919	1,829,354,646
40.	Financial liabilities held for trading	11,300,317	14,559,899
50.	Financial liabilities carried at fair value	-	-
60.	Hedging derivatives	139,890,539	60,129,749
70.	Value Adjustment of financial liabilities to macro Hedging	126,478,313	62,439,277
80.	Tax liabilities	40,327,855	36,642,046
	a) current	27,655,543	29,593,364
	b) deferred	12,672,312	7,048,682
90.	Liabilities in respect of assets being divested	-	-
100.	Other liabilities	293,106,125	214,263,654
110.	Employee severance benefits	24,890,432	22,231,647
120.	Provisions for liabilities and contingencies	24,472,421	36,364,970
	a) retirement and similar liabilities	-	-
	b) other provisions	24,472,421	36,364,970
130.	Valuation reserves	1,529,749	-4,850,926
140.	Redeemable shares	-	-
150.	Equity instruments	-	-
160.	Reserves	81,445,183	78,120,722
170.	Share premium reserve	471,757,296	471,757,296
180.	Share capital	120,689,285	120,689,285
190.	Treasury shares (-)	-	-
200.	Net profit (Loss) fot the period (+/-)	32,380,106	28,503,697
Total liabilities and shareholders' equity		**8,371,679,408**	**7,976,447,104**

INCOME STATEMENT

Items		31.12.2014	31.12.2013
10.	Interest income and similar revenues	230,313,739	240,136,924
20.	Interest expense and similar charges	(67,411,729)	(79,703,973)
30.	Net interest income	162,902,010	160,432,951
40.	Commission income	126,666,564	115,101,646
50.	Commission expense	(3,646,227)	(3,832,374)
60.	**Net commission income**	**123,020,337**	**111,269,272**
70.	Dividends and similar revenues	141,853	142,112
80.	Net gain (loss) on trading activities	1,855,156	2,551,912
90.	Net gain (loss) on hedging activities	(219,859)	2,109,516
100.	Gain (loss) on disposal or repurchase of:	6,976,487	15,335,401
	a) loans	-	-
	b) financial assets available for sale	7,508,313	15,024,355
	c) financial assets held to maturity	-	-
	d) financial liabilities	(531,826)	311,046
110.	Net gain (loss) on financial assets and liabilities carried at fair value	-	-
120.	**Gross income**	**294,675,984**	**291,841,164**
130.	Net impairment adjustments of:	(65,684,676)	(54,218,702)
	a) loans	(63,654,162)	(52,273,109)
	b) financial assets available for sale	(130,970)	(371,389)
	c) financial assets held to maturity	-	-
	d) other financial transactions	(1,899,544)	(1,574,204)
140.	**Profit (loss) from financial operations**	**228,991,308**	**237,622,462**
150.	Administrative expenses:	(216,239,271)	(218,559,301)
	a) staff expenses	(103,550,298)	(109,981,823)
	b) other administrative expenses	(112,688,973)	(108,577,478)
160.	Net provisions for liabilities and contingencies	(4,081,385)	(2,567,221)
170.	Net adjustments/writebacks of property, plant and equipment	(4,967,044)	(4,856,994)
180.	Net adjustments/writebacks of intangible assets	(2,212,646)	(2,215,070)
190.	Other operating revenues (expenses)	48,611,791	44,419,358
200.	**Operating expenses**	**(178,888,555)**	**(183,779,228)**
210.	Gain (loss) on equity investments	233,047	-
220.	Gains (losses) from property, plant and equipment and intangible assets measured at fair value	-	-
230.	Value adjustments of goodwill	-	-
240.	Gain (loss) on disposal of investments	-	14,478
250.	**Gain (loss) before tax on continuing operations**	**50,335,800**	**53,857,712**
260.	Income tax for the period on continuing operations	(17,955,694)	(25,354,015)
270.	**Profit (loss) after tax on continuing operations**	**32,380,106**	**28,503,697**
280.	**Profit (loss) after tax of groups of assets/liabilities under disposal**	**-**	**-**
290.	**Net profit (loss) for the period**	**32,380,106**	**28,503,697**

STATEMENT OF COMPREHENSIVE INCOME

Items		31.12.2014	31.12.2013
10.	**Profit (loss) for the period**	**32,380,106**	**28,503,697**
	Other income after tax		
20.	Property, plant and equipment	-	-
30.	Intangible assets	-	-
40.	Piani a benefici definiti	(1,997,533)	954,633
50.	Disposal groups	-	-
60.	Share of Valutation Reserves on equity investments accounted for using the equity method	-	-
	Other income after tax with reversal to income statemet		
70.	Copertura di investimenti esteri	-	-
80.	Exchange rate differences	-	-
90.	Cash flow hedges	-	-
100.	Financial assets available for sale	8,378,208	11,156,225
110.	Disposal groups	-	-
120.	Share of Valutation Reserves on equity investments accounted for using the equity method	-	-
130.	**Total other income components after tax**	**6,380,675**	**12,110,858**
140.	**Comprensive income (Voce 10+130)**	**38,760,781**	**40,614,555**

STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2014

	Share capital: ordinary shares	Share premium reserve	Reserves:: income	Reserves:: other	Valuation reserves	Net profit (loss) for the period	Equity
EQUITY 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 NET PROFIT FOR PREVIOUS PERIOD							
Reserves	-	-	3,324,461	-	-	-3,324,461	-
Dividends and ather allocation	-	-	-	-	-	-25,179,236	-25,179,236
CHANGES FOR THE PERIOD							
Change in reserves	-	-	-	-	-	-	-
Equity transactions							-
New issues	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-
Extraordinary distribution of dividends	-	-	-	-	-	-	-
Changes in equity instruments	-	-	-	-	-	-	-
Shares and rights on shares of the Parent Company granted to employees and directors	-	-	-	-	-	-	-
Comprehensive income	-	-	-	-	6,380,675	32,380,106	38,760,781
EQUITY 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 CHANGES IN EQUITY AS AT 31 DECEMBER 2013

	Share capital: ordinary shares	Share premium reserve	Reserves:: income	Reserves:: other	Valuation reserves	Net profit (loss) for the period	Equity
EQUITY AT 31.12.2012	**120,689,285**	**471,757,296**	**77,415,179**	**531,227**	**-16,961,784**	**18,948,475**	**672,379,678**
ALLOCATION OF NET PROFIT FOR PREVIOUS PERIOD							
Reserves	-	-	45,082	-	-	-45,082	-
Dividends and ather allocation	-	-	-	-	-	-18,903,393	-18,903,393
CHANGES FOR THE PERIOD							
Change in reserves	-	-	-	-	-	-	-
Equity transactions	-	-	-	-	-	-	-
New issues	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-
Extraordinary distribution of dividends	-	-	-	-	-	-	-
Changes in equity instruments	-	-	-	-	-	-	-
Shares and rights on shares of the Parent Company granted to employees and directors	-	-	-	129,234	-	-	129,234
Comprehensive income	-	-	-	-	12,110,858	28,503,697	40,614,555
EQUITY AT 31.12.2013	**120,689,285**	**471,757,296**	**77,460,261**	**660,461**	**-4,850,926**	**28,503,697**	**694,220,074**

STATEMENT OF CASH FLOWS AT 31 DECEMBER 2014

Items	31.12.2014	31.12.2013
A. OPERATING ACTIVITIES		
1. Operations	**206,808,248**	**145,212,689**
- net profit (loss) for the period (+/-)	32,380,106	28,503,697
- gains (losses) on financial assets held for trading and on financial assets/liabilities carried at fair value (-/+)	-1,336,206	-3,116,929
- gains (losses) on hedging activities (-/+)	2,576,952	-456,063
- net impairment adjustments (+/-)	62,381,948	52,994,428
- net adjustments of property, plant and equipment and intangible assets (+/-)	7,179,690	7,072,064
- net provisions for liabilities and contingencies and other costs/revenues (+/-)	4,081,385	2,567,221
- unpaid taxes and duties (+)	17,955,694	25,354,015
- net adjustements/writebacks of discontinuing operations net of tax effects (-/+)	-	-
- other adjustments (+/-)	81,588,679	32,294,256
2. Liquidity generated/absorbed by financial assets	**-415,179,432**	**531,324,787**
- financial assets held for trading	6,229,243	12,266,169
- financial assets carried at fair value	-	-
- financial assets available for sale	-145,788,204	55,733,118
- loans to banks: on demand	-159,035,741	40,292,000
- loans to banks: other loans	32,646,594	315,057,756
- loans to customers	-116,761,025	65,356,890
- other assets	-32,470,299	42,618,854
3. Liquidity generated/absorbed by financial liabilities	**224,195,137**	**-648,304,390**
- due to banks: on demand	-181,794,051	-21,550,882
- due to banks: other payables	266,587,931	-562,955,844
- due to customers	489,922,846	228,862,876
- securities issued	-412,665,439	-123,135,251
- financial liabilities held for trading	-3,259,716	-9,042,217
- financial liabilities carried at fair value	-	-
- other liabilities	65,403,566	-160,483,072
Net liquidity generated/absorbed by operating activities	**15,823,953**	**28,233,086**
B. INVESTMENT ACTIVITIES		**0**
1. Liquidity generated by	**724,900**	**157,612**
- sale of equity investments	583,047	-
- dividends from equity investments	141,853	142,112
- sale of financial assets held to maturity	-	-
- sales of property, plant and equipment	0	15,500
- sale of intangible assets	-	-
- disposal of business units	-	-
2. Liquidity absorbed by	**-4,510,626**	**-2,499,925**
- purchase of equity investments	-	0
- purchases of financial assets held to maturity	-	-
- purchases of property, plant and equipment	-4,510,626	-2,499,925
- purchases of intangible assets	0	0
- acquisition of assets through transfer transactions	-	-
Net liquidity generated/absorbed by investing activities	**-3,785,726**	**-2,342,313**
C. FUNDING		**0**
- issues/purchases of treasury shares	-	-
- issues/purchases of capital instruments	-	-
- dividend distribution and other	-25,179,236	-18,903,393
Net liquidity generated/absorbed by funding	**-25,179,236**	**-18,903,393**
NET LIQUIDITY GENERATED/ABSORBED DURING THE PERIOD	**-13,141,009**	**6,987,380**

RECONCILIATION

Financial Statement items	31.12.2014	31.12.2013
Cash and cash equivalents at beginning of period	64,219,457	57,232,077
Total net liquidity generated/absorbed during the period	-13,141,009	6,987,380
Cash and cash equivalents at end of period	**51,078,448**	**64,219,457**

(*) KEY: (+) generated (–) absorbed

Banca Popolare FriulAdria S.p.A.
Joint – stock company – Registered office: Piazza XX Settembre, 2 - 33170
Pordenone, Italy, Phone: +390434,233111
Share Capital: €120,689,285.00 fully
paid-up Entered in the Business Register of Pordenone, Italy Tax ID and VAT registration no.01369030935 –
Member of the Interbank Deposit Protection Fund and of National Guaranty Fund
Registered in the Register of Banks at no. 5391
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